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The Strategy for Growth

Trade with the E. E. C.

Avoiding Details for Taking Decisions

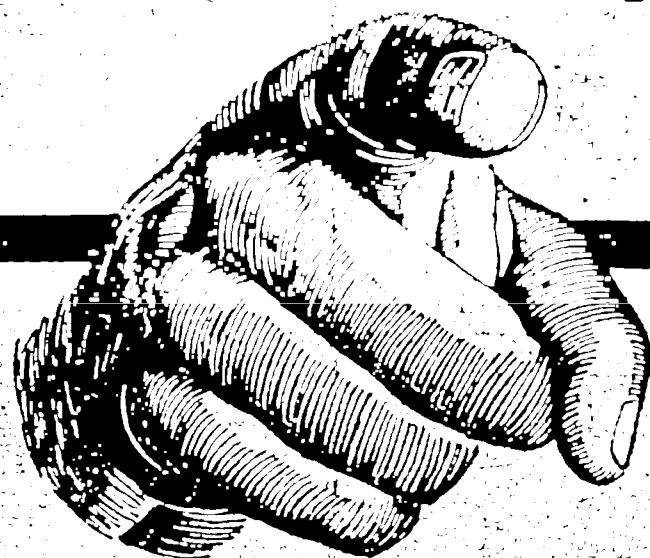
Pakistan in Peril

Banks and the Small Man

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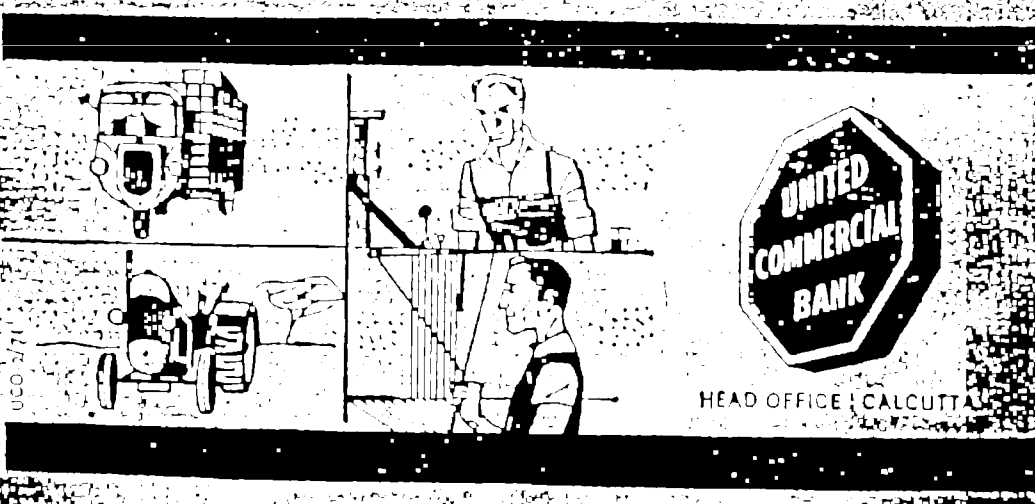
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The Strategy for Growth

SINCE Mrs. Indira Gandhi received the massive mandate from the electorate for a peaceful change in the picture of poverty, speculation is rife about how it is going to be brought about. The Prime Minister will certainly unfold her strategy during the next three months. But the developments during the last few days have thrown into bold relief the state of the nation's economic health, the problems her Government has to grapple with, and her thinking about how they can be tackled. Although the President has claimed in his address to Parliament that the economic growth in 1969-70 was almost at the planned rate and is likely to be repeated in the following fiscal year, the facts suggest the opposite. The official guesswork about a 5-per cent growth in real terms during the first year of the Fourth Plan is off the mark by at least 1 per cent since industrial output during that year grew by 7.2 per cent only and the price stability was punctured.

Nobody has claimed that agricultural production would rise in the current fiscal year by more than 3 per cent. At the same time, industrial production has been rising at an annual average rate of 4.4 per cent only. There are two other pointers. The Chief Commissioner of Labour has claimed that labour relations have worsened and the mandays lost in 1970 were at a record level of over 19 million. The Central Railway Minister, Mr. K. Hanumanthaiya, expects a fall of 4.3 million tonnes in goods traffic in 1970-71 in contrast to an anticipated increase of 10.1 million tonnes. Can arithmetics be used to produce a 5-per cent growth? True, the wholesale price index would report only a modest rise of 3.4 per cent in the current fiscal year, thanks to a fall of 6.5 per cent in the food index. But the fact remains that the pace of the price rise has been arrested by "the Gov-

ernment's declared policy not to permit a rise in prices of items of common consumption." How long the Government can squeeze industry by ensuring uneconomic production is a point which cannot be ignored for long.

Since the Government is in a commanding position, its strength is a decisive factor. Its resources have been strained by a fall in the surpluses of public-sector undertakings and the substantial increase in non-development expenditure on account of interim relief to employees, the maintenance of law and order and the mid-term elections. The railways' operating ratio expected to fall from 83 in 1969-70 to 80.9 according to the Budget will actually rise to 84.3 and is expected to reach 84.8 in 1971-72. Their net revenue has shrunk from 7.3 per cent of their capital investment in 1951-52 to 4.3 per cent in 1970-71 and the fall has increased their indebtedness to the Centre by Rs. 153.60 crores. This is true, more or less, not only about public-sector undertakings but also of the private sector. If the Centre's deficit was only Rs. 40 crores in 1969-70 and Rs. 250 crores in the current fiscal year, it is only because the actual outlay on Central and centrally-sponsored schemes was short of the budgeted outlay by Rs. 240 crores and Rs. 165 crores in the respective years. Significantly enough, the shortfall is not attributable to the pulls of the Central Finance Ministry but to the inability of the Ministries to use the allocation.

Finally, there remains the vexed problem of bank credit. The transfer of budgetary commitments in respect of credit for food procurement, etcetera, to the banks and the emphasis for credit to the neglected sectors have left hardly any lendable resources for stepping up credit to the organised sector of industries. It is

also to be wondered whether the industrial growth can be financed with inadequate bank borrowings at 11 per cent and over, long-term loans at 9 per cent, and investment in equity at no more than 8.5 per cent. That the Fourth Plan has run into difficulties is now an acknowledged fact. The Planning Commission is, therefore, to be reorganised, a mid-term appraisal of the Plan performance is to be undertaken and adjustments in the Plan have been promised. Although the Commission, with Professor D. R. Gadgil as Deputy Chairman, had absolved itself of the responsibility for implementing the Plan, it is to be hanged for the failure. Its successor will be held responsible for implementation so that the Government is assured of the escape route for future failures.

The President's address to Parliament incorporates all the good intentions for rescuing the economy from morass and repeats measures already tried for economic and social transformation. The question is whether these will be refined and then translated into practice. The task forces are to be appointed, for instance, to remove obstacles for speeding the implementation of investment programmes in both the sectors; but the rejection of the finding of the Bureau of Industrial Costs and Production on cloth prices prompts caution about their utility. Among other measures, promises have been held out of extending new technology, consulting leaders of trade unions and management in order to build sound industrial relations, effecting changes in the structure and administrative apparatus and building a well-equipped managerial cadre for the two sectors. Is it to be believed that political considerations will be subordinated to economic necessities while introducing the reforms? If past experience is any guide, the essay on improvement is only of academic interest.

Another set of assurances given by the President on behalf of his Government covers the crash programme linked with rising agricultural productivity, rural electrification and housing on the one hand and the clearance of slums and development of urban areas on the other. Wherefrom the resources will be found and what will be their impact on national savings, productive investment, prices and costs remains anybody's guess. There remain three areas in which the Government's action may be looked

forward. First, it has reiterated its "unqualified" determination to root out lawlessness and to eliminate the "politics" of murder and assault. Should it succeed in transmitting this determination to reality, conditions will at least be created for the people to work peacefully if they get the opportunities. Secondly, the privy purses and the princely privileges will be abolished. This is of an academic interest since the change would make no difference to the economy. Finally, it is proposed to impose a ceiling on urban property. What will be its impact on the housing problem and to what extent the slack will be made good by the Government with the aid of the Housing and Urban Development Finance Corporation remains to be seen.

All that is clear is that in the past economic growth was brought under the wings of the Government and for the people became the care

of the welfare State. In coming years, the shelter will also be looked after by the State. Is the general economic outlook hopeful as suggested by the President? One doubts. To promise that larger imports will be arranged for commodities in short supply is to presume that the country's foreign exchange resources are limitless. To expect that the chronic steel shortage will be covered by imports is to beg the question. However, the actual decisions to be put into practice by the Government will have to be postponed before it is possible to know whether the economy will hold its own or go down further. Meanwhile, the President has bluntly warned that the new census will be a grave reminder that the family planning programme has to be pushed forward more vigorously. Will this much at least be done efficiently and effectively without distinguishing between castes, creeds and religions? The answer is not easy.

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Trade with the E.E.C.
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THE much-talked-about generalised preferences scheme in favour of the developing countries is at last within sight. A few days ago, the Council of Ministers of the European Economic Community decided in Brussels that the E.E.C. member-nations should implement the scheme from 1st July. Since the power to take decision on tariff matters has been given to the Council of Ministers in Brussels, the Council's decision is as good as individual decision by the member-countries. Thus, in the developed world, the European Economic Community will be the first to introduce the scheme over which a bitter battle was fought three years ago at the second U.N.C.T.A.D. meeting in New Delhi. By fixing 1st July as the target date, the E.E.C. will also be implementing the scheme within the time limit stipulated by the U.N.C.T.A.D. Special Committee on Preferences. Last October, when the Committee gave final shape to the individual systems of preferences, it had suggested that the preferential arrangements should be implemented "as early as possible in 1971."

The Community's decision is significant for India from two points of view. First, India has a large trade deficit with the E.E.C. as a whole. The deficit was over Rs. 120 crores in 1968-69, although it declined to

about Rs. 70 crores in 1969-70. This was not because of increased exports but considerable reduction in imports from the E.E.C. Duty-free entry into the E.E.C. market for India's industrial products and reduction in tariff on agricultural produce should help this country to bridge the trade deficit. Secondly, unlike in the case of Britain and the U.S.A., there are no political irritants in the relations between India and the E.E.C. Rhodesia, South Africa and Vietnam occasionally affect India's relations with the U.S.A. and Britain. Politically, India's relations with the six members of the Community—Belgium, France, West Germany, Luxembourg, Italy and the Netherlands—are good and this should also help in improving trade relations.

Although estimates vary, the introduction of the generalised preferences system is expected to generate additional trade worth about \$1 billion (about Rs. 750 crores) in Europe alone. It could possibly be more, because even now the E.E.C.'s total imports amount to about \$75 billion a year. India's exports to the E.E.C. were in the region of Rs. 100 crores in 1968-69 and 1969-70. If India can get even 10 per cent of the additional trade which is likely to be generated in the E.E.C. countries, it would mean Rs. 75 crores worth of

additional exports for the country in the next few years. Whether India should take advantage of this new opportunity for trade expansion or be left out of the race is the question the policy-makers in New Delhi should give serious attention to in the coming months. The duty-free access to industrial products and tariff reduction for agricultural produce is available to all developing countries, which will all have to compete with each other. Unless production costs are reduced and the quality improved, developing nations' share in the expected expansion in world trade will not amount to much. India, whose development is slightly ahead of other developing nations, has a good chance of increasing her share in world exports, but for some domestic constraints. These constraints can be grouped broadly into two categories: lack of adequate production due to the non-availability of raw materials like steel, and the Government's policy towards export-oriented production, including its attitude to foreign private capital investment.

To take the latter first. With the introduction of the generalised system of preferences, the developed countries themselves will be interested in establishing production facilities in the developing nations. This is because of two reasons. First, labour is comparatively cheap in the developing countries. Secondly, by setting up joint enterprises in developing countries, the advanced nations also benefit because the products from such joint ventures (since they originate from a developing country) can be exported to all developed nations either on a duty-free basis or with reduced tariff.

If the developed nations invest in developing countries with an eye on re-export, then there will be competition to attract such investment. Here is where India might suffer because compared with other developing countries like Mexico, Brazil, South Korea and Taiwan, the Government of India's policy on foreign private capital investment is not as generous as that of the former. So, unless India can match the attractions offered by other developing countries, foreign private capital investment (intended mainly to take advantage of the expansion in world trade) might go elsewhere. If the Government is not much worried about foreign private capital investment, the other alternative is to ex-

pand domestic production for exports. Here again, the Government's present policy towards large industrial enterprises might stand in the way. There can be no objection at all to encouraging the small-scale sector. But once the E.E.C. removes or reduces duty, others will capture the market, if India is not quick enough to move in. The Government will, therefore, have to consider the steps needed to expand production for exports.

The availability of raw materials is another problem to which the Government has to give immediate attention. Engineering goods constitute one group for which there are good prospects in the E.E.C. market.

The Wheat Price Controversy

IT is doubtful whether the States will accept the recommendation of the Agricultural Prices Commission that wheat prices be lowered by Rs. 2 to Rs. 6 a quintal for the different varieties. A similar recommendation was rejected last year. It will be more vehemently denounced this year since for several months now the States have been clamouring for higher prices. The wheat producing States, particularly Punjab which contributes two-thirds of the wheat to the Central pool, feel that prices should be increased in proportion to the general price increase in the last three years during which period wheat prices were pegged at the same level.

The Commission's plea is that if the procurement and issue prices are kept at the current year's level, it would mean a subsidy of about Rs. 35 crores which is not justified by the stabilised food situation and the generally inflationary trends in the economy. The Commission also feels that this being the fourth successive year of a good crop, wheat prices would crash but for the prop of procurement prices. How far would it be justifiable to keep them pegged at artificially high levels? The incentive to the grower should come by creating avenues of increasing production and not from irrational price supports.

At the back of the Commission's mind seems to be the need to correct the crop imbalances created by the "green revolution". Food must come first but what about other crops? Experience of the last few years has

shown that the "green revolution" has not been quite successful in arresting the price rise since other agricultural commodities which feed industry were in short supply. The "green revolution" enriched farmers and others and created a demand for consumer goods which could not be met because of the slow growth of industry. Shortages of edible oils and pulses also highlighted the imbalance.

The Commission evidently feels that the wheat revolution has reached a point where it will move forward of its own momentum. Besides, an acre yield in wheat is so high that marginal decreases in prices would not reduce the tempo of wheat production. The price check may, at the same time, serve as a gentle reminder to the farmer that it is time for him to start thinking of other crops too, particularly cash commodities, oilseeds and pulses. The urgency of developing along these lines was also indicated in the President's address to Parliament as well as in Mr. Chavan's Budget speech.

Technically, what the Commission says is unexceptionable. But will that cut much ice with the Chief Ministers of the producing States? Last year the Punjab Chief Minister and Finance Minister got so worked up over the Commission's recommendation that they demanded that they be paid in foreign exchange for the food they supplied to the Centre since it resulted in direct saving of so much exchange to the nation. Punjab—the main supplier of the nation's wheat—seems to

be sitting on a volcano. It is nursing numerous grievances against the Centre, some real and others imaginary. Apart from its perpetual grouse that the Centre has not been fair in demarcating its boundaries, the State feels, and justifiably perhaps, that it has had virtually no share of the Centre's vast investments in industry. In power too, it has had a raw deal and is now on the verge of an officially sponsored agitation for more electricity.

Since Punjab is primarily concerned, any attempt to implement the Commission's decision would immediately become a subject of a big agitation in the State. The Prime Minister, Mrs. Indira Gandhi, would lose much of her recently won popularity in the State where farmers dominate and other sections count for little. The Commission has raised the target of wheat procurement from 3.6 million tonnes last year to 4 million tonnes. Punjab's target may go up from 2.4 million tonnes to 2.7 million tonnes. It is true that the State will have no option but to sell its wheat to the Centre at whatever price it buys. After all, wheat is now in a buyers' market. But the political price the Centre will have to pay for any saving in money may be too high.

The Commission's recommendations are understandably based on the technical aspects of the economy. It takes the country as one economic unit and considers the impact of various factors on prices and production. It also examines the demands for various raw materials and tries to meet them. What the Commission tends to ignore each time is that agriculture is largely a State subject and each State treats itself as a separate unit in planning its agricultural produce. Each State, for instance, wants to be self-sufficient in food. This desire has been forced upon the deficit States by the bitter humiliation they have suffered at the hands of the surplus States in the years of scarcity during the last two decades. Also, each State wants to get the maximum money from its surpluses exported to other States. Furthermore, every State has a stake in regulating the movement of foodgrains even within its districts. It also has the final word in the manner of procurement from producers.

Such an attitude of the States cannot be described as entirely unpatriotic. In a large multi-national society like India's, and under a federal Constitution, the responsibility for economic development rests as much on the States as on the Centre. In fact, centralised planning has seldom been

successful in India to remove regional imbalances. The highly industrialised States have numerous advantages and not so many irksome price restrictions as the agricultural ones. Agriculture is the main source of income of the predominantly farming States and they should not be compelled to sell their produce at a cheap rate for the benefit of others, argue the agricultural States. While framing price policies, the Commission must not ignore these imperatives of India's federal character. It should specifically examine the effect of its recommendations on each State and say how far they would influence the individual economies of each of them. It is not enough for the Commission to comment on the overall national picture. The State picture is equally important in India's peculiar situation.

THE ruthless massacre ordered by President Yahya Khan of Pakistan in Bangla Desh is not only destroying that beautiful land but is also shattering the dream of the founder of Pakistan. Even if the valiant people of Bangla Desh are subdued with a brutal force unleashed by the Pakistani army equipped with the American, Russian and Chinese arms, will that land be the same again? The military junta of Pakistan will have to keep a huge army of occupation in the eastern wing among an angry and inhospitable people. In spite of this, it may not be possible for the military rulers of Pakistan to keep the province under occupation for long, for geography is against them. Their occupation forces will have to be supplied with food and ammunition through a supply route of 2,000 miles across the sea. Criss-crossed by many rivers—both large and small—Sheikh Mujibur Rahman's Bangla Desh is an ideal country for guerrilla warfare. The Pakistani army is sure to find the terrain difficult, and the situation will steadily worsen with the onset of the monsoon in two months' time.

President Yahya Khan probably did not anticipate the type of resistance his occupation forces would face in East Pakistan. He promised to end the "rebellion" in the eastern wing within 48 hours. He and his advisers apparently thought that the Bengalis would collapse if his army unleashed brutalities on a wide scale. Dacca might be groaning under the atrocities commit-

A demand persistently made by the States but ignored by the Commission is that prices should be fixed over a longer period so that farmers are able to plan their crops accordingly. Some States would prefer a five-year price policy. The least they expect is the announcement of prices well before the sowing of each crop, and not at the time of harvest. This may not be difficult for the Commission. The States may not shout so loudly against reduced prices if these are announced before sowing begins. The farmers then have some option to produce other crops that pay more. If the final determination of prices has to be done in consultation with the States—a desirable practice—it would be in the interest of all concerned to take the States into confidence at an appropriate time.

Pakistan in Peril

led by the Pakistani army, armed to the teeth with modern sophisticated weapons, but the people in the rural areas have come forward with whatever weapons they could gather to fight the marauders. It has become clear to the invaders that the "operation massacre" that they had started was not going to end as quickly as they had expected. If they cannot end it before the monsoon, the war may prove to be both protracted and difficult. This explains the wanton use of heavy artillery and aircraft. The Pakistani army wants to bring under its full control the main cantonment centres where it can take shelter during the monsoon and from where it can continue its operations in the post-monsoon period. If Sheikh Mujibur's liberation forces can successfully prevent the invaders from regrouping in the cantonment areas they can repulse the attacks successfully.

President Yahya Khan is shedding crocodile tears for the break up of Pakistan. But it is he who is responsible for the tragic state of his country. In Mr. Z. A. Bhutto, the ruling West Pakistani clique found a willing accomplice. President Yahya Khan decided to disintegrate Pakistan the day he broke his promise and postponed the meeting of the Pakistan National Assembly where Mr. Mujibur Rahman's Party won an absolute majority. If he was sincere in handing over power to the elected representatives of the people, he should have unhesitatingly accepted the verdict of the election. Instead, he played to the tune of the West Pakistani ruler

clique. He created a smoke-screen by carrying on talks with Sheikh Mujibur Rahman, thus giving the world an impression that he was genuinely trying to hand over power to the people's representatives. When, in fact, he was building up his army to strike at the unarmed people of Bangla Desh for the crime they committed by demanding a democratic Government in defiance of continued military rule. By his action, President Yahya Khan has

pushed Sheikh Mujib and his men to the point of no return. Bangla Desh will emerge either as an independent country or it will be reduced to ashes by the marauders from West Pakistan. The best that President Yahya Khan can do under the circumstances to avoid a catastrophe is to ask his invading forces to withdraw from East Bengal and allow its people to decide their own destiny under a democratic rule.

the sick units, expansion of existing industries and better utilisation of industrial capacity required immediate attention. During President's rule, the difficulties of industry had been identified and effective implementation of policies was necessary now to revive the State's stagnating economy.

P.L.-480

New Agreement Signed

The U.S.A. will be supplying India with 1.57 million tonnes of wheat, 250,000 bales of cotton and 75,000 tonnes of vegetable oil under a new P.L.-480 agreement concluded in New Delhi a few days ago. Dr. I. G. Patel, Secretary to the Department of Economic Affairs, Central Ministry of Finance, and the U.S. Ambassador, Mr. Kenneth B. Keating, signed the agreement. The commodities covered by the agreement are valued at \$150 million (Rs. 112.5 crores). The wheat supply is intended to help India to achieve the target of 5-million-tonne foodgrain buffer stock. The cotton supply is expected to check the rising cotton prices. Due to unseasonal rains, this year's Indian cotton crop was much smaller than expected. In response to India's requests, the U.S. Government, over the past several months, has been authorising this country to import some of the cotton now formally covered by the agreement. Although this year's crop of oilseeds in India is considerably larger than last year's, production has not kept pace with the growing demand. The vegetable oil to be shipped by the U.S.A. will help fill this gap.

BILL REDISCOUNTING

Scope Enlarged

The Reserve Bank of India has recently enlarged the scope of the new rediscounting scheme by including three other eligible categories of bills: (i) bill drawn on the buyer and the buyer's bank jointly and accepted by them jointly; (ii) bill drawn on and accepted by the buyer under an irrevocable letter of credit and certified by the buyer's bank to that effect; and (iii) bill drawn on and accepted by the buyer and endorsed by the seller in favour of his bank and bearing a legend signed by a licensed scheduled bank to the effect that payment of the bill would be made by that bank on maturity.

CURRENT COMMENT

WEST BENGAL

Tasks for New Ministry

West Bengal is one State where political, economic and social conditions have so much deteriorated that the task of allocating priorities is an unenviable one. Rehabilitating the State will be daunting even for a single party Government and, therefore, it is understandable that the path which lies ahead the new Democratic Coalition Ministry in West Bengal is not exactly strewn with roses. In the Assembly, with its slender majority, the Government cannot expect an easy time; the Opposition to be led by the C.P.I.(M) will exploit every possible issue to harass the Ministry led by Mr. Ajoy Kumar Mukherji, although this type of parliamentary strategy should be avoided, considering the perilous state of West Bengal. The process of forming the Ministry has once more revealed the bizarre manner in which political forces in the State operate. For every move there was a counter-move and there were shameless efforts to court the friendship of parties which were denounced only a few days ago. The C.P.I., which was dubbed in the C.P.I.(M) election manifesto as "the faithful servitor of the Indian capitalist class", was cynically approached by the Marxists not so much to gain support for the formation of a left Government as to foil the move of the Congress (R) to combine the parties outside the United Democratic Front in a coalition Ministry.

The C.P.I.(M) did not expect that its attempt to win the support of the right Communists and deny the Congress (R) the support it already potentially commanded would actually result in the emergence of the Democratic Coalition Ministry. The C.P.I. and the Forward Bloc have for

the time being decided to support the Government without active participation but they may ultimately join the Ministry. This will depend on the formulation of a common programme. There has to be a consensus on measures to be taken to root out the politics of violence; the attitude of the C.P.I. that the Marxists are pursuing a policy of "violence and physical liquidation" will be helpful to the Democratic Coalition. But like the C.P.I.(M), the right Communists are to insist on the non-use of police against "legitimate kisan, trade union and student movements". While the two Parties may have more than a semantic difference over the definition of legitimacy, the law enforcing machinery will have to be very firm in putting down all movements which threaten the law of the land. The Marxists will try to make capital out of the anti-Congress sentiment that still persists in certain quarters of the C.P.I. It is to be hoped that the fourth Ministry since the general elections in 1967 will not be riven by inter-party clashes; all the constituents have a stake in remaining together. But this is rationalising the existence of the present Ministry in a negative manner; the people of the State expect from the new Government in West Bengal the restoration of respect for the rule of law and the proprieties of public life. Only when there is a semblance of an ordered community, investors will regain confidence and there will be greater employment opportunities in the State.

In his address at the third quarterly general meeting of the Indian Chamber of Commerce a few days ago, Mr. R. P. Goenka highlighted the economic problems of West Bengal. He said that, apart from the paramount need for maintaining the rule of law at all times, reopening of closed factories, strengthening

and also bearing its endorsement. Hitherto, it will be recalled, the Bank was rediscounting only bills drawn on and accepted by purchasers' banks. A review of the operation of the scheme since it was introduced in November 1970 showed that, while sizable limits had been sanctioned for bills under the scheme, actual utilisation of limits was meagre. With a view to ensuring a more widespread use of the bill of exchange as an instrument of credit, the Reserve Bank has since widened the coverage of the scheme as indicated above.

COMMERCIAL BANKS

Branch Expansion

Branch expansion activities of banks have received a great impetus since the nationalisation of 14 major commercial banks in July 1969. No fewer than 1,965 new branches were opened by the public-sector banks between 19th July 1969 and 30th September 1970—1,376 branches by the 14 nationalised banks and 589 branches by the State Bank group—according to the findings of a study just completed by the Credit Planning and Banking Development Cell of the Reserve Bank of India. On average, about five offices were opened every day by banks in the public sector in that period. Taking the commercial banks as a whole, the number of new branches opened between end-June 1969 and end-September 1970 was 2,257, as against barely 677 branches opened in the whole of the calendar year 1968 and an annual average of 362 branches opened during the nine years prior to the nationalisation of the 14 major banks.

MONEY MARKET

Call Rate Steady

The short-term money market has been more or less steady during the past week. After opening at 10½ per cent in the beginning of the week, the call rate has come down to 10 per cent and has been steady at this rate, except at the close when it has touched 10¼ per cent due to a keen demand for funds. The supply of tea bills has been small while that of gunny bills has been nominal. The demand for remittances has been small. The pound-sterling has weakened in the middle of the week but

has strengthened towards the close against most major foreign currencies.

The latest statement of the Reserve Bank of India for the week ended 26th March, 1971, shows a rise of Rs. 11.17 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 207.10 crores, compared with the previous week. Their borrowings from the Bank have declined by Rs. 74.45 crores to Rs. 368.37 crores, of which advances against usance bills have amounted to Rs. 202.40 crores, against Rs. 266.20 crores. Balances held abroad by the Reserve Bank in the Banking Department show a drop of Rs. 25.07 crores to Rs. 77.01 crores.

CORRESPONDENCE

Cost of Capital

(To THE EDITOR OF "CAPITAL")

Sir,

In the two articles written by Mr. Navin Chandra Joshi published in your issues of 4th and 11th February, an attempt has been made to point out some of the fallacies and misunderstandings concerning the cost of capital and financial management. Mr. Joshi starts with an exposition of the Modigliani-Miller (hereafter referred to as "MM") hypothesis concerning the cost of capital, which states that the cost of capital is independent of the leverage ratio. According to him, the conclusion of the "MM" hypothesis is of dubious validity, the reasons mainly being the factor of corporate income-tax and the assumption of perfect competition.

It is true that if one takes into account the factor of corporate income-tax, the original conclusion (independence of cost of capital to the leverage ratio) no longer stands. This fact has been noted by Professors Modigliani and Miller. But at the same time, they assert that, due to this, no specific problem is created as the estimation remains essentially the same in spite of the added complexity to the definition. The cost of capital for a levered firm now will be

$$C = C(L) = PK(1 - tL)$$

This means that the cost of capital does not depend on the rate of interest on bonds, but on "t", the marginal tax rate, and "L", the long-run target

debt proportion. Thus even if the original conclusion that the cost of capital is independent of financial structure no longer stands, rational decision-making is not affected as it requires the estimation of only $1/PK$ as before.

Mr. Joshi finds the untenability of the "MM" theorem on the grounds that it assumes perfect competition. This is a debatable finding because the need for competitive assumption arises only due to its implication that for "comparative collateral, the supply curve of borrowed funds for individuals is the same as that for corporations". This assumption does not look unrealistic as, historically, the rate on a broker's loans, which is the relevant rate, has not been noticeably higher than representative corporate rates. Moreover, as Professors Modigliani and Miller themselves contend, the operations of organisations like investment trusts and holding companies enjoying comparable terms of borrowing to the operating companies wipe out the advantages of holding debt. These factors challenge the validity of Mr. Joshi's argument. Moreover, whether large and systematic market imperfections causing prolonged and systematic departures from equilibrium in the long run really exist or whether the "MM" propositions explain the long-run market behaviour could be settled only by empirical tests as Professors Modigliani and Miller propose. One is surprised with the unhappy combination of the maximisation criteria with the analysis of competitive assumption.

In the second part, Mr. Joshi merely contents himself with the statement that "it is necessary to build up the capital structure of Indian companies on a scientific basis. This objective may be achieved through the use of sophisticated techniques". One would have wished that Mr. Joshi really proceeded further and expounded his own ideas on these vital aspects.

Finally, "In this analytical background of the conceptual framework of the cost of capital", Mr. Joshi goes on to "examine it in the context of Indian companies". But, it could be stated that the examination that follows does not need any of the formal analysis that precedes.

Yours, etcetera,
M. GOVINDA RAO
Sardar Patel Institute of
Economic and Social Research

Ahmedabad, 23rd March, 1971

A Ditcher's Diary

SINCE I WROTE LAST WEEK, THE Gujarat Government has fallen and the S.V.D. Government in U.P. has been not only bundled out but also replaced by a Ministry formed by the Congress (R). Another State to have acquired a new Ministry is West Bengal, which in normal circumstances would have been an event of some public interest after so many months of President's rule. But few people seem to have taken much notice of the change. The main reason, of course, is the continuing preoccupation with events in East Bengal which make the typical political developments in India appear even pettier than before. As long as the West Pakistani marauders are not driven out of Bangla Desh, how can anybody on this side of the border work up a passionate interest in who's out and who's in Writers' Buildings? There is also another reason why the change in West Bengal's governance has failed to attract much attention: it is simply that not many people can really believe that there has been any substantive change. President's rule, after all, was the administration by a Congress (R) Central Government, however indirect the method; now the only difference will be the direct Congress (R) rule from Calcutta. Formally, of course, it is not Congress (R), but a "democratic coalition". Which reminds me of an old feature of the new Government. After all, it is only the Congress (R) that counts in the coalition; yet the Government is headed by the leader of a Party which

could not win more than five seats in the Assembly elections, as against more than 100 won by the Congress (R). I can see that a man with Mr. Ajoy Mukherji's personal status would have found it embarrassing to be in a Cabinet headed by any of the Congress (R) M.L.A.s in the present House; it would have been embarrassing for the latter too. Yet in every coalition the Chief Minister should belong to a party which enjoys a credible measure of popular sanction. But let me not be too carping at this stage. The Government will be judged by its performance, not by its composition. And the first test will be the degree to which it can improve the state of public order; also the time it takes to accomplish this. But there will be bigger tests, most of which are essentially economic. We shall be waiting for results.

EVERYBODY HAS BEEN WONDERING HOW long the unarmed or very poorly armed millions of East Bengal will be able to hold out against military onslaught of increasing ferocity. Some foreign observers had predicted that the resistance would crumble within a few days, that within a week or so President Yahya's tough soldiers would put the impertinent East Bengalis in their place. But most of those who defied the daunting military machine are still sitting tight in places of their own choosing, even though many of their compatriots have paid a horribly heavy price for their united defiance.

One foreign correspondent found nothing else to report but the alleged killing of some non-Bengali civilians, in which he saw the beginning of mass slaughter. In fairness to the newspaper which published this report, it must also be recorded that news of the brutalities perpetrated on a mass scale by the armed forces from West Pakistan has by no means been blacked out. Perhaps some biased sensationalism was only to be expected when the Governments of the countries to which these correspondents belong had tried to maintain a pragmatic silence on the savage war waged by Islamabad against a defenceless people struggling to be free. But it will not do to blame the western powers alone. True, they had done nothing to restrain Islamabad; but what about the Chinese who exhort all oppressed peoples to take to arms? Peking seemed to be more concerned that the oppressed in East Bengal should be trying to part company with their oppressors from West Pakistan, and the socialist Prime Minister of Ceylon was providing the very facilities that Islamabad desperately needed to put down popular resistance. Perhaps it was Peking's attitude that prompted Moscow to appear as a defender of human rights; if China had supported Bangla Desh, the Russians would probably have discovered some virtue in President Yahya's occupation force. Which points to a awesome possibility; if the fighting in East Bengal goes on for an indefinite period, there may be a situation with at least a superficial resemblance to that in Vietnam, but with Russia backing one side and China the other. Will China be embarrassed to find its proteges receiving



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the indirect support of the Pentagon as well? One never can tell.

"SPENDING THE WEEK-END IN BANGLA Desh?", someone asked me last Saturday. I thought he was being merely facetious. But I did spend a part of the week-end, even if the part was no more than a couple of hours, in a village of what was until recently East Pakistan. (I had constantly to remind myself never to use the word "Pakistan" in referring to the land I was visiting when talking to the people there; to them Pakistan now means a hated foreign territory more than a thousand miles away.) Of course, I can hardly claim any distinction. Not only journalists but many others have visited Bangla Desh since its struggle for freedom began about two weeks ago; not only has the psychological barrier broken down but even the forbidding physical border seems to have been obliterated. Although the border check-posts remain formal symbols of an unnatural division, there is none to check you if you walk across fields where both the soil and the people have a natural continuity. The first man to greet me on the "other" side was an old peasant who seemed very happy but still a little bewildered. The next man was more articulate. He clasped my hands and said: "We do not know how to honour you all as our guests." I felt so small, and could only mumble: "We have done nothing to deserve honour. It is you who have earned honour, and we can only show you our respect." Ordinarily, such an exchange would have sounded frightfully pompous, if not totally insincere. But I had not the slightest doubt that the man spoke from his heart, and I meant every word of what I told him. I had occasion to talk to many others, particularly at a large and crowded market-place quite close to a temporary base for men of the East Pakistan Rifles. The E.P.R. men I talked to had just come from Jessore and had naturally no time for an elaborate exchange of polite greetings; in fact, too many visitors from this side of the border can only distract them from their grim and pressing duties. They told me briefly about the day's fighting in Jessore; but there were other people who were not so hard-pressed and could spare some time to talk about things in general. I knew of their united resolve even before I met them, but it was a different thing to see for oneself a kind of determination and common purpose that seemed

ed almost incredible. But even in their hour of grave trial they were movingly warm-hearted towards visitors who were not all equally considerate.

THE ECONOMY OF THE IRISH REPUBLIC could not in all fairness be described as either highly integrated or industrially advanced. With the possible exception of Portugal's, it is indeed the least developed in western Europe, being still at a stage only marginally ahead of India. Yet nobody would seriously have believed that the six months' strike of the Irish banks which ended recently could have made so little impact. Now those who have always believed, as I have, that banks are indispensable to modern economic life will just have to change their opinion. The banks' employees were able to hold out so long because many of them found well-paid jobs in Britain, often better than those they held in Ireland. But the reason that commercial, industrial and personal life survived so easily was due to a whole host of factors from the stretching of payment conventions to the rise of secondary banking institutions. In the good old Irish tradition, it seems to have been the pubs who provided the facilities which saw the public through. Doubtless, there was much inconvenience, and I dare say that when the backlog of cheques is finally cleared, a substantial number will have been found worthless. But this does not alter the fact that Ireland has proved her point that although useful, banks can be dispensed with at least for a time and provided the necessity is sufficiently acute. Good on the Irish. I say this

not out of any feeling of hostility towards the striking bankers, although I am sufficiently old-fashioned to believe that people in positions of such responsibility should not attempt to hold their country's economy to ransom in this way. I say it because increasingly in this modern world it is becoming the practice of employees in key industries to use their monopoly power to enrich themselves at the expense of the community. Britain's dockers are a chronic example; New York's transport workers are another. And ultimately the only way this kind of blackmail can be withstood, perhaps even defeated, would seem to be to develop the kind of cheerful flexibility the Irish showed when their bank employees tried it on.

IT HAS BEEN SAID BEFORE, BUT THIS time it does seem that the point might be approaching when a halt will be called to the expanding size of oil-tankers. That is until somebody comes up with a cheap, effective and non-toxic answer to oil pollution. Recent spectacular examples of this—in San Francisco Bay, the English Channel, and the Persian Gulf—have all served to harden Governments' attitudes towards the operation of giant tankers in their waters. Some are planning truly massive fines for the owners of vessels involved in oil shedding, for whatever reason. Others are seriously thinking of banning the larger tankers from their ports and within their territorial limits. Consequent on this, insurance rates are soaring and operating costs have increased to the point where size of an oil-tanker can no longer be related automatically with economy. Already the

impact is being felt by the builders—notably the Japanese—and plans for starting on what would have been the world's largest ship, around 480,000 tons, have been postponed. It no doubt had to happen; the tanker size has increased so rapidly in the past decade or so that the problems could hardly fail to multiply in proportion. For some countries, those whose coastlines see a good deal of the world's oil traffic, the inconvenience of pollution has now become unbearable. Within a few years, or so it is predicted, whole regions, such as north-west Europe, south-west United States, and Japan around the shores of the Inland Sea, could become totally devoid of marine wild life. Birds will not fly, nor fish swim; and the people nearly will be unable to enjoy their coastlines for bathing, boating or even just lying on the beach. Altogether it constitutes the world's major problem in ecology, to use the fashionable term. And the odd thing about it is that the scientists seem so helpless. It is taking a remarkably long time finding the answer to oil pollution, which suggests that perhaps not enough money is being spent on looking for it. Perhaps now both the builders of tankers and the international oil companies will decide it is in their interests to sponsor more lavish research.

WHEN A GUEST OBSERVED ON HER ninety-fourth birthday that she would outlive them all, she replied in the stock-market patter of her sons: "Why should God take me at a hundred, when he can have me at ninety-four?"

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MANAGEMENT

Need to Avoid Petty Details in Taking Management Decisions

By Bejon Bhowmik

The higher is one on the ladder of the organisational pyramid, the less one should insist on mere accuracy and detail. In taking management decisions, many petty details can be ignored without any serious deterrent to managerial efficiency.

It has been said that the quality of work depends on accuracy, presentation, and timing. But a substantial saving of time in paperwork can be achieved by a small sacrifice of accuracy with no adverse effect on the quality of work. It may also be remembered that the so-called accuracy invariably brings in its trail ponderous details, footnotes and parentheses. Information has to be accurate, but to what extent? Is accuracy an absolute term? Or, is it synonymous with arithmetical exactitude? How many times do this deadening accuracy and laborious details hold up the whole information, occasionally too late to act upon? Even when these information are published, is it uncommon to find that the mass of details, notwithstanding accuracy, are floating aimlessly, only to find a resting place in the reference file?

An Annual Report

Below is an example from the chairman's annual report of the Unit Trust of India. The table on the left gives the type of investments as reproduced in the *Statesman* of 16th September, 1970; and on the right is the same information, rearranged and shorn of all decimals and details.

(As it was in the C.M.'s report)		
	Rs. in crores	% of total investment
Ordinary shares ...	31.5	35.67
Preference shares ...	11.9	13.48
Debentures ...	37.2	42.13
Treasury bills ...	0.1	0.11
Bonds ...	3.0	3.40
Advance deposits for shares ...	0.6	0.68
Advance call deposits ...	*	0.02
Application money ...	0.9	1.00
Money at call ...	3.1	3.51
	88.3	100.00

* Less than Rs. 3 lakhs

4

The remodelled table is of course not as accurate as the original on the left. But which one is quicker for the office to compile and simpler for the layman (for whom it is intended) to form an idea?

This is not an isolated instance. In any statement, periodical report, table or analysis in any organisation—be it financial, cost or statistical—one will come across a vast multitude of details and figures clustered with decimals. It is common with executives dealing with figures to be fastidious about the arithmetical accuracy (which, in turn, calls for details), even when quite a few basic data are purely estimated and/or an important factor, e.g., overhead, is arbitrarily distributed. Going deeper would bring out further myths about the so-called accuracy. To get a Rs. 50,000 order does not as a rule cost much more, definitely not 100 times more than to get a Rs. 500 order. It costs just as much paperwork for a small order as for a large one.

Avoiding Decimals

Banks continue to account for the last paisa in their published accounts. A nationalised bank has quoted its bill of exchange as on 30th June, 1970, as Rs. 111,00,112.99 (seen on its notice board), as if just Rs. 111 lakhs would not have indicated the true position. With all other business organisations, it is, however, an accepted procedure to express the figures in whole rupees, in all published accounts. But, why

(As it could have been)		
	Rs. in crores	% of total invest- ment
Debentures ...	37	42
Ordinary shares ...	31	36
Preference shares ...	12	14
Money at call ...	3	3
Bonds ...	3	3
Others ...	2	2
	88	100

cannot this be extended further, that is, avoiding the decimals of rupees in daily operations, whenever it is possible to do so?

This is likely to bring varied reactions. But then, has one thought about the saving and simplicity this will bring forth? It will not be an unrealistic presumption to take the average number of digits in individual amounts of original entries as 6, i.e., 4 for rupees, in addition to the usual 2 for paisa. Then, to write or type an amount in whole figure would entail 4 strokes of fingers instead of 6. Furthermore, there will be a saving of another stroke for avoiding the decimal point. This surely means appreciable reduction in time for documentation at each stage and also for subsequent arithmetical operations. A general lessening of errors will be an indirect benefit which cannot be ignored. The saving will be palpably demonstrated where punched-card-accounting equipment are in use. Because, this avoidance of paisa will increase the output of punching and also enlarge the card-capacity. On the whole, over the year, this is not going to alter the picture—financial or cost. One's aim should be to do the job with less effort and in less time, yet with a greater impact on the "small number of events, 10 per cent to 20 per cent at the most which account for the 90 per cent of all results". Otherwise, sooner or later, Gresham's Law of Currency will start operating in the sphere of information, when "bad money", i.e., insignificant many will drive out the good money, i.e., significant few. Mr. Peter Drucker, the high priest of modern management, has aptly illustrated how a substantial part of the top management's time and effort is wasted on insignificant details. He has also stressed that one should take care of pounds, and pences will then automatically be taken care of.

Nature of Transactions

How one does it, that is, avoid decimals, will depend largely on the nature of transactions of a business and also on the attitude of the management. Paisa-less accounting may consist of rounding off the amounts to the nearest rupee, as soon as they reach the books or records of original entry. In some cases, this may be coupled with ignoring the paisa in details and dealing with them, *en bloc* at the close of an operation or a period. An example: Maintenance bill of Rs. 6,670.29 may be rounded off to Rs. 6,670 and distributed over, say,

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3 Cranes x 11 cost-centres at the rate of 202 a unit and the left-over of Rs. 4 may be added to the last, first or the biggest cost-centre on the list. Similarly, workers' wages may have to continue with decimals, but the wage totals for allocation may be rounded off. As a complementary measure, a special account—"Rounding Off" or, "Paisa Elimination" A/c—may be opened, the balance of which may be ascribed to office on-cost.

About the acceptance of the system, the lead must come from the larger organisations. For the benefit of sceptics, it may be mentioned that a number of U.S. corporations are practising this elimination of decimals in currency, the latest convert on the list is Time Inc. The U.S. experience reports an accumulated variation a year of \$100 to \$300 on a \$10-million transaction. In India too, an erstwhile British manufacturing company is heard to have started practising it.

Exact Figure

The use of exact figure is merely a recording device, although it is an age-old practice. Well-established practices tend to be remarkably resistant to change. Old practices are revered as holy rites. Simple, rational and economic measures, such as the elimination of endorsement on cheques credited to the payee's account, abolition of receipt for payments by "A/c-Payee-Only" cheques, or even avoidance of unnecessary expense and delay by sending "A/c Payee Only" cheques in registered A/D covers—all these have taken long time to be accepted. Even today these are not universally practised in this country.

"Accuracy and completeness of management accounting information should be sufficient to enable appropriate action to be based on them". If one is clear about one's objectives in whatever statement, table or chart one prepares, one would certainly be able to fathom the extent of accuracy one can afford to sacrifice, the details which can conveniently be estranged without affecting the quality of the information yet improving the speed and simplicity of the same. The higher is one on the ladder of the organisational pyramid, the less one should insist on mere accuracy and detail. As a tool for making management decisions, does one need accurate figures or adequate information?

SPECIAL ARTICLES

Democracy : A Powerful Weapon against Secessionist Tendencies

By M. B. Lal

A democratic form of Government is best suited for countries like India and Pakistan. Pakistan would not have been reduced to its present state had it chosen to remain a democratic country all these years.

RECENT events in India, Pakistan and Ceylon have clearly demonstrated that democracy with considerable provincial autonomy is the best form of Government for these countries. Pakistan would not have come to the verge of breaking up had it chosen a parliamentary form of Government from the start and stuck to it. India perhaps would not have been so united all these 25 years were it not for her strong belief in democratic institutions. Till barely two years ago, the whole world was all praise for Pakistan's military dictatorship. Foreign observers spared no opportunity to decry Indian democracy. Just before the recent parliamentary elections there were grave doubts whether India could find a democratic solution to its numerous political conflicts. Today most of these doubts have disappeared.

A study of the developments in India and Pakistan over the last 24 years since independence would show that in the long run free and fair elections provide the best corrective to all kinds of distortions that develop in a nation. Exploitation of the poor by the rich, of one region by another, of one caste or community over others and of the masses by a strongly entrenched ruling elite can be ended peacefully through elections. Until India and Ceylon proved convincingly that this was possible, there were grave doubts whether the ignorant and oppressed voter has the will and intelligence to shake off the yoke of centuries by the simple and innocuous device of a vote. The danger of the ruling classes and personalities perpetuating themselves by buying votes, intimidating voters and manipulating the democratic institutions was too great. But as events have proved, these fears were unfounded. Princes, eminent leaders, rich land-

lords and industrialists and even socialist and communist patriarchs have been swept away by the recent elections in India and Ceylon.

Certain Opposition parties, both of the left and the right, were given a number of opportunities by the voters to run Governments in the States. They were thrown out unceremoniously when their performances fell far short of their promises. The Marxists in Kerala and West Bengal, the Swatantra Party in Orissa and coalitions of the Jana Sangh, S.S.P., B.K.D. and other parties elsewhere were all tried and thrown out. This is not to say that the Congress alone is best suited to run the country. The illusion was shattered in 1967 when the Congress Party was thrown out from power in nine of the 17 States and came perilously close to a rout at the Centre. Subsequently, it split and became a minority Party even at the Centre. It was only because the Opposition failed to present a viable alternative that the voter gave the Congress another chance.

But it has now been demonstrated convincingly that before the all-powerful voter even Mrs. Indira Gandhi and her Party are not invincible. If they fail they will have to change places with their opponents within five years. No one is more conscious of it than Mrs. Gandhi and, in her own way, she is straining at the leash to produce results and at the same time, harmonise the conglomeration of conflicting interests that make up this vast nation. The most salutary effect of the parliamentary system has been perhaps on the secessionist elements in the country. One by one it has tamed them all and brought them into the mainstream of national life. Be it the Nagas, the Tamil patriots, Sikh homelander or the Kashmiri radicals, the election machine has drawn them all into its net and given them a fair opportunity to test their strength.

Regional aspirations have been taken care of by the creation of separate States for people who felt they were being denied their share

by the dominant sections in certain States. The new States of Punjab, Haryana, Himachal Pradesh, Nagaland and Meghalaya are examples of this. The retention of Goa as a Union Territory and the gradual evolution of Telengana towards Statehood are further illustrations of how democracy finds a way of reconciling conflicting interests peacefully. In almost every case the secessionist force loses its momentum the moment it attains regional authority. Secessionist leaders whom the people hailed as their champions appeared in a different light the moment they became rulers. Their glamour is gone and with it the capacity for further secessionist ambitions. National minorities, like the Muslims, who do not have the opportunity for power sharing with the majority in the same manner as regional forces also eventually find a place under the democratic sun. Theirs is an arduous road but it does lead them somewhere. Many people believe that Mrs. Gandhi's striking victories are largely the result of the solid support she got from the minority communities and the most down-trodden of them all, the Harijans. It is but natural that she will do something for them, rather sooner than later.

And lastly, there is the small fringe of bourgeois intellectuals whose importance is often underestimated by totalitarian regimes. The experience of India and Ceylon has shown that the only way to contain them is to let them have their full say. Let them shout from house tops against the powers that be. Let the people and not the Government be the judge of their outpourings. If they are right, sooner or later the ballot boxes would vindicate them. If not, they would be left in the wilderness.

All these are not stray thoughts but theories which have been tried on Asian soil and proved right. It must be stated at once that they do not suggest, by any means, that democracy is a panacea for all our national ills. The problems of population, food and housing still stare the nation in the face. Democratic forces may be leading the country more towards dogmatic solutions than may be really good for it. But those who make this a reason for bottling up these forces merely indulge in suicidal thinking. The best way to check the drift towards dogmatism is to give it a trial and let the people be the judges. If it fails, there is still the hope—the only hope—that the

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people will reject it and vote for pragmatism.

It is against this background that the divergent experiences of India and Pakistan have to be examined. It is this which makes one feel that Pakistan would not have been reduced to its present state had it been a democracy all these years. It is entirely wrong to assume that it would then have been dominated by the East Bengali majority. Democracy not only unites people but it also divides them in such a way that no vested interest can remain in power for long. A parliamentary system would have forced innumerable divisions in both the wings of the country and made it impossible for either of them to dominate the other. Rational norms of distribution of resources would have been evolved as a matter of course by the constant interplay of conflicting forces. Any distortions in the observation of these norms would have brought howls of protest and endangered the regime at the next elections.

Centre-State tensions are there in every country. They are there even in smaller and more compact countries. In the U.K., for instance, there are the Welsh nationalist movement, the Scottish revolutionaries and the Republicans of North Ireland. In the small county of Herefordshire in England one sees posters and big labels on car screens carrying the slogan: "Home Rule for Hereford". Democratic institutions perhaps provide the best means of periodic adjustments in a country's Constitution to shape Centre-State relations to suit the needs of the day. Such tensions are there now in India. They will always be there. But the country's legislatures and Parliament seem fully capable of resolving them.

The military rulers of Pakistan made a grievous mistake when they assumed that the best way to stop the "rot" created by politicians in their country would be to take over the Government. The mistake was hailed by all the world as an act of wisdom. The elections in December 1970 offered a golden opportunity to make amends. All was still not lost. The wounds of the East Bengalees would have quickly healed had they but once got what they wanted, a taste of power. The pendulum would have swung back from secession to integration. Sheikh Mujibur Rahman as the Prime Minister of Pakistan

would have perhaps emerged as a strong champion of a united Pakistan. This opportunity too was lost.

The second mistake that the military rulers of Pakistan made was to believe that all they needed to keep their people united was to keep the country in a perpetual state of hostility with India. By doing so they only allowed internal tensions to mount to the breaking point. They did not solve them. In retrospect, the truth seems to be that the Punjabi ruling clique in Pakistan resorted to military rule in 1958, not so much to "stop the rot" in national life as to stop power from slipping out of

their hands. They would not have been able to last long had free and fair elections become the rule of life.

All this is history now. It is too late for Pakistan perhaps. But history is important in as much as it provides a pointer to the future. The lesson that emerges from this is that any developing country would be foolish to ignore democracy as "too slow" or "too ineffective". It may be slow but it is steady and, what is more, it wins the race. What has happened in Pakistan can, and perhaps will, happen in India once democracy loses its place in the country.

Ensuring the Speedier Implementation of Fourth Plan Programmes

(BY A SPECIAL CORRESPONDENT)

The Prime Minister, Mrs. Indira Gandhi, recently discussed with the Secretaries to the Government the need to take measures for ensuring a speedier implementation of the Fourth Plan programmes. If this is made an established practice, there is no reason why the progress of the Fourth Plan cannot be accelerated.

ACTING quickly after her massive poll victory, the Prime Minister, Mrs. Indira Gandhi, has done well to initiate discussions designed to refurbish the image of the Fourth Plan. For the first time, she had called all Secretaries to the Government to a meeting to take stock of the Plan performance and consider measures that should be taken to ensure a speedier implementation of the Plan programmes. If Mrs. Gandhi makes this an established practice and undertakes a periodical review of the Plan, there is no reason why she should not succeed in accelerating the tempo of economic development in the remaining years of the Fourth Plan. Mrs. Gandhi put her finger on the spot when she attributed the lag in Plan implementation to procedural delays and endless inter-ministerial consultations which often led to meaningless confrontations. The need for greater cohesion at all levels of administration is particularly felt at the present moment. The economy has acquired a spread that calls for a high degree of co-ordination of efforts not only among various

departments of the Government but also between the Government and the private sector. Instances are there when the lack of such co-ordination has been responsible for many worthwhile schemes falling through or being inordinately delayed.

It must, however, be said in fairness to the officialdom that if senior officers have hesitated to take decisions or initiative, it is largely because of the fact that they have not enjoyed fully the confidence of their political masters. Furthermore, they feel they are not adequately protected when their decisions or actions are questioned in Parliament. With its two-thirds majority and a reduced but responsible Opposition, the ruling Party ought to be in a better position to take the responsibility upon itself for every decision and action, instead of exposing the bureaucracy at inconvenient times. The officialdom must gain confidence that Ministers would stand by it in any event and it would not be asked to answer frivolous charges in public for actions taken with bona fide intentions.

The spate of enquiries and probes into various deals and the public glare to which top civilians were exposed during the 'sixties have not had a favourable impact on the morale of the bureaucracy. While proven cases of corruption, nepotism and favouritism certainly deserve to be gone into and the guilty punish-

ed, care has to be taken to see that the innocents are not penalised for actions of the ingenious and crafty among officers. Furthermore, the tendency to suspect every well-intentioned action or decision and spread an atmosphere of distrust must go if senior officers are expected to act with a "commitment" to social welfare. In her address to the 48 Secretaries and departmental chiefs, Mrs. Gandhi indulged in some plain-talking which was good so far it went. But it is not known whether she took care to assure her officers that they would be defended against all slanderous attack in Parliament for decisions and actions that they might take in pursuance of their official duties. Such an assurance might have a more positive effect to boost the morale of the bureaucracy than stern warnings.

Meanwhile, the Deputy Chairman of the Planning Commission, Professor D. R. Gadgil, and the other three members of the Commission have resigned so that Mrs. Gandhi might "have full freedom to reconstitute the Commission in such a manner that it will have effective control on the implementation of Plan programmes." Mrs. Gandhi had stated at the meeting of Secretaries that there was hardly any justification for the continuing shortfall in Plan expenditures. What is worse, the shortfall in the current financial year is stated to be even higher than last year's Rs. 160 crores. With the rise in prices of over 7 per cent in the last 12 months, the investment in real terms will be much less. It is, therefore, clear that what needs to be done is to step up investment in a massive way to get optimum results in terms of employment and production. The problems of unemployment and rising prices have lately assumed an oppressive character and will do incalculable damage to the economy if they are not controlled effectively in the immediate future. The two problems actually call for action on a war footing as the success of other programmes hinges on these two.

Unfortunately, however, there is no clear estimate of the magnitude of unemployment in this country and even the Dantwala Committee could give no answer to this specific question. But in a country like India where unemployment is widespread, the lack of precise data need be no restraint to evolving employment-orientated programmes. The Governor of Assam, Mr. B. K. Nehru, who is an economist in his own right, had recently estimated the increase in un-

employment at 6,000 a day for the next ten years! If this be so, then it really presents an alarming situation. The Government should now release the economy from curbs and controls so as to allow it to expand naturally, providing employment to millions and raising production all round. The political stability that flows from the massive majority of the ruling Party in Parliament must by itself improve the investment climate both for domestic and foreign capital. In addition, if Government policies become a little more pragmatic, much could certainly be done even in the short run to create enormous employment opportunities for the young.

The real answer to the twin problem of growing unemployment and rising prices is more production. For-

tunately, the food position continues to be good and the Governments in the States and at the Centre will have failed in their duty if they miss the opportunity provided by increased prosperity in the rural areas to mop up resources and launch programmes of massive investment, capable of generating maximum employment and catering to the basic needs of the people. If this means a moratorium on projects of long gestation periods, it is worth accepting that, for the immediate need of the economy is not more steel plants but completion of the existing ones and getting the maximum production from all projects that have been commissioned and giving the much-needed push to the economy in the direction of greater growth. Mrs. Gandhi has made a good beginning and must keep it if she means business.

Need for Creating a Ministry of Science and Technology

(BY A SPECIAL CORRESPONDENT)

The Central Government is reportedly considering the creation of a Department of Technical Development. But what is actually needed is a full-fledged Ministry of Science and Technology.

ALTHOUGH the new Council of Ministers at the Centre took office a few days ago, the Cabinet Secretariat has not yet been able to issue the Presidential Order reallocating business among those departments that have been affected by mergers, creation of new departments and abolition of some. The Departments of Petroleum and Chemicals, and Mines and Metals so far belonged to one Ministry under a single Cabinet Minister. But now the two departments are headed by two Ministers of State without proper co-ordination. Moreover, the nomenclature of the Department of Mines and Metals has been changed and is now christened Department of Non-ferrous Metals without indicating the subjects which are now outside the jurisdiction of the reconstituted department. There are obvious difficulties in splitting the Department of Mines and Metals and attached offices like the Geological Survey of India. Steel and Heavy Engineering is now under Mr. Mohan Kumaramangalam and whether he succeeds in lifting the public-sector steel plants from the morass will be watched with keen interest.

Mr. S. S. Ray, the new Minister of Education and Social Welfare, has already voiced his opposition to the decision to constitute a separate Ministry of Culture. As the proposed new Ministry is also aimed at swallowing certain important media divisions of the present Ministry of Information and Broadcasting, resistance is also coming from other interested and powerful quarters. The original idea of the Prime Minister, Mrs. Indira Gandhi's secretariat was to abolish the Ministry of Information and Broadcasting and to create a Central Office of Information attached to the Cabinet Secretariat on the British model. The contemplated changes were made clear in the official Press briefing when the new Ministry was sworn in. Mrs. Gandhi will probably await reconstitution of the State Governments in Mysore, Bihar, Andhra and Gujarat before completing her Ministry.

But the incomplete Council of Ministers is particularly pressing for three of her senior colleagues at the Minister of State level; they are Mrs. Nandini Satpathy, Mr. Ram Niwas Mirdha and Mr. K. C. Pant. In addition to bearing the burden of a sizable chunk of the difficult Home Ministry, Mr. Pant is also looking after the C.S.I.R. and Science portfolio, the Department of Atomic Energy and the Department of Electronics. Mr.

Pant has proved his mettle to hold charge of these scientific departments.

The Administrative Reforms Commission recommended the creation of a unified Ministry of Science and Technology. Most scientists and technocrats also welcomed this proposal but it was opposed by the Atomic Energy Commission. The A.E.C. is perhaps afraid of losing its separate identity and autonomy. The Government has already committed a costly mistake in deciding to reconstitute a Commission-type organisation to develop electronics. Mr. T. Swaminathan,

the Cabinet Secretary, with his vast experience in industry and the public sector is believed to be working on a scheme to constitute a major department which will be just short of the much-desired Ministry of Science and Technology. The new department may be designated as the Department of Technical Development. If the Prime Minister can spare the services of Mr. K. C. Pant or if she gets an equally able person exclusively for this new department, the new scheme will succeed. But even this will be an *ad hoc* step towards the constitution of an integrated Ministry of Science and Technology.

Mr. Ray should, therefore, consider in consultation with the Government of West Bengal, in what directions and in what manner can the educational system in this State could be improved. While this will naturally take much time, whatever is possible in the short period should be done quickly. For example, it is well known that the disbursement of Government aid is not being done regularly and that the salaries of teachers are delayed for several months. This matter needs immediate attention.

Mr. Ray should also examine to what extent the policy of imparting university education through the medium of mother tongue hampers the mobility of students in search of employment. This question has always been viewed almost entirely from the emotional and sentimental side and not from the practical angle. As a result, the position today is that in most States, university students are able to acquire some proficiency only in their mother tongue, but not in English. But with this equipment, they cannot compete successfully for well-paid jobs. Employers in India insist on a reasonable command of English. But because of the mother tongue medium, most students, even after graduation, are unable to express themselves fluently in English. In West Bengal, the standard of English in schools and colleges has deteriorated of late and this is a handicap for young men in migrating to other States or other countries in search of employment. Public opinion is gradually beginning to appreciate the importance of English. Mr. Frank Anthony, chairman of the Inter-State Board for Anglo-Indian Education, has revealed that there has been an explosion in the demand for English and that between 10 and 15 million pupils study through this medium. Mr. Ray would do well to encourage this trend, although such a policy may not endear him to certain politicians who want to banish English from this country.

All political parties in West Bengal should co-operate in the attempts to improve the educational system without which the economic and social progress of this State cannot be speeded up. During the British rule, students were told that "studies can wait but *Swaraj* cannot". The slogan today should be: "Politics can wait but studies cannot".

Improving the Educational System in West Bengal

(BY A SPECIAL CORRESPONDENT)

The new Central Education Minister, Mr. Siddhartha Shankar Ray, will have to give special attention to the educational needs of West Bengal. In the absence of an improved educational system, the youth of this State cannot find suitable employment.

THE Education portfolio may not have the glamour of Home, Finance, Defence, or Foreign Affairs but from the point of view of the country's future, it is one of the most important departments of the Government of India. Mr. Siddhartha Shankar Ray has been entrusted with this vital assignment in the new Central Cabinet and it remains to be seen to what extent he will be able to justify the confidence reposed in him by the Prime Minister, Mrs. Indira Gandhi. Mr. Ray's responsibility, it is needless to say, covers the entire country. Education all over India is in a mess, the difference from State to State being one of degree. Moreover, the Indian Constitution empowers the State Governments to exercise authority over a wide area of education. Mr. Ray, therefore, will not, by his sole efforts, be able to do much to tone up the standards of education and its administration without the full co-operation of the State Governments. Mr. Ray should be able to devote some special attention to the educational needs of West Bengal. The educational problems of this State are many and varied and it will require much effort and time to sort them out. But Mr. Ray should do

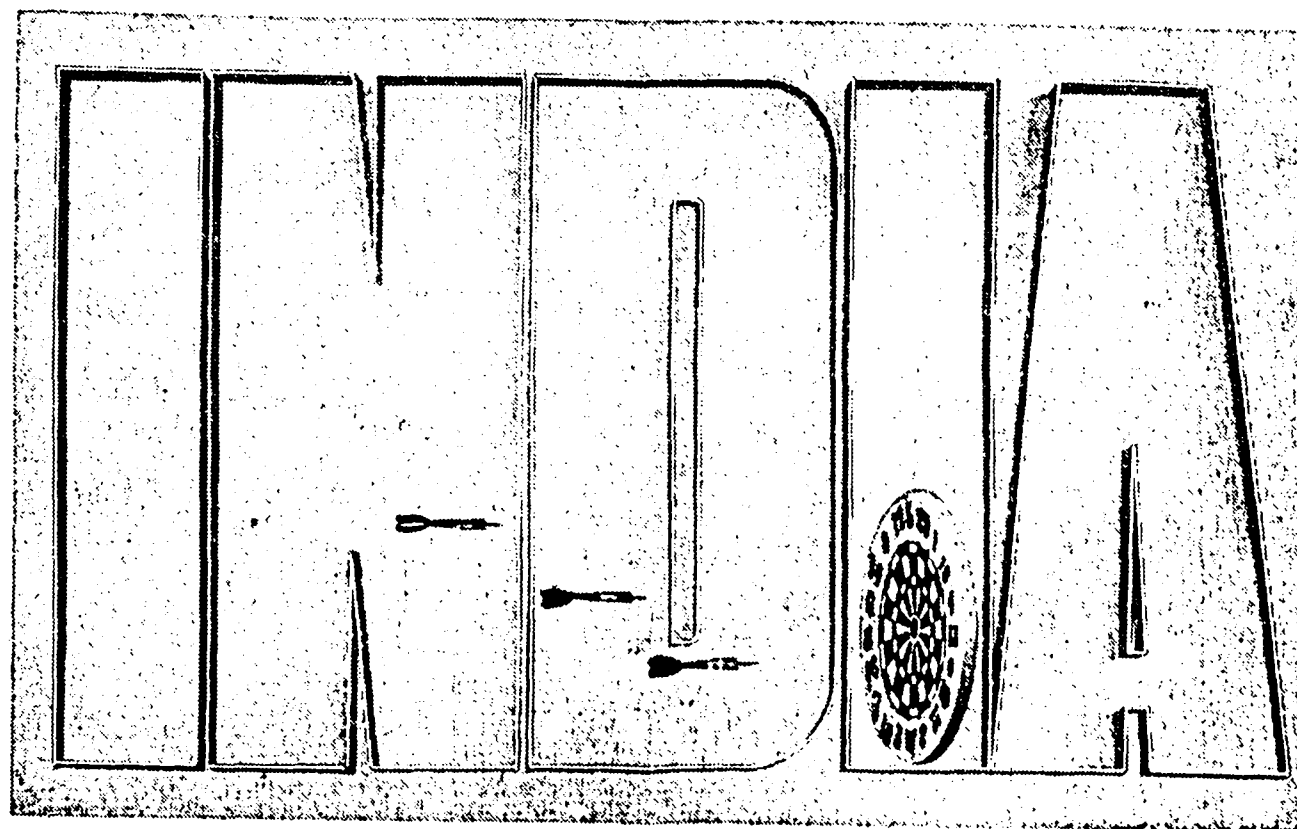
his best to improve the educational system in West Bengal. Without this, the youth cannot succeed in finding suitable employment in this State or elsewhere.

The Bengal Chamber of Commerce and Industry, in its recent publication, *West Bengal—An Analytical Study*, has highlighted some of the shortcomings of university education in the State. Quoting from a survey of Calcutta University, it says that only about 1,000 out of about 5,000 graduates could be admitted to the post-graduate classes in commerce and in arts, and only about 2,500 out of 12,000 students seeking admission. Qualified students are unable to find admission to the post-graduate classes in economics, English, modern history and philosophy. The situation in respect of science courses is said to be alarming.

The admission situation has deteriorated in 1967-68, compared with 1958-59. The Chamber's study has also drawn attention to another anomaly in the educational system of West Bengal. The total enrolment is less than 500 in 30 per cent of the colleges and in 12 per cent the figure is as high as 2,000 a college. About 36 per cent of the colleges are said to be "undoubtedly overcrowded". The proper location of colleges has not been given much thought. Among the affiliated colleges, 77 are in Calcutta, five in the Hooghly district, 13 in Howrah, 22 in Midnapore, 12 in Murshidabad, six in Nadia, seven in Tripura, and 26 in 24 Parganas.

TARGET: TOMORROW

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BOOKS

Principles of Wage Determination in India

Wage Policy and Wage Determination in India. Edited by J. C. Sandesara and L. K. Deshpande. (Published by the University of Bombay. Pages 313, price Rs. 28.50.)

This book contains the papers and proceedings of the seminar on wage policy and wage determination in India convened by the Centre of Advanced Study in Economics in March 1969. The participants included experts having diverse experience, such as employers, labour leaders, members of wage fixing bodies, and researchers. Wage policy has generally been thought of in the context of incomes and price policy. It is broadly held that unless a country has the right incomes policy, it may not be able to achieve the desirable rate of economic growth and price stability. The questions discussed in the papers cover a wide ground—the needs of wage policy and its content, the concept of wage, rôle of institutions like wage boards, minimum wage laws and their rôle in industry, contents and feasibility of a need-based minimum wage, wage differentials, relation between increase in wages and inflation, etcetera. In this short review it is possible only to highlight a few of the papers.

Dr. V. V. Bhatt of the Reserve Bank of India enumerates, among the essential ingredients of a wage policy, restraints on functionless incomes, on price rises and profit increases, and the stability of prices. Mr. K. V. Iyer of the Planning Commission, refers to the varying estimates of the need-based wage which raise doubts whether the economy could bear the burden of meeting the increase in wage bill according to the formula suggested by the 15th session of the Indian Labour Conference. The need-based wage could at best be kept as a somewhat distant goal to be achieved when the overall productivity increases appreciably. Dr. V. B. Singh suggests the desirability of extending the system of payment by results, wherever feasible. Dr. H. C. Reiger focusses attention on the two constraints in fixing the need-based wage; the needs of the worker and the capacity of industry. Mr. A. Fonseca has contributed a paper on a computerised estimate of the need-based wage.

Professor P. R. Brahmananda writes on the various concepts of wages, Dr. K. K. Bhatia and Mr. R. N. Mukerji on wage differences in industries, and Dr. C. H. Shah on the relationship between agricultural and industrial wages. Professor V. Mukerji and Professor K. Mukerji have submitted papers on the cost of living indices. Dr. V. P. Bharadwaj has discussed cost-push, wage-push and product price in Indian industries, and Professor M. B. Desai wage fixation in agriculture. Mr. M. R. Meher reviews the decisions of the Supreme Court in various cases and concludes that these principles of wage determination evolved by experience, by and large, reconcile the requirements of social justice with the need for development and stability of industry. He, however, makes a point that the interests of the consumer and the economy have been overlooked by tribunals and wage boards in fixing wages. Altogether, this book is an important contribution to the complex subject of wage policy and wage determination.

Developments in Banking

Modern Banking. By K. P. M. Sundharam. (Published by Sultan Chand and Sons, Delhi. Price Rs. 7.50, pages 4+112.)

Although meant for general readers and university students, the book appears nothing but a "made easy" in aid of examination. The comparative analysis of development of central and commercial banks in developed and underdeveloped economies with the instrument of credit control and utilising the weapons of monetary control for economic growth and development has been attempted in a sketchy manner. The lack of critical analysis and positive and balanced solution makes the work rather sloppy. For example, the inadequacies of monetary policies alone to fight depression and inflation in both advanced and underdeveloped economies have been elucidated and the combination of fiscal policies as supplementary measures has been suggested. But the efficacies of these policies along with direct control measures at different stages of economic development have not been elab-

orated with special reference to the progress of planning in India. The merits and demerits of nationalisation and social control of banks have been discussed with the author showing bias towards the latter. It is too early to come to any conclusion without case studies. The changes in the pattern of deposits and advances of commercial banks and problems in the sphere of large financial accommodation to small farmers and industrialists have been referred to but no guidelines suggested. The chapter on industrial finance and agricultural finance contains some facts without any critical evaluation of different financial institutions. This book may help crossing the hurdle of university examinations but will disappoint critical readers. Even some references have not been brought up to date.

ASOKE MOHAN ROY

Objectives of Planning

Objectives of Planning in India. By Murarji Vaidya. (Published by Popular Prakashan, Bombay. Pages 168, price Rs. 15.)

The full title of this book is *Objectives of Planning in India and other Essays*; it also includes some of the English poems the author has written during his life time! Thus, it is more about the economic, political and literary thinking of Mr. Vaidya than just a treatise on planning processes or theory. It is a collection of his writings over the last few years including some of his photographs of meetings with eminent persons. It carries a foreword by Mr. V. V. Giri, President of India.

Writings collected here are divided into seven sections as on planning, on industries and trade, on finance and taxation, some economic problems (including automation in a developing country), foreign trade and exchange, democracy and poems. It can be seen that the short title of the book is slightly misleading. It should have been called *Thoughts of Murarji J. Vaidya*.

Nationalised Banks

Nationalisation of Banks in India. By Harish C. Sharma. (Published by Sahitya Bhawan, Agra 3. Pages 86, price Rs. 5.)

This seems to be a hurriedly written book for under-graduates. It has no

index and annotations are far from perfect. Even so, the author's conclusions do not seem totally vitiated by these shortcomings. He suggests that the nationalisation of 14 commercial banks has probably created more problems than it solved. It is just one of the means of minimising the concentration of economic power. It is no panacea for deep-rooted economic ills of the country. On the other hand, Mr. Sharma implies that nationalisation has certainly provided greater convenience in implementing State policies. There is less difficulty in regulating banking operations. Both these implications seem to be of unsubstantiated validity. With the standard of banking services going down sharply, nationalisation is bound to impede the implementation of State policies. Again, financial viability of loans to certain sectors could prove too weak, and in the end their magnitude might have to be moderated. But it is too early to say as enough experience has not been gathered, since nationalisation is not yet two years old.

Corporate Law

Corporate Law Accounts Systems and Society. By M. C. Bhandari. (Published by Bhandari Publications 4, Synagogue Street, Calcutta 1. Price Rs. 20, pages 378.)

This is a collection of 63 articles written by Mr. M. C. Bhandari in different newspapers and magazines during the period 1962-69. This is actually a book of readings on the progressive legislation on corporate functioning in the context of a fast changing socio-economic and political conditions. With the passage of time, the corporate laws have undergone dynamic changes in India and the author has studied these changes closely with an idea of acquainting the readers with the customary practices as well as modern thinking on the subject. The author has tried to explain the underlying purposes of the law and the changes thereto. He has tried to correlate the business method and practice with this piece of important legislation. The reader will get an insight into the State's endeavour to guide and control the corporate functions and the social objectives of the corporate bodies. In some cases the discussions are precise and in others, these are too precise to be interesting to a reader who is bent upon getting a book of readings, such as this. The social responsibilities of trade and industry

have been nicely stressed by the author.

A. C. MUKERJEE

India and Germany

India and Germany—A Survey of Economic Relations. Edited by Vadilal Dagli. (Published by Vora and Co. Publishers Private Ltd, 3 Round Building, Bombay 2. Price Rs. 20, pages XVI+232.)

Mr. Vadilal Dagli, the well known commentator on Indian economic affairs, has made a new addition to the already long list of his works by bringing out the volume under review. India's economic relations with West Germany, which helped build the Rourkela steel plant, have not progressed much during the 'sixties. The book consists of 27 analytical papers in which an effort has been made to evaluate the economic relations and also to explore the possibilities of strengthening the same. The papers have been written by well known German and Indian specialists. The book is divided into four sections. Section I starts with an interesting but illuminating interview with Chancellor Willy Brandt. The other four papers in this section merely present the views expressed in the two countries on a governmental level on the need to maintain economic relations.

Section II and III give an elaborate description of the Indo-German joint ventures from time to time. Klaas-Peter Jacobs, Director of Commerzbank AG, Frankfurt, has discussed "Indo German Banking Relations". In section III, an interesting study of "Rourkela's Hunter Land" by K. H. Junghans (a member of the South Asia Institute, Heidelberg) has been included in which the author has shown graphically the "influence of industrialisation on the wage income and literacy of the farming population".

Section IV consists of statistical tables illustrating the relations between India and the Federal Republic of Germany during the last decade which are quite useful for making further studies. Although the book has been edited in the best possible manner, it will be of interest to those who are doing work in the specified field of Indo-German relations. The editor would have done well to give a list of the full version of the abbreviated

words used here and there in the book by the contributors.

V. SHOBHA CHOPRA

Media in India

Media in India, 1970-71. (Published by Hindustan Thompson Associates Ltd., "Express Towers", Nariman Point, Bombay 1. Pages 44.)

The booklet provides advertising market potentials at State and zonal levels for the larger towns in India. The persons concerned with advertising, publishing, etcetera, will find the book interesting as it contains much useful information. Total circulation, contract rate, etcetera, of different weeklies and dailies in different languages all over India are shown in the booklet. This apart, details concerning magazines of general interest, financial publications, women's magazines, cinema periodicals, and children's magazines have also been provided. The indices of market ratings for the larger towns have been summarised in a table by working out urban market potentials at the State and zonal levels.

Marketing of Cotton

Cost of Marketing Cotton. By M. G. Pavaskar and V. Radhakrishnan. (Published by the Department of Economics, University of Bombay, Bombay 32. Pages 55, price Rs. 6.)

With a limited objective, this study aims at assessing the performance of the present marketing system in cotton with reference to marketing costs. It is confined to cotton growth in the Khandesh region (Maharashtra) and covers 1962-63 and 1967-68. However, it is silent on the general efficiency of resources used in cotton marketing or the efficiency of marketing cotton in all its manifold aspects. In a study of this nature, the authors frankly admit the limitations due to imperfections of the available data. That is why its results are based on assumptions. Also, such results are only to be treated as valid mainly for the region selected and the areas chosen. The work is divided into several important chapters like marketing efficiency, marketing of cotton in Khandesh, farm and marketing shares, costs of marketing, besides summary and conclusions with appendices.

S. N. CHATTERJEE

INDUSTRY

Cut in Rayon Yarn Prices : Impact on Tyre Manufacturers

(BY A SPECIAL CORRESPONDENT)

NEW Delhi has accepted the recommendations of the Tariff Commission for lowering the selling prices of rayon yarn, cord and fabric used for manufacturing tyres. The reduced prices (ex-factory) announced by the Government are as follows: yarn cord fabrics—super II material Rs. 12.25—Rs. 13 or Rs. 13.50 (a kilogram); super I material Rs. 10.25, Rs. 11 and Rs. 11.50 (a kilogram). It has been stated in the notification that if manufacturers do not accept the new prices voluntarily, the Government would enforce the cut statutorily. Following the price cuts, the prices of rayon shares have slumped. One may recall here that following representations from some of the tyre manufacturing companies that a move was afoot from the manufacturers of rayon tyre yarn, cord and fabric, the Government referred the matter to the Tariff Commission to examine the cost of production of rayon tyre yarn, cord and fabric. The Commission went into the matter accordingly and recommended price reductions of such materials which the Government has decided to accept.

Rayon tyre yarn, cord and fabric constitute 40 per cent of the cost of tyres. If the tyre manufacturers get these raw materials at cheaper rates, the Government is likely to insist that such price cuts, in turn, are to be reflected in tyre prices. The notification says that "if any steps are considered necessary to ensure this, the Government would take such steps." Some rayon manufacturers, however, believe that even if the reduced prices of rayon cord, fabric and yarn are accepted, tyre prices will be cheaper only by 10 per cent. They discount the possibility of an immediate cut in tyre prices. According to an estimate, if the revised prices become effective, Century Rayon, National Rayon and Shri Ram—the three indigenous manufacturers of rayon items for which price cuts have been recommended—will be making a total loss of Rs. 2 crores a year. Some spokesmen of the industry feel that the revised prices are "extremely low and unrealistic." The

Association of the man-made fibre industry has expressed its inability to the Central Minister of Foreign Trade, Mr. L. N. Mishra, to understand the basis of the new price fixing. The manufacturers are keeping the prices unchanged pending the discussion of the representatives of the industry with the Minister.

Rayon industry circles say that even assuming that the revised prices are in accordance with the recommendations of the Tariff Commission, it is only natural to expect an early release of the report for what it is worth. In 1968, the Government, ordering an enquiry by the Tariff Commission into the price structure of rayon yarns (tyre yarn and other man-made fibres), asked the commission to accord high priority to the enquiry on tyre cords. The Commission had submitted an interim report in April 1969 and the final one in 1969. If the authorities have found the present prices of rayon yarn, etcetera, on the high side, then the report of the Commission should have been forwarded to the manufacturers instead of peremptorily reducing the prices.

Some rayon tyre cord manufacturers have expressed concern over the suggested prices for two reasons: (a) the enquiry by the Commission was based on production costs prevailing in 1967; and (b) the price increases during the period 1967-70 were substantial due to the soaring prices of raw materials like pulp, caustic soda, packing materials and the wage hike by about 15 per cent a year. It is conceded that the cost of tyre production would have been lower provided R.T. cord were available at cheaper rates. The domestic price of R.T. cord was Rs. 17.50 a kilogram during the period under review, against the international price of Rs. 7.50 a kilogram.

The industry's capacity is not being fully utilised. Contrary to earlier expectations, the offtake of R.T. cord is not encouraging. At the time of

enquiry by the Commission, the modest estimate, according to knowledgeable circles, was that the industry would be working to full capacity by 1970-71. In practice, however, against the installed capacity of 28,000 tonnes and the licensed capacity of 20,000 tonnes last year, the annual production was approximately 17,500 tonnes with an actual offtake of about 14,400 tonnes. And the crisis will perhaps further deepen in the current year when the offtake of R.T. cord and yarn would be lower, the production of tyres would not increase and a leading manufacturer would start producing nylon tyre (N.T.) yarn and cord very soon, thereby implying lesser offtake of R.T. yarn.

In addition, the industry is incurring export losses year after year. Indeed, some exporters think in terms of an upward revision in prices considering the mounting cost of production either due to the shortage of tyre cord to meet the growing demand or the absence of any agreement to control cord prices. The fact is that India is suffering export losses of about 50 per cent over domestic prices. The industry is, however, hopeful of doing better in the overseas market in the face of stiff competition from superior materials like nylon, polyester or rayon tyre yarn. In fact, India's total exports reached the figure of Rs. 80 lakhs last year with chances of promoting overseas sales up to Rs. 2 crores in the present year. The moot point is: if domestic prices are now reduced, will not exports suffer?

CONVEYOR BELT

Standardisation Report

A scheme for the rationalisation of conveyor belting in the Durgapur steel plant, estimated to yield a substantial saving in the overall current cost of installed belting, was recently presented by Dunlop India's Sales Director (Industrial Products), Mr. N. S. Bedi, to Major-General B. P. Wadhwa, Director-in-Charge of the plant. The report, prepared by Dunlop India after a detailed study of installations and service conditions, has recommended the use of nearly half the existing belt constructions. This will enable easier interchangeability of belts between various departments and lower stock inventories, thereby reducing the tie-up of capital.

(Incorporated in U.S.A. with Limited Liability)

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST DECEMBER 1970

[illegible]

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST DECEMBER 1970

REPORT OF THE AUDITORS

- (1) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (2) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from the Calcutta Branch and Central Money Pool, India;
- (3) the Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of accounts and the audited returns;
- (4) the report on the accounts of the Calcutta Branch and Central Money Pool, India audited by other auditors has been forwarded to us and the same has been considered in preparing our report;
- (5) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies, and on such basis, the said Balance Sheet subject to no provision having been made for (a) Gratuity (b) Advances and (c) Claims in respect of Guarantee as indicated in notes (2), (3) and (4) gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st December, 1970, and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branches for the year ended on that date.

Sd/- A. P. FERGUSON & CO.
Chartered Accountants.

NOTES TO THE BALANCE SHEET AS AT 31ST DECEMBER, 1970

1. The Balance Sheet has been prepared in conformity with Form 'A' of the Third Schedule to the Banking Regulation Act, 1949.
2. No provision has been made in the Accounts for the present liability in respect of future payments of Gratuity under the Desai Award, estimated to be Rs. 5,46,895/- net of tax benefit (gross Rs. 18,22,983 less tax at 70%).
- There is also a voluntary pension scheme to which the employees may opt if they agree to forego Gratuity. The amount of provision which is required to be made, if any, on this account has not been ascertained.
3. Included in 'Advances' Rs. 25,81,92,561.54 is an amount of Rs. 7,95,422.05 due from a constituent who undertook to pay the amount in regular instalments effective from July 1968. No amount was received until 31st December, 1969 but an amount of Rs. 1,55,703.22 was paid by the constituent during the year ended 31st December, 1970. The extent of the amount which may eventually be irrecoverable is not ascertainable at this stage and accordingly, no provision has been made in these accounts in this regard. The above amount of Rs. 7,95,422.05 has been classified as 'Debtors considered good' secured by the personal liabilities of one or more parties in addition to the personal security of the debtors' in the Schedule of particulars of Advances annexed to the Balance Sheet.
4. Guarantees include Rs. 1,39,000.00 being the amount of guarantees issued on behalf of the constituent referred to in Note 3, in respect of which certain claims have arisen. These claims are being disputed by the constituent and have been referred to a tribunal, the award of which is still pending. The extent of the Corporation's liability in this regard, is not ascertainable at this stage and accordingly no provision has been made in these accounts.
5. Certain bills received from constituents for collection on their behalf are entered in memorandum registers and are recorded in the financial ledgers only when collected. All bills for collection outstanding as at 31st December, 1970 have, however, been shown in the Balance Sheet under the relevant heads of Account.
6. In accordance with the instructions received from the Reserve Bank of India the assets and liabilities relating to Travel Department (including tax liability attributable thereto as estimated by the Corporation) have been shown under 'Other Assets' and 'Other Liabilities' respectively.

In addition, the Chief Executive Officer is provided with free use of furniture, equipment etc. at his residence (depreciation charged in the Accounts Rs. 13,152.58).

(2) The Profit and Loss Account has been prepared in conformity with Form 'B' of the Third Schedule to the Banking Regulation Act, 1949.

Sd/- A. P. FERGUSON & CO.
Chartered Accountants.
Bombay, 5th April, 1971

Edw. R. J. DAVIES
Resident Vice President

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST DECEMBER 1970

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1970

Particulars of Advances Annexed to and Forming Part of the Balance Sheet as at 31st December, 1970 :

1969 Rs.		Rs.	P.
3,23,61,367	(i) Debts considered good in respect of which the banking company is fully secured	8,00,58,476	77
5,40,02,214	(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	5,13,51,064	46
10,09,95,739	(iii) Debts considered good secured by personal liabilities of one or more parties in addition to the personal security of the debtors	12,67,83,120	31
23,73,59,320	(iv) Debts considered doubtful or bad not provided for	—	—
		25,81,92,661	54
91,933	(v) Debts due by directors or officers of the Banking Company or any of them either severally or jointly with any other persons	1,27,511	38
Nil	(vi) Debts due by Companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies, as members	Nil	—
1,05,297	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	1,41,280	88
Nil	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies as members	Nil	—
Nil	(ix) Due from banking companies	Nil	—

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LABOUR

The Supreme Court Defines the Status of Sales Staff

By S. K. Chaudhuri

Chief Personnel Officer,
Lipton (India) Ltd

BECAUSE of the more provocative headlines appearing in newspapers, the recent Supreme Court decision on the *Burmah-Shell* case (reported in *Labour Law Journal*, 1970—Vol. II, page 890) does not appear to have received the attention it deserved. By this decision, a large number of sales employees of various commercial concerns in India may now be taken out of the ambit of the Industrial Disputes Act. The Government of Maharashtra referred to a dispute between the *Burmah-Shell Oil Storage and Distribution Co. (I) Ltd* versus *Burmah-Shell Management Staff Association* to the Industrial Tribunal, Bombay. The dispute related to the revision of scale and grades of pay, dearness allowance, overtime payment, duty allowance, etcetera, concerning ten categories of staff—from transport engineers to district sales representatives designated by the Company as junior management staff. They were represented before the Tribunal by the Staff Association registered as a trade union. Their salaries varied from Rs. 535 to Rs. 1,500 a month plus a high cost of living allowance of 30 per cent of the basic salary and supplemented by house rent allowance, leave/fare assistance, medical benefits and bonus. On an all-India level, *Burmah-Shell* had about 648 employees belonging to these ten categories.

The main business of the Company is the marketing of petroleum products and oil and for this purpose, the country has been divided into four marketing zones, viz., Bombay, Calcutta, Madras and Delhi. The organisation and the management of each zone is again divided into four functions, viz., marketing, distribution, personnel and finance. And the four zones are sub-divided into several marketing divisions and the latter sub-divided into five or seven sales districts. The Industrial Tribunal decided on the preliminary issue in respect of its jurisdiction that four out of the ten categories were not workmen. On

this interim award of the Tribunal, there were cross-appeals both by the Company and the Association. The Supreme Court gave its decision on 12th November, 1970, in respect of the entire junior management staff involved in the dispute as to whether they were covered under the definition of "workman" as given in the Industrial Disputes Act, 1947, or not. The Court decided that only two out of the ten categories involved in the dispute were "workmen" and it was in respect of these categories alone that the Industrial Tribunal could adjudicate. Out of the exempted eight categories held to be non-workmen, the majority belong to the supervisory category. But the most important decision is in respect of sales staff.

All commercial concerns either directly or through agencies employ sales staff who are engaged in canvassing or promoting sales of goods—no matter whether they are machinery or medicines, packets of tea or cakes of soap, cosmetics or detergents. Salesmen selling "services" should also be included, like the L.I.C.'s agents. A salesman enjoys a special position under the Shops and Establishments Act, since in a majority of the States he is exempted from the Shops Act restrictions—being a traveller or a canvasser he is an intermittent worker. A salesman has usually no fixed place of working, travels extensively over the area allotted to him and, therefore, it is only right that the ordinary restrictions regarding hours of work, attendance, holidays applicable to a factory or office staff do not normally apply to him. Now he goes out of the Industrial Disputes Act as well.

The Supreme Court's decision on the *Burmah-Shell* case reverses several earlier judicial decisions on the subject most of which were on the basis of the old definition of "workman" under the Industrial Disputes Act, 1947. During the intervening years, the

duties of sales staff all over India have undergone a qualitative change, and their salaries have gone up. The definition of "workman" was amended in March 1957. The Supreme Court has now given a new dimension to this definition. By Act 36 of 1956, the definition of "workman" under Sec. 2(S) of the Industrial Disputes Act was amended as follows: "Workman" means any person (including an apprentice) employed in any industry to do any skilled or unskilled manual, supervisory, technical or clerical work for hire or reward whether the terms of employment be express or implied, and for the purposes of any proceeding under this Act in relation to any industrial dispute, includes any such person who has been dismissed, discharged or retrenched in connection with, or as a consequence of that dispute, or whose dismissal, discharge or retrenchment has led to that dispute, but does not include any such person... (iii) who is employed mainly in a managerial or administrative capacity; or (iv) who being employed in a supervisory capacity, draws wages exceeding five hundred rupees per mensem or exercises either by the nature of the duties attached to the office or by reason of the powers vested in him functions mainly of a managerial nature."

There has been an attempt to amend the definition in the 29th Session of the Standing Labour Committee held in New Delhi on 24th July, 1970. The workers' representatives demanded that the wage limit of "workmen" should be raised to Rs. 1,600 (i.e., same as under the Payment of Bonus Act); whereas, employers have offered that the ceiling be put at Rs. 1,000 and that the technical staff drawing more than the ceiling should like the managerial staff, be exempted from the definition of "workman". That persons entrusted with managerial or administrative functions should be excluded from the definition of the term "workman" was not disputed.

The Supreme Court has approved two principles in the *Burmah-Shell* case: (a) In order that an employee in an industry is held to be a "workman" under the Act, he must be employed to do skilled or unskilled manual work, supervisory work, technical work or clerical work. If, however, the said employee is not doing any of these four types of work, then he would not be a "workman"; or, in other words, an employee of an industry is not necessarily a "workman".

Examples of such functions may be selling, teaching, and writing judgments. (b) In actual commercial practice, quite a large number of employees are required to do work of more than one of the kinds mentioned in the definition; thus it is often that an employee may have to do manual as well as supervisory work or clerical work as well as supervisory work or perhaps, technical work as well as clerical work, and, so on. For the purpose of determining whether an employee is a "workman" under the Act, the question to be decided first is: which is the main work he is required to do, even though he may be incidentally doing other types of work. This means that the "workman" is an employee whose main or substantial work is either manual, supervisory, technical or clerical in nature.

The Court has discussed in detail the duties of various categories of Burmah-Shell employees involved in the reference. Here the examination will be restricted to the nature of duties performed by only three categories of sales staff

(a) **District Sales Representatives:** The district sales representative is a person who is canvassing or promoting sales of the Company. His main work is to call at retail outlets to maximise sales, do canvassing and obtain orders. He, of course, carries on some correspondence but that is incidental to the main work of selling. He is engaged

mainly in selling which function cannot fall within any of the four types, viz., manual, clerical, technical or supervisory. He is the Company's representative in the area allotted to him and is responsible for all matters affecting the Company's interest in that area. Salary question is not of any importance in coming to this conclusion. Sales representatives of almost all commercial concerns are identically placed being engaged in selling and, whatever little manual and clerical work they do, the same is incidental to their main function. Such salesmen are not "workmen" under the Industrial Disputes Act.

(b) **Sales Engineering Representatives:** The person employed as a sales engineering representative in Burmah-Shell has to do sales promotional work by giving expert advice to the district sales representative and holding demonstrations. He also attends to the difficulties experienced by the customers in the use of the Company's products and gives expert advice to eliminate such complaints. (The fact that he is technically qualified and uses his technical knowledge when advising the clients, does not render his work technical.) He is employed primarily to support the Company's sales efforts. His chief duty is sales promotion which is neither technical, manual, clerical nor supervisory in its nature. The Court has decided that such a personnel is not a "workman". Applying the above test, it may be concluded that the familiar sales supervisor—who

is a little higher in status than the ordinary sales staff and is engaged in sales promotion—is also not a "workman". Alternatively, where a sales supervisor has to look after the work of several sales staff his function is mainly supervisory and by that test too, he is not a "workman".

(c) **Depot Superintendents:** A depot superintendent in Burmah-Shell is in charge of all the stocks at a depot and his principal duty is to see that these stocks are properly received, stored and despatched. He plans and delivers the necessary supplies. He has a complement of men working under him, the strength of which varies between five and seven. He allocates work to them and they work under his guidance. He is the seniormost officer at the depot. He recommends/sanctions leave to these workers and is empowered to engage casual labour. He can take decision about overtime work of the staff under him. He can deal with minor cases of indiscipline and report cases of major indiscipline to the head office. He is authorised to make certain expenses. He represents the Company and the depot when dealing with the railway and municipal authorities. A depot superintendent may have to do some correspondence and writing work but this cannot be considered the substantial or main duty entrusted to him. After analysing his duties, the Court has come to the conclusion that his principal duties are of a supervisory and managerial nature, the clerical duties being only incidental. He draws a salary exceeding Rs. 500. He is, therefore, not a "workman" under the Act. The godown keepers in all commercial houses perform more or less the same supervisory/managerial functions and where their salary exceeds Rs. 500, they may be taken out of the workman's category.

While the above decision does not affect the right of the sales staff to form or join unions, they are not likely to be interested in joining any of the workmen's unions of which other salaried groups are members. Although, the sales staff may form an association of their own, they can no longer under the law raise an industrial dispute before a Labour Court or a Tribunal. This would save a lot of headache for employers. It will, however, be advisable for the management to give this category of employees a little more status and importance, since they are the bread-and-butter earner of any commercial concern.

MONEY AND BANKING

Developing a New Relationship between Banks and the Small Man—II

(BY A SPECIAL CORRESPONDENT)

The nation is eagerly watching whether the nationalised banks are able to improve the lot of common people by providing them with liberal credit facilities. There is no reason why banks should not succeed in a big way provided they show a sense of involvement in their well-being. This is the second in a series of two articles. The first was published last week.

GIVEN all the facilities banks cannot etch out for themselves a place among small men unless there is a change in attitude towards the persons who are entrusted with implementing the policies. Even after all the conceivable precautions have been taken, a small quantum of advances are bound to turn sticky or bad. In such cases even after invoking the guarantees which have been enumerated below a portion may have to be written off. It would hardly serve the ends of purpose if banks were to concentrate mainly on fixing responsibilities, discovering lapses and dealing out penalties. What is really required is to make a detailed study, prepare case histories and circulate them among all banks so that similar cases could be forestalled in future.

If no malafides are involved, no punitive action should be taken against the official concerned. After all, it should be considered what any one else would have done if placed in a similar situation. It is stressing the obvious that in case officials are held responsible it would be a retrograde step. Their colleagues would not desire to share a similar fate and, therefore, the advances to the small man would not find favour with them. Targets would invariably remain unfulfilled. Absence of penalties alone would hardly do the trick. There would have to be positive incentives for speedier expansion of this line of business. Special recognitions are necessary if staff are to be spurred on to greater activities. A balance has to be struck between expediency and risk in advancing to the small man and therein lies the success of this new line of business.

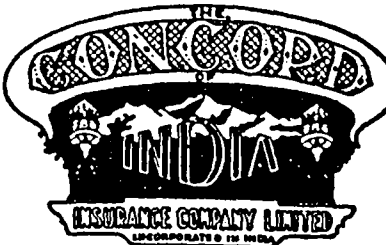
The small man would in most cases be unable to provide any readily acceptable security but may have a regular source of income by way of salary or otherwise and be of undoubted integrity. He would quite often feel the need for temporary accommodation in the shape of clean loans. Delving into the provident fund or borrowing against life insurance policies may not be sufficient and would moreover take some time. It may be *infra dig* to approach affluent relatives or money-lenders. If welcomed, he would be eager to obtain such bridging loans from banks as it would be at a relatively cheap rate and kept a well-guarded secret. Purposes may vary but it is usually to meet an unforeseen eventuality, such as a serious illness in the family requiring hospitalisation and heavy medical expenditure, or it may be to defray expenses in connection with a social gathering. If considered necessary, suitable letters may be obtained authorising the employer to remit a certain amount each month from the loanee's salary.

Consumer loans have also a big rôle to play and altogether a new set of customers are waiting to take advantage of this scheme. Instead of financing lure-purchase companies, banks could do away with these middle-men and dispense credit directly to the purchaser. In fact, the deferred payment terms now extended by hire-purchase agencies is possible only because they are in receipt of bank credit. Durable consumer goods like air-conditioners, refrigerators, fans, radiograms, steel furniture and electrical goods which can no longer be considered luxury items, can be financed by banks depending on the repaying capacity of the person. Purchase of scooters or motor-cars may be financed. In other cases, loans may be made for the purchase of a set of books or encyclopaedia. Durable consumer goods could be purchased in joint names of the bank, as a hypothecate, and the loanee to prevent resale without the bank's knowledge. The indefinite wait for a telephone connection is already common knowledge. It would be a boon if banks were to

advance the money required under the "own your telephone scheme".

If some of these items were to be purchased out of accumulated savings, by the time this is built up the necessity may have lapsed or the initial exuberance evaporated. What is more damaging is that prices of these goods go on rising every year and an immediate purchase may mean real savings. The consumer loans would in the long run help manufacturers by enabling them to dispose of their unsold stocks which invariably block much too much money. Gradually this scheme could be extended for house building loans on a co-operative basis and for one's own use only. What is required in these cases is to ensure that there is no misuse of bank finance for speculative purposes or for profiteering. It is the really needy who should get the benefit of liberalised credit facilities.

Credit has also to be pumped to persons who render service and are self-employed, mostly professionals. These persons constitute essential links in the social fabric and although they may not be in receipt of a fixed income or be in a position to provide readily acceptable security, they should not be denied their requirements. A doctor may be contemplating the purchase of modern equipment to render better treatment, a photographer would be interested in purchasing a new camera or a lawyer who has just entered the profession may be requiring money to equip his chamber with law books. These have been termed as small business finance and touch the small-



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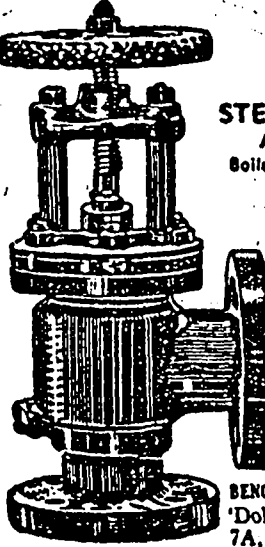
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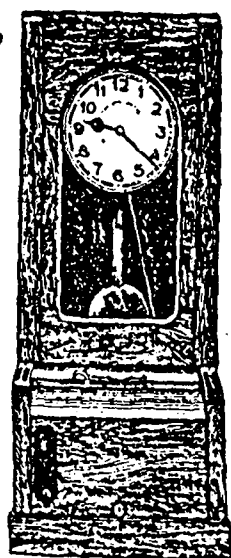


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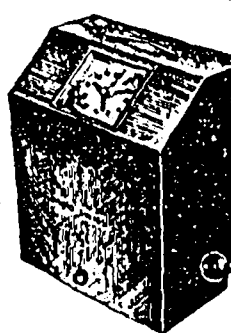
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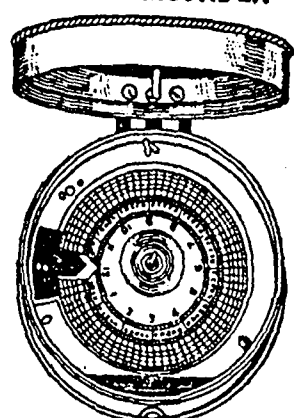
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est persons. The utility of these persons who apparently do not add to the national wealth cannot be under-estimated. In fact, shortage of funds is one of the reasons for which professionally skilled persons are prone to accept employment rather than build up their own practice. This would also reduce the pressure on employment opportunities in the case of doctors, lawyers and the like.

Other developmental activities in this line could be, say, in transport operations. Banks could conveniently finance the truck operator, taxi-owner and even the rikshaw or the hand-cart puller. This would greatly assist in the upliftment of the poorer sections of society. Wholesale and retail traders have been an untrodden track for the banks. Now is the time to gear their resources towards promoting these. The point that is often missed is that if there were more stockists of raw materials and finished goods, manufacturers would need to hold lower inventories and the pressure on bank credit in these spheres would be reduced. This return of funds could be initially used for financing the retail trade. An added advantage would be the spread in credit risks. A number of persons would also find gainful employment. The concept of financing the retail trade would be extended to the grocer and the stationery shop-owner who cater to daily requirements. This would enable them to make bulk purchases and provide the consumer with goods at a cheaper price.

Monopolistic tendencies have developed in India and to curb this it would be necessary to break up the concentration of power. The unemployment problem among the educated calls for an early solution. Both could be fulfilled if new entrepreneurs are provided with suitable opportunities. New industries have been set up by a limited number of business houses while others who have worthwhile schemes suffer from a paucity of capital. It is here that banks can fruitfully move out from the blue print stage. If the entrepreneur has the expertise and the scheme is technically feasible, banks should be prepared to provide the entire finance from the purchase of machinery to the provision of working capital. Unemployed graduates could avail themselves of this scheme. Persons already in employment and holding senior positions could also use their expertise in starting new industries.

In the sphere of agriculture, banks have a lot more to do. The schemes already devised can hardly be used by the small farmer—tenants and peasants who own 2 or 3 acres of land. The small farmer should not be denied credit if he is unable to offer mortgage of land. To protect such advances from the vagaries of the monsoon, a crop insurance scheme is called for. Moreover, banks should help farmers to open up other avenues of income by financing animal husbandry, poultry farming or pisciculture. A number of small farmers may be asked to form one group and the group as a whole would have to guarantee the advance made to each farmer. Long-term advances could be made available to the farmer for improving irrigation, purchase of equipment, etcetera, while short-term loans would be for the purchase of seeds, fertilisers and pesticides.

But banks have a dual rôle of deposit lending and, unless there is a growth in deposits, new advances to the small man could only be made by curtailing existing ones. It is, therefore, essential that if this sector is not to be starved, the small man will have to provide the bulk of these deposits. What is, therefore, needed is to spread the banking habit to the small man. Exemption of interest up to Rs. 3,000 and deposits up to Rs. 1.50 lakhs from income-tax and wealth tax should help mobilise farmers' idle funds. More so because the interest on deposits has recently been stepped up. The small man can be lured if ancillary facilities are extended. For him cheques should be collected free of charge. Mail or telegraphic transfers between personal accounts should be permitted at par. The small man would then rely less on money orders and this would induce both the payee and the remitter to open accounts with the same bank.

It is quite on the cards that a new chapter in the annals of banking in India is about to be written *vis-a-vis* the small man. If social objectives are to be fulfilled and economic development ensured, then the approach of bank to the small man is a determinant to reckon with. So far the small man has received a relatively raw deal at the hands of commercial banks but it is to be hoped that the momentum of nationalisation will enable banks to break away from traditional moorings.

(Concluded)

INVESTMENT

Tax Uncertainties and Developments in East Pakistan Depress Equities

THE stock markets have relapsed into an uneasy mood, and there is no knowing how long the current spell of agonising dullness might last. With tax uncertainties and increasing concern over serious developments in East Pakistan making for utmost caution, operators have moved to the sidelines. The week's news has provided a mixed fare. The bullish news has caused no big selling. In slow dealings, equities have generally tended to drift lower for want of fresh support. Very few counters have managed to wind up the week with plus signs. News from the corporate front has continued to be reasonably encouraging. Usha Martin Black, Herdillia Chemicals, Mahendra Electricals, Rohit Mills, Tube Investment, Kamani Engineering and Wavin India, to mention some names, have all had a word of cheer for their respective shareholders. But this has had little impact on the markets.

The Central Minister for Industrial Development, Mr. Moinul Haq Chaudhury, has made a number of observations which could have brought cheer to the markets if they had been in a receptive mood which they were not. The Minister has hinted at a flexible approach towards implementation of the industrial licensing policy. He has said that larger houses would be allowed to play their rôle in accelerating the pace of industrial development, that procedural bottlenecks would be removed and that foreign capital would be welcome if it helped to expand India's exports. He has drawn attention to the large increase in the number of applications for industrial licences in 1970 and the first quarter of the current year, indicating a considerable revival of industrial and entrepreneurial interest. One only hopes that the Government will dispose of these applications expeditiously as it is sanction that matters and not the applications.

But the stock markets could not possibly have put up a steadier show. The Central Foreign Trade Minister, Mr. L. N. Mishra's statement that the cotton textile mills' obligation to produce controlled cloth would be increased from 25 per cent at present to 40

per cent or 50 per cent and that the penalty for non-fulfilment of the quota obligation would be raised from 6 paise to 25 paise a square metre has been viewed with grave concern by the industry which is already having its margins eroded by cost inflation. Mr. Mishra has also hinted at a cut in nylon prices and the rayon tyre cord manufacturers have been officially told to bring down their prices voluntarily to the specified levels in order to obviate the necessity of statutory control.

The Central Finance Minister, Mr. Y. B. Chavan, has stated that the detailed guidelines in relation to the Government's decision asking public financial institutions to exercise option for converting into equity loans to be given and debentures to be subscribed by them in future will be finalised shortly. The stock markets have reason to feel concerned over all these developments. The mood of indecision can be expected to persist for quite some time. The Central Budget to be presented towards the end of May alone can remove uncertainty about the additional tax effort. The quantum of additional taxation is important, but even more important is how it is raised. To raise large resources for development without adversely affecting the incentive to save and invest is no easy task.

Government securities have remained dull this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have also remained featureless. Turnover has remained restricted.

The Calcutta stock market has remained sluggish this past week on account of political and economic uncertainties. Operators are unable to estimate the extent of additional taxation that might be levied by the Central Finance Minister, Mr. Y. B. Chavan, while presenting the final Budget to Parliament some time in May. Another bearish factor has been New Delhi's reported decision to take over the entire import trade in a year or two. Among engineering shares, Shriram Bearings, Simon-Carves, Elec-

trosteel Castings and Braithwaite have received selective support. Among paper shares, India Paper Pulp, Ballarpur and Tribeni Tissues have been transacted. Among jute shares, Bengal, India, New Central and Ganges have been supported. Among miscellaneous shares, Zuary Agro-Chem, Britannia Biscuit, Union Carbide and Chemicals and Fibres have been steady. Among tea shares, Tengapani, Teesta Valley and Hattikhira have been transacted.

Caution has been the keynote of trading on the Bombay Stock Exchange this past week. Activity has shrunk further, and the general tone has been distinctly subdued. Despite a modest rally near the week-end, most counters have wound up the week with further losses which have been fairly marked in some cases. Cotton mill shares have come under pressure on indications of stricter control over cloth through the prescription of a higher ratio of production for controlled varieties and stiff penalty for any shortfall in the ration. Standard, Kohinoor and Century have been among the weak spots. Rayon shares have also displayed an easier tendency and selling has been quite marked in National Rayon and Century Enka. South India Viscose have held steady. After keeping distinctly subdued, steel shares have steadied up on reports of institutional support. Except for a few select counters, engineering shares have drifted lower on scattered selling and

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section:

Ahmedabad New Cotton

Arun Mills

Arvind Mills

Asoka Mills

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Standard Mills

lack of fresh support. Alcock, Associated Bearings, and Tata Engineering have been among the soft spots while Sandvik Asia have ruled distinctly firm and Voltas have maintained a steady tone. Automobile shares have ruled fairly steady. Cement shares have also maintained a steady tone and Crissa have recorded a small rise. Among shipping shares, Scindia have kept steady while Great Eastern Shipping have been marked down on profit-taking. Chemicals have been generally subdued. Bayer (India), Synthetics and Chemicals, Tata Chemicals, Chemicals and Fibres and Hindustan Polymers have shown losses over the week. Indian Dyestuff, Colour-Chem, Gujarat Fertiliser and N.O.C.I.L. have held fairly steady. Among pharmaceuticals, Pfizer have been marked lower while Glaxo have kept steady and Warner Hindustan have been slightly subdued. The shares of rubber tyre companies have displayed a steady tone with Ceat Tyre showing a small rise on steady support. Bank shares have ruled steadily with a small turnover. New India Assurance have kept quietly steady. Electric shares have been steady. Sugar shares have been slightly steadier with Belapur evoking modest support. Among miscellaneous shares, Hindustan Lever, Escorts, Tata Oil and Hindustan Aluminium have maintained a steady tone. Paper shares have kept steady and West Coast have been marked higher on fresh enquiries.

The Madras stock market has remained subdued this past week. In view of the apprehension of heavier taxation in the forthcoming Central Budget, operators have been reluctant to extend their commitments. In the planting section, there has been very little business and as a result, Midland and Highland Produce have been easier. In the textile section, South

India Viscose have been transacted while Travancore Rayons have declined on selling pressure. In sugar shares, E.I.D. have met with support while K.C.P. have receded. Among bank shares, Indian Overseas and Canara Bank have met with buying enquiries. In the miscellaneous section, Ashok Leyland and Dalmia Cement have changed hands while India Cement have been a shade lower.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	21/25--21/85--21/05--21/70--
(19/40)	
Barrakur Coal	12/00--12/06--12/00--12/06
--(13/20)	
Dunlop India	37/75--38/05--37/40--38/05
--(31/05)	
Guest, Keen, Williams	32/70--33/15--32/60
--32/90--(15/50)	
Hindustan Motors	13/05--13/15--12/90--
--13/15--(15/56)	
Indian Aluminium	38/10--38/20--37/95--
--37/95--(31/35)	
Indian Copper	3/96--4/00--3/93--4/00--
(1/39)	
Indian Iron	10/90--11/75--10/50--11/40--
(17/20)	
J. K. Cotton	10/30--10/45--10/30--10/45--
(12/20)	
Jayashree Tea & Industries	17/50--17/62--
17/50--17/56--(14/00)	
Kesoram Industries	17/70--17/75--17/35--
17/75--(16/60)	
Orient Paper	38/60--38/95--38/40--38/50--
(32/50)	
Orissa Cement	18/80--18/80--18/60--18/60
--(14/70)	
Rohitas Industries	6/35--6/35--6/20--6/25--
(7/42)	
Textile Machinery	9/95--10/00--9/95--10/00
--(11/25)	

the rate of dividend from Rs. 24 to Rs. 16 a share but it involves no hardship to the shareholders as the dividend for 1970 is payable on the capital enlarged by the one-for-two bonus issue and the total amount to be distributed by way of dividend is unchanged at the previous year's level. Arvind and Ahmedabad New Cotton have maintained the dividends at Rs. 24 a share and Rs. 18 a share, respectively. The directors of all the seven Companies have struck a note of caution about the outlook for 1971 because of the steep rise in raw material costs and enhanced wage bill.

Arvind Mills: The working results of the Company show a marked improvement over the previous year's performance. While sales are up by 10.4 per cent from Rs. 8.15 crores to Rs. 9 crores, the gross profit has risen by 25.3 per cent from Rs. 1.58 crores to Rs. 1.98 crores. The ratio of profits to sales has improved from 19.4 per cent to 22 per cent. The dividend has been maintained at Rs. 24 a share. The Company has again sought the permission of the Controller of Capital Issues for the issue of bonus shares in the ratio of one for three. If permission is granted, the new bonus shares would become entitled to dividend from 1st January, 1971.

After providing Rs. 5.61 lakhs (against Rs. 6.94 lakhs) for managerial remuneration, Rs. 41.87 lakhs (against Rs. 46.97 lakhs) for depreciation, Rs. 7 lakhs (against Rs. 14.50 lakhs) for statutory development rebate reserve and Rs. 71 lakhs (against Rs. 44 lakhs) for taxation, the net profit for 1970 amounts to Rs. 72.67 lakhs, against Rs. 45.61 lakhs in the preceding year. After some write-backs, the disposable surplus amounts to Rs. 77.04 lakhs, against Rs. 56.25 lakhs. After setting aside Rs. 2 lakhs (same) for donations, the balance has been transferred to general reserve. The proposed dividend absorbing Rs. 36 lakhs (same) is to be paid out of general reserve.

The work on the proposed Arvind Petro-Chemical Company is stated to be progressing well and the Company is awaiting the green signal from the Central Government in respect of the collaboration agreement with National Distillers and Chemical Corporation of New York. Meanwhile, the Company's application for the import of capital goods has been cleared. Arvind Mills' exports in 1970

were higher at Rs. 35.35 lakhs, against Rs. 15.74 lakhs in 1969.

Arun Mills: Sales have gone up by 13.5 per cent from Rs. 4.35 crores to Rs. 4.94 crores and the gross profit has increased by 12.7 per cent from Rs. 63.13 lakhs to Rs. 71.14 lakhs. The dividend has been raised from Rs. 18 to Rs. 21 a share, the additional payment being by way of cash bonus. Appropriations include managerial remuneration Rs. 4.57 lakhs (against Rs. 4.33 lakhs), depreciation Rs. 17.74 lakhs (against Rs. 22.74 lakhs), development rebate reserve Rs. 5.75 lakhs (against Rs. 7 lakhs), taxation Rs. 19 lakhs (against Rs. 16 lakhs), donations Rs. 1.23 lakhs (against Rs. 1.01 lakhs) and general reserve Rs. 22.90 lakhs (against Rs. 13.40 lakhs). The dividend amounting to Rs. 10.50 lakhs (against Rs. 9 lakhs) is to be paid out of general reserve.

Asoka Mills: With sales up by 20 per cent from Rs. 5.80 crores to Rs. 6.98 crores and gross profit higher by 35.7 per cent at Rs. 68.32 lakhs (against Rs. 50.34 lakhs), the ratio of profit to sales has improved from 8.7 per cent to 9.8 per cent. The dividend has been raised from Rs. 18 to Rs. 21 a share (including a cash bonus of Rs. 3 a share). Appropriations include managerial remuneration Rs. 2.40 lakhs (against Rs. 2.12 lakhs), depreciation Rs. 22.25 lakhs (against Rs. 25.90 lakhs), development rebate reserve Rs. 5.50 lakhs (against Rs. 10 lakhs), taxation Rs. 17.50 lakhs (against Rs. 4.75 lakhs), donations Rs. 1.18 lakhs (against Rs. 92,000) and general reserve Rs. 19.50 lakhs (against Rs. 6 lakhs). The proposed dividend claiming Rs. 10.50 lakhs (against Rs. 9 lakhs) is to be paid out of general reserve. Of the four items for which the letters of intent had been received, it has been decided to give up the manufacture of P.V.C. laminated jute bags and to go ahead with the setting up of the projects for heavy duty P.V.C. sacks, carrier P.V.C. bags and non-toxic rigid P.V.C. film. The working of Artex which was amalgamated last year with the Company has not yet stabilised and efforts are being made to improve the working. The Company has spent Rs. 31.50 lakhs on the renovation and modernisation programme.

Raipur Mills: The Company has reported a marked improvement in both sales and profits and margins too are somewhat better. The sales

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Kasturbhai Group Mills Produce Satisfactory Results

THE Kasturbhai group of cotton textile mills in Ahmedabad have done reasonably well in 1970. All the seven mills—Arvind, Asoka, Arun, Raipur, New Cotton, Saraspur and Nutan—have reported larger sales than in 1969. As for gross profits, only Nutan and Saraspur have earned less; the other five mills have improved upon their previous year's earnings although margins of some mills have been under pressure to a varying degree. Arun and Asoka

have maintained their dividends and in addition, rewarded their shareholders with a cash bonus of Rs. 3 a share, raising the total distribution for 1970 to Rs. 21 a share. Despite lower earnings, Saraspur has maintained the dividend of Rs. 18 a share on the higher capital raised by the one-for-three bonus issue. And Nutan has stepped up the dividend from Rs. 12 to Rs. 18 a share, the enhanced distribution being by way of cash bonus. Raipur has reduced

are up by 25.9 per cent from Rs. 3.52 crores to Rs. 4.43 crores and the gross profit has increased by 28.8 per cent from Rs. 54.63 lakhs to 70.35 lakhs. The reduced dividend of Rs. 16 a share is payable on the increased capital, with the result that the total distribution is the same as last year. Appropriations include managerial remuneration Rs. 3.34 lakhs (against Rs. 2.50 lakhs), depreciation Rs. 20.65 lakhs (against Rs. 25.96 lakhs), development rebate reserve Rs. 5.25 lakhs (against Rs. 2 lakhs), taxation Rs. 17 lakhs (against Rs. 12.50 lakhs), donations Rs. 1.08 lakhs (against Rs. 75,000), and general reserve Rs. 24.60 lakhs (against Rs. 10.92 lakhs). The dividend absorbing Rs. 12 lakhs (same) is to be paid out of general reserve.

Ahmedabad New Cotton: The gross profit made by the Company is only marginally higher at Rs. 47.45 lakhs, against Rs. 46.83 lakhs in 1969, even though sales have risen by about 22 per cent from Rs. 3.90 crores to Rs. 4.76 crores. The dividend has been kept unchanged at Rs. 18 a share. Allocations include managerial remuneration Rs. 2.90 lakhs (against Rs. 3.06 lakhs), depreciation Rs. 16.68 lakhs (against Rs.

18.57 lakhs), development rebate reserve Rs. 5.50 lakhs (against Rs. 4.25 lakhs), taxation Rs. 10 lakhs (against Rs. 5.25 lakhs) and donations Rs. 51,000 (against Rs. 43,000), leaving a net profit of Rs. 11.86 lakhs (against Rs. 15.25 lakhs) which is transferred to general reserve.

Saraspur Mills: Despite a small increase in sales from Rs. 4.27 crores to Rs. 4.47 crores, the gross profit made by the Company is down from Rs. 53.58 lakhs to Rs. 49.69 lakhs. The dividend on the capital enlarged by the one-for-three bonus issue has been maintained at Rs. 18 a share. After providing Rs. 99,000 (against Rs. 2.74 lakhs) for managerial remuneration, Rs. 17.43 lakhs (against Rs. 22.43 lakhs) for depreciation, Rs. 17 lakhs (against nil) for development rebate reserve, Rs. 1.50 lakhs (against nil) for taxation and Rs. 50,000 (against nil) for donations, the net profit for 1970 amounts to Rs. 12.26 lakhs, against Rs. 28.40 lakhs in the preceding year. After some adjustments, a sum of Rs. 8.90 lakhs has been transferred to general reserve. The proposed dividend absorbing Rs. 7.20 lakhs (against Rs. 5.40 lakhs) is to be paid out of general reserve.

Nutan Mills: The Company's sales are slightly higher at Rs. 3.33 crores, against Rs. 3.17 crores in 1969, but the gross profit is lower at Rs. 35.12 lakhs, against Rs. 38.52 lakhs in the previous year. Despite poor results, the directors have not only maintained the dividend at Rs. 12 a share but also recommended a cash bonus of Rs. 6 a share. After providing Rs. 2 lakhs (against Rs. 1.12 lakhs) for managerial remuneration, Rs. 11.35 lakhs (against Rs. 14.08 lakhs) for depreciation, Rs. 10 lakhs (against nil) for development rebate reserve, Rs. 60,000 (against nil) for taxation and Rs. 50,000 (against nil) for donations, the net profit for 1970 amounts to Rs. 10.66 lakhs, against Rs. 23.12 lakhs in the previous year. After adjusting the carry-forward loss of Rs. 6.78 lakhs, a sum of Rs. 3.80 lakhs has been transferred to general reserve. The dividend absorbs Rs. 5.40 lakhs, against Rs. 3.60 lakhs.

STANDARD MILLS

Dividend Raised

THE preliminary statement from Standard Mills on its operating results for 1970 shows a marked improvement over the previous year's performance. Not only has there been a rise in sales and profits but margins too have improved which seems significant in the context of the increase in the cotton textile industry's production costs. Sales (net of excise duty of Rs. 2.47 crores, against Rs. 2 crores) are up by 11.7 per cent from Rs. 22.56 crores to Rs. 25.21 crores. With gross profit higher by 15.6 per cent at Rs. 3.79 crores, against Rs. 3.28 crores, the ratio of profit to sales has improved from 14.5 per cent to around 15 per cent. In view of the improved results, the shareholders are being rewarded with a higher dividend of 28 per cent, against 25 per cent (including a bonus jubilee dividend of 5 per cent) paid in the preceding year. Appropriations of profits include depreciation Rs. 153.35 lakhs (against Rs. 141.38 lakhs), development rebate reserve Rs. 23.85 lakhs (against Rs. 21.04 lakhs), taxation Rs. 38.25 lakhs (against nil) and general reserve Rs. 163.94 lakhs, against Rs. 165.80 lakhs. The usual preference dividend amounting to Rs. 68,640 (same) and the equity dividend absorbing Rs. 49.17 lakhs (against Rs. 43.90 lakhs) are to be paid out of general reserve.

COMMODITIES

The Impact of Civil War in East Pakistan on Indian Jute Mills

THE wonderful resilience of the Indian jute industry has once again been brought to the fore by the unexpected warlike developments on the East Bengal front. While extremely lean operating conditions, heavy fiscal burdens and the dwindling profit margins had been eroding the industry's viability, the competition from Pakistani and synthetic producers had been assuming more and more menacing proportions with the lapse of years. The fast loss of traditional and non-traditional markets for sacking, hessian and even the special-purpose constructions had made the position most intractable while the sudden upsurge of tension in East Bengal has brought about a complete change in the situation, creating a challenge and an opportunity for the Indian jute industry. Industry and trade circles are reportedly keeping a close watch on the developments. They are drawing up their strategy for the new situation of a world shortage in commercial fibre and packaging materials which is sure to develop soon.

Supply of B Twills

The delay in the extension of the Government's long-term agreement with the industry for the regular supply of B Twills has left the latter's commitments in relation to the construction at low levels, indirectly enabling it to produce more hessian and other constructions in place of sacking, if the situation so demands. In an effort to secure the long-term interests of jute and jute goods for export, all are agreed that price-rigging in any form should be eschewed by all concerned. Clive Row is anticipating an outline of the industry's assessment of the situation and plans to meet it at the forthcoming annual session of the Indian Jute Mills Association.

It will be interesting to make a comparative assessment of the destinationwise export trends of jute goods from India during the past four years. In spite of the easier availability of raw jute, though the price was high, jute goods exports from India continued to show the same downward trend in 1970 with the overall shipments touching the low-

est ever level of 539,300 tonnes from 569,900 tonnes in 1969, 671,400 tonnes in 1968 and 768,500 tonnes in 1967. But for the larger offtake of standard goods by Russia, the east European countries against rupee payments or barter agreements and the broadening consumption of packaging goods by the developing countries in Africa, the position would have been far worse due largely to the serious shrinkage in the consumption of carpet-backing cloth and bur-lap by the U.S.A.

Sharp Fall in U.S. Offtake

While the U.S.A. reduced its overall offtake to the maximum extent from 301,800 tonnes in 1969 to 214,400 tonnes in 1970, most countries recorded only nominal declines in their offtake. But Russia raised its imports from 74,200 tonnes to 102,800 tonnes, the rest of east Europe from 25,600 tonnes to 33,300 tonnes, Africa from 31,900 tonnes to 76,800 tonnes and Australia from 23,500 tonnes to 26,200 tonnes.

Hessian shipments showed an improvement from 251,700 tonnes in 1969 to 279,300 tonnes in 1970, mainly due to an increase of 23,100 tonnes over the 1969 figure shown by Russia to 75,200 tonnes in 1970, of 9,200 tonnes to 22,500 tonnes by the rest of eastern Europe, of 19,200 tonnes to 33,900 tonnes by Africa, of 3,100 tonnes to 3,800 tonnes by Argentina and of 2,300 tonnes to 18,100 tonnes by Australia while the U.S. offtake dropped sharply by 15,200 tonnes to 69,200 tonnes and Canadian imports by 4,700 tonnes to 23,600 tonnes. Other countries recorded small shrinkages in offtake over their respective levels in 1969.

Sacking exports also recorded a minor increase of 27,600 tonnes over the 1969 level to 75,800 tonnes in 1970. While Russia absorbed 5,500 tonnes more over her imports in 1969 at 27,600 tonnes in 1970 and Australia took 400 tonnes more to 2,400 tonnes, the handsome broadening of the African offtake by 26,800 tonnes to 41,600 tonnes emerged as the most redeeming aspect of the otherwise gloomy situation. Other countries, together, showed a decline of 9,300

tonnes over the 1969 levels to 4,200 tonnes in 1970.

In carpet-backing cloth, the position was most distressing, more so when the industry's wide-loom capacity recorded a further expansion since the gradual completion of the phased expansion programmes. The inducement for the expansion of capacity had been offered by the sustained increase in the offtake of the special-purpose product by the U.S.A. from 121,600 tonnes in 1967 to 152,000 tonnes in 1968 and the highest level of 176,500 tonnes in 1969 from which the figure declined to 109,900 tonnes in 1970. Canada also reduced its offtake from the highest level of 12,000 tonnes in 1969 to 8,500 tonnes in 1970. The same trend was reflected in the overall shipments of the products from 141,600 tonnes in 1967 to 179,800 tonnes in 1968, 219,300 tonnes in 1969 and 137,700 tonnes in 1970.

Current Year's Prospects

The prospects for 1971 should no doubt be assessed on a cautious note. The lingering shortages and high prices of fibre, which are likely to continue well up to the third quarter of the year, will rule out the chances of raising the output of the end-products to capacity levels despite the civil war in Pakistan. It is difficult to foresee how long the serious conflict will continue in that war-torn province. But the prospect is that both the output of raw jute and of gunnies will suffer a severe blow during the next season. Although it will not be possible for India to fill the void caused by the temporary absence of Pakistan from the world market, the future of the industry in India will depend on how the Indian industry and trade and the Government play their cards in the future.

Power Cut Affects Output

Production in the jute industry has again been disrupted, this time by the failure since 1st April of the Gourepore power-station of the West Bengal State Electricity Board to maintain its supply of power to the mills served by it, reports the Indian Jute Mills Association. Power supply restrictions appear to have been caused by the theft of high-tension cable over a large area. The affected jute mills had first been asked by the Board to be ready for a drastic power cut for about a fortnight. A couple of days later, they were given to understand that the full supply of power



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would be immediately restored by way of some emergency measure being taken by the Board. In the event, however, there has been, to date, no improvement in the position.

Gunnies Buoyant

The Calcutta gunny market ruled unusually buoyant during the past week, mainly on reports of the escalation of the civil war in East Pakistan. The complete dislocation of industrial, commercial and shipment activities and the evacuation of foreigners from the war-torn province as well as the serious involvement of the civilian population in the struggle against Islamabad had created difficulties. These unpredictable developments had practically reversed the outlook for the industry and the trade for ready to far-forward positions, producing a positively buoyant impact on market sentiment. There was no report yet of the flow of any spillover order from overseas. But the end-of-March covering off-take earlier in the week was pretty large, for shorts and shippers deemed it imperative to cover their open positions, even after following the rise in prices. Besides, some intermediaries had to complete their commitments to the official and semi-official agencies, particularly in sacking constructions before the close of the fiscal year. Bulls took an exceptionally optimistic view of the prospects thinking that overseas consumers of jute goods would have to depend on India for their requirements until peace returns in East Bengal. Among the fresh business reported during the week were scattered bookings by the U.S.A. and Russia, some covering by the State Trading Corporation against its overseas commitments, and a moderate volume of ready and near-delivery sacking constructions by some State Governments. In view of the sharp price rise, other domestic buyers absorbed their bare minimum requirements. The mills had been cautious in offering ready and forward delivery goods because of the shortages and soaring prices of batching grade fibre. Although they had been trying to maintain the output of jute goods, both qualitatively and quantitatively, at the maximum possible levels, they had been experiencing an acute shortage of adequate lots of suitable grades of fibre even at reasonable premiums. Industry circles were also watching how the non-Marxist Democratic Coalition which has formed the Government in West Bengal worked out its industrial policy. Higher

advice from the fibre market were an additional stimulant to the price trend in the goods market, producing an adverse effect on the overall off-take. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	21st Apr.	Apr. June	Apr. June	June- Sept.
40in. 7½oz.	71.00	71.50	72.00	70.50
40in. 8oz.	77.00	—	—	—
40in. 10oz.	92.50	93.50	94.50	92.00
B Twills	280.00	282.00	284.00	277.00
Heavy Cees	280.00	282.00	284.00	277.00
Cornsacks	—	—	—	—
A Twills (U.S.)	340.00	338.00	336.00	330.00
Liverpools	323.00	323.00	322.00	317.00

Fibre Firm

The raw jute market showed an exceptionally buoyant trend in line with that in the end-products market and also because of the brisk absorption of ready stocks of fibre of suitable grades, even in odd lots, by both the industry and the intermediaries. The warlike developments in East Bengal completely reversed the earlier fibre supply prospects. Because everyone had been taking an exceptionally buoyant outlook about the future, fresh fibre arrivals slumped to around 30,000 maunds a day at high prices. These met with immediate support. Turnover was small. The closing undertone was extremely bullish.

Latest available quotations (in rupees) were as follows:

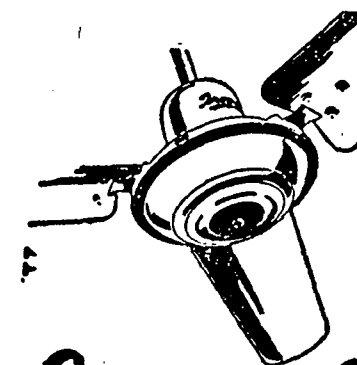
	April-May		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a quintal md. Bot.
Selected Assam- Agartala	168.79	160.75	60.00
Northern Jute Western Desal	163.43	155.40	58.00
Jute	155.40	147.36	55.00
Selected Daissee	172.81	164.77	61.50
Assam-Agartala Tossa	174.15	166.11	62.00
Mesta : Assam Mesta	156.74	148.70	55.50
Selected Daissee	151.38	143.34	53.50
Murshidabad Bihar Dist.	144.68	136.64	51.00

COTTON

Technological Breakthrough

Latest reports from New Delhi point to a new awareness on the part of the Government of the urgent need to boost the output of commercial crops, notably cotton and oilseeds, in order to achieve a greater

measure of price stability and reduce reliance on imports. It is heartening to note that India's agricultural scientists expect a breakthrough in cotton production in the next few years. They have formulated a new strategy to be followed for increasing cotton production in what is called the second phase of agricultural development which embraces cotton and pulses. Already, several new varieties have been released for cultivation in various tracts in the last three years. The multiplication and distribution of seeds of these varieties have been taken on hand under the co-ordinated cotton development schemes. Several new varieties, superior to the existing ones, are to be on the breeders' assembly line and these could replace many of the varieties cultivated at present. Many of the new varieties have been made available for evaluation of their production potential in pilot projects in different parts of the country. All this is very welcome indeed, for the need for intensified research requires no special emphasis. In view of the growing competition from man-made fibres, cotton research has to concentrate not only on improving fibre properties but also on imparting to cotton characteristics which can make it compete with or be suitable for blending with man-made fibres.



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BALANCE SHEET OF THE INDIAN BRANCHES AS AT 31st DECEMBER, 1970.

1969	CAPITAL AND LIABILITIES		
Rs.		Rs. P.	Rs. P.
	1. Capital :		
36,96,300	Government Securities to the face value of Rs. 37,00,000/- included in investments, deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1919	36,94,450.00	
1,77,440	2. Reserve Fund and Other Reserves :		1,77,440.12
	Capital Reserve (on revaluation of Bank Premises)		
2,82,80,268	3. Deposits and Other Accounts :	3,36,63,150.22	
2,02,14,463	Fixed Deposits	2,16,18,825.58	
2,64,99,237	Savings Bank Deposits	2,97,02,320.80	
	Current Accounts, Contingency Accounts, etc.		8,49,84,298.60
2,20,12,466	4. Borrowings from Other Banking Companies, Agents, etc.	1,15,82,032.83	
2,10,153	(i) In India		1,15,82,032.83
	(ii) Outside India		
	Particulars :		
	1969		
	Rs.		
2,22,22,619	(i) Secured	Rs. 1,15,82,033	
	(ii) Unsecured	Rs. 1,15,82,033	
21,70,914	5. Bills Payable :		37,48,233.60
49,06,292	6. Bills for Collection being Bills Receivable as per contra :	66,20,363.56	
51,46,051	(i) Payable in India	63,41,233.21	
	(ii) Payable outside India		1,29,61,596.77
18,34,686	7. Other Liabilities :		
4,09,727	(i) Interest on Deposits, Rebate on Bills Discounted and on Treasury Bills and Sundry Expenses	16,16,312.98	
73,000	(ii) Inter Branch Adjustments in India (Net)	3,17,161.09	
	(iii) Provision for Taxation	73,000.00	
1,40,56,019	8. Acceptances, Endorsements and Other Obligations per contra		20,06,474.07
	9. Profit and Loss Account :		1,19,12,349.57
	10. Contingent Liabilities :		
	1969		
	Rs.		
5,01,680	(i) In respect of Uncalled Capital on partly paid shares held as investments and in a subsidiary company	5,01,680.00	
1,50,22,011	(ii) In respect of Guarantees on behalf of Constituents	1,20,01,165.73	
	(iii) On Bills of Exchange Rediscounted	35,55,818.07	
5,15,66,214	(iv) On Outstanding Forward Exchange Contract	6,57,00,558.20	
	NOTES :		
	(i) Assets and Liabilities in Foreign Currencies have been converted at Current Market Rates on the 31st December, 1970.		
	(ii) In accordance with the Provisions of Section 29 of the Banking Regulation Act, 1949, as amended read with the provision to sub-section (1) and (2) of Section 211 and sub-section (5) of Section 211 and the Companies Act, 1956 as amended, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with the Sixth Schedule of the Companies Act, 1956. The Accounts are therefore drawn up in conformity with Forms 'A' and 'B' of the 3rd Schedule to the Banking Regulation Act, 1949 as amended.		
	(iii) Retiring gratuity/pension to employees have been debited to the Profit and Loss Account on cash basis. The year-end estimated liability on accrual basis in respect of the bank's retiring gratuity/pension has not been ascertained.		
	(iv) Comparative figures in respect of the previous year have been rearranged wherever necessary.		
12,63,90,416			12,73,72,423.56

THE EASTERN BANK LIMITED

(Incorporated in England, the liability of members being limited)

Wholly-owned subsidiary of The Chartered Bank Incorporated by Royal Charter, 1853.

BALANCE SHEET OF THE INDIAN BRANCHES AS AT 31st DECEMBER, 1970.

1969	PROPERTY AND ASSETS		
Rs.		Rs. P.	Rs. P.
44,69,868	1. Cash :		62,03,100.85
	In Hand and with Reserve Bank of India and State Bank of India (including Foreign Currency Notes)		
54,606	2. Balances with Other Banks on :	1,47,694.83	
4,06,169	Current Accounts	5,21,860.10	
	(i) In India		6,69,554.93
	(ii) Outside India		
	3. Money at Call and Short Notice :		9,00,000.00
2,09,87,756	4. Investments :		
	(i) Securities of the Central and State Governments and other Trustee Securities At Cost and Treasury Bills of the Central and State Governments at face value	2,53,78,859.37	
	(ii) Shares :		
	(a) Fully paid Ordinary Shares :		
	(i) At Cost	5,75,000.00	
	(ii) At Cost less amounts written off	6,083.25	
	(b) Partly paid Ordinary Shares :		
	At Cost less amounts written off	1.00	
	(iii) Debentures or Bonds		
	(a) At Cost	3,94,625.00	
	(b) At Cost less amounts written off	3.00	
	(iv) Other Investments		
	(v) Gold		2,63,54,571.62
	5. Advances :		
	(Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the Auditors)		
	I. Loans, Cash Credits, Other Drafts etc.		
	(i) In India	3,83,57,736.12	
	(ii) Outside India	1,21,066.78	
	II. Bills Discounted and Purchased (Excluding Treasury Bills of the Central & State Governments)		
	(i) Payable in India	49,00,450.10	
	(ii) Payable outside India	1,74,52,364.40	
	(Particulars per Schedule 'A' Annexed)		6,08,31,617.40
4,02,00,360	6. Bills Receivable being Bills for Collection per contra :	66,20,363.56	
35,318	(i) Payable in India	63,41,233.21	
	(ii) Payable outside India		1,29,61,596.77
52,09,721	7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra		1,19,12,349.57
2,04,49,753	8. Premises Less Depreciation :		
	At Cost (including Rs. 1,77,440.12 due to Revaluation)	5,91,741.00	
	Less : Depreciation written off to date	36,236.53	
			5,55,504.47
2,86,600	9. Furniture and Fixtures Less Depreciation :		
25,879	At net book value of 31st December, 1949 plus subsequent additions at cost less sales—As at 31st December, 1969	13,00,558.33	
2,60,721	Additions during the year	1,60,215.76	
		14,60,774.09	
	Less : Sales and amounts written off during the year	29,800.70	
		14,30,973.39	
	Less : Depreciation written off to date	12,09,633.78	
			2,21,339.61
12,14,913	10. Other Assets :		
86,195	Partly paid Ordinary Shares in the wholly-owned subsidiary company The Eastern Bank Trustees & Executor Co. (India) Ltd.—At Cost	5,00,000.00	
	Advance payment of tax including deducted at source	21,59,010.93	
	Stamps	8,774.03	
	Interest accrued on Investments, Bills and Loans etc.	11,78,401.54	
	Sundry Deposits and Prepaid Expenses	2,18,862.11	
	Due by Head Office and Branches outside India	7,61,363.95	
			48,26,412.56
13,01,168	11. Non-Banking Assets Acquired in Satisfaction of Claims :		
550	12. Profit and Loss :		
	Balance brought forward from last year	37,43,827.42	
	Add : Loss for the year	30,00,809.10	
		67,44,636.52	
	Less : Recovered from Head Office	48,08,260.74	
			19,36,375.78
37,43,827			
12,63,90,416			12,73,72,423.56

S. K. ROYCHOWDHURY,
Accountant, Calcutta Branch

W. D. L. BETT,
Manager, Calcutta Branch

THE EASTERN BANK LIMITED—cont'd.

SCHEDULE OF PARTICULARS OF ADVANCES REQUIRED BY THE BANKING REGULATION ACT, 1949			
(Act X of 1949) Annexed to and Forming Part of the Balance Sheet as at 31st December, 1970.			
1969			Rs. P.
Rs.			
3,92,48,719	(i) Debts considered good in respect of which the Banking Company is fully secured		3,51,16,052.18
61,24,679	(ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security		1,26,96,953.64
2,05,21,754	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors		1,30,18,611.38
6,58,95,152	(iv) Debts considered doubtful or bad not provided for		6,08,31,617.40
2,94,163	(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons		3,73,144.93
—	(vi) Debts due by Companies or Firms in which the Directors of the Banking Companies are interested as Directors, Partners or Managing Agents, or in the case of Private Companies as members		—
3,51,918	(vii) Maximum total amount of advances, including temporary advances made at any time during the year, to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons		3,37,439.62
—	(viii) Maximum total amount of advances including temporary advances granted during the year, to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as members		—
—	(ix) Due from Banking Companies		—

Profit and Loss Account of the Indian Branches for the year ended 31st December, 1970.

1969	EXPENDITURE	Rs. P.	1969	INCOME (Less: Provisions made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	Rs. P.
Rs.			Rs.		
29,43,798	1. Interest paid on deposits, borrowings etc.	30,49,358.43	10,19,174	1. Interest and Discount	32,23,256.03
40,95,297	2. Salaries and Allowances and Provident Fund (See Note 1)	46,61,628.99	24,13,823	2. Commission, Exchange and Brokerage	23,34,567.22
3,65,604	3. Director and Local Committee Members' Fees and Allowances	3,63,449.15	—	3. Rents	—
21,806	4. Rent, Taxes, Insurance, Lighting etc.	20,983.44	1,43,559	4. Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to reserves or any particular fund or account)	12,954.00
59,651	5. Law Charges	64,499.82	—	5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to reserves or any other particular fund or account)	2,68,180.00
22,000	6. Postage, Telegrams and Stamps	19,000.00	—	6. Income from non-banking assets and profit from sale of or dealing with such assets	—
2,05,987	7. Auditors' Fees	1,61,460.99	37,43,827	7. Other Receipts	30,00,809.10
1,13,679	8. Depreciation on and repairs to the banking company's property	4,26,371.23	—	8. Loss	—
—	9. Stationery, Printing, Advertisement etc.	—	—		
—	10. Loss from sale of or dealing with non-banking assets	—	—		
3,92,561	11. Other Expenditure (Including Head Office Expenses attributable to the Indian Branches—Rs. 1,92,404)	3,73,014.30	—		
—	12. Balance of Profit	—	—		
Note: 1. Remuneration of Chief Executive Officer, included in Salaries, Allowances and Provident Fund:—					
1969		Rs.	1969		Rs.
Rs.			Rs.		
45,600	(i) Salary	41,096	—		—
33,600	(ii) Allowances	33,600	—		—
—	(iii) Sitting Fees	—	—		—
4,560	(iv) Bonus	4,080	—		—
3,240	(v) Employer's Contribution to Provident Fund	2,844	—		—
—	(vi) Payment by way of gratuities, pensions etc. in excess of employer's contribution	—	—		—
—	(vii) Monetary value of other benefits or perquisites	29,550	—		—
11,632		1,11,170	—		—
98,632		—	—		—
82,20,383		88,39,766.35	82,20,383		88,39,766.35

W. D. L. BETT,
Manager, Calcutta Branch

AUDITORS' REPORT

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Indian Branches of the Bank as required by law so far as appears from our examination of those books. We have visited all the Indian Branches at Calcutta, Bombay and Madras and proper returns adequate for the purposes of our audit have been received from those branches.

We have examined the above Balance Sheet of the Indian Branches of The Eastern Bank Limited, as at 31st December, 1970, and the annexed Profit and Loss Account for the year ended on that date which are in agreement with the books of account and returns. In our opinion and to the best of our information and according to the explanations given to us, the Accounts of the Bank, together with the notes thereon, are properly drawn up so as to disclose, in the case of the Balance Sheet a true and fair view of the state of the Bank's affairs in India as at 31st December, 1970, and in the case of the Profit and Loss Account a true and fair view of the loss of the Indian Branches for the year ended on that date, so far as is required by the provisions of the Companies Act, 1956 and the Banking Regulation Act, 1949.

CALCUTTA,
29th March, 1971.

LOVRILOCK & LITWEE,
Chartered Accountants.

COMPANY AND PUBLIC NOTICES

THE BORREA COAL COMPANY LIMITED

THE Board of Directors at the Meeting held today recommended the following Dividends subject to deduction of Tax at Source payable on or after the 27th of May, 1971:—

- On 6½% Cumulative Preference Shares at 8.45% per annum for the year ended 31st December, 1970.
- The Final Dividend on Ordinary Shares at the rate of 12½% for the year ended 31st December, 1970.

The Annual General Meeting for the year ended 31st December, 1970 will be held on the 29th April, 1971 and the Registers of Members of the Company will be closed in this connection from the 20th April, 1971 to the 29th April, 1971, both days inclusive.

By Order of the Board
PRAN PRASHAD
Director

Registered Office:
Chartered Bank Buildings,
Calcutta, 1st April 1971.

THE BORREA COAL COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of THE BORREA COAL COMPANY LIMITED, will be held at the Registered Office of the Company, Chartered Bank Buildings, Calcutta, on Thursday, the 29th April, 1971, at 3-30 P.M. for the following purposes:—

- To consider the Profit and Loss Account of the Company for the year ended 31st December, 1970, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
- To declare Dividends recommended by the Directors.
- To appoint Directors in place of retiring Directors.

- To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- To appoint Mr. Pran Prashad, a Director of the Company, who vacates his seat at this Meeting, and, in this connection, to consider and, if thought fit, to pass the following Ordinary Resolution of which the prescribed notice has been received by the Company from a member, the candidate having filed with the Company his consent to act as a Director if appointed.

"That Mr. Pran Prashad be and is hereby appointed a Director of the Company whose period of office will be liable to determination by retirement of Directors by rotation."

The Registers of Members of the Company will be closed from the 20th April, 1971 to the 29th April, 1971, both days inclusive.

By Order of the Board
B. KANUNGO
Secretary

Registered Office:
Chartered Bank Buildings,
Calcutta, 2nd April, 1971.

Notes: (a) A member entitled to attend and vote at this meeting may appoint a proxy to

attend and vote in his stead. A proxy need not be a Member of the Company. A Blank Form of proxy is enclosed, it should reach the Company not later than 48 hours before the Annual General Meeting.

- The dividends, if declared, will be paid on or after 27th May, 1971, to those Shareholders so entitled whose names appear in the Company's Registers of Members on the 29th April, 1971, or to their Mandates. No application for Dividend Warrants will be necessary.
- An explanatory statement in pursuance of Section 173 of the Companies Act, 1956, in respect of item No. 5 is being sent separately.

TIDE WATER OIL CO. (INDIA), LTD.

Issue of Bonus Shares

NOTICE is hereby given that the Register of Members and the Transfer Register of the Company will be closed from April 23 to 28, 1971, both days inclusive in connection with the issue of Bonus Shares.

By Order of the Board,
TIDE WATER OIL
CO. (INDIA), LTD.,
ANDREW YULE &
CO., LTD.,
P. R. Roy,
Secretaries.

Registered Office:
8, Clive Row,
Calcutta-1
April 1, 1971.

Golden Tobacco Co., Private Ltd.

has been converted into a Public Company

and the name of the Company has been changed to

GOLDEN TOBACCO COMPANY LIMITED

with effect from March 15, 1971.

Tobacco House, Vile Parle, BOMBAY-56

THE third Calcutta and Assam Dinner will be held at the Connaught Rooms, London, W.C. 2, on Monday, 7th June 1971. Sir Cyril Pitts will preside and the Guest of Honour will be Field Marshall Sir Gerald Templer, KG, GCB, GCMG, KBE, DSO.

For tickets (price £5. each, including wines as per menu) apply to the Honorary Secretary, Calcutta and Assam Dinner, 39 Lombard Street, London E.C. 3V 9BS. Telephone No. 01-626 1477.

BUDGE BUDGE AMALGAMATED MILLS LTD.

THE Board of Directors have today decided to recommend to the forthcoming Annual General Meeting of Members Final Dividends in respect of the year ended 30th November, 1970, of 7% on 14,063 Preference Shares, of 9.1% on 19,000 Preference Shares and of Rs. 0.80 per share on the Ordinary Shares, all less tax.

By Order of the Board,
BUDGE BUDGE AMALGAMATED MILLS LTD.,
ANDREW YULE & CO. LTD.,
P. R. ROY,
Secretaries.

Registered Office:
8, Clive Row,
Calcutta-1.
5th April, 1971.

THE MIM TEA CO. LTD.

THE Board of Directors have today decided to recommend to the forthcoming Annual General Meeting of Members a Dividend in respect of the year ended 31st December, 1970 of Rs. 7.50 per share on the Ordinary Shares, less tax.

The Annual General Meeting of the Company will be held on 28th April, 1971 and the Register of Members and the Transfer Register of the Company will be closed from 22nd April to 28th April, 1971, both days inclusive.

By Order of the Board
THE MIM TEA COMPANY LTD.
ANDREW YULE & COMPANY LTD.
P. R. ROY
Secretaries.

Registered Office:
8, Clive Row,
Calcutta 1.
1st April, 1971.

CORRIGENDUM

In the progress report of Indian Copper Corporation Ltd. for the quarter ended 31st December, 1970, published on Page 285 in *Capital* of 11th February, 1971, the returns have been shown in rupees instead of kilograms. The error is regretted.

BOOKS RECEIVED

Labour Welfare in India. By K. N. Vaid. (Published by Shri Ram Centre for Industrial Relations, 5 Pusa Road, New Delhi 5. Price Rs. 45, pages 392.)

Village Survey Monograph on Chandrabhag—Census of India 1961, West Bengal and Sikkim Volume XVI, Part VI (6). (Published by the Manager of Publications, Civil Lines, Delhi. Pages 83.)

The United Nations System and its Functions—Selected Readings. Edited by Robert W. Gregg and Michael Barkun. (Published by Affiliated East-West Press Private Ltd. C57 Defence Colony, New Delhi 3. Price Rs. 9, pages 460.)

The political Basis of Economic Development—An Exploration in Comparative Political Analysis. By Robert T. Holt and John E. Turner. (Published by Affiliated East-West Press Private Ltd, New Delhi 3. Price Rs. 6.75, pages 410.)

Tea Statistics 1969-70. (Issued by the Tea Board of India, 14 Brabourne Road, Calcutta 1. Price Rs. 3, pages 249.)

Social Security in India—A Review. (Published by the Employers' Federation of India, 148 Mahatma Gandhi Road, Bombay 1. Price Rs. 4, pages 74.)

India Pocket Book of Economic Information 1970. (Published by the Ministry of Finance, Department of Economic Affairs, Government of India, New Delhi. Price Rs. 3, pages 350.)

Monetary Economics. By K. P. M. Sundharam. (Published by Sultan Chand and Sons, Delhi 6. Price Rs. 6, pages 189.)

Modern Banking—Theory and Indian. By K. P. M. Sundharam. (Published by Sultan Chand and Sons, Delhi 6. Price Rs. 7.50, pages 4112.)

Science in India. By Ward Morehouse. (Published by Popular Prakashan, 35C Tardeo Road, Bombay 34. Price Rs. 25, pages 144.)

Banking Law and Practice. By P. N. Varshney. (Published by Sultan Chand and Sons, 4792/23 Daryaganj, Delhi 6. Price Rs. 8.50, pages 302.)

STATISTICS

Stock and Share Prices

The following are the official quotations of the Calcutta, Bombay and Madras Stock Exchanges. Fuller details relating to the accounts of companies are published in the final week's issue of 'Capital' every month.

CALCUTTA

	Dividend per cent	Latest Market Quotations as available until	1967	1968	22-3-71	5-4-71
					Rs.	Rs.
BANKS						
Allahabad Bank	13	13	135/00	135/00		
Bank of India	20	20	132/00	134/00		
Bank of Baroda	17	18	91/00	102/00		
Central Bank of India	20	20.8*	71/00	72/00		
Chartered Bank	15	15	245½	247½		
Hongkong & Shanghai	sh. 10 2/5	sh. 12½	£9½	£11½		
Indian Bank	15	15	164/00	164/00		
Indian Overseas Bank	11	11	169/00	169/50		
National & Grindlays	13½	13.9	286½	292		
Punjab National Bank	22	22	23/75	24/19		
United Bank of India	74	74.7½*	9/00	9/06		
United Commercial	14	14	100/00	103/00		
Union Bank of India	12	12	8/56	8/72		
COAL						
Amalgamated	12½	7½-10+	7/94	7/94		
Bengal	10	12-12*	152/00	149/00		
Bokaro & Ramgur	...	...	12/00	12/00		
Borrea	Nil	5-15*	12/62	12/62		
Burrakur	13	Nil-12*	11/81	12/06		
Central Kurkend	...	...	3/44	3/44		
East Indian	15	Nil-Nil†	7/00	7/00		
Equitable	Nil	Nil-Nil*	4/84	4/84		
Karanpura Devt	2	Nil-5*	7/69	6/56		
Karanpura Collieries	10	12-20*	11/31	11/56		
Katras Jherriah	5	10-10*	9/81	10/25		
New Beerbhoom	8	12-12*	14/50	14/50		
New Manbhoom	Nil	Nil-Nil*	3/65	3/65		
Pench Valley	12½	7½-10†	7/94	7/94		
Raneegunge	5	7½-10*	11/19	12/06		
Rewa	12½	12½-15*	27/00	27/00		
Sendra	3½	3½-7½*	4/44	4/06		
South Karanpura	2½	10-20*	12/94	12/75		
Standard	Nil	5-10*	7/81	7/81		
Union	Nil	Nil	5/00	5/00		
Western Bengal	7½	7½-8*	7/22	7/22		
			†1970			

JUTE

	Dividend per cent	Latest Market Quotations as available until	1967	1968	22-3-71	5-4-71
					Rs.	Rs.
Agarpara	5	5-5*	6/06	6/12		
Alexandra	Nil	...	25/50	25/50		
Alliance	Nil	...	15/50	15/50		
Anglo India	2½	2½-2½*	87/00	103/00		
Auckland	Nil	Nil-Nil*	49/00	49/00		
Bally	10	10-10*	12/50	12/12		
Baranagore	Nil	Nil-Nil*	72/50	72/50		
Birla	15	15-15*	20/40	21/70		
Budge Budge Amal.	Nil	Nil-Nil*	7/31	8/06		
Champadany	Nil	Nil-5*	12/50	12/50		
Chitavalash	Nil	Nil	6/19	6/19		
Dalhousie	Nil	Nil-Nil*	35/00	34/00		
Empire	Nil	Nil	4/44	4/44		
Fort William	2½	Nil	10/62	10/62		
Ganges	5	Nil-7½*	7/00	7/00		
Gourepore	5	5-Nil*	5/75	5/56		
Hastings	4	2½-2½*	101/00	101/00		
Hooghly	10	10-10*6+	9/50	9/50		
Howrah	Nil	Nil-Nil*	6/25	6/12		
Hukumchand	Nil	Nil-Nil*	12/25	12/56		
India	Nil	3½-5*	6/50	6/50		
Kamarhatty	Nil	Nil-Nil*	67/00	67/00		
Kankarrah	Nil	Nil-Nil*	26/00	26/00		
Kelvin	Nil	Nil	19/50	19/50		
Khardah	Nil	Nil-Nil†	4/56	4/31		
Kinnison	Nil	Nil	19/50	19/50		
Lansdowne	Nil	Nil	24/50	24/50		
Lawrance	3	2-Nil*	25/50	25/50		
Megna	6	Nil-Nil*	3/00	3/00		
National	Nil	10-Nil*†	7/50	7/50		
Nellimaria	6	4	7/19	7/19		
New Central	...	...	3/81	3/87		
Northbrook	10	Nil-10*	9/87	9/75		
Nuddea	2½	2½-Nil*	4/12	4/00		
Presidency	Nil	...	0/94	0/94		
Reliance	Nil	Nil-Nil*	4/81	5/00		
Titaghur	Nil	Nil	9/50	10/06		
Union	Nil	Nil	29/50	29/50		
Waverley	15	15-6*	3/00	3/00		
COTTON TEXTILES						
Bharat Commerce	15	15-15*	20/56	20/56		
Birla Cotton	10	10-10*	14/50	14/50		
Bowraah	17½	17½-17½*	13/44	13/44		
Cawnpore Textile	Nil	10-8*	3/22	3/37		
Delhi Cloth & Genl	12	6-12*	87/50	89/25		
Dunbar	5	Nil-Nil*	11/00	11/00		
Elgin	10	10-8*	7/44	7/19		
J. K. Cotton	15	5-6*	10/36	10/45		
Jaya Shree	5	Nil-Nil*	5/06	4/87		
Jagatjit	10	...	8/31	8/31		
Jijajee Rao	10	...	23/00	23/00		
Orissa Textiles	Nil	Nil	3/44	3/41		
Rampooria	Nil	Nil	3/25	3/25		
Swadeshi	2½	5-5*	11/50	11/50		

RESERVE BANK

ISSUE DEPARTMENT		(In 000's of Rupees)		
		Week Ended		
		26-3-71	19-3-71	27-3-70
Liabilities—				
Notes in Banking Dept.	...	9,58,91	14,15,52	23,37,53
Notes in Circulation	...	42,11,76,93	42,55,31,44	38,42,55,87
Total Notes Issued	...	42,21,35,84	42,69,82,96	38,65,93,40
Assets—				
A. Gold Coin and Bullion	...	1,82,53,11	1,82,53,11	1,82,53,11
Foreign Securities	...	2,73,42,00	2,68,42,00	3,31,42,00
Total of A	...	4,55,95,11	4,50,95,11	5,13,95,11
B. Rupee Coin	...	51,67,49	50,14,82	64,63,27
Rupee Securities	...	37,13,73,24	37,68,73,03	32,87,35,02
Total	...	42,21,35,84	42,69,82,96	38,65,93,40
BANKING DEPARTMENT				
Liabilities—				
Capital Paid-up	...	5,00,00	5,00,00	5,00,00
Reserve Fund	...	1,50,00,00	1,50,00,00	1,50,00,00
National Agricultural Credit (Long Term Operations) Fund	...	1,72,00,00	1,72,00,00	1,55,00,00
National Agricultural Credit (Stabilisation) Fund	...	37,00,00	37,00,00	35,00,00
National Industrial Credit (Long Term Operations) Fund	...	95,00,00	95,00,00	75,00,00
Deposits—				
(a) 1. Central Govt.	...	2,50,55,48	3,73,74,24	1,67,63,52
2. State Govts.	...	13,36,64	11,99,55	8,20,52
(b) Banks—		2,07,09,85	1,95,92,60	1,64,11,21
(i) Scheduled Banks	...	...	...	...
(ii) State Co-operative Banks	...	9,32,80	8,69,94	8,09,47
(iii) Non Scheduled State Co-operative Banks	...	78,22	78,37	57,11
(iv) Other Banks	...	26,26	27,60	14,70
(c) Others	...	71,64,68	69,91,25	1,59,23,71
(c) Others	...	75,86,48	63,48,45	70,56,74
Bills Payable	...	1,53,80,85	1,42,75,16	1,19,32,91
Other Liabilities	...	...	...	...
Total	...	12,41,71,26	13,26,57,16	11,17,89,89
Assets—				
Notes	...	9,58,91	14,51,52	23,37,53
Rupee Coin	...	4,36	2,99	9,45
Small Coin	...	3,85	4,01	4,46
Bills Purchased and Discounted—		6,70,91	4,88,04	...
(a) Internal	...	31,37,56	16,54,25	61,91,94
(b) External	...	77,00,62	1,02,07,60	1,35,13,54
(c) Govt. Treasury Bills	...	1,03,55,79	1,02,95,23	1,09,37,20
Balances held abroad	...	...	...	...
Investments				
Loans and Advances to:—				
(i) Central Government	...	2,14,93,42	2,09,05,46	1,80,52,51
(ii) State Governments	...	...	...	...
Loans and Advances to:—				
(i) Scheduled Banks	...	3,68,37,20	4,42,81,80	2,38,02,13
(ii) State Co-operative Banks	...	2,82,47,17	2,84,71,42	2,56,12,41
(iii) Others	...	4,09,60	5,44,97	...
Loans, Advances and Investments from				
National Agricultural Credit (Long Term Operations) Fund				
(a) Loans and Advances to:—				
(i) State Govts.	...	34,57,12	35,28,12	31,45,43
(ii) State Co-operative Banks	...	19,80,23	19,79,53	14,12,55
(iii) Central Land Mortgage Banks	...	...	...	...
(b) Investment in Central Land Mortgage Bank Debentures	...	9,59,42	9,59,42	9,49,70
Loans and Advances to State Co-operative Banks	...	...	...	...
Loans, Advances and Investments from				
National Industrial Credit (Long Term Operational) Fund	...	4,21,51	4,34,45	5,26,36
(a) Loans and Advances to the Development Bank	...	29,83,71	29,83,71	6,26,71
Other Assets	...	45,49,88	44,64,64	44,16,90
Total	...	12,41,71,26	13,26,57,16	11,17,89,89

SCHEDULED BANKS

		(In 000's of Rupees)		
		Week Ended		
		26-3-71	19-3-71	27-3-70
(i) Demand Liabilities—				
(a) Demand Deposits:				
(1) From Banks	...	1,61,84,00	1,62,29,00	1,43,99,00
(2) From others	...	25,97,79,00	25,86,95,00	22,35,90,00
(b) Borrowings from Banks	...	29,51,00	21,70,00	31,58,00
(c) Others	...	1,52,86,00	1,54,55,00	1,30,20,00
(ii) Time Liabilities—				
(a) Time Deposits:				
(1) From Banks	...	98,88,00	1,00,62,00	99,86,00
(2) From others	...	33,64,46,00	33,73,88,00	28,59,16,00
(b) Borrowings from Banks	...	9,70,00	7,30,00	9,13,00
(c) Others	...	41,89,00	42,57,00	30,51,00
(iii) Borrowing from State Bank—				
(a) Demand Liabilities	...	33,60,00	30,13,00	42,90,00
(b) Time Liabilities	...	64,26,00	62,81,00	62,80,00
(iv) Borrowings from Reserve Bank				
(v) Cash	...	6,73,07,00	7,54,29,00	5,01,05,00
(vi) Balances with Reserve Bank	...	1,69,68,00	1,71,35,00	1,44,56,00
(vii) Balances with other banks in current account	...	2,03,95,00	2,05,86,00	1,80,38,00
(viii) Money at call and short notice	...	75,83,00	72,07,00	56,23,00
(ix) Investments in Central and State Govt. Securities	...	36,12,00	31,25,00	53,26,00
(x) (a) Loans, Cash Credits and Overdrafts	...	14,17,70,00	14,20,28,00	12,17,89,00
(b) Due from banks	...	38,27,50,00	38,13,29,00	34,10,76,00
(xi) Inland Bills purchased and discounted	...	4,79,31,00	4,82,89,80	4,32,85,00
(xii) Foreign bills purchased and discounted	...	7,58,63,00	7,61,17,00	4,82,22,00
(xiii) Total of X, XI and XII	...	2,12,34,00	2,14,46,00	1,87,75,00
(xiii) Total of X, XI and XII	...	52,77,78,00	52,71,81,00	45,13,58

INDEX OF INDUSTRIAL PRODUCTION

Seasonally adjusted
(Base year 1960=100)

	1970	1969	1968
January	186.6	179.3	159.4
February	175.3	163.3	162.2
March	187.2	175.4	162.6
April	181.6	169.5	150.8
May	176.7	165.6	153.8
June	179.1	169.6	158.1
July	...	175.1	163.0
August	...	169.7	162.1
September	...	172.0	159.5
October	...	171.1	159.4
November	...	171.4	166.7
December	...	187.6	173.3
Annual Average	...	172.5	161.1

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Fuss Over Procurement Price

ONCE again, the recommendation of the Agricultural Prices Commission for a cut in the procurement price of wheat has been thrown overboard by State Chief Ministers who, in their superior wisdom, have strongly favoured the maintenance of the *status quo* for both the procurement and issue prices of wheat. The political desire to keep the consumer as well as the producer in good humour, particularly in a year preceding Assembly elections in a number of States, is quite understandable. It stands to reason that an expert body like the Agricultural Prices Commission could not be guided by such extraneous factors in making its recommendation on prices of *rabi* wheat. But the rationale of the Commission's recommendation has become no less valid, merely because it has not been accepted.

That the Commission felt constrained to make a recommendation for a cut, knowing full well that it might not be politically acceptable to the Centre or the States, needs to be appreciated. Its similar recommendation was turned down last year on the same ground and yet the Commission did not hesitate to repeat the prescription, evidently because of its conviction that in the present situation, the Centre had no alternative but to reduce the procurement price or raise the issue price for the public distribution system. The former was seen by the Commission as a lesser evil, since any increase in the issue price from the present level of Rs. 78 a quintal would meet with much political opposition throughout the country. By giving up both the alternatives, the Centre has glibly agreed to bear the loss of about Rs. 35 crores in the current year for the sake of keeping the consumer and the farmer pleased.

In making a plea for a cut in procurement prices, the Commission

had put forward a well argued case for it. For instance, if the total quantity of wheat to be distributed from out of Government stocks in 1971 is assumed to be only 4.5 million tonnes and the import component is 40 per cent of this quantity, the procurement price would need to be lowered to about Rs. 63 a quintal. If, on the other hand, the procurement price is kept unchanged at Rs. 76 a quintal, then on the same assumptions, the issue price for the entire wheat released from Government stocks would have to be raised to Rs. 87 a quintal. If the procurement as well as the issue prices are left undisturbed, the Commission observed, a subsidy of more than Rs. 35 crores would become necessary. Taking the line of least resistance the Centre has sought to silence the wheat-producing States, which have been clamouring for an increase in the procurement price, and others pleading for reducing the procurement price. It is argued that of the total subsidy of Rs. 35 crores, only Rs. 15 crores would be used directly to financing the public distribution operations; the balance of Rs. 20 crores would go to meet the cost of maintaining the buffer stock of 3.5 million or 4 million tonnes of wheat. The question is what will be the impact of this sizable subsidy on the economy.

No doubt, the immediate objective of maintaining price stability will be achieved by the decision not to raise the issue price of wheat. And few will also question the need for stability in food prices, which has, in fact, been the only bright spot in the country's price situation in the past one year or so. Even so, one cannot lose sight of the fact that the Centre's acceptance of the burden is not in tune with the professions of the past that all food subsidies would progressively be done away with. It looks as though that in spite of the prospect of an era of plenty, the cost of

food subsidies will go up steadily with the reduction and ultimate stoppage of all concessional food imports by the end of this year. This is indeed a dreadful prospect.

The farm lobby in this country is not so well organised as in the United States or Japan but politicians seem to be only too ready to pamper this sector at the cost of the economy, which can ill afford heavy doses of deficit financing that large-scale subsidies would necessarily mean. There is as yet no indication that the Centre proposes to make good the amount to be spent as subsidy by raising new revenues from the rural sector. With past attempts in this regard having failed, the Centre may not be too keen to enter an arena that is reserved for the States, which have so far shown a definite disinclination to tax the farm sector. Thus, it is evident that the losses on the food front would have to be made good largely either by fresh levies on the economy as a whole or by deficit financing, both of which are bound to have an inflationary impact sooner than later. Furthermore, similar demands from producers of other crops are bound to raise new problems for the Government, and it may become necessary to spell out clearly the pricing policy for the farm sector as a whole. Any special favour shown to wheat and other cereals may in the long run affect the growth and development of cash crops in which the country is already experiencing large shortfalls.

The pricing policy must be such that it does not appear to make any indvidious distinction between farm producers and factory operators. Inaugurating the annual session of the Federation of Indian Chambers of Commerce and Industry a few days ago, the Prime Minister told industrialists that the cost-plus pricing formula of the Tariff Commission was no longer relevant in the Indian context. She has also more than once pleaded that each industry must be prepared to absorb a part of any increase in its production costs and should not seek a price increase every time they went up. This is unexceptionable as a principle, but if this is not applied uniformly to all sectors of the economy, it is futile to expect the organised industrial sector alone to set up a noble example.

There can be no dispute that the farmer needs an incentive price and a factory worker must get an incentive wage. But if industrial produc-

tion must go up, is it not necessary to assure the producer of an incentive price too? Cement was decontrolled but soon thereafter, under political pressure, control was re-imposed. Even in industries which are not supposed to be governed by price controls, the Government never hesitates to wield the big stick to and means of tapping the new humble producers. Coal is but a typical example of an industry subjected to such high-handedness. If it is recognised that higher produc-

Challenges for Mrs. Gandhi

IT may be too early to expect firm policy pronouncements from the new Central Cabinet but if ministerial utterances in Parliament and outside are any indication, it would seem that a movement in the right direction has already begun. For the first time, an attempt is being made by the Prime Minister, Mrs. Indira Gandhi, and her colleagues to give a new orientation to Government policies and free them from ideological and meaningless clichés and slogans. At the same time, there is an undercurrent of earnestness in the Government to redeem the pledges to the people and give top-most priority to the problems of accelerated economic growth, unemployment and prices.

The Central Ministers in charge of vital economic portfolios have expressed themselves in some form or the other on all these three vital questions. The Minister for Finance, Mr. Y. B. Chavan, devoted a large part of his Budget speech last month to outline the Government's approach to major economic problems. Towards the close of the Lok Sabha session, the Prime Minister explained at considerable length the economic philosophy of her Government and threw welcome light on some of the current issues agitating the public mind. In between, the new Minister for Industrial Development, Mr. Moinul Haq Chowdhury, told a Press conference in New Delhi that his immediate task would be to remove all obstacles to accelerated growth in industry and that he had no prejudices of any kind against big business groups or foreign investment as such. He made it clear that his approach would be pragmatic but at the same time in conformity to the accepted policy of the Government.

The restraint with which Mrs. Gandhi and her colleagues have spoken without abandoning their "radical" promises to the electorate, is indeed commendable and shows that they evidently mean business. The massive vote secured by the ruling Party is a convincing proof of the faith the people have in Mrs. Gandhi's leadership and she deserves to be congratulated for taking this massive support "not as an achievement but as an opportunity". Replying to the debate in the Lok Sabha on the President's address, Mrs. Gandhi said that the country was on the threshold of a new beginning after the recent mid-term poll.

The Prime Minister's speech is important, for it is practically the first major policy statement of her new Government. The President's address had, no doubt, indicated some of the steps which the Government proposed to take to translate into action the promises made during the election but the Prime Minister went a step further to clarify her stand on some questions which carry more political connotations than economic significance to the so-called "radicals" in her own Party. To them, as also to their communist allies, the Monopolies and Restrictive Trade Practices Act and the new industrial licensing policy rules were meant to deny the grant of new licences to big business houses. Mrs. Gandhi did well to make it clear to them that her interpretation of the Act was different. The Act and the rules were there only to define the limits within which larger industrial houses could operate. She was right in saying that the grant of licences to the larger industrial houses should not be viewed in isolation from other decisions of the Government, such as the reservation of larger

fields for small-scale industries, the exclusion of larger industrial houses from the middle sector and the expansion of the public sector.

Similarly, on the question of nationalisation, the Prime Minister made herself abundantly clear when she declared that she did not consider nationalisation to be an end in itself. Decisions on nationalisation, as she rightly stressed, must fit into the general scheme of priorities of the country's economic programme. Any proposal for the nationalisation of an industry or activity, Mrs. Gandhi said, must be subjected to two tests: first, was it necessary from the point of view of enabling the public sector to attain a dominant rôle and to occupy a key position in the economy? Secondly, would it further social objectives, as bank nationalisation did, for instance?

Mrs. Gandhi could certainly take credit for having spelt out in unambiguous terms the priorities that her Government had in mind and expressing her determination not to be deflected from those priorities. Not nationalisation, but "acceleration of development and augmentation of employment" were among the priority tasks. It is gratifying to note that the Prime Minister recognised the futility of frittering away the limited resources on take-over of private industries merely to satisfy the ideological ego of a few. As the Prime Minister rightly observed, the country must canalise whatever resources it could mobilise into further investment in "new, productive activities in the public sector". In the next few years, she told Parliament, "we shall be engaged in a relentless battle against poverty and we should not dissipate our energies and resources in diversionary battles which can only make a marginal contribution to victory on the main front". She has thus clarified that there is no question of the Government taking over the sugar or the jute industry in the foreseeable future but whatever new investments are made, they will be largely in the public sector.

On the question of unemployment, the Prime Minister did well to turn down the leftist plea for doles to the unemployed. That would be a classic instance of the remedy being worse than the disease, particularly in a developing country like India which could ill afford to subsidise the subsistence of its idle population. The remedy lay in mobilising all the resources and raising the level of in-

vestment in the public and private sectors, as Mrs. Gandhi herself pointed out. In this context, she made it known that she was not in full agreement with Professor D. R. Gadgil, the outgoing Deputy Chairman of the Planning Commission, and others, who were of the view that if the Plan was taken care of, employment would take care of itself. She may be justified in feeling that when unemployment was so acute and widespread, special measures would have to be launched to deal with it.

Related to these questions is the one of getting higher returns from investments already made. The Prime Minister admitted that this could come about only as a result of all-round improvement in efficiency and productivity. One would readily agree with her that concern for higher productivity should become almost an obsession with those engaged in productive processes whether they were managers or workers, because only by augmenting productivity could larger surpluses be had for further investment. It is to be hoped that the dialogue which the new Central Labour Minister, Mr. R. K. Khadilkar, proposed to have with trade union leaders shortly would help produce the desired results, and communist-led unions would also co-operate with the Government in this task.

Referring to the price situation, the Prime Minister attributed much of the increase in prices to shortfalls in the production of commercial crops and announced her Government's intention to raise the productivity of such crops and curb speculation. Mrs. Gandhi must have also

been aware of the damage done to the economy by the large expansion of money supply, especially in the form of liberal advances by banks to the public sector. A more selective policy in regard to credit, as has been in operation since January, will also help to secure a measure of stability in prices. The Prime Minister cannot argue that a certain amount of increase in prices is inevitable in a developing economy and, at the same time, call for "restraint and willingness on the part of the community not to press for short-term compensations".

In this connection, Mrs. Gandhi said that the Government intended to protect the interests of the weaker sections who suffered most when prices went up and added that the public distribution system was there to serve this purpose. It is not clear whether the Government proposes to maintain public distribution at the existing levels even after concessional food imports are stopped from next year. The Agricultural Prices Commission has been recommending year after year a higher procurement target and a lower procurement price but what has been happening is the reverse of it. If this trend is not corrected, then it will not be possible to maintain the public distribution system without heavy subsidies, which the outgoing Planning Commission was opposed to. On the whole, the Prime Minister would seem to have taken a realistic view of the economic challenges facing the country and the measures needed to tackle them as expeditiously and effectively as possible. If she refuses to be deflected from the direction that she has chosen to move in, success cannot elude her.

Insurrection in Ceylon

SOUTH Block's silence about the nature of Indian military assistance to the Ceylonese Government when militant leftists belonging to the Janata Vimukti Peramuna (or the People's Liberation Front) are trying to undo with bullets what Mrs. Sirimavo Bandaranaike has achieved in the elections is not enigmatic. Reports from Colombo say that a fleet of helicopters and five anti-marine frigates have been made available by New Delhi. Furthermore, Indian warships are cruising in Ceylonese waters. India's External Affairs Ministry has emphasised Ceylon's non-alignment and friendli-

ness and has expressed sympathy for the democratic will of the people there. But Mrs. Bandaranaike's Government has, from the beginning, been more interested in courting the socialist countries. Pyongyang with which diplomatic relations have been severed on the alleged ground that North Korea has of late been providing support to the terrorists is a sort of anti-climax since Mr. Dudley Senanayake's Government did not accord recognition to Mr. Kim Il Sung's State. Two other communist countries which are reportedly providing either ideological succour or material support to the P.L.F. are

East Germany and Albania. It is a sort of riddle that the P.L.F. which is said to have faith in "pure socialism" and is free of "imperialist and capitalist influence" will be at the same time backed by Albania and East Germany who are ideologically as far apart as Moscow and Peking.

Reports emanating from only Ceylon Government sources have left a credibility gap. For instance, when the Government claimed that the armed forces were in complete control of the situation and had only encountered "pockets of resistance", preparations on almost a war footing were going on. A co-ordinated council of top-ranking army officers for six districts has been set up, a vigorous drive has been launched to recruit volunteers for the army and emergency measures are being enforced with greater rigidity. But if the strength of the terrorists is anywhere near 80,000, the Government has definitely not over-reacted to the threat posed by the insurgents. It is always advisable to err on the strong side rather than on the mild when the security of the State is in danger. Some in the Government claim that the "right reactionaries" have been pulling the string from behind to discredit Mrs. Bandaranaike who is giving a socialist bent to the economy. It is feared by the Opposition parties that the Government will now even stifle legitimate opposition. The lady has found the rebels errant youths manipulated by "sinister reactionaries." It is not true as the Prime Minister has claimed that the rebels did not stir any trouble during the five-year rule of the Senanayake Ministry as two important P.L.F. leaders are now facing trial for conspiring against the Government. It is not for nothing the U.N.P. Government imposed emergency for 1,800 days in a period of five years.

The insurrection may be put down by the massive use of force, but that would not remove the discontent among the people. The root cause of the present crisis is economic. After taking over the Finance portfolio, Dr. N. M. Perera found the cupboard bare. Ceylon has been reduced to near-bankruptcy due to trade imbalance, poor administration of nationalised institutions and a wide-ranging welfare programme. A Budget deficit of \$195 million is expected this year. The Ceylonese currency is very much overvalued—against the official rate of Rs. 5.95 to the U.S.

dollar, the open market rate is around Rs. 14. Although the International Monetary Fund favours devaluation, for that alone can improve Ceylon's balance-of-payments position, Dr. Perera is against reducing the value of the currency because "it has no meaning and only puts up prices internally and creates unemployment." Colombo will be requiring \$125 million from the Aid Ceylon Consortium to maintain the present rate of economic growth. Mrs. Bandaranaike should remember that her Government will have to do much more than liquidating the rebels to win back the confidence of the aid-giving countries. Dr. Perera has taken a number of measures like demonetisation, fixing a ceiling on dividend income and a capital

levy on the rich to improve the position of the Exchequer but these alone cannot lift the economy from the morass. It is unfortunate that Ceylon should have wasted her foreign exchange potential by bartering away rubber—an important industrial raw material—for food imports to restore the ration to 4 lbs a week at the subsidised price. Ceylon is aiming at self-sufficiency in rice by 1975, but it is wondered whether she is now in a position to take up an effective agricultural development programme which requires a reduction in production costs, mechanisation of farming and manufacture of new lines. The only encouraging thing about the country is that the Government has postponed its earlier decision of taking over banks and tea estates.

Census: A Grim Picture

THE provisional population figures of India as revealed by the latest census operations show that the net addition between 1961 and 1971 was a little over 107 million, recording an overall decennial growth rate of 24.57 per cent. The rate of growth recorded during the previous decade was 21.5 per cent. Even so, the Census Commissioner seems to have heaved a sigh of relief because this increase was much less than earlier official projections. In the absence of any other reliable data, the projections made by the expert committee on population had been the guide for the present census operations. According to the committee's projection, the population of the country as on 1st April was 561 million while the census revealed an actual population of 547 million. The Census Commissioner, therefore, has come to the conclusion that the expert committee's projection, which was being adopted for all practical purposes so far, overshoot the population count by 14 million. The 1971 census, he asserts, has proved the prophets of gloom wrong about the growth of India's population.

According to the assumptions made by the expert committee in making the projections, the mortality was expected to decrease in such a way that the expectation of life at birth would increase by 0.9 per cent a year during 1961-70 and the general fertility rate would remain unchanged after 1966 and fall by 5 per cent during 1969-70. In order to yield the increase in the expectation of life as assumed by the

expert committee, the death rate which stood at 17.6 a 1,000 in 1963 was expected to come down to 14 a 1,000 in 1968 and 11.3 by 1973. This, the Census Commissioner observes, was an overoptimistic assumption. The sample registration data of the Census Commissioner's office showed a death rate of 16.8 in 1968 which went up to 19.3 in 1969. From this he has concluded that these rates would indicate that the death rates could not have fallen to the very low levels assumed by the committee. In other words, the Census Commissioner has conveyed the impression that the expert committee overestimated the fall in death rate during the decade. If this is so, one wonders whether this should be a matter for gratification at all. For, this would imply that the fall in growth of population was brought about by a higher death rate and not by a lower birth rate. However, the Central Minister for Health, Mr. K. K. Shah, later explained that it was not correct to assume that there was an increase in the death rate. He was no doubt at pains to remove the impression that the state of health in the country had deteriorated to such an extent that the death rate had actually recorded an increase.

Equally important is the question as to how far family planning programmes have made an impact on population trends. The Census Commissioner has clearly said that in the absence of reliable and up-to-date birth and death rates, it is not possible to make a correct assessment of

the impact of family planning programmes. *Prima facie*, he says, the provisional figures seem to indicate that the impact of family planning programmes had been more than what was anticipated. However, he has pointed out that the age distribution of the population that would be available after the detailed tabulation of the census data will throw further light on the subject. The Health Minister has done well to take note of this aspect of the problem also and it is to be hoped that the expert committee which he now proposes to set up to go into these aspects fully would conclude its work promptly and make available its findings as early as possible.

But the more pertinent problem is why the rate of growth of population was higher in the present decade than in the past decade. Even if the figures showed that the actual population of India was much less than anticipated, it is evident that the rate of growth had gone up. This is a matter of concern particularly when it is known that the present

Woes of Jute Mills

INDUSTRY and trade circles have been disappointed over the unimaginative approach of the Government of India to the numerous problems facing the jute industry. The speech of the Central Minister for Foreign Trade, Mr. L. N. Mishra, read in his absence by the Jute Commissioner, Mr. S. P. Mukherjee, at the annual general meeting of the Indian Jute Mills Association in Calcutta last Saturday failed to reveal any new thinking on the part of the Government to meet the extraordinary developments taking place beyond the eastern border of India. While the overnight emergence of a sellers' market in jute goods in India, following the unforeseen developments in East Bengal, has spurred speculators to brisk action, the Minister's speech has thrown practically no light as to how the Government intends to reduce the imbalance between the demand for, and supply of, jute goods to curb speculative excesses. The most major and immediate problem is the glaring shortage of end-products which can only be met by raising production to optimum levels, first by mopping up the residual stocks of fibre with growers and middlemen and secondly, by arranging the cultivation of an extra crop of fibre immediately in the irrigated areas so

census operations have not been fool-proof. There have been serious complaints that the enumerators had not visited all houses and localities and, therefore, the figures arrived at are not absolutely correct. But then in a vast country like India with a huge population, it may not be possible to undertake a task of this magnitude without blemishes.

The census figures reveal certain interesting aspects of literacy in the country. Taking the country as a whole, 29.35 per cent of the population is literate. Although this compares favourably with the literacy rate of 24.03 per cent recorded in 1961, the rise is far from satisfactory. More than 70 per cent of the population is still illiterate. The Education Commission of 1964 had expected that India might reach a literacy figure of 60 per cent by 1971. This shows how insignificant has been the progress of literacy programmes in the country. The census figures ought to set the authorities thinking, for an illiterate nation cannot make progress in any direction.

as to forestall the emergence of a fibre famine during the initial quarter of the next jute season. But except commending the Indian Jute Development Council's recent decision to step up the output of fibre to 8.4 million bales, Mr. Mishra has maintained a studied silence on this subject.

In an effort to justify New Delhi's intention of setting up new jute mills

in some jute-growing States, Mr. Mishra has blamed the industry for having failed to avail itself of the soft loan facilities from financial institutions and the offer of import licences for procuring essential machinery and equipment. He seems to have overlooked that the prospects ahead of the industry when the offers were made were none too conducive for the expansion or modernisation of jute mills, the lingering export duties and the increasing bonus voucher subsidies from Pakistan were positive drags on the industry and that in a number of cases where mills had secured sanctions for substantial loans, the delay in the issue of industrial licences had stalled the expansion and rehabilitation plans of jute mills.

The I.J.M.A. chairman, Mr. H. D. Wahi's appeal for the formulation of a separate five-year plan for the recovery of the industry, spelling out the targets of output and exports, the precise export outlets, the availability of raw jute and, above all the incentives the Government should offer to help the industry to achieve the targets has apparently been more constructive. Instead of remaining non-committal over these and other suggestions, New Delhi should have responded to Mr. Wahi's plea that the Government should undertake a "well-planned salvage operation" which, apart from the immediate abolition of the export duties, should include suitable incentives in the shape of cash assistance on the mill consumption of raw jute, tax credit certificates for exports and the drawback of all local taxes. In view of the commendable progress already made in the manufacture and marketing of decorative

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and furnishing fabrics which fall in the non-traditional categories, the industry's claim for reimbursement on the installation of special machinery and fresh investments in other allied fields seems irrefutable.

The I.J.M.A. chairman's proposal relating to the release of adequate

soft loan facilities from the Industrial Reconstruction Corporation of India for the sick industrial units in and around Calcutta has been timely. However, New Delhi should concentrate its immediate attention on a re-assessment of the problems of the jute industry and devise pragmatic measures before it is too late.

CURRENT COMMENT

INDIANISATION

Progress Achieved

It would be interesting to note that the Indianisation of superior posts in foreign-owned and foreign-controlled companies has registered further progress at all levels. The proportion of Indians in the total employment in these categories of companies has also risen. An analysis of the figures available from all Ministries shows that during the ten-year period 1960-70, the total number of Indian employees drawing emoluments of more than Rs. 2,000 a month increased fourfold—from 1,978 to 8,604. The number of non-Indian nationals declined to almost one-third—from 3,633 to 1,326. Accordingly, the percentage of Indians in the aggregate employment of foreign firms moved up from 83.5 as on 1st January, 1969, to 86.6 as on 1st January, 1970. In 1969, the percentage was 35.2.

Among employees drawing total monthly emoluments ranging from Rs. 2,001 to Rs. 3,000, the number of Indians increased from 4,662 as on 1st January, 1969 to 4,907 as on 1st January, 1970, and the number of non-Indians declined from 173 to 147. Consequently, the share of Indians in the total employment under this salary group improved only fractionally from 96.4 per cent to 97.1 per cent. In the salary group of Rs. 3,001 to Rs. 5,000 the number of Indians increased from 2,537 to 2,931 and that of non-Indian declined from 425 to 338, showing a rise in the percentage share of Indians from 85.7 to 89.7. As on 1st January, 1970, the number of non-Indians drawing total monthly emoluments exceeding Rs. 5,000 stood at 841, compared with 946 in the previous year—a drop of 105. The number of Indians in this salary group increased from 603 to 766 during 1969, pushing up the percentage share from 38.9 to 47.7.

In the total employment under various categories of these companies,

the proportion of Indians improved in varying degrees during 1969. In ten groups of companies, the Indians occupied more than the general average of 86.6 per cent. The groups are: (i) public utility companies (92.4 per cent); (ii) oil companies (95.6 per cent); (iii) coal companies (95 per cent); (iv) chemicals and allied companies (94.5 per cent); (v) metals, including iron and steel, (94 per cent); (vi) automobile dealers and manufacturers (92 per cent); (vii) leather and rubber companies (91.9 per cent); (viii) printing, publishing, stationery and allied trades (91.8 per cent); (ix) machinery, equipment, tools and engineering companies (90.9 per cent); and (x) sugar companies and breweries (88.6 per cent). The proportion of Indians continued to be lower than the national average in older industries. Among these were industrial groups like planing and allied companies (63.5 per cent); transit and transport companies (59.5 per cent) and banking companies (58.5 per cent). In the remaining groups the share of Indians ranged from 78.2 per cent to 85.9 per cent.

The number of foreign short-term technicians engaged by foreign owned or controlled companies in the country on salaries exceeding Rs. 2,000 a month declined from 285 as on 1st January, 1969 to 252 as on 1st January, 1970. By salary groups, 9.1 per cent of the total number of foreign short-term technicians were in receipt of total monthly emoluments ranging from Rs. 2,001 to 3,000, 31 per cent from Rs. 3,001 to Rs. 5,001, and 59.9 per cent received more than Rs. 5,000 a month. The corresponding percentages a year earlier were 10.5, 43.5 and 46.0, respectively.

As in previous years, the largest concentration of foreign short-term technicians engaged by foreign owned or controlled companies was to be found in the group of engineering companies and companies dealing in machinery, equipment and tools. This group employed nearly half the total of these technicians, compared with

nearly two-thirds a year earlier. Indian as well as foreign owned and controlled companies and Government undertakings together employed 2,845 foreign nationals as on 1st January, 1970, on total monthly emoluments exceeding Rs. 2,000, as against 3,370 a year ago. Of these 1,642 were regular employees and 1,203 short-term technicians exempted from the payment of income-tax on their remunerations.

INDO-GERMAN TRADE

Favourable Turn

Of late there has come about a welcome change in the trade between India and West Germany. The downward trend noticed after 1965-66 has been halted and reversed to India's advantage and there appear to be good chances of maintaining the improvement noticed in 1970 when Indian exports to West Germany increased by 14 per cent to 260.6 million deutschemark from 236.9 million deutschemark in 1969 and imports from that country into India rose by 15 per cent from 498.5 million deutschemark to 571.2 million deutschemark. A very encouraging feature of Indian exports has been the increase in exports of engineering and technical items to West Germany; the rise over 1969 exports has been of the order of 260 per cent. The main engineering items are bright steel bars, forgings, hand tools, steel castings, steel pipes and tubes, scientific instruments, diesel engine spares, industrial machinery, dry batteries, electric control gear and switchgears, electric motors, insulated cable wires, automobile engine parts, other auto parts and bicycle spares. There has been a significant improvement in the exports of goods by Indo-German joint ventures. They were able to double their exports in 1970, compared with the 1966-67 export figures. Exports by these firms are destined for several countries, including the Federal Republic of Germany.

Speaking at the 15th annual meeting of the Indo-German Chamber of Commerce, the chairman, Mr. G. Crasemann, pointed out that the Chamber has been assisting Indian firms in their export efforts in various ways. The firms are informed about marketing possibilities in West Germany and about sales techniques and propaganda required to be carried out in the highly competitive western markets. On a general basis, enquiring Indian firms are given information about the latest import regulations and Customs duties in West Germany as well as the names

of West German importers, wholesalers and actual users. In specific cases, facilities are also made available for contacting West German buyers. Furthermore, the West German Government offers assistance to enable exporting firms to participate in fairs and exhibitions; the assistance usually covers up to half the total costs which is not to be repaid.

The Indo-German Chamber of Commerce has been playing an important rôle in promoting economic co-operation between the two countries and it has plans to intensify its activities in the coming years. Referring to Indo-German industrial collaborations, Mr. Crasemann stated that the further rise in new collaborations sanctioned during 1970—36, against 28 in 1969 and 22 in 1968—has "proved wrong the too pessimistic valuations of the present investment climate in India". The number of Indo-German collaborations now exceeds 500. A comparatively new form of Indo-German co-operation is joint ventures in third countries. The joint establishment of projects in third countries by Indian and West German firms has been under consideration for quite some time. A similar step towards a closer co-operation between the two countries is the so-called "information partnership" under which they will keep each other informed about new projects they are planning with a view to finding out areas of co-operation.

SODA ASH PLANTS

Applications Invited

The Government of India has invited applications for industrial licences under the Industries (Development and Regulation) Act, 1951, from entrepreneurs who wish to establish plants for the manufacture of soda ash. Along with their applications, applicants are required to give all relevant information, including the total capital cost of the scheme, total foreign exchange requirements and rupee requirements clearly indicating the sources from which these will be financed. Those who wish to expand their existing plants to a more economic size may also apply. The new units adopting standard solvay process should be for a capacity of about 400 tonnes a day. In the case of modified solvay process, the new units should be for a capacity of at least 200 tonnes a day each of soda ash and ammonium chloride. Proposals based on maximum utilisation of indigenous plant

and machinery as well as technical know-how will be given preference. Applications should reach the Ministry of Industrial Development and Internal Trade (C.L.P. Section), Udyog Bhavan, New Delhi, by 30th June, 1971.

ENGINEERING GOODS

Boosting up Exports

In a statement issued to the Press, Mr. Raunaq Singh, chairman of the Engineering Export Promotion Council, has said that exports of engineering goods can be stepped up to Rs. 185 crores during 1971-72, provided certain essential inputs were guaranteed. In an *aide memoire*, which he has submitted to the Central Ministry of Foreign Trade, he has outlined in detail the position of contracts in hand, those under negotiation and the steps needed to achieve the ambitious target. The *aide memoire* was approved by the working committee of the Council at its meeting held in Delhi on 17th April, 1971. In accordance with the decision taken at the meeting, the Council would now be drawing up an action programme for identified commodities. The chairman is of the view that the existing schemes of assistance are adequate, by and large. What is needed is speedy implementation of the schemes. He has suggested the formation of an inter-ministerial group at the Joint Secretaries level with an independent secretariat to follow up decisions.

Mr. R. L. Rajgarhia, leader of the E.E.P.C.'s delegation, which has just returned from Australia, New Zealand, Fiji and Singapore, said that opportunities existed for the export of a wide range of products and joint collaborations. The delegation which left India on 22nd March, returned on 15th April and consisted of Mr. A. M. M. Arunachalam, (regional chairman, south), Mr. W. N. Talwar (regional chairman, north), Mr. R. D. Pusalkar (member, regional office, western region) and Dr. R. K. Singh, (Secretary of the Council.)

U.K. AID

Higher Allocation Planned

A 50-per cent rise in the official spending on aid to developing countries is foreshadowed within the next four years in a U.K. Government White Paper on public expenditure

published in London recently. The gross official economic aid, currently running at about £229 million a year, is expected to go up to £340 million by the financial year April 1974 to March 1975. These figures represent the expected cash cost of the overseas aid to the British Exchequer in the years ahead. From the point of view of the recipient countries, the most significant thing is the net volume of assistance they can expect to get from Britain, that is, after deducting the repayment commitments under earlier aid loans and allowing for falls in the purchasing power of money. Even on this basis, the White Paper shows that the British official aid flow will be boosted by an impressive 25 per cent over the four-year period.

The aid policy was laid down by the Prime Minister, Mr. Edward Heath, at the U.N. General Assembly last October when he pledged Britain's best endeavours to lift her total aid flows in cash terms to the equivalent of 1 per cent of the country's gross national product in money terms by the year 1975. This is the target laid down by the United Nations Conference on Trade and Development. As the White Paper makes it clear, the private British investment capital will make a substantial contribution towards reaching this target. The British Government has promised to encourage the flow of private capital, which represents a form of development assistance. The Pearson Commission on international aid has described it as being more effective than the official aid where industrial ventures are concerned. This is because, by its nature, the direct investment of private capital is more closely linked to the management and technology of projects.

EXPORT PROMOTION

Rôle of E.C.G.C.

Addressing the engineering exporters at a meeting convened by the Engineering Export Promotion Council in Calcutta, Mr. T. R. Varadachary, chairman of the Export Credit and Guarantee Corporation, complimented them for their performance and referred to the ambitious export target for the Fourth Plan period. Product and design diversification could be possible by research and development conducted on a joint programme basis. There should be a consortium approach in order to avoid *inter se* competition, keeping to delivery

schedule and problems affecting exports. Referring to the rôle of the E.C.G.C., Mr. Varadachary said that it was a promotional organisation like the E.E.P.C. and as such they were complementary in nature. The E.C.G.C. is expanding its activities to suit the needs of the exporters. In this connection, Mr. Varadachary referred to the recent introduction of two new policies, namely, services and construction works policies to keep in line with the changes in the pattern of India's exports of engineering goods.

Discussing the various points raised by Mr. K. L. Chowdhury, particularly the inadequate credit limit, settlement of claims and premium rate, Mr. Varadachary said that the E.C.G.C. had always endeavoured to help exporters. It is, however, necessary that the basic principles and norms of insurance are observed. There is a need for the reduction of the premium rate but that will depend on the volume of business that the E.C.G.C. conducts.

MONEY MARKET

Call Rate Easier

The short-term money market has eased considerably during the past week. The call rate opened at 10 per cent at the beginning of the week and then eased considerably, touching a low of 4½ per cent by about the middle of the week. Towards the close, the rate has been steady at 6 per cent. The demand for remittances has been small. The supply of tea and gunny bills has been nominal. The pound-sterling has strengthened steadily against most major foreign currencies during the week.

CORRESPONDENCE

Indian Economic Service

(To THE EDITOR OF "CAPITAL")

Sir,

The article on Indian Economic Service published in the issue of *Capital* dated 1st April, 1971, is timely.

I do not agree with several conclusions drawn by your correspondent, but I think that the new Government and the Pay Commission would take note of the facts given there. Your correspondent has failed to make a comprehensive survey of the situation. Frustration among the personnel is a very mild term. There are, however, many who have enormously gained from the Service. It would be worth while investigating the factors leading to such accelerated promotions. Rules as they exist demoralise; they do not provide security, optimism and initiative for analytical and independent work. I would like to mention three aspects of the Service.

To begin with, your correspondent has mentioned about promotion prospects. This is vital. But there are other viewpoints; for example, the terms of deputation. Rules are framed to encourage and not to kill initiative and hard work. If the chances of direct promotion are not there, at least on ex-cadre posts there should be some avenues. In the Indian Economic Service, the rules of deputation are made as if it is a *bania's* shop. In other Services, one could get among the various terms available, that which is advantageous to the deputationist, but in the I.E.S. only "that which is lower" is permitted. Moreover, in all other Services, the quantum of benefit increases with the increase in experience, but in the I.E.S. it so diminishes that at one stage there is absolutely no prospect of an increased pay packet (excepting delayed pay-bill which is very embarrassing to the salaried class), if one goes on deputation.

Secondly, the Indian Economic Service has provided incentives to its personnel by encouraging them to carry on research work and analytical studies. Your correspondent has rightly stressed the lack of facilities for such efforts. But it is not true that junior officers do not engage themselves in such pursuits. Handicaps, however, have been many. I am one of those I.E.S. officers who have a large number of analytical publications to their credit. But under one pretext or another, I have not been permitted to submit any of them for the Merit Promotion Scheme. Thirdly, placement in this Service is a great mystery. Foreign assignments and "lucky" jobs are given to those who are "blue-eyed." Policy formulated by the Board of Control is often unrealistic or made only on paper.

Yours etcetera,
BEPIN BEHARI

New Delhi, 14th April, 1971

A Ditcher's Diary

I HAVE REPEATEDLY STRESSED THE danger of euphoric illusions about Bangla Desh. Those who expected a quick victory for the freedom fighters could have had no idea of the resources of a modern military machine or of the inevitable weaknesses of a spontaneous popular uprising. Exaggerated claims made on behalf of the liberation struggle, often by people who have had little to do with the real struggle, have done more harm than good; even political leaders who should have been directly guiding the struggle have instead caused confusion by wish-fulfilling accounts interspersed with sentimental appeals. But, if euphoria is dangerous, a cynical dismissal of the whole struggle as an infantile misadventure is despicable. The cynicism masquerades as concern for the suffering people of East Bengal who are said to have been misled into futile resistance against an organised military force. Nobody needs to be told that the odds are heavily against the freedom fighters; but it must be equally clear that the struggle will continue and ultimately the people will win. If superior force alone could win a war of this kind the Americans would have been able to impose their will on Vietnam years ago. This is not to suggest that East Bengal's struggle is comparable with Vietnam's; but if the Bangla Desh movement has many organisational and tactical deficiencies, Islamabad is at a disadvantage not merely because of the distance but also in the absence of a puppet regime through which

it could try to rule East Bengal. Admittedly, East Bengal must suffer a great deal more before the West Pakistanis can be made to withdraw; but if an entire people are prepared to pay this heavy price, who are supercilious outsiders to brand them as misguided? And it is ridiculous to suggest that the people were encouraged to choose the suicidal path of separation by the foreign Press, as if illiterate peasants, or even senior leaders like Sheikh Mujibur and Maulana Bhasani, made up their minds after reading what *The Times*, the *Guardian*, *New Statesman*, or the *New York Times* wrote about them. At least a section of the world Press has had the courage to expose Islamabad's exploitation of East Bengal, to predict the consequences, and now to report some of them. But there are also newspapers, individuals, and possibly institutions urging an end to the resistance ostensibly for the sake of saving human lives. Someone once suggested that Ho Chi Minh was guilty of genocide, because it was his intransigence that was forcing Washington to rain death on Vietnam!

IS BANGLA DESH STILL ONLY AN idea, or has a reality already taken shape? The kind of resistance that was reported during the first two weeks after the declaration of independence has now crumbled in most areas; the West Pakistani forces are entrenched in their garrisons, have

wiped out resistance pockets from most of the major towns, and can carry out occasional forays into the countryside along the main roads. This was bound to happen; hopelessly ill-equipped and inadequately trained resistance forces had hardly a chance against the West Pakistani troops in frontal encounters. But General Yahya Khan's men have succeeded only in wresting the initiative from the resistance fighters who gave them open battle at points of strategic control; and in so doing they have also tried to cow down the entire population into impotent submission by killing a countless number of unarmed men, women and children and destroying towns and villages. But people have died rather than submit; and even the many thousands of deaths have not made the living and the suffering submit. They may not be able to prevent the West Pakistani forces from suddenly descending upon them with a destructive show of authority; but the martial law administration does not really administer the countryside. And the towns they control are mostly deserted. In a sense, therefore, some sort of an independent Bangla Desh, however chaotic its condition, can be said to exist. Did this entity acquire a formal identity with the ceremony at Mujib Nagar last Saturday, and the establishment of Free Bengal's first foreign mission in Calcutta on Sunday? I must confess that I was not much impressed by the show organised within a mile of the West Bengal border on Saturday. The Awami League leaders have formed a central body to represent Bangla Desh to the rest of the world; this body may have its

ADULTERATION OF TEA

A CORRESPONDENT writes in Current Coin: No words could be too strong to condemn a practice so reprehensible and so suicidal. The danger to health in using rotten and earthy tea is quite as great as in using adulterated ghee, milk, and mustard oil. The municipal food inspectors should be told to place it on their black list, and if they are unable to tell the difference between wholesome leaf and leaf unfit for human consumption, the Health Officer should enlist the services of an expert from one of the tea firms. It is notorious that the bazaar is full of bad tea, and we have been told by an eminent medical authority of cholera cases terminating fatally through the patients drinking the *gurun cha* sold on the streets. Mohammedan hawkers buy the cheapest leaf they can get in the bazaar, so as to be able to make a profit by selling for one pice a small cup of tea with sugar and milk added. That leaf is the vilest refuse of the

vilest gardens. But it is sold in broad daylight without let or hindrance, simply because tea is not in the municipal list of protected foods. The omission is most unfortunate and we would strongly urge upon Mr. Maddox the necessity of correcting it. There are at least a score of tea tasters in Calcutta at the present moment who have literally nothing to do. Nothing would be easier than to secure two or more of them to go round the shops, where cheap tea is sold, to see how much of it is fit for human consumption. We do not suggest that they should undertake this work for nothing. They should be paid a proper fee in the same way that the Corporation pays for the expert advice of gas engineers, architects, etcetera. As long as prunings and refuse are allowed to be sold in the bazaars as the genuine article, it is no earthly use attempting to make tea-drinking popular among Indians.

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diplomatic uses, but I cannot see how it can provide effective leadership to the Bangla Desh struggle unless it can function directly among the struggling people. Col. A. G. Osmani, who has been designated commander-in-chief of the Bangla Desh forces, was about the only man who talked sound sense last Saturday. He made no attempt to minimise the difficulties, nor did he try to gloss over the defects of the tactics followed so far. Whether the resistance techniques can now be changed and co-ordinated to prepare for a protracted struggle remains to be seen. Col. Osmani inspires confidence; I am somewhat less sure about the political leadership in Sheikh Mujibur's absence.

LOOKING BACK ON MY EARLY YEARS in journalism, an exercise I usually prefer to avoid, it stands out with all the emphasis of a cartouche that the technique I found most difficult to master was shorthand. To be honest, I never did. My script attained no higher standard of excellence than would normally be accorded to an indecipherable longhand. It served me well enough though; most young journalists I knew then, and few stenographers I have met since, could boast of anything better. That is why, if I were aspiring to my profession a second time, I would not bother with shorthand at all, at any rate not the Pitman variety. Superb it may be; but life is just too short in this modern world to spare the time needed to perfect it. Even Pitmans themselves now appear to have accepted this fact, and their new PitmanScript seems to be just the kind of half-way system which is about all most of us need in these days of tape recorders and limited column space. I know nothing of the techniques already entrenched in this field—Gregg's Notehand, Speed-writing, and so on—hence I cannot make any useful comparisons. But whatever else might be said for Pitman's methods, they have always been adequate and reliable, and there is no reason to believe the new one is any different. It is mostly a question of what you need your technique for. What has always intrigued me about the classical Pitman's shorthand is its resemblance to Arabic, Persian and Urdu scripts. I gather this is largely a coincidence, although Pitman is known to have been intrigued by how easily these languages can be written. The new PitmanScript, which has only ten signs for the most common consonant and

vowel sounds, plus 24 word symbols, looks as if the first two letters of each word have been written in longhand whereupon the writer has just tailed off in a squiggle. I can almost hear you saying that this is precisely how you write now when in anything resembling a hurry. True; but the difference is that in PitmanScript that tail has a meaning. It can be deciphered, and transcribed.

THE ABORTION DEBATE HAS BEEN revived in France with an impressive measure of feminist daring. When a Gaullist deputy recently proposed a liberalisation of the abortion laws, he sought no more than a widening of the definition of legal abortions. Many in France would not agree to even such mild reform, but that has not deterred a vigorous feminist campaign for free abortions on demand. What has lent this campaign a touch of drama is a statement signed by nearly 350 women, including some of the most dazzling names in contemporary French culture. The statement, whose signatories include Simone de Beauvoir, Francoise Sagan, Jeanne Moreau and Catherine Deneuve, says: "I declare that I have had an abortion." It is the frankness, rather than the fact, which may cause some surprise. Even in the most permissive societies, there persists a remarkable amount of double-think, or plain hypocrisy, about premature and deliberate termination of pregnancy; some liberalisation is now under way, but clearly the evolution of abortion law reforms has failed to keep pace with the sexual revolution. It may seem odd that even in the age of the pill

and other birth control aids abortion should still be a practical need. But it is easier to talk about planned parenthood than to plan sex in practice; and unwanted pregnancies will continue to occur because of ignorance, inexperience, situational difficulties, or plain carelessness. But should there be no means of avoiding the full penalty? In answering the question, social and ethical issues should certainly be taken into account; but it must also be recognised that the usual objections have lost much of their relevance with other changes in social and ethical values. Is it more moral to have countless illegitimate children, or children who simply cannot be cared for, than to scrape out a bit of tissue that is no more than an unrecognisable symbol of life? And by disapproving of an idea, one cannot wish away the reality; as the French feminists have pointed out, about a million illegal abortions are performed every year in France even though the prescribed penalties include prison sentences of up to two years. Legal obstacles only drive desperate women to quacks, some of whom are also sexual deviates.

TO SERVE AN INSTITUTION AT A stretch for 41 years loyally and efficiently is not a matter of joke, especially when one has to build up an organisation literally from scratch and steer its course through turbulent times. There are still many old-timers who doggedly adhere to their belief in the popular adage that a rolling stone gathers no moss and sincerely serve an institution through a spirit of self-dedication and sacrifice. Mr. R.E.O. Carey, Managing Direc-

tor of Goodyear India, who retires and leaves India this month has had a colourful career and has witnessed many eventful changes in this sub-continent spread over four decades. As the Managing Director of Goodyear in India for no less than 14 years, it was under his able leadership that the Company started its first manufacturing operations in India at Ballabgarh. Who can deny that it is by virtue of his inspiring leadership and indomitable energy that he transformed his Company into a public limited enterprise and helped it to forge ahead from strength to strength? I was amazed to hear from him at an informal Press get-together a few days ago how tough he could be in fighting a battle royal with the New Delhi bureaucrats in extorting concessions for his Company—a fight his successor, Mr. Parks Chrestman, I am sure, will have to carry on relentlessly. But his enterprise and initiative certainly did not end there. He struggled resolutely to expand the rôle of his Company in India and encourage Indian participation in the Company's shareholding. Mr. Carey showed enough vision in lifting his Company from a morass in 1962-63, but he was richly rewarded when it faced better times later. An outstanding leader of the rubber industry in his own right, Mr. Carey shows deep humility about his mundane successes. When one pays him a compliment that he is an institution by himself in the industry, he quips that he should rightly be regarded as an institution by himself in racing. But that only reveals his many-splendoured personality.

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MANAGEMENT

Some Important Tips to Workstudy Practitioners

By R. P. Nadkarni

A workstudy practitioner must never take things for granted. He must challenge the existence of each method, system or procedure and see if an easier, quicker or cheaper one can be substituted for it.

MANY afterthoughts are likely to strike a workstudy practitioner if he reviews his completed assignments. An introspection done in retrospection is useful for improving future performance. Should a workstudy practitioner learn through mistakes? Yes, but preferably through those of others! Humour apart, are there any other means for him to avoid his own mistakes? Surely, there are, but before examining those, one should have a look at some of the prerequisites of a workstudy practitioner. He must have a thorough knowledge of his subject. It forms the foundation of all superstructures of his future assignments. "Knowledge is power" and if he acquires it adequately, he can confidently deal with people he comes across.

Questioning Attitude

Asking the right question is half solving a problem. A workstudy practitioner must never take things for granted. He must challenge the existence of each method, system or procedure and see if an easier, quicker, safer or cheaper one can be substituted for it. Questions like "what", "why", "who", "when", "where" and "how" posed in relation to the existing methods or set-up themselves suggest a better way out.

The workstudy practitioner must ensure that the sources of data collected for his study are reliable. Since soundness of his findings depends largely upon the accuracy of the data, he must check up reliability before deriving any inferences from the data. His approach in collecting data should be unbiased. He must honestly record all facts relevant to the problem under study.

Analytical approach is important for a workstudy practitioner. He must possess an analytical mind and

a good power of observation to be able to examine a problem critically from various angles. He must interpret data correctly to draw sound conclusions. Mere clarity of thought is no better than muteness. It should be coupled with a good power of expression, both oral and written. "Pen is mightier (and tongue sharper) than the sword." So a workstudy practitioner should make the right use of both pen and his tongue. While talking to people that he comes across, particularly trade unionists, he must be careful about the choice of words, and express his opinions, if he must, cautiously. His written reports should be brief and simple yet comprehensive and interesting.

Appearance and neatness only partly constitute the "personality" of

a person. There are other vital qualities like sociability, tolerance, humility and tact that make up one's personality. A successful workstudy practitioner possesses all these to a high degree. A workstudy practitioner must also have the willingness and capacity to put in hard work patiently and with perseverance. He should not be daunted by long-term assignments or by the tediousness of the work involved. A workstudy practitioner having all these qualities adequately may be rare to find. However, these can be imbibed through constant efforts. But how should he go about his assignment?

Preliminary Survey

It is a good practice to make a brief overall survey to gauge the propensity of a problem, know broadly the environments and factors likely to influence it and channelise efforts fruitfully. Immediately after the survey, a proper plan for detailed study should be prepared. Goals of the study or problems to be studied should be clearly defined. Priority of studies should then be decided and



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target dates for their completion set accordingly.

The purpose of the study should be made known to the concerned persons. This could be done either through a circular letter or by calling a meeting of all concerned. This should be done by the head of the organisation or the department where the study is to be carried out. The workstudy practitioner should then briefly acquaint the staff with the principles and techniques of workstudy and tell them how he would be applying those during his study. Such an approach creates a favourable atmosphere and can win him the confidence of the people.

A good deal of rework and time can be saved by planning in advance the "what—where—how—who" of data collection. The information to be obtained for the study should be decided first. Sometimes time is spent in collecting details that turn out to be of no use later. The right source should be tapped for getting the necessary information. It not only ensures reliability and accuracy of data but also expedites work of collection. Suitable forms should be prepared to tabulate the data for easy reference and interpretation. They may be cyclostyled if the number is justifiable. Such forms are useful later as appendices of the study report.

Drawing up Questionnaire

For certain type of workstudy assignments, suitable questionnaire may be drawn for use during interviews with people. Such approach ensures not only uniformity in collecting the data but also their completeness. No aspect is lost sight of and comparison, correlation and analysis become easy. It is important to decide who is to collect what data. A workstudy practitioner could profitably put a junior person or even a clerk on this work if it is of less importance. He should, however, give proper and adequate instructions to his assistant for it and check it up from time to time. Assignments involving collection of confidential data or where analysis of data is to be made simultaneously during collection, it is advisable that the workstudy practitioner takes up the work himself. Papers related to the study should be filed systematically. Reference is then easy and quick. A workstudy practitioner must practise good

methods himself before preaching them to others.

It is advantageous to hold discussions with concerned persons during the period the analysis of collected data is being done. Proposals evolved may be discussed for their practicability and people's views obtained. Many a time they are helpful in arriving at a better workable solution. Such discussions also instil among people a sense of participation in the study.

A report concludes a study. A report should be short yet fully cover all aspects of the study. It should be simple to be understood and appreciated by readers. Before setting out to write a report, it is advantageous to prepare its skeleton first. This way no point is likely to be missed and a proper sequence of thoughts can be maintained. A report is more effective if data are presented in a tabulated form instead of in descriptive paragraphs. The former conveys thoughts quicker and better. Charts and graphs are also useful provided they are easily understandable and not too "sophisticated".

Implementation of Findings

A workstudy practitioner is not necessarily always associated with the implementation of the findings of his study, although it is desirable to do so generally. However, if he is so associated, he has a definite rôle to play. He must understand that the responsibility of implementation rests with the "line manager" of the department studied and that he has only to assist the latter. He should prepare a definite plan of implementation in consultation with the line manager. He should solve the latter's doubts concerning technical aspects of the study. Last but not least, he should remember not to misuse his liberty of access to the department studied and not to interfere with its "domestic affairs." A workstudy practitioner being an advisory person, has no executive powers of administration. All instructions relating to implementation must emerge from the line manager and not the workstudy practitioner.

A workstudy practitioner who keeps in mind these simple but vital points, is sure to meet with success in any of his assignments. He would then have fewer occasions to utter quotations given at the beginning.

SPECIAL ARTICLES

A Friendly Dialogue with the Government at the F.I.C.C.I. Session

(BY A SPECIAL CORRESPONDENT)

The annual session of the Federation of Indian Chambers of Commerce and Industry has opened a new chapter in the relations between industry and the Government. If the dialogue is continued in a friendly manner, it will become easier to tackle the problems confronting industry.

AS in the past, the Prime Minister inaugurated the annual session of the Federation of Indian Chambers of Commerce and Industry held recently in New Delhi, but with a significant and welcome difference in approach. The past practice of industry criticising every aspect of the Government's policies and the Prime Minister hitting back at the private sector for all that it represented, was notably absent this time. Mrs. Indira Gandhi opened her address on a note of friendliness and found industry forthcoming. Thus, the 44th session of the F.I.C.C.I. could well be said to have opened a new chapter in the relations between industry and the Government which, if taken advantage of by both sides, could result in a more meaningful and continuing dialogue not merely on problems of this or that industry but on the urgent national task of accelerating economic growth.

It goes to the credit of Mrs. Gandhi to have eschewed the easier path of indulging in a frontal attack on private industry and condemning all big business houses as "monopolists" and "rentiers". Instead, she appealed to industry to look upon the Government not as an "adversary but as a friend" and thus sought to establish a rapport that is very much needed for stepping up investment and production. As Mrs. Gandhi has rightly observed, there is always scope for "an honest difference of opinion" but mutual recriminations never take anyone far. The outgoing president of the Federation, Mr. D. C. Kothari, gave no cause for the Prime Minister to feel "provoked"—a factor that was responsible for her broadside on industry at the annual session of the Associated Chambers of Commerce last year.

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All this does not, however, mean that there was full agreement between the two on the kind of remedies for the country's present economic ills. Whether it was on unemployment, investment, productivity, wages or costs, and prices, it was evident that the Government's approach was different from that of industry, but what is comforting is that there is no disagreement on the basic strategy. For instance, both the Prime Minister and the Federation president agreed that the most imperative need was to step up investment in the public and private sectors. Mrs. Gandhi, who had accused private industry of "holding up" investments just before the elections, did not repeat the charge but she made it abundantly clear to industry that if there was any hesitation on its part to invest, the Government would be compelled to "encroach upon" what was considered its territory. But if private industry was coming forward with fresh investment proposals and placed accent on growth, it would be assured of the Government's "sympathy and support".

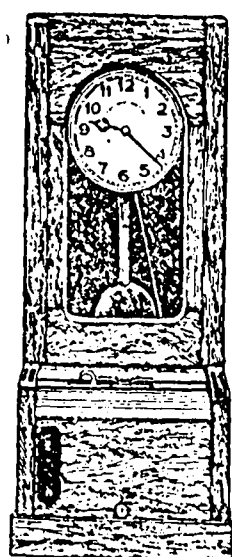
That the political and economic climate in the country is favourable is a point that has not been missed by either Mrs. Gandhi or Mr. Kothari. In fact, in his presidential address, the Federation chief claimed that the corporate sector, by virtue of its nature and capability, could provide the funds so critical to strengthen the framework for sustained development which alone could spread social justice. Mr. Kothari has said this evidently to impress upon the Prime Minister the need to provide fiscal and other incentives to the corporate sector to reinvest its surpluses, but for Mrs. Gandhi it meant a confirmation of her feeling that the corporate sector had adequate funds but was not prepared to take the risk of investing them in an entrepreneurial spirit. She also made it clear that the corporate sector was expected to depend more on its internal resources than on public financial institutions for investible funds.

Similarly, on the question of employment, the Prime Minister

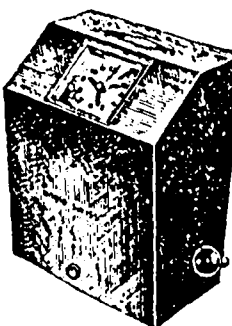
placed a major responsibility on private industry, which she said still controlled 85 per cent of the country's economy, to create additional employment opportunities. Mr. Kothari, on the other hand, wanted the Government to go ahead with its large-scale public works programmes for absorbing both skilled and unskilled labour. There is, thus, a gap in the thinking of the Government and industry on this issue and the sooner it is closed by working out programmes in both the public and private sectors for labour-intensive, productive works, the better it would be for the economy.

On the issue of productivity, the Prime Minister can be said to have shown greater realism than the representatives of private industry. As she has pointed out, productivity can improve only if there is all-round efficiency and if different sections of society moderate their sectional bargaining power. By merely linking wages to productivity, it may not be possible to secure the desired results, such as price stabilisation. For example, how could there be price stabilisation if farmers refuse to accept a cut in procurement prices even when their unit costs are down as a result of higher yields? Year after year, the Agricultural Prices Commission has recommended a cut in procurement prices but the Chief Ministers have consistently ignored it. This shows that it is not only industry and agriculture that need to accept a discipline but also the politicians.

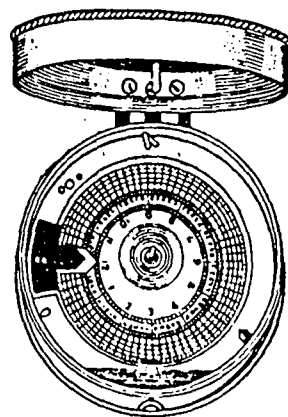
If the Prime Minister succeeds in prevailing upon the Chief Ministers to accept the A.P.C. recommendation, then she could certainly expect other sectors of the economy to respond to her call for self-restraint; otherwise, the impression that gains ground is that the Government, for political reasons, is not prepared to do anything that may hurt farmers but will not hesitate to blame industry for price rises and deny it even its legitimate due with a view to winning cheap popularity. Mrs. Gandhi has already indicated that the Tariff Commission formula of fixing prices of industrial goods on the cost plus basis would not be adhered to in the future. In fact, this concept had long ago been given a decent burial and industry has had considerable difficulty in getting the price rises that should have normally



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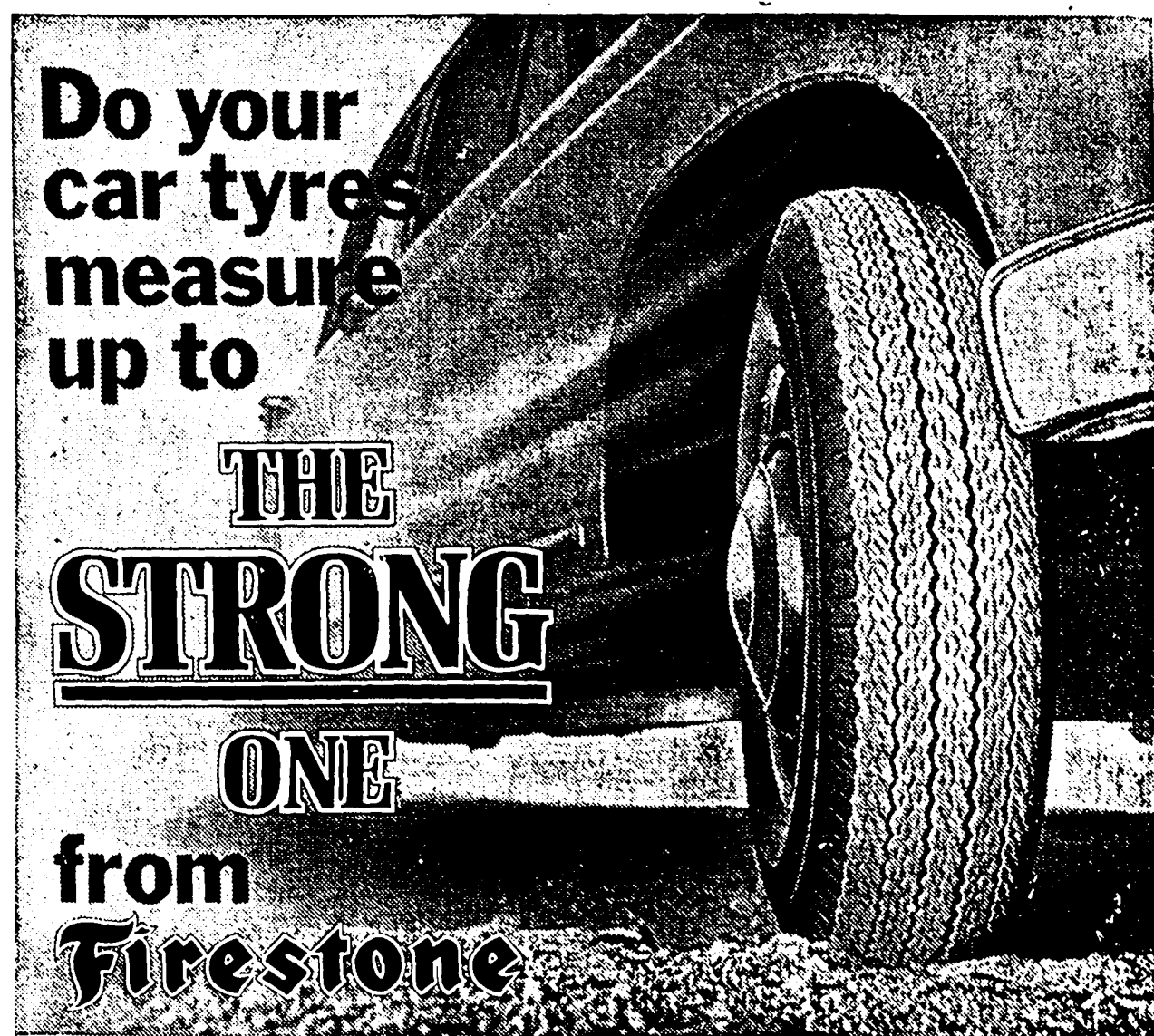
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accrued to it on the basis of the said formula.

Evidently, the Prime Minister feels that the imposition of price and distribution controls may offer a solution to the problem of rising prices and imbalances between supply and demand in the case of certain essential goods. But, if past experience is any indication, it is obvious that controls are no remedy in a developing economy that is subject to strains and stresses off and on. Mrs. Gandhi has attributed some of the imbalances to artificial starving of the market or a deliberate diversion of resources. This may be true in odd cases but the Prime Minister ought to know that the real imbalances that cripple the economy are in such sectors over which private industry has little or no control. The Prime Minister has spoken of drastic remedies to meet the situation created by artificial imbalances without indicating what she has in mind. Perhaps, she believes that the creation of more public-sector corporations for different commodities would teach private indus-

try and trade a lesson. Surely that would, but it is far from certain whether the imbalances would as a result disappear. Incidentally, the Government which expresses so much concern for the self-employed must pause to consider whether the progressive extension of State trading to different kinds of economic activity does not militate against the very principle of encouraging self-employment.

All these are, of course, issues for a healthy debate and there is no reason why an attempt should not be made to sort them out in a friendly way. There is sufficient realisation on the part of private industry that it should go the whole hog with the Government in the implementation of projects designed to promote social welfare. At the same time, those in power have recognised the rôle that private industry could play in laying the foundations of an egalitarian society. This realisation should lead to greater mutual co-operation in activating industrial growth.

Importance of Market Research in Promoting Exports

By S. N. Murthy

The Government's export policy is far from pragmatic. Unless it undertakes intensive market research, its export promotion schemes will yield precious little.

IT is obvious that marketing has never attained the status of a precise science. Still it is a question of trial and error. One improves his techniques from others' experiences and failures. This continues to be so even in a society where the economy is buoyant. The U.S.A. presents a classic example of an affluent society where the best talents in marketing and sales forecast have pooled their resources in generating a highly profitable economy, to be able to claim themselves as the custodians of half the world's wealth, although their population is barely 6 per cent of the world population.

In India, unfortunately, sales and marketing are not even clearly defined. If it were not for the recession which Indian industry experienced a few years ago, marketing would not have been accepted as a full-time

vocation. Due to the fact that the country had always been a sellers' market for a wide range of industrial and consumer products, the need for effective marketing was never considered a matter of importance. Scarcity calls for rationing. Healthy competition encourages enterprise in selling techniques. This was totally absent in the Indian arena as long as rationing continued.

The Government's industrial licensing policy has seen to it that free enterprise is discouraged and spontaneous growth of the economy is restricted at various stages by placing wrong emphasis on armchair reports and ministerial whims and fancies. A pragmatic approach has been consistently lacking and it has never been more conspicuous than in the Government's export policy. The Government is yet to realise that overseas selling is not merely an extension of internal marketing. This calls for specialised knowledge of the needs of the buyer. The various export promotion councils and the Central Ministry of Foreign Trade have

not succeeded in chalking out a comprehensive list of exportable items and the foreign markets where there are genuine demands for such goods. Apart from the conventional articles like tea, jute, spices and tobacco, the tremendous scope for promoting unconventional items has only been recently realised.

Import substitution and encouraging exports, to conserve precious foreign exchange, should have been the Government's motto right from the first Five Year Plan. That it took the planners more than a decade to discover that India's balance-of-payments position is none too satisfactory is nothing short of a tragedy. Export incentives by way of cash subsidies, entitlement licences and relaxation in export levies have not succeeded in creating a congenial climate for encouraging the Indian manufacturer to sell abroad and make a profit. The country never had the necessity to seek foreign buyers for its survival, unlike Japan and the United Kingdom. The increasing internal demands for various exportable items induce the Indian manufacturer to be complacent in regard to exports. Only after meeting the local demand, the manufacturer can consider exports.

Any Government restriction, like asking the manufacturer to set aside a portion of his produce for the exports market, is not only unwise but has disastrous consequences. There is the instance of the Government-owned Hindustan Steel Ltd exporting benzene, while the users of this chemical at home suffered to such an extent as to seek the Government's permission to import the same material. Since this chemical finds wide application in a number of industries from pesticides to dyestuffs, India had the spectre of seeing the same item being imported and exported simultaneously! This is just one example of how the Government can be overzealous in its motives.

It is well known that often the Government unconsciously encourages "dirty business" and thus helps the unscrupulous while framing policies. Here is an instance. One of the incentives provided to the exporter is to make him eligible for import licences to a set value depending upon the value of the exported goods. The entitlements are legally transferable on certain conditions. How this can be misused is evident from the fact that the entitlements are frequently sold at a heavy premium

to import items which have a high percentage of resale value in the black market. The ultimate user of the imported goods naturally unloads his hike on the consumer and thus the ultimate selling price goes up. This clearly shows how the Government defeats the very purpose it has in mind. What is called for immediately, if the Government is to succeed in its export programmes, is adequate market research, aggressive field selling, constant vigilance and a willingness to adapt to changing market conditions.

One cannot sell unless he has a salable product. It, therefore, goes to prove that efforts should be made to look for new items which have demands abroad and simultaneously increase local production so as to create a surplus for exports. Market research calls for keeping a close track of competition activities and at the same time finding out ways and means to cut costs. It is noticed that several Indian goods, which are competitive on F.O.B. basis, become high priced on C.I.F. basis. Here the Government can persuade the Shipping Corporation of India to look

State Finances : Need to Tax Agricultural Incomes

By Madhuri Bhargava

The States' tax revenues have not kept pace with expenditure mainly due to their reluctance to tap sensitive areas like agricultural incomes. But if there is to be economic development without inflation, there has to be greater reliance on taxes which readily respond to increases in production and national income.

IN India, the State finances have undergone a considerable change in the post-independence period. The States have to spend large amounts on schemes of public welfare, such as schools, hospitals, canals and roads. Many of them embarked on projects to establish industrial electricity, road transport and other public undertakings. At the same time, several States hastily went forward with their schemes of *zemindari* abolition. The prohibition scheme involved an annual loss of about Rs. 35 crores. Nevertheless, the increased expenditure of the State Governments led to the

into the matter realistically, with special reference to freight rates and long-term credit facilities. It should also involve an increase in the number of sailings to such ports where there are constant demand for Indian goods. Regular sailings to Basra, the Philippines, Korea, the Americas and West Asia are not available. Since freight rates eat away a considerable portion of the C.I.F. price, a meticulous cost analysis is warranted until the manufacturing cost of the Indian product is brought down by increasing production to full capacity, the present difference in base prices, when compared with those of advance countries, will prevail.

Unless the Government sheds its inhibitions and discards armchair forecasts and targets, and replace them with modern methods by deciding to move with the time, the various export promotion schemes will remain on paper for ever. The Government would do well to remember the words of Mr. Nelson Jackson. "I do not believe you can do today's job with yesterday's methods and be in business tomorrow".

search for additional revenue and they were encouraged to exploit more fully the resources assigned to them. The loss of revenue due to prohibition was more than made up by additional receipts from new taxes, especially the general sales tax. The rates of existing taxes were also increased.

The scheme of division of resources has tilted the scale in favour of the Central Government. But the responsibility for social and developmental expenditure heavily rests on the shoulders of State Governments. Hence the States depend heavily on the Centre for financial assistance. Social and developmental expenditure of the States has increased sixfold from Rs. 196 crores in 1951-52 to Rs. 1,374 crores in 1969-70 (Budget). The expenditure on non-developmental services, including civil administration, debt services, the cost of collection of taxes and duties has risen from Rs. 196 crores to Rs. 1,303 crores. Like the Centre the States have

used revenue surpluses to finance deficits on capital account. The total capital outlay of the State Governments rose by 268 per cent from Rs. 127.6 crores in 1951-52 to Rs. 469.7 crores in 1969-70 (Budget). But the States were unable to raise adequate funds. A part of the deficits on capital account has been met from revenue surpluses, but the latter have not been enough to wipe out the deficits. The overall deficit of the State Governments has increased from Rs. 48.2 crores in 1960-61 to Rs. 315.1 crores in 1969-70 (Budget), without taking into account tax changes.

Unfortunately, the States' tax revenues have not increased as fast as their total expenditure. Excluding the share of Central taxes, the tax revenue of all the States increased from Rs. 222 crores in 1950-51 to Rs. 1,214 crores in 1969-70 (Budget), that is, by 447 per cent. During the same period, Central tax revenues showed a rise of 515 per cent. The slower growth of taxes is attributable partly to the inelasticity of State taxes and partly to the reluctance of the States to tax the agricultural sector. Some States have simply not cared to tap their own resources. Instead they have held hopes of increased assistances from the Centre. The States are fully justified to mop up a good part of the increase in incomes. But they have not shown their zeal in this regard.

At a time when they should tax more, they feel inclined to sacrifice revenue. The States did not hesitate to forgo their revenues in implementing the prohibition scheme. However, prohibition has proved a failure and since the years 1967 and 1968 prohibition has either been relaxed or totally given up in several States. Uttar Pradesh abolished the urban immovable property tax from 1st April, 1967, at an annual loss of Rs. 2 crores. The abolition of the 25 per cent emergency surcharge on land revenue will cost another Rs. 5 crore a year. Punjab abolished the profession tax from 1 April, 1967. Punjab, Haryana, Madhya Pradesh, Mysore, Madras, Rajasthan and other States have given relief to cultivators through a reduced burden or the abolition of land revenue.

The concessions in land revenue and the increases in dearness allowances to Central and State employees are expected to involve an erosion of Rs. 585 crores in resources. The State Governments' financial position has also weakened as a consequence of the

repeated losses incurred on several State projects of electricity and irrigation. Due to inadequate revenue resources, the States have raised loans on an increasingly larger scale. But the increasing debt burden of the States constitutes no weakness in their fiscal position, because they own large assets in the form of loans to local bodies, and other public and private institutions.

The States have not shown proper discipline in the fiscal field and have placed heavy reliance on ways and means advances. Overdrafts from the Reserve Bank of India seem to have become a permanent feature. The Government of India has advised and warned the States to exercise fiscal restraint, but with little effect. In the revised estimates of 1967-68, loans from the Centre were higher by Rs. 67 crores mainly due to such *ad hoc* loans. Again, the revised estimates of 1968-69 showed an increase of Rs. 77 crores in loans from the Centre on this account. In 1966, the Reserve Bank in consultation with the Central Government warned the States that if unauthorised overdrafts continued, the Bank would issue a notice asking the States to take adequate measures to eliminate such overdrafts within three weeks; otherwise the Bank would stop payments on behalf of the States. The Centre should be more firm in its policy of clearing overdrafts. The Central Government has been realising revenue surpluses, which have been used to finance part of the deficits on capital account. On the other hand, the State Budgets have had deficits on revenue account also, rising to Rs. 271.58 crores in 1969-70 (Budget). The State revenue structure tends to be regressive because a major part of tax revenue is raised from indirect taxation.

* Agricultural income-tax is not sufficiently exploited. The States hesitate to undertake the unpleasant task of mopping up a major share of the increase in agricultural output. In contrast to the heavy rates of income-tax, agricultural income is very lightly taxed. In fact, U.P., Gujarat, Madhya Pradesh and Punjab do not levy an agricultural income-tax at all. This has resulted in an inequitable distribution of the burden of direct taxation. If there is to be economic development without inflation, the country must depend heavily on taxes which readily respond to increases in production and national income; in the early stages of economic development it is

the agricultural sector where most of the expansion occurs. It is high time

the states exploited their tax resources effectively.

Census of Government Employees : More Privileges Despite Low Productivity

(BY A SPECIAL CORRESPONDENT)

Government employees are a privileged group. But unlike other elite groups, the membership of the community is on the rise, notwithstanding the low productivity.

ON the eve of advising the premature dissolution of the State Assembly, the D.M.K. Cabinet increased the emoluments of State employees. Several other States like Gujarat and Madhya Pradesh, not facing Assembly elections, had announced similar concessions just before the election to the Lok Sabha. The Government at the Centre had similarly announced a number of concessions and increased facilities to its employees. A new Pay Commission has already started functioning. Employees of more States are demanding parity with Central Government employees. In today's situation in the country, Government employees are a privileged group; but unlike other elite groups, the membership of this community is on the rise, notwithstanding the low productivity.

How large is this community? Since 1960, an annual total count of all Central Government employees, classified according to different pay-ranges, has been carried out by the Department of Labour and Employment. This census provides details of Central employees by sex, status (gazetted or non-gazetted), tenure of service, distribution by States, etcetera. The data for the year ended March 1969 are now available. As at 31st March, 1969, the total number of Central Government employees was 2,8074 million (2,6088 million regular and 0,1968 million non-regular), compared with 2,7931 million at the end of March 1968. The overall increase recorded during the year was only 0.5 per cent—the lowest reported during the decade. The bulk of the regular Central employees was concentrated in four Ministries, viz., Railways (51.9 per cent), Defence (civilians) (17.9 per cent), Communications (13.6 per cent) and Finance (4.4 per cent). The rest (12.2 per cent) were employed under all other Ministries.

Of the regular Central Government employees 49,821 (or 1.89 per cent)

were gazetted officers and the rest non-gazetted staff, the proportion being 1:51. Women employees constitute only 2.4 per cent (61,936 in number) of the total regular Central employees. Persons holding class III and class IV posts constitute 46.9 per cent and 48.7 per cent, respectively, of the total regular employees. Nearly, three-fourths of the regular Central Government employees were permanent in the posts they were holding or were declared permanent in lower posts. No less than 51 per cent of regular employees were drawing a basic pay of below Rs. 100 a month and another 36 per cent were in the pay group of Rs. 100-Rs. 199. Only 11.8 per cent were in the pay bracket of Rs. 200-Rs. 499 and the remaining 1.7 per cent in the pay range of Rs. 500 and above.

About one-fifth of these employees were stationed in the four metropolitan class "A" cities (Calcutta, Bombay, Delhi and Madras). Class B-1 and B-2 cities together accounted for 13.4 per cent and those in class C cities constituted 23.8 per cent. The maximum number of employees was stationed in the States of Maharashtra and West Bengal, the percentage, respectively, being 15.8 and 14.7. Next in order came Uttar Pradesh (14.1 per cent), Tamil Nadu (7.8 per cent) and Delhi (7.6 per cent). The total number of people employed in the counted Central quasi-Government establishments on 31st March, 1969, was 7,49,417, out of which 65,761, or 8.77 per cent, were in supervisory capacity. During 1968-69, employment under Central Government establishments showed an increase of 0.5 per cent, whereas the regular employment rose by 0.91 per cent and non-regular employment declined by 4.5 per cent. The nominal employment growth observed may in part be explained by the restrictions imposed on the creation of class IV posts and in the matter of recruitment to class III posts. Furthermore, in March 1969, the Government of India decided that except in certain essential services, direct recruitment should not exceed 60 per cent of the vacancies in class III.

SPOTLIGHT ON STATES

Congress(R)'s Stand on Ministry-making in Mysore

(BY A SPECIAL CORRESPONDENT)

IN the interest of clean political conduct in the country, the decision of the ruling Congress High Command not to permit its unit in Mysore to form a Ministry should be welcomed. The circumstances under which Mr. Virendra Patil had to submit the resignation of his Ministry are well-known. In the elections to the Lok Sabha from the Mysore State, not a single seat was won by the Organisation Congress although it was in the Government and this clearly proved to its leader, Mr. Patil, that his Party was losing influence. But the real trouble began when members of the State Assembly belonging to the Organisation Congress started defecting to the ruling Congress. Mr. Patil had the political wisdom to offer the resignation of his Ministry without waiting to be defeated on the floor of the House. The Governor, Mr. Dharma Vira, asked him to continue for a few days as the head of a caretaker Ministry till alternative arrangements were made. Ultimately, President's rule was proclaimed when it came to be known that no other party was in a position to form a Government.

The ruling Congress which had a strength of 56, however, swelled its ranks to nearly 120 in a House of 235 with a number of legislators from the Organisation Congress and the P.S.P. joining it. But the question that had to be considered was whether the Party could form a stable Government with the help of these defectors. What would happen if the defectors withdraw support at a later stage when they discover that they have not been able to gain any political advantage? The ruling Congress High Command had clearly laid down as a policy to be adopted that no defector should be rewarded. There was thus a calculated risk in forming a Government with the active help of the defectors which the High Command was not prepared to take.

This is understandable since the ruling Congress has now a big majority in the Lok Sabha and it is in a position to talk from a position of

strength. There is also a belief among the top leaders of the Party that in the next general elections to State Assemblies in February 1972 the ruling Congress would repeat its performance of the Lok Sabha polls and, therefore, there is no need to be in a desperate hurry to enter into agreements of convenience with defectors to form Governments in those States where it is not now in a majority. Whatever be the motive behind it, this is a trend that will have to be welcomed since the entire political life in the country has become corrupt due to defections. Earlier attempts to curb defections by means of legislation have failed and hence the only way this canker in public life could be fought is to discourage defections by not conferring any benefits on defectors or setting a premium on defections.

Apart from this, as far as Mysore is concerned, there was no unanimity even among the ruling Congress legislators on the question of forming a Government. An influential section led by Mr. Devraj Urs strongly advocated the view that there should be a mid-term poll straightaway and the ruling Congress should form a Government only if it could secure a majority. Mr. Urs was, of course, confident that the Party would achieve a big victory judged by its performance in the Lok Sabha elections. Equally strong was the group led by Mr. H. Siddaveerappa which advocated immediate Ministry-formation by the Party. Mr. Siddaveerappa had no doubt in his mind that a Ministry thus formed would be stable. He was equally confident that those who had joined the ruling Congress after defecting from other parties would remain with it.

These two leaders with their followers camped in New Delhi for several days for holding discussions with the Prime Minister, Mrs. Indira Gandhi, and the Congress President, Mr. D. Sanjivayya, but ultimately the Central leadership decided that the Party should not make any efforts to form a Ministry in the State just now. The

Congress(R) High Command was in favour of a mid-term poll but the difficulty here was that the Chief Election Commissioner, Mr. S. P. Sen Varma, had made it known that elections could not be held in the State until after four or five months. There was need for revision of electoral rolls and this would take time. In any case, the rainy season in Mysore is due normally in August and September. Therefore, the chances of an election before October seem to be remote. And since the normal general election is due in February next, the question is whether a mid-term poll is at all necessary.

Another important issue in Mysore was whether Mr. Siddaveerappa's leadership would be acceptable to the Party. He was elected leader when the strength of the Party was only 11 and its membership has now gone up to 120. Therefore, it is not certain that Mr. Siddaveerappa will be considered leader *ipso facto* without a formal election. Meanwhile, several members of the Party who were in Delhi made it known to the High Command that a new leader should be elected. In view of this divergence of opinion as to who should lead the Party, the Governor himself has rightly said that he could not recognise Mr. Siddaveerappa as the leader until he was so elected by the entire group. The High Command is not in a mood to go into this problem for fear of raking up a fresh controversy. In any case, the decision is that it would be better not to take the risk of Ministry-making with the help of newcomers whose support could not be taken for granted.

The decision of the High Command should be welcomed by one and all. In Gujarat, where the Ministry led by Mr. Hitendra Desai was forced out of power by the defectors, the ruling Congress was in a similar predicament but the High Command took a strong attitude in not permitting the leader of its unit to make any efforts to form an alternative Ministry. The result was that some of the defectors returned to the Congress(O) fold. And Mr. Hitendra Desai is once again in the saddle. This clearly proves that what the defectors aim at is some kind of political reward and if this is not there, they will not hesitate to defect once again. But in the interest of a clean political life, it is necessary to stand for principles as opposed to mere expediency. This the ruling Congress has now done.

BOOKS

Job Leadership : Guides to Good Supervision

Leadership on the Job—Guides to Good Supervision. (Published by D. B. Taraporevala Sons and Co. Private Ltd, 210 Dr. Dadabhai Naoroji Road, Bombay 1. Price Rs. 6, pages 336).

This is one of several publications being brought out in co-operation with the American Management Association. The contents comprise different areas of a supervisor's job, including communications, team work, personnel problems, and the employee's attitude, the relevant chapters being authored by experienced personnel, including writers on management topics. The American context is obvious with numerous examples from that country's industrial scene. The book contains useful remarks in terms of problem creation and problem solution in different areas. Instead of being dispersed, the entire subject of problems could have been dealt with in one place; but then there are so many authors involved. It is interesting to read about the rôle of the grapevine in an organisation, a subject no longer regarded as something to be derided and ignored. Lately, attention is being given to the positive aspects of the grapevine as a sounding board to assess the efficiency of one's policies towards better external and internal relations. For various reasons, Indian business has been keen on feeding the outside grapevine but has not shown eagerness to come to grips with the internal problems.

The growing popularity of the subject of management in India is welcome with new books already available in plenty. However, regrettably, much of what is being written *via* foreign based publications has only limited relevance to Indian conditions. In view of this, most books provide interesting reading for the initiated reminding every time of one's personal experience. Books on management, like those on other subjects, serve the twin purpose of relaxation as well as instruction. *Leadership on the Job* covers both and even though the broad experience discussed relates to conditions in the U.S.A., the common-sense approach and a readable style in most articles will

leave lessons for the Indian practitioner. The basic question of interpretation in terms of Indian conditions will still remain unanswered until the lacuna can be filled by Indian managers themselves. This can only be achieved through a process of digestion of foreign concepts through applications in India. A start has been made in some areas and one can only hope that the trend will continue.

Ambitious middle management personnel, who are not committed to either family or public-sector ownership of their place of work, should benefit by reading it to avoid pitfalls in the march of their careers. On other than experienced business executives, some of the messages contained in the book might be lost.

S.B.

West Bengal's Problems

West Bengal: An Analytical Study. (Published by Oxford and I.B.H. Publishing Company, No. 88 Connaught Circus, New Delhi 1. Price Rs. 30, pages 208.)

The Bengal Chamber of Commerce and Industry has sponsored this study to examine some of the causes that have led to the present state of affairs in West Bengal. A study of this nature has long been overdue, since there is no single and comprehensive reference book containing vital information and statistics about West Bengal. A team of research workers was entrusted with the task of preparing the study. West Bengal has a strategic geo-political situation, immense natural resources and talented people. It constitutes a vital and indispensable segment of the country. Its problems are complex, so their solution has become a matter of national importance. The study does not attempt to work out final solution to the problems, but the data given in the book will help one to understand the problems affecting the State and create an atmosphere in which solutions can be worked out and a serious effort for its regeneration made. The book

has 17 chapters revealing different problems of the State, such as the impact of partition, economic development since independence, agricultural, problems of industries and the Centre's attitude to the State. Five maps and eight plates are included to illustrate some of the problems.

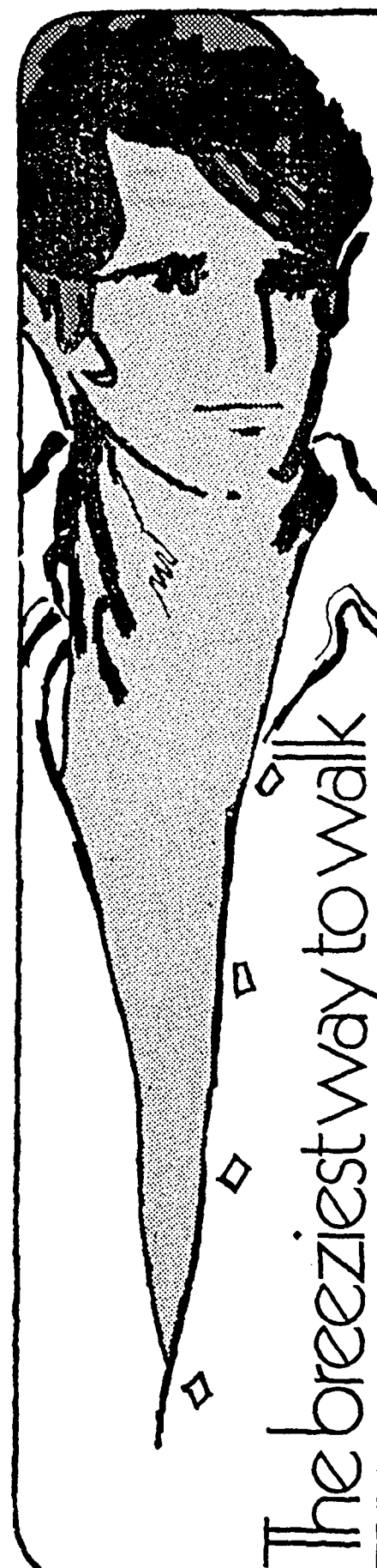
Computer Programming

Programming and Coding Digital Computers. By Philip M. Sherman. (Published by Wiley Eastern Pvt. Ltd, 541 South Extension 1, New Delhi 49. Pages 444, price Rs. 19.50.)

The Indian edition of this reputed book should have a good acceptance on several counts. Computer is gradually making its advent in industry, education and Government. Already about 100 large industrial organisations have the use of computer. The Government of India has employed computer for many purposes, including planning work. Many Indian universities, institutes of technology and management have not only installed computers but also started courses on computer programming on a regular basis. However, computer and its paraphernalia of data processing have till now remained an enigma to many. In some cases, the lack of knowledge of the areas in which computer can be made useful has created a situation like the proverbial giant undertaking the task of straightening the dog's tail. The present publication should come in handy as a guide for fuller utilisation of computer and for knowing the ways of going about it.

The account given of computer by Mr. Sherman is an intimate one. The nineteenth chapter and appendices have given an elaborate account of computer programming, including its uses, the fundamentals of coding, the programming language and the interpretation of results. A computer requires deft handling and its best use is possible only when such handling is on a knowledgeable basis. This involves elaborate steps. The economics involved in computer working should be taken seriously even in a labour-surplus economy like India's. The volume should be found useful as a reference book for an introduction to computer programming.

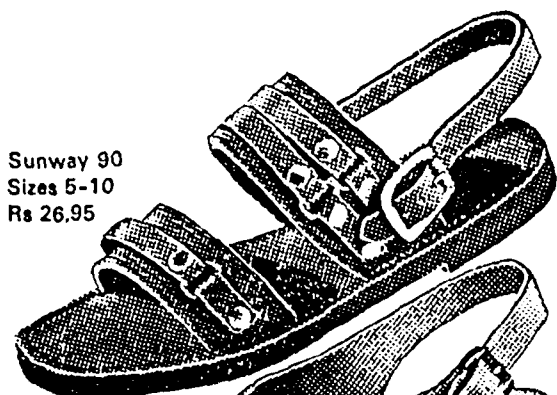
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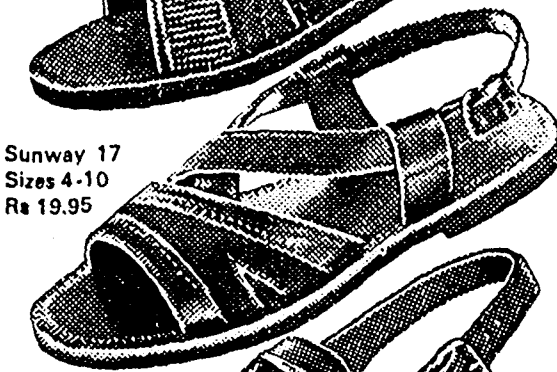
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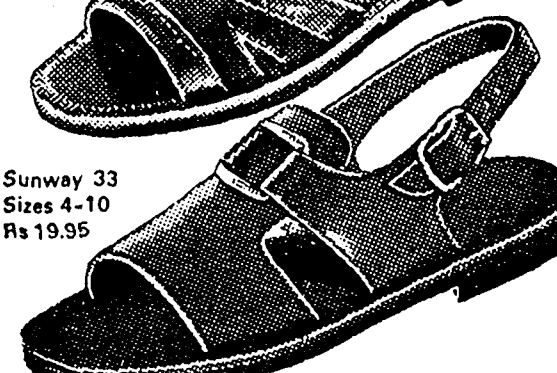
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INDUSTRY

Need to End Discrimination against Small Rerollers

By S. P. Nag

THE industrial tempo generated by the Second Five Year Plan exposed the failure of the Planning Commission to anticipate the demand for rolled products under changed circumstances. Naturally, conditions of scarcity and high prices which helped a few large-scale units in operation to reap abnormal profits encouraged small-scale rerolling units to penetrate into this sphere. Some units in the large-scale sector of the industry got alarmed at this infiltration into their close preserve and exerted their collective influence on the Government through their Association. The Government tried various methods to cripple these small units and ultimately issued a notice to small-scale rerollers directing them to close down or face prosecution. Frightened by this development, some units closed down while others sought legal remedies and instituted writ proceedings in the Calcutta High Court.

In about a year, the Government exempted small rerollers from the provisions of the Iron and Steel (Control) Order, 1956, but with the proviso that they must procure scrap from their own resources which meant high prices in the black market, whereas the large-scale sector was supplied raw materials from Government sources along with other facilities. Even so, these small units were successful in creating as much capacity as the large-scale sector within a short time and the price of rolled products came down from Rs. 1,300 to Rs. 650 a metric tonne to the great relief of consumers and to the dismay of the large-scale sector.

But the Government did not care to appreciate that by sheer courage and initiative, small-scale units had undone the damage to the economy in not foreseeing the rising demand for rolled products along with the pace of industrialisation. On the contrary, a single-member committee under the chairmanship of a Deputy Controller of Iron and Steel was appointed to go into the methods of distribution of scrap which recommended that no allocation of raw

materials should be made to small-scale rerollers. But as a result of vigorous representations and also of the pressure exerted by the Small Scale Industries Board, the Central Ministry of Steel had to agree to allot scraps in the ratio of 2:1 between the large-scale and the small-scale rerollers. Thereafter, the Raj Committee in 1963 recommended the complete decontrol of steel materials and as a result billets and scraps became abundant. Now with larger supplies, the large-scale sector failing to lift billets, the steel plants were glutted with stocks and the small-scale steel rerollers were persuaded to lift them on the assurance of regular allocations in future.

Subsequently, however, the policy of distribution of billets and scraps came up for severe criticism. A committee known as the Technical Committee was appointed under the chairmanship of a Deputy Controller of Iron and Steel in 1965, (1) to assess the capacity of the rerolling mills whether working on billets or scrap, (2) to recommend what types of merchant products rerolling mills can roll economically and (3) to indicate what units were out-dated and/or uneconomic. The committee had one member from the large-scale rerollers and another from the Bhilai steel plant, but none from the small-scale rerolling sector in spite of strong representations for the same.

As expected and also admitted by it in its report, the committee miserably failed to assess the capacity of the rerolling industry correctly; but nevertheless it made sweeping recommendations most of which were outside the terms of its reference. It is significant that its recommendations were uniformly in favour of the large-scale sector. Although it was not within its terms of reference, the committee recommended that billets should be issued only to the so-called registered billet rerollers and that the Indian Standards Institution should grant licence only to recognised billet rerollers. It also laid down that the I.S.I., while granting a licence, should not only take into account the technological standard

of the rolling unit but also the raw materials it was entitled to get. This, in effect, meant that no new entrants should be permitted in the close preserve of the so-called registered billet rerollers.

Again, although the committee admitted that there was no justification to label small-scale rerollers as unauthorised or unrecognised, particularly after the grant of general relaxation and exemption, it recommended, although it was not within its terms of reference, that they should be registered only for statistical purposes and should not be given any raw material or permitted to import plant and equipment. One would have thought that capacity, once recognised, was capacity and the available supply of raw materials should be distributed strictly according to the capacity of individual units. But such points of elementary justice do not seem to have any place in this report. It is also to be noted that mills in the small-scale sector are working all right with billets and scraps, notwithstanding the refusal of the Government to allocate these materials to them.

Anyway, the report of the Technical Committee has been condemned by all right-thinking people and organisations and it was never accepted in spirit by small-scale rerollers. There have been persistent agitations and also representations to the Government, including members of Parliament. As a result, notwithstanding the recommendations of the committee, small-scale rerollers have been getting some allocations, although these are far lower than what they should get according to capacity. Recently, an All-India Convention of Small Rerollers was held in New Delhi when the Central Minister of Steel and Heavy Engineering and Government officials openly admitted the fact of discrimination against small-scale rerollers. Questions in Parliament also elicited similar replies. But what is the picture even after the new steel policy which is supposed to have, according to the Iron and Steel Controller, streamlined and rationalised the distribution system in keeping with the Government's policy to ensure equitable distribution?

The new policy, although it is slightly an improvement on the past one, continues to discriminate against small rerollers. One hundred and sixteen billet rerollers with a capacity of 1,350,000 tonnes on a single

shift basis get 1,150,000 tonnes of raw material including billets, other materials like squares and H.C. billets, second-hand rails and also imported material. So their total annual availability comes to 85 per cent of their installed capacity on a single shift basis. Ninety-six registered scrap re-rollers (who are also in the favoured group) with a capacity of 350,000 tonnes on a single shift basis get 83,000 tonnes of raw material accounting for 24 per cent of their installed capacity, whereas 450 small-scale re-rollers with a capacity of 1.6 million tonnes on a single shift basis get 83,000 tonnes of raw material accounting for 5 per cent of their installed capacity. It does not require any comment to show the degree of discrimination the small-scale re-rollers are subjected to. As it will appear from the above figures, against the total installed capacity of 3.3 million tonnes on a single shift basis, the total annual availability of raw material is 1,316,000 tonnes, and if distributed equitably according to the installed capacity, these should have booked 40 per cent of the installed capacity of each sector but thanks to the socialistic philosophy of the Government and also its pro-

claimed supreme concern for small-scale industries, small-scale re-rollers get raw materials to book only 5 per cent of their capacity whereas the large-scale sector of billet re-rollers get materials for utilising 85 per cent of their installed capacity. (Figures of annual availability of raw materials are computed from the quarterly figures shown in the new steel policy).

So it is for anybody to judge how far genuine is the concern of the Government for small-scale industries. The crusade against the giant units in the private sector is not really benefiting the small-scale sector, it is really an impediment to generating production and employment at a time when it was needed most. What these small-scale units are demanding is not any special privileges or concessions which are promised by the Government but the minimum justice that big or small units should be treated on an equal footing in the matter of distribution of raw materials and no undue weightage should be given to bigger units. Ironically enough, even this minimum justice is being denied to small-scale industries.

Withdrawal of Export Assistance Worries Cottonseed Crushers

(BY A SPECIAL CORRESPONDENT)

THE cottonseed processing industry is deeply concerned over New Delhi's decision to discontinue cash assistance on exports of decorticated extractions (12.5 per cent of the f.o.b. value) and expellers (7.5 per cent) from 1st April, 1971. The Central Foreign Trade Ministry's communication stating that there was "no justification" for continuing such assistance beyond March came like a bolt from the blue. This was the least expected after a high-powered sub-committee, which included representatives of the Central Ministries of Food and Agriculture, Finance, Foreign Trade and the State Trading Corporation, had expressed itself in favour of continued assistance. The industry had, in fact, been hopefully looking forward to enhanced cash assistance to offset the disability arising from arbitrary and exorbitant freight hikes. The Ministry of Foreign Trade had, of course, argued before the sub-committee that since the main objective was how to increase the availability of edible oils

in the country and not how to increase the export of cottonseed meal/cake, it would not be correct to subsidise exports indefinitely.

That the main objective of cottonseed crushing is to increase the availability of edible oil will be readily conceded. But, as very aptly pointed out by the outgoing chairman of the All India Cottonseed Crushers' Association (A.I.C.O.S.C.A.), Mr. M. P. Mansinghka, the Foreign Trade Ministry has completely overlooked the no-less-imperative need to ensure that the processing industry also develops on scientific lines. The modern method of crushing consists of cleaning the seed, delinting, hulling, separating hulls from meats, cooking and crushing for extracting the cooked flakes under optimum conditions. An exclusive emphasis on crushing without any consideration for the method employed can prove highly detrimental to the growth of the industry on sound lines. The need for developing the cotton-

seed processing industry on most scientific lines should be all too obvious to require special emphasis. For, this will not only maximise the yield of oil but also make available certain valuable by-products like linters and fibres which are allowed to go waste as a result of crushing in the unorganised sector working with obsolete expellers.

In spite of the substantial increase in cottonseed crushing in the last decade, the progress of the processing industry leaves much to be desired. Production of cottonseed oil has risen from around 17,000 tonnes in 1960 to around 100,000 tonnes in 1970, but the share of the modern organised sector is no more than 40 per cent. The increase has taken place mainly in the unorganised sector, involving a huge waste of valuable import-saving by-products. The already not-so-satisfactory progress of the modern sector of the industry is likely to receive a serious setback as a result of the abolition of export assistance from 1st April. This is because the progress of the organised sector has come to be closely linked with exports of decorticated meal/cake. The organised sector has been forced to seek an outlet for its products in the overseas market because of the unfair competition from undecorticated cake in the internal market where it fetches a higher return vis-a-vis decorticated cake.

Exports of decorticated cottonseed meal/cake which fetched Rs. 5.73 crores in 1970—not an insignificant amount by any means—are bound to register a heavy decline this year because of the abolition of cash assistance after March. This is bad enough when the country needs to make every possible effort to boost exports. But much more is at stake than merely the loss of valuable foreign exchange. There is a distinct possibility that in the absence of a ready domestic market for decorticated meal/cake, modern units would switch over to the manufacture of undecorticated cake; the switchover is more likely in the case of smaller units. Such a development cannot be viewed with equanimity.

But the All India Cottonseed Crushers' Association which fully represents the modern organised sector, cannot escape the blame for not bothering in the least to cultivate the domestic market for decorticated meal/cake. It is time the Association chalked out a meaningful programme for the manufacture and popularisation of compound cattle-feeds for livestock. This alone can reduce its dependence on the overseas market.

LABOUR

Guidelines for the Payment of Wages During the Period of Lock-out

(BY A SPECIAL CORRESPONDENT)

THE Maharashtra High Court has given an important decision on a claim for wages for the period of lock-out which was illegal. In this case of the Engineering Mazdoor Sabha versus Taki Bilgrami (1970 L.L.J. Vol. 1, Page 77), the question which was raised on behalf of the workmen did not relate to the lock-out being illegal, but whether the Company had proved facts which absolved it from the payment of any wages to the workmen for the period of the lock-out. The Court observed: "When the Tribunal held that the lock-out was justified, it was aware that the lock-out was illegal. The word 'justified' was used by the Tribunal in connection with the question of relief which the workmen should be entitled to for the period of the lock-out." The Court went on to make the following pronouncement. Now it is true that, in law, what is illegal can never be held to be justified, but it is not true that the consequence of a lock-out, being declared illegal, would be that the workmen must be entitled to payment of wages.

It is true that, ordinarily, when workmen are, against their consent and desire, not allowed to enter the factory premises, it should be held in their favour that, for the period during which, against their consent and desire, they are not allowed to enter the factory, they should be entitled to wages. It is at the same time permissible for the employer to prove that an illegal lock-out was the result of such misdemeanour and misconduct of the workmen as left no option to the employer but to declare a lock-out. It is permissible for an employer, in connection with wages for the period of an illegal lock-out, to prove misdemeanour and misconduct of employees sufficient to absolve him from the liability to pay wages. That was the correct question before the Tribunal. In connection with that question, the Tribunal made findings of facts. The question is, the Court went on to say, whether the contention made by Mr. Singhvi for the workmen that the Tribunal was not entitled to hold that the Company

was absolved from the liability to pay any amount for the period of the lock-out is correct. It appears, the Court has observed, that the defence is similar to the ordinary defence between the employer and employees for the payment of wages and specific performance of contracts between the two parties.

Non-performance by one of the promisors can always be justified by referring to the failure of the promisor to do the needful for the carrying out of the contract. The findings of facts made by the Tribunal were to the effect that because of certain provisions of the Industrial Disputes Act the lock-out must be held to be illegal; but the lock-out was the result of misdemeanour and misconduct of the workmen which went to the length of endangering the lives of the loyal workmen and officers of the Company. It had the effect of destroying the credit of the Company with its customers. Furthermore, the Company had suffered heavy financial losses. If these factors were not sufficient to destroy the claim of the workmen for the payment of wages, the order of the Tribunal on demand No. 1 can be set aside. But the Court decided, that "the Tribunal was right in negating the first demand made on behalf of the workmen. The first contention, therefore, fails". (The rest of the judgment is not material to the point).

It would follow from this judgment that a lock-out may be technically illegal for any of the reasons specified in Section 22 of the Industrial Disputes Act, e.g., a lock-out during the pendency of a reference to a Tribunal. But if an employer is obliged to resort to lock-out because of the misdemeanour and misconduct of the workmen, or in the interests of the safety of the personnel or for security reasons, the workmen would not be entitled to wages for the period of the lock-out.

Reference may be made here to the recommendation of the National Labour Commission on the subject. It is that if the Industrial Relations

Commission holds that the demands which led to the lock-out were justified and the lock-out was not, the Commission in granting the demands may order that the employees should be paid their wages during the period of the lock-out. If the Commission holds that the demands were unjustified and the lock-out was justified, the employees will not be entitled to claim wages for the period of the lock-out. The Commission has similarly proposed in respect of the payment of wages for the period of a strike depending on whether the demands of the workmen are justified or not.

The view taken by the Court on the question of wages for periods of strike/lock-out is sound. The demands of the workmen may be justified in part only. Usually unions pitch their demands high and there is a padding of demands. Often a settlement is reached or an award made partially granting some of the demands. To allow wages for periods of strike/lock-out, depending on the circumstances, would be a vague test. Besides, there may be cases where the blame should be apportioned between the parties and the entire wages should not be awarded and only part may be awarded. (See for example, the cases of the Indian Marine Service Private Ltd versus its workmen (1963), 3 S.C.R. 375, and the more recent case of the Fertiliser Corporation of India Ltd versus its workmen, 1970 L.L.J. Vol II, Page 4.).

PEOPLE AND PERSONALITIES

Dr. R. Mitra, until recently Deputy Technical Manager, Oil India Ltd, at its field headquarters in Duliajan, upper Assam, has been appointed, on transfer to the Managing Director's office in New Delhi, as Senior Technical Adviser.

At the annual general meeting of the Ahmedabad Millowners' Association, Mr. Jayantilal Bhikhabhai has been elected president and Mr. Navnilal Ranchhodlal vice-president.

Mr. B. K. Vora, Deputy General Manager, Punjab National Bank, New Delhi, and Mr. N. V. Nayudu, Managing Director, Life Insurance Corporation of India, Bombay, have been elected directors on the board of the Central Warehousing Corporation to hold office for a period of two years with effect from 18th March, 1971.

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TAXATION

High Corporate Taxation Retards Economic Growth

(BY A SPECIAL CORRESPONDENT)

Although the corporate sector has been assigned a major rôle in promoting economic growth, it is unable to make any significant contribution because of its heavy tax burden. The Government should make its revenues grow not by increasing tax rates but by allowing the growth of incomes.

THE pre-Budget days are fraught with a lot of uncertainties about the taxation measures which might be introduced by the Central Finance Minister in the Budget proposals. In her development era, India has witnessed very stiff tax escalations, both direct and indirect, in successive Budget proposals, to provide finance for the ever increasing investment in developmental projects and expenditure on civil and military establishments. This has created among the general people, particularly business men, a sort of "February-phobia" (the Central Budget is presented on the last day of February). Although this Budget-phobia is absent this year due to the poll fervour, a general discussion on the many-pronged effects of taxation measures on the economic life of the country may not be uninteresting.

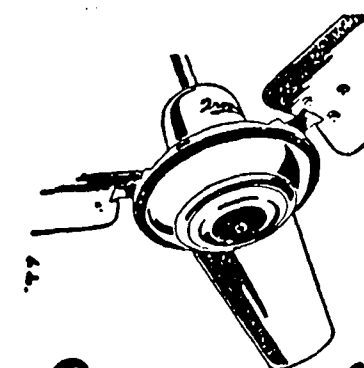
It is often argued, particularly at official levels, that in a planned economy like India's, the State is required to invest huge amounts in social overheads and other basic industries and hence massive tax efforts are necessary to mop up resources for the same. Resource mobilisation through taxation has another aspect as it has the all-pervasive impact on the price level and other functions of the economy. The corporation tax, in particular, has a widespread repercussion as with the growth of large-scale modern enterprises the ownership and management necessarily had to be separated and those who are now at the helm of affairs of any corporate enterprise have a moral as well as an economic obligation to pay a certain minimum rate of dividend to its owners and the corporate tax draft directly interferes with their dividend paying capacity.

With every increase in the effective tax rate, the corporate management generally tries to increase the gross margin more than proportionately so that they might have at least the same amount of post-tax profits at their disposal. This can be accomplished in different ways. The most easiest way, in a scarcity-ridden economy, is to increase the price of the product. There are, however, various impediments to such price escalations, including the statutory price control. The management may also try to recoup a part of the increased tax burden by lowering labour charges or by curtailment of expenditure on raw materials. There are also various statutory impediments in the process of lowering of wage rates or retrenchment/lay-off of employees. Even an increase in the level of productivity is circumscribed by so many hindrances. Variations in raw material prices are more often than not beyond the control of the industrial consumer.

Thus, both forward shifting (on to consumers) and backward shifting (on to labour and raw materials) of increased tax burden have definite strategic limits and the unabsorbed portion of the excess tax is generally borne by the company itself as any corporate management can risk a lower rate of equity dividend on its paid-up capital base only at its own peril; the efficiency of any corporate management and the market value of its shares are more dependent on the current dividend paid rather than on the intrinsic worth of the company. Moreover, to persuade an investor to invest his savings, the corporate sector necessarily has to offer him the prospect of a higher yield. Hence, even with a lower after-tax profit the corporate management generally tries to maintain the rate of equity dividend while capital formation through retained profits alone bears the impact of lower distributable profit. An insufficient growth of internal capital and meagre response to new capital issues due to bleak prospects of a higher yield, compelled the corporate management to rely

heavily on outside finance in recent years which escalates the cost structure and naturally adversely affects the price level.

One should now consider what the available statistics on the subject tell him about the foregoing assumptions. Data presented in the table on page 728 have been culled from the "Annual Studies on the Finances of Indian Joint Stock Companies" conducted by the Reserve Bank of India and published in its monthly bulletins. Companies, for the purpose of the above study, have been divided into various categories according to their principal activities. Data presented in the table include the consolidated figures in respect of companies engaged in agriculture and allied activities, mining and quarrying, processing and manufacture of foodstuff, leather, textile, metals, chemicals, etcetera, and products thereof but exclude the category of miscellaneous companies. These companies have been excluded from the present study as they do not generally engage in any productive activity but are mainly engaged in service occupations,



Tropical

DE LUXE

Manufacturers.

BHARAT ELECTRICAL INDUSTRIES LTD.

Agents:

THE ORIENTAL MERCANTILE CO., LTD.
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SOME FINANCIAL DATA IN RESPECT OF SELECTED INDIAN JOINT-STOCK COMPANIES ENGAGED IN AGRICULTURE AND ALLIED ACTIVITIES, MINING AND QUARRYING, PROCESSING AND MANUFACTURE OF FOODSTUFFS, LEATHER, TEXTILES, METALS, CHEMICALS AND PRODUCTS THEREOF

(Rs. in crores)				
Particulars	1960-61	1964-65	1967-68	
Paid-up capital	6,13.09	7,38.84	11,03.52	
Profit before tax	1,99.63	2,68.31	2,51.76	
Tax provision	76.38	1,35.65	1,21.77	
Profit after tax	1,23.25	1,32.69	1,26.67	
Profit distributed	71.10	80.89	91.60	
Profit retained	52.15	51.80	32.07	
Profit before tax as percentage of sales	8.8	7.8	5.4	
Tax provision as percentage of profit before tax	38.3	50.6	49.6	
Profit distributed as percentage of paid-up capital	11.6	10.9	8.6	
Profit retained as percentage of profit before tax	26.1	19.7	12.7	

Source: Reserve Bank of India Bulletins, December 1967 and October 1970

such as road transport, shipping, construction and hotel.

Row 8 of the table shows that the effective tax rate (as measured by the tax provision as percentage of profit before tax) after jumping up from 38.3 per cent in 1960-61 to 50.6 per cent in 1964-65 has only marginally receded back to 29.6 per cent in 1967-68, the latest year for which data are available. Some clarification is, however, necessary in respect of the results for 1967-68 as, due to the recessionary conditions prevailing in the country during the year, many industries had to close the accounts with a negative profit and in macro-analysis this has resulted in a lower

level of effective tax rate. If one segregates the companies showing a fair result, the effective tax rate would be much above the 50 per cent level.

But even with this heavy tax draft on corporate profits, the corporate sector had to increase the quantum of distributed profit commensurately with the increase in paid-up capital in a frantic bid to maintain the minimum rate of dividend distribution (the rate of dividend, however, gradually diluted with the lapse of time—vide row 9 of the table). Row 7 also testifies that this was achieved not by excess profiteering but by the combined result of a limited (due to various constraints) shifting of tax incidence (both forward and backward) and a better utilisation of corporate assets, to the extent possible under the present economic conditions. The corporate sector has, however, been only partially successful in increasing profits to cope with increased tax demand and its obligation to owners and the principal sufferer for the unabsorbed portion has been the corporation itself in the shape of smaller retained profits and consequent impact on corporate capital formation (vide rows 6 and 10 of the table).

There is no doubt some force in the argument that in a modern State, the problem of resource mobilisation as an objective of tax policy claims priority because, apart from the need to meet normal public expenditure, the State undertakes deve-

lopmental functions in order to provide basic facilities like social overheads as a prerequisite to increased participation of the private sector and to provide means of accelerating economic development. But in a developing country like India, where private-sector industries have been assigned a major rôle in pioneering and accelerating economic growth, the principal content of tax policy should be such as will influence savings directly and also canalise such savings into productive ventures and keep the productive capacity continually engaged.

The corporate bodies, being directly exposed to the productive fields, are in a better position to mobilise their savings in the nationally desirable directions through direct investment and/or participation. Due to the overall shortage of capital in the economy, a large part of the funds for growth/expansion of existing units must necessarily come out of their internal resources, i.e., retained profits. In India, the progressively increasing corporate tax rates has drastically reduced the quantum of retained earnings. An increase in such retained earnings can be possible, under the present circumstances, only by a reduction in the present high rates of corporate taxation. In fact, a lower rate of corporate taxation assists rapid capital formation, promotes quick economic development and boosts up tax revenues by widening the tax base despite the lower levels of rates.

The modern fiscal policy pursued by most of the economically advanced countries is to make revenues grow not by increasing tax rates but by making incomes grow and the gross national product grow. In other words, tax revenues must be self-generating. The experience of the progressive countries like the U.S.A., West Germany and Japan shows that every tax cut has been backed by a rise in tax revenues. Moreover, with an easy flow of resources in the hands of the Government, the party politicians may often fall an easy prey to the popular demand for increased public expenditure, many of which may not be productive at all. A more effective solution, or at least a solution which could be given far more emphasis in developmental strategy than it is generally accorded, is to provide the necessary encouragement to savers—both individuals and corporate bodies.

INVESTMENT

Share Prices Remain Steady on Budget Hopes

THE stock markets have been steady this past week. There has been no trace of uneasiness either on account of fear of heavy taxation in the forthcoming Central Budget or because of the possible consequences of the intensified civil war in East Pakistan. Bulls have reappeared on the scene, and business has been limited essentially by the volume of offerings. Both bulls and bears have figured as keen buyers and intermittent corrective profit-taking has been readily absorbed. Equity prices have registered widespread gains which have been quite spectacular in some cases. Last week's leap forward has carried the market extremely close to the highest level reached so far this year.

Several factors have contributed to the return of the bullish fervour and the impressive recovery in equity prices. The corporate news has been too good to be ignored. A large number of companies have gladdened the hearts of their shareholders through larger profits, increased dividends and bonus issues. Tata group of textile mills, Shri Ambica Mills, Mahindra Ugin Steel, Polyolefins, Amar Dye Chem, Philips India, S. S. Duncan, Pfizer, Food Specialities, Coromandel Fertiliser and Tata Oil are some of the important companies which brought cheers to their shareholders. The reported purchase of nearly 3 million shares of Indian Iron from a prominent bull operator by the L.I.C. and the Unit Trust has given a big boost to the bullish sentiment. This massive deal has taken a big load off the market. The Supreme Court's announcement permitting automobile manufacturers an interim rise in the selling prices of cars as recommended by the Car Prices Commission, subject to a refund of the excess if any, arising out of the price fixed by the Court in its final orders has also had a tonic effect on sentiment. The stock markets have also derived comfort from the Rs. 50-crore crash programme for rural employment. It is not that the markets feel that this programme will make any significant impact on the problem of unemployment, but it is taken as an indication of the Government's earnest desire to make a meaningful beginning for tackling this formidable problem.

Sentiment has also been aided by the easing of pressure on the banking system because of the larger refinance made available by the Reserve Bank and the sharp decline in the inter-bank call money rate. With the marked change in sentiment, the stock markets are inclined to look forward to a favourable Budget. The view is steadily gaining ground that the pressure of economic realities will keep the Prime Minister, Mrs. Indira Gandhi, and her Government to the path of pragmatism because in the new political equation, the logic of economic realities will equal the logic of power. In spite of the widely accepted need to raise massive resources for financing the stepped up development effort, the stock markets are inclined to expect a saving and investment-oriented Budget as the Government has now become fully aware of the need for stepping up production which alone can help ease the problem of unemployment and keep inflationary pressures under check. One only hopes that the stock markets' optimism does not prove misplaced.

Government securities have remained dull but steady this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have received selective support. Turnover has been moderate.

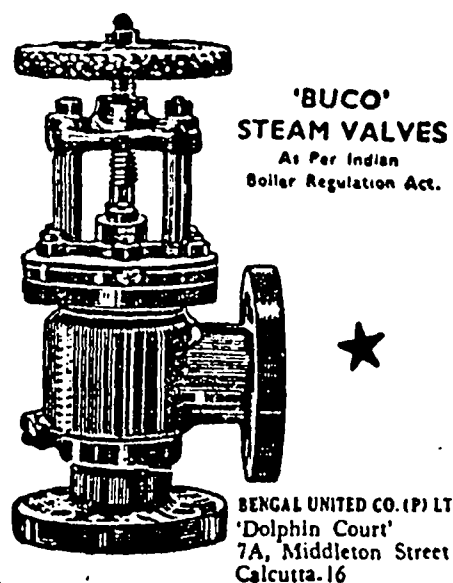
The Calcutta stock market has remained steady this past week. Although taxation uncertainties will continue to exist till the Central Budget is presented later in May, operators seem to believe that the Budget will not contain a large dose of taxation because the Government apparently thinks that the rate of growth of the economy needs to be accelerated. Among engineering shares, Simon-Carves, Electro-steel Castings and Shriram Bearings have met with better support. In paper shares, Sirpur, Ballarpur and Star have been transacted. Jute shares have received attention and as a result, Bally, Caledonian and Gourepore have met with better support. Among miscellaneous shares, Indian Oxygen, Union Carbide, India Tobacco and Chemicals and Fibres have been steady. Among tea shares, Hattikhira, Assam Brook and Loobah have met with buying enquiries.

Dalal Street has been remarkably firm and much livelier this past week. Equities have recorded further widespread gains which have been really impressive in many counters. The good tenor of corporate news and the growing belief that the Government is determined to accelerate the pace of industrial growth have been the major bullish influences. With the return of bullish fervour, even cotton mill shares and rayon shares have participated in the general upsurge in spite of the anticipated tighter control on cotton textiles and an early reduction in rayon yarn and tyre cord prices which are bound to affect adversely the margins of cotton mills and rayon spinners. Among cotton textiles, Century, Standard, Svadeshi and Tata Mills have recorded substantial gains on sustained support based on ideas of improved performance of these mills. Kohinoor have been subdued due to the lack of fresh support and scattered selling. Among rayons, National Rayon have been considerably higher while Century Enka have receded on corrective profit-taking. Indian Rayon and

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section :

Ahmedabad Advance Mills
Ballarpur Paper
Borrea Coal
Chartered Bank
Elpro International
Empire Dyeing
Mim Tea
New Beerbhoom Coal
Parry
Philips India
Phillips Carbon Black
Rajasthan Shipping
Svadeshi Mills
Tata Mills
Trichinopoly Mills
Tube Investments
Wavin India
Western India Match
W.I. Cables



Gwalior Rayon have ruled firm while Baroda and South India Viscose have maintained a quietly steady tone. Steel shares have registered handsome gains on fresh support induced by reports that the L.I.C. and the Unit Trust had purchased 3 million shares of Indian Iron from a big bull operator. Engineering shares have displayed a marked strength, the outstanding spots being S. L. M. Maneklal, Motor Industries, Sandvik Asia, Tata Engineering and Larsen and Toubro. Shipping shares have ruled firm on moderate support. Among cements, A.C.C. have been slightly subdued while Digvijay have been a firm feature. Automobile shares have been a little steadier following the announcement of an interim rise in car prices by the Supreme Court. Sugar shares have kept steady with a small turnover. Among chemicals, Amar Dye-chem have been a bright spot. These shares have sputtered on keen buying induced by excellent results for 1970. Excepting Pfizer, which have hardened on fresh support, most other pharmaceutical shares have shown a quietly steady tone. Among the shares of tyre companies, Premier Tyre have recorded an impressive rise and Ceat also have been distinctly firm. Electric and insurance shares have ruled steadier with a limited turnover. Bank shares have been neglected. Among miscellaneous counters, Food Specialities and United Carbon have scored impressive gains. Hindustan Aluminium and Hindustan Lever have kept steady. Paper shares have displayed a firmer tendency with West Coast recording a sharp rise on fresh support and scarcity of offerings. Sirpur have also been in good demand.

The Madras stock market has shown a firm trend this past week. Investment buying has been noticeable in select industrials. In the planting section, Teekov, United

Nilgiri Tea, and Kil Kotagiri have received attention. In the textile section, Madura, South India Viscose and Travancore Rayons have had buyers at the market rates. Among bank shares, Indian Overseas have been transacted. Among sugar shares, Deccan and E.I.D. have met with better buying enquiries. In the miscellaneous section, Aluminium Industries and Ashok Leyland have received good attention.

CLEARED SECURITIES IN CALCUTTA

(The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.)

Birla Jute	22/50-23/15-22/20-22/40-	(19/35)
Dunlop India	38/90-40/30-38/90-39/40-	(35/25)
Guest, Keen, Williams	33/90-34/90-33/50-	34/90-(15/90)
Hindustan Motors	13/10-13/45-13/05-	13/10-(15/56)
Howrah Jute	7/50-7/37-7/37-(6/62)	
Indian Aluminium	38/10-38/50-38/00-	38/00-(31/10x.d.)
Indian Cable	16/60-17/10-16/60-17/00-	(14/75)
Indian Copper	4/14-4/18-4/10-4/18-	(4/36)
Indian Iron	11/30-12/30-11/20-11/95-	(17/60)
J. K. Cotton	11/00-11/30-10/75-11/10-	(13/10)
Jaipur Udyog	9/55-9/60-9/50-9/50-	(10/30)
Jayashree Tea & Industries	17/12-17/37-	16/81-17/00-(13/94)
Kesoram Industries	17/70-17/70-17/00-	17/20-(16/75)
Orient Paper	39/30-39/85-38/95-38/95-	(33/10)
Orissa Cement	18/70-18/85-18/60-18/81-	(14/30)
Rohtas Industries	6/30-6/45-6/15-6/25-	(7/50)
Textile Machinery	10/05-10/40-10/00-	10/40-(12/30)

Philips India Shows Satisfactory Progress

PHILIPS India Ltd shows good progress in its full report for 1970. Sales during the year rose by nearly 25 per cent to Rs. 37.68 crores (against Rs. 30.21 crores) in all product lines, with radios, light products and components for other lamp manufacturers contributing significantly to the higher sales. Telecommunication equipment and welding electrodes also showed a

marked growth in sales. Stress was laid during the year on extending the activity in the field of sophisticated, professional and scientific equipment and a special programme of customer education and sales promotion was undertaken. The Company continued to extend its marketing organisation and to intensify its distribution efforts in the rural areas. The Company's exports

crossed the Rs. 1-crore mark during the year and were 40 per cent more than in the previous year. This was possible because of the Company's ability to maintain international standards for its products and keep pace with modern technology, despite many hindrances. Exports can be further increased if the various schemes submitted to the Government are approved. These include a 100 per cent export-oriented scheme for the manufacture of carbon resistors.

The profit, after providing Rs. 1.10 crores for depreciation (against Rs. 91 lakhs) and before tax, amounted to Rs. 6.72 crores, compared with Rs. 5.27 crores in the previous year. After making a provision of Rs. 4.25 crores for taxation (against Rs. 3.40 crores), the profit stands at Rs. 2.47 crores (against Rs. 1.87 crores). From the profit after tax, development rebate reserve gets Rs. 20 lakhs (same) and debenture redemption reserve Rs. 10 lakhs (same). A sum of Rs. 3 lakhs has been written back from development rebate reserve. The excess provision for liabilities of previous years, amounting to Rs. 5.39 lakhs, has been written back. The directors have proposed a final dividend of Re. 1 a share, subject to tax. The proposed final dividend together with the interim dividend of Re. 1 a share, less tax, paid in December last, will bring the total distribution to Rs. 2. The total dividend for 1970 will absorb Rs. 1.09 crores.

TATA GROUP MILLS

Results Improve

THE preliminary statements from the Tata group textile mills—Tata Mills, Svadeshi and Ahmedabad Advance—on their operating results for 1970 show an all-round improvement over their previous year's performance. Not only have these mills reported increases in sales as well as profits but margins too have improved, despite the cotton textile industry's complaints about the rise in production costs in 1970. Tata Mills has returned to the dividend list after a lapse of three years and the dividend proposed is Rs. 1.50 a share. Svadeshi and Ahmedabad Advance Mills have raised the dividends from Rs. 9 to Rs. 12 a share and the latter has also proposed a one-for-five rights issue at par.

Ahmedabad Advance: This Company has fared the best. With turnover (net) up by 19.5 per cent from Rs. 6.92 crores to Rs. 8.26 crores and the gross profit rising by as much as 65.8

per cent from 55.50 lakhs to Rs. 92.70 lakhs, the ratio of profit to sales has improved from 8 per cent to 11.2 per cent. After providing Rs. 33.97 lakhs (against Rs. 32.21 lakhs) for depreciation, Rs. 19.50 lakhs (against Rs. 23.50 lakhs) for development rebate reserve and Rs. 16 lakhs (against nil) for taxation, the net profit for 1970 amounts to Rs. 23.22 lakhs, against Rs. 18,653 in the preceding year. After transferring Rs. 23.20 lakhs (against Rs. 18,894) to general reserve, there remains a surplus of Rs. 2,983 to be carried forward, against Rs. 616 brought in. The preference dividend amounting to Rs. 71,460 (same) and the equity dividend absorbing Rs. 12.69 lakhs (against Rs. 9.45 lakhs) are to be paid out of general reserve.

Svadeshi Mills: The net turnover has increased by 17.7 per cent from Rs. 8.95 crores to Rs. 10.54 crores and the gross profit has gone up by 24.3 per cent from Rs. 68.07 lakhs to Rs. 84.68 lakhs. The ratio of profit to sales has improved from 7.6 per cent to 8 per cent. After providing Rs. 35.63 lakhs (against Rs. 39.91 lakhs) for depreciation, Rs. 3.80 lakhs (against Rs. 2.55 lakhs) for development rebate reserve and Rs. 25 lakhs (against Rs. 15 lakhs) for taxation, the net profit amounts to Rs. 20.26 lakhs, against Rs. 10.61 lakhs in the preceding year. Out of this, a sum of Rs. 20.30 lakhs (against Rs. 10.54 lakhs) has been transferred to general reserve, leaving a balance of Rs. 1,819 to be carried forward, against Rs. 6,132 brought in. The usual preference dividend of Rs. 1.07 lakhs (same) and the equity dividend amounting to Rs. 14.52 lakhs (against Rs. 10.89 lakhs) are to be paid out of general reserve.

Tata Mills: The Company's net turnover at Rs. 10.59 crores shows an increase of 9.7 per cent over the previous year's figure of Rs. 9.65 crores. And with the gross profit higher by 16.8 per cent at Rs. 82.04 lakhs (against Rs. 70.20 lakhs), the ratio of profit to sales has improved from 7.2 per cent to 7.7 per cent. After deducting Rs. 67.50 lakhs (against Rs. 68.97 lakhs) for depreciation for the current and previous years and adjusting the brought-in loss of Rs. 13.04 lakhs (against Rs. 14.27 lakhs), there remains a small surplus of Rs. 1.50 lakhs. A sum of Rs. 1.45 lakhs has been transferred to general reserve and Rs. 4,719 have been carried forward. The preference dividend amounting to Rs. 2.85 lakhs (same) and the equity dividend absorbing Rs. 5.77 lakhs (against nil) are to be paid out of general reserve.

HINDUSTHAN GENERAL INSURANCE SOCIETY LIMITED

for Service and Security

Chairman
Sri P. N. TALUKDAR, M.A. (Cantab)

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CHARTERED BANK**Profit Rises**

THE Chartered Bank (Indian branches) shows good progress during 1970. The profit has risen sharply from Rs. 6.72 lakhs to Rs. 21.83 lakhs, after providing Rs. 14.67 lakhs (against Rs. 16.41 lakhs) for depreciation and repair to the banking Company's property. Deposits and other accounts have risen from Rs. 60.90 crores to Rs. 67.18 crores and investments from Rs. 14.82 crores to Rs. 18.31 crores. Advances at Rs. 47.99 crores show an increase of Rs. 4 crores. (Details appeared in last week's issue of *Capital*.)

EMPIRE DYEING**Promising Outlook**

EMPIRE Dyeing and Manufacturing Company has reported very encouraging results for 1970, with turnover up by 20 per cent from Rs. 5.15 crores to Rs. 6.18 crores and the gross profit rising by 45 per cent from Rs. 63.03 lakhs to Rs. 91.43 lakhs. The dividend has been maintained at Rs. 3 a share (Rs. 15-paid) but since it is payable on a higher capital, the total distribution will be more at Rs. 5.80 lakhs, against Rs. 4.94 lakhs in the preceding year; the new 129,920 equity rights shares issued on 1st December, 1970, rank for a proportionate dividend. Both the textile and Vitrum glass divisions have contributed to the Company's improved performance last year. In his annual statement to the shareholders, the chairman, Mr. S. C. Mahotra, has held out the hope of still better results for the current year and the prospect thereafter is considered to be even more promising.

Plans have been finalised to modernise the Vitrum glass division. It is proposed to meet the necessary capital expenditure by (a) the issue of rights equity shares worth Rs. 40 lakhs, inclusive of premium, if any, (b) 30,000 cumulative preference shares of Rs. 100 each, and (c) probable issue of debentures worth Rs. 1.60 crores. The production in the bottling plant during 1970 was 10,800 tonnes and the Company has plans to step up production by 12,000 tonnes a year. The necessary industrial licence to expand the capacity has been received and the Company has also been granted permission to import essential equipment worth Rs. 40 lakhs from the U.S.A. The expansion, estimated to cost Rs. 1.60 crores, will be completed by

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December 1972 and will raise the Company's turnover by Rs. 1.90 crores and gross profit by about Rs. 26 lakhs. The Company's turnover in the current year is expected to show a further rise of about Rs. 75 or Rs. 80 lakhs over that in 1970 and the profitability is expected to be well maintained. The management has also finalised a scheme of amalgamation of Garlick Company (Private) Ltd with Empire Dyeing. Garlick, an engineering concern of repute, had a turnover of Rs. 2.35 crores in 1970 on which it made a profit of Rs. 15 lakhs. Empire Dyeing will create and offer its 110,000 equity shares (Rs. 15-paid) to the shareholders of Garlick for the proposed merger.

After providing Rs. 24.32 lakhs (against Rs. 20.21 lakhs) for depreciation, Rs. 8.42 lakhs (against Rs. 2.65 lakhs) for development rebate reserve and Rs. 35.60 lakhs (against Rs. 25.45 lakhs) for taxation, the net profit of Empire Dyeing for 1970 amounts to Rs. 23.09 lakhs, against Rs. 14.72 lakhs in the preceding year. After some adjustments, a sum of Rs. 24.25 lakhs (against Rs. 14.40 lakhs) has been transferred to general reserve, leaving Rs. 3,230 to be carried forward, against Rs. 3,335 brought in. The proposed dividend is to be paid out of general reserve. The Company's paid-up capital of Rs. 51 lakhs is supported by reserves amounting to Rs. 80.57 lakhs.

BALLARPUR PAPER**New Venture**

THE Ballarpur Paper and Straw Board Mills Ltd has entered into an agreement with the Himachal Pradesh Government to set up a newsprint mill in that State. Under the agreement, the State Government will supply to the Company in standing volume of 5.7 million cubic feet of fir and spruce for newsprint making. The felling of this wood, debarking the logs, floating the logs and its truck transportation would be undertaken by the Company. And it would be for the first time that the Himalayan coniferous forests would be harvested and utilised on a large scale for the industrial development of Himachal Pradesh. The venture, which was earlier proposed to be set up in collaboration with a Canadian firm, will now be built with Indian expertise and local know-how. The plant will go into production in another three years' time and will have an initial production capacity of about 85,000 tonnes. This will be further

increased to 123,000 tonnes as the mill gains experience in the utilisation of hard woods.

It is proposed that the new mill will have among other things (a) re-finer ground wood pulping system; (b) a small high yield chemical pulp mill; and (c) a high speed paper machine with a twin wire formation system. To meet the requirements of consumers requiring newsprint in sheets and glazed newsprint, it is also proposed to install a super-calendar and a duplex sheet cutter. Tentative estimates reveal that the initial investment in the project would amount to Rs. 30 crores. Since a major part of the equipment will have to be imported from abroad, immediate foreign exchange expenditure on this account would be around Rs. 20 crores.

NEW BEERBHOOM COAL**Dividend Maintained**

IN their latest report for the year ended October 1970, the directors of the New Beerbhoom Coal Co. Ltd say that the results can be considered satisfactory in the context of the difficult conditions under which the coal industry presently operates. The profit has declined from Rs. 22.67 lakhs to Rs. 15.53 lakhs, after providing Rs. 9.66 lakhs (against Rs. 7.63 lakhs) for depreciation. A taxable ordinary dividend of 16 per cent, including an interim of 4 per cent, has been maintained, absorbing Rs. 5.12 lakhs. This offers a yield of 11 per cent at the present price of Rs. 14.50 a share of Rs. 10 each. Allocations include Rs. 10 lakhs (against Rs. 8 lakhs) for taxation, Rs. 1.85 lakhs (against Rs. 75,000) for development rebate reserve and Rs. 2.88 lakhs (against Rs. 14.16 lakhs) for general reserve. A sum of Rs. 80,000 (against Rs. 1.50 lakhs) has been transferred from development rebate reserve in relation to previous years. Sales of coal amounted to Rs. 3.02 crores (against Rs. 3.20 crores). Production declined from 948,022 tonnes to 896,581 tonnes while despatches fell from 911,415 tonnes to 835,351 tonnes.

MIM TEA**Profit Declines**

THE Mim Tea Co. Ltd shows a lower profit of Rs. 67,541 for 1970, against one of Rs. 94,090 in the previous year, after providing Rs. 52,315

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(against Rs. 54,817) for depreciation. The directors recommend the payment of an ordinary dividend of 7.5 per cent, subject to tax, amounting to Rs. 35,775 which will be paid out of general reserve. The Company had paid the same dividend in the previous year. This offers a yield of 5 per cent at the present price of Rs. 150 a share of Rs. 100 each. Taxation is allocated Rs. 31,000 (against Rs. 16,000), general reserve Rs. 41,492 (against Rs. 42,761) and development rebate reserve Rs. 500 (against Rs. 2,850). The crop totalled 877 quintals (against 871 quintals) and the average price obtained was Rs. 15.24 (against Rs. 13.23) a kilogram. The current season's crop has been estimated at 960 quintals.

RAJASTHAN SPINNING**Sales and Profit Rise**

RAJASTHAN Spinning and Weaving Mills Ltd has earned a gross profit of Rs. 59.28 lakhs for the year ended September 1970, against Rs. 32.85 lakhs for the previous year. After providing Rs. 9.95 lakhs for depreciation and Rs. 23.0 lakhs for development rebate, there is a surplus of Rs. 26.33 lakhs. No provision for tax was necessary because of the tax holiday period. The Company had issued in September 1970 bonus shares in the ratio of three for ten. A sum of Rs. 4.27 lakhs has been provided for dividend on the increased equity capital at the rate of 7.5 per cent and Rs. 54,000 have been provided for dividend on preference shares. A sum of Rs. 21.52 has been transferred to general reserve. The Company's total sales amounted to Rs. 5.14 crores (against Rs. 3.82 crores). The Company has done fairly well on the export front. The total export has gone up from Rs. 41.77 lakhs last year to Rs. 74.94 lakhs in the year under review. The Company has taken up a scheme for diversification, including installation of a dyeing plant. The estimated cost of the scheme is Rs. 50 lakhs.

TUBE INVESTMENTS**Satisfactory Results**

TUBE Investments of India Ltd has produced encouraging results for the 17 months ended December 1970. The directors have recommended a final dividend of 8 per cent which, together with the interim dividend of 7 per cent, takes the total to 15 per cent. According to the preliminary figures,

the net profit for the 17 month period amounts to Rs. 75.11 lakhs, after providing Rs. 72.83 lakhs for depreciation, Rs. 56 lakhs for taxation, Rs. 10.56 lakhs for development rebate and Rs. 2.49 lakhs being income-tax relating to the previous year. The net profit for the previous year (12 months) amounted to Rs. 42.09 lakhs, after providing Rs. 45.50 lakhs for depreciation, Rs. 35 lakhs for taxation and Rs. 5.05 lakhs for development rebate. With Rs. 1,973 brought forward from the previous year, the total surplus comes to Rs. 75.12 lakhs. Out of this, a sum of Rs. 5.21 lakhs (against nil) is transferred to debenture redemption reserve. The interim dividend absorbed Rs. 26.25 lakhs and the final dividend will claim Rs. 30 lakhs. A sum of Rs. 13.65 lakhs (against Rs. 13.25 lakhs) is transferred to general reserve. The balance of Rs. 1,259 is being carried forward. Sales were higher at Rs. 18.57 crores (against Rs. 11.63 crores).

TRICHINOPOLY MILLS**Good Rise in Profit**

A SUBSTANTIAL rise in profit features the working results of Trichinopoly Mills Ltd for the year ended December 1970. The directors have stepped up the dividend to 15 per cent from the previous year's 12.5 per cent. Sales of yarn were higher at Rs. 121.17 lakhs (against Rs. 89.94 lakhs). The profit amounts to Rs. 9.93 lakhs, after providing depreciation of Rs. 2.58 lakhs. This compares with the previous year's profit of Rs. 4.86 lakhs, after providing Rs. 2.49 lakhs for depreciation. With Rs. 1,484 brought forward, the total comes to Rs. 9.94 lakhs. Out of this, a sum of Rs. 2.52 lakhs (against Rs. 2.12 lakhs) is transferred to development rebate reserve. General reserve gets Rs. 2.35 lakhs (against nil) and taxation accounts for Rs. 2.82 lakhs (against nil). Donations absorbed Rs. 11,825 (against Rs. 3,246). The dividend absorbs Rs. 2.09 lakhs. The balance of Rs. 3,716 is being carried forward.

WAVIN INDIA**Results Improve**

THE working results of Wavin India Ltd for the year ended December 1970 show an improvement over the previous year, but as the profit available for distribution is not adequate for declaring a dividend and also in view of the expansion of the Company, the directors have not

rewarded the shareholders. Sales amounted to Rs. 105.80 lakhs, as compared with Rs. 40.48 lakhs for the previous nine months. The profit amounts to Rs. 19.88 lakhs, after providing Rs. 8.19 lakhs for depreciation. This compares with the previous year's profit of Rs. 1.01 lakhs, after providing Rs. 3.13 lakhs for depreciation. After providing Rs. 1.25 lakhs (against nil) for taxation, there is a net profit of Rs. 18.62 lakhs. After deducting from this profit the debit balance of Rs. 15.25 lakhs brought forward from the previous year, there is a profit balance of Rs. 3.37 lakhs. Out of this a sum of Rs. 2.16 lakhs is transferred to development rebate reserve and Rs. 1.21 lakhs to general reserve, leaving a balance of Rs. 32 to be carried forward.

PARRY**Profit Declines**

THE working of Parry and Company Ltd for the year ended September 1970 has resulted in a profit of Rs. 7.57 lakhs before taxation, as against Rs. 17.15 lakhs for the previous year. Out of this, provision for taxation amounts to Rs. 4.78 lakhs (against Rs. 10.53 lakhs). This leaves a net profit of Rs. 2.79 lakhs, to which is added Rs. 1,545 brought forward from the previous year. Thus, there is a total surplus of Rs. 2.80 lakhs available for appropriation. Out of this, the preference dividend at 6.5 per cent amounts to Rs. 1.95 lakhs. The balance of Rs. 85,664 is being carried forward. Net sales amounted to Rs. 88.14 lakhs (against Rs. 85.65 lakhs).

W.I. CABLES**Good Results**

WESTERN Insulated Cables (formerly Henley Cables) has reported considerably improved results for the year ended October 1970. Sales have doubled from Rs. 1.21 crores to Rs. 2.41 crores and the gross profit has recorded a far more impressive rise from Rs. 4.37 lakhs to Rs. 28.62 lakhs. After providing Rs. 7.60 lakhs (against Rs. 7.26 lakhs) for depreciation and Rs. 13.50 lakhs (against Rs. 42,000) for development rebate reserve, there is a net surplus of Rs. 7.52 lakhs, against a deficit of Rs. 3.31 lakhs in the previous year. After some adjustment, the surplus of Rs. 8.17 lakhs has been utilised to reduce the outstanding deficit to Rs. 16.73 lakhs which is carried forward.

WESTERN INDIA MATCH

Better Results

WESTERN India Match Company has reported improved results for 1970. Sales, net of excise duty amounting to Rs. 12.92 crores against Rs. 12.74 crores, are higher at Rs. 15.15 crores, against Rs. 13.96 crores in 1969. The gross profit has improved from Rs. 217.75 lakhs to Rs. 223.57 lakhs. The dividend has been maintained at 12 per cent but it is payable on the increased capital resulting from the one-for-five bonus issue. After providing Rs. 33.55 lakhs (against Rs. 32.55 lakhs) for depreciation, Rs. 4.36 lakhs (against Rs. 4.51 lakhs) for development rebate reserve and Rs. 112.37 lakhs (against Rs. 106.39 lakhs) for taxation, the net profit amounts to Rs. 73.29 lakhs, against Rs. 74.39 lakhs in the previous year. The entire surplus has been transferred to general reserve out of which the proposed dividend absorbing Rs. 59.40 lakhs (against Rs. 49.50 lakhs) will be paid.

Production of matches during 1970 was satisfactory and sales were about 15,000 cases above the previous year's figure, including nearly 2,000 cases of wax vestas; but the Company's share of the market remained unchanged. In his annual statement to the shareholders, the chairman, Mr. Akbar Hydari, says that the management is trying to improve manufacturing efficiency to offset the increase in cost of production resulting from the rise in prices of raw materials and packaging items. Competition from the small-scale sector has been on the increase. The Company is going in more and more for cardboard boxes of acceptable quality despite the fact that those are costlier than wood. This is because of the seriously deteriorating match-wood supply position and constantly rising royalties and freights. The excise duty rebate offered by the Government to encourage the use of cardboard is inadequate and the Company is urging the authorities to increase it. The Company did better on the export front in 1970. With the addition of two new markets—Afghanistan and Brunei—the Company expects to do still better in the current year.

The Company's production of paper declined during the year from 6,284 tonnes to 5,581 tonnes because of the go-slow tactics adopted by labour in Calcutta during February-March and again in December. Sales of paper were lower but margins were better and the profit of this division was higher.

It is proposed to raise the capacity of the paper plant to 7,500 tonnes a year in the initial stage of expansion. Sales of sodium chlorate are expected to increase in the current year. The plant for the manufacture of ammonium perchlorate is expected to be commissioned shortly. The scheme to manufacture magnetic electrodes in Ambernath has been completed in all respects except for the availability of the basic raw materials.

BORREA COAL

Dividend Maintained

THE working of Borrea Coal Co. Ltd shows a lower profit of Rs. 4.94 lakhs for 1970, against one of Rs. 6.29 lakhs, after providing Rs. 3.79 lakhs (against Rs. 6.33 lakhs) for depreciation and Rs. 19,056 (against Rs. 23,000) for taxation. A taxable ordinary dividend of 12½ per cent has been maintained, absorbing Rs. 1.88 lakhs. This offers a yield of 9.9 per cent at the present price of Rs. 12.62 a share of Rs. 10 each. General reserve receives Rs. 53,982 (against Rs. 9.25 lakhs) and statutory development rebate reserve Rs. 4.47 lakhs (against nil). Sales rose from Rs. 99.22 lakhs to Rs. 1.13 crores. Raisings were 295,429 tonnes (against 275,225 tonnes) and despatches 301,791 tonnes (against 263,676 tonnes). The directors say that despatches during the second half of the year 1970 were adversely affected by the wagon shortage.

PHILLIPS CARBON BLACK

Profit Declines

IN their latest report for the year ended November 1970, the directors of Phillips Carbon Black Ltd point out that the plant could not produce at full capacity during the year, and the shortfall is mainly attributable to the inadequate availability of quality raw materials. Internal sales were also seriously affected during the first half of the year due to strikes at two major tyre producing plants. The major suppliers could not fulfil their commitments due to general labour unrest and the disruption of their normal working. The Company is negotiating a new agreement with a supplier for the bulk procurement of feedstock which is expected to alleviate the shortage to some extent in 1971. The Company's application for expansion has not yet been approved by the Government. Efforts are being made to pursue the matter.

Sales are lower by Rs. 5.25 lakhs to Rs. 2.56 crores and the profit, before taxation, has fallen by Rs. 9.53 lakhs to Rs. 87.27 lakhs, after reducing depreciation from Rs. 20.44 lakhs to Rs. 17.77 lakhs. The directors have recommended a dividend, subject to tax, at 15 per cent on the increased ordinary share capital, absorbing Rs. 30.94 lakhs which will be met from general reserve. The Company paid the same ordinary dividend in the previous year. This offers a yield of 7.9 per cent at the present price of Rs. 18.87 a share of Rs. 10 each. Taxation is allocated Rs. 4½ lakhs (against Rs. 47.25 lakhs), development rebate reserve Rs. 20,000 (against Rs. 5.10 lakhs) and general reserve Rs. 38.07 lakhs (against Rs. 44.45 lakhs).

ELPRO INTERNATIONAL

Good Results

ELPRO International has reported substantially improved results for the 15-month period ended December 1970 and the maiden dividend of Rs. 10 a share (the whole of which is exempt from tax) is covered 2.4 times. Since the accounting year has been changed, it will now end with December instead of September—the figures for 1967-70 (15 months) are not strictly comparable with those for 1968-69 (12 months). The net income by way of sales and services in 1969-70 is placed at Rs. 2.61 crores, against Rs. 1.50 crores in 1968-69. The gross profit has recorded an even more impressive rise—from Rs. 19.54 lakhs to Rs. 38.48 lakhs. After providing Rs. 13.13 lakhs (against Rs. 7.61 lakhs) for depreciation and Rs. 2.62 lakhs (against Rs. 11.05 lakhs) for development rebate reserve, the net profit for 1969-70 amounts to Rs. 22.73 lakhs, against Rs. 88,000 in the preceding year. Out of this, a sum of Rs. 2.36 lakhs (against nil) has been utilised to write off the preliminary expenses. After deducting the brought-in loss of Rs. 42,379 (against Rs. 1.30 lakhs), a sum of Rs. 11.45 lakhs (against nil) has been transferred to general reserve. The proposed maiden dividend absorbs Rs. 8.50 lakhs.

The directors state in their report that the Company's sales of alloy magnets and X-ray products have recorded a marked improvement. The Company has started the manufacture of ferrite magnets. It has raised the production of alloy magnets following the receipt of a licence in October 1970 to expand its capacity from 120 tonnes to 180 tonnes a year. The Company has applied to the Government for further expansion of its capacity to 300 tonnes a year.

COMMODITIES

Mr. Mishra Urges Jute Mills to Modernise at the I.J.M.A. Meeting

THE developments during the last few weeks in East Bengal have cast additional responsibilities on the Indian jute industry, said Mr. L. N. Mishra, Central Minister for Foreign Trade, in the speech he was to have delivered as the chief guest at the annual general meeting of the Indian Jute Mills Association in Calcutta last week-end. Due to the Minister's absence, the prepared speech was read by Mr. S. P. Mukherjee, Jute Commissioner. The short-term prospects of the industry in India were bright no doubt, Mr. Mishra continued, for consumers of jute goods all over the world would look to this country for meeting their requirements. He considered it essential that in the long-term interests of jute, "we should make maximum efforts to meet the requirements".

Mr. Mishra was confident that jute-growers would also respond to the needs of the situation and redouble their efforts to step up the production of jute and mesta to the maximum. He referred to the fixing of an annual target of 8.4 million bales for the 1971-72 crop season by the Indian Jute Development Council at its recent Patna session and added that it should be the endeavour of the Central and State Governments concerned

to draw the attention of farmers to the opportunities they would have this season and urge them to exert themselves to their utmost to raise a bumper crop. He further said that sustained efforts should be made for timely distribution of the necessary inputs to fibre growers all over the country. He assured the latter that they "need have no fears about remunerative prices for fibre this season."

Setting up New Mills

Answering the I.J.M.A. chairman, Mr. H. D. Wahi's comment on the latest decision of the Central Government to set up some new and modern jute mills in the fibre-growing States, Mr. Mishra referred to the failure of the industry during the past two years to avail itself of the various facilities extended by the Government for the purpose. He specifically mentioned the offer of soft loan assistance from the financial institutions for expansion, modernisation and product diversification by the industry. "In view of the urgency to increase production", the Minister said, "the Government had even offered to consider requests for the import of machinery should indigenous manufacturers quote long deliveries", and complained

that the response from the industry had been extremely poor. After an assessment of the growth of internal and export demand in the context of the stagnant trend in the industry's output, the Central Government had considered it imperative to maximise and increase the existing capacity if the widening gap between capacity and demand were to be bridged. He urged the industry to consider urgently whether or not it was interested in modernising its capacity to meet the increasing internal demand. He warned that if the present apathy continued, the Government "will have no alternative but to bridge the gap between the existing capacity and the future demand by sanctioning the setting up of new mills".

He also referred to the Jute Corporation of India which had already been formed, and said that it would commence functioning soon. The Corporation would endeavour to ensure fair, stable and remunerative prices to growers through price-support, buffer stocks and commercial operations in jute and mesta. It would undertake imports and exports of raw jute and assist in the building up of adequate infra-structure facilities for an orderly marketing of jute and mesta in the country. It would also seek to eradicate "the widespread malpractices and abuses in the existing marketing system of jute and mesta". Striking an optimistic note, Mr. Mishra said that the Corporation would achieve a "commanding position" and will ultimately take over the entire marketing of jute and mesta in the country. Besides, it

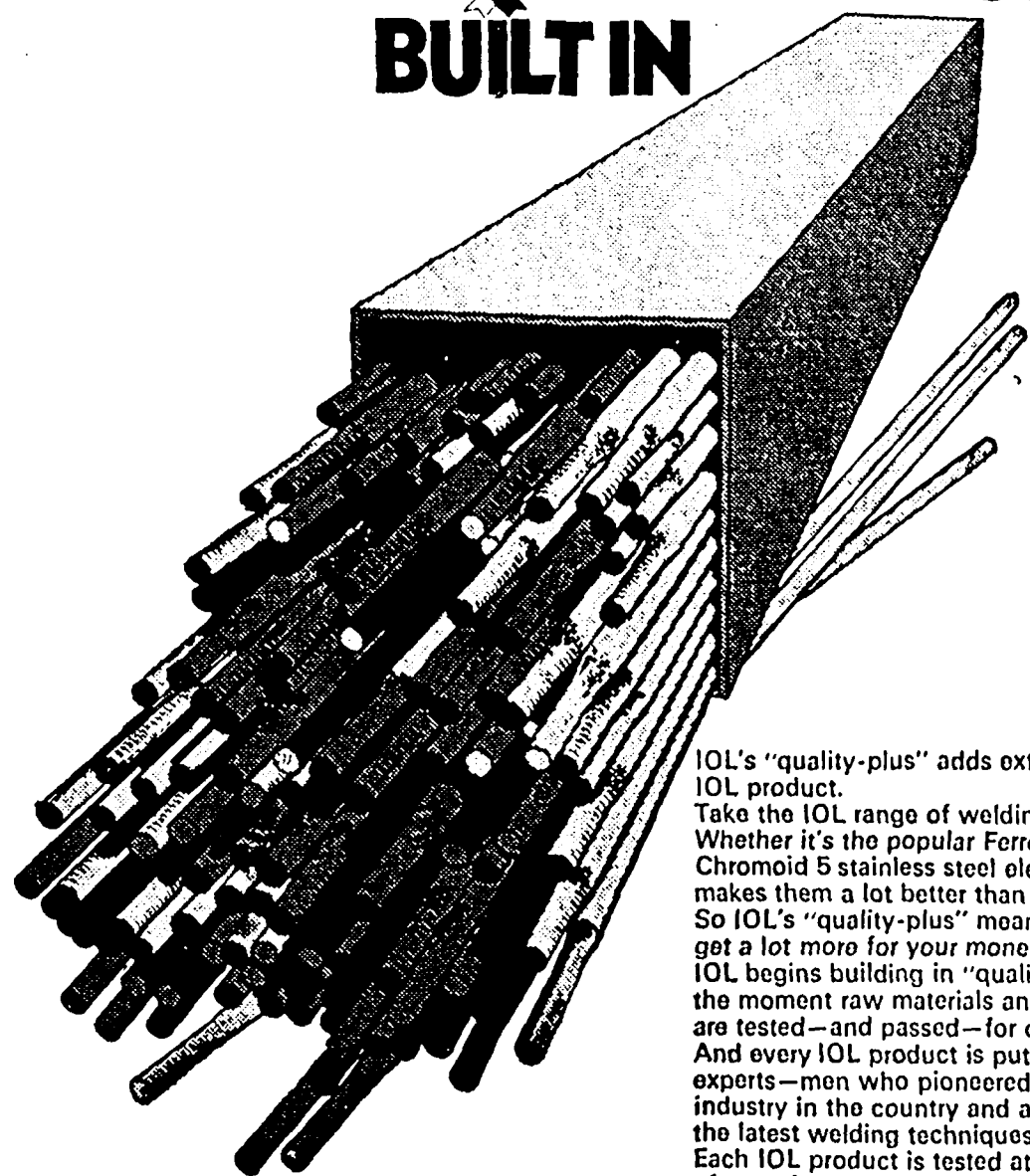
I.J.M.A. STOCK FIGURES FOR MARCH

The Indian Jute Mills Association reports the total stocks of jute goods at the end of March as follows:

Description	31st March, 1971		28th February, 1971		Increase over (+) or decrease from (-) last month		31st March, 1970	
	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)
Hessian cloth and bag	12,99.50 (14.21)	38.3 (37.7)	12,67.66 (13.86)	37.9 (37.3)	+31.84 (+35)	+0.4 (+0.4)	6,09.81 (6.67)	18.5 (18.2)
Sacking cloth and bag	8,85.66 (9.69)	38.9 (38.3)	8,51.93 (9.32)	37.9 (37.3)	+33.73 (+37)	+1.0 (+1.0)	5,70.44 (6.24)	24.6 (24.2)
Carpet-backing	1,03.09 (1.13)	11.7 (11.5)	1,00.15 (1.10)	11.4 (11.2)	+2.94 (+3)	+0.3 (+0.3)	2,69.00 (2.94)	29.8 (29.3)
Others		7.0 (6.9)		7.4 (7.3)	-0.4 (-0.4)			9.8 (9.7)
Grand Total (000 Tonnes/Tons)		95.9 (94.4)		94.6 (93.1)		+1.3 (+1.3)		82.7 (81.4)

Note: All figures are at bale-point.
N.B.—These statistics are based on replies received and represent all members of the Association, National, New Central, Shree Hanuman, General Industrial, Hooghly, Premchand and Bird group of mills. The figures in brackets are in British measures.

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will assume certain responsibilities for the promotion of exports of jute manufactures.

The Proposal Criticised

Earlier the retiring chairman of the Association, Mr. H. D. Wahi, criticised the Central Government's proposal to set up new modernised jute mills outside West Bengal and said that if the objective of the authorities were to increase production, this could be achieved easier, quicker and at lower cost by the revival of about a dozen sick mills which had been closed down, rendering some 22,000 workers unemployed. This measure, rather than the licensing of new capacity elsewhere,

would be more productive in terms of employment and capacity-utilisation. If, notwithstanding an embarrassing overcapacity in the Calcutta-based industry, fresh capacity was to gravitate to other States producing jute and mesta, more mills in West Bengal, Mr. Wahi warned, would be squeezed out of existence to the detriment of the State's employment situation.

Mr. Wahi strongly pleaded for the formulation, within the framework of the Government's Export Policy Resolution, of a separate five-year plan for the recovery of the jute industry, spelling out what the targets of production and exports should be, the markets for export, the availability of raw jute and, above all, the incentives that the Government would be prepared to concede for achieving the targets. Hessian and carpet-backing exports, the I.J.M.A. chairman said, could be considerably increased if the Government undertook a well-planned salvage operation which, "apart from the immediate abolition of the export duties, should include suitable incentives in the form of cash assistance on mills' consumption of raw jute, tax credit certificates for export and drawback in respect of local taxes". Although falling in the "traditional" category, the jute industry was rapidly diversifying and had already commenced the marketing of decorative and furnishing fabrics, the production of which entailed the installation of special machinery and investments in other allied fields. There was, therefore, no justification behind depriving the industry of the fiscal incentives conceded to non-traditional industries.

Reviewing the industry's performance during 1970, Mr. Wahi revealed that India's shares in world production of jute goods had gone down to about 30 per cent from 55 per cent in 1955 and in exports from 83 per cent to 45 per cent. Exports last year were at an all-time low of 539,000 tonnes. Over the past 16 years, sacking exports had fallen from 445,000 tonnes to only 76,000 tonnes. Exports of hessian had been almost halved from 488,000 tonnes in 1964 to 279,000 tonnes in 1970. Last year, exports of carpet-backing cloth had also declined sharply to 138,000 tonnes from 219,000 tonnes a year ago.

New I.J.M.A. Chairman

Mr. S. L. Mehta was elected chairman of the Association for 1971, Mr.

B. D. Kanoria deputy chairman and Mr. P. K. K. Nambiar vice-chairman.

Gunnies Firm

Exceptionally firm conditions marked trading in the Calcutta gunny market during the past week, although the top gains suffered a partial erosion on scattered profit-taking by bulls at the peak levels since mid-week. The buoyancy was so pronounced that all offers were well absorbed by shorts. With the partial liquidation of their long positions, the holders of P.D.O.s turned reserved since the middle of the week and with prices moving in a narrow groove, the market ruled about steady since then. The bullishness was attributed to a widening imbalance between enquiries and offtake on the one hand and availability and offerings on the other. The virtual suspension of production and shipments in East Bengal caused a sharp rise in the prices of end-products in the overseas markets. Although fresh enquiries or business of a spill-over nature had not been diverted yet to India on a brisk scale, Clive Row was optimistic about the flow of sizable business to India sooner than expected. Meanwhile, the statistical position was not also satisfactory, and the drastic restrictions imposed on futures trading in the hedge market in May delivery goods induced operators in the spot goods market too to toe a cautious line in making their offers or transacting business in T.S.D. and N.T.S.D. contracts, lest similar irksome restrictions were also imposed on the latter types of business. The comparatively lean floating stocks, combined with the limitations which restricted the scope of augmenting production to an appreciable extent during the short-term, induced overseas buyers to adopt a wait-and-see approach in relation to fresh purchases and bookings. It was stated that some major overseas shippers, who had sold fairly large lots of end-products on extended delivery schedules, ex-India or ex-Pakistan basis, had been obliged to follow the sharp rise in prices in covering their ready and near-term commitments in the local market. The brisk purchases made by them from the holders of P.D.O.s accentuated the price rise which was further reinforced by the nervous short-covering by other bears. Reports of good business from the U.K. and the U.S.A. in the course of the past few days were the additional stimulants. Mills had been very cautious due to their obvious limitations, first due to the shortages of fibre in appropriate batching proportions and

I.J.M.A. PRODUCTION FIGURES FOR MARCH

The Indian Jute Mills Association reports the total production of jute goods at the end of March as follows:

(000 metres and 30,000 yds.)

Mar. '71 Feb. '71 Mar. '70

Hessian	7,89.05 (8.63)	8,19.42 (8.96)	9,90.93 (10.83)
Sacking	8,21.38 (8.98)	8,84.25 (9.67)	7,70.24 (8.42)
Carpet-backing	1,37.78 (1.51)	1,32.60 (1.45)	90.45 (99)

(000 tonnes and tons)

Mar. '71 Feb. '71 Mar. '70

Hessian	24.7 (24.3)	24.8 (24.5)	29.8 (29.3)
Sacking	37.4 (36.8)	40.2 (39.6)	34.9 (34.4)
Carpet-backing	15.2 (15.0)	14.6 (14.3)	10.6 (10.5)
Others	6.4 (6.3)	6.4 (6.3)	6.5 (6.3)
Grand Total	83.7 (82.4)	86.0 (84.7)	81.8 (80.5)
Hours worked:	184.0	184.0	184.0

Note: All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, National, New Central, Shree Hanuman, General Industrial, Hooghly, Premchand and the Bird group of mills. The figures in brackets are in British measures.

secondly due to the limitation of spinning capacities which ruled out the prospect of raising production to the desired levels. The announcement of production and stock figures of mills reporting to the I.J.M.A. for March also accentuated the exceptional firmness. The figures showed that working for the same 184 hours as in February, the mills registered a nominal decline in output in March to 83,7000 tonnes over the February figure of 86,000 tonnes. While hessian revealed a minor decline of 100 tonnes to 24,700 tonnes and sacking of 2,800 tonnes to 37,400 tonnes, and other goods hovered around the previous month's figure of 6,400 tonnes, carpet-backing output indicated an increase of 600 tonnes to 15,200 tonnes. In spite of the drop in output, end-March stocks with the reporting mills showed a small increase of 1,300 tonnes over the figure for the previous month at 95,900 tonnes—with sacking recording a gain of 1,000 tonnes to 38,900 tonnes, hessian of 400 tonnes to 38,300 tonnes and carpet-backing cloth of 300 tonnes to 11,700 tonnes while miscellaneous goods declined nominally by 400 tonnes to 7,000 tonnes. An analysis of the two statements showed that overall despatches during March registered an increase of 3,400 tonnes over the comparable figures for the previous month to 82,400 tonnes—hessian by 2,000 tonnes to 24,300 tonnes, miscellaneous goods by 1,100 tonnes to 6,800 tonnes and carpet-backing cloth by 300 tonnes to 14,900 tonnes while sacking was maintained around 36,400 tonnes. Since the resumption of futures trading in May delivery 40in. 10oz. hessian and B Twills in the hedge market with the approval of the Forward Markets Commission, prohibiting the acquisition of fresh long positions except for genuine sales to overseas buyers, the Directorate-General of Supplies and Disposals, the State Trading Corporation and other semi-Government organisations on and from 5th April, turnover declined substantially. The sharp fluctuation in prices was arrested in spite of the firm trend in the spot goods and fibre markets and the gross and net outstanding long positions in res-

pect of both the constructions came down to more manageable levels. Government and semi-Government organisations were absorbing their bare minimum requirements. There was no report yet of any fresh move from them to conclude any long-term B Twills or heavy constructions deal following the expiry of the agreement since the end of March. Considering the present state of the overall gunny supply situation in the world market, Clive Row was inclined to believe that these organisations might prefer to stay away from the market till the emergence of a clearer picture of the conflict in East Bengal. Turnover was moderate. The closing undertone was bullish.

Latest available quotations (in rupees) were as follows:

	Apr.	Apr.- June	June- Sept.
40in. 7½oz.	78.50	78.50	74.00
40in. 8oz.	81.00	—	—
40in. 10oz.	98.50	99.00	95.00
B Twills	276.00	277.00	276.00
Heavy Ccgs	276.00	277.00	276.00
Cornsacks	—	—	—
A Twills (U.S.)	333.00	334.00	336.00
Liverpools	322.00	322.00	320.00

Buoyant Trend in Fibre

The raw jute market also ruled exceptionally buoyant during the past week in sympathy with the trend in the jute goods market. The rising price no doubt induced stiff resistance from the mills and mill agents. But the negligible offers of suitable grades of fibre for batching purposes met with an immediate response from buyers at dictated prices. The inventories with the mills reportedly suffered from a serious shortage of selected grade fibre which had been essentially required for batching purposes. Industry and trade circles were inclined to believe that the large-scale evacuation of civilian population from the major jute-growing areas in East Bengal would be followed by a dislocation in the cultivation of fibre in that country. Besides, intensive military action was sure to affect smooth farming operations in that country. The report that Pakistani Air Force planes had been dropping chemical bombs on paddy and jute fields, causing extensive damage to the standing plants, induced caution. Prior to evacuation, the holders of the current season's residual

stocks of fibre had started moving their stocks to this side of the border and bartering them for supplies of essential commodities. The flow continued unabated, and the arrivals were immediately absorbed by intermediaries at border stations at considerable discounts over the prevailing levels in the primary and secondary markets of West Bengal, Bihar and Assam for final disposal to mills and mill agents at around the prevailing levels. The timely nor'westers over the Indo-Gangetic basin had helped the farmers in accelerating their soil preparation work. The prevailing extraordinary firmness in fibre prices was likely to induce them to devote a much larger acreage under jute and mesta this season. Turnover was small. The closing undertone was buoyant.

Latest available quotations (in rupees) were as follows:

	April-May		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-			
Agartala	172.81	164.77	61.50
Northern Jute	167.45	159.41	59.50
Western Desal			
Jute	159.41	151.38	56.50
Selected			
Daissee	176.83	168.79	63.00
Assam-Agartala			
Tossa	178.17	170.13	63.50
Mesta :			
Assam Mesta	160.75	152.72	57.00
Selected Daissee			
Murshidabad	155.40	147.36	55.00
Bihar Dist.	148.70	140.66	52.50

TEA

Good General Demand

A Special Correspondent writes: The offerings in last week's Calcutta tea auction amounted to 2,965 packages of which 674 packages were of the new season's manufacture. There was a good general demand, with Darjeeling teas again selling well, particularly the better lines. The small quantity of Dooars C.T.C. teas on offer received good support and, although the orthodox offerings sold fairly well, the Assam descriptions were below last year's levels. The old season's offerings met with a strong demand and sold at dearer rates.

DUNLOP INDIA LIMITED

Chairman, Mr. R. G. S. Nairn's Review

The following is the address by the Chairman, Mr. R. G. S. Nairn, at the 45th Annual General Meeting held on April 19, 1971, at Calcutta.

I have pleasure in welcoming you to the 45th Annual General Meeting of the Company.

As the Directors' Report and Accounts for the year ended 31st December, 1970, have been in your hands for some time, I should like, with your permission, to take them as read.

The Year's Trading

Total sales increased by 8% over 1969 to Rs. 87.71 crores.

Once again the demand for nearly all our products was in excess of our production capacity. In the case of automotive tyres, the position was aggravated by the dislocation of production in some other tyre manufacturing units, which resulted in a shortage of truck and rear tractor tyres in the second half of the year. This situation was rectified in conjunction with the other members of the Automotive Tyre Industry. Despite overall cost increases, the Automotive Tyre Industry voluntarily reduced the replacement market prices for truck and rear tractor tyres by 0.75% with effect from 1st January, 1971, in order to create an atmosphere in which these tyres could become available at fair prices. I am pleased to tell you that these measures have had the desired effect. The Tyre Industry also reduced the Defence prices for truck tyres by 0.75% with effect from 1st January, 1971.

During the period of shortage, your Company naturally had to give priority to supplies for Defence and State Transport organisations to enable them to keep their fleets operational, and to vehicle manufacturers to maintain their programmed production. However, due to the shortage of Industry capacity for rear tractor

and earthmover tyres, agricultural tractor and earthmoving machinery manufacturers were not able to obtain their full requirements. We are doing everything possible to expand output of these tyres.

The demand for nylon truck tyres continued to increase in the domestic market. However, Industry production could not keep pace after meeting export commitments, due to the insufficient availability of nylon tyre cord, all of which is imported. It is important that indigenous production of nylon tyre cord becomes available as soon as possible and, in the meantime, larger imports should be permitted.

The total sanctioned capacity of the existing automotive tyre manufacturers is 52 lakhs; a Letter of Intent for 4,00,000 tyres was issued to a new unit in 1969 making a total of 56 lakhs. However, some of this capacity is unlikely to become available until 1974/75.

Experience has shown that due to labour problems, shortage of electricity, dislocation of transport and similar problems, a maximum of 90% of the Industry capacity has been utilised in any year. On this basis, in 1973/74 the effective Industry capacity is likely to be reduced to about 50 lakhs tyres compared with an estimated demand of 75 lakhs tyres. The demand could increase to about 80 lakhs tyres in view of the more intensive utilisation of vehicles as a result of increasing industrial and agricultural activity, and if some of the new vehicle manufacturing projects materialise.

These facts and the recent tyre shortage once again highlight the need for a Government policy which will ensure that there is sufficient available capacity and actual production of automotive tyres and tubes to meet the growing demand of the domestic and export markets. This policy must ensure that Letters of Intent are implemented quickly. The reason for the serious tyre shortage which developed in 1968 was that

four proposed new units which were granted Letters of Intent in the early 1960s for a total of 12 lakhs tyres did not implement their schemes and the Government had finally to revoke these Letters of Intent. A number of Letters of Intent have recently been issued to new units for a total capacity of 24 lakhs tyres. Based on past experience, it is likely to take a new manufacturer several years to implement a capacity of 3,00,000 tyres, which is now considered to be the minimum economic unit. On the other hand, an existing manufacturer with experience in implementing expansions and with the necessary technical and managerial skills, can achieve this within two years.

The Government should not, therefore, wholly rely on new units to meet the additional demand for tyres but should also permit expansion to existing manufacturers to make sure that the country is not short of a vital product. Your Company is ready to play its part in meeting the future demands of the country.

During the year, we continued our efforts to expand the Industrial Products side of our business and our two outstanding achievements were :

1. A contract worth Rs. 1.5 crores with the Neyveli Lignite Corporation for the supply of special cotton/nylon conveyor belting. This is the largest contract ever to be placed in this country for conveyor belting.
2. Introduction of Metalastik rubber to metal bonded components for the Indian Railways, particularly a large mounting for diesel and electric locomotives.

Exports

In 1970, your Company achieved yet another record—our exports of all products crossed the Rs. 3 crore mark, which represents an increase of approximately 9% over 1969. This

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was achieved in the face of stiff international competition and was only made possible by the development of new markets, constant market research, product development and the continuous assistance which we receive from our U.K. Associates and their worldwide distribution organisation. A notable achievement was that our exports to the General Currency Area markets, where competition is most severe, increased by 36%.

Automotive tyre and tube exports in 1970 were 11.6% of our production as against the guarantee of 10% which we have given to the Government. We consider this to be a very good performance for a non-traditional item. Dunlop India's automotive tyre and tube exports constituted 43% of the total exports of these products from India.

During the year, we developed ten new markets and introduced a special type of cycle tyre called "Silk" for the sophisticated American market, a new tyre design for earthmoving machines and two new types of cycle rims. Our cycle tyres greatly assist the exports of bicycles manufactured in the country; in fact, many overseas orders stipulate the fitment of Dunlop cycle tyres. Our exports of cycle tyres and tubes were 77% of the total exports from the country.

It is our constant endeavour to maximise exports but our efforts have at times been handicapped by labour problems, strikes at the ports, irregular availability of shipping space and ever increasing freight rates. Recently, and without reference to the Industry, the export of nylon tyres to the U.A.R. has been banned for 1970/71 under a bilateral trade agreement with that country. Unless this ban is removed, our export efforts will be seriously affected, and the important U.A.R. market, which has been developed after much hard work, will be lost to the Indian Tyre Industry. It would be helpful if the Government were to consult the Industry and take us into its confidence when such agreements are negotiated.

Our export efforts are also dependant very largely on our ability to produce and supply goods at competitive prices. Duty drawback rates have a significant influence and have been suddenly reduced in the past. These are at present once again under

review and it is hoped that the rates will not be reduced again; if they are, we may not be able to quote competitive prices. It should be appreciated that with such uncertainties, we are not always able to quote prices for delivery in the future which is a normal characteristic of export business.

Cash subsidy rates should also be established at levels which will encourage exports. We are still losing substantial amounts on our export business.

If such difficulties are not overcome soon, some enquiries for exports which are now being received will ultimately be diverted by the customers to other sources of supply. This will obviously affect our export achievements.

There is, therefore, an urgent need for the Government to establish long term policies to enable the exporter to plan well ahead to increase exports.

Costs

Costs have risen during the year mainly on account of increases in raw material prices. In the last two years, cotton prices have increased by nearly 50%, and since January 1971 they have risen by as much as 20%. This has necessitated increases in the selling prices for cycle tyres. An excise duty of Rs. 300/- per tonne has been imposed on indigenous synthetic rubber and since November 1970 octroi has become applicable to all raw materials received at our Sahaganj factory. To these burdens must be added a substantial increase in wages, salaries and dearness allowance.

State trading agencies are now taking an active part in procuring and supplying some of our major raw materials. The State Trading Corporation, for the first time, has commenced purchasing indigenous natural rubber in order to relieve the burden of high stocks with the small growers. We are glad that the rubber purchased by the S.T.C. is available to the Industry at the controlled prices. However, certain other raw materials, such as nickel and titanium dioxide, which have now been canalized through State organisations, cost considerably more than they did when we were able to obtain these materials through direct imports.

Production

Tyre production at our Sahaganj factory was approximately the same as in 1969 with the exception of cycle tyres, which were badly affected by labour difficulties. Consequently, the shortage of Dunlop cycle tyres increased in the domestic market and our export deliveries were badly affected.

Industrial Products output at Sahaganj was satisfactory except for bicycle rims, which suffered severely from the shortage of steel rim strip; this has created difficulties for some of the bicycle manufacturers. Although the import of some rim strip has been permitted by Government, we are still short and there may be further interruptions in the production programme.

Production at the Ambattur factory increased significantly due to the completion of a part of our expansion programmes which will be finished in 1971 and fully effective in 1972. Automotive tube production commenced at Ambattur during 1970. Production of bicycle rims, against the licence for 15 lakhs rims, will commence at Ambattur in 1971.

In accordance with Government directives, we are doing everything possible to maximise production at both factories in order to avert any possible shortages in the future.

Product Development

The Company's products continued to enjoy the highest reputation for quality and service during the year.

In keeping with our policy to bring to our customers improved products of latest designs, we have been evaluating modern patterns in the truck tyre range and the benefits will become apparent to consumers with the introduction of new truck tyres during 1971.

In 1970, we introduced a premium cycle tyre, the "Dunlop Goldseal". This very modern design of tyre is already manufactured in several factories in the Dunlop Group. We expect that it will play an important role in assisting bicycle exports and in developing cycle tyre exports, and will also find its place as India's top quality cycle tyre.

We continued to develop new tyres for the latest civil and military aircraft operating in India and it is our intention to try and make the country self sufficient in aero tyres. During the year, we also became the first manufacturer in India to produce tyres for industrial forklift trucks.

These developments and many others have only been possible as a result of the continuous technical assistance that we receive from our U.K. Associates supplemented by local development work. Our new Technical Aid Agreement, which was submitted to Government at the end of 1969, has not yet been finalised. I am pleased to tell you that Dunlop Limited has been continuing to give us technical assistance during 1970 in the belief that the Government will appreciate the need for us to continue the purchase of technical know-how on a reasonable cost sharing basis.

Tyre technology is continuously changing and the tyre that we make today is very different in terms of design, raw materials and construction, to the one made only a few years ago. Although we have always carried on development work in India to adapt some of the know-how to suit local conditions, it is not possible or practicable for our Company to duplicate the research and development work carried out by our U.K. Associates as the resources required are enormous and completely beyond our capacity.

I have mentioned earlier the very important plans for increasing exports. Success in this field is dependant on our ability to continue the manufacture of products which are fully competitive in international markets in design, quality and performance. The tyre industry throughout the world is in the throes of a technological revolution brought about by new developments in vehicle design, increasingly stringent safety requirements and development of new synthetic polymers and fibres. New tyre designs are gradually replacing conventional constructions; steel, nylon, polyester and other materials are becoming increasingly important in tyre production. We must therefore, be permitted to keep continuously up to date with these developments not only to compete successfully in the export markets but also to bring the benefits of the latest developments to our domestic customers.

It is important to see this point in the right perspective bearing in mind that the total production of automotive tyres in India is less than 1% of the world production. However, for some products, such as cycle tyres, where the volume of production reaches a sufficiently high level, local research and development work can be undertaken. Our U.K. Associates have proposed that we undertake this work and sell technical know-how to other cycle tyre manufacturers in the Dunlop Group thereby earning valuable foreign exchange for the country.

Diversification

We are always seeking opportunities for diversification into product fields, which are capital intensive and require sophisticated technology. In view of the increasing need for such new and modern products in the country, we feel that we can play an important part, and we have submitted an application to Government for the manufacture of steel cord conveyor belting, which is essential for iron ore and lignite mining.

There is an urgent need to increase the manufacturing capacity for conventional rubber conveyor belting, and fan and vee belts. By 1973, there will be a substantial shortfall and imports are currently being allowed to augment indigenous production. We, therefore, hope that the Government will take urgent steps to licence additional capacity to existing manufacturers who are in a position to implement expansions quickly and to offer a technologically competent product to the market.

Our Letters of Intent for golf and tennis balls are still under negotiation with the Government.

Personnel

Despite the unsettled conditions, employee relations have remained generally good during the year. In 1970, we concluded negotiations and signed a new five year agreement covering the engineering operatives at our Sahaganj factory in West Bengal.

The agreements covering the production operatives and staff at the Sahaganj factory, and the staff at the Head Office and the District Offices throughout the country, expired at the end of the year. New agreements

are now being negotiated and we hope to finalise them in the near future.

From its inception, the Company has adopted progressive methods and techniques with a view to improving the welfare and conditions of service of all employees. However, it must be remembered that there are limitations and the ultimate welfare of the employees depends upon the continuing prosperity of the Company.

Our training programmes for personnel at all levels continue to make good progress. Consistent with the Company's policy to keep pace with the technological changes and to improve managerial efficiency, new training programmes were developed and introduced.

Profit and Loss Account and Balance Sheet

The financial results for 1970 have already been covered in the Directors' Report, but there are a few points that I would like to make.

As you will have noticed from the accounts, the main feature of the year's trading is that the significant increase in income yielded very little by way of additional profit. The major reasons for this were increased raw material and personnel costs and higher depreciation charges. Another contributory factor was increased interest charges reflecting the higher level of bank borrowings which were needed to finance additional raw material stock holdings, particularly natural rubber and textiles. These increases more than offset the significant reduction in accounts receivable, which have been achieved through our continued efforts to make the optimum use of all available liquid resources.

Once again, your Directors have taken into account the substantial cash requirements needed to finance your Company's expansion plans. Accordingly, they propose to maintain the ordinary dividend at 20% for the year, the same as for 1969 and retain the balance of available profit amounting to Rs. 1,65,99,000 by transferring this amount to general reserve.

Capital expenditure in 1970 was Rs. 3.20 crores. In addition, commitments for capital expenditure at 31st December, 1970, amounted to

Rs. 5.67 crores. Expenditure includes the implementation of the industry licence received in December 1967 to increase the Company's automotive tyre and tube capacity by 1,35,600 units and 1,24,800 units per annum respectively. Also included are commitments made against the industrial and capital goods licences received in 1969, for the automotive tyre and tube and bicycle rim expansions at the Ambattur factory, and for the replacement of old equipment at the Sahaganj factory.

The major part of the expenditure on the current expansion plans will be met from the Company's own resources. However, additional finance of approximately Rs. 2 crores will be required and an application has accordingly been made to the Controller of Capital Issues for the issue of 15,00,000 Ordinary Shares at a premium of Rs. 4 per share to members in the ratio of 3 new Ordinary Shares for every 20 Ordinary Shares held. The proceeds of the proposed issue will be Rs. 2.1 crores.

The Board

Mr. J. A. Moore relinquished his appointment as Managing Director during the year on retirement after long and distinguished service with the Company. I am sure you will join me in wishing Mr. Moore a long and happy retired life.

Mr. Sachin Chaudhuri also retired from the Board. I would like to take this opportunity of thanking him on your behalf for the wise counsel that he has given us and for the great interest that he has always taken in the Company.

Mr. K. Padmanabhan also retired at the end of the year. Here again I would like to take this opportunity of thanking him for his many years of devoted and loyal service to the Company.

Mr. J. R. Scott retired from the Board during the year on taking up an appointment with Dunlop Limited, U.K. and Mr. C. J. T. Bleas took over from him.

We have now re-organised our executive management team with the appointment of four new wholetime Directors. These are Mr. R. N. Basu, Director Accounting, Mr. N. S. Bedi, Sales Director Industrial Products, Mr. R. M. Bhandari, Director Ad-

ministration and Industrial Relations and Mr. L. J. Tompsett, Sales Director Tyres.

I am sure you will join me in extending a warm welcome to the new Directors.

Future Prospects

Our diversification plans, which I have already mentioned, are designed to broaden the base of the Company's manufacturing activities.

We hope that we will be permitted to have a share of the expansion of the Automotive Tyre Industry, and we have submitted an application to Government for permission to establish a new factory with an initial capacity of 3,00,000 automotive tyres and tubes in Goa, which is an industrially underdeveloped area. In keeping with our policy of forward planning, we have already purchased some land. We hope that this application will be considered favourably, particularly in view of our creditable export performance, a good record of supplies to Defence and vehicle manufacturers and our progressive manufacturing and development policies.

Under the Monopolies and Restrictive Trade Practices Act, your Company can be considered a dominant undertaking. This is so only because according to the Act the basis for calculating market share is the actual production and not the licenced capacity. In 1970, our share of the Automotive Tyre Industry's production was approximately 38%. Our licenced capacity, on the other hand, is only 28% of the total capacity sanctioned by Government to the Industry. It will thus be seen that loss of production in other units and the extent to which they have implemented licenced expansions can actually determine whether an undertaking is dominant or not.

As mentioned earlier the expansion of the Company's Ambattur factory is making good progress. Given stable conditions, your Company will continue to grow and we face the future with confidence and optimism.

In conclusion, I should like to thank all our employees for the efforts they have made during 1970 towards the progress of the Company.

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

COMPANY AND PUBLIC NOTICES

DHUNSERI TEA & INDUSTRIES LTD.

THE Directors of the Company have decided to recommend to the forthcoming Annual General Meeting to be held on 27th May, 1971 the following dividends for the year ended 31st December, 1970 subject to deduction of tax:—

(a) 10% on Cumulative Preference Shares.

(b) 12½% on Equity shares.

By Order of the Board,
S. L. DHANUKA,
Mg. Director.

Calcutta: 19th April, 1971.

COMPANY MEETINGS AND DIVIDENDS DECLARED OR PROPOSED

Name of Company	Date	Hours I.S.T.
Borrea Coal Co., Ltd.	29-4-71	3-30 p.m.
Indian Aluminium Co., Ltd.	26-4-71	11-30 a.m.
Schrader-Scovill Duncan Ltd.	28-4-71	3-00 p.m.
Phillips Carbon Black Ltd.	3-5-71	11-30 a.m.

DIVIDENDS DECLARED OR PROPOSED

Guest, Keen, Williams, Ltd.—16 p.c. (0), subject to tax

Standard Mills Co. Ltd.—Rs. 28 per share (0), subject to tax

Phillips Carbon Black Ltd.—15 p.c. (0), subject to tax

Schrader-Scovill Duncan Ltd.—25 p.c. (0), subject to tax

BOOKS RECEIVED

The Congress Splits. Mr. R. P. Rao. (Published by Lalvani Publishing House, 210, Dr. D. N. Road, Bombay I. Price Rs. 25, pages 304.)

Statistics for Iron and Steel Industry in India. (Published by Hindustan Steel Ltd., Ranchi. Price Rs. 28, pages 392.)

STATISTICS

Stock and Share Prices

The following are the official quotations of the Calcutta, Bombay and Madras Stock Exchanges. Fuller details relating to the accounts of companies are published in the final week's issue of 'Capital' every month.

CALCUTTA

	Dividend per cent	Latest Market Quotations as available until	1967	1968	12-4-71	19-4-71
		Rs.			Rs.	
BANKS						
Allahabad Bank	13	13	135/00		135/00	
Bank of India	20	20	134/00		134/50	
Bank of Baroda	17	18	106/00		108/00	
Central Bank of India	20	20-8*	72/00		72/00	
Chartered Bank	15	15	247½		257½	
Hongkong & Shanghai	sh. 10 2/5	sh. 12½	£11½		£12½	
Indian Bank	15	15	164/00		164/00	
Indian Overseas Bank	11	11	170/00		171/50	
National & Grindlays	13½	13-9	292		314½	
Punjab National Bank	22	22	23/62		23/25	
United Bank of India	7½	7½-7½*	9/00		8/60	
United Commercial	14	14	104/50		111/00	
Union Bank of India	12	12	8/72		8/60	
COAL						
Amalgamated	12½	7½-10+	7/94		7/75	
Bengal	10	12-12*	149/00		149/00	
Bokaro & Ramgur	Nil	5-15*	12/00		12/00	
Borrea	Nil	5-15*	12/62		12/62	
Burrakur	13	Nil-12*	12/06		12/06	
Central Kurkend	...	...	3/44		3/44	
East Indian	15	Nil-Nil†	7/00		7/00	
Equitable	Nil	Nil-Nil*	4/84		4/84	
Karanpura Devt	2	Nil-5*	7/69		7/69	
Karanpura Collieries	10	12-20*	11/37		11/31	
Katras Jherriah	5	10-10*	10/25		10/25	
New Beerbhoom	8	12-12*	14/50		14/50	
New Manbhoom	Nil	Nil-Nil*	3/65		3/65	
Pench Valley	12½	7½-10+	7/94		7/94	
Raneegunge	5	7½-10*	12/06		12/06	
Rewa	12½	12½-15*	27/00		27/00	
Sendra	3½	3½-7½*	4/06		4/06	
South Karanpura	2½	10-20*	12/81		12/81	
Standard	Nil	5-10*	7/81		7/81	
Union	Nil	Nil	5/00		5/00	
Western Benga:	7½	7½-8*	7/31		7/37	
			†1970		*1969	

JUTE

	Dividend per cent	Latest Market Quotations as available until	1967	1968	12-4-71	19-4-71
		Rs.			Rs.	
Agarpara	5	5-5*	7/25		7/75	
Alexandra	Nil	...	25/50		25/50	
Alliance	Nil	...	15/50		15/50	
Anglo India	2½	2½-2½*	120/00		122/00	
Auckland	Nil	Nil-Nil*	49/00		59/00	
Bally	10	10-10*	13/81		14/00	
Baranagore	Nil	Nil-Nil*	72/50		80/00	
Birla	15	15-15*	22/45		22/40	
Budge Budge Amal.	Nil	Nil-Nil*	12/94		9/00	
Champadany	Nil	Nil-5*	49/00		13/50	
Chitavalash	Nil	Nil	6/19		7/50	
Dalhousie	Nil	Nil-Nil*	49/00		49/00	
Empire	Nil	Nil	4/56		4/44	
Fort William	2½	Nil	10/62		10/62	
Ganges	5	Nil-7½*	8/19		8/44	
Gourepore	5	5-Nil*	7/18		7/31	
Hastings	4	2½-2½*	101/00		101/00	
Hooghly	10	10-10*6+	9/50		9/50	
Howrah	Nil	Nil-Nil*	7/25		7/50	
Hukumchand	Nil	Nil-Nil*	13/62		13/75	
India	Nil	3½-5*	6/00		7/56	
Kamarhatti	Nil	Nil-Nil*	67/00		74/50	
Kanknarrak	Nil	Nil-Nil*	28/00		30/00	
Kelvin	Nil	Nil	28/00		31/50	
Khardah	Nil	Nil-Nil†	4/25		4/25	
Kinnison	Nil	Nil	19/50		25/50	
Lansdowne	Nil	Nil	25/50		24/50	
Lawrance	3	2-Nil*	25/50		25/50	
Megna	6	Nil-Nil*	4/06		4/31	
National	Nil	10-Nil*†	7/50		7/50	
Nellimaria	6	4	8/12		8/31	
New Central	...	4/56	4/34		4/34	
Northbrook	10	Nil-10*	9/75		12/12	
Nuddea	2½	2½-Nil*	5/25		5/69	
Presidency	Nil	...	1/00		1/15	
Reliance	Nil	Nil-Nil*	5/00		5/69	
Titaghur	Nil	Nil	10/06		12/50	
Union	Nil	Nil	45/50		45/50	
Waverley	15	15-6*	3/00		3/00	
COTTON TEXTILES						
Bharat Commerce	15	15-15*	19/69		19/81	
Birla Cotton	10	10-10*	14/50		14/50	
Bowraah	17½	17½-17½*	13/44		12/87	
Cawnpore Textile	Nil	10-8*	3/37		3/44	
Delhi Cloth & Genl	12	6-12*	87/37		89/25	
Dunbar	5	Nil-Nil*	11/00		11/00	
Elgin	10	10-8*	7/00		6/87	
J. K. Cotton	15	5-6*	11/00		11/10	
Jaya Shree	5	Nil-Nil*	5/00		5/00	
Jagatjit	10	...	8/31		8/31	
Jiyajcerao	10	...	23/00		23/00	
Orissa Textiles	Nil	Nil	3/05		3/50	
Rampooria	Nil	Nil	3/25		3/25	
Swadeshi	2½	5-5*	11/50		11/50	

RESERVE BANK

ISSUE DEPARTMENT	(In 000's of Rupees)		
	Week Ended		
	9-4-71	2-4-71	10-4-70
Liabilities—			
Notes in Banking Dept.	4,82.93	5,49.47	22,17.32
Notes in Circulation	43,60,98.86	42,53,45.05	40,04,87.81
Total Notes Issued	43,65,81.79	42,58,94.52	40,27,05.13
Asset—			
A. Gold Coin and Bullion	1,82,53.11	1,82,53.11	1,82,53.11
Foreign Securities	2,73,42.00	2,68,42.00	3,61,42.00
Total of A	4,55,95.11	4,50,95.11	5,43,95.11
B. Rupee Coin	47,17.37	49,53.03	60,75.60
Rupee Securities	38,62,69.31	37,58,46.38	34,22,33.42
Total	43,65,81.79	42,58,94.52	40,27,05.13
BANKING DEPARTMENT			
Liabilities—			
Capital Paid-up	5,00.00	5,00.00	5,00.00
Reserve Fund	1,50,00.00	1,50,00.00	1,50,00.00
National Agricultural Credit (Long Term Operations) Fund	1,72,00.00	1,72,00.00	1,55,00.00
National Agricultural Credit (Stabilisation) Fund	37,00.00	37,00.00	35,00.00
National Industrial Credit (Long Term Operations) Fund	95,00.00	95,00.00	75,00.00
Deposits—			
(a) 1. Central Govt.	3,52,19.72	3,62,46.65	52,37.98
2. State Govts.	4,20.57	2,37.90	4,91.82
(b) Banks—			
(i) Scheduled Banks	1,90,75.35	2,17,94.74	1,68,74.74
(ii) State Co-operative Banks	12,57.73	12,48.96	7,94.52
(iii) Non Scheduled State Co-operative Banks	73.86	68.56	58.61
(iv) Other Banks	31.66	34.10	23.06
(c) Others	86,17.49	87,18.25	1,68,86.59
Bills Payable	75,66.73	1,04,66.00	41,97.52
Other Liabilities	1,45,34.96	1,40,08.82	1,27,47.43
Total	13,26,98.07	13,87,23.98	9,93,12.27
Assets—			
Notes	4,82.93	5,49.47	22,17.32
Rupee Coin	2.28	4.69	2.99
Small Coin	3.29	3.20	4.81
Bills Purchased and Discounted—			
(a) Internal	10,92.57	8,98.99	...
(b) External	...	...	...
(c) Govt. Treasury Bills	9,35.91	8,56.57	27,40.52
Balances held abroad	83,34.05	84,22.99	1,17,86.98
Investments	1,03,73.31	99,56.30	98,75.20
Loans and Advances to—			
(i) Central Government	...	...	...
(ii) State Governments	4,14,65.64	3,88,15.97	1,72,99.71
Loans and Advances to—			
(i) Scheduled Banks	2,70,26.15	3,56,11.30	1,96,18.03
(ii) State Co-operative Banks	2,64,63.79	2,68,71.10	2,37,84.27
(iii) Others	11,85.93	11,32.58	5,36.97
Loans, Advances and Investments from			
National Agricultural Credit (Long Term Operations) Fund	...	...	...
(a) Loans and Advances to—			
(i) State Govts.	41,91.77	41,92.62	33,86.30
(ii) State Co-operative Banks	20,19.15	20,24.04	14,00.59
(iii) Central Land Mortgage Banks	...	...	...
(b) Investment in Central Land Mortgage Bank Debentures	9,59.42	9,59.42	9,49.70
Loans and Advances to State Co-operative Banks	...	...	...
Loans, Advances and Investments from			
National Industrial Credit (Long Term Operational) Fund	29,83.71	29,83.71	6,26.71
(a) Loans and Advances to the Development Bank	47,50.24	50,06.22	45,69.25
Other Assets	...	...	...
Total	13,26,98.07	13,87,23.98	9,93,12.27

SCHEDULED BANKS

	(In 000's of Rupees)		
	Week Ended		
	2-4-71	26-3-71	10-4-70
(i) Demand Liabilities—			
(a) Demand Deposits:			
(1) From Banks	1,80,91.00	1,61,84.00	1,55,53.00
(2) From others	26,62,96.00	25,97,79.00	22,94.06
(b) Borrowings from Banks	30,57.00	29,51.00	38,36.00
(c) Others	1,54,20.00	1,52,86.00	1,37,91.05
(ii) Time Liabilities—			
(a) Time Deposits:			
(1) From Banks	97,92.00	98,88.00	1,18,04.00
(2) From others	33,60,06.00	33,64,46.00	28,81,35.00
(b) Borrowings from Banks	9,03.00	9,70.00	5,32.00
(c) Others	43,14.00	41,89.00	31,39.00
(iii) Borrowing from State Bank—			
(a) Demand Liabilities	32,44.00	33,60.00	30,58.00
(b) Time Liabilities	66,20.00	64,26.00	64,41.00
(iv) Borrowings from Reserve Bank	6,50,13.00	6,73,07.00	4,64,49.00
(v) Cash	1,68,22.00	1,69,68.00	1,45,49.00
(vi) Balances with Reserve Bank	2,12,85.00	2,03,95.00	1,89,30.00
(vii) Balances with other banks in current account	82,16.00	75,83.00	62,90.00
(viii) Money at call and short notice	43,19.00	36,12.00	60,36.00
(ix) Investments in Central and State Govt. Securities	14,15,81.00	14,17,70.00	12,16,91.00
(x) (a) Loans, Cash Credits and Overdrafts	38,38,39.00	38,27,50.00	34,43,51.00
(b) Due from banks	4,73,42.00	4,79,31.00	4,10,92.00
(xi) Inland Bills purchased and discounted	7,65,83.00	7,58,63.00	4,97,55.00
(xii) Foreign bills purchased and discounted	2,10,65.00	2,12,34.00	1,93,54.00
(xiii) Total of X, XI and XII	52,88,29.00	52,77,78.00	45,45,52.00

INDEX OF INDUSTRIAL PRODUCTION

	Seasonally adjusted (Base year 1960 100)		
	1970	1969	1968
January	186.6	179.3	159.4
February	175.3	163.3	162.2
March	187.2	175.4	162.6
April	181.6	169.5	150.8
May	176.7	165.6	153.8
June	179.1	169.6	158.1
July	...	175.1	165.0
August	...	169.7	162.1
September	...	172.0	159.5
October	...	171.1	159.4
November	...	171.4	166.7
December	...	187.6	173.3
Annual Average	...	172.5	161.1

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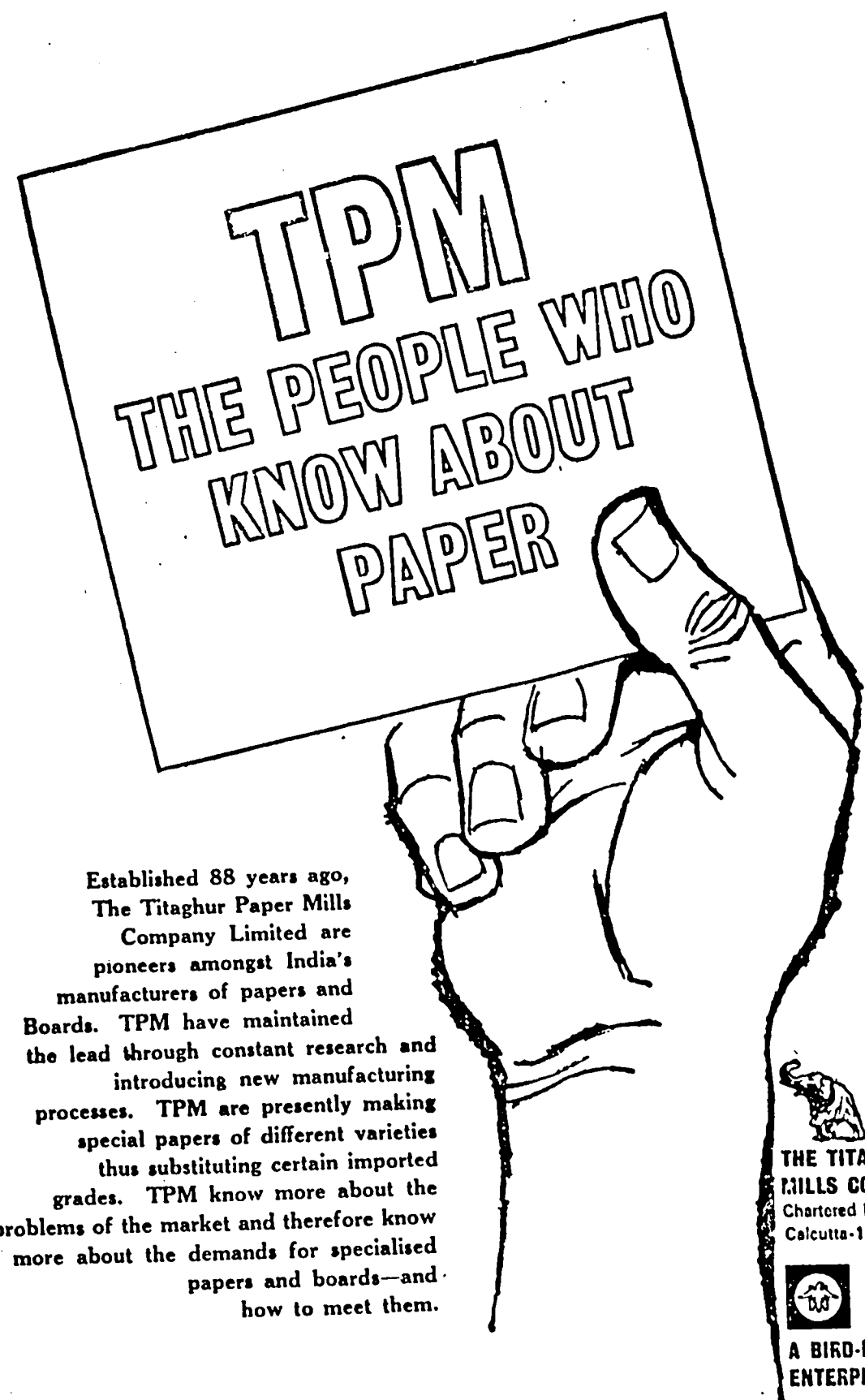
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Dilemma in Credit Planning

THERE appears to be still a lot of confused thinking in New Delhi on the much-misused term of "credit planning." The expectation that the three-day meeting of the chief executives of public-sector banks held in New Delhi last week might help to clear some of the misconceptions has gone awry. On the contrary, the situation today is one of confusion worse confounded. The Central Finance Minister, Mr. Y. B. Chavan, gave to the Custodians his own interpretation of credit planning which, in effect, meant that the needs of the neglected sectors should receive priority over those of the organised sector in industry. His complaint was that whenever credit squeeze came about, the worst sufferers were small borrowers, especially in the neglected sectors because, he said, it was easier to deny credit facilities to them than to the bigger borrowers. He added that he had heard small borrowers tell him that their applications were being turned down by banks on the plea of shortage of funds while credit to sectors and units which had been enjoying bank assistance of large sizes for years—much in excess of their requirements—was not being curtailed.

It is not known what the Custodians had to say in defence. It is relevant in this context what the chairman of the State Bank, which is also a public-sector bank and, in fact, the biggest of all, had to say on this question. At the annual general meeting of the bank a month ago, Mr. Talwar had lamented on the dilemma facing the public-sector banks preparing their credit policies. He pointed out that they could not deny credit to large and medium-scale industries without detriment to industrial production. Similarly, they could not withhold credit to the small-scale industries and the other so-called neglected sectors without a serious setback to public policy.

As Mr. Talwar stated at that time, this predicament of the public-sector banks is largely due to the withdrawal of the refinance facilities by the Reserve Bank at the beginning of this year as part of its credit squeeze, undertaken mainly to check the rise in prices. This has certainly had a salutary effect on the price situation even though, in the bargain, some small borrowers might have been denied credit. It is admitted even by Mr. Chavan that the sharp rise in prices last year was accentuated by the large credit expansion that had taken place after bank nationalisation. If, as Mr. Chavan suspects, there has been considerable diversion of credit for speculative uses and the building up of huge inventories, then there is certainly a need for closer scrutiny of applications for large credits, which the Central Finance Minister himself suggested at the Custodians' meeting. But then, there is also the danger of genuine and urgent requests for large credits being held up too long in this process of strict scrutiny. Furthermore, what is more important is to keep a close watch on the use of credit after disbursement rather than delay its sanctioning. Banks will also be well advised to withhold future credits to persons who are known to have indulged in the "diversionary tactics" referred to by the Finance Minister.

It is, however, gratifying to note that Mr. Chavan himself rejected outright any suggestion for rigid allocation of bank funds among different sectors. As he rightly pointed out, the credit needs vary from region to region and season to season. There could be only broad guidelines from the top. Proper execution of the policies in this direction will depend on the initiative of the bank staff at all levels. Mr. Chavan called for "optimum decentralisation of authority and decision-making" and asked

the Custodians to ensure that there was full scope for initiative, innovation and leadership at all levels of management. But it is good to realise that these factors cannot have a free play in banks beyond a limit because of the very nature of banking operations.

In fact, this has been recognised to some extent by the Reserve Bank in drawing up its guidelines to the banks on the basis of the Thacker Committee report on special credit schemes for generating employment opportunities in rural and urban areas. The Reserve Bank has stated that the guidelines should be implemented at the branch level with an adequate degree of flexibility. While calling for appropriate delegation of authority to branch agents, it urges that adequate control should be ensured over the exercise of such discretion by branch agents. Similarly, the Bank has emphasised that the availability of guarantee cover under the Credit Guarantee Corporation's scheme of comprehensive credit insurance should not mean any dilution of standards on the part of banks in appraising loan proposals; nor should this mean that the assistance should be restricted to the classes of borrowers or to the extent of the amounts for which guarantees are available under the scheme.

This kind of "do this and that" directives gives the unmistakable impression of the Reserve Bank itself playing for safety. This can hardly induce the public-sector banks to take up the special schemes with a "go ahead" spirit. The New Delhi meeting also agreed in principle that the branch manager should be given powers to initiate schemes, born out of his imagination and initiative, without spelling out the details of the programme to be launched all over the country. If it is correct that branch managers of some banks have already been taken to task for not exercising adequate discretion in giving credits to certain categories of borrowers, the general exhortation given by the New Delhi meeting will not help to boost the morale of branch managers.

In the ultimate analysis, credit expansion has to be related more and more to deposit mobilisation. One cannot be viewed in isolation from the other. Since the two go together, the banks will have to give equal attention to both and reorient their programmes in such a manner as to

subserve the interests of rural borrowers and also mop up their savings through a deliberate deposit mobilisation programme. The growth rate in deposits has lately improved but still credit expansion has been somewhat larger. For instance, credit expansion for all banks—nationalised and non-nationalised—was Rs. 820 crores in 1970 whereas the increase in deposits was just Rs. 800 crores. The State Bank and the 14 nationalised banks accounted for Rs. 680 crores of the increase in deposits in 1970, compared with Rs. 556 crores in 1969 and Rs. 404 crores in 1968. During 1970, the deposits of the 14 nationalised banks alone rose by Rs. 461 crores while their total advances increased by Rs. 464 crores. Advances to the weaker sections by the public-sector banks rose from Rs. 278 crores

just before nationalisation to Rs. 466 crores in June last and to Rs. 505 crores at the end of October last. Advances to the small-scale sector went up from Rs. 258 crores in June 1969 to Rs. 425 crores in October last year.

All these figures go to show that before the credit squeeze was applied, the nationalised banks and the State Bank were advancing credit liberally to the weaker sections. If, as Mr. Chavan has stated, there is an improvement in the resources position of the banks, this should find reflection in their credit policies. The "stop-go" manner in which the credit policies are operated must yield place to a firm policy of assisting productive needs of all sectors and keeping prices under check.

Growth with Social Justice

THE country is psychologically poised for a higher growth rate. The dust raised by the storm of the election campaign has settled down, those in power have started taking a closer view of the problems they have to tackle, industrialists are reconciled to the prospect of enlightened self-interest being circumscribed by social objectives and labour—conscious of employment channels being clogged—is in a mood to respond to the demands of growth backed by social justice. The only fly in the ointment is the radical socialist who has been clinging to the outdated theory of socialist revolution. The process of rethinking on how quickly the economy can be extricated from stagnation has started long ago. May would be the crucial month from the viewpoint of policy decisions. One hopes that they will be based on the situation as it is and free from an ideological bias. From this angle, the appointment of Mr. C. Subramaniam as the Central Minister of Planning is welcome.

Interestingly enough, this throws into bold relief the problem of shortage of manpower at the top. The Government will have to find a substitute to preside over the Agricultural Commission. The organisational problems of Hindustan Steel Ltd are under discussion. The Heavy Engineering Corporation in Ranchi and the railways will have to be placed in a

position of solvency. The immediate goal must be not only appreciably to reduce the gap between capacity and performance of public-sector undertakings but also to ensure that they earn enough to take off at least the annual load of Rs. 600 crores on the Central exchequer.

The experience of the past three years has amply demonstrated that Government resources in men, money and organisation are not limitless and that the merit of the State having a commanding position in the economy lies not so much in the acquisition of the position but in using it as a means to subserve the broader socio-economic objectives. Could it be that the sorting of problems arising from the commanding position already acquired would be given priority over intentions to extend the sphere of Government powers to direct the economy? The final Budget for 1971-72 will have to be watched. It is good to learn that the 1970-71 financial year has ended with a rise of 8.2 per cent in exports which is far in excess of the Plan's target and twice the growth rate for the preceding year. But it needs to be noted that this growth rate would not be enough to bridge the trade gap; the smart increase in shipments under bilateral pacts has been accompanied by a rise in import costs far in excess of that in international prices, and that the growth in exports

cannot be achieved by starving the economy of essential goods.

From the point of balancing the foreign trade in the long run and sustaining economic activity in the short period, a substantial increase in imports is inevitable. The shortage of industrial raw materials is growing from bad to worse. Even the production of essential drugs, such as insulin, has been hit by it. Secondly, the cost of imported liquid fuel will rise in the current fiscal year by at least Rs. 250 crores. Exports cannot grow without production being stepped up and production cannot rise without ensuring the supply of adequate raw materials; but the vicious circle can be broken if foreign exchange of roughly Rs. 500 crores is found to finance the trade deficit in 1971-72. In this larger context needs to be viewed questions affecting aid, foreign capital, and self-help. The Government is obviously the best judge of this subject; but the urgency of growth has assumed more importance than the long-term objective of dispensing with the country's dependence on foreign powers. Will the Government view the problem from the point of acquiring fresh economic strength? The answer is not easy to find and yet it cannot be postponed.

This raises the larger issue of prices. Prices of manufactured goods are being kept under check by squeezing profit margins. When this policy is carried too far, it affects the capacity of industry to modernise its equipment and arrest the rise in production costs. Even the State takeover does not provide the solution. The economic law of weeding out unprofitable units and bringing them back into economic production by reducing the cost of their fixed assets has got to be invoked. So also the rôle of price mechanism and profit. To suggest that the creation of rehabilitation finance corporations for industries and the insurance of deposits can be ideal substitutes for faulty policies is to beg the question because in the final analysis, sound policies alone can have a sustaining influence. The instruments can no doubt be sharpened, but the capacity to use them purposefully is also important. A review of the policies already evolved is, therefore, overdue.

The ball is now in the political court. The machinery for co-ordinating the political thinking of the Government and the economic thinking of the Planning Commission will

hereafter be closely integrated. But it can function smoothly only if it is greased and maintained in proper order without being overworked to achieve the impossible. The reconciliation of growth and social justice is the prerequisite for this purpose. From this viewpoint, the decision to liberalise the industrial licensing policy without amending the written word is significant. It acknowledges that the entrepreneurial talent in this country is not plentiful; but the country will have to go a long way in ensuring that whatever is available is fully used. Whether the existing discrimination between owned capital and borrowed funds for tax treatment can serve this end is a point which is coming to the fore.

A stage has been reached when the price rise can no more be arrested unless the Government forgoes a portion of the burden of taxation on per unit of production. In the case of manufactured goods, its incidence varies between 25 per cent and 40 per cent. Whether it can get a better revenue through higher production in spite of reduced taxation on commodities or should insist on main-

taining the *status quo* and try to step up production is a matter of choice; but the latter course can neither bring down the prices nor push up the growth rate. Finally, there remains the problem of incentives for hard work, initiative and savings on the part of individuals consistent with social objectives. It is a misnomer to believe that the same rupee can be spent on rising living costs, taxation and savings. It is futile to expect hard work as long as it is not going to produce an extra rupee which can be used to better the family life and be saved.

The Central Finance Minister, Mr. Y. B. Chavan, has an unenviable job of reconciling the conflicting demands of the economy when his Treasury has developed strains. The problems of controlling inflation, deficit financing, and making the nation work harder and better cannot be treated in isolation. How far he succeeds in evolving an integrated economic policy can only be known at the end of the month. Meanwhile, the psychological atmosphere should be helpful in sustaining the spirit of expectation.

No Gimmicks in Import Policy

IF the new import policy has few surprises, it is all for the good. The stability of policy is more important than political gimmicks. In any case, with the massive majority that it has secured in the mid-term poll, the ruling Party has no need to resort to any kind of political stunts to strengthen its base. The enlargement of the rôle of Government agencies in the field of foreign trade cannot, therefore, be viewed as a political gimmick. In fact, the ruling Party is committed to the programme of extending progressively the rôle of these agencies in foreign trade. That makes it imperative for the Government to implement the programme with vigour and earnestness. The performance of agencies like the State Trading Corporation and the Minerals and Metals Trading Corporation in the last two years is also a factor favouring an expansion of their activities, particularly in the field of imports. The addition of 51 more items to the list of goods to be canalised through State agencies has, therefore, to be viewed as the logical outcome of the Government's programme and the achievements of these agencies in the recent past. The total value of these imports is expected to be in

the neighbourhood of Rs. 130 crores, of which steel imports alone will account for 90 per cent of the value.

With the new additions, State agencies will be in complete charge of the import of nearly 70 per cent of the country's requirements. The percentage might have been higher but for the welcome reduction in food imports this year. The most important of all these imports will be steel for which the canalising agency is yet to be named. Both the M.M.T.C. and Hindustan Steel have some experience in this line but it is to be hoped that the Government will not attempt to divide the work between them as that may lead to more confusion and hardship to the consuming units. A single agency should be held responsible for all steel imports, and the distribution should be made on the basis of a pool price to priority industries.

With the addition of more items to its list of monopoly imports, the State Trading Corporation's responsibility to procure goods at competitive prices in foreign markets and make them available to consumers within the country,

at reasonable prices becomes all the more great. In the past, State trading was confined largely to items that provided high profit margins which were used to cover the losses on non-competitive exports. This is no longer the case. Public-sector agencies have been vested with a responsibility to undertake the import of what are known as "sensitive items" and ensure that prices of such items in the internal market are kept within control. The fairly good results achieved by the S.T.C. in making emergency imports of raw jute and in similar "rescue" operations have undoubtedly inspired confidence in the Government and trade that the Corporation and other State agencies will be able to stand up to the challenge posed by the additional burden placed on them.

It is worth while to note here that these State agencies—and the S.T.C. in particular—have in recent years acquired adequate expertise and have considerably professionalised their management which has placed them in a position to handle even intricate business deals. Even so, there have been certain failures and lapses. The most glaring of these was the abrupt manner in which the S.T.C. was compelled to call off its contract with a Canadian firm for its exclusive import of Indian art silk fabrics because of the latter's failure to live up to its undertaking. In the past also, the S.T.C. had a similar bitter experience with a Hong-kong firm that had entered into a deal with it for the purchase of wigs. One would have thought that in negotiating and contracting deals with foreign firms, an established organisation like the S.T.C. would go into the credentials of the parties thoroughly before finalising its deals. It is, however, true

that such isolated cases should not be held against State trading agencies for ever. Furthermore, mistakes are fewer today and the fact to recognise is that State trading has come to stay. It is in the interest of trade and industry to extend all possible co-operation to these agencies in the fulfilment of the tasks assigned to them.

Another noteworthy feature of the new policy is the accent placed on assisting the growth of small-scale industries. Special facilities have been offered to small-scale units in the matter of import of machinery and raw materials if they are prepared to set up manufacturing units in the backward regions. At present, small-scale units are clustered around cities and towns because of the easy availability of water, power and transport in these areas. It is, therefore, doubtful whether the offer of preferential treatment in respect of import requirements will be an adequate incentive for small-scale units to go to the backward regions. The development of backward regions must be on the basis of a package programme and it should be open for all categories of industrial entrepreneurs. Furthermore, the entire Plan strategy will have to be reoriented towards promoting the development of backward and rural areas.

Innovations in the policy are few and far between. But one striking innovation is the special offer of facilities to units that might have closed down for want of raw materials. Such closure of units, especially in West Bengal, has accentuated the problem of unemployment in recent months. The Government has, therefore, done well to assure units willing to restart manufacturing activity that advance

allocation of imported raw materials will be made to them under the new import policy. This is a step in the right direction and the Government's effort to identify the special problems of different regions and provide special remedies for them needs to be commended. The State Governments could do much to supply the Centre with up-to-date information about units that might have closed down for want of raw materials and take energetic steps to get them reopen their factory gates by securing a speedy clearance of their applications for imports from the Centre.

For the rest, one finds that it is a continuation of the old carrot and stick policy. It is evident that imports in the current year will be higher than in 1970-71, estimated at about Rs. 1,650 crores. The Central Minister for Foreign Trade, Mr. L. N. Mishra, himself said in his broadcast that with increased industrial production, the import bill for industrial raw materials in the current year was likely to increase. The trend is already evident from the figures of imports for the last three years. Raw material imports for units registered with the Directorate-General of Technical Development have risen steadily from Rs. 232 crores in 1968-69 to Rs. 275 crores in 1969-70 and Rs. 392 crores in 1970-71. There is a big jump in the value of imports made last year, part of which may be due to the rise in prices all over the world and partly due to India's own increased requirements. There has been a similar spurt in the imports of small-scale industries—from Rs. 37 crores to Rs. 66 crores and Rs. 83 crores. What is even more significant is the rise in the value of capital goods imports from Rs. 80 crores in 1968-69 to Rs. 117 crores last year. Evidently, there has been an increase in investment activity after some pause, which is reflected in lower capital goods imports in 1969-70. The value of imports of capital goods that year was only Rs. 70 crores or about Rs. 10 crores less than in 1968-69.

At the same time, it is clear that because of the poor performance of the steel plants, particularly the public-sector ones, the import bill on account of steel is going to be very heavy. As against imports of the order of Rs. 81 crores in 1969-70, steel imports in 1970-71 might be as high as Rs. 120 crores. In the first seven months of the year, imports worth Rs. 75 crores had been made. In the current year too, the import bill may be no less. The case is no different in respect of non-ferrous metals. Imports declined from

Rs. 89 crores in 1968-69 to Rs. 75 crores in 1969-70, but in the first seven months of 1970-71, they amounted to as much as Rs. 67 crores. This indicates that total imports during last year might be between Rs. 110 crores and Rs. 120 crores.

Fortunately, the balance-of-payments position has shown significant improvement in the last two years which allows for greater manoeuvrability in working out the scheme of imports. With the reported spurt in exports to a record figure of over Rs. 1,530 crores in 1970-71, the trade gap has been

narrowed down to Rs. 120 crores from Rs. 154 crores in the previous year and the peak level of Rs. 949 crores in 1965-66. The scope for liberalisation of imports all along the line is severely restricted by the continuing trade gap but the Government has certainly shown realism by making such relaxations in policy as would promote industrial growth and expansion of exports. The procedural changes are also designed to expedite the issue of import licences. The policy is, on the whole, on positive lines and takes into account the immediate needs of the economy.

Guidelines for Loan Conversion

THE guidelines just announced by the Government for the conversion of loans into equity have proved to be less harsh than expected. Ever since the proposal was mooted by the Dutt Committee on industrial licensing, it created a furor in the private sector and was regarded as a subtle move by the Government to initiate nationalisation through the backdoor. But when the Government introduced the concept of the joint sector last year, it provided a positive indication that New Delhi was determined to go ahead with its move, although a lot of uncertainties remained as New Delhi took unconscionably long time to prepare the guidelines concerning the conversion of loans into equity.

The Government has now set at rest all uncertainties on this score by preparing a set of clear-cut guidelines which the public financial institutions will pursue in converting loans into equity. It has accordingly been laid down that these institutions will normally provide for conversion into equity loans exceeding Rs. 50 lakhs given to industrial concerns in the future. The limit has apparently been fixed at a high level; it would appear to be New Delhi's intention to increase Government control mainly on big industrial enterprises seeking assistance from public financial institutions. So it is obvious that in the name of financial participation, Government control on these enterprises will be increased in the future. But it has been made amply clear that the convertibility clause will relate to operations of the rupee loans only.

The guidelines, which have been prepared with the approval of the Central Cabinet, have laid down that in cases where the credit assistance ranges between Rs. 25 lakhs and Rs.

50 lakhs, such public financial institutions as the Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India, Life Insurance Corporation of India and the Unit Trust may use their discretion in inserting a suitable convertibility clause. On the other hand, if the total assistance does not exceed Rs. 25 lakhs, the financial institutions may not stipulate a convertibility clause in the loan agreement. Another redeeming feature is that some categories of foreign currency loans are exempted from the convertibility clause. The public financial institutions will, however, be required to maintain a reasonable ratio between debt and equity in an enterprise, largely in the interest of its shareholders.

But the greatest danger posed by the guidelines is that where the converti-

bility clause stipulates participation in management, the public financial institutions will be required to nominate directors to represent them on the boards of management of the assisted concerns. Nobody need object to this provision if the main aim of the nominated representatives on the board is to ensure the financial viability of an enterprise. But where is the guarantee that in the name of ensuring the financial solvency of a concern, they will not interfere in the day-to-day management and sacrifice economic considerations to the wind in order to implement the dictates from their powerful political masters? Then again, where is the guarantee that the Government will not violate the Industrial Policy Resolution and encroach on the legitimate preserve of the private sector in the name of financial participation?

There is also the danger that even though industrial concerns receiving loans from the public financial institutions are managed properly, the Government may invent excuses on one pretext or another to interfere in their management. The cause for concern is that since the importance of public financial institutions is increasing steadily and many banks in the private sector have been nationalised, enterprises—both big and small—will have hardly any choice but to resort to borrowing from public financial institutions. If the Government is determined to take advantage of this position and extend its control on the private sector in the name of financial participation, how will important industrial units finance their activities without bringing in their wake increasing Government control in one way or another?

Autonomy as a Package Deal?

DOES full Statehood have the same meaning for the half million people of Nagaland which it has for the 90 million people of Uttar Pradesh? An answer to this question is necessary to examine objectively the latest demand by Mr. M. Karunanidhi, Tamil Nadu Chief Minister, Mr. E. M. S. Namboodiripad, Mr. R. N. Singh Deo and some Akali leaders that the States be given the largest measure of autonomy. Populationwise, Uttar Pradesh equals 180 Nagalands. And if this giant State were divided into as many units, it would have 180 Chief Ministers and Chief Secretaries, many times more Ministers and Secretaries. Each of

the tiny units would, of course, have its own Assembly and secretariat. If the demand for full autonomy for the States were conceded, each of these units would then have to have their own trade representatives abroad. In time to come they might, like Bhutan, even clamour for a little more freedom and seek a seat each in the United Nations. All this obviously seems too ridiculous.

On the other hand, viewed from the point of view of some of the larger States, the demand may not look so freakish. It may even be made to look reasonable. The case against giving full autonomy to

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Nagaland stands on the premise that it is too small. It cannot have a national development plan for a mere 500,000 people. By the same token, the case of some of the bigger States for autonomy rests on the plea that India is too big an entity for completely centralised planning. If it is difficult to plan for 500,000 people because they are too few, it is equally difficult to plan for over 500 million because they are far too many.

One does not need the tragedy of Bangla Desh to be reminded that a *via media* that would suit the people of Nagaland as well as of U.P. will have to be found. It would be suicidal to brush aside some of the reasonable demands of the bigger States for more powers. All the great leaders of India have acknowledged from time to time that the secret of India's unity lies in its diversity. It is too big to be treated as a nation in the conventional sense. It is a supra-national union of people who stand united to face the world in the political and economic fields. Even the monolithic communist giants—Russia and China—pay lip service to this concept of their being "multi-national societies". That they do not translate this concept in practice is another matter. In the United States, on the other hand, although diversities between the peoples of the various regions are not so large as in India, China or Russia, each State in the U.S.A. enjoys considerably larger economic powers than the Indian States.

At this stage in world history when there is a domestic ferment—often born of regional pressures—in almost every country and international relations are in a state of flux, Indian leaders would do well to examine two basic questions. The first is: Is the concept of a "nation" rigid and unchangeable? Pakistan made the mistake of thinking that it is and is now paying the price for it. Britain and the countries of western Europe, on the other hand, have realised the advantage of supra-national bodies which would necessarily dilute the authority of the nation. Not many large nations, with the possible exception of the United States, have, however, fully grasped the importance of the sub-national movements that have been growing side by side, especially in the bigger States. Such pressures are the inevitable outcome of modern technology which creates concentration of political and economic powers. Such concentration is in-

evitable in all growth-oriented societies, whether capitalist or communist. This creates an anxiety in each region not to be discriminated against in the distribution of the economic wealth or political power.

From this emerges the second question. Is a "State" basically a "province" of a "nation" or something more than that? This seems to be the nub of the whole current controversy between the Centre and the States. One can find parallels of both concepts in Indian history and the origin of the present conflict can be traced back to the different relations which existed from time to time between the Centre and the States in past centuries. The tradition left by two centuries of British rule into which independent India has unconsciously slipped is one of centralised administration by a largely inflexible and rule-bound bureaucracy. But the tradition of the centuries of Muslim and Hindu empires from Ashoka down to the British period militates against centralism. The struggle of Indian independence was primarily meant to overthrow foreign rule but it also had an undercurrent of resentment against overcentralisation of authority in Delhi. It would be a tragedy to ignore or underestimate this sentiment which has always been there.

To translate the concept of a multi-national society into practice, many steps are necessary. In the first place, State boundaries will have to be redrawn to carve out more viable and homogeneous units. Autonomy implies acceptance of the principle of self-reliance. In the Indian context, units of between 15 million and 30 million people would seem ideally qualified to form viable and self-reliant States. States that are too

big may have to be broken up and those that are too small may have to be merged to form larger units. Unless this is done the whole case for autonomy would collapse. It is simply not possible to grant autonomy to Tamil Nadu and Maharashtra and deny it to Pondicherry and Goa. Also, as is abundantly clear from the examples of Telengana, Vidarbha, eastern U.P. and a number of other regions, too large States create centrifugal forces within the States, similar to those that have emerged in Centre-State relations. The champions of autonomy will, therefore, have to agree to a redrawing of State boundaries. They cannot eat the cake and have it too.

Secondly, the States will have to accept certain financial disciplines that will save their peoples from becoming victims of political anarchy which often prevails in many States. There is always the danger of enhanced economic powers being used by the State satraps—the Chief Ministers and others—to achieve their unbridled personal ambitions for money and authority. Far too numerous are the abuses of economic power by the State politicians. A constitutional means must be found to check these before they are trusted with more authority. Once adequate mechanism to provide such checks is built in the States by common consent, the Centre should not hesitate to transfer more powers for planning, development and tax raising to the States. The need for such transfer is clearly written on the wall. The Centre should not fail to read it. But what the Centre and the State leaders who want autonomy must realise is that it has to be a package deal in which both sides will have to accept some unpleasant compromises, e.g., the redrawing of State boundaries.

CURRENT COMMENT

I.D.A.

New Credit for India

Expansion of electric power transmission facilities in nine States of India—Andhra Pradesh, Bihar, Gujarat, Haryana, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and West Bengal—will be assisted by a credit of \$75 million from the International Development Association (I.D.A.)—an affiliate of the World Bank. Successive Indian Five Year Plans have assigned high priority to the development of

electric power to meet the growing demands of the economy. In the past two decades, the power generating capacity in India has increased from 2.3 million kilowatts to 15.5 million kilowatts, *per capita* consumption from 14 kilowatt hours to 83 kilowatt hours; the number of towns and villages electrified from about 3,600 to over 85,000; and the length of transmission lines, of over 500 volts, from about 24,400 to 332,000 circuit miles.

The Government plans to increase the present installed generating capa-

city to 22 million kilowatts by the end of the Fourth Five Year Plan (1969-74). In order to meet the growing demand properly, the Government is expanding transmission and distribution facilities as well. The project being assisted by the I.D.A. is an important element in India's plans to evolve a national transmission network by inter-connecting the various State grids. Such a system will permit a more effective utilisation of generating capacity.

India's telecommunications facilities will be further expanded and modernised with the help of a credit of \$78 million from the International Development Association. Improved communications will benefit all sectors of economic activity—industry, trade, agriculture and the Government.

WEST BENGAL

Economic Recovery

In his presidential address to the annual general meeting of the Bharat Chamber of Commerce a few days ago, Mr. B. D. Kanoria pointed out four basic factors which were hampering West Bengal's economic growth in recent years. These were: (a) inadequate investments both in the private and public sectors; (b) inability of the State to develop sufficient pull at the Centre; (c) divisive trade unionism resulting in industrial indiscipline; and (d) violence in public life. But with the installation of a strong Government at the Centre, the time was most opportune now to make a determined effort to put back the State on the right path.

Mr. Kanoria made the following suggestions for an economic transformation of the State: (a) There should be a Planning Commission for the State which may draw up a total plan of development, including both the public and private sectors. (b) A cell should be opened in Delhi and its task would be speedily to secure green signals at political and administrative levels for the State's developmental programmes. (c) The programmes initiated for the State's development under the stewardship of Mr. B. B. Ghosh should be implemented expeditiously. Central Government projects, such as the Haldia complex, should be implemented with equal speed. (d) The newly formed Reconstruction Finance Corporation should not only assist closed factories but should also con-

tribute to developing new focal points for the State's industrialisation, such as around Haldia, Santalidih, and in the Jalpaiguri-Siliguri region. There should be definite programmes for undertaking at least one medium-sized industry in every district within a period of one year. (e) Greater efforts should be made for improving agricultural productivity.

IMPORT POLICY

Need for Consultation

The chairman of the Calcutta Import and Export Trade Association, Mr. V. S. Bhatia, has stated that the Government's new foreign trade policy has recognised the needs of trade and industry and raw materials and spare-part imports have been broad-based. As for spare part imports, the C.I.E.T.A. has been advocating a change in the outlook and the liberalisation is, therefore, very gratifying. The success in this area will, however, depend on the existence of a suitable intermediary which can build up inventories for prompt servicing. Mr. Bhatia has stated that the gradual disappearance of the established importers has been on the cards for some years. It was, however, hoped that the Government would take a pragmatic view of the services rendered by them. Although the policy allows special treatment for small-scale industries for import and export, the fact remains that every individual factory will be required to organise its own import procurement and this will mean an addition to overheads. The gradual elimination of the established importer, even though expected, has a bearing on unemployment. The C.I.E.T.A. has, therefore, been advocating the need for utilising the existing expertise to build up suitable stocking points for essential imports required to service industry.

The total ban of 170 items in one go can impose problems as even today in various industries there are no established norms as to when the import of items should be completely banned. The indigenous manufacturer is no doubt expanding his area of manufacture. The C.I.E.T.A., however, hopes that there would be provision in the administration of the policy that wherever the actual user can establish a genuine proof of non-availability in respect of the desired quality as well as delivery schedule, *ad hoc* licences would be issued promptly. This would

be valid in respect of the needs for export promotion which cannot wait until the indigenous manufacturer is ready to serve. In this connection the C.I.E.T.A. would advocate the principle already conceded in the policy governing the import of capital goods beyond Rs. 7.50 lakhs, i.e., if there is no response from indigenous manufacturer within 45 days of the demand, the application should be granted. This will remove the hardships imposed on the small-scale industry.

It is interesting to note that the list of raw materials canalised contains a number of items for which the total number of users in the country can be counted on the fingers. In such circumstances, instead of canalisation it might be a better policy to adopt a simpler method of control through mutual consultation. This has been done for a number of years, whenever the Government wanted to satisfy itself on the genuineness of the materials delivered, in respect of quality and price, by overseas suppliers.

Time and again, the C.I.E.T.A. has pleaded for a closer consultation between Government agencies and the established trade. Hitherto such consultations have been few and far between. In view of the larger number of items under canalisation and the consequent pressure on administration this will entail, it is imperative that specific authoritative consultative machinery is established immediately with the co-operation of existing professional trade associations such as the C.I.E.T.A. Such consultation can also embrace forward planning of India's imports after taking into consideration the prospective indigenous availability.

Mr. Bhatia thinks that the broadening of the rôle of manufacturer/merchandise exporter houses is linked with the creation of export surpluses. With the announcement of this policy, a beginning has been made but as impediments crop up unexpectedly, suitable machinery should be set up to solve problems as and when they arise. There is nothing more frustrating for an exporter than the delay in getting essential imported inputs to service the overseas markets.

The C.I.E.T.A. has also welcomed the promise of simplified procedures for grant of licences in the steps taken in the new policy, for example, doing away with revalidation and sponsorship provisions every time an application is required to be made and has pleaded that this principle should be extended to cover the entire gamut of the foreign trade policy.

INDUSTRIAL FINANCE

Trend in West Bengal

Addressing the members of the Calcutta Trades Association recently, Mr. K. N. Mukherjee, chairman of the West Bengal Finance Corporation, expressed satisfaction at the decision of the Government to set up the Industrial Reconstruction Corporation with its headquarters in Calcutta to look after the financial needs of the closed and sick industrial units in the State. Mr. Mukherjee admitted that West Bengal did not get fair treatment in the hands of the financial institutions as they were located in Bombay which received the most favourable treatment. As for the West Bengal Financial Corporation, Mr. Mukherjee stated that the total number of applications during the year 1969-70 was low as, due to the deteriorating industrial climate, people were hesitant to make new investment. He was, however, happy that the position considerably improved in the year 1970-71, as along with an improvement in the political climate, the number of applications for loans as also the amount involved almost doubled,

there being as many as 100 applications accounting for a total sum of Rs. 2.60 crores. He stated that, because of the unhappy political climate, in spite of loans being sanctioned people were hesitant to utilise the same. As a result, there was a big gap between sanctions and disbursements. As a matter of fact, even sanctions given two years ago were yet to be disbursed.

POWER

Shortage Affects Production

The Indian Chamber of Commerce has drawn the attention of the West Bengal Government to the frequent power failures in industrial areas which are causing a severe loss to production and productivity in industry in the State. The situation has continued to deteriorate during the last several months. The supply of power is frequently interrupted for several hours at a stretch in different areas, and the duration of interruption has varied from four hours to 24 hours. The supply is cut off without notice, which not only dislocates production but also damages costly machinery. Once a machine is put out of opera-

tion, it needs considerable time to restart, which involves additional expenditure. Difficulties are also experienced due to the voltage fluctuations in supply. Among the industries most affected by the shortage of power are jute goods, cotton textiles, engineering, chemicals, and paper. The Chamber has emphasised that unless industries are assured of regular and uninterrupted supply of power, production cannot pick up. The irregularity of power supply and the sharp and sudden cuts in power will also discourage new industries being set up in the State.

ROAD SAFETY

Public Education

Every year more than 10,000 lives are lost on India's roads and well over 50,000 accidents take place. With a view to focus public attention to road safety and to minimise the number of road accidents, a road safety week was recently organised in Calcutta. In collaboration with the Safety First Association of India, Dunlop India recently organised an elaborate programme of public education on road safety. The popular Dunlop booklet, *Rules for the Road*, was widely distributed to the members of the public during the safety week. This booklet was published by Dunlop India in collaboration with the Calcutta Traffic Police and contains rules which pedestrians, drivers and cyclists should follow to avoid road accidents.

MONEY MARKET

Easier Trend

The short-term money market has been easy during the past week. The call rate has fluctuated between 5½ per cent and 5 per cent, with borrowers over. The demand for remittances has been small. The supply of tea and gunny bills has been limited. The pound-sterling has been steady against most major foreign currencies during the week.

The latest statement of scheduled commercial banks for the week ended 23rd April, 1971, shows a drop of Rs. 16.48 crores to Rs. 4,730.97 crores in advances, compared with the previous week. Deposits have increased by Rs. 17.99 crores to Rs. 6,395.75 crores. Banks have reduced their borrowings from the Reserve Bank by Rs. 28.16 crores to Rs. 195.84 crores and increased their investments by Rs. 13.39 crores to Rs. 1,373.22 crores.

A Ditcher's Diary

CABINETS, IT APPEARS, ARE ALWAYS meant to be expanded; and the additions made to the Central Council of Ministers last Sunday may not be the last. But even with 54 others in her team Mrs. Gandhi has not found it possible to divest herself of any of her many direct responsibilities. For her control of Atomic Energy, there is at least a precedent established over a number of years. But why must she continue to be in charge of Home Affairs, which must be a full-time responsibility even in the best of times? Still more curious is her anxiety to retain direct control over Information and Broadcasting; never since Sardar Patel's time has this portfolio been given such importance. The suspicion naturally persists that even after her massive election victory, in which her "image" undoubtedly played a powerful rôle, the Prime Minister remains obsessed with the manner in which she and her Government are "projected" to the people. But, as I said before, after a time this obsessive concern can be counter-productive; if the vote was influenced by appearance, the post-election performance will be judged increasingly by reality. This is no pseudo-Hegelian aphorism; the plain fact is that the Government is yet to demonstrate its capacity for purposeful activity. Even though it is now in a position to plan and act without fear of any obstructive opposition, it still appears to be unsure of its mind. Not even a beginning has been made to remove the con-

straints on rapid economic growth; probably all the planners are now busy over the Budget, which some friends of mine say is unlikely to be pleasant. I am beginning also to wonder if the Budget will not reflect some of the indirect cost of Bangladesh; a million refugees or more are no small financial obligation. The influx may also generate other problems, particularly in West Bengal at a time when the State Government will be struggling mainly for its own survival. A hurdle was crossed with the election of the Speaker and the Deputy Speaker last Monday; but there will be little respite. And I cannot say that the Government's record so far has inspired much confidence; in fact, until the Assembly met on Monday I had periodically to remind myself with some difficulty that a popular Government had replaced President's rule. And the reminder that came last week with the announcement about the transfer of some senior officials was not exactly reassuring. All political masters seem to want committed civil servants; committed not to impartial public duty, but to the political interests of the prevailing regime.

I REMEMBER SOME OF MY REVOLUTIONARY friends telling me at one time that only a dead American was a good American! But surely President Nixon is not dead; and by all accounts Chairman Mao wants him not only to stay alive but also to stay

President. According to Mr. Edgar Snow's recent disclosures, the Chinese leader told him that he would be happy to talk with Mr. Nixon "either as a tourist or as a President". Not that Mr. Mao Tse-tung had suddenly discovered some revolutionary virtue in Mr. Nixon, whom he described as a "monopoly capitalist"; but with engagingly pragmatic candour he pointed out that, after all, "the problems between China and the U.S.A. would have to be solved with Nixon". He was even prepared to absolve the Republican President of any responsibility for the problem of Formosa. "That question was created by Truman and Acheson." And are not the Americans under Mr. Nixon's leadership also getting out of Vietnam? After such a generous estimate, it is small surprise that President Nixon expects to visit China "at some time, in some capacity". And if the Americans themselves can go so far, can their allies remain as intransigent as before? Princess Ashraf Pahlavi of Iran has already visited China and been given a lavish welcome, and Turkey has taken a "positive decision" in favour of diplomatic relations with Peking. And why not? If the Chinese revolutionaries can befriend the Yahya regime in Pakistan, they have no reason to regard Iran or Turkey as politically untouchable. And all three countries are anxious to help Islamabad in its war against the people of East Bengal; I wonder if the Chinese arms aid to the Pakistani forces in Bangladesh will hereafter be routed through the C.E.N.T.O. Possible business deals between Peking and Washington have already become the subject of detailed calculation. Virtu-

ECONOMIC LITERATURE IN INDIA

THE following comment on the literary output of the province occurs in the Bengal Administration Report for 1909-10, which was issued last week: "The new books and magazines dealt with a great variety of subjects. It is interesting to note that more space was devoted to agriculture than to manufacturing enterprises, and the idea seems to be gaining ground that it is in this direction and in the development of her rural industries that the regeneration of India is to be sought." It would be difficult to conceive a more egregious example of talking round a subject, and we cannot but conclude that the economic literature with which the reporter had to deal was so flabby and jejune that he was quite incapable of giving a clear definition of its outstanding characteristic and its merchantable value. We can sympathise with the reporter. Economic subjects are not popular at the moment and seri-

ous students of industry and finance are few and far between, not only in Bengal but in the whole of India. Quack financiers and axe-grinding theorists are more common, but clearness does not enter at all into the literary outfit of these gentlemen, and it is often impossible to make any meaning of the hazy abstractions borrowed promiscuously from all sources to coat their absurd nostrums. Book-making is not a paying occupation in India, and it seems safe to say that for another century the best books on Indian problems—political, economic and social—will continue to be published in London. Whether the authors are Indian or English, the medium they must use to secure a market is the English language. The lesson of that phenomenon we may not stay to teach, highly interesting and significant though it may be.

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ally all of China's foreign trade was once with other communist countries; now the bulk of it is with the capitalist world. Some Japanese traders—in their anxiety to secure orders—have worn Mao badges during visits to China; with the prospect of competition from the U.S.A. they may now also sing "The East is red". American business men, in their turn, may begin with learning to play ping-pong. But surely all this calls for a suitable gesture from the Chinese side. A Peking beauty for the Miss Universe contest at Miami?

THE ONE THING I TEND TO REMEMBER most about Mr. Harold Wilson's tenure of No. 10 Downing Street was the damage he did to the Indo-British relations during our war with Pakistan in 1965. I gather it was altogether in the character of the man to voice a snap judgment on a matter about which he understood nothing at all, but it nevertheless left behind it wounds which have not yet completely healed. Perhaps we should not be so sensitive; but then, it might be argued that publicity-hungry politicians with more ambition than authority ought to keep their noses out of other country's business. It will be interesting to see what Mr. Wilson makes of the incident in the memoirs he is about to publish—a "record of events" he prefers to call them—although I suspect that is going to be a matter of opinion. The word "apology" might be more appropriate, because there is no doubt that Mr. Wilson is seeking not so much to enlighten those interested in contemporary history, as confuse the people who might otherwise have formed a clear opinion that he made one great monumental mess of things. My view is that he did, although I shall read with interest and sympathy the account of a man whose record was undoubtedly conditioned by his finding himself in charge of a country in decline. This will be the first time a former British Prime Minister has written his memoirs while still in active politics, and thus with an eye to his personal future as well as his past. Mr. Wilson's opponents are already saying that he is the first ex-Premier whose record contains not a single episode which it is not necessary for him to put straight. They could be right, because Mr. Wilson must be unique in not having one success to his credit in the whole six years he was in power, if the fact of winning two

elections is excluded. From Rhodesia to Anguilla his record in foreign policy was unbelievably inept. But it was surely his economic failures which were really breathtaking; and it is these which I think I personally regret most about him. He after all started life as an economist, and it is people like him who get the profession such a bad name.

JUST HOW LONG WILL IT TAKE US, I wonder, to get Chairman Mao's initiative into ping-pong diplomacy in its true perspective. It happened weeks ago, and yet I am still finding it difficult to conduct a conversation without its cropping up somewhere. When there is nothing left to say about East Bengal, that is. It all seems a trifle neurotic to me. One can appreciate the state of mind into which the affair plunged the Americans, especially the State Department. Excitable people Americans; and besides it was the kind of evidence of impending breakthrough in relations with China that Washington has been hoping for since 1949. Among other things, it could help the United States off the hook in Vietnam. But why the stir should have lasted so long, and more to the point why we are still so concerned, beats me. Admitted that China's move did indicate a desire for something more substantial than a good game of ping-pong, there is still no obvious justification for believing it means much else. You can take your choice from a whole range of possible motives for what Mao decided to do, although my guess is that the Chinese were merely indulging in another of their national sports, namely, kite-flying. But for us in India to begin predicting a U.S.-

China alliance, doubtless in support of West Pakistan and aimed against Russian influence in southern Asia, is surely going too far. Doubtless, Moscow is inclined to read the signs that way; and this is as good a time as any for me to voice my old fears of India's too close dependence on the Russians. But even if—and it is not yet by any means proved—China has at last decided to come in from the cold, there is no point in simplifying future possibilities to this extent.

SELDOM HAS A SUPPOSED EDUCATIONAL aid given rise to such a furious controversy as has been generated in Britain by a film called *Growing Up*. There have been lengthy debates in both the Commons and the Lords; educational authorities have been passionately worked up; dispassionate views have been sought from the Church; and comment in the correspondence columns of the leading newspapers has been mostly angry, occasionally indulgent and sometimes mildly amusing. Apparently, the ostensible purpose of the film was to impart sex education to school children. Since I have not seen the film, I cannot directly judge what kind of education it seeks to impart; but not only newspaper reports but also authoritative statements have described its controversial aspects in a remarkably candid fashion. Mrs. Thatcher, the Secretary of State for Education and Science, told the Commons on 21st April that the film not only showed the sex act but also had some sequences on masturbation; what seems to have shocked people most is a sequence showing a young woman engaged in the latter

exercise. The 23-year-old woman, Mrs. Jennifer Muscatt, is herself a teacher of liberal studies at a school in Birmingham; for her extreme liberality she has been asked to appear before a sub-committee appointed by Birmingham's local educational authorities. What matters is not what is going to happen to Mrs. Muscatt or to the makers of the film; even the fate of the film itself is of secondary importance, although a Labour M.P. is arranging for its exhibition at the House of Commons cinema for the benefit of other M.P.s as well as peers. The central issue concerns the nature of institutional sex education. I have always doubted whether the school is the best place for children to learn the facts of life; and even if there is a need for institutional instruction, there must surely be well-defined limits to the scope for instruction. If a young woman chooses to degrade herself before a film-making unit, it is her own business; but neither she nor the makers of the film can be allowed to deprave children by the celluloid record of their unnatural labours. But their curious exercise reflects, after all, only one aberration of a generally permissive society; and concern over the wider problem has been expressed in both Houses of Parliament. In preparation for the debate in the Lords, the Earl of Longford visited a variety of Soho joints providing "total strip and negligible tease", sampled the fare at a "sex supermarket" of abysmal pornography, and sat through an exhaustive course of prurient films. As could be seen later from his speech, he was not amused, let alone pleased.

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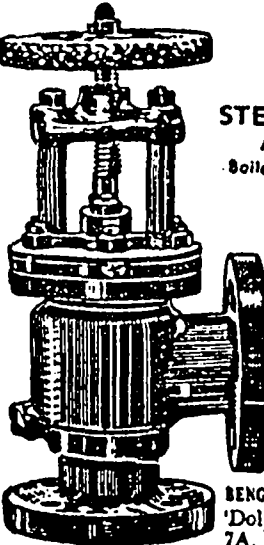
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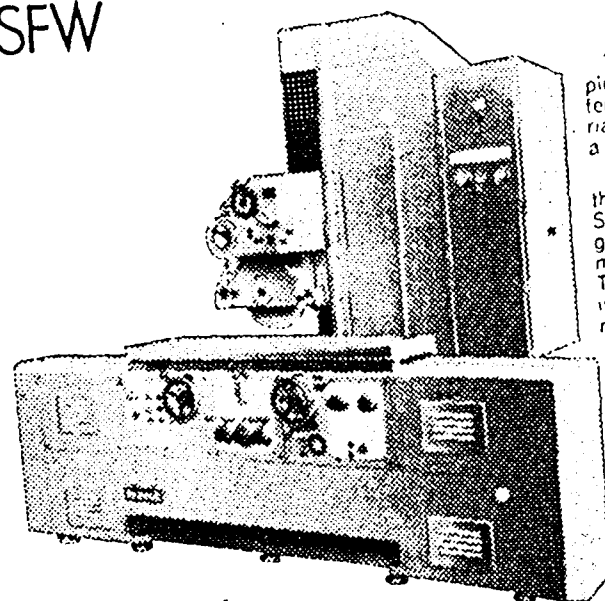
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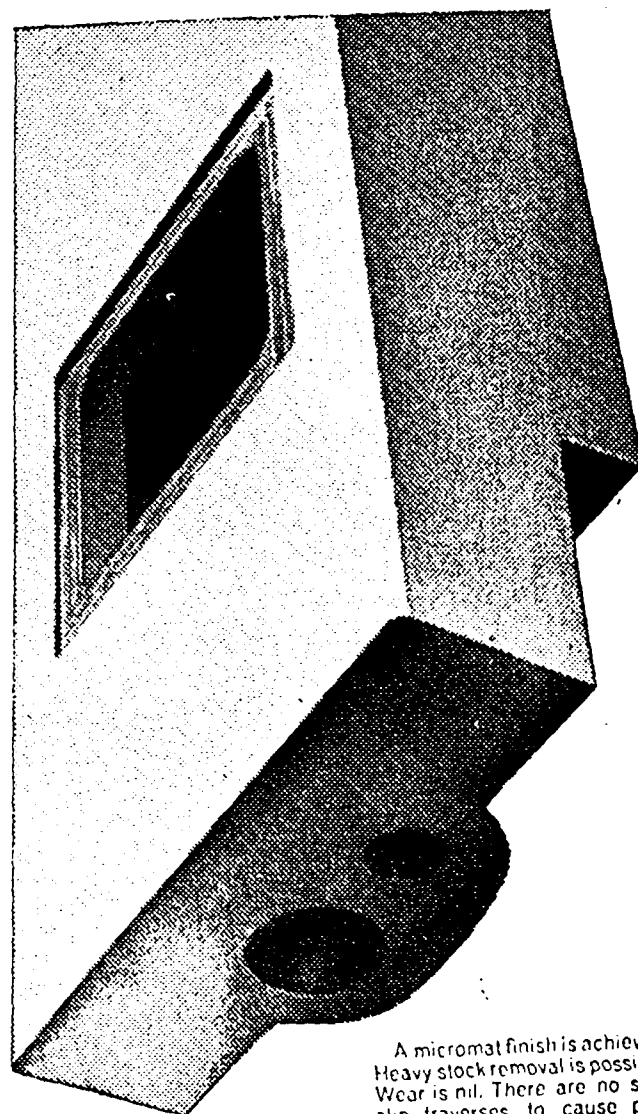
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MANAGEMENT

How Budgeting Can Ensure Financial Viability of an Enterprise—II

By B. K. Basu

Lecturer, Calcutta University

Effective business budgeting can ensure the financial viability of an enterprise. Budgets are the top management reports which help a lot in decision-making. This is the second in a series of two articles. The first appeared last week.

It has been pointed out at the outset of this paper that the profits can be increased by raising turnover or by reducing cost or expenditure. Whenever a business is found efficient in sales, it does not necessarily mean that the company is making higher profits. Expenses may be of various types, such as manufacturing expenses, buying expenses, selling expenses and general office expenses. It is clear that other things remaining the same, profit or loss is the result of favourable or unfavourable movement of sales and expenditures as explained earlier. With an increase in turnover, expenses have a tendency to rise constantly and as they increase, the profit of the business tends to decline. So there should be a clear understanding about the sales budget, production budget and the expense budget. "When examining actual expenditure, allowance must be made for the effect of any rise or fall in production upon those expenses, such as direct labour, which vary directly with production."* So without a proper co-ordination of sales and expenditure, the control of the latter will be a difficult task.

Cash and Credit Sales

Besides, the preparation of a cash budget will be more effective if an idea of accumulated sales and collection of the same can be made. Sales may be of two types—cash and credit sales. No problem arises as to cash sales, because cash is collected on the day of a transaction. A problem arises in respect of credit sales and their respective collection periods. So the preparation or formulation of a cash budget will be more effective if a clear understanding between the sale and collection can be developed.

*Accounts for Management—London, British Institute of Management, Page 71.

Although cash "results from the movement in other assets and liabilities", yet cash itself is needed for lubricating the said movement. If there are sufficient funds after payment, i.e., purchase expenses, etcetera, they are treated as one of the items of cash receipts. Cash itself has two functions of its own—receipt and payment. Accordingly, there are the cash-receiving budget and the cash-disbursement budget. The cash-receiving budget and the cash-disbursement budget in general may be termed as the cash budget. So the cash budget is a statement of the expected cash position of the business which begins with cash balance at the beginning of the month to which is added the expected receipts during the month and from which is deducted the expected payment to be made during the month. At the end of the month or period, there is a balance—favourable or unfavourable—which indicates whether overdraft facilities will need to be provided or not.

Management Decision

The management can do the following to overcome a deficit area: (1) To make arrangement with the bank for overdraft facilities; (2) to issue shares or debentures in the period of deficit. This can be done only when there is scope for the same; (3) to make arrangement with the creditors so that the payment can be deferred for a considerable period; (4) to stop purchase if it does not affect the continuity of business; (5) to provide some attraction to the debtor for early payment; and (6) to modify the different policies of the business in keeping with the above policy. "Sales, production, pricing, financing and other policies should be critically re-examined in the light of the cash budget, and modified where the latter indicates this to be desirable."

It is not always advisable that the management should follow all of the methods indicated above. The appli-

*The Profitable Use of Capital in Industry—The Institute of Cost and Works Accountants, London, (May 1966). Page 10.

cation of any one of the same depends upon the suitability of individual conditions.

Taking a decision is the ultimate result of all causes and effects. Decision-making would be more effective if the relevant data are communicated to the top management. These data are communicated through reports which are very useful for making decisions. Budgets are the top management reports which are required for making management decisions and are used as control devices. However, the budgetary process helps to exercise control at three points, namely, the budget, the appropriation and the expenditure. Whatever may be the points of control, it is a fact that control also helps better co-ordination.

Errors in Budget

But it cannot be denied that the deviation may be due to the errors contained in the budget itself.⁶ These errors are mostly unforeseen, and they are revealed after the sales and purchase budgets or forecasts are prepared. This is due to the fact that the purchase and sales budgets are based on the objective forecast based on an analysis of the past. A subjective approach in the matter is welcomed; and the forecast or the budget should be based on the subjective forecast based on the analysis of the past, the judgment of the present and the intuition of the future. For example, the budgets will reveal an adverse result in actual practice if they do not take into account the rising prices in the budget preparation. The rupee of yesterday is not equal to the rupee of today and it will not be equal to the rupee of tomorrow. In many cases, the budgets for tomorrow are prepared in terms of today's prices. If the preparation of the sales budget and the purchase budget does not pay due regard to the changing prices, it would only misguide the management.

So, if the performance appraisal is to be made more effective, budgets should be prepared at three months' intervals, although they are normally prepared for one year. Besides, responsibility accounting and performance audit should be introduced to ensure the financial viability of an enterprise.

(Concluded)

⁶K. S. Most—Uniform Cost Accounting and the Classification and Coding of Accounts. Gee and Co., London, 1961, Page 32.

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SPECIAL ARTICLES

Afro-Asian Conference on Small Industries Spells out Scope for More Co-operation

(FROM A NEW DELHI CORRESPONDENT)

The second Afro-Asian conference on small-scale industries held recently in New Delhi spelt out the possible areas of co-operation among the developing countries. It suggested that there should be identification of needs to make use of the services rendered by various international agencies.

INTERNATIONAL co-operation and self-reliance seem to be the two most prominent features of the post-war world. Former colonies still remember the severity of economic exploitation by foreign rulers. Economic development flowering into industrial progress is recognised by the newly independent countries as the most important imperative to take their legitimate place in the comity of nations. The opportunities denied to them during the imperial rule stultified their economies and industries, and created a huge backlog in the national progress which is not easy to overcome. It is being realised that there is no substitute for self-help. Self-effort must progressively lead to self-reliance, but self-reliance is not self-sufficiency. Co-operation between nations on an equal footing should accentuate economic progress.

New Delhi recently hosted two international conferences concerning the development of small-scale industries in the developing countries. The first was a U.N.I.D.O. seminar on "Financing of Small Industry in Asia and the Far East" and the other was the "Second Afro-Asian Conference on Small-scale Industries". It is in the interest of African and Asian countries to translate their political affinity into economic reality. Geoeconomics is a major component of contemporary diplomacy and international relations. Political fellowship will prove barren and sterile, if it does not lead to prolific and productive activity to mutual benefit.

A major achievement of the Afro-Asian conference was the constitution of a standing committee to work during the inter-plenary period of about two years. Manila has invited the participating nations for the third

conference. Mr. K. L. Nanjappa, Indian Commissioner for Small-scale Industries Development, has been elected chairman of this body which will have its next meeting in Teheran by July. Regional and inter-State co-operation among the Afro-Asian countries on a bilateral and multi-lateral bases to further the development of small-scale industries and scope of collaboration between the developed and developing worlds through sub-contracting arrangements were on the agenda of the conference.

The Indian representatives made the following suggestions: (a) to explore the possibility of making a joint venture in the form of an institution or a research-cum-documentation centre that would serve as the forum for exchange of useful technical and economic intelligence information having a bearing on the development of small-scale industries; (b) mutual collaboration in the establishment of joint industrial ventures so that instead of every developing country depending on the same or different developed nations, can count more and more on mutual collaboration and thereby reduce their exclusive dependence on industrially developed countries. In India foreign collaboration has now been restricted to such fields only where similar collaborative arrangements do not already exist; and measures to make the know-how already in the country to the new parties without having to seek fresh foreign collaboration are being already conceived. This principle can also be extended or adopted on bilateral and multilateral bases by the countries of Africa and Asia. Such a step would make it unnecessary for these countries to seek fresh collaborations with developed States in the fields where collaboration arrangements already exist in respect of one or more Afro-Asian countries; (c) another field in which regional co-operation would be to the mutual advantage relates to the integration of industrial activities in different countries through ancillary or sub-contracting arrangements; and (d) the possibility of adopting suitable credit and aid policies for the import of products of small-scale industries

can also be explored on bilateral and multilateral bases by the countries of the region.

The Afro-Asian conference attended by about 35 countries and observed by several international agencies spelt out certain fields of co-operation among the countries of the developing region. It was suggested that the developing countries should identify their own needs of industrial promotional services in order to make the maximum possible use of the services provided by the U.N.I.D.O. and other agencies like the Asian Productivity Council and the O.E.C.D. The standing committee appointed by the conference has the following terms of reference: (i) to present the conclusions and recommendations of the conference to the competent authorities of the Afro-Asian countries, especially to those whose representatives were unable to participate in the present session; (ii) to communicate the conclusions to regional and international organisations; (iii) to encourage joint action by the member countries for the implementation of the conclusions; (iv) to stimulate external aid and collaboration; and (v) to study and report to the next conference on the possibilities of setting up a permanent structure for the promotion of Afro-Asian co-operation in the field of small-scale industry.

The conference provided an occasion for other developing countries to have first-hand knowledge of the expertise India has developed in small industries. Many of the countries which attended the conference have sought India's assistance in the promotion of small-scale industries. Already, four Indian experts in the field of small industries are assisting such programmes in Malaysia. India has given some machinery to another important African country. Mr. Nanjappa is ready to constitute an Indian Overseas Volunteers Corps to assist small industries in the Afro-Asian countries.

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Signs of Further Regimentation Beyond the Iron Curtain

By M. B. Lal

The proceedings of the 24th Congress of the Soviet Communist Party give the impression that there is going to be further regimentation of the Russian society. The Brezhnev leadership has not only to contend with internal discontent but is also feeling cornered over some international issues.

A DISTINCT hardening of the Russian political machine is discernible in the reports of the proceedings of the 24th Soviet Communist Party Congress. That some commentators have drawn solace from the fact that the Congress did not veer sharply towards Stalinism as was feared, only confirm that any further liberalisation of the Russian economy or social life was neither contemplated nor achieved. The trend towards liberalisation that began in the Khrushchev era and was continued in the early years of the Brezhnev-Kosygin leadership seems to have been arrested. There have indeed been efforts to reverse it. For this there may be numerous internal compulsions facing the leadership.

The demotion of Mr. Alexei Kosygin from the second to the third place in the Russian hierarchy implies the upgrading of Mr. Brezhnev. It must be conceded that the Brezhnev-Kosygin team has lasted much longer than the Khrushchev-Bulganin one. Also, it seems highly unlikely that Mr. Kosygin will ever meet the fate of Mr. Bulganin. But this need not be taken to mean that holding a high office in Russia has become less hazardous than it was in Mr. Khrushchev's days. The decision to "exchange" cards of the 14 million members—a euphemism for the impending large-scale purges in the Party—indicates that the Party leadership is tightening its grip on the country. This is clearly a neo-Stalinist move and puts the clock back for the people who have been hoping that the days of their subjection to a totalitarian system would soon end. Besides the proceedings of the 24th Party Congress, there are other indications that the K.G.B.—the Russian secret service—is tightening its internal security arrangements and warning intellectuals

against free dialogue with foreigners about scientific, political, economic or literary matters.

It is the way of all dictatorships that they cannot afford to be liberal to the point of self-abnegation. Liberalism is meaningless unless it places in the hands of the people the power to change the leadership. This is what all dictators necessarily dread and this is precisely what seems to have happened in Russia. The new totalitarian trends in the Party are clear indications that there are many challengers to Mr. Brezhnev's supremacy. He cannot, therefore, afford to indulge in the luxury of experimenting with democracy. Mr. Khrushchev made the mistake and paid the price for it. It is also possible that even if Mr. Brezhnev were willing, other members of the Party caucus might not be. The petty dictators who hold sway over the provinces and districts are often more hated than a dictator in whose name they exercise their authority. They would naturally tend to gang up against any moves towards liberalisation.

It is, nevertheless, a tribute to the growing craving for freedom in the hearts of the people that their rulers have had to move cautiously and have not been able to openly assert and proclaim their dictatorial intentions. The leadership is also beset with numerous external compulsions which prevents it from allowing any weakening of the Party's control over the country. Russia finds its rôle in different parts of the world changing rapidly. It is trying to strike new relationships in practically every part of the world, from the U.S.A. to the Far East. But, on balance, it appears that it is China they are most worried about.

The conflict with China is not just ideological as the Russians often try to make out but one of naked national ambitions. They covet each other's territory as well as each other's influence in the developing countries, particularly in Asia. For Moscow the most complicating factor is the latest move by the western Powers, notably the U.S.A. and the U.K., to befriend China. If the

western drive succeeds, it would at once put Russia on the defensive not only *vis-a-vis* the world at large but also with its own people. It would amount to a failure of Khrushchev's diplomacy. The influence that Moscow wields today over the bulk of the communist parties of the world is largely because of the isolation of the Chinese. Once China emerges from its shell and begins to befriend the world under the same principles of peaceful co-existence which Russia espouses today, a large number of communist parties may switch their allegiance. This is a dreadful prospect for Russia.

For the western countries the best way to scatter the forces of international communism would be to bolster up gradually the weaker of the two communist giants against the stronger one. The West is clearly preparing for the day when Chairman Mao Tse-tung and his insipient philosophy of exporting revolutions will have gone and new forces emerge in China. Compared with the military might of the Russians, the Chinese war machine is still primitive, a fact which the possession of a few nuclear weapons cannot conceal. The West has less to fear from China than Russia. Besides, purely pragmatic considerations suggest a reversal of the West's China policy. The American and European public is no longer prepared to foot the bill of the interminable war in Indo-China. Hence President Richard Milhous Nixon's new China policy. All this places a tremendous strain on the Russian economy. The Russians will have to be in a state of even greater preparedness than before to meet any challenges to their security from the West or the East. If the Sino-American detente becomes a reality they will be really cornered.

To meet the challenge, the Russians are working on three fronts as is evident from the proceedings of the 24th Party Congress: In the first place they have renewed their peace offensive in the West. They have reiterated their "most earnest" desire to make peace with the U.S.A., to destroy all nuclear weapons and to curtail conventional armaments. They are particularly pinning their hopes on the Brezhnev plan for collective security in Europe. They have even said that they would welcome the U.S.A. and Canada attending the European security conference

proposed by Mr. Brezhnev. It is true that the people of Europe do not want war. They wish to enjoy the fruits of their new prosperity. Nor do the people of the U.S.A. for that matter want war. But as long as the military balance is against the Russians, which it will overwhelmingly be in case of a U.S.-China detente, the Russians would like to do their best to neutralise their western flank.

The second move is some quick diplomatic initiatives in Asia. The latest developments in Turkey leading to the downfall of the pro-West military regime in that country may be a feather in the Russian cap. So is the formation of the Federation of Arab Republics consisting of Egypt, Syria and Libya. The Russians have

acted with speed in the crisis in Pakistan to wean away East Bengal—a potential area of Chinese influence—to their side. The Chinese have long been looking upon the two wings of Pakistan as a potential outlet for them to the Indian Ocean. And lastly, the Russians have taken steps to streamline their economy to prepare it to face greater rigours, in the event of a conflict with the Chinese. No wild hopes of a consumer-oriented society in the near future are held out by the Congress. Instead there are hints of strengthening the heavy industry base. The net impression that the 24th Party Congress leaves on the mind is that the Russians feel cornered on all flanks and are preparing desperately to meet the situation.

How to Meet Credit Needs of Farmers in Rural Areas

By P. K. Bhargava

While the Government has taken measures to eject the money-lender from the rural areas, it has failed to set up financing agencies which could fully meet the credit requirements of farmers. It has become necessary not only to effect structural changes in the co-operative credit societies but also to ask the nationalised banks to play a more positive rôle in agricultural development.

ONE of the main inputs for agricultural development is credit. Professor Nicholson rightly emphasised in his report on agricultural banks in 1895 that "the lesson of history is that an essential of agriculture is credit. Neither the condition of the country nor the nature of the land tenure, nor the position of agriculture affects the one great fact that the agriculturists must borrow." With the advent of the "green revolution", in India the availability of agricultural credit in adequate quantities to farmers has become still more important. There are various agencies that provide credit to the farmer but the money-lender or the *Mahajan* has played a significant rôle in the sphere of agricultural credit.

The findings of the All-India Rural Credit Survey revealed that the money-lender provided as much as 70

per cent of agricultural credit.¹ The share of the Government and of co-operatives was as low as 3.3 per cent and 3.1 per cent, respectively. The position has not improved much since then as is evident from the findings of the All-India Rural Credit and Investment Survey (1961-62). This survey reveals that out of the total cash loans outstanding to the cultivators (all-India) of Rs. 2,380 crores as on 30th June, 1962, the share of the Government and co-operatives was only 15 per cent, while agricultural and professional money-lenders accounted for 62 per cent.

The problem has become more complicated because on the one hand the State has tried to eject the money-lender because of his corrupt practices and on the other hand, which is very depressing, the Government has failed to constitute agencies that can provide sufficient credit to the farmer. It has really created problems for the farmer and has proved suicidal for agriculture. It would have been a blessing for the Indian farmer if the evil practices of the money-lender could be checked through regulatory measures, and he could be retained till the emergence of some efficient agency for agricultural credit.

The primary co-operative credit societies fulfil only about 30 per cent of the total credit needs of the farmer. These institutions are ill-equipped and under-financed. Evils like red-tapism and corruption are found there too. Accordingly, it is complained by agriculturists that the co-operatives are neither able to meet their all credit needs nor they provide them credit at moderate rates of interest. The farmer has to face other troubles also because of the peculiar nature of agricultural credit. The element of uncertainty is greater in agriculture compared with other areas of economic operation. The agriculturist wants credit at a reasonable rate of interest but the lender insists on a high rate to cover the risk of uncertainty. It is probably due to this factor that the commercial banks have so far extended very little credit to agriculture. At present, the proportion of farm loans to total banking loans in India is as low as 0.2 per cent.

The above discussion shows that steps should be taken to boost up agricultural credit in India. At the outset it may be pointed out that there is need to reform the structure of co-operative credit. The primary co-operative credit societies should be replaced by multi-purpose co-operative societies. The advantages of such a change are numerous. A multi-purpose co-operative society will have to perform a number of functions and it will fulfil not only the credit needs of the farmer but will also help him in marketing his produce, and in procuring inputs. The varied function of a co-operative society will make it economically viable and the problem of loan recovery and other related matters will be solved to a great extent. The central land mortgage banks ought to be merged with the State co-operative banks and the primary land mortgage banks with the central co-operative banks.

The land mortgage banks provide long-term credit to the farmer but the procedure is very cumbersome. Merger is suggested for pooling resources and effecting better co-ordination of activities. The central co-operative banks at the district level provide a link between the State co-operative bank and the primary co-operative credit societies. If the total credit is distributed through the central co-operative banks, credit requirements of the farmer can be assessed in the right perspective. The suggested change in the co-operative credit structure may not increase the volume of credit but it will certainly ensure

greater co-ordination and reduce the operational cost.

It is rightly complained that much of the borrowed money is used by the farmer for unproductive purposes. Therefore, while providing credit to the farmer it should be ensured that it will be used for productive purposes so that he is able to produce some thing extra with the aid of borrowed funds. It is a difficult task but much can be done in this direction if credit is given in the form of agricultural inputs. While giving credit to the farmer in the form of inputs, it should be ensured that the inputs are supplied in adequate quantities and that the complementary and supplementary facilities are also available.

In order to boost up agricultural credit, the commercial banks must play their due rôle. Their contribution towards agricultural development in the past has been almost negligible. With the nationalisation of 14 major commercial banks, the time has come when the commercial banks must provide adequate credit to agriculture. There will have to be a fundamental change in their credit policy. The banks should provide loans not on the basis of collateral security, such as land or building but on the agriculturist's "absorptive capacity". Crops should also be accepted as a form of security. If a system of crop insurance is introduced by all the State Governments, the banks could advance loan to the agriculturist on the security of his crops. In order to assess the "absorptive capacity" of the farmer and increase in the productivity possible through providing loans, the commercial banks should maintain a staff of agricultural experts and open new rural branches so that their employees can come into direct contact with the villagers and assess their credit needs.

The commercial banks should also provide credit to the agriculturist on the basis of a "joint guarantee" given by the village panchayat or by a few well-known farmers of the village. The acceptance of such a basis by the banks will greatly help farmers, particularly small farmers, in securing loans from the commercial banks. The Reserve Bank by way of its policy may ask the commercial banks to give a certain percentage of credit exclusively to agriculturists for agricultural purposes. This will result in a more purposeful advent of the commercial banks in the rural sector; a relationship between the banks and the co-operative institutions will also develop.

In the absence of a sufficiently enterprising and skillful banking service, rural progress has suffered. The commercial banks should open new branches in the rural areas and the losses that they may incur in the initial stages in operating these branches should be made good by the Reserve Bank. They should not merely become the agency for disbursing credit to the agriculturist but must also mobilise

rural savings. Many villages are quite prosperous and vast sums of money are lying idle there. Funds are lying idle because of the absence of banking facilities. The commercial banks should convince the villagers of the safety and security of their deposits with them. In the present circumstances, the banking system will also have to change its marketing concept if it is to play its rôle properly.

Fourth Plan: A Strategy for Accelerating Economic Growth Needed

(BY A SPECIAL CORRESPONDENT)

Soon after assuming office, the Central Minister for Planning, Mr. C. Subramaniam, said that the creation of new purchasing power was very important to tackle the problem of poverty. A suitable strategy under the Fourth Plan towards this end will have to be evolved.

THE Prime Minister, Mrs. Indira Gandhi, has at long last appointed Mr. C. Subramaniam as the Central Minister for Planning. He will concurrently hold the post of Deputy Chairman of the Planning Commission which is being reorganised. The Prime Minister is expected to announce the names of the new members in the next few days so that the Planning Commission might start its work in right earnest.

The appointment of Mr. Subramaniam has not, however, been universally acclaimed. Some Congress (R) members have even expressed doubts about the advisability of appointing him as a Cabinet Minister when there are several other competent persons who have been recently elected to the Lok Sabha. From Tamil Nadu itself, there are no less than nine M.P.s and if the consideration of Mrs. Gandhi is to give representation to this State in the Cabinet, she could very well have chosen a person who has already been elected to the Lok Sabha. But obviously, the intentions of the Prime Minister are different. She has been trying to induct Mr. Subramaniam in the Cabinet for several months now. During the last biennial elections to the Rajya Sabha, Mr. Subramaniam failed to return from Tamil Nadu. It was then freely mentioned that the Prime Minister had asked him to seek election so that he could be made the Central Finance Minister.

The appointment of Mr. Subramaniam also raises the question whether it is prudent for the Prime Minister to form her Cabinet in a piecemeal manner. The Prime Minister has expanded the Council of Ministers by appointing 18 new faces with only Mr. Uma Shankar Dikshit, a confidant of Mrs. Gandhi, given a Cabinet rank. Although it is more than seven weeks since the constitution of the new Lok Sabha, there is still uncertainty about the fate of some senior Cabinet members. It is curious that this should be so and the present indications are that it would take another few weeks before Mrs. Gandhi announces the names of the remaining Ministers.

Mr. Subramaniam, soon after assuming office, made the declaration that the problem of poverty would have necessarily to be tackled by increasing production. He also said that increased output alone without creating new purchasing power among the people would not help. The question, therefore, is how to improve the purchasing power of the people. It is clear that this could be done only through large-scale employment programmes and as the Minister for Planning, it is the responsibility of Mr. Subramaniam to evolve a suitable strategy under the Fourth Plan towards this end. It is gratifying to note that the new Minister is planning to recast the entire Fourth Plan. Mr. Subramaniam proposes to convene a conference of scientists and technologists regarding the formulation of the Plan instead of merely asking them to implement it. This is certainly a desirable objective. But how far he will succeed in restoring confidence among the people in the planning processes is to be watched.

¹ The survey data relate to the year 1951-52.

SPOTLIGHT ON STATES

The Economic Dilemma Before the Uttar Pradesh Government

(BY A SPECIAL CORRESPONDENT)

The Congress (R) Government in Uttar Pradesh is faced with an economic dilemma; either it will have to reduce the size of the Annual Plan for 1971-72 or introduce a heavy dose of taxation in the forthcoming Budget. While the first alternative will affect development activities, the Government may not have the courage to impose fresh levies.

ALTHOUGH the Congress (R) has succeeded in dislodging the Samyukta Vidhayak Dal from power and in constituting its own Government headed by Mr. Kamalapati Tripathi, it is yet to overcome the troubles usually associated with Ministry making. Aspirants for Cabinet posts outnumber Ministerial vacancies. How many defectors, particularly those who had resigned from the S.V.D. Ministry before its exit, will be accommodated in the new Government remains to be seen. In the coming months, further defections from the Congress (O), the B. K. D. and the S. S. P. to the Congress (R) may consolidate the Tripathy Government, but it will face an uphill task when it takes up real business because the previous Government had squandered scarce resources to win cheap popularity.

The new Government is faced with a dilemma; either it will have to prune the Annual Plan for 1971-72 or introduce a heavy dose of new taxation when the Budget for 1971-72 is presented to the State Assembly in July. The total resources of the State which would be available for financing the Plan for 1971-72 have been estimated at Rs. 105.3 crores. The State's aggregate resources would come to Rs. 209.15 crores, which indicate the maximum size of the next year's Plan. Several measures introduced in 1969-70 are likely to yield Rs. 12.48 crores during 1971-72. Measures introduced in 1970-71 would bring an additional revenue of Rs. 9.03 crores during 1971-72. The total additional revenue during 1971-72 thus comes to Rs. 21.51 crores. The additional revenue for the Fourth Plan period has been put at Rs. 90.49 crores. The State Government is yet to introduce measures to tap about Rs. 85.36 crores during the remaining period of the Fourth plan to fulfil the target of additional resource mobilisation.

The implementation of decisions taken by the S.V.D. Government will entail an additional burden of Rs. 35 crores to the State exchequer during the current financial year. The decisions relate to the exemption

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of land revenue on holdings up to 6½ acres, the abolition of professional tax, the grant of interim relief to Government employees, teachers and staff of local bodies, the payment of salaries to teachers in aided secondary schools through treasuries and the grant of additional dearness allowance to employees in Government educational institutions. The State Government had originally estimated that it would be able to achieve a target of Rs. 27.5 crores in small savings during 1971-72 but the trend is rather disappointing. It would be difficult to hit even the revised target of Rs. 21.75 crores.

How would the new Congress (R) Government tide over the tight financial position? Reducing the Plan size would further slow down the pace of development activities. The ruling Party would not like to earn the displeasure of the people by reversing the "popular" measures taken by the former Ministry. Nor would it be able to muster enough courage to impose heavy taxes soon after the electorate gave a favourable verdict in the Lok Sabha poll. The new Cabinet may be able to secure additional Central assistance. The new Government will also have the task to streamline the administration.

PEOPLE AND PERSONALITIES

Mr. B. L. Bajoria, Executive Director, British India Corporation Ltd, Kanpur, has been elected president of the Upper India Chamber of Commerce, Kanpur, for 1971.

The following are the newly elected office-bearers of the Bharat Chamber of Commerce for 1971: President, Mr. R. R. Bhiwaniwalla, Senior Vice-President, Mr. K. L. Chowdhary and Junior Vice-President, Mr. S. B. Goenka.

Mr. R. G. Gandhi, General Manager, Hindustan Construction Co. Ltd., has been elected president of the Builders' Association of India for 1971. Mr. K. J. Sapra was elected vice-president, Mr. H. J. Shah, Hon. Treasurer and Mr. Lakhi Mathrani as Hon. Secretary.

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BOOKS

A Survey of Top Indian Companies

Top 300 Companies, 1963-64 to 1967-68. (Published by Economic and Scientific Research Foundation, Federation House, New Delhi. Pages 320, price Rs. 40.)

This is a survey, the fourth in the series, of 300 leading companies in India, ranked on the basis of their 1967-68 sales and studied in depth for five years from 1963-64 to 1967-68. The analysis in the study has been made by Mr. V. Sri Ram, Staff Economist of the Foundation. Earlier, the Foundation published such surveys covering 200 companies. The present survey is an extension of coverage. The analysis in the present survey is far more objective and thorough-going than the earlier studies in the series. Massive statistical data have been presented for each of the companies included in the survey. The inter-firm data have been interpreted fairly closely in respect of the movements in profitability and the factors contributing to such profitability.

The comparative study of the private and public sectors attempted by the author makes interesting reading. The author is right when he says that the difficulties of public-sector companies and the losses that they are making are partly attributable to the underutilisation of installed capacities. Idle capacity, however, does not absolve Government companies from the blame that they have not been careful enough to reduce the stock of raw materials when they could not use them. But it can also be argued from a different angle. Indeed, it requires precise calculation to show that the carriage of high stocks of raw materials in periods of rapidly rising prices is uneconomic. In fact, this side of the question requires a more detailed study. In accounting parlance, it has become almost a scare that the carriage of high stocks of raw materials is uneconomic. Cost-benefit analysis of such high stock is, however, not attempted, particularly where such raw materials are imported.

The author seems to join issue with Professor Amartya Sen's thesis about the importance of shadow prices for correcting the distortions

caused by externalities, distributional anomalies, etcetera, and the proper maximand emerging as a set of social gains rather than commercial profits as such. The author contends that Professor Sen's emphasis looks somewhat misplaced.

The analysis made in the present study does not, however, disprove Professor Sen's thesis. This non-partisan, objective, and purposive analysis of the corporate data, which were for long subject to only partisan focus, should be read with interest by all serious students of the subject. The Government may also find in the study a lot of materials for evolving suitable national policy in respect of private and public-sector enterprises and their working.

P. CHATTOPADHYAY

Economic Development

The Political Economy of Development. By Amritananda Das. (Published by the Minerva Associates, Calcutta 29. Pages, 183, price Rs. 25.)

This is a new type of book in the sense that the author does not tread the beaten track as classical works on the political economy of development do not satisfy him. It is not essential that a reviewer should agree with either his analysis of different economic systems or even with his diffusely stated panaceas for removing ills of a mixed economy. The main point to note about this book is that it is free from jargon, it stimulates fresh thinking, it allows one to roam in hitherto uncharted realms of ideas and forces one to reexamine one's own premises on the structure of development in a society just coming out of a feudal value system.

The four major paths of economic progress—the classical free enterprise path, the Soviet experiment, the Japanese model, and the mixed economy (as in India)—are discussed with the author's preference coming out clearly for a reformed mixed economy

as good for India. The work is divided in six parts. One wishes that the author had summarised his arguments in a concise manner at the end so those arguments could be remembered in simpler and smaller formulations. Even so, this lack of precise formulations can be overcome by reading the six parts twice or thrice.

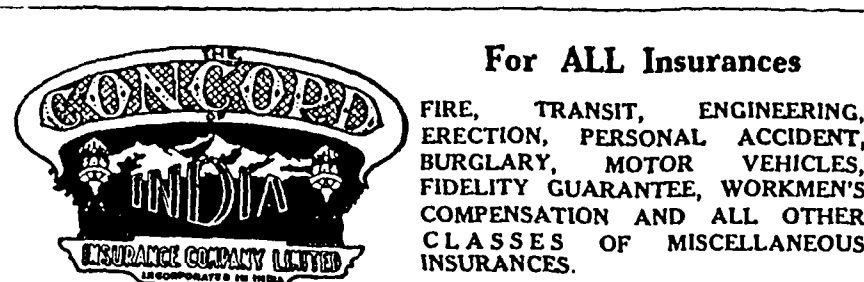
Communist Ideologies

From Marx To Mao. By D. N. Dasgupta. (Published by India International, 28 Biplabi Anukul Chandra Street, Calcutta 13. Pages, 344, price Rs. 20.)

What Mr. Dasgupta's book lacks in longer perspective is compensated by a comprehensive collection of contemporary facts. But a little more disciplined formulations could have immensely improved his work. But then it does not pretend to be a scholarly work.

What is Mr. Dasgupta's basic view? He defines them aptly in the preface in the following quotation: "Marxism, as worked out by Marx and Engels, I think, suffered distortions when Lenin said that what the people wanted was not liberty but power, and when Stalin and Mao set themselves to the task of seizing power. The lights of liberalisation and personal freedom were dimmed under the Stalinist or Maoist control over the apparatus of power. I found that communism instead of turning out to be a panacea for man's sorrows, had become a means of enslaving man, of restricting his thinking and shifting his emotions. . . . As an observer and analyst of history and the forces that propel it, I think I am justified in doubting the relevance of ideologies—both capitalist and communist—for the contemporary world."

Obviously, both Aurobindo and Mahatma Gandhi influenced Mr. Dasgupta's basic political thinking. His ten years behind the bars during the freedom movement probably helped him to see the harsher side of life and politics. But he does not write with bitterness. His travels around the world widened his outlook and also his sympathies. This outlook is well reflected in the book. All in all, the book should command a wide circulation among people interested in politics and the impact of communist ideology on the world at large.



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Common Market

The Economics of the Common Market. By D. Swann (Published by Penguin Education, Pages 200, price in the U.K. 40 pence.)

This is an authoritative work in the sense that its author is one of the few economists in Britain being thoroughly informed about the workings of the European Common Market. It has been rightly noted in the foreword that this publication will further "enhance" Mr. Swann's reputation. The focus is on the European Economic Community. Political factors have also been referred to for explaining why western Europe is divided into two blocs and why the U.K. is outside the Community. Incidentally, the book has two overriding aims: to discuss some economic principles underlying the decision to create the Common Market and the policies which the Community has been pursuing since its inception; and to discuss the nature of these policies critically.

The book is mainly divided into eight chapters. To this reviewer, the chapter on "Common Policies"

(especially the common transport policy, common energy policy and comparative price movements of imported coal and oil) appears to be most interesting. Indeed, some of the author's observations have relevance to India. For instance, the author has noted the findings of a commission to show that the stress on a commercial approach to transport policy requires that wherever possible, enterprises should be financially independent and should seek to balance their accounts without resort to State subsidies.

On the evolution of the world energy market, Mr. Swann has quoted from a memorandum of the West European Coal Producers and the National Coal Board that by the mid-1970s there would be a world shortage of energy. Hence, it is desirable to keep mines in production even by giving subsidies in the short run, as in the long run energy price level would rise and coal mining would become economic.

About the merits of large industrial units—a highly debatable issue in India today—the author has raised some interesting points. To illustrate: in any manufacturing industry, the economies of large-scale

production and distribution can be ensured by becoming larger to lower the unit cost of production. The reason is that as plants become larger, firms can exploit mass production techniques involving specialisation of labour. In addition, there is plenty of evidence that R and D is an activity that tends to increase with the size of a firm.

S. N. CHATTERJEE

I. L. O. and Working Class.

India and the I.L.O. By N. K. Kakkar. (Published by the Sultan Chand and Sons, Amir Chand Marg, Delhi 6. Price Rs. 10, pages 127.)

The author of this booklet has ably traced the influence of the International Labour Organisation on the progress and development of the Indian working class movement. The book analyses the impact of various activities of the I.L.O. on working conditions and hours of work, social security measures, wage plans and policies, trade union movement and industrial peace in India. The important articles of the Conventions adopted by the I.L.O. and ratified by India have also been quoted.

LABOUR

Personnel Managers in Search of a Style

(BY A SPECIAL CORRESPONDENT)

THE three-day conference of personnel and welfare officers held recently in Goa under the auspices of the National Institute of Labour Management was noteworthy because of the importance of the subjects discussed. The conference had before it three lively topics for discussion, namely, (1) purposeful personnel policy, (2) managerial styles, and (3) the strategy and tactics in bargaining. In his paper on "Purposeful Personnel Policy", Mr. B. S. Kalsi stressed, among other things, two divisions of personnel function—technical and advisory. Briefly described, these embrace such areas as recruitment and placement, training and development, wages and salary administration, industrial relations and health and welfare.

The consensus that emerged from the discussion was that the personnel policy need not start with the aim of increasing production and productivity, but should achieve the objective of higher levels of output an individual through an effective system of human relations; what was important was the recognition of individual dignity which would help in reducing tensions and industrial strife. Such a participative attitude would be conducive to the creation of a congenial atmosphere for keeping the wheel of production moving uninterruptedly.

The personnel manager or the management at the top in general could play an effective rôle. An enlightened outlook and a perspective view of problems would go a long way in the realisation of the ultimate objective of improving productivity. In this endeavour, it is necessary to formulate and implement a consistent personnel policy and make a constant review of results. The difficulties faced by personnel officers in carrying out their functions are no doubt many. It was the considered view of the participants that despite such problems, personnel officers should observe a code of conduct so that they could play their assigned rôle correctly and successfully.

The second session which was presided over by Mr. M. S. Warty

(Mafatlals) took up for deliberations seemingly a new subject in the Indian context "Managerial Styles". An illuminating and scholarly paper was contributed by Professor M. N. Rudrabasavaraj. The modern management is faced with various challenges. With a view to effectively meeting the complexities in technological advances and labour-management relations, a multitude of managerial styles has been developed over a period of time by experts in the field. Briefly, managerial styles are of four types, namely, (1) authoritarian, (2) paternalistic, (3) consultative, and (4) participative. Ultimately, the adoption and acceptance of any one style depends upon the socio-economic and political framework under which it operates. The emerging pattern is, however, to accept the doctrine of social responsibilities and service apologetic. Such a development calls for the emergence of a new, creative and socially responsible managerial style.

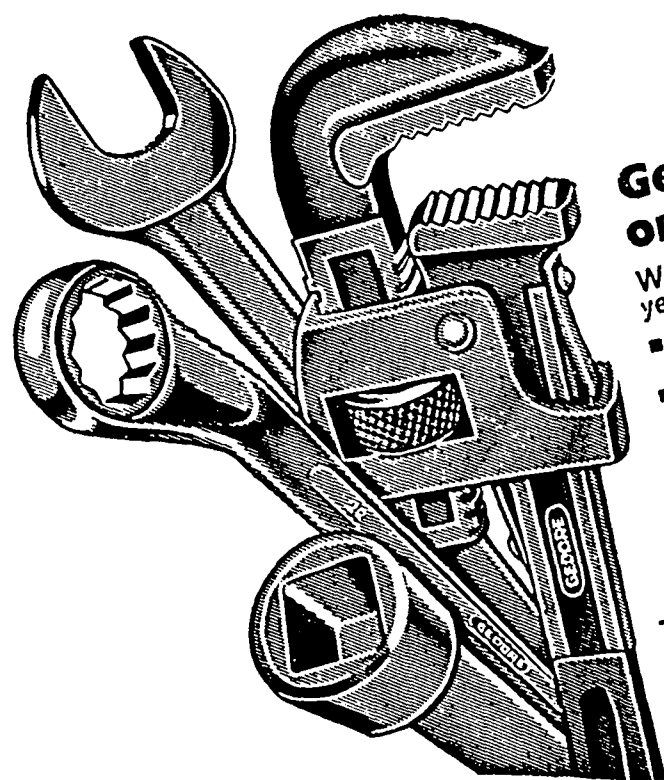
This is one of the subjects which attracted a lively and fruitful discussion. The general view was that while a particular style might be dictated by the situation obtaining in an organisation, a deliberate endeavour should be made to adopt a consultative managerial style in preparation for a more progressive and participative managerial style. Nevertheless, it was added that no style could be effective unless it satisfied the social aspiration of the people. India has miles to go before she reaches the ideal process of collective bargaining in the field of industrial relations. Yet, the progress made so far is not insignificant. Considerable experience has been gained in the field over the years. A stage has been reached when it is desirable to hasten slowly the method of bipartite settlement of industrial disputes. It was, therefore, just as well that the Institute thought it relevant to include a specific item, "the Strategy and Tactics at the Bargaining Table".

In his paper, Mr. Kaulgi dealt with the system of collective bargaining and the different processes involved and the strategy and postures

that were likely to be adopted by the two contending parties at the bargaining table. The concept of collective bargaining implies two equally competent and effective parties who could sort out problems systematically, rationally and constructively, thus leading to tangible results. There can be no bargaining when there is a positive evidence of unequal status. In such a situation, the stronger party will be in a position to dictate. How far the labour management system has reached the ideal conditions of collective bargaining is debatable; how soon it will meet the canons of effective bargaining is also unpredictable. Briefly, in collective bargaining, the management and union leaders attempt to set forth the broad labour policies, procedures and working rules, which have been agreed to by both sides.

However, the actual character in the relationship between the management and its employees individually and through unions is mainly determined by the customs and practices that have developed. There are areas in which the interests of the management and unions are identical. There are also spheres where interests may conflict. The task of the two parties should be to strike a balance between the apparently conflicting interests. The delegates were of the view that the strategy and tactics during the process of bargaining needed advance planning which would facilitate the process of bargaining itself and would reduce the degree of conflict. An enlightened management and a responsible trade union should be able to devise and practise a scheme beneficial to both while at the same time keeping in mind the wider social objectives.

The sentiments and ideas expressed by Mr. Nakul Sen, Lt. General of Goa, in his inaugural address found broad acceptance. The underlying theme of his speech was that a greater sense of participation and personal involvement of labour in industrial activity were necessary to achieve maximum production. He particularly stressed the need for acquiring a first hand knowledge of the workers' problems and interests through personal approach by the employer. That employers in principle were agreed to this approach was clear from the welcome speech delivered by Mr. V. S. Dempo, when he pleaded for an integrated personnel policy aimed at reducing the areas of friction with a view to improving industrial relations.



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MONEY AND BANKING

Nationalised Banks : Need for Improving Employer-Employee Relations—II

By K. Kogga

Relations between banks and their employees in the past have been far from cordial. The latter should now realise that the success of nationalisation will depend largely on their co-operation. This is the second in a series of two articles. The first one was published last week.

THE staff of an organisation is of paramount importance and more so in a credit institution, the very mechanism of which is entirely dependent upon the confidence of the public and its continual patronage and support in the form of deposits. This is a very sensitive aspect which is subject to the influence of both internal and external factors. While the banking system should of necessity be concerned with and cautious about the external factors, its sphere of influence in this direction is limited, if not entirely negligible. The internal factors, however, are within the range of its activities and are the direct result or consequence of its own policies and actions.

Trade unionism in the banking industry is a postwar development and, thanks to the unimaginative and outmoded handling of the problems involved, the managements took it to be an affront to their supreme authority, despite the fact that more time and energy was spent on fighting out the issues through successive tribunals and courts than in the normal functions or towards the progress of the industry. The inevitable result was unrest, dislocation of work, distrust or even indifference, for, success or failure in any litigation or even recourse to it is apt to cause bitterness and resentment and these are not factors which would enable the smooth functioning of an organisation and more so in the case of a credit institution or a service industry, for then service becomes the first casualty.

One might blame the labour laws, Government agencies and various other factors, but one cannot overlook the fact that if the managements had been a little enlightened, sym-

pathetic and had visualised the long-term effects and consequences, they would have, as they should have, found means to keep their staff under proper control and certainly not allowed it to go to such extremes without recourse to which, unfortunately, the managements would not wake up. And what follows in consequence and inevitably is the unenviable situation where the two essentially complementary and interdependent factors remain at loggerheads and the industry perforce has to pay a heavy price.

But whoever cared or spared a thought for the industry as such? The unimaginative, unrealistic and unsympathetic approach of the managements achieved only one result: to keep the employees away and outside the influence of the managements and throw them into the folds of professional and political leadership who hardly cared either for labour or for the industry and, in consequence, both the industry and the employees had to suffer but the managements did not bother the least about it. Successive litigation, however, had evolved or rather achieved a unique feature in employer-employee relations in the banking industry—the first ever bipartite settlement signed in October 1966 but without the condition precedent, namely, performance.

The most disturbing feature of the advent of the trade union movement in the banking industry, or for that matter in any industry, is the total disregard for productivity. Either on account of any inherent weakness or out of the need or compulsions of ensuring peace and avoid unrest at any rate, the managements have totally lost the initiative or the courage to "demand" that performance also should be the primary condition for eligibility for higher emoluments. One may, however, contend that this is a general malaise of the people and no one has cared to look into, or show any concern for, the deplorable situation that they are only conscious of their rights and privileges and not at all of the duties

the performance of which alone would justify a claim for better terms and conditions of service. If even the employer cannot insist upon and expect the performance of the allotted duties, the industry can hardly expect to do better or seek progress, but is the employer even aware of it?

And what of multiplicity of unions and inter-union rivalry and how does one, in the face of it, seek to achieve stability and ensure smooth functioning or progress of the industry? These are issues which ought to cause deep concern and call for careful and dispassionate understanding and solutions now that the State has entered the industrial sphere and the performance of the public sector has been far from satisfactory and it has, in consequence, to be supported by the nation since the losses incurred by these undertakings are to be borne by the people. In the banking industry, since nationalisation, there has been a spate of agitations for one reason or the other and these are bound to cause a setback and defeat all the hopes and expectations. Both managements and labour have now one foremost task, that is, spreading the banking habit and make banking an instrument of development and change.

An effective and independent trade union is a tower of strength to the organisation but the exploitation or utilisation of such strength to the maximum advantage of the organisation is essentially a function of the management. Sponsoring and grooming mushroom organisations or siding with them for whatever reasons and however advantageous it may be at the moment, would only prove disastrous in the long run as has been abundantly proved over the years. Neither side should seek to pass on the buck and a greater responsibility towards making nationalisation a success, and thereby set an example to other public-sector undertakings, now rests with the employees who should in their own interest and that of the industry and the nation should now endeavour unitedly to fulfil the tasks enjoined upon them and act as the nation's watch-dog over the managements in putting them right and straight. It is necessary to evolve such an ideal both in the realms of management and among the ranks of employees to give a better account of the industry.

(Concluded)



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INSURANCE

New Dynamism Introduced in L.I.C.'s Activities

(BY A SPECIAL CORRESPONDENT)

THE centenary of life insurance in India has been symbolic of the substantial improvement in the business of the Life Insurance Corporation of India. In 1970-71, the performance of the L.I.C. has been creditable as far as the issue of new policies and value of new business are concerned. For instance, by issuing 1.6 million policies in 1970-71, against 1.4 million in the preceding four years, it has recorded a 15.8 per cent increase. Similarly, the total sum assured by the L.I.C. in 1970-71 has recorded an unprecedented increase of Rs. 267 crores over 1969-70. In other words, this increase has been more than two times in absolute terms, compared with what was recorded in 1969-70, viz., Rs. 196 crores. Besides, the growth rate of 25.8 per cent in 1970-71 has been remarkable in the sense that in the last five years the annual variation was between plus 13.8 per cent and minus 3.4 per cent.

The above achievements are no doubt creditable. The L.I.C. now ventures to fulfil a higher growth rate of 30 per cent even in the present year. In retrospect, in September 1970, the chairman of the Corporation was optimistic that within the next three years, the L.I.C. would achieve the distinction of doubling its new business by reaching the target of Rs. 2,000 crores. Knowledgeable circles do not rule out this optimism. Some insurance executives even go further. Considering the new resources generated in the rural areas because of the success of the "green revolution", the Rs. 2,000 crore target appears to be modest and conservative. In this context, they recall that in 1969-70, rural business constituted 33 per cent of the total number of policies issued and 24.5 per cent of the total sum assured. Incidentally, to mark the centenary and in a bid to extend life insurance cover to a larger section of people, the L.I.C. has introduced from 1st March three low-cost schemes linked to the Unit Trust and the banking system. These schemes are: (a) insurance for savings depositors; (b) insurance for unit holders; and (c) accident insurance for bank depositors. These schemes mainly aim at

tapping life insurance business from an identifiable community of savers and investors.

The Corporation is hopeful that in the near future, with the growing habit of banking and unit investments, the term insurance on group basis with low premium would radiate in the countryside. The chairman has expressed his desire to strengthen the Corporation's organisation to ensure larger group insurance. Life insurance in this country is considered not just insurance against death but something more (like a means of saving and investment). The L.I.C. through its various loans and investments is now trying to take part in socio-economic activities. For instance, it is participating directly in house-building activities and granting loans to local bodies for water-supply schemes. It has extended the "own-your-house" scheme to the purchase of flats as well as to protect the policyholders against the depreciation of money value besides effecting a reduction in the mortgage redemption rates for such policies. To make life insurance popular, it has abolished the extra premium that was used to be charged for a class of hazardous professions.

The L.I.C. has agreed in principle to grant substantial loans to the Calcutta Metropolitan Development Authority (C.M.D.A.) and the Corporation of Calcutta to ameliorate the present conditions of the city. It will grant a loan of Rs. 7.5 crores to the C.M.D.A. for its various projects. The Corporation of Calcutta is seeking a loan of Rs. 6.80 crores for the reconstruction of the New Market to offer modern amenities and better accommodation. In fact, two proposals are now under consideration: (a) an initial grant of Rs. 2.80 crores by the L.I.C. for the construction of a two-storied New Market (on condition of the loan being encumbered with the Corporation of Calcutta) with provisions of granting additional finances for the completion of the project; and (b) a loan to be granted to the civic body via the C.M.D.A. In any case, the

L.I.C. seems to be very sympathetic about the problems of Calcutta and ready to help in every possible way for its development.

So far the public knew only of endowment, whole life and double accident benefit policies that were mainly urban-oriented. Indeed, in spite of best efforts made by the L.I.C. in the past to project its image of a progressive organisation serving the common man, a strange psychology, that only the urban elites took insurance policies to derive income-tax benefits had prevailed. And the difficulty in selling insurance policies in rural areas due to income flowing in urban centres was mainly responsible for this psychology. Hence, it is only reasonable to expect that with the gradual reduction in the present minimum of Rs. 1,000 for insurable saving deposits, the scheme would catch up with the masses.

The unit linked insurance scheme seems to be more attractive to any monthly saver as it offers (a) life insurance protection under gradual tapering off premium rates through a decreasing temporary assurance policy and (b) the assured dividend of over 6 per cent on the investment besides capital appreciation. The scheme, in fact, is aimed at salaried people in towns and cities. It, however, debars a large number of earners in the age group of above 45 years from participating in the scheme. A risk cover for smaller amounts for those above this age group may be considered. The bank deposit linked insurance scheme is advantageous. For any lump sum amount (Rs. 1,000 minimum) deposited with a bank under this scheme, one can enjoy the advantage of covering his life. Which is why some banking experts are optimistic that with the gradual expansion of commercial and co-operative banks in the rural sector, the scheme will appear very lucrative, especially to farmers with income on an annual basis.

With the significant decrease in the mortality rate and the continuing inflationary trend leading to a steady erosion in the value of the rupee, it is only reasonable to expect an overall reduction in premium rates and to distribute the increased share of profits or quantum of bonus to the policyholders. The L.I.C., being an organisation with the sole object of making life insurance popular, should ensure greater economy in operation.

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TAXATION

Why Is Tax Evasion Increasing in India ?

By Anil Kumar Jain

The Exchequer is losing crores of rupees every year because of tax evasion. One reason why evasion is becoming increasingly rampant is that the field machinery of the Income-tax Department is hopelessly poor.

TAX evasion and avoidance are neither new nor peculiar to India. In fact, they are universal and are perhaps as old as are taxes themselves. By the very nature of things, it is almost impossible to ascertain correctly the extent of tax evasion in the country. However, attempts have been made from time to time to estimate it. The National Planning Committee felt that such estimates vary from Rs. 200 crores to Rs. 800 crores. The Taxation Enquiry Commission (1953-54) admitted that evasion was prevalent on a large scale. Professor Kaldor, in 1956, estimated that annually an income of Rs. 576 crores evaded tax and that the magnitude of tax revenue lost through evasion was in the neighbourhood of Rs. 200 crores or Rs. 300 crores. These estimates have been placed by the Central Board of Revenue at Rs. 214 crores on the basis of the data of national income for 1952. Since then India's national income has more than doubled and the tax rates have been made progressively steep. Hence, there is no doubt that the extent of tax evasion in the country must have also considerably increased. It may not be out of line if the annual figure of the quantum of tax evaded is placed at around Rs. 400 crores.

But why is there so much tax evasion? Although the reasons for tax evasion are numerous and vary from person to person, trade to trade and profession to profession, there are certain common factors which encourage people at large to evade taxes. One of the most important reasons for high tax evasion is that taxpayers are not conscious of their responsibilities towards the country. Although people in all walks of life put blames for difficulties and shortages on the Government, when it comes to the payment of taxes they feel as if it is their first and foremost concern to evade them. Such a state of affairs has come to pass because there is no system in India

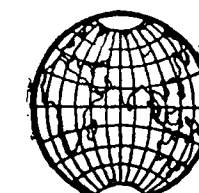
whereby people may know that they should pay their due taxes. It is said that in America school-going children are taught to fill in an income-tax return. In India, let alone school-going children, many university students and professors do not know how to fill in an income-tax return.

The Indian Income Tax Act is highly complicated and a plethora of amendments have been made in it from time to time. The new Act of 1961 was sought to simplify the 1922 Act and create confidence among the people. However, in the years that have followed more than 400 amendments have been introduced.¹ As a result, the whole Act has become so complicated that not to speak of the man in the street, even the income-

¹ Report of the Administrative Reforms Commission on Central Direct Taxes Administration, page 1.

tax authorities and tax consultants cannot keep themselves abreast of the latest development. But this is not the whole story. There are people who engage expert tax consultants to advise them of the means to evade taxes. Even such rich people have a tendency to evade taxes. Why? Because they want to amass wealth as wealth is a symbol of strength, prestige and position in society. Evasion has become more rampant because of the dearth of experienced personnel in the Income-tax Department. The present strength of fully trained and experienced officers is inadequate for dealing with the gigantic task. The backlog of arrears also presents a serious problem.

Another important reason for tax evasion is said to be the absence of deterrent punishment. There is no doubt that the statute provides for prosecution and imprisonment in cases of concealments and false declaration of statements and the maximum penalty leviable at present is 200 per cent of the income sought to be evaded, the minimum being 100 per cent of the income sought to be evaded. Yet, in practice, hardly any man is prosecuted and high penalties are rarely levied. Therefore, "unless it is



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brought home to the potential tax evader that attempts at concealment will not only not pay but also actually land him in jail, there could be no effective check against evasion".² The secrecy provisions and the evasion of sales tax also add fuel to the fire. It is a happy augury that of late the secrecy provisions have been relaxed to some extent. The Department now makes available the names of tax evaders and may also supply information if its supply is considered by the Department to be in the public interest.

The officers of the Income-tax Department also find it difficult to unearth cases of tax evasion because of several reasons. First, they are overworked, especially officers handling smaller charges. Secondly, the field machinery of the Income-tax Department is hopelessly poor, resulting in a long gap between two surveys. In the meantime, many businesses come and go without benefiting the Exchequer at all. Thirdly, the execution of the Income Tax Act requires a thorough knowledge not only of this Act alone but also of several other Acts. In addition,

² Report of the Direct Taxes Administration Enquiry Committee (1958-59), page 149.

tion, the I.T.O. has to handle cases of different types involving complexities of different trades, professions and vocations. Unless an officer is well-versed with the technical details of each trade, which is almost impossible, he cannot detect concealments. Finally, there is hardly any connection between the working of different Government departments.

Again, the economic condition of the people is very poor and it has worsened in recent years on account of the inflationary spiral. The middle income and salaried people have been worst hit. In 1967-68, the *per capita* income was Rs. 532 at current prices and Rs. 315 at 1960-61 prices. This is an average and includes the few who are rolling in wealth as also a majority of those who are dying of starvation. It is on account of this that even socially conscious people have to resort to the evil practices of tax evasion and they become victims of bribery and corruption. Yet another important factor responsible for tax evasion is the prevailing high rates of taxation. It is said that high tax rates in the top income brackets are tolerated only because of the considerable evasion that takes place.

The Income-tax Department is also largely responsible for the present state of affairs. It is often complained that even when assesses file correct income-tax and wealth tax returns and produce sufficient supporting evidence, the assessing officers do not always accept them and make some additions. This encourages assesses to understate their incomes and wealth. This mutual distrust creates a vicious circle.³

However, the entire blame cannot be put on Government officials and employees. A large part of the blame should also be put on dishonest business men and traders who, in their greed for money, resort to all sorts of devices to corrupt these officials. They offer them money to get certain benefits. If the officers are not tempted that way, attempts are made to win them over by offering other facilities, such as occasional free use of a motor-car and entertainment at fashionable and costly hotels. Are such business men not to be blamed for their unscrupulous action? The law of the land should hold both guilty.

³ *Ibid*, page 151.

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INVESTMENT

Taxation Uncertainties Depress Share Prices

EXCEPT for some isolated spells of activity in certain select counters, the stock markets have presented a very dull appearance this past week. Price movements have been irregular and confined within a narrow range, reflecting the restricted turnover. The week-end closing prices show a mixed pattern with plus and minus signs sprinkled all over the list. Net changes have been too small to be of any consequence. The markets have simply been idling and have wound up the week on a hesitant note. But there has been no dearth of news which has been more bullish than bearish. Bears have been inclined to cover their short position but bulls have continued to mark time.

The corporate news has been pleasing and plentiful. South India Viscose, the Finlay group of cotton mills, Raymond Woollen, Sandvik Asia, Blue Star, Blundell Eomite, Khandelwal Udyog, Dinesh Mills, Permanent Magnets, United Flour, Jagatjit Industries, Brady and Morris, Budge-Budge, Caledonian Jute and Texmaco have had good news for their respective shareholders. There have been welcome indications of a rise in the demand for industrial capital, indicating a pick up in the industrial tempo. Export figures for 1970-71 have disclosed an unexpectedly good performance, the growth of 8.5 per cent being well above the 7 per cent annual growth envisaged in the Fourth Plan. Yet another good news has been the announcement of two I.D.A. credits for the development of the telecommunications and electric power transmission programme. Conditions in the money market have continued to be easy throughout the week.

This apart, the import policy for 1971-72 contains many welcome features. Apart from having a distinct export bias, the new policy seeks to combine continuity with innovation, meeting the need-based requirements of industry and at the same time giving special consideration to backward regions and the priority sectors. It also provides facilities for reopening the closed engineering units. Particularly welcome is the proposal to remove procedural delays. The liberalised import policy should prove helpful in giving a push to the economy.

The guidelines approved by the Government for the conversion into equity of loans given to industrial concerns by the public financial institutions are less harsh than what many had expected. The operational limits have been set on the high side and the convertibility clause will relate only to rupee loans. The financial institutions may not stipulate any convertibility clause if the aggregate loan assistance does not exceed Rs. 25 lakhs and they may use their discretion if the total assistance ranges between Rs. 25 lakhs and Rs. 50 lakhs. Where the aggregate assistance by the financial institutions, namely, the Industrial Development Bank of India, Industrial Finance Corporation, Industrial Credit and Investment Corporation of India, Life Insurance Corporation and the Unit Trust exceeds Rs. 50 lakhs, there would normally be a convertibility clause in the loan agreements. The assisted industrial concern will have a clear indication of the actual terms and conditions of convertibility before the loan agreement is finalised. In other words, the willing consent of the assisted industrial concern will be built into the loan agreement.

The stock markets' worst fears have thus been belied. If they have not felt enthused by the various bull influences, it is mainly because bulls and prospective investors have been inclined to play safe in view of the deteriorating Indo-Pakistani relations. Tension on the eastern border has been on the increase. The Central Budget also is drawing near and who can say with any measure of confidence how the Central Finance Minister, Mr. Y. B. Chavan, will raise the massive resources to finance the development effort?

Government securities have lacked interest this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 59. Other Central securities have remained featureless. Turnover has remained restricted.

The Calcutta stock market has remained subdued this past week, and operators have generally been reluctant to extend their commitments in view of taxation uncertainties. Sentiment has also been affected due to the

steady deterioration in the Indo-Pakistani relations, following the firing by Pakistani forces on some of India's border villages and the steady exodus of refugees from Bangladesh to India. Among engineering shares, Simon-Carves, Jay Engineering and Shriram Bearings have been quiet. Among paper shares, Seshasayee, Straw Products and Bengal have been transacted. Among jute shares, Anglo-India, New Central, Hukumchand and Budge-Budge have been transacted. Among miscellaneous shares, Alkali and Chemical, J. K. Synthetics, Phillips Carbon and Union Carbide have received buying enquiries. Among tea shares, Brooke Bond, Hasimara and Rydak have received selective support.

Trading on the Bombay stock market during the past week has been characterised by restricted turnover and narrow fluctuations. Scarcity of offerings, short-covering and selective support induced by special considerations imparted steadiness to the market, but there was little enthusiasm to follow the rise in view of political uncertainties. Deteriorating Indo-Pakistani relations have made for caution. Net changes over the week present a

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section:

Air-India
Aluminium Corporation
Associated Battery
Bank of Baroda
Blue Star
Blundell Eomite
Burma Mines
Chemo-Pharma
Globe Auto
Indian Aluminium
Tribeni Tissues
Universal Tyres

mixed pattern, indicating the prevailing mood of indecision. Cotton mill shares have turned steadier after early easiness. The new scheme for ensuring increased availability of controlled cloth is generally regarded as a welcome compromise between the earlier stand taken by the Government and the industry. Kohinoor have been a bright spot among cotton mill shares. Trading in rayon shares has been featured by the marked strength in South India Viscose and Indian Rayon. National Rayon too have ruled steadier but Century Enka have displayed a softer tone on profit-taking. Steel shares have ruled steadier due to the scarcity of offerings and modest replacement buying. Among engineering shares, Associated Bearings, Tata Engineering, Tensile Steel and Zenith Steel have recorded some gains while Alcock, Ashdown, Sandvik Asia, Mahindra and Mahindra and Larsen and Toubro have been marked lower. Among cement shares, Digvijay have improved on fresh support while A.C.C. and Orissa have remained barely steady. Automobile shares have ruled easier and the weakness has been marked in Premier Automobiles. Among shipping shares, Scindia have eased further while Great Eastern have held steady. Chemical shares have made a mixed showing. Tata Chemicals, Polychem, Gujarat Fertiliser and Synthetic and Chemicals have been among the firm features. Among miscellaneous counters, Bombay Oxygen and Motor Industries have recorded moderate gains while Hindustan Lever, Tata Oil and Escorts have been somewhat subdued and Premier Construction have registered a substantial decline.

The Madras stock market has remained quietly steady this past week. Turnover has been restricted and business has been of a selective nature. In the planting section, Ochterlony Valley and Kalasa Tea have met with

buying enquiries. Blue Mountain and Waterfalls have, however, attracted sellers at the market rates. In the textile section, Madura and South India Viscose have been transacted while Coimbatore Cotton and Kothari Textiles have been easier on selling pressure. In the miscellaneous section, Ashok Leyland have met with buying enquiries while Aluminium Industries and India Cements have been quiet. Sugar shares have received selective enquiries.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	23/20—23/50—22/90—23/35—(18/50)
Dunlop India	39/50—39/60—39/00—39/00—(33/60)
Guest, Keen, Williams	37/20—37/35—36/50—37/30—(16/20)
Hindustan Motors	12/95—13/05—12/70—12/95—(15/50)
Howrah Jute	6/81—6/87—6/81—6/87—(6/50)
Indian Aluminium	38/50—38/65—38/20—38/55—(30/40)
Indian Cable	16/90—17/95—16/90—17/75—(14/50)
Indian Copper	4/13—4/20—4/08—4/15—(4/66)
Indian Iron	12/20—12/37—11/95—11/95—(17/10)
J. K. Cotton	10/95—11/00—10/80—10/80—(12/80)
Jaipur Udyog	9/10—9/20—9/10—9/20—(9/65)
Jayashree Tea & Industries	16/94—18/19—16/75—18/06—(13/56)
Kesoram Industries	16/65—16/95—16/40—16/50—(17/00)
Orient Paper	39/35—39/35—38/90—39/10—(32/70)
Orissa Cement	19/00—19/20—18/35—18/45—(14/40)
Rohtas Industries	6/15—6/30—6/10—6/10—(7/70)
Textile Machinery	10/45—11/40—10/45—10/65—(11/80)

CAPITAL, 6th MAY, 1971

expenses incurred at the new Belgaum smelter. The chairman said that the Company's costs continued to rise due to price increases in raw materials and other inputs. He regretted that the Company's selling prices were frozen by the Government at levels which were much lower than the prices the Company was receiving at the end of 1966. He, however, hoped that the Government would provide some relief when the findings of the working group appointed to study the state of the industry were released.

The Company's Taloja project is steadily progressing, although it has been subject to some delays caused by the steel shortage and procedural difficulties in obtaining import licences. It is hoped that the sheet mill will be in operation by the end of the current year. An application has been made to the Controller of Capital Issues for permission to make a bonus offer in the ratio of one new share for every two held. Sales for the first quarter of the current year continued to absorb all metals produced and the Company's plants continued to operate at a high level of efficiency. But the shortage of raw materials, such as pitch, cryolite and fluoride are causing difficulties. It is hoped that the production will be increased by 20 per cent in 1971 when both the plants in Belgaum and Hirakud will be operating in full swing.

BURMA MINES

Sharp Fall in Profit

THE audited accounts of Burma Mines Ltd for the year ended December 1970 show a profit of £620 (against £6,076). The dividend has been skipped again.

ASSOCIATED BATTERY

Good Progress

ASSOCIATED Battery Makers (Eastern) Ltd announces that its sales and profits during the first six months of the current year have continued to follow the past growth trends. Since the demand for the Company's products is strong (including those for export), and since no difficulty is anticipated in obtaining necessary raw materials, it is reasonable to expect that this pattern will continue for the remainder of the year. It is the board's intention to consider at its next meeting the payment of an interim dividend as was done last year.

CAPITAL, 6th MAY, 1971

ALUMINIUM CORPORATION

Interim Dividend

THE directors of Aluminium Corporation of India Ltd have declared an interim dividend for the year ended March 1971 on the Company's equity shares at the rate of 5 per cent, i.e., 50 paise a share, subject to deduction of tax.

AIR-INDIA

The Jumbo Era

AIR-INDIA'S first Boeing 747 jumbo jet, "Emperor Ashoka", arrived in Bombay a few days ago carrying 200 invitees on its delivery flight. The giant aircraft, which covered a distance of about 11,000 statute miles from Seattle to Bombay via New York, London and Rome in 20 hours and 50 minutes, was accorded a truly royal welcome at the Santa Cruz airport. The arrival of "Emperor Ashoka" marks yet another important milestone in Air-India's history; it also marks the start of the jumbo era for India. The Boeing 747 is not just another jumbo jet. It is three 707s in one—a flying luxury liner. It is big; it is spacious; it is great. It is the only commercial airliner with an upper deck. The Boeing 747 is two-and-a-half times bigger than the 707 and will carry 346 passengers on its main deck—58 first class and 288 economy class—as compared with 132 passengers carried by the Boeing 707. It has a cargo capacity of 20 tonnes, as compared with 5 tonnes in the case of the 707.

Air-India's international passengers will have a new window on the world when they board "Emperor Ashoka". Air-India is the only airline in the world to have designed the most exotic interior decor in international air transport. Air-India is investing something like Rs. 100 crores in acquiring four Boeing 747s, related spares equipment and building up facilities. "Emperor Ashoka" is the first of the two Boeings to be received in 1971; the other two will arrive next year.

Air-India's chairman, Mr. J. R. D. Tata, stated the other day that the Boeing 747 will make a "considerable impact" on tourism. For the first time in the history of air transport, the industry will have an aircraft capable of meeting a mass market

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Sales of Indian Aluminium Increase but Production Costs Rising Steadily

ADDRESSING the recent annual general meeting of the Indian Aluminium Co. Ltd, Mr. H. V. R. Iengar, chairman, said that the outstanding feature of the Company's performance during 1970 was the formal opening of the Belgaum plant. (A fuller version of the speech was published in last week's issue of Capital.) The Company's sales have

increased substantially in line with the increased production. Its new alumina and smelter facilities reached the planned capacity levels in a commendably short period of time. The older plants also did well. Despite the strike at the Hirakud factory, record levels of output have been attained there in 1970. But the Company's income has shown hardly any change due to the

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demand. When asked how Air-India will continue to operate profitably with such expensive hardware, Mr. Tata said that "although Rs. 90 crores for four 747s is a lot of money, the plane's larger capacity, and newer and more efficient technology, their operating costs will be lower than those of our present 707s. So if we can obtain a reasonable load factor, we certainly hope to continue making a profit for the Government". Provided hotel accommodation and the capacity of Indian Airlines are built up quickly, 747s should play an important rôle in bringing additional tourists and valuable foreign exchange to India. The size and spaciousness of the interior of the Boeing 747 should prove a great attraction for the passengers.

TRIBENI TISSUES

Bigger Profit

TRIBENI Tissues Ltd shows a higher pre-tax profit of Rs. 1.15 crores for 1970, against one of Rs. 1.08 crores. A taxable ordinary final dividend of 8 per cent on the increased capital, making a total of 15 per cent for the year, has been declared, against a total of 18 per cent on the old capital in the previous year. This offers a yield of 7.5 per cent at the present price of Rs. 20 a share of Rs. 10 each. Taxation claims Rs. 50.15 lakhs (against Rs. 14.20 lakhs) and development rebate reserve Rs. 3.01 lakhs (against Rs. 47.29 lakhs). After transferring a sum of Rs. 1.58 lakhs (against Rs. 5.30 lakhs) from development rebate reserve and making other adjustments, Rs. 947 (against Rs. 4,606) have been transferred to capital reserve and Rs. 36.90 lakhs (against Rs. 24.64 lakhs) to general reserve.

UNIVERSAL TYRES

Loss Incurred

UNIVERSAL Tyres Ltd has incurred a loss of Rs. 52,018 for 1970, after making provisions of Rs. 5,148 (against Rs. 2,276) for writing off leasehold land and Rs. 18,000 (against Rs. 40,000) for taxation. In view of the loss sustained, the dividend has been skipped. After making adjustments, there is a debit balance of Rs. 60,540 which is proposed to be carried forward, against a debit balance of Rs. 26,400 brought in. The directors say that while the

buildings of the Company's factory have nearly been completed, most of the imported and indigenous machinery have also been received and erected. The erection of machinery having reached the final stage, trial production is to commence shortly. The Company's application for the manufacture of automobile tyre and tubes is still under the consideration of the Government of India.

BLUE STAR

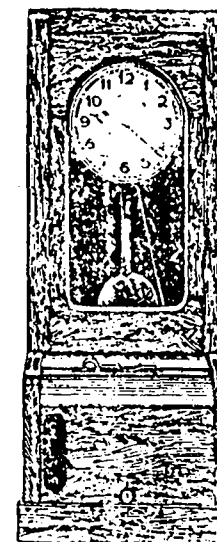
Sales and Profit Rise

BLUE Star has reported considerably improved results for 1970. Sales are up by 19 per cent from Rs. 7.05 crores to Rs. 8.39 crores and the gross profit has increased by 37.5 per cent from Rs. 22.12 lakhs to Rs. 30.38 lakhs. The dividend has been kept unchanged at 12 per cent but since it is payable this time on the increased capital, the total distribution is higher at Rs. 6.79 lakhs (against Rs. 5.23 lakhs). The preference dividend claims Rs. 74,000 (against Rs. 49,000). After providing Rs. 3.88 lakhs (against Rs. 2.94 lakhs) for depreciation, Rs. 78,000 (against Rs. 73,000) for development rebate reserve and Rs. 15.10 lakhs (against Rs. 10.60 lakhs) for taxation, the net profit for 1970 amounts to Rs. 10.62 lakhs, against Rs. 7.86 lakhs in the preceding year. After some adjustments, the disposable surplus comes to Rs. 10.80 lakhs (against Rs. 8.03 lakhs). The equity and preference dividends claim Rs. 7.53 lakhs (against Rs. 5.72 lakhs) and a sum of Rs. 3.26 lakhs (against Rs. 1 lakh) has been transferred to general reserve.

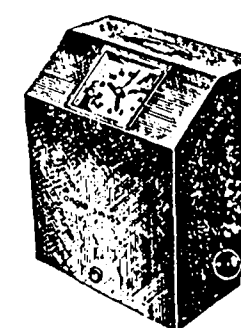
BANK OF BARODA

Merger Scheme

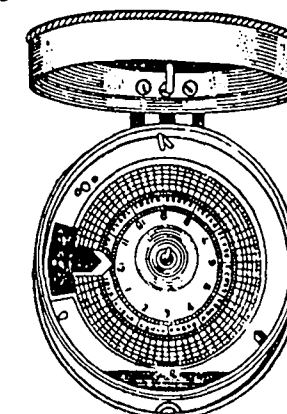
YET another residual banking Company is merging with one of the companies of the Tata group. The Central Bank of India Ltd was the first to announce its scheme of amalgamation with Tata Engineering and Locomotive Company. Now it is the Bank of Baroda Ltd which proposes to merge with Tata Chemicals. A scheme of amalgamation has been approved by the boards of directors of the two Companies and it will be implemented after approval of the members of the two Companies at meetings to be convened under the directions of the High Court. The



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effective date of the proposed scheme is 1st January, 1972.

Under the proposed scheme, a holder of every five shares of the bank will receive (a) nine equity shares of Rs. 10 each of Tata Chemicals, and (b) five 8 per cent debentures of Rs. 100 each of Tata Chemicals (secured by a floating charge and redeemable at par at the end of 12 years). These securities will rank for dividend or interest from 1st January, 1972. Those shareholders of the bank who do not wish to accept the scheme of amalgamation will be entitled to opt for payment in cash at the rate of Rs. 135 a share of the bank on surrendering their shares.

The Bank of Baroda Ltd received from the Government a sum of Rs. 8.40 crores by way of compensation consequent on bank nationalisation. On amalgamation, these funds will be made available to Tata Chemicals and will be utilised to finance its expansion plans. The management of Tata Chemicals expects to earn a "reasonable return" on the funds available to it in a manner which would be to the mutual benefit of its existing and new shareholders and which would provide for good prospects for growth in the value of their investment.

BLUNDELL EOMITE

First Interim Dividend

THE directors of Blundell Eomite Paints have declared an interim dividend of 4 per cent for the year ending June 1971, against the previous year's single distribution of 10 per cent. This is for the first time that the Company has declared an interim dividend. The Company's operating results for the first six months of the current year—July to December 1970—have been encouraging. Sales are higher at Rs. 1.79 crores, against Rs. 1.49 crores during the same period of 1969-70. The gross profit has risen from Rs. 9.35 lakhs in July-December 1969 to Rs. 13.39 lakhs in July-December 1970. The profit for the full year ended June 1970 was Rs. 14.30 lakhs. Sales during the third quarter of the current year (January-March 1971) have not shown any comparable increase but the management expects the full year's trading results to be satisfactory.

The Company has developed a specialised anti-corrosive paint which has been used in the entire paint work, including sandblasting and "epoxy" lining of the interior, of the refueller purchased by the Indian Oil Company for Air-India's jumbo jet. The Company has also evolved a special acrylic emulsion suitable for exterior and interior use under Indian climatic conditions. The Company has recently executed an export order from Russia for 300,000 litres of synthetic enamel. Exports during the current year (1971) are expected to be of the order of Rs. 20 lakhs of which goods worth Rs. 18 lakhs would be shipped to Russia.

CHEMO-PHARMA

Dividend Repeated

CHEMO-PHARMA has maintained the dividend for 1970 at 12 per cent. The preliminary figures released by the Company show a small decline in gross profit from Rs. 10.93 lakhs to Rs. 10.33 lakhs despite a rise in sales from Rs. 1.07 crores to Rs. 1.16 crores. Margins are stated to have been eroded by the adverse impact of the Drug Price Control Order. After providing Rs. 3.32 lakhs (against Rs. 2.59 lakhs) for depreciation, Rs. 3.26 lakhs (against Rs. 2 lakhs) for taxation and making some adjustments, the surplus is placed at Rs. 3.06 lakhs, against Rs. 6.28 lakhs in the previous year.

The Company has taken the expansion work in hand for its fine chemicals project which is expected to go into operation by early 1972. The Company is also diversifying its activities. It has received a licence for manufacturing urea formaldehyde moulding powder, melamine formaldehyde moulding powder and industrial resins. This project also is expected to go on stream by early next year.

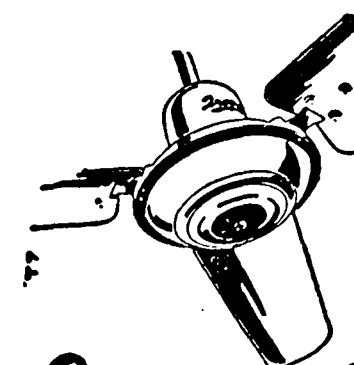
GLOBE AUTO

Results Improve

GLOBE Auto Electricals has reported improved results for 1970. Sales have risen by 25.5 per cent from Rs. 1.06 crores to Rs. 1.33 crores and the gross profit has increased by 14.4 per cent from Rs. 5.62 lakhs to Rs.

6.43 lakhs. The dividend has been maintained at 6 per cent. After providing Rs. 2.11 lakhs (against Rs. 1.98 lakhs) for depreciation and Rs. 61,000 (against Rs. 28,000) for development rebate reserve, the net profit amounts to Rs. 3.70 lakhs, against Rs. 3.36 lakhs in the preceding year.

Briefing newsmen on the Company's working, the managing director, Mr. Ratilal Zatakia, stated that the results would have been still better if the Company was not required to pay and provide for additional bonus for 1968 and 1969 amounting to Rs. 1.49 lakhs. Sales and profits in the current year are expected to show a substantial improvement. The Company is busy diversifying the range of its products to meet the increasing needs of tractors, trucks, jeeps, cars and scooters. It has received a licence to double its production capacity. The expansion programme will be financed by internal resources. The Company's sales are expected to increase progressively to reach the Rs. 5-crore mark by 1975.



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COMMODITIES

Demand for a Rise in Carpet-backing Cloth Prices Turned Down

THE Government of India has reportedly turned down the jute industry's request for permission to raise the price of carpet-backing cloth by Rs. 300 a tonne, in line with the prevailing market trend, and a further cut in the existing export duties. The recent two-day talks between the representatives of the industry and senior officers of the Central Ministry of Foreign Trade in New Delhi failed to arrive at a consensus on the issues. But the occasion was reportedly utilised by either side for a free exchange of views, following the developments in East Bengal which are stalling industrial production and export shipments and have caused a sharp rise in the prices of jute goods in the Calcutta market. The Jute Commissioner is said to have expressed the view that the authorities should forthwith assume powers under the Essential Commodities Control Order and force the industry not only to raise the production of jute goods but also to sell them at fair prices.

Curbing Speculative Excesses

Informed sources say that the East India Jute and Hessian Exchange Ltd and the Forward Markets Commission have been keeping a constant watch on the situation. In order to curb speculative excesses, records of T.S.D. and N.T.S.D. contracts are being scrutinised by competent officials at the instance of the authorities concerned. A rough assessment of the situation has revealed that the present stalemate in East Bengal may create a substantial shortage of jute goods in the world market. According to knowledgeable circles, both the Central Government and the industry have deemed it imperative to raise the output of the end-products to the optimum levels to bridge the demand-supply gap in relation to jute goods in the world market during the temporary absence of East Bengal from the scene. The Government has reportedly been asking all the units in the industry to work three shifts for seven days a week, assuring them of an additional supply of raw jute to help increase production.

The Government has also reportedly rejected the industry's plea for permitting the full play of the normal market forces of demand and supply

in determining the prices of end-products which can help the industry in augmenting the country's foreign exchange earnings. The industry had sought the prior approval of the authorities to raise the prices of carpet-backing cloth in terms of an earlier understanding. Spokesmen of the industry, it is said, have not accepted the Government's view that the best way to protect jute goods from the growing competition from synthetics is not to raise the prices but to regain the markets India had lost to Pakistan.

Representatives of the industry reportedly contended that overseas importers had already been offering a premium of more than Rs. 360 a tonne "under the table", because of the growing pressure of demand. If the premium was not mopped up in the normal way, they contended, the scramble for jute-based backing might cause an inevitable rise in the price of the product. But official circles were reportedly of the view that a rise in the price of gunnies would cause a long-term harm to jute goods in the world market.

No Rush of Enquiries

Contrary to earlier expectations, there has been no rush of enquiries from overseas buyers for jute goods since the continuation of the military offensive in East Bengal for well over five weeks now. Informed sources say that the additional offtake has more or less been of a routine covering nature, confined to ready and near-delivery goods, representing a partial replacement of February-April delivery goods for which orders had been pending with the industry in East Bengal when the war commenced. The additional overseas business which has spilled over so far to Calcutta, has been estimated at around 10,000 tonnes, mostly from the U.K., Argentina, Syria and East Africa. The U.S.A. has reportedly been conspicuous by its absence despite the lean possibility of the resumption of jute goods production in East Bengal. The failure of the U.S. loaders in delivering relief supplies of foodgrains in Chittagong and Chalna ports in East Bengal discounted the recent statements made by Radio Pakistan that industrial establishments and ports in East Bengal had been functioning normally.

Considering the present stock and booking position of the Indian industry and also the limitations on the availability of raw jute during the next three months, there appears little possibility of raising the production of jute goods to an appreciable extent during the last quarter of the jute season. Hence any large-scale overseas enquiries or buying on an extended delivery schedules is sure to be followed by a hectic scramble for the end-products, beginning in its wake a sharp rise in prices and indirectly offering a shot in the arm of the synthetic substitutes industry.

Use of Synthetic Packaging

It has been said that the users of conventional burlap packaging materials are now able to switch over to synthetic packaging at a very short notice. Burlap prices in the New York market are being quoted at more than 17 cents a yard for the 40oz. 10in. product. Considering that precious little will be available for April-delivery positions, overseas buyers appear to have diverted their attention to May-June positions. There has virtually been no buying or enquiries in further forward positions. It is felt that the consumers of jute goods will stick to a pattern of hand-to-mouth consumption from India strictly for replacement purposes until a precise idea is available relating to the outcome of the prevailing conflict in East Bengal. It will mean a heavy pressure of demand on ready goods in the Calcutta market.

Gunnies Close Steady

After opening on a subdued note on reports of official efforts to increase the production of hessian by some 25 per cent and sacking by 12 per cent over their respective February levels, by resorting to multiple shift working, the Calcutta gunny market went on losing fresh ground gradually during the past week. The general absence of worthwhile enquiries from overseas countries, combined with the blunt refusal of the authorities to allow an increase in the price of carpet-backing cloth, proved to be the major deterrent. Reports of drastic curbs on speculative activities, coupled with the rigorous scrutiny of official records by competent persons deputed by the authorities, and the shrinkage in the availability of credit unnerved the bulls. They emerged as keen sellers of their long positions in an unwilling market, causing the prices of both hessian and sacking to suffer appreciable losses from day to day. Even the bullish impact of few enquiries for

sacking from the Middle East and scattered business for May-June positions was offset by the prospect of devaluation of the Pakistani rupee. The gradual clearance of the market load and the elimination of weaker bulls, however, paved the way for the emergence of more stable conditions at the lower levels. The closing prices indicated signs of a minor recovery over the dips touched during the week, mainly due to end-April short and shipper-covering. Mills continued to be cautious, desisting from extending their commitments, mainly because of the prevailing uncertainties. Turn-

over was moderate to fair. The closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	May	June	June-Sept.
40in. 7½oz.	75.50	74.50	71.50
40in. 8oz.	81.00	—	—
40in. 10oz.	96.50	95.00	92.50
B Twills	267.50	268.50	269.50
Heavy Cees	267.50	268.50	269.50
Cornsacks	—	—	—
A Twills (U.S.)	326.00	328.00	332.00
Liverpools	314.00	314.00	310.00

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AJIT SINGH

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The raw jute market suffered a further reaction during the past week with the waning of interest from mills and mill agents. The comfortable inventories position of mills and reports of brisk arrival of raw jute from East Bengal to India induced optimism among the mills relating to the staving off the apprehended fibre famine during the last phase of the current season and the first lap of the ensuing jute season to commence from July. The alternate spells of sunshine and well-spread nor'westers all over the Indo-Gangetic plain in West Bengal and also in north Bengal, Assam, Bihar and Tripura also created hopes of an early arrival of sizable lots of the new crop much sooner than expected. The vigorous drive to stimulate an extensive coverage under fibre and the timely supply of additional inputs right at the farmers' doors also produced a soothing effect on sentiment. It was believed that the next jute crop would exceed 8 million bales, against the estimated current season's yield of some 6.2 million bales. Taking note of the present trend of releases from the residual holders in and across West Bengal, industry circles hoped that the season's carryover would be much higher than the quantum brought forward this season. So, some intermediaries, operating on an extensive scale on the long border line of West Bengal, evinced a keenness to book more business for ready and forward positions from the mills and mill agents even at slightly lower prices. But the other side showed little interest in the offers with the result that prices reacted, losing some 50 paise a maund over the preceding week-end levels in ready delivery fibre. Turnover was small. The closing undertone was hesitant.

Latest available quotations (in rupees) were as follows:

	May-June		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	166.11	158.07	59.00
Northern Jute	160.75	152.72	57.00
Western Desal Jute	152.72	144.68	54.00
Selected Daissee	170.13	162.09	60.50
Assam-Agartala Tossa	171.47	163.43	61.00
Mesta :			
Assam Mesta	154.06	146.02	54.50
Selected Daissee Murshidabad	148.70	140.66	52.50
Bihar Dist.	142.00	133.96	50.00

COMPANY MEETING:



THE VIJAYA BANK LTD.

Regd. Office } MANGALORE

BANGALORE { Admn. Office

Statement by the Chairman Shri Mulki Sunder Ram Shetty

The following is the statement given by the Chairman of the Vijaya Bank Ltd at the 39th Annual General meeting of the share-holders of the Bank held at Mangalore on April 30, 1971 :



Shri Mulki Sunder Ram Shetty

Friends,

"It is a pleasure and privilege for me to-day to welcome you to the 39th Annual General meeting of the Bank. We have added pleasure in meeting in the wake of our successful performance in the last year marked by an unprecedented growth in deposits and profits.

Although it is beyond me to prophesy the shape of things to come, we have every hope of keeping up the momentum of progress that we have now achieved. I take it that you have already read the Balance Sheet and Profit & Loss Account.

General Economy in 1970

Yet another year has been left behind, a year marked by uncertain conditions in the political and economic fields.

True, there was some economic revival consequent on increased agricultural production, but industrial production suffered. Shortage of raw materials like cotton and steel led to under-utilisation of the industrial capacity. Rise in the price level due to continued inflation kept up the cost of living. Political, economic and social unrest checked industrial activities in more than one state.

Although the year left behind was such, the banking industry continued to attract considerable public attention throughout the period, the role of bankers having assumed a larger dimension in recent years.

Banking System

In current thinking banking has been assigned a major responsibility for economic development. The mobilising of the community's savings is the traditional function of a bank. The channelling of such savings into selected priority sectors seeking development has now become the compelling function of banks in society.

Banks, both in the public as well as the private sector, have generally done well in the year 1970. The total deposits for all banks have reached Rs. 5,675 crores and the total advances Rs. 4,428 crores as on the last Friday of December 1970. The average growth of deposits of the year was 16.4% as against 15.02% in 1969. The credit expansion was higher at 22.5% against 19% in 1969.

Branches of commercial banks crossed the 10,000 mark in 1970. At the end of the year, the number of offices of commercial banks was 11,184. Branch expansion touched a new high. Over 2,000 branches were opened by all the banks in 1970 as against 1,369 in the previous year. The average population served by a branch office in the country has declined to 52,000 in 1970 from 70,000 in 1968.

Demand for credit was on the increase. Deposit mobilisation being the only check against excessive demand for credit, banks were faced with the challenging task of mobilising further deposits. In banking, as a service industry, the marketing concept has come to stay. Based on psychological approaches to the needs of the community, new techniques are being developed for accelerating deposit growth. Financing of the neglected sectors in the economy has come to be accepted by banks as an obligation and challenge.

The Reserve Bank kept up its helpful attitude and keen interest in the supervision and control of all banks.

Our Bank's Progress

We may take pride in our achievement when we see that notwithstanding

ing unsettled conditions in the country the progress of our Bank has been phenomenal in 1970, our deposit growth being 47% as against the average increase of 16.4% for all the banks in the country. The increase in our deposits in the year 1969 was 42%. Deposits which stood at Rs. 18.71 crores at the end of the year 1969 increased to Rs. 27.52 crores as on 31-12-1970. Our advances rose from Rs. 13.01 crores in 1969 to Rs. 17.54 crores in 1970.

The credit deposit ratio of the Bank was on an average, 70.1% throughout the year. The advances to priority sectors like agriculture and small scale industries were well maintained. At the close of the year, our advance to agriculture was 12% and to small scale industries 19% of the total advances.

Our gross earnings for 1970 were Rs. 201.97 lakhs as against Rs. 142.52 lakhs in 1969. In spite of the payment of an additional wage bill of Rs. 6.14 lakhs to our staff consequent on the bipartite settlement, our net profit increased to Rs. 8.49 lakhs for 1970 from Rs. 4.60 lakhs for 1969. As a result, we have been able to step up our rate of dividend to 10% (subject to tax), for the year 1970 with the consent of the Reserve Bank of India.

We shifted our Administrative Office to Bangalore in November 1969. Behind that simple statement lies a great achievement. In May last, we gave you the assurance that with our changed set-up and shifting to Bangalore, we might forge ahead in a big way. We are happy, that we have kept up our promise.

In 1970 we opened 12 branches at Ardi, Belgaum, Kalladka, Kukundoor, Mandarthi, Jeppu-Mangalore, Mani, Moodabettu, Nada, Poona, Sawoor and New Delhi. More branches were opened in the rural areas. The total number of branches stood at 126 on December 31, 1970.

Increase of Capital

To strengthen the capital base in line with the growth in deposits, we released in 1970 further shares of Rs. 20 lakhs for public subscription. Our shares were highly oversubscribed. We are thankful for the immense support we have had from you in this direc-

tion. Almost the entire Authorised Capital of Rs. 50 lakhs has been subscribed and our Paid-up Capital now stands at Rs. 43.84 lakhs.

Outlook in the Current Year

The Banking Commission has not yet submitted its report. Changes both structural and functional may follow the publication of the long awaited report of the Commission. The situation has yet to settle down to a pattern.

The big banks after nationalisation offer greater competition to the private sector banks. A branch of a public sector bank is found in most parts of the country. With larger resources they are in a better position than the smaller banks to serve the public. In such circumstances the progress that our Bank has made in 1970 is remarkable. To keep it up is our problem. We have an uphill task.

The structure of interest rates has an important bearing on the gross income. Since January 1971, the bank rate has been increased to 6% with consequential rise in the deposit rates. A larger portion of our total deposits is being held in interest bearing deposit accounts and so higher interest will have to be paid in 1971. Just as gross income is influenced considerably by the level of interest rates, the gross expenditure is mainly dependent on the trend of the wage bill. The continuing wage price spiral may increase our outgoings and be a constant threat of erosion into our profits for 1971.

Staff and Training

The number of employees has increased from 1160 in December 1969 to about 1462 in December 1970. We had given out in our previous statements that the training of our staff has been engaging our attention. The shortage of trained personnel is a problem common to all banks. Most banks have their own training establishments. We have also started a Staff Training Institute from October 1970, with an ambitious programme of making this Institute an organisation not only for staff training but also for management studies and research in due course. In addition, as in the previous years, we are deputing our officers to

the Reserve Bank Training College for the various courses.

We have also made provision towards staff gratuity liability on a scientific basis. The present actuarial value of such liability has been determined and it has been decided to spread it over a period of five years. As a first step, the existing provision has been increased from Rs. 2 lakhs to Rs. 3,63,646 for the year 1970.

Board of Directors

At the last meeting of the Shareholders held on 23rd May, 1970, Shri K. P. Madhavan Nair ceased to be a Director. Shri D. Veerendra Hegde resigned from the Board on 20-7-1970. We have at present 10 Directors on the Board.

I must mention here the unfailing goodwill and co-operation that I have had from my colleagues on the Board. To every one of them and to the members of the Local Advisory Committees, I am thankful for their valuable guidance.

Our Thanks

On my behalf and on behalf of the Directors, I record here my thanks to every member of the staff for his hard work and devotion to duty in the cause of the Bank's progress. I urge upon them to continue to do their best in the years ahead. The loyalty of our staff is our real strength.

My thanks are due to the Secretary, the Special Officer, the Deputy Secretaries and other senior officers of the Bank for the understanding and co-operation with which they have carried on the work throughout the year.

Finally, let me offer my sincere thanks to you as shareholders, to our depositors and other esteemed customers for the confidence reposed in me and my colleagues on the Board and for the continued goodwill and co-operation.

Your support is our strength.

Thank you.

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

GOODYEAR INDIA LIMITED

Address of the Managing Director, Mr. Parks Chrestman, to the Shareholders

Welcome to our Tenth Annual General Meeting. Mr. R. E. O. Carey, your retiring Managing Director, who has addressed all the previous annual general meetings of this company, is greatly missed today.

Mr. Carey during his thirty years with Goodyear in India, made an impressive and admirable contribution to the development of the tyre and rubber industry in this country. As Managing Director of your company, Mr. Carey was singularly responsible for the establishment of our first tyre factory in India in 1961. From this beginning of 750 tyres per day, we have, in ten years, under his able leadership, completed construction of a second auto tyre factory, raising capacity to over 2000 tyres per day, and a bicycle tyre and tube factory. On behalf of you all, my colleagues in Goodyear, and on my own personal behalf, I would like to voice our thanks and appreciation to Mr. Carey for his contribution to our company's progress and wish him a very happy retired life.

Review of 1970

I take this opportunity to thank our shareholders, customers and employees for their support during this past difficult year.

You will share our disappointment in the 1970 results. Sales dropped 12% below 1969 levels due to the loss of production of tyres and tubes at Ballabgarh. From May until October we experienced a persisting labour agitation and lack of co-operation at Ballabgarh, which resulted in reduced production of tyres and tubes, and also sizeable scrap waste. This loss of production and waste expense had a drastic downward drain on our profits. Just as labour efficiency picked up, Ballabgarh production was curtailed by power cuts, upto 30%. With this limited production of tyres and tubes during 1970, our dealer and fleet account customers had to be disappointed and priority of distribution was given to

our export customers and the car, truck and tractor manufacturers.

Our export sales achievement was encouraging in 1970—export sales totalling Rs. 74 lacs compared to Rs. 49 lacs in 1969.

Another item of interest to you was the declaration of an interim divi-



Mr. Parks Chrestman

dend of Rs. 3/- per equity share in October last year, and a proposed final dividend of Rs. 1.75 per share for approval at this meeting. A proposal to issue bonus shares at the ratio of 1:1 is also being placed before this meeting for your approval. Your Directors have proposed this distribution and capitalization of Reserves as the company's current plans do not call for major outlays in the near future, during which time our major expansions of auto and bike tyre production facilities will provide additional ability to generate capital.

Tyre Expansion

All machinery for our major expansion programme of a second automotive tyre plant and the two million units bicycle tyre plant is on site. The delays in installing and commissioning this equipment have been primarily created by difficulties

in procuring electrical components and other major service facilities from local manufacturers. Unfortunately, delivery promises were not met and these integral components have kept us from meeting our April target to commission these two factories. We do not now expect to commence production in both the bicycle tyre plant and the second automotive tyre plant until the middle of this year. This delay has also affected our profitability. Even though we have made a large capital investment, we have had no productive return from this as yet.

Last year we told you of our plans to install facilities for the manufacture of aero tyres at Ballabgarh. We have received our capital goods import licence for the necessary equipment, but there are certain formalities and procedures contained in this licence that have yet to be mutually resolved with Government authorities.

1971 Outlook

The power cuts created by shortage of water at Bhakra Dam are still with us in Haryana. If this power problem can be resolved soon and with labour's co-operation, 1971 can still be a year of record tyre and tube production and sales for Goodyear India. From July we should nearly double our passenger, truck and tractor tyre output, introduce a line of scooter tyres and double our earth-mover tyre capacity. In addition, we will inaugurate our own bicycle tyre and tube production, continuing to supply the cycle trade with our popular Road King Deluxe Special and Rickshaw Road Lug tyres.

However, the profit outlook for 1971 is not as bright as the sales outlook. We have heavy interest expenses created by loans taken from ICICI and AID to finance our expansions, and we have to meet first year depreciation charges for the new equipment poised for production. Raw

material prices and manufacturing conversion costs continue to rise. Tyre prices are static. You can be assured that your management is constantly endeavouring to give our customers the best in product value and you, our shareholders, a satisfactory return on your investment.

Tyre Industry

Towards the end of 1970, you may have experienced or heard of certain tyre shortages. The only shortage of consequence in today's tyre market is truck tyres of nylon construction. Indian truck operators and road haulers are well aware today of the superiority of nylon tyres for longer and cooler running plus greater carcass strength, allowing for more retreads. The raw material for nylon tyre cord must be imported and the present imports permitted are just not enough to meet the needs and demands of truckers today. Early indigenous production at reasonable prices, or more imports of nylon, are promptly required.

In addition to more nylon supplies, we recommend that the excise surcharge on truck tyres be dropped, as another boost to the trucking industry. This 20% surcharge on 40% excise tax adds about 8% to tyre prices. This surcharge was introduced as an emergency measure in 1962, and today could be sacrificed in view of the growing production of truck tyres and thereby the greater overall excise duties paid. The trucking industry is so very highly taxed—vehicle taxes, octrois, fuel taxes, licences—and needs relief. Transportation is such a vital and essential part of the economic development of rural and urban India. Such proposed tax relief will be a welcome encouragement to the road transport industry, an industry capable of immediate growth, thereby offering the new employment opportunities that are so necessary for the country.

Technology

Another necessity for the growth and development of the road transport industry is the continuity of access to overseas tyre technology and technical know-how. The flow and availability of this technology cannot be spasmodic or tendered in time-barred packages. The industry is dependent on day-to-day support

and assistance embracing not only new products or designs, but a steady flow of drawings, formulas, specifications and the services of experts for reaching and maintaining acceptable standards of the products already on the market. There is an absolute need to have access to the mammoth research and development and testing facilities of the USA and Europe. Local facilities have made notable progress recently and though impressive, they cannot supplant overseas technology. Our tyre industry must utilise both local and overseas technology to provide the best in product for local service conditions and to improve on this product as local conditions demand. And most importantly, this technological flow is essential if we are to hold and expand export markets.

Our company here is justly proud of its association with the Goodyear Tire & Rubber Company, USA, and we benefit daily by the continued guidance and knowledge available to us from them. For your interest, the Goodyear Tire & Rubber Company has made some impressive advances in recent years in other parts of the world—the widely adopted Polyglas tyre (a bias belted combination of polyester and fibre glass), new fabric radials, both passenger and truck, earthmover tyres of incredible size and weight—10 feet tall and weighing 2½ tons—and the latest Goodyear 'first', the first tyres to go to the moon. I am emphasizing our association with this world leading company to recount how beneficial it is that such links of Indian industries with such overseas associates be maintained.

Conclusion

By developing this industrial base, the country can accomplish its objectives to eradicate poverty and reduce unemployment. All India must be proud—as the rest of the world is impressed—with the peaceful conduct and the high percentage of voting in the recent national elections. A nation so willing and determined to speak and maintain its democratic voice will find the ways and means to meet its objectives. Goodyear-India looks forward to participating and contributing to this industrial and economic progress.

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

BOOKS RECEIVED

Administrative Strategy and Decision Making. By C. T. Hardwick and B. F. Landuyt. (Published by D. B. Taraporevala Sons and Co. Private Ltd, 210, Dr. Dadabhai Naoroji Road, Bombay 1. Price Rs. 13.50, pages 642.)

Management for the Smaller Company. Edited by Elizabeth Marting. (Published by Taraporevala Sons and Co. Private Ltd., Bombay 1. Price Rs. 7.20, pages 399.)

Organising Your Job in Management. By Carl Heyel. (Published by D. B. Taraporevala and Sons Company Private Ltd., Bombay 1. Price Rs. 5.25, pages 208.)

Practical Business Planning. By Charles E. St. Thomas. (Published by D. B. Taraporevala and Sons Company Private Ltd., Bombay 1. Price Rs. 6, pages 139.)

New Products New Profits. (Published by D. B. Taraporevala Sons and Co. Private Ltd., Bombay 1. Price Rs. 7.20, pages 303.)

The Selection Process. By Milton M. Mandell. (Published by D. B. Taraporevala Sons and Co. Private Ltd., Bombay 1. Price Rs. 12, pages 512.)

Strike of Supervisory Staff in the State Bank of India. By Ishwar Dayal and Baldev R. Sharma. (Published by Progressive Corporation Private Ltd., Jehangir Wadia Building, 51 Mahatma Gandhi Road, Bombay 1. Price Rs. 10, pages 110.)

Management Gap in a Developing Economy. By Dr. M. S. Gosavi. (Published by Progressive Corporation Private Ltd., Bombay. Price Rs. 16, pages 140.)

Managerial Class of India. By Professor V. Subramaniam. (Published by All India Management Association, 29 Nizamuddin East, New Delhi 13. Price Rs. 10, pages 90.)

Productivity—Special Issue on Maintenance Management and Engineering. (Published by the National Productivity Council, 38 Golf Links, New Delhi 3. Price Rs. 3.)

Inventory Management in India. By R. S. Chadda. (Published by Allied Publishers, 17 Chittaranjan Avenue, Calcutta 13. Price Rs. 15, pages 126.)

COMPANY AND PUBLIC NOTICES

THE GOUREPORE COMPANY, LIMITED

THE Board of Directors of this Company has recommended payment of a Dividend @ 8.75% on the Preference Share Capital of the Company for the years ended 31st December, 1969 and 1970. Payment of any dividend declared at the Annual General Meeting to be held on 26th May, 1971, will be made to those shareholders whose names appear on the Company's Register on the 26th May, 1971 or in accordance with their instructions.

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will remain closed from the 20th to the 26th May, 1971, both days inclusive.

The Gourepore Company, Limited,

S. C. BHANDARI
Director.

2 Fairlie Place,
Calcutta-1, 3rd May, 1971.

THE GANGES ROPE COMPANY, LIMITED

THE Board of Directors of this Company has recommended payment of a Dividend @ Rs. 7.50 per share on the Ordinary Share Capital of the Company for the year ended 31st December, 1970. Payment of any dividend declared at the Annual General Meeting to be held on 26th May, 1971, will be made to those shareholders whose names appear on the Company's Register on the 26th May, 1971 or in accordance with their instructions.

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will remain closed from the 20th to the 26th May, 1971, both days inclusive.

The Ganges Rope Company, Limited,

H. D. WAH
Director.

2, Fairlie Place,
Calcutta-1, 3rd May, 1971.

KUMARDHUBI ENGINEERING WORKS LTD.

NOTICE is hereby given that the Annual General Meeting of the Members of KUMARDHUBI ENGINEERING WORKS LIMITED will be held at the Registered Office, Chartered Bank Buildings, Calcutta, on Monday the 31st May, 1971, at 3.30 P.M. for the following purpose.

1. To consider the Profit and Loss Account of the Company for the year ended 30th November, 1970, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To appoint Directors in the place of retiring Directors.
3. To appoint Auditors and fix their remuneration.

The Registers of Members of the Company will be closed from the 24th May to 31st May, 1971, both days inclusive.

BY ORDER OF THE BOARD
D. N. MITRA
Secretary

Registered Office:
Chartered Bank Buildings,
Calcutta, 29th April, 1971.

Note: A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

TRITON INSURANCE COMPANY LIMITED

NOTICE TO MEMBERS

THE Board of Directors of the Triton Insurance Company Limited hereby give notice that the ANNUAL GENERAL MEETING OF MEMBERS will be held at the Company's Registered Office, 4, Clive Row, Calcutta, on 24th June, 1971 at 12 Noon to receive and consider the Audited Accounts for the year ended 31st December, 1970, the Balance Sheet as at that date, and the Reports of the Board of Directors and the Auditors thereon, to declare a Dividend, to appoint Directors, to appoint Auditors

and to fix their remuneration, and, as special business, to consider and, if thought fit, to pass with or without modification the following resolution which will be proposed as a Special Resolution:—

"That approval be and is hereby accorded to the keeping of the Register of Members, the Index of Members and copies of Annual Returns of the Company prepared under Section 159 of the Companies Act, 1956 together with the copies of certificates and documents required to be annexed thereto under Section 161 of the said Act, with The Behubor Company, Limited, the Registrars and Transfer Agents of the Company, at their office at 4, Clive Row, Calcutta-1".

A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead and such proxy need not be a Member of the Company.

The Register of Members of the Company will be closed from 8th June to 24th June, 1971, both days inclusive, and the dividend, if declared, will be paid on and after 20th July, 1971, to those Members whose names are on the Register of Members on 24th June, 1971.

BY ORDER OF THE BOARD
D. R. JHA
Secretary

4, Clive Row,
Calcutta, 29th April, 1971.

Note: The explanatory statement required to be annexed to the Notice convening the Annual General Meeting pursuant to the provisions of section 173 of the Companies Act, 1956 is being forwarded to the members.

DIVIDENDS DECLARED OR PROPOSED

Ganges Rope Co. Ltd—7½ p.c. (0), subject to tax

Budge Budge Amalgamated Mills Ltd—8 p.c. (0)(f), subject to tax

McLEOD & Co. Ltd—Nil

Syndicate Bank Ltd—10 p.c. (0)(f), making a total of 20 p.c., subject to tax

Sterling General Insurance Co. Ltd—12 p.c. (0), subject to tax

STATISTICS

Stock and Share Prices

The following are the official quotations of the Calcutta, Bombay and Madras Stock Exchanges. Fuller details relating to the accounts of companies are published in the final week's issue of 'Capital' every month.

CALCUTTA

	Dividend per cent		Latest Market Quotations as available until	
	1967	1968	4-5-71	19-4-71
			Rs.	Rs.
BANKS				
Allahabad Bank	13	13	135/00	135/00
Bank of India	20	20	134/50	134/50
Bank of Baroda	17	18	122/00	108/00
Central Bank of India	20	20-8*	71/50	72/00
Chartered Bank	15	15	282½	257½
Hongkong & Shanghai	sh. 10 2/5	sh. 12½	£12½	£12½
Indian Bank	15	15	164/00	164/00
Indian Overseas Bank	11	11	172/00	171/50
National & Grindlays	13½	13-9	338½	314½
Punjab National Bank	22	22	24/62	23/25
United Bank of India	7½	7½-7½*	9/06	8/69
United Commercial	14	14	111/50	111/00
Union Bank of India	12	12	8/52	8/60
COAL				
Amalgamated	12½	7½-10†	7/75	7/75
Bengal	10	12-12*	146/00	149/00
Bokaro & Ramgur	...	...	12/00	12/00
Borrea	Nil	5-15*	12/62	12/62
Burrakur	13	Nil-12*	12/06	12/06
Central Kurkend	...	...	3/44	3/44
East Indian	15	Nil-Nil†	7/00	7/00
Equitable	Nil	Nil-Nil*	4/84	4/84
Karanpura Devt	2	Nil-5*	7/69	7/69
Karanpura Collieries	10	12-20*	11/31	11/31
Katras Jherriah	5	10-10*	10/25	10/25
New Beerbhoom	8	12-12*	14/00	14/50
New Manbhoom	Nil	Nil-Nil*	3/65	3/65
Pench Valley	12½	7½-10†	7/25	7/21
Raneegunge	5	7½-10*	12/62	12/06
Rewa	12½	12½-15*	27/00	27/00
Sendra	3½	3½-7½*	4/31	4/06
South Karanpura	2½	10-20*	12/87	12/81
Standard	Nil	5-10*	7/31	7/81
Union	Nil	Nil	5/00	5/00
Western Bengal	7½	7½-8*	7/12	7/37

JUTE

	Dividend per cent		Latest Market Quotations as available until	
	1967	1968	4-5-71	19-4-71
			Rs.	Rs.
Agarpara	5	5-5*	7/31	7/75
Alexandra	Nil	...	46/00	25/50
Alliance	Nil	...	23/00	15/50
Anglo India	2½	2½-2½*	119/00	122/00
Auckland	Nil	Nil-Nil*	59/00	59/00
Bally	10	10-10*	13/69	14/00
Baranagore	Nil	Nil-Nil*	84/00	80/00
Birla	15	15-15*	23/35	22/40
Budge Budge Amal.	Nil	Nil-Nil*	9/00	9/00
Champadany	Nil	Nil-5*	13/50	13/50
Chitavalash	Nil	Nil	6/90	7/50
Dalhousie	Nil	Nil-Nil*	46/00	49/00
Empire	Nil	Nil	4/44	4/44
Fort William	2½	Nil	10/62	10/62
Ganges	5	Nil-7½*	7/87	8/44
Gourepore	5	5-Nil*	7/31	7/31
Hastings	4	2½-2½*	101/00	101/00
Hooghly	10	10-10*6†	8/50	9/50
Howrah	Nil	Nil-Nil*	6/87	7/50
Hukumchand	Nil	Nil-Nil*	13/12	13/75
India	Nil	3½-5*	7/31	7/50
Kamarhatti	Nil	Nil-Nil*	74/50	74/50
Kanknarran	Nil	Nil-Nil*	30/00	30/00
Kelvin	Nil	Nil	32/00	31/50
Khardah	Nil	Nil-Nil†	4/25	4/25
Kinnison	Nil	Nil	25/50	25/50
Lansdowne	Nil	Nil	24/50	24/50
Lawrance	3	2-Nil*	25/50	25/50
Megna	6	Nil-Nil*	4/31	4/31
National	Nil	10-Nil*†	7/50	7/50
Nellimaria	6	4	8/12	8/31
New Central	...	...	3/94	4/34
Northbrook	10	Nil-10*	12/00	12/12
Nuddea	2½	2½-Nil*	5/75	5/69
Presidency	Nil	...	1/03	1/15
Reliance	Nil	Nil-Nil*	5/69	5/69
Titaghur	Nil	Nil	12/50	12/50
Union	Nil	Nil	45/50	45/50
Waverley	15	15-6*	3/00	3/00
COTTON TEXTILES				
Bharat Commerce	15	15-15*	20/81	19/81
Birla Cotton	10	10-10*	14/50	14/50
Bowreah	17½	17½-17½*	10/00	12/87
Cawnpore Textile	Nil	10-8*	3/25	3/44
Delhi Cloth & Genl	12	6-12*	92/56	89/25
Dunbar	5	Nil-Nil*	9/87	11/00
Elgin	10	10-8*	6/81	6/87
J. K. Cotton	15	5-6*	10/80	11/10
Jaya Shree	5	Nil-Nil*	4/94	5/00
Jagajit	10	...	8/31	8/31
Jiyajerao	10	...	23/00	23/00
Orissa Textiles	Nil	Nil	3/50	3/50
Rampooria	Nil	Nil	3/25	3/25
Swadeshi	2½	5-5*	11/50	11/50

	Dividend per cent		Latest Market Quotations as available until	
	1967	1968	4-5-71	19-4-71
			Rs.	Rs.
ENGINEERING				
Bhartia Electric Steel	2½	Nil-Nil*	7/50	7/50
Binani Metal	12	5	4/84	4/84
Braithwaite India	6	Nil-Nil*	5/12	5/25
Bridge & Roof	10	10-8*	36/19	36/19
Britannia Engineering	Nil	...	1/84	1/78
Blecco Lawrie	17½	10-Nil*	12/00	12/00
Burn (Engineering)	Nil	Nil	62/00	62/00
Calcutta Steel	12½	12½-Nil*	6/06	6/06
Engel India	Nil	...	2/62	2/94
Escorts Ltd	10	13	20/25	20/62
Guest Keen Williams	Nil	Nil-8*	37/30	34/90
Hindusthan Wire	...	...	10/50	10/19
Hooghly Docking	Nil	Nil-Nil*	31/00	31/00
Hope's Metal	Nil	Nil-Nil*	3/37	3/37
Indian Iron & Steel	8½	Nil-5*	11/95	11/95
Indian Standard Wagon	Nil	Nil-Nil*	4/75	4/69
Indian Steel & Wire	24	20-20*	23/50	23/25
Industrial Containers	3	8-12½*	13/56	13/56
Jay Engineering	Nil	8-10*	13/84	14/25
J. K. Steel	10	Nil-Nil*	9/50	9/06
Jessop & Co	12½	Nil-Nil*	6/12	6/56
Kumardhubi Eng	Nil	Nil-Nil*	2/75	3/00
Machinery Mnfgr	Nil	Nil	6/00	6/00
Marshall Sons (India)	8	4-Nil*	1/06	1/06
Saran	10	Nil-6*	9/31	9/31
Sen Raleigh Industries	9	10	8/00	8/00
Simon Carves	7	7	12/37	12/19
Steel Containers	15	20-20*	21/50	20/12
Textile Machinery	Nil	Nil-Nil*	10/65	10/40
Wellman Incandescent	8	8-8*	8/81	8/00
SUGAR BREWERIES				
Balrampur	Nil	8-10*†	3/00	3/00
Belsund	10	13½-13½*	8/81	8/81
Carew	Nil	6-Nil*	5/00	5/00
Cawnpore	Nil	Nil-Nil*	6/22	6/22
Champaran	Nil	15-5*	11/62	11/62
Durbhanga	Nil	10-7½*	4/56	4/69
Ramnugger Cane	8	20-10*	8/06	8/05
Baza Buland	Nil	Nil-Nil*	1/44	1/44
Shree Krishna Gyan	5	6-Nil*	4/00	3/81
United Provinces	10	12½-10*	6/75	6/75
MISCELLANEOUS				
Aluminium Corporation	12	12-10*	15/12	15/00
American Refrigerators	15	10	7/40	7/00
Andrew Yule	...	10-10*	6/19	6/00
Angelo Bros	16	17½-7½*	6/87	6/81
Asiatic Oxygen	Nil	...	3/00	2/87
Assam Match	14	15-17*	22/62	22/62
Associated Battery	15½	16-18*	30/87	29/62
Avery	12	12-13.8*	14/37	14/19
Balmer Lawrie	12	8-8*	62/00	61/50
Baratee Coke	20	20-20*	19/31	17/87
Birds Investments	Nil	Nil-Nil*	2/50	2/50
Britannia Biscuit	20	18-22*	35/19	35/37
British India Crop	Nil	Nil-Nil*	4/06	4/25
British Paints	10	10-12½*	21/44	21/94
Brooke Bond India	...	13½-17½*	28/00	29/00
Clive Row Investment	4	4½-3*6†	6/50	6/50
Dr Paul Lohmann	Nil	Nil-Nil*	3/06	3/06
Duncan Brothers	12	12-12*	116/00	116/00
Dunlop India	17½	17½-20*	39/00	39/40
East Anglia Prastics	6	5-6*4†	4/75	4/50

MISCELLANEOUS—Contd.

	Dividend per cent		Latest Market Quotations as available until	
	1967	1968	4-5-71	19-4-71
			Rs.	Rs.
Eastern Investments	4	4½-9½*	6/75	6/50
Electric Construction	10	10-Nil*	24/94	25/00
English Electric	Nil	Nil-Nil*	17/75	18/06
Fort Gloster Industries	2½	2½	178/00	185/00
French Motor	Nil	Nil-Nil*	14/12	14/12
Ganges Rope	20	15-7½*	150/00	160/00
Gillanders Arbuthnot	12½	12-6*	7/06	7/06
Godfrey Phillips (India)	35	35	55/00	55/00
Goodyear India	15	15-17½*	57/12	56/50
Gramophone Co.	...	15*	21/87	21/87
Gwalior Rayon	16½	17½-17½*	40/25	39/62
Hindustan Aluminium	10	10-10*	39/00	38/44
Hindustan Motors	12½	12½-10*	12/95	13/10
Hindusthan Pillington	Nil	5-8*	8/56	8/56
Hindusthan Sanitary Wares	10	10-10*	15/00	15/06
Hindusthan Wire Pro	...	...	22/75	22/75
India Tobacco	10	11-13*†	16/06	16/69
Inchek Tyres	Nil	Nil-6*Nil†	8/56	8/75
Indian Aluminium	17½	14-14*	38/55	38/00
Indian Cable	15	5-2½*	17/75	17/00
India Carbon	16	16-16*	34/00	32/69
Indian Oxygen	12	12-12*	23/50	23/50
Indian Rubber Mfg.	Nil	Nil-Nil*†	21/00	21/06
Indian Tack & Nail	1½	3-5*	7/06	7/06
Indian Wood Products	9	9-15*	13/12	13/12
J. K. Synthetics	12½	12½-12½*	38/75	38/44
Jardine Henderson	7	4-Nil*	34/00	34/00
Jay Shree Tea & Ind.	11½	10-10*†	18/06	17/00
Kesoram Industries	16	13½-13½*10†	16/50	17/20
Macneill & Barry	5	5-5*	40/00	40/00
Martin Burn	12½	6-10*	7/37	7/25
McLeod & Co.	Nil	Nil	190/00	190/00
Metal Box Co of India	12	9-9*	13/56	13/70
Metal Distributors	...	...	7/94	7/87
Mohan Meakin	17½	9-10*	13/12	13/00
National Insulated Cable	20	5-5*	10/62	10/69
National Pipes & Tubes	10	5-2½*	7/87	7/87
National Rolling & Steel	20	5-2½*	6/12	6/25
National Rubber Mfrs.	12	12-5*	7/50	7/50
National St Duncan	Nil	...	230/00	232/50
National Tobacco	5	8½-9*	12/94	12/87
Phillips Carbon	15	15-15*	18/37	18/81
Phillips India	19	20-23*	40/87	40/75
Rallis India	13	13-13*	139/00	141/00
Rohtas Industries	Nil	Nil-Nil*†	6/10	6/25
S. S. Duncan	15	22½-22½*	42/81	42/31
Shaw Wallace	15	15-15*	24/69	23/50
Stewarts & Lloyds	Nil	Nil-10*	11/94	12/69
Union Carbide	15	15-15*	33/25	33/19
Universal Cable	10	10-10*	17/75	17/53
Usha Martin	Nil	Nil-5*	23/62	22/12
Walford Transport	7½	7½-7½*	0/87	0/81
Woolcombers of India	Nil	3-6*	13/81	13/81
INSURANCE				
Concord of India	15	20-20*	12/87	12/87
Hercules	15	18-21½*	22/12	22/12
Ruby General	12½	12½-12½*	17/44	17/12
Triton	12½	12½-17½*	135/00	135/00
FLOUR MILLS				
Bengal	3	3-4*	13/19	13/12
Hooghly	Nil	Nil-10*	19/75	19/75
United	5	5-5*	21/50	21/50

*1969

†1970

RESERVE BANK

ISSUE DEPARTMENT	(In 000's of Rupees)		
	Week Ended		
	23-4-71	16-4-71	24-4-70
Liabilities—			
Notes in Banking Dept. ...	17,64.83	15,13.21	12,75.63
Notes in Circulation ...	43,43,59.73	43,90,25.21	39,66,06.67
Total Notes Issued ...	43,61,24.56	44,05,38.96	39,78,82.30
Asset—			
A. Gold Coin and Bullion ...	1,82,53.11	1,82,53.11	1,82,53.11
Foreign Securities ...	2,93,42.00	2,88,42.00	3,61,42.00
Total of A ...	4,75,95.11	4,70,95.11	5,43,95.11
B. Rupee Coin ...	47,59.40	46,74.51	62,37.61
Rupee Securities ...	38,37,70.05	38,87,69.34	33,72,49.58
Total ...	43,61,24.56	44,05,38.96	39,78,82.30
BANKING DEPARTMENT			
Liabilities—			
Capital Paid-up ...	5,00.00	5,00.00	5,00.00
Reserve Fund ...	1,50,00.00	1,50,00.00	1,50,00.00
National Agricultural Credit (Long Term Operations) Fund ...	1,72,00.00	1,72,00.00	1,55,00.00
National Agricultural Credit (Stabilisation) Fund ...	37,00.00	37,00.00	35,00.00
National Industrial Credit (Long Term Operations) Fund ...	95,00.00	95,00.00	75,00.00
Deposits—			
(a) 1. Central Govt. ...	3,08,41.21	3,32,01.32	1,66,10.76
2. State Govts. ...	3,11.66	2,71.62	5,11.84
(b) Banks—			
(i) Scheduled Banks ...	1,91,02.0	1,90,38.10	1,67,91.82
(ii) State Co-operative Banks ...	9,91.68	12,80.14	7,07.99
(iii) Non Scheduled State Co-operative Banks ...	79.35	76.02	61.85
(iv) Other Banks ...	33.89	52.22	21.24
(c) Others ...	80,42.54	84,36.33	1,63,10.30
Bills Payable ...	54,82.21	46,65.48	45,97.47
Other Liabilities ...	1,62,09.74	1,53,77.99	1,36,55.70
Total ...	12,69,94.29	12,82,99.22	11,12,68.97
Assets—			
Notes ...	17,64.83	15,13.21	12,75.63
Rupee Coin ...	3.87	3.04	4.69
Small Coin ...	3.51	3.33	15.08
Bills Purchased and Discounted:—			
(a) Internal ...	12,80.02	12,13.79	...
(b) External ...	...	...	...
(c) Govt. Treasury Bills ...	14,66.41	6,19.05	60,67.65
Balances held abroad ...	73,91.00	79,15.59	1,38,83.55
Investments	1,05,89.98	1,02,97.57	1,32,81.58
Loans and Advances to:—			
(i) Central Government ...	4,42,45.37	4,26,99.29	1,82,74.38
(ii) State Governments ...	...	...	...
Loans and Advances to:—			
(i) Scheduled Banks ...	1,95,84.05	2,23,99.55	2,36,45.15
(ii) State Co-operative Banks ...	2,46,37.56	2,54,74.67	2,29,69.50
(iii) Others ...	7,40.53	8,40.08	2,61.32
Loans, Advances and Investments from			
National Agricultural Credit (Long Term Operations) Fund			
(a) Loans and Advances to:—			
(i) State Govts. ...	41,90.70	41,90.97	33,86.02
(ii) State Co-operative Banks ...	19,42.45	19,77.96	15,15.29
(iii) Central Land Mortgage Banks ...	...	...	...
(b) Investment in Central Land Mortgage Bank Debentures ...	9,59.42	9,59.42	9,49.70
Loans and Advances to State Co-operative Banks ...	...	...	...
Loans, Advances and Investments from	4,04.54	4,12.24	4,77.54
National Industrial Credit (Long Term Operational) Fund ...	29,83.71	29,83.71	6,26.71
(a) Loans and Advances to the Development Bank ...	48,06.34	47,95.75	46,45.18
Other Assets ...	...	...	...
Total ...	12,69,94.29	12,82,99.22	11,12,68.97

SCHEDULED BANKS

	(In 000's of Rupees)		
	Week Ended		
	23-4-71	16-4-71	24-4-70
(i) Demand Liabilities—			
(a) Demand Deposits: ...			
(1) From Banks ...	1,67,17.00	1,71,90.00	1,46,54.00
(2) From others ...	26,91,80.00	26,72,28.00	22,88,84.00
(b) Borrowings from Banks ...	36,29.00	38,37.00	31,29.00
(c) Others ...	1,56,86.00	1,55,81.00	1,45,46.00
(ii) Time Liabilities—			
(a) Time Deposits: ...			
(1) From Banks ...	1,06,28.00	1,06,21.00	1,00,65.00
(2) From others ...	34,09,91.00	34,07,85.00	29,12,36.00
(b) Borrowings from Banks ...	12,04.00	11,99.00	6,15.00
(c) Others ...	43,70.00	44,88.00	29,79.00
(iii) Borrowing from State Bank—			
(a) Demand Liabilities ...	21,35.00	26,90.00	34,18.00
(b) Time Liabilities ...	65,39.00	64,82.00	63,89.00
(iv) Borrowings from Reserve Bank ...	4,66,90.00	5,05,79.00	4,78,61.00
(v) Cash ...	1,68,55.00	1,69,00.00	1,45,77.00
(vi) Balances with Reserve Bank ...	1,98,74.00	2,10,57.00	1,72,18.00
(vii) Balances with other banks in current account ...	78,22.00	77,23.00	60,86.00
(viii) Money at call and short notice ...	44,34.00	46,12.00	62,18.00
(ix) Investments in Central and State Govt. Securities ...	14,28,01.00	14,14,62.00	12,13,21.00
(x) (a) Loans, Cash Credits and Overdrafts ...	38,43,27.00	38,61,98.00	34,64,32.00
(b) Due from banks ...	4,41,99.00	4,49,08.00	4,04,37.00
(xi) Inland Bills purchased and discounted ...	7,66,06.00	7,60,76.00	4,85,80.00
(xii) Foreign bills purchased and discounted ...	2,06,46.00	2,09,95.00	1,90,33.00
(xiii) Total of X, XI and XII ...	52,57,78.00	52,81,77.00	45,44,82.00

INDEX OF INDUSTRIAL PRODUCTION

Seasonally unadjusted
(Base year 1960=100)

	1970	1969	1968
January ...	186.6	179.3	159.4
February ...	175.3	163.3	162.2
March ...	187.2	175.4	162.6
April ...	181.6	169.5	150.8
May ...	176.7	165.6	153.8
June ...	179.1	169.6	158.1
July ...	178.5	175.1	165.0
August ...	174.3	169.7	162.1
September ...	178.2	172.0	159.5
October ...	177.7	171.1	159.4
November ...	...	171.4	166.7
December ...	...	187.6	173.3
Annual Average ..	...	172.5	161.1

EARN

7 1/4%

ON 5-YEAR POST OFFICE TIME DEPOSITS

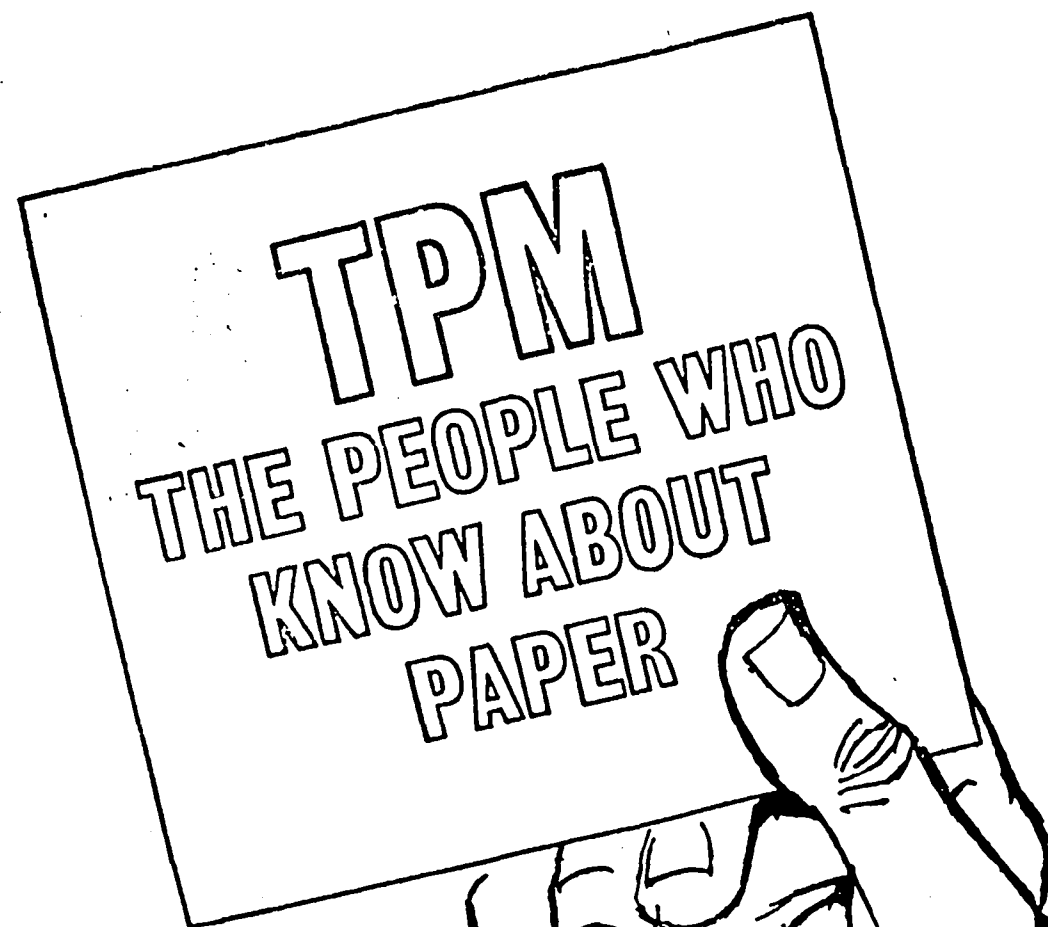
3 YEAR DEPOSITS 7% 1 YEAR DEPOSITS 6%

Interest up to Rs.3000 in a year including interest on other taxable securities and deposits is **FREE OF INCOME-TAX.**

ASK YOUR POST OFFICE FOR DETAILS

NATIONAL SAVINGS ORGANIZATION

davp 70/661



Established 88 years ago, The Titaghur Paper Mills Company Limited are pioneers amongst India's manufacturers of papers and Boards. TPM have maintained the lead through constant research and introducing new manufacturing processes. TPM are presently making special papers of different varieties thus substituting certain imported grades. TPM know more about the problems of the market and therefore know more about the demands for specialised papers and boards—and how to meet them.



THE TITAGHUR PAPER
MILLS COMPANY LIMITED
Chartered Bank Buildings
Calcutta-1



A BIRD-HEILGERS
ENTERPRISE

CAPITAL

**ECONOMICS
INDUSTRY
MANAGEMENT
PUBLIC AFFAIRS**

Budget Hopes and Fears

Dollar in the Doldrums

Profit-oriented Management Objectives

Tasks for the Steel Minister

State Bank's Role in Export Financing

Price Rs. 1.50

18th May, 1971

our identity gap

The Price of Diversification

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Budget Hopes and Fears

THE long-awaited Central Budget, which is due to be presented to Parliament on 28th May, has created not a little anxiety and anguish in market circles, but unlike in previous years when there was a lot of crystal-gazing about the budgetary imposts, there has been little talk in recent weeks about how the Central Finance Minister, Mr. Y. B. Chavan, will do his rope-tricks in order to achieve what is flamboyantly called "growth with social justice". The new guidelines before the Government of Mrs. Indira Gandhi, such as the eradication of poverty, launching of a crash programme for employment, holding the price line and raising the level of industrial production and giving a boost to industrial growth have been endlessly debated in recent weeks. But strangely enough, in the weeks immediately preceding the presentation of the Central Budget to Parliament, neither the stock nor the commodity markets have been excessively jittery on wild budgetary rumours. As it is, operators are not indulging in unnecessary kite flying as they usually do in the weeks immediately preceding the Budget.

It will be a travesty of truth to say that Mr. Chavan's forthcoming Central Budget for 1971-72 has not stirred up a fair share of hopes and fears. It will be recalled that when he presented his interim Budget to Parliament in March, it showed a deficit of Rs. 240 crores at the existing rates of taxes. There is a widespread feeling—judging from the budgetary trends during the last few years—that New Delhi considers it to be a safe limit for deficit financing. Mr. Chavan dangled the Damocles' Sword on private entrepreneurs when he pointed out when presenting the interim Budget that an effort would be made "to widen and deepen the resources base" in order to finance the country's intensified development effort. The cause for

widening and deepening the resources base is the rising volume of non-plan expenditure and the anxiety of the Party in power to make the Fourth Plan more ambitious.

Mr. Mohan Dharia, Central Minister of State for Planning, has already provided a few straws in the wind about the Cabinet's current thinking. The Minister has emphasised the need for raising more resources for financing the stepped up development effort by radical socialistic measures. But how much radical Mr. Chavan will choose to prove is still anybody's guess. There is a tendency among the "Young Turks" to raise the slogans of doctrinaire socialism, regardless of their effects on the economy at large. But can one deny that it would be extremely short-sighted to introduce welfare without wisdom and to go ahead with the radical socialistic policies, which may sound the death-knell of private enterprise? If the available reports from New Delhi are to be believed, the Central Law Ministry is burning the mid-night oil for introducing vital constitutional amendments to enable the Government to go ahead with such radical socialistic measures as the imposition of a ceiling on urban property and the abolition of privy purses and privileges without paying full compensation according to the prevailing market value.

As Mr. Chavan gives final touches to his budgetary proposals, he will be well advised to bear in mind that what is important in framing the taxation proposals is not the quantum of resources that the Budget should aim at raising, but the method of doing it. Considering the statement he made on the subject while presenting the interim Budget in March, there is not even an iota of doubt that he would be casting his net of taxation wide. This would

be all the more necessary, if recent reports are to be believed, if the outlay target of the Fourth Plan is raised and the Plan priorities are recast in the light of recent experiences. It is not known, however, whether any discussion on this issue has taken place at all between the Central Finance Minister and the new Planning Minister. But the extent of new taxation would obviously depend on the briefs that the Central Finance Minister might have received from the Union Cabinet.

Due to taxation uncertainties, the stock markets have been hovering between hope and despair in recent weeks, although there is a widespread belief that the Budget would be growth-oriented. When Mrs. Gandhi presented her maiden Budget to Parliament last year, she definitely made an effort to give the much-needed shot in the arm of the country's sluggish economy. There is no denying that her purpose has been achieved to a large extent and the all-pervading gloom which then prevailed has yielded place to some amount of breezy optimism. The Government received a large number of applications for new industrial licences during 1970, despite the fact that it has been perpetually haunted by the spectre of monopoly and concentration of economic power. Surely, this is a pointer that industrial entrepreneurs are not lagging behind and are ready to show a spirit of constructive co-operation with the Government instead of having a close confrontation with it. The economic situation too appears to have taken a turn for the better because of the record foodgrains harvest for four years in a row. Exports too have turned the corner and are estimated to rise to a new record of Rs. 1,530 crores at the end of 1970, thereby exceeding the Fourth Plan target of 7 per cent. What is more encouraging, the trade gap has substantially narrowed. Although the industrial growth rate is still sluggish and will not probably exceed 4.5 per cent during 1970, Mr. Chavan's growth-oriented Budget should create a psychology of confidence by rendering fiscal incentives to the much maligned private entrepreneurs.

It is in this direction that Mr. Chavan can do a lot of spade-work in rendering a fillip to growth and expansion. Incidentally, when Professor Nicholas Kaldor recommended a rational tax policy for the U.K., he did point out that the taxation

system should not be such as to provide a disincentive to effort, initiative and enterprise. As it is, the maximum marginal rate of taxation in India, together with the surcharge, is 93.5 per cent, compared with 70 per cent in the U.S.A., 75.4 per cent in the U.K., 80 per cent in Canada and 70 per cent in Pakistan. If the draconian system of taxation is changed and more incentives are given to private enterprise, there can hardly be any doubt that the economy will respond to the enlightened gestures from the Government. The tax cuts introduced by President Kennedy in 1962 went a long way in reviving the sagging U.S. economy. The same has been the experience of West Germany and Japan. Furthermore, in the latest U.K. Budget, the rate of personal taxation has been brought down from 91.25 per cent to 75.4 per cent and the rate of corporation tax has also been pruned from 42.5 per cent

to 40 per cent. Will it be too much to expect that Mr. Chavan will follow the examples set by these countries and take a lesson from their experience?

Corporate taxation too requires to be rationalised, and it is necessary to offer a higher development rebate. Despite their increased turnover, the profit margins of many companies are being squeezed by the steadily rising operational costs. So the Finance Minister should do well to leave sufficient after-tax profits with companies so that they can plough back more funds for expansion. It will be recalled that the Boothalingam Committee had suggested a rate of tax of 45 per cent on corporations with the abolition of all other levies. Will it be too much to expect that the Central Finance Minister will heed the suggestion seriously to give the much-needed boost to the country's sluggish industrial economy?

Dollar in the Doldrums

THE dollar is in the doldrums again. To say that this is largely due to the great soundness of the deutschemark or the yen would be an oversimplification of the problem. What is money after all but a unit of a community's wealth. This wealth is an aggregate of a nation's assets—solid and liquid, transferable and non-transferable, visible and invisible. The value of a country's unit of wealth, or currency, can decline for many reasons. The value of its principal exports may decline without a corresponding rise in the value of other items of exports, thereby disturbing the balance-of-payments position and the parity between one currency and the others. The value of its principal products of domestic consumption may go down disturbing the relation between the currency and wealth. A nation may undertake commitments far beyond its resources and create "paper money" to meet them. This measure, popularly known as deficit financing, would be a deliberate step towards a devaluation of the currency.

A sizable section of the people may become restless and claim a larger slice of the national cake than is justly their share and the Government may be forced to raise their wages and incomes allowing a rise in prices of the goods they produce and meeting the price increase by creating paper money. Population may increase be-

yond a nation's capacity to absorb the surplus in productive employment and the Government may be obliged to create false jobs—which are unproductive—or false money. For the U.S.A., there is the additional responsibility of maintaining the price of gold as the international standard of wealth. It has to match the dollar not only against its own assets but against gold that comes into international exchange transactions to prevent sharp fluctuations in its price.

For an economy not subject to severe curbs on the export of capital, there is also the factor of return on investments. If domestic investments and lendings are less remunerative, capital tends to flow on a large scale into foreign markets, thus disturbing the balance-of-payments position beyond a reasonable limit. The situation is further complicated if returns on investments abroad are reinvested there for the sake of even larger profits. This means a shrinkage of the available assets for domestic growth.

The current crisis facing the dollar appears to be a combination of several of these factors and it would be wrong to assume that it is merely the outcome of the speculative instinct of American investors to take advantage of the current boom in the value of the deutschemark which has raised hopes of its revaluation. If it was

merely that there would be nothing to worry about. Other currencies and international institutions would rally to the aid of the dollar. An excessive flow of U.S. money into West Germany without its counterpart in goods would force down the mark to its face value eliminating the need of its revaluation. Eventually the fictitious marks (which are no other than the unwanted dollars converted by speculators into marks) would go back to their source and all would be well again. The dollar would be back to its commanding heights in the international monetary system and the mark would regain the satisfaction of being worth much more than its value in gold. (Reports from Europe, however, suggest that this is no longer quite true and that the mark has its own difficulties.) After being authorised by its Common Market partners, Bonn has decided to float the mark. Flotation means that the mark's parity will no longer be pegged against the dollar; the currency will be free to find its own level according to supply and demand for a limited period.

Obviously the malaise goes deeper. The dollar drain has become a permanent trend over the years. From a deficit of about \$3 billion a year, the U.S.A. moved to a record deficit of \$11 billion in 1970. But the most staggering blow came in the first quarter of 1971 when the U.S.A. was down by another \$5 billion within three months. The cost of the Vietnam war is mounting. The country is spending annually \$76 billion, or a third of its total federal spending, on defence. Despite cuts on federal spending and defence, the prices are rising. This is mainly because within a year wages have gone up by 10 per cent while productivity has risen by only 2 per cent or 3 per cent. The U.S. authorities find themselves unable to cope with the serious problem of unemployment.

American society as a whole is unable to exercise the necessary restraint on its consumption and effect savings on a large scale for productive investments. Economists differ on whether such restraints are necessary in a free economy; but in a crisis situation checks on consumption may not only be desirable but necessary. This is because conscious diversion of resources from the production of consumer goods to other fields may be unavoidable to trigger off further economic growth. Has technological progress in the United States slowed down in recent years? One indication that it may have is the wide gap between the

rise in wages and productivity. It is also possible that in its mood of over self-confidence, U.S. technology has been indulging in the luxury of unproductive research. Far too big amounts are being invested in projects which have a purely scientific interest, a long-term defence potential or a very long gestation period. In either case, the brunt of such experimentation will have to be borne by the economy of the day.

An allied factor is the nature of U.S. foreign investments. The bulk of them are in the highly developed countries of Europe whose economies are not complementary to the American economy. The U.S. dollar in Europe may, in fact, be helping to strengthen the growth of European countries to the disadvantage of America. Investors from the U.S.A. have rushed to Europe during the last decade to seek easy profits and then reinvest the bulk of them there to earn more. But this has turned out to be a short-term benefit. It has helped the European countries to emerge as strong industrial powers and pose a major challenge to the U.S.A.

If, on the other hand, U.S. investments had been mainly in the developing countries, the results would have been different. Such investments would necessarily be "complementary" to the U.S. economy and not "competitive" to it like those in Europe. Japanese investments abroad afford the best example of this. Estimated to touch over \$11 billion in 1975 and over \$25 billion within ten years from now, Japanese investments abroad are aimed mainly at developing raw materials and infra-structural facilities of the

developing countries. This, in turn, would support the massive build-up of heavy industry in Japan which would then feed a worldwide market at competitive prices. The Japanese formula seems to be to link the country in a "complementary" manner to a large number of developing countries in the region and then face the advanced nations on a competitive basis.

The U.S.A. has, perhaps, not felt the need for such mutual help arrangements on any considerable scale with the developing countries because it is not in such desperate need for raw materials from abroad as Japan. It is rich in resources of all kinds and has understandably concentrated on developing them. Another factor against this approach has been the distance between the U.S.A. and Asia. This involves huge shipping and organisational costs. The third deterrent seems to be the fear of political instability in most of the developing countries and the consequent risk to American capital. But all these factors notwithstanding, basically the dollar seems to have become the victim of the uncontrollable urge of U.S. investors to get quick and easy profits from safe investments in Europe. They had not anticipated the backlash which is now coming.

Whatever short-term measures may be taken now by the U.S.A., the European countries and the international organisations to bail out the dollar, they can only act as a sedative to the ailing U.S. economy. The basic solution seems to lie in a realignment of international economic forces. The economies of the developing countries should be more actively associated

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with those of the developed ones. The U.S.A. must also speed up the steps it is now taking to relinquish its policy of running the world from Washington. It is too expensive a burden

which cannot be shouldered even if European countries and Japan agree to share it as suggested by the U.S.A. Global economic and political co-operation seems to be the only answer.

Tasks for the Steel Minister

MR. Mohan Kumaramangalam is certainly not the first Central Steel Minister to exhort the management and labour to work in peace and increase production as speedily as possible. His predecessors were no less emphatic on these points and yet, if they failed to achieve any satisfactory results, it was largely because they did not follow up words with programme-orientated action. It is in this direction that Mr. Kumaramangalam promises to be different. In fact, the Minister did well to convene a meeting of the Joint Wage Negotiating Committee recently to consider the question of improving the performance of all the steel plants. Since the Committee was instrumental in bringing about an amicable settlement of the wage rise question last year, Mr. Kumaramangalam evidently hopes that it will be equally successful in promoting a better understanding between labour and the management and in stepping up production.

In any case, the Committee does have a special responsibility in this regard after having got the workers a minimum wage of Rs. 240 a month. As the Minister himself pointed out at the meeting of the Committee in New Delhi a few days ago, the wage increase of last October has placed an additional burden of about Rs. 25 crores on the steel industry. In view of the Central Government's disinclination to allow any price increase, the industry may have to cover the cost of the additional wage bill largely by improving its productivity and production. What the industry needs immediately is a long-term truce. It is not the organised stoppage of work but wild-cat strikes and go-slow tactics that have been the bane of the industry for the last few years. And Durgapur stands as a monumental example of how a steel plant should not be run. Its labour problems are perennial. While inter-union and intra-union rivalries are certainly to blame for the situation obtaining in Durgapur, the management too has often been unhelpful; even some genuine grievances of the workers have not been sympathetically considered.

If the steel plants are to have better labour-management relations, they should start on a clean slate. Certain new norms of industrial relations and settlement of wage disputes and other grievances of labour should be evolved and accepted both by the management and labour. For instance, Mr. Kumaramangalam's suggestion for making the incentive schemes applicable more and more to individuals or smaller groups rather than to large groups as at present is indeed a sound one. But will labour go the whole hog with the Minister in implementing the schemes? Perhaps Mr. Kumaramangalam himself is doubtful on this point, for he appealed to the Committee to help the Government in streamlining the incentive schemes on the lines suggested by him. The trade unions, which are dominated more by politicians than by genuine labour leaders, may not also react favourably to the proposal, which, if implemented, would mark the beginning of linking wages to productivity.

It is not surprising that neither the representatives of the management nor of labour expressed any views on the Minister's proposal at the meeting of the Committee. Management representatives did not evidently wish to welcome the suggestion too enthusiastically, lest labour should reject it outright for that reason. Labour representatives too were non-committal in the expression of their views on incentives, except to say that the present scheme was unsatisfactory. They expressed dissatisfaction with the existing job evaluation schemes and demanded that workers should be given a definite rôle in policy-making in order to raise productivity and general efficiency.

With the demand for steel in 1971-72 estimated at 6.75 million tonnes, the imperative need is to get the maximum possible utilisation of capacity from the three steel plants in the public sector and two in the private sector. Last year, the total production of both public and private-sector plants was only 4.54 million tonnes, against the target of

5.48 million tonnes and their rated capacity of 6.73 million tonnes. The shortfall in production, according to a rough estimate, is costing the country about Rs. 300 crores a year. What is disturbing is the fact that the output in 1970-71 was lower than that of the previous year by about 200,000 tonnes. This could be attributed wholly to labour troubles, particularly in Durgapur and to some extent in Rourkela.

It is clear that if the plants could be made to work to about 90 per cent of their capacity, the country could very well reduce its imports considerably. As things stand today, however, it seems doubtful whether a production of this order could be achieved. The Minister himself is not expecting an utilisation of more than 70 per cent or 75 per cent of the capacity and he has made it known that he would be happy even with this modest achievement. Mr. Kumaramangalam is not long enough in office to have appraised himself of all the problems of the giant Bokaro project, whose cost is rising every day, while the completion is getting further delayed. According to the project authorities, the plant would produce in its first stage 2.5 million tonnes of steel, instead of 1.7 million tonnes as originally planned. It is claimed that this will bring down the overall cost of the project, but it is conveniently forgotten that the procurement of equipment and materials for a bigger plant is bound to prove more difficult and would not only delay the construction work but also raise its foreign exchange cost.

Another high-level mission is to go to Russia to ask for equipment for the Bokaro project in view of the inordinate delay in the delivery of indigenous equipment by the Heavy Engineering Corporation. If the H.E.C. was not in a position to make the deliveries in time, why did the Government decide on expanding the capacity of the Bokaro plant in the first stage? Was it merely because the Russian experts advised the Government that it would be more economical to have a bigger plant. The H.E.C. is to supply 72,000 tonnes of mechanical equipment for Bokaro but hardly 50 per cent of that has been despatched so far.

This again is a matter to which Mr. Kumaramangalam should give his personal attention. The H.E.C. has been in the red for too long and may go the way of the Mining and

Allied Machinery Corporation in Durgapur unless steps are taken to stem the rot immediately. The Corporation has been plagued by rivalries at the top and needs to be thoroughly overhauled from top to bottom. The Russian experts, who wish to make Bokaro a symbol of their goodwill for this country, should not remain unconcerned about the damage that the H.E.C. is

The Exodus from East Bengal

THERE will be wide support in the country for the appeal issued by the Chief Ministers of West Bengal, Assam, Tripura and Meghalaya as well as for the stand taken by the Government of India that all democratic nations of the world must come to the aid of the refugees coming into this country from East Bengal. The Government of India has even gone a step further when it advocated that the United Nations must take up the responsibility for feeding and looking after the thousands of refugees who have been pouring into this country. This has been done in the case of Palestinian refugees, and India does not see any reason why a similar gesture should not be made by the U.N. in this case also.

The refugee problem is essentially a human one and, therefore, there is no doubt that all help should be rendered to the refugees till at least such time as it is possible for them to go back to their country. According to present estimates, nearly 3 million refugees have come into this country and they have mostly confined themselves to the four eastern States of India which have yet to recover from the severe strain to which they were subjected following the partition of the country in 1947. Millions of Hindus had come over and settled down in West Bengal and other areas and it is only in the past few years that there is a semblance of resettlement. But the present influx was most unexpected and this has upset the economy of these States. Naturally, the Chief Ministers concerned have emphasised that the cost of providing relief for the refugees should be borne by the Centre.

The Centre, of course, has taken a very sympathetic attitude towards this problem and has already assured the State Governments concerned that the entire financial responsibility for taking care of the refugees is its own.

causing to their reputation in the field of making heavy machinery. If the H.E.C. cannot deliver the goods, it has no right to continue. Let the countrymen not be told that the project is diversifying its production by making buckets and lanterns when its primary task is to produce a million-tonne steel plant every year. Will Mr. Kumaramangalam now turn to Ranchi?

The Centre has also told the State Governments that whatever is necessary to strengthen the administration to provide succour to the refugees would be done. These assurances must set at rest any doubt about the attitude of the Central Government towards this problem. Mr. R. K. Khadilkar, Central Minister for Rehabilitation, has said in no uncertain terms that the Centre will not hesitate to make available whatever finances are necessary.

But the question that arises is: where will the Government of India find the necessary funds to rehabilitate the refugees since this will be a continuing problem? According to conservative estimates, the Government is spending Rs. 20 lakhs a day and so far, it has spent nearly Rs. 10 crores. Mr. Khadilkar himself has admitted that the influx would be greater in the next few weeks and it is, therefore, necessary to evolve a well-thought-out plan to provide relief to them instead of working by fits and starts and treating the entire issue on a mere emotional plane. It is understandable that in the first few days, the Government has had to go about this work without a proper plan but a stage has now been reached when it cannot afford to pursue a haphazard policy. There must be greater co-ordination with the State Governments concerned and

every effort must be made to ensure that relief reaches the afflicted people.

There is now a feeling that the refugees will go back to East Bengal as soon as things become normal there. From this stems the hope that the refugee problem is only a temporary one and the Government will not have to think in terms of providing permanent relief measures. But a closer examination of the position reveals that this view is not altogether correct. Whether the military regime will be able to subdue the people permanently is a different problem. But as things stand today, it is obvious that the armed forces are asserting themselves. Under these circumstances, it might become difficult for the refugees to go back to their country in the near future.

There is also the problem of infiltration of saboteurs into the border States of India from East Bengal. Although the Government has asserted that all the refugees are being screened, reports indicate that no fool-proof arrangements have been made to tackle this problem, with the result that a number of undesirables are entering this country and they are bound to pose a security risk. It is mainly for this reason that the Government of India has revived the Preventive Detention Act through an ordinance. The Government has assumed wide powers to detain foreigners for periods ranging from three months to two years whenever any of them is considered dangerous to the security of the country. Even so, the Government must tighten the security measures on the border and see that only genuine refugees enter this country. Meanwhile, efforts to attract the attention of the world to the problem will have to be intensified so that the burden now imposed on India is eased at least to some extent. The economy of the country cannot apparently bear the severe strain caused by the steady stream of refugees crossing the border.

Cloth for the Common Man

THE new scheme for ensuring increased availability of controlled cloth—dhoties, saris, longcloth, drills and shirting—finalised by the Government of India in consultation with the cotton mill industry seems to be only an *ad hoc* measure which, apart from maintaining an illusion about the Government's serious concern for the "weaker sections" of the

community, will achieve little else. The scheme envisages the production of 100 million square metres of controlled cloth during the June-August quarter without any increase in prices. The burden of financing the patently uneconomic production of cloth is to be borne almost entirely by the industry itself. The scheme contemplates the grant of a subsidy

of 50 paise a square metre to those mills to whom quotas for the manufacture of controlled cloth are allotted.

This will require a sum of Rs. 5 crores for distribution as subsidy. Out of this, Rs. 3.75 crores will be collected through an additional levy of Rs. 300 a bale on the remaining quota of 125,000 bales of P.L.-480 cotton due to be released shortly; there already exists a levy of Rs. 150 a bale for the export promotion fund. Another Rs. 60 lakhs will be contributed by the industry through a graded levy on 20 per cent of mills' packing of higher medium, fine and superfine cloth—6 paise, 12 paise and 15 paise a square metre, respectively. A contribution of Rs. 75 lakhs will also be made from the Textile Commissioner's fund created out of compensations paid by mills for non-production of controlled cloth. The Indian Cotton Mills Federation, which has been entrusted with the implementation of the scheme, has invited offers from mills for the manufacture of controlled cloth. Apart from quality and pattern of production, due consideration will be given to the financially weak and Government-run mills in the allotment of quotas.

The subsidy of 50 paise does not make good the loss on the production of controlled cloth which is estimated to be more than 63 paise a square metre. Therefore, for the industry, the acceptance of responsibility for the supply of controlled cloth is a choice between bad and worse. But the new scheme is much less harsh than was widely feared. On the basis of a quarterly supply of 100 million square metres, the total production of controlled cloth in a full year—400 million square metres—will work out only to 10 per cent of the total output of mill-made cloth. And even after allowing for exports and defence production, the output of controlled cloth as a percentage of mills' total production will still be less than 20 per cent. This makes nonsense of the recent threat by the Central Minister of Foreign Trade, Mr. L. N. Mishra, to raise the proportion of controlled varieties of cloth to the total cloth output from 25 per cent to 40 per cent or even 50 per cent and the penalty for shortfalls from 6 paise to 25 paise a square metre.

Since the subsidy for controlled cloth is to come largely from the levy on imported cotton, the scheme will

run into difficulties if the requisite import of cotton cannot be ensured for any reason. The wisdom of linking the manufacture of controlled cloth with foreign cotton involving expenditure of precious foreign exchange is questionable. But this is by no means the only demerit of the new scheme. The scheme will necessarily result in an increase in the prices of higher medium, fine and superfine cloth, the rise depending on the conditions in the piecegoods market which keep changing with time. Can one say that these varieties do not concern the ordinary consumer? But even this may not be a matter of serious concern. What is really important is how the Government expects to be able to ensure that even the limited supplies of 400 million square metres in a full year will reach the "weaker sections" of the community for whom it pretends so much concern.

With prices of uncontrolled cloth rising because of cost inflation and the general inflationary upsurge,

controlled cloth is bound to fetch prices which are higher than stamped prices. How the difference between the final consumer price and the stamped price is shared between mills and the rest of the distributive trade is of no consequence from the viewpoint of the consumer. It is much too much to expect that the Government can set up a distributive machinery which can do the job to the satisfaction of the poor consumer. And one might ask whether it would at all be worth while to take all the trouble to do what is almost impracticable. There are many more important problems to attend to. Partial control is not altogether without merit. But if it cannot be made meaningful, it had better be scrapped. The Government would be well advised to revise the policy in respect of controlled cloth after it has received the report of the Bureau of Industrial Costs and Prices; the report is expected to be ready before July. The manufacture of controlled cloth may not be profitable, but it should not be made uneconomic.

CURRENT COMMENT

I.D.B.I.

Satisfactory Performance

The year 1970-71 witnessed a substantial step-up in the activity of the Industrial Development Bank of India. Total sanctions of Rs. 103.8 crores were up by 58 per cent. The best performance of the year was under export finance. Sanctions under the two export financing schemes rose from Rs. 13 crores in 1969-70 to Rs. 23.3 crores. Large sanctions included Rs. 8 crores for the export of steel rails to Iran and Korea and steel pipes to New Zealand, Rs. 3 crores for the export of railway wagons to Hungary and Rs. 3.5 crores for the export of tractors, chassis, etcetera, to Nigeria. Sanctions under refinance of industrial loans at Rs. 24.9 crores almost doubled the figure for 1970-71. There has been a substantial increase in recent years in refinance assistance in respect of loans to small-scale industries both in absolute terms and as a proportion to total refinance. Refinance assistance in respect of these borrowers rose from Rs. 4.3 crores in 1969-70 to Rs. 13.8 crores. There has also been a wider geographical dispersal of refinance assistance to these sectors.

Under direct assistance (loans and underwriting), the sanctions covered 29 projects, involving a total project cost of Rs. 250 crores and were spread over several industries, including paper, aluminium, agricultural tractors, electrical insulators, ferro-alloys, polyester fibre, and nylon filament yarn. The I.D.B.I.'s export assistance sanctioned under the two export financing schemes amounted to Rs. 23.3 crores in 1970-71, with disbursements aggregating Rs. 14.1 crores. During 1971-72, an aggregate amount of Rs. 25 crores under both the schemes is expected to be disbursed. This level may be exceeded if export assistance in respect of large export proposals, to which the I.D.B.I. has promised support, materialises. It has agreed, in principle, to provide assistance in respect of a number of export proposals involving exports of the value of Rs. 79 crores, which are in various stages of negotiation.

A.I.M.O.

Reaching Take-off Stage

At the annual conference of the All-India Manufacturers' Organisation held in Bangalore a few days ago, Mr. S. M. Dahanukar, president,

supported the Prime Minister's move to tackle the three main problems facing the country, namely (a) abolition of poverty; (b) providing large-scale employment, particularly of the educated unemployed; and (c) to arrest the rise in price. Since the abolition of poverty is inextricably bound up with the growth of wealth, the acceleration of the gross national product (G.N.P.) is of utmost importance. The A.I.M.O. chief stressed that unless there were basic policy changes, leading to productive utilisation of the existing resources and savings-induced policy orientation, removal of poverty and increase in employment opportunities cannot be achieved. Mr. Dahanukar said that Japan was able to attain rapid and continued increase in the G.N.P. by raising production. In countries like Malaysia, there was almost no inflation during the past ten years. The president mentioned two directions in which concerted efforts should be made to increase the G.N.P., namely, (i) vigorous and continued efforts to increase the output of agricultural produce not only in foodgrains but also in the various commodities required by industry; and (ii) an all-round increase in industrial production to reach the "take-off stage".

UNEMPLOYMENT

Crash Scheme

The Central Government has been able to persuade the State Governments to go ahead with its crash scheme for rural employment for which a sum of Rs. 50 crores has been provided in the interim Budget presented by the Central Finance Minister, Mr. Y. B. Chavan, to the first session of the new Lok Sabha. Representatives of the State Governments who were called at a conference by the Cabinet Secretary to consider the scheme had their reservations and wanted some modifications in the scheme. But the Central Government's representatives pleaded with them not to press their points because that would mean a further delay in carrying it out. The scheme was to come into operation for a period of three years from 1st April, but hardly has any State done the spade-work for its implementation. This was mainly due to the State Governments' preoccupation with the mid-term Lok Sabha election. The Central Government, which will bear the entire cost of the scheme, rightly wants it to be taken up for

implementation immediately. This shows its anxiety to do something about the growing unemployment in the rural areas.

It should be said to the credit of the Central Government that it has not made any inflated claims about the scheme. The scheme at best will touch only a fringe of the gigantic problem and it should be looked upon as no more than the Government's awareness of the problem. The scheme contemplates direct generation of employment through the execution of projects which are essentially labour-intensive in all the 337 districts of the country. The scheme has a two-fold purpose; first, each project should provide employment for 1,000 persons, on average, continuously over a working season of ten months in a year in every district; secondly, each project should produce works or assets of a durable nature in consonance with local development plans. The rate of wage to be paid to the persons employed in the district projects will be equal to the off-season rate for agricultural labourers in the district and will not, in any case, exceed Rs. 100 a month. The persons to be selected for employment should be, as far as practicable, from those families where no adult member is employed. It is needless to say that the success of the scheme will depend on the interest the States will take in it. The Prime Minister, Mrs. Indira Gandhi, has, therefore, written to the Chief Ministers emphasising the importance of the scheme and the need for its effective implementation.

COST ACCOUNTING

Major Advantages

Inaugurating the seminar on "Cost Audit" organised by the Institute of Chartered Accountants of India in Calcutta a few days ago, Dr. Shanti Ranjan Dasgupta, Minister of Education, West Bengal, appreciated the idea of carrying on academic work when academic institutions in this State were being destroyed. He thought that whatever might be the differences between the accountancy profession and the Government on the rôle of the former, there was no denying the fact that no industrial development could take place without the help of accountants and their techniques of accounting and audit. He admired the rôle of the Institute in arousing cost consciousness in the country.

Mr. M. C. Bhandari, the president of the Institute, in his welcome address said that cost accounting was helpful to the community in three ways. It increases the efficiency of an industry; it helps avoid wastages to ensure the optimum utilisation of national resources; and thirdly, it leads to the reduction in production costs to provide benefit to the consumer in the form of reduced prices. While there is much interest in securing the former two benefits out of cost accounting, little attention has been paid to see that the proportionate advantage of cost reduction goes to the consumer in the form of reduced prices of goods.

JAPANESE MISSION

Collaboration Prospects

The Mitsubishi economic mission, led by Mr. Ninichi Nakagawa, held discussions with the representatives of the Federation of Indian Chambers of Commerce and Industry in New Delhi a few days ago. Views were exchanged on the scope for industrial collaboration between the two countries. The meeting was presided over by Mr. K. N. Modi. The discussions related to the possibilities of Indo-Japanese collaboration in export production in India, and establishment of joint ventures in India for exports to Japan. The prospects of joint ventures in third countries were also covered. Many avenues of industrial partnership were identified in the engineering, chemical and consumer industries. While the Japanese mission was convinced of the potentialities of the Indian industrial sector and the size of its market, it was felt that the identification and implementation of specific proposals could be worked out after the mission had completed the study of the investment climate. It was explained that the purpose of the mission was mainly to locate suitable Indian partners for the establishment of joint ventures in India as well as in third countries.

The Indian side showed particular interest in the setting up of joint ventures for the manufacture of castings, electronic components, distilleries, processed foods, petro-chemical complexes, paper and pulp plants, dyestuffs and intermediaries, alloy and steel items as well as general merchandise. It was suggested that if the mission could compile a detailed list of items which, from the point of view of the complementary nature of the two economies, could be manufactured in

India, it would be widely circulated to create interest among potential Indian entrepreneurs.

TEA

Coal Shortage in Estates

The Indian Tea Association has invited the urgent attention of the Ministry of Foreign Trade, Government of India, and the Government of West Bengal to the critical situation facing the tea estates in West Bengal due to the acute shortage of steam coal. Many tea estates in the Dooars have virtually run out of coal and the estates in Darjeeling have stocks sufficient for less than three weeks. The Association has stated that this situation was brought about by the failure of the railway authorities to allot sufficient wagons for the transport of coal from the collieries in Asansol/Ranee-gunj to the tea districts. The wagon supply position has been deteriorating since the end of last year, and in the first two months of the current year the indents of tea estates for wagons were met to the tune of less than 50 per cent. In March, only 50 per cent of the indent was met and the position further deteriorated in the first three weeks of April when wagons allotted were enough to meet only 25 per cent of the tea estates' requirements.

SUGAR

Revising Levy Prices

In a telegram to the Central Food Ministry, the Indian Sugar Mills Association has expressed serious concern over the undue delay in the announcement of revised levy prices for the current 1970-71 season. The Association has pointed out that due to the continuance of a highly uneconomic price structure, the finances of the industry have been seriously affected. The inadequate availability of bank credit has further aggravated the financial difficulties of mills. Thus, saddled with a highly uneconomic price structure and in the absence of adequate bank credit, sugar factories are not in a position to continue payments to cane growers. It will be recalled that the Association has been persistently representing against the highly uneconomic rates fixed for levy sugar during the 1969-70 season. Normally, it has been the established practice of the Government to fix provisional rates initially on the basis of the estimates of duration of the season and sugar recovery for the various zones; and these provisional rates are revised at the end of the season on the basis of actual results achieved as also the cost increases which might have since taken place. But to the serious detriment of the industry's interest, the Government made a very significant departure last

season in not announcing the final prices and the entire production of 1969-70 has been released at the highly uneconomic provisional rates. According to the Association, this has put the industry to serious losses in many regions.

SILVER

Growing Disillusionment

In their annual review of the silver market for 1970, Messrs Handy and Harman, well-known bullion brokers, say that in contrast to the previous years, the atmosphere during 1970 more and more reflected a growing disillusionment on the part of speculators because of the persistent failure of silver prices to live up to earlier unrealistic predictions. Periodic liquidations of forward commitments resulted in a general downward trend in prices throughout the year, punctuated from time to time by moderate rallies. Price fluctuations were substantial, but on the whole were less violent than in the three preceding years. Perhaps the most publicised development of the year was the end of the silver sales by the U.S. Government. The last of the weekly auctions, which had started in 1967, took place on 10th November, 1970, and for the first time since the enactment of the famous silver purchase laws of 1934, the market was "cut loose" from Governmental influence. It had been expected by many market analysts that this long awaited event would bring about a rising price trend, but as it turned out the immediate result was the exact opposite. Within a few weeks, prices had dropped to new lows for 1970, and although a moderate recovery took place before the year-end, the market in general continued to reflect a sluggish demand from industrial users and a lack of enthusiasm on the part of speculators.

MONEY MARKET

Call Rate Steady

The short-term money market has been steady at 5½ per cent with small stray lots done at 5 per cent and latterly at 5¼ per cent. The supply of tea and gunny bills has been small. The demand for remittances has been nominal. Towards the beginning of the week, the pound-sterling was strong but with the floating of the deutsche-mark, it has weakened slightly against most major foreign currencies.

A Ditcher's Diary

THE INTERNATIONAL COMMUNITY HAS taken unconsciously long to bestir itself over the problem of the East Bengal refugees. Perhaps the two British M.P.s who visited Calcutta about three weeks ago can claim some credit for the growing concern. Although Whitehall remains unmoved by Mr. Bruce Douglas-Mann's plea for economic sanctions against Pakistan, Oxfam and other organisations have sent relief aid. And at last the United Nations has begun to see the need for international action in aid of those who have taken shelter in India, though still not for those who are suffering in East Bengal. The assurances given by Mr. Charles Mace, the U. N. Deputy High Commissioner for Refugees, after visits to the camps in West Bengal, are welcome; but the long-term problem is not one of relief. And unless this long-term problem is promptly tackled, the relief needs may be so vast and protracted as to defeat every effort to meet them. At the beginning of this month the number of refugees was estimated at about a million; by early this week the figure had gone up to about 3 million. At this rate, more than 20 million might eventually take refuge in India, in which case the population of East Bengal would no longer be larger than West Pakistan's. Mr. Bhutto and his cronies in Islamabad's military-bureaucratic establishment should then be in a position to impose the "democratic" will of the West Pakistani majority on a recalcitrant East Bengali minority. Even if these macabre

political fancies seem a little laboured at this point of time, there is nothing fanciful about the gravity of the problem already with us; what is fanciful is the notion that the problem is temporary. I cannot see the influx shrinking so long as conditions in East Bengal remain as insecure as they are now; they are likely, in fact, to get much worse. Nor can I see the West Pakistani authorities in East Bengal welcoming the evacuees back even if life can be made to return to normal under the military administration; Islamabad has already started claiming that these people are "Indian infiltrators" driven out of East Bengal. The evacuees could return to an independent East Bengal; but the plain fact had better be faced that it may be years before the "liberation forces" win the war by their own effort. By then millions more will have crossed the border into India. Quite apart from democratic and humanitarian sentiment, there is thus a cold logic in India's interest in seeing East Bengal free as soon as possible. But how far can one pursue this logic without treading on grounds New Delhi is understandably anxious to avoid?

I HAVE ALWAYS HAD SOMEWHAT MIXED feelings about preventive detention. To arrest a person without any specific charge and to hold that person without trial cannot be defensible in a civilised society unless demonstrably warranted by special circumstances.

Preventive detention is certainly not the best safeguard for the preservation of democratic rule; it can only be a temporary expedient to protect the system against unforeseen threats. To condemn it wholesale, regardless of the specificity of a situation, is little more than sterile demagoguery; and many of those who do so in the name of democratic rights seem the least anxious—at least in practice—to concede these rights to their opponents; those who denounce the entire Constitution and the democratic system it seeks to uphold as a sham should be the last to complain if some of what they regard as pseudo-rights are curtailed. But opposition to preventive detention is not confined to people with an avowed interest in subverting the system; the old Preventive Detention Act was repugnant to a very large volume of genuinely democratic opinion. And it will not be surprising if there is similar reaction to the Maintenance of Internal Security Ordinance promulgated last Friday. The trouble with such measures is that they are often allowed to outlive their stated purpose and become instruments of arbitrary action in the interests of the political group or groups in power. Even the stated purpose does not always seem adequate. The main justification pleaded for the latest ordinance was that there was no other law under which action could be taken against spies and other mischievous infiltrators, many of whom may have entered this country in the guise of refugees in the wake of the turmoil in East Bengal. But is the legal armoury really so deficient as not to provide for action against spies and saboteurs in general? I don't know;

PRIMARY EDUCATION IN INDIA

A CORRESPONDENT writes in Current Coin: It is a good sign of the times that so much interest is being taken in primary education, and that the subject is being discussed all over the country. It is a large subject. Everyone would like to see the children of India get an educational uplift as they are able to bear it. It is largely a question of time and ways and means. To work out a comprehensive system of primary education for all the children in India, would be as gigantic a task as that of working out a system to embrace all Europe with its multitude of races and kindreds and tongues, and then, of course, there would be the difficulty of finding the money for the scheme. For the right

order of primary education in India, men of vision are wanted, men who know the actual needs of Indian boys and girls living at the lowest rung of the social ladder, and men who can see beyond the time, when these boys and girls have to leave the school with such literate education as they have managed to avail themselves of. Much as we would desire to see the children of India being able to take advantage of a literate education, it is obvious that in the present stage of their social development, the millions of the children in the rural schools, after leaving school, would have to drop the use of their literary education, as they would not have either the motive or the means for carrying it further.

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but I do find it odd that an ordinance designed to check undesirable activities by foreigners may be used against Indians as well—and in areas unlikely to be directly affected by the influx from East Bengal. Many people may find it disturbing that the measure is not only, at least in some respects, very harsh, but also indeterminately wide in scope. All these points will perhaps be debated in detail during parliamentary scrutiny. Even without questioning the main purpose of the ordinance, many members may doubt whether it is justifiable in all its aspects or whether it has been introduced in the proper manner and at the proper time.

THE "TABLOID" IS THE SHAPE OF THE future for daily newspapers. I would have thought that a highly arguable claim, although a change of shape can in itself benefit a newspaper, as we in *Capital* have found. At any rate, it is what the proprietors of Britain's *Daily Mail* are saying in support of the new tabloid form in which the paper has appeared since 1st May. The *Daily Mail* was, of course, the world's first really popular daily newspaper, and so has some claim to being a pioneer in such matters. But the change to a tabloid format, timed so as to arrive 75 years to the day from the first appearance of the paper, was forced by necessity. The *Mail* had been losing circulation in the face of inevitably rising costs, and the writing was on the wall. Also, its stable companion, the *Daily Sketch* was rapidly going down the nick too. So amalgamation and change had become the only alternatives to extinction rather than a calculated switch to a more profitable format. However, it will be interesting to see if the *Mail's* claim that the "broadsheet" is out of date proves to be correct; among our Indian newspapers the tabloid is still rare, and even in Britain the prevailing opinion on "The Street" is that it is best suited to the kind of frivolity normally associated with such publications as the *Sun*, which replaced the old *Daily Herald*, and provisional and London evening papers. But there may be some truth in the theory that when most newspapers are read in the confined conditions of commuter travel, something which can be easily handled, could attract its share of readers. Whatever happens, though, seems unlikely to have more than a minor impact on the general decline of Britain's popular newspapers, for whom production costs are really the main problem. Not

that the so-called "quality" newspapers escape this reality. There is no point in denying that only the bottomless pocket and charitable disposition of Lord Thomson is keeping *The Times* afloat, for instance. And despite the triumphant tone of its recent celebrations to mark 150 years of life, not to mention its editor's nomination as journalist of the year, *Guardian* still lives on the profits of the *Manchester Evening News*.

IN AN ARTICLE ON THE WORLD'S SHIFTING balance of power published recently in *The Times*, Mr. Averell Harriman would appear to have exploded one of the more popular myths of post-1945 international politics. It has been widely supposed, not least by me, that at Yalta, Roosevelt, in defiance of advice from Churchill, more or less conceded Stalin a free hand in eastern Europe, ostensibly on the grounds that only Russian influence could prevent political chaos following on the heels of military occupation. But apparently it was not that way at all, not according to Mr. Harriman. What happened was that Stalin agreed to "free and unfettered" elections in Poland and undertook to work with his allies to ensure that free elections were held in all the other nations of eastern Europe. Poland was mentioned separately in deference to Churchill's susceptibilities; it is often forgotten that Britain went to war in 1939 in defence of her treaty obligations to Poland. Something of which I was not aware was that Churchill actually told the House of Commons that the Yalta accord had been framed on these lines. I was always under the impression that what Churchill disclosed was an ac-

knowledge wish that things should turn out that way, not that Stalin had actually promised they would. Of course, we all know what happened after that. Stalin simply went back on an undertaking which he probably never had the slightest intentions of honouring. There was no way the allies could have kept him to his word, not with the Red Army in effective occupation of eastern Europe. Altogether, it was not a particularly surprising result of a carve-up which may have been inevitable at the time, but appears wholly unjustified in the light of what passes for modern political morality.

MRS. JENNIFER MUSCATT, THE 23-YEAR-old Birmingham teacher, who has shocked much of Britain by a filmed record of some of her private exertions, has reason to remain unrepentant. A special sub-committee decided last week to accept her statement that she was aware of the "strong feelings of parents and public in connection with the film *Growing Up*" and her voluntary undertaking "not to take part in any further film of this nature". Thus satisfied, the sub-committee withdrew the order suspending her from service. Is this the end of the distasteful affair? I wonder. Mrs. Muscatt says that she has "no regrets about the principles and philosophy behind the film", which itself may provoke further debate. Mrs. Thatcher, Secretary of State for Education, recently said in the Commons that it would be much to everyone's advantage if no more were heard about this film. But a great deal more has already been heard; with the *New Statesman* discovering class prejudice in establishment criti-

cism of a permissive society and others foreseeing a counter-revolution overtaking the sexual revolution, aspects of permissiveness will continue to stimulate impassioned controversy. And it may not have been wholly coincidental that the indefatigable Dr. A. L. Rowse chose this particular time to entertain the world with intimations about aspects of permissiveness in the (earlier) Elizabethan age. Dr. Rowse writes with authority on the social history of Elizabethan England; but his literary lucubrations are at best a pseudo-scholarly diversion. He made not a little fuss a few years over the identity of Mr. W. H., "the onlie begger" of Shakespeare's sonnets; now there is more about the smut that the sonnets and the plays contain. He should leave all this to people professionally concerned with what he condescendingly describes as Eng. Lit. It is no Rowsean discovery that in playing with words Shakespeare often used sexual connotations. Dr. Rowse's amateurish excitement can be comical; but what one Eng. Lit. critic finds particularly distressing is "his apparent inability to read either the plays or the sonnets".

THE BIG SUBJECT OF DISCUSSION IN Britain today is whether the mini-skirt is on the way out. The shops are already full of maxi-skirts down to the ankles and midi-skirts below the knees. "Those maxi-skirts make us look like grandmothers", say some girls. "The new styles are more feminine and more elegant", say the fashion houses. "We like to see girls' legs", insist the boys.

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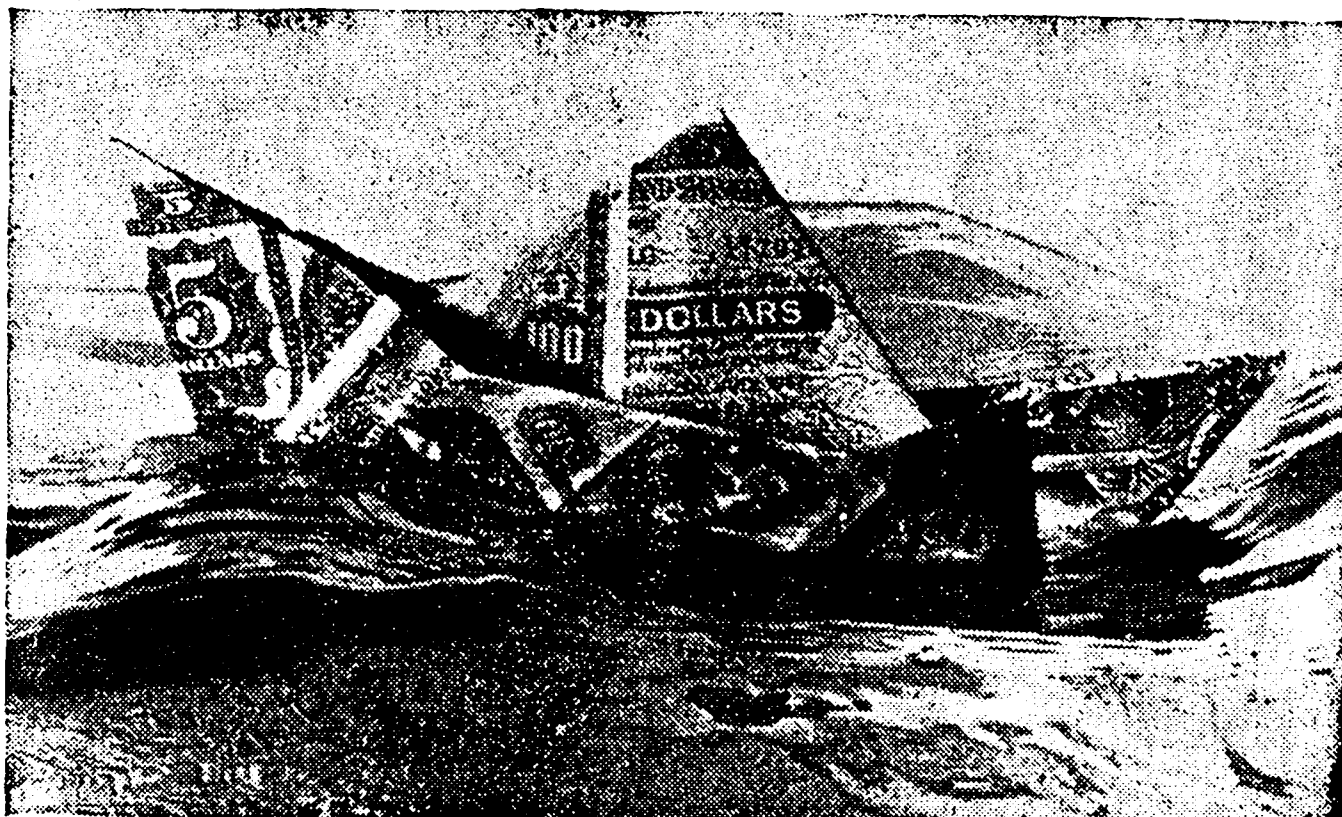
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MANAGEMENT

Should Management Objectives in an Enterprise be Profit-oriented?

By K. K. Rai

The surplus that is created by an organisation is a direct measure of its efficiency. If an organisation does not create this surplus, it does not have any apology for its existence.

IRRESPECTIVE of whether one agrees with him, to Henri Fayol must go the distinction of being called the Father of Scientific Management. In interpreting his definition in English, if the wider meaning given in French to the word "control" is taken advantage of, management is the direction and control of the activities of an organisation to achieve its objective. One hears much these days about the objectives of an organisation. Starting from the very oft-quoted lucid and elaborate objective laid down by Johnson and Johnson to the present-day attempts at rendering into words the thinking on the subject, one can still ask the question: What is the objective of management? Perhaps the quintessence is that the objective of any management is to attempt the highest utilisation of its resources in manpower, equipment, material, money, skills, talent, and know-how.

Monetary Surplus

An organisation comes into being to fulfil a certain purpose. The efficiency of its efforts can be measured by the efficiency with which the resources at its disposal are utilised to fulfil the purpose. The importance of the factors of morale, an atmosphere conducive to the sense of belonging to an organisation and a climate permitting motivation has long been recognised. Yet, there has been a tendency to measure so far the achievement of any organisation in terms of profits. Perhaps it would be interesting to go a little deeper to see whether profit merely implies the monetary surplus of the output of an organisation or it is something much more, and whether profit is essential or it can be called something ugly and dirty. Before this sort of thinking is continued further, reflection on the existence and functioning of so-called non-profit organisations or institutions for education, research, administration of justice or

defence of the country would also perhaps be significant. The basic philosophy of management would be found to be applicable *mutatis mutandis* to all these.

While in the case of an organisation producing goods, it is possible to correlate the value of its products in terms of money on the basis of their external appearance, performance/weight ratio, reliability, operational ease, operating cost, versatility and customer acceptance, an evaluation in terms of money of the output of a non-commercial organisation dealing in intangibles becomes more complex. Yet, this can be done. The point rate system used in job evaluation by industrial engineers can be applied to evaluate quality, cost, simplicity of procedures, consideration for the persons who receive service, promptness, orderliness and benefits given by the service. If this point rate system is used both for an evaluation of the input of resources and the output of products and services of the company, regardless of the type of the organisation, then the surplus of the output over the input which is the total profit, can be measured.

Measure of Efficiency

This surplus that is created by any organisation is a direct measure of its efficiency and is indicative of the economy with which the organisation fulfils its rôle. Directly or indirectly, this surplus provides funds for a country's development and for the amelioration of the lot of its inhabitants. Leaving all political ideologies aside, if an organisation does not create this surplus, it does not have any apology for its existence. Where an organisation is primarily a commercial one, its surpluses are in terms of goodwill and public image as well as monetary profit. If it does not make a monetary profit, where is the money to come from for all the research and development needed? Those who are critical of making profits should ponder over the fact that it is basically from the profits of the private sector that ultimately the country finds resources for its Government, defence, huge

bureaucracy and last but not least, the giant public-sector enterprises which are continuing to eat up literally crores of rupees every year.

As stated earlier, profits are also made by an organisation, which renders social service, or a hospital or an educational institution, even though the profits cannot be assessed on the basis of the annual balance-sheets. Such organisations, by creating a surplus, aid the welfare of the people and enrich the lives of both the persons working for the organisation and those who derive benefit from it.

Making the Maximum Profit

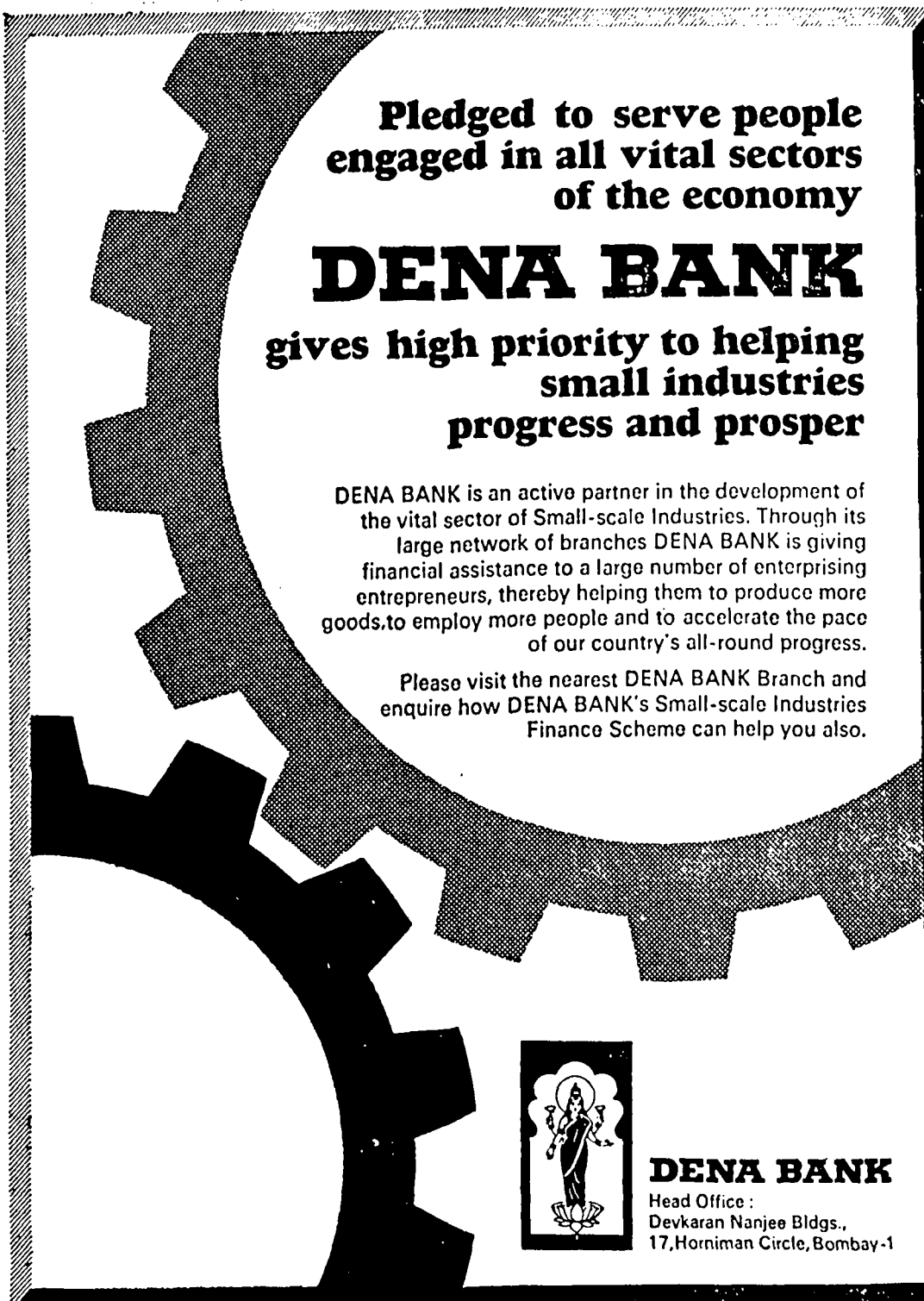
It may perhaps be felt that by selling its products at the maximum price that can be got in the market, an organisation can make the maximum profit. This may, perhaps, be partly true in terms of money and that too for a short while. The company or the organisation which treats its customers and its employees fairly and makes a modest profit essential to its own existence and development, though selling its products at a lower price than what it could have got, actually creates greater surplus between output and input than does the former organisation.

The point may be further brought in focus by considering a non-profit organisation. If the organisation is inefficient, the money required to run it is mis-spent or wasted. But when well managed, it will render valuable service more in value than the amount of money put in. While profits made by unethical methods, such as underpaying the workers or cheating the customers, cannot be condemned too strongly, there should be a realisation of the principle that every organisation has a sacred duty to generate a surplus.

PEOPLE AND PERSONALITIES

Mr. Parks Chrestman has been appointed the new Managing Director of Goodyear India with effect from 27th April, 1971. Mr. Chrestman came to India in 1967 as the Company's Sales Director, and served in this capacity until his new appointment.

The Government of India has nominated Mr. M. M. Sabharwal, Deputy Managing Director, Marketing and Purchasing, Dunlop India Ltd, as a member of the Rubber Board for a period of three years.



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SPECIAL ARTICLES**Will Mrs. Gandhi's New Colleagues in the Cabinet Pull Together as a Team?**

(BY A SPECIAL CORRESPONDENT)

Mrs. Gandhi has now expanded the Central Council of Ministers. Whether her new colleagues are able to pull together as a team remains to be seen.

THE long-awaited expansion of the Central Council of Ministers has at last been made and it is now 55 strong. The President, Mr. V. V. Giri, who was away on a brief tour of south India, cut short his programme and returned to the capital for the swearing-in of the new Ministers numbering over 20. The latest and the solitary addition to the Cabinet is Mr. Uma Shankar Dikshit while the rest are Ministers of State and Deputy Ministers. There have been no surprises, although it looks somewhat odd that Andhra Pradesh which has returned 28 members to the Lok Sabha on ruling Congress tickets has no Minister of the Cabinet rank. Nor are there any Deputy Ministers from this State and the total representation given to it on the Council of Ministers is two—at the level of the Ministers of State.

Mr. Dikshit has been the right-hand man of the Prime Minister, Mrs. Indira Gandhi, for several years and it was known that he had refused to accept a ministerial appointment on earlier occasions. Perhaps, the post of a Minister of the Cabinet rank was too tempting for him to decline. For a brief period, during the mid-term poll, he held the post of general secretary of the ruling Congress Party which he resigned after the completion of the poll. Now he is given the portfolio of Works, Housing and Urban Development and the general impression is that he would also take over the Health portfolio soon after the present incumbent, Mr. K. K. Shah, quits to take over as Governor of Tamil Nadu. There is no reason why Health and Housing and Urban Development should be retained by the same person but this grouping has come to stay. Mr. Siddhartha Shankar Ray, Education Minister, will now permanently hold the Department of Culture also. Till now, he was holding temporary charge of this Department and the assumption was that a full-fledged Minister would be appointed to look after Culture. For some reason or the other, the Prime Minister has thought it fit to give up the idea.

ed to look after Culture. For some reason or the other, the Prime Minister has thought it fit to give up the idea.

The Minister for Steel and Heavy Engineering, Mr. S. Kumaramangalam, will be designated Minister for Steel and Mines. The wider implications of this change are not yet fully known. Possibly, Metals also will be looked after by him. Mr. P. C. Sethi who till recently was in charge of Defence Production takes over independent charge of Petroleum and Chemicals as Minister of State. After Dr. Triguna Sen was dropped from the Central Cabinet, the Ministry has not had a Minister of the Cabinet rank. Mr. Sethi's place is taken over by Mr. V. C. Shukla who was in the Ministry of Finance in charge of Revenue and Civil Expenditure. For years, he had been with Mr. Y. B. Chavan but this combination has now been broken. Mr. K. R. Ganesh has been promoted as Minister of State for Finance from deputy ministership in the same Ministry. The only other promotion is that of Mrs. Sarojini Mahishi from deputy ministership to Minister of State in the same Ministry of Tourism and Civil Aviation. Mr. Om Mehta, Minister of State in Parliamentary Affairs, will be attached to the Ministry of Parliamentary Affairs and Transport and Shipping.

Among the newcomers to the Council of Ministers are Mr. Bahuguna, a former general secretary of the ruling Congress, as Minister of State for Communications in the place of Professor Sher Singh who has been shifted to the Ministry of Agriculture. The Ministry of Communications thus does not have a Minister of the Cabinet rank. Mr. Nithiraj Singh, who was Minister of State for Mines and Metals, has been transferred to the Ministry of Law and Justice. Mr. D. R. Chavan of the same Ministry is now Minister for Supply. There are a number of new faces among the Deputy Ministers. Rumours have it that the Prime Minister is keen on appointing several parliamentary secretaries.

No attempt has, however, been made to rationalise the Departments

and Ministries and the whole apparatus continues to be the same, notwithstanding the recommendations made by the Administrative Reforms Commission. There is not even a separate Ministry for Science and Technology. The Prime Minister has picked up Mr. C. Subramaniam, Planning Minister, to look after Science and Technology, while she herself will hold charge of the Departments of Atomic Energy and Electronics. Mr. K. C. Pant, Minister of State in the Ministry of Home Affairs, will assist her. It is not clear why the nomenclature of the Ministry of Food and Agriculture has been changed to the Ministry of Agriculture. Is it because the Government thinks that food has ceased to be a problem? In any case, this does not sound sensible in as much as all the paraphernalia attached to the Food Ministry continues in tact.

There have been suggestions that the new Ministry of Law and Justice, which has now been strengthened by the addition of a Minister of State, will be entrusted with the task of appointing judges to high courts and the Supreme Court. At present, all judicial appointments are made by the Central Home Ministry. This position was regarded as an anachronism and it was even mentioned by the A.R.C. that the Law Ministry is the proper authority to make judicial appointments. There has been no official clarification whether a change has been made, but the presumption is that since the Ministry is now designated as the Ministry for Law and Justice, it will take care of this work. It is to be hoped that the Government would clarify the position.

All in all, there is nothing to enthuse over the new Council of Ministers. One cannot even say that the best men in the Party have been taken into the Council of Ministers. For one thing, it was too early for the Prime Minister to measure the capacities and capabilities of members in such a short time. For another, it is not always talent that is the deciding factor. Therefore, there could be no regrets over the choice of the new Ministers. Much depends on the policies and programmes and how well they are implemented. The question is whether they will all pull together as a team. With the massive support the Prime Minister enjoys and with her dominating position in the Party, she will certainly be able to carry her colleagues with her.

Seminar on Appropriate Technology : Need to Disseminate Information

(FROM A NEW DELHI CORRESPONDENT)

The formation of a national voluntary organisation for disseminating information about appropriate technologies for various industries was recommended at a seminar held recently in New Delhi. It has to be realised that what India needs is not the adoption of technologies developed outside but their adaptation to the local situation.

THE recent seminar on "Appropriate Technology", convened by the concerned cell in the Central Ministry of Industrial Development, has endorsed the proposal to form a national voluntary organisation to help disseminate information about appropriate technologies for different industries and regions. The idea was mooted by Mr. S. K. Dey.

It was in 1962 Professor Schumacher first introduced the term "intermediate technology" in his paper entitled "Reflections on the Problems of Bringing Industries to Rural Areas". The paper was prepared for the Planning Commission. Dr. Schumacher advocated an intermediate type of technology to solve the complex problem of massive unemployment in rural areas. He was of the opinion that in a country like India a choice had to be made in regard to the level of technology so that the apparently inconsistent objectives of creating large employment opportunities with the available material resources and producing goods on a competitive cost were reconciled. The level of such a technology, Dr. Schumacher felt, should be midway between that of traditional cottage industries and of the modern large-scale industries. A technology costing Rs. 1,000 in fixed capital per work-place (other than cost of land and building) was recommended for rural India.

The concept of "intermediate technology" has since evoked great interest in this country. The subject first came up for discussion at an informal meeting of the Planning Commission in April 1963. Following January, the Small Industries Extension Training Institute in Hyderabad organised a working group to consider the various problems related to "intermediate technology". In March 1964, a seminar was organised on the subject by the Planning Commission's Rural In-

dustries Planning Committee. The working group formed in Hyderabad unanimously reached the conclusion that "model" comparative cost studies of different technologies in respect of selected products should be taken up. The March 1964 seminar recommended comparative cost studies in 23 selected industries with a view to determining appropriate technologies. In pursuance of these recommendations, the Ministry of Industry made a proposal for the establishment of an Institute of Intermediate Technology and Technical Information and Documentation Centre. The need for the establishment of such an Institute was also emphasised by the Estimates Committee as well as by the Asoka Mehta Committee on Khadi and Village Industries.

Outside India, considerable interest is taken in this new concept. In the U.K., an Intermediate Technology Development Group has been set up by Professor Schumacher. Although it is handicapped by the lack of financial resources, it is doing useful work, particularly in developing new techniques for application in Africa. In the United States, there is an organisation known as V.I.T.A. (Volunteers for International Technical Assistance). The main rôle of V.I.T.A. was to act as a voluntary agency for providing technical assistance on a person-to-person basis. More than 5,000 volunteers are on the panels of V.I.T.A. and the organisation has done commendable work in bringing out publications on village technology and creating a new awareness of the technological dimension of rural industry's problems.

The question of intermediate technology was taken up by several non-official agencies. Persons interested in the problem of intermediate technology which included administrators, scientists and economists met in Delhi in July 1967 and constituted the Appropriate Technology Development Group. One of the points made by the Group was that any technology which was not as efficient as the traditional technology of developing countries answered well to the description of "intermediate technology". In this sense, most of India's large industries and mechanised small industries were already using intermediate technology and it was considered that they might

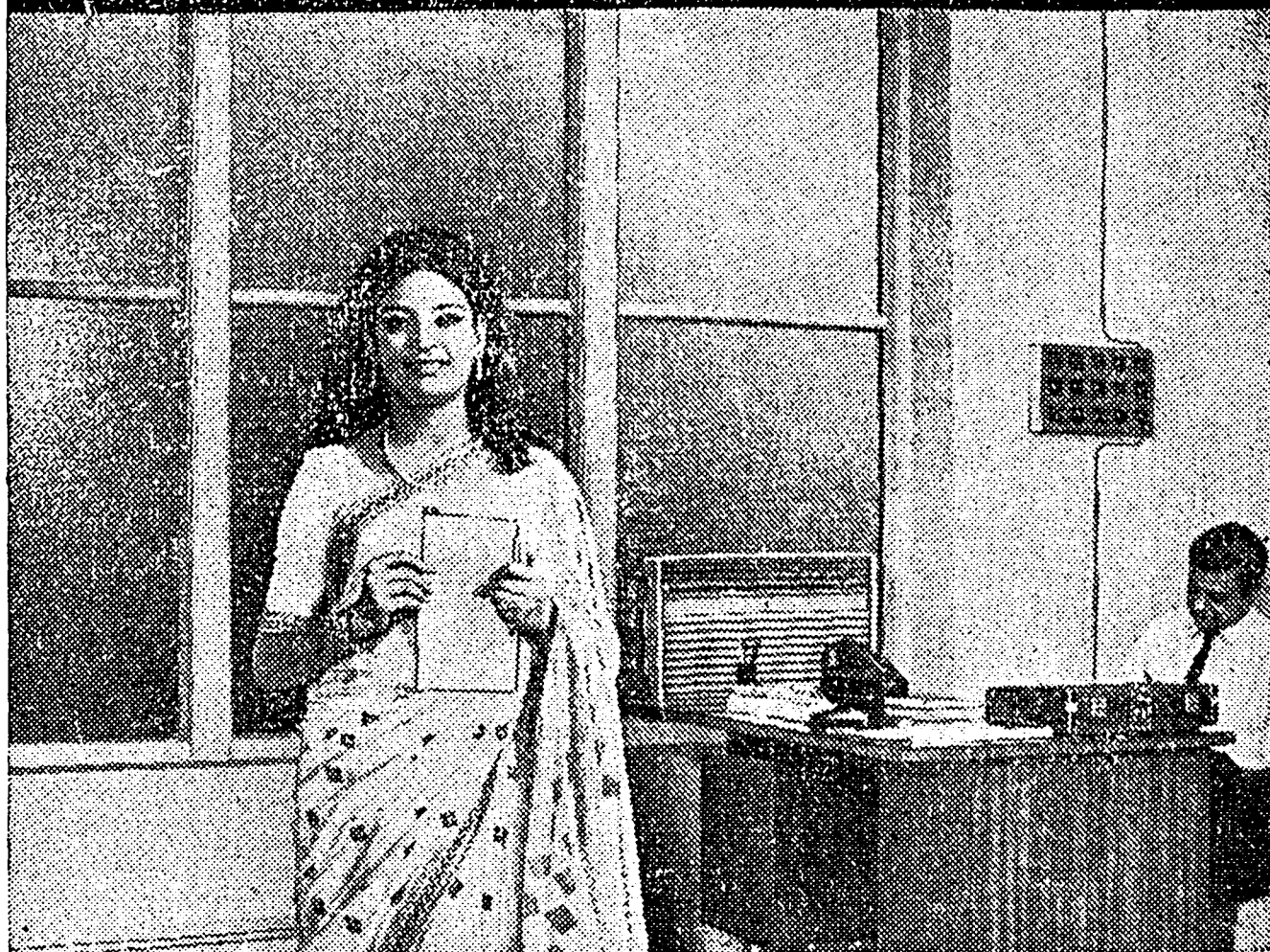
be encouraged to continue along this line. Dr. D. K. Malhotra of the Planning Commission advocated the dropping of the term "intermediate technology" for technologies "appropriate" or suitable for different types of industries. This was because the term "appropriate technology" was self-contained. Moreover, it was not based on the implicit assumption that for all rural areas and industries "intermediate technology" would be the correct technology.

"Intermediate technology" is related to something "high" or "advanced" on the one side and "low" or "backward" on the other. If a definition is necessary, "appropriate technology" may be defined as something which optimises the "total" costs involved in any productive undertaking. This necessarily takes into account several factors such as the resources of an area, the local skills available, the demand for a product and even the general willingness of the community to accept change. Appropriate technology is, therefore, an optimum "mix" of several factors. It is, however, to be emphasised that appropriate technology does not envisage production of goods of sub-standard quality. Nor does it imply any continuing element of subsidy, except perhaps in the very initial stages. The concept is also a dynamic one which is to be geared to the conditions obtaining in a particular region.

The foremost task is to identify and locate a technology if it is already in use or to create one by design and manufacture. The technology adopted by India's established industries has not generally been through a process of local innovations based on needs but through imports. This explains why there is no appropriate technology for any commodity in the less developed regions of the country. The production problems of different articles in various regions should be scientifically assessed. For each industry and each region, the appropriate level of technology will have to be identified and created. The number of permutations and combinations will be many. A further complexity may be introduced by the fact that intermediate technologies in some industries may consist not so much in the use of equipment as in the use of a new process or a different combination of factors of production.

A preliminary effort by the new Appropriate Technology Cell of the Central Government has indicated the following sectors for useful application of appropriate technology: (1) leather

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tanning and footwear; (2) ceramics, including pottery; (3) food processing and preservation; (4) agricultural implements and tools; (5) scaling down of big plants; and (6) coir. The recent seminar has endorsed the areas suggested and added building and road construction and the salt industry in the list for study and probe. According to the working paper presented by the Government to the seminar "the broad criteria by which the selection of the above areas was made have been the contribution of the sector to the economy of the country, the number and the people involved and the fact that the technological input into these areas has been comparatively limited in spite of the massive investments that have been made on scientific and industrial research during the last 25 years".

New Guidelines for the Conversion of Loans into Equity

(BY A SPECIAL CORRESPONDENT)

The guidelines announced by the Government for the conversion of loans into equity offer considerable discretion to the public financial institutions. But it is to be hoped that they would exercise their new powers in a manner which would not hamper the growth of private industry.

THE decision of the Central Government on the question of converting loans to industrial houses by public financial institutions into equity has ended the uncertainty about this vital issue which has been hanging fire for quite some time. It is to be hoped that the new policy would help in the development of private industry. According to the Government, the guidelines are aimed at bringing about a uniformity in approach by all public financial institutions—the Industrial Development Bank of India, the Indian Finance Corporation, the Industrial Credit and Investment Corporation of India, the Life Insurance Corporation and the Unit Trust.

The guidelines have been evolved in line with the Industrial Licensing Policy Enquiry Committee's recommendation about a joint sector and greater participation at policy levels in the case of major industrial projects which have received "substantial" financial assistance. The Com-

Many participants emphasised the need for looking at the problem from the marketing point of view which was considered as a limiting factor in most cases. It was also suggested that support areas, including Government policies and labour legislation, should also be examined so as to make technology appropriate. Lord Blackett, an internationally famous scientist, emphasised the need for undertaking pilot projects and associating industrialists right from the beginning. It is to be hoped that the Appropriate Technology Cell and the series of discussions that took place at different levels would lead Indian scientists, technologists and industrialists to adapt technologies instead of adopting *in toto* what have been evolved in other countries in altogether different situations.

mittee had recommended that these institutions should have an option to convert loans and debentures issued in future either wholly or partly into equity within a specified period of time.

Actually, the guidelines now enunciated are in three parts. The first relates to financial assistance amounting to less than Rs. 25 lakhs, the second deals with cases of assistance between Rs. 25 lakhs and Rs. 50 lakhs and the third pertains to loans amounting to more than Rs. 50 lakhs. If financial assistance to an industrial concern is less than Rs. 25 lakhs, the convertibility clause in the loan agreement covering rupee loans may not be stipulated. In case of assistance between Rs. 25 lakhs and Rs. 50 lakhs, it has been laid down that the financial institutions may use their discretion in inserting a convertibility clause. In cases where assistance is over Rs. 50 lakhs, there would normally be a convertibility clause in the loan covenant.

While these are the main features of the new policy, the guidelines also say that in respect of foreign currency loans included in the aggregate financial assistance, the convertibility clause will not be included in the loan agreements covering sub-loans granted by Indian financial institutions to industrial concerns out of

foreign currency lines of credit made available to them by foreign financial institutions. The exemption will not, however, apply in the case of rupee loans made available to industrial concerns to enable them to purchase foreign exchange from foreign lines of credit received directly by the Government of India from sources abroad.

The lending agencies will now have to give a clear indication to the concerns receiving assistance of the terms and conditions of conversion so that their consent is there in the agreements. The Industrial Licensing Policy Enquiry Committee had pointed out that certain big business houses were the major beneficiaries of public lending. Following this there was a clamour in Parliament, especially from the "Young Turks", that the Government should have an effective voice in the conduct of such firms. It was out of this that the concept of joint sector in industry was born. The guidelines provided by the Government mark a step nearer this idea.

It has also been provided that in all cases of financial assistance, combined judgment will be exercised by all the lending institutions concerned under the auspices of the Industrial Development Bank of India to see that a reasonable ratio is maintained between debt and equity in the case of all assisted concerns "in the interests of shareholders". In respect of loans given in the past, the financial institutions concerned will have the discretion to negotiate conversion if there is a default, each case being settled on its own merits. The institutions will nominate directors to represent them on the boards of management of assisted concerns where the convertibility clause has been exercised.

The guidelines provide considerable discretion to the financial institutions on the question of convertibility in all cases; but the more radical section in the ruling Congress Party was insisting that the conversion of loans into equity above a certain limit should be made mandatory. Industry had no doubt been resisting any such move although it was apparent that the Government would step in in some form or other. The present guidelines offer a *via media* and to this extent they must be welcomed; but it is still possible to harass industry by interpreting the guidelines strictly in favour of financial institutions. Industry too will have to think twice before seeking

huge loans from financial institutions if that means Government interference in their day-to-day functioning.

As long as there is no public participation in some of the huge Government undertakings, it does not stand to reason why the Government should try to secure control over

private industry through back door. But it is too late in the day to go into the merits or otherwise of the conversion proposal since the Government has now come out with a firm decision. The only thing that could be done now is to persuade the Government to exercise the new powers in a judicious manner.

Can Bangladesh be Made an Economically Viable State?

(BY A NEW DELHI CORRESPONDENT)

The task of economic reconstruction of Bangladesh will be Herculean once that country is liberated. It will need massive economic assistance from friendly countries to set its house in order and also to become economically viable.

INDIA has obviously no choice but to comply with Pakistan's request to close down its diplomatic mission in Dacca but the closure may not mean much since Indian diplomats in Dacca had been unable to work normally in view of the conditions prevailing there. Secondly, the restrictions imposed on them were such that India had, on its own initiative, asked for the repatriation of most of the Indian personnel in the Dacca mission. It is also obvious that Islamabad has been prompted to make this request in view of the difficulties that her new Deputy High Commissioner, Mr. Mehdi Masud, had to face in establishing himself in Calcutta despite the facilities made available to him in accordance with international practice.

Official thinking in New Delhi is that such closures of missions are not unprecedented. India had to close its mission in Lhasa (Tibet) and, as a retaliation, India asked China to close its missions in Calcutta and Bombay. In this diplomatic "battle", India has not lost anything. It is Pakistan which has lost since a mission so close to the happenings in Bangladesh has ceased to function for that country as an observation post.

As far as India is concerned, there are other means of obtaining information about events in Bangladesh and maintaining contacts with the leaders of the independence movement. In fact, India is now in a better position to know about the

happenings in Bangladesh than in the past. Even at the best of times, Indians had hardly any direct access to what was happening in the whole of Pakistan, not to talk of East Pakistan, and had to depend heavily on Western sources. Thus, the closure of the Indian mission in Dacca by itself is not going to affect India greatly.

It is taken here for granted that the strife in Bangladesh has passed the point of no return and that sooner than later the 75 million people of that embattled region will be free. The question is how this will affect Pakistan? There is no doubt that what will remain of Pakistan in the West will be greatly hurt by the loss of its long-exploited colony (East Bengal). In this context, Mr. Stephen R. Lewis Jr., Provost of Williams College, Massachusetts, in his latest book, *Pakistan, Industrialisation and Trade Policies*, published for the Development Centre of the Organisation for Economic Co-operation and Development, has analysed in detail how East Bengal had fared under the successive Pakistani regimes since 1947.

Mr. Lewis says: "While East Pakistan has consistently earned more than half of the foreign exchange obtained by commodity exports, it has consistently received less than one-third of commodity imports. Indeed, there is a remarkable degree of stability of East Pakistan's share of imports". In respect of import licences also, West Pakistan had always received over 60 per cent of the licences. Short of calling the economic policy of the rulers of Pakistan towards Bangladesh as "colonialist", Mr. Lewis observes: "It would appear that the two provinces (West and East Pakistan) shared unequally in the inflow of foreign

capital which accelerated so rapidly in the Second Plan period. In the last 15-year period, 1950-65, East Pakistan received less than one-third of the total domestic investment. It is very clear that the agricultural sector in East Pakistan was squeezed to a much greater extent than the agricultural sector in West Pakistan throughout the early and mid-1950's".

Mr. Lewis adds: "Not only did East Pakistan receive lower prices for their products than did West Pakistan, but also paid higher prices for their manufactured goods. The policies pursued by the Government of Pakistan in the 1950's appear to have drained resources away from East Pakistan which was a poor province to begin with and widened the gap in production *per capita*. The transfer of resources that occurred in 1950's was of primary importance in enabling the industrial sector located in Karachi to expand rapidly".

Official circles in Delhi have already started assessing how the relationship between India and Bangladesh will shape itself and whether Bangladesh would be economically viable. There is no doubt that the economic reconstruction of Bangladesh will pose a big challenge to its Government due to the savage destruction being wrought by the occupation army of President Yahya Khan. Bangladesh may need a Marshall Plan which put the European countries in order after the second World War. It will need massive economic assistance from friendly countries, but it is also clear that such assistance will be worthwhile in view of the substantial resources which it has and which have remained undeveloped.

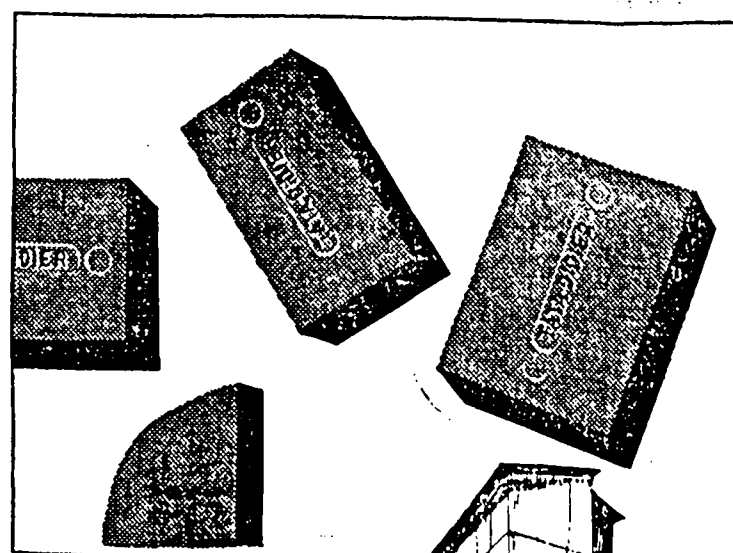
After the liberation, Bangladesh's trade relations with India will have to be developed. They should be beneficial to both the countries. Among the commodities that will bolster up the economy of Bangladesh will be jute. Rice cultivation in Bangladesh has suffered from the waterlogging of fields by the flooding of rivers during monsoon. While the real problem in East Bengal is one of inundation, the Pakistani authorities have been making out that the Farakka barrage would starve East Bengal of water and turn it into a "desert". This bluff will be called and the Farakka barrage will cease to be an "irritant" once Bangladesh becomes free. This will be no small gain for India.

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MONEY AND BANKING

Role of the State Bank in Export Financing

(BY A SPECIAL CORRESPONDENT)

The State Bank of India is playing an important rôle in promoting India's exports. It would do well to pay more attention to the credit needs of export industries.

THE annual report of the State Bank of India for 1970, just released, has highlighted the part it has been playing in the country's export drive. The report reveals that the volume of export credit extended by the bank increased in 1970 over the previous year by 34.9 per cent to Rs. 93 crores of which medium-term export credit formed 11.6 per cent. The medium-term export credit was mainly for textile mill machinery, steel pipes, steel rails, heavy duty vehicles and other engineering products. The report says that "this is a welcome change in as much as it reflects the diversification of the Bank's export finance business in accordance with the changing pattern of the country's export trade."

A notable development in export finance by the State Bank last year was the provision of medium-term credit for the export of 3,600 railway wagons, valued at Rs. 38 crores, to Yugoslavia. This credit is being given in participation with the Industrial Development Bank of India and some commercial banks. "For the State Bank Group as a whole", says the report, "the outstanding advances for exports totalled Rs. 105 crores at the end of 1970. The share of the Group in export credit provided by all scheduled commercial banks improved from 26.8 per cent in June 1969 to 27.6 per cent in March 1970."

The fact remains, however, that the State Bank could have offered more assistance to export industries. For example, the jute industry has often complained about the difficulty in getting finance from the State Bank. Last year, many jute mills required substantial sums of credit because of the huge stocks which accumulated due to the strike in Calcutta port. But the mills com-

plained that the State Bank was not prompt in coming to their aid.

More recently, the Indian Jute Mills Association criticised the State Bank for not helping the jute industry with timely supply of funds. It will be recalled that at the annual meeting of the I.J.M.A. last month Mr. H. D. Wahi said that the mills were desperately short of working funds. The industry's requirements of working capital have greatly increased due to the sharp rise in the mills' conversion and raw jute costs. The mills also do not get, as before, any inter-trade accommodation. The I.J.M.A., therefore, repeatedly represented to the Reserve Bank of India and the State Bank for a reduction in the margin on the mills' drawing rights against their cash credit limits. But, in the words of Mr. Wahi, it was "most disappointing that the State Bank of India, far from decreasing the margins, has increased them."

It will be recalled that the U. S. Agency for International Development (U.S.A.I.D.), in its recent study on the jute industry, stressed the need for a jute bank. The study said that in view of the large and increasing requirements of money by the jute industry for various purposes, a separate bank with a deep knowledge of the problems of the industry was needed. The fact that the U.S.A.I.D. recommended the creation of a separate jute bank would seem to indicate that the jute industry has not been getting sufficient support from the existing banks, including the State Bank. The Government of India has announced the formation of a Jute Corporation but nothing has been said about the jute bank. However, the State Bank should give special attention to the financial needs of the jute industry especially now when it is called upon to maximise its production and earnings of foreign exchange.

The annual report of the State Bank also refers to the establishment of an International Division in its Bombay office to provide information to exporters, particularly small exporters,

concerning export procedures and market opportunities abroad. "The Division", says the report, "seeks to bring together Indian exporters and foreign importers, besides collecting and disseminating a wide range of information and providing expert advice to exporters on trading conditions abroad." The Division started working early in 1970. But has the State Bank given wide publicity to the services rendered by this Division? Moreover, since the Division is located in Bombay, how are the small exporters in West Bengal and the eastern region going to benefit from it? The State Bank in Calcutta should also provide similar facilities, since the products of the small industries in West Bengal have good prospects in foreign markets.

The report also points out that the bank has decided to open a Representative Office for the Middle East in Beirut. This is meant to provide comprehensive facilities to Indian exporters in this "new and expanding market". It is to be hoped that similar offices will be set up in other parts of the world, especially eastern Europe. The flow of commercial intelligence from eastern Europe is meager and irregular. The State Bank can do something by paying some attention to this area. There are also other types of difficulties which business men experience in trading with eastern Europe. The State Bank should try to identify and solve them.

If the State Bank is to play its rôle in export promotion effectively, it is essential that its offices should be adequately staffed with personnel well acquainted with the details of foreign trade. The State Bank has sought the services of the Indian Institute of Management in Ahmedabad to study in depth the bank's organisational structure. The Institute is expected to examine the management practices of the bank and suggest a suitable administrative set-up to achieve its objectives. The bank has also set up recently a Management Science Division. The Division has been described as "a focal point of all our planning activity and is exploring the possibilities of employing modern analytical techniques of management science in the various problem areas of bank management." It is to be hoped that in implementing its scheme of reorganisation, the bank will give adequate attention to equip itself with the necessary expertise relating to the different aspects of foreign trade, with particular reference to export promotion.

LABOUR

Importance of Modern Concepts in Personnel Management

(BY A SPECIAL CORRESPONDENT)

The success of no enterprise can be assured unless adequate attention is paid to the management of major resources—money, materials, machinery, markets and ideas. But the most vital resource of all is the skill and diligence of the people at work.

THE recent three-day conference of the Indian Institute of Personnel Management, held in Madras, had as its themes matters relating to personnel management and industrial relations, wages, productivity and automation and related subjects. It is proposed to highlight here some of the thought-provoking and pragmatic views and ideas expressed at the conference on some aspects of personnel management. Dr. R. S. Tameja, Deputy General Manager of Bennett Coleman and Co. Ltd and president of the I.I.P.M., in his address to the conference observed that the traditional ideas about the rôle of personnel managers in India were breaking down. What they are generally told to do is to delve deeply into the motives that set people to work or to shirk. Another lesson that is constantly dinned into their ears is that wage incentives are not enough to induce any one to put in his best, as indeed the recent agitations by well-paid bank employees, depot managers of the Indian Oil Corporation and the pilots with Rs. 6,000 a month tax-free-take-home-pay plainly show.

The personnel managers have been provided of late with many tools to inculcate in the minds of employees that there is a broad social purpose in the work they do. The methods adopted to create in workers "a sense of belonging" range from the so-called unit level education schemes and the provision of re-training and refresher courses to the setting up of joint consultation machinery and participation in management. Why have all such methods failed so far significantly to reduce tension between the employer and the employee? The answer is not quite simple. For one thing, many personnel managers do not adequately

ly realise that with the rapid development of technology, every industrial unit has become a highly complicated affair, and that to perform their duties satisfactorily they must get thoroughly acquainted with scores of different processes in such highly specialised but diversified fields as procurement, production, finance accounting, audit, marketing and advertising. It is necessary to modernise the whole process of decision-making in industrial establishments by shifting the personnel manager from the periphery of the board room to his rightful seat among the other working directors.

The success of no enterprise can be assured unless adequate attention is paid to the management of major resources—money, materials, machinery, markets and ideas. But the most vital resource of all is the skill and diligence of the people at work. The aims of an enterprise must, to a large extent, be determined with reference to the means of developing the human resources. This means that in every firm, personnel management should function as an integral part of the top management right from the planning stage onward. A trained cadre of personnel managers is necessary to anticipate problems and solve them before they explode. But no amount of training in the technicalities of existing legislation will be of much help to such managers, unless they are also enabled to develop a sort of participative leadership along with key employees at all levels. Business today calls for dynamism, both in leadership and policy. Business managers are not merely needed in the conventional sense. What is needed is a kind of business leadership which, while keeping well in focus the basic goals of business efficiency and prosperity, also brings to bear on its daily work an enlightened sense of kinship with the changing society.

Mr. Harish Mahindra, a leading industrialist, observed that for far too long apathy had been permitted to rule over attitudes to personnel management. The moment an agree-

ment is signed between management and labour, the human aspect is forgotten. Or at best it is passed on to second-tier management for being taken care of. Personnel management, being crucial, deserves as much attention—if not more—and consideration at the highest levels as a matter like capital investment or diversification. It cannot be left in the hands of second-tier management however competent it be. Personnel management cannot be casually handled by top management. It deserves discussion at the directoral level. It is true that personnel matters are always time-consuming. Nevertheless, the question is not whether people at that level can afford to spare so much time. It is a question whether top management can afford not to.

Mr. P. T. K. Panicker, of the Tata Iron and Steel Co. Ltd, in his address observed that some of the essential functions of the profession of personnel management, or for that matter of any other, were (a) maintenance of educational standards which govern entry to it, (b) enhancement of professional competence of its members, and (c) adherence to an accepted code of ethics. As for the first, there are universities and institutes in the country teaching personnel management. Have the academic standards of these institutions been brought in line with the modern concepts of personnel management? The answer is: not yet. On going through their syllabuses in detail it would be seen that in many cases an upgrading of the standards is indicated. Changes are also called for in their curricula. All industries should adopt the latest concepts in personnel management.

Quite a few organisations in India still believe in a legalistic approach to personnel management. They have yet to realise that the development of an organisation depends on the extent to which it can de-legalise personnel management and adopt the personnelised approach instead. Personnel management today does not mean only conducting domestic enquiries, assisting lawyers in labour courts or tribunals and the like but it consists in developing personal contacts with the men on and off their jobs; communicating with them, understanding their capacities, needs, ambitions and aspirations; and training, developing and motivating them for higher production.

TAXATION

Amortisation of Preliminary Expenses : Need for More Liberal Provision

By S. Sinha

The introduction of Section 35D in the Income Tax Act has been made to provide amortisation of certain preliminary expenses of new industrial undertakings and extensions of existing ones. But the list of such expenses is not complete, since there are other items of expenditure which ought to be treated on an equal footing.

THE Taxation Laws (Amendment) Act, 1970, has introduced in the Income Tax Act, a new Section 35 D providing for amortisation of certain preliminary expenses of new industrial undertakings and extensions of an industrial undertaking. Several amendments, however, appear to be necessary in this new section. First, in sub-section (1), the words "of the nature" should be added after the words "any expenditure". Since a "certificate of commencement of business" settling the question of fixing the date of commencement will not be available in the case of those other than public companies, the words "commencement of his business" should be defined. The distinction between the periods before and after commencement, being really unnecessary and merely descriptive, may be removed. "Extension" is an omnibus term and may be considered to cover substantial additions/replacement/modifications by way of balancing, rationalisation, optimisation, diversification, modernisation (such as fighting obsolescence, updating technology, providing latest productive and service equipment), etcetera. The term "extension" should, therefore, be clearly defined in detail.

Expenditure in connection with drafting alterations in the memorandum and articles of association of a company and consequential reprinting thereof rendered necessary for "the setting up of a new industrial unit" should be allowed. Expenditure in connection with obtaining a certificate of commencement of business also deserves consideration. *Bona fide* expenses incurred for the purpose of securing letters of intent and licence from the Government, finance for the relevant purposes from approved institutions, foreign technical and financial

collaboration and credit merit consideration for inclusion in sub-section. (2) Printing of certificates of shares and debentures and other documentation related to issue of shares/debentures may also be included. In sub-clause (iii) of clause (a) of sub-section (2), the words "for the business of the assessee" should be expanded to "for the proposed business of the assessee in connection with the initial or additional industrial undertaking or extension, as the case may be, carried out at any one time".

For the words in sub-clause (iv), the following words may be substituted: "consultancy and/or engineering services rendered at any time, relating to the proposed business of the assessee in connection with the initial or additional industrial undertaking or extension, as the case may be, but not directly relatable to any fixed assets". Similarly, "lump sum payments for securing technical know-how required for the relevant purposes and licence for the right to use such know-how, which are not directly relatable to, and considerable as costs of, fixed assets like capital plant and machinery, etcetera" should be specifically included in the statute. Similarly again, tax paid or payable by the assessee on behalf of the recipient of such payments in terms of foreign technical collaboration agreements approved by the Government should also be included, unless the tax-on-tax method is scrapped.

Since the maximum amount of underwriting commission allowed under the Companies Act, 1956, is 5 per cent in the case of shares and 2½ per cent in the case of debentures, and since the expenditure on such items as preparation of a feasibility report or a project report, market survey, engineering services and consultancy services is usually quite substantial, there is a strong case for raising the maximum limit of 2½ per cent, mentioned in sub-section (3), to at least 5 per cent.

As recommended by the Select Committee, the percentage shall be calcu-

lated on what has been described as "cost of the project". First, since the date of registration of a non-corporate organisation is liable to be taken by the I.T.O. as the date of commencement of business, there may be precious little amount of fixed assets on the books of the assessee "on the last day of the previous year in which the business of the assessee commences", except, perhaps, paddy-fields "cleared" for industrial development! As recommended by the Select Committee, "the last day of the previous year in which the business of the assessee commences" has been adopted for a new business; "the last day of the previous year in which the extension is completed" in the case of an extension; and "the last day of the previous year in which the new industrial unit commences production or operation" in the case of a new industrial unit. Since the quantum of the eligible expenditure is sought to be based on the size of the investment effort, the simple criterion of "the last day of the year in which the setting up of the initial or additional industrial unit or extension is completed" should be appropriate for the purpose in view. As long as only the actual cost of the fixed assets "as have been acquired or developed in connection with the extension of the industrial undertaking or the setting up of the new industrial unit" or the setting up of the initial undertaking is taken into consideration, there should be no confusion.

There is no reason why in the case of a company the unrealistic and non-functional criterion should be adopted of what is, at variance with Rule 19A of the Income Tax Rules, 1962, called "capital employed" which may, in many cases, be far in excess of the "cost of the project". The inclusion of issued, rather than paid-up, share capital is by itself an indication of admission of its unrealistic nature. It may, however, be pointed out in passing that often moneys borrowed or debt incurred in a foreign country may be in respect of the purchase outside India. Lastly, the ten-year period of limitation may be counted in all cases from the previous year in which production or operation has been started after the completion of setting up of the initial or additional industrial unit or extension, as the case may be. Again, the facility of carry-forward of the unabsorbed portion of an annual instalment to the successive years should also be allowed as in Section 35E (deduction for expenditure on prospecting for certain minerals).

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AVIATION AND TOURISM

Co-ordinating the Services of Scheduled and Charter Airlines

(BY A SPECIAL CORRESPONDENT)

THE growing prosperity of the non-scheduled airlines has been causing concern to the scheduled airlines all over the world. In fact, the non-scheduled sector has recorded a 7 per cent rise in passenger kilometre services and 5 per cent in terms of capacity made available in a period of seven years. It has become necessary to re-examine the whole aviation system—both scheduled and non-scheduled—to achieve a compromise for mutual co-existence. The I.A.T.A. airlines are also trying to fight back in the best possible way by introducing "inclusive tour" and the bulk contract system to widen the scope for "group travel" on their scheduled services. Incidentally, in the U.S.A. the freedom of the two sectors has been hotly debated in the past and the authorities concerned have already taken up the issue. In the U.K. as well, according to some observers, the relaxation of rules that now govern charter flights in non-scheduled services are in the offing. In India, the traffic carried on non-scheduled services in a particular year constituted about 5 per cent (or 17 million tonne kilometres) of the traffic carried by the scheduled services.

As the scheduled airlines provide vital services to any nation, they deserve protection in some cases. Yet they suffer from such dampers as rising costs, increasing competition, low load factors, surplus capacity and dwindling profits. Besides, they are obliged to operate regular services to definite destinations according to fixed time-tables. Charter lines in the non-scheduled sector, on the other hand, are free from such obligations; they have their own time-tables and are free to choose traffic and routes. They can always shift from less profitable to more profitable sectors. They prefer to operate between stations that offer sufficient traffic for utilising the maximum available capacity.

In this context, the U.K. Committee on Civil Air Transport has observed that the operators of inclusive tour services and of group charter

flights arrange air services in such a way that they maximise the sale of seats and operate at very high load factors. They have no "obligation to ensure that space is available for late comers; their purpose is to see that load factors are maximised in order to give their customers the lowest possible prices." The nature of such non-scheduled services has also been revealed from the following observations of the Committee: "The basic feature of this type of demand is that the customers are willing to adapt their own requirements to some extent to the requirements of other people if this ensures a lower operating cost (partly through a better load factor and hence a lower price for the individual seat). . . . The operators of group inclusive tour services and of group charter flights exploit these characteristics of demand."

However, this is not to suggest that the charter lines are above criticism. For instance, comments are often made that the traffic of the non-scheduled services is largely diverted from the scheduled sector due to the rate advantage of the former with no obligation to provide services. The rules governing "affinity group" travel sometimes provide loopholes for malpractices. Furthermore, the non-scheduled airlines operate with old or second-hand aircraft, reduced crew or passenger amenities and lower wage costs, all leading to lower operation costs.

In all fairness, however, one has to concede that the occupation ratio and the consequent revenue potential per flight becomes higher in case of charter lines. In addition, the obligations of the non-scheduled airlines, unlike the scheduled airlines, are not very stringent. The travelling public throughout the world is now increasingly turning to charter flights due to the high cost of scheduled services. It is common knowledge that several million people take charter flight between North America and Europe, compared with about 60 million on scheduled flights. For instance, the capa-

city made available on the non-scheduled sector in a particular year was almost 10 per cent of what was made available by the scheduled airlines. The scheduled airlines have been making best efforts to control air fares.

In the interests of the industry and the travelling public, there must be co-ordination of activities of the two sectors. The current year's outlook for the industry has been summed up by the Director-General of I.A.T.A. as "continuation of profitless growth." He feels that statistics showing growth in passengers and freight could be misleading if used to gauge the industry's financial health. Cost inflation and the widespread use of cut-price and promotional fares often offset the financial advantages incidental to increased traffic. The growth of non-scheduled operations are now partly checked by rules framed by different States that seek to protect the scheduled carriers. A point to be noted by the scheduled sector is that the non-scheduled services have flourished only because of the seasonal character of holiday travel.

BOAC

Export Contract Won

BOAC's computer team has won the biggest ever export contract. It has been commissioned to computerise the Malaysia-Singapore Airlines at a cost of over £3 million. The contract was signed in Singapore a few days ago. It involves BOAC in the total responsibility for design, implementation and initial operation of what will be the biggest computer and the first real-time system complex in south-east Asia.

PAN AM

Traffic Figures

Pan American World Airways flew 1,193 million revenue passenger-miles in scheduled services in March 1971, down 0.7 per cent from the 1,202 million flown in March 1970. Total passenger-miles, including charter services, amounted to 1,448 million, an increase of 2.5 per cent over the 1,413 million flown a year earlier. Available seat-miles flown in scheduled services amounted to 2,442 million, up 12.6 per cent from the 2,167 million a year earlier. Total available seat-miles for all services, including charter, flown in March amounted to 2,726 million, an increase of 13.9 per cent over the 2,392 million flown in March 1970.

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INVESTMENT

Good Corporate News Cheers Operators Despite Budget Uncertainties

THE stock markets have presented a steadier front this past week. This has been due more to the scarcity of offerings than to any important bull support, although select growth shares have continued to evoke fair interest. Occasional profit-taking has been easily absorbed. The price pattern over the week-end has been mixed with gains far outnumbering the losses. The markets have edged their way up almost imperceptibly and last week's further small rise has carried them extremely close to the year's highest mark made in January. Despite the improved tone, the volume of business has remained small because of the wait-and-watch attitude adopted by both bulls and bears.

Corporate news has been the major steadying influence this past week. The companies which have had pleasing news for their shareholders make a formidable list and include Gujarat State Fertilisers, Travancore Electric Chemical, Camphor and Allied Products, Bombay Silk, British Paints, Sterling General, National Tobacco, Woolcombers, Southern Asbestos and Jay Shree Tea. The steady stream of pleasing corporate news reflects the gradual revival of the economy. But except for good corporate news, there has been little else to cheer the markets. In fact, they have to contend with some adverse influences. The political weather has continued to be congenial with growing tension on the eastern border. Commercial banks have stepped up their lending rates to industry and trade by $\frac{1}{2}$ per cent to 1 per cent. Despite easier conditions in the short-term money market, big borrowers continue to experience difficulties in obtaining adequate credit from banks.

The Central Law Ministry is reported to be working on vital constitutional amendments to enable the Government to implement some of its radical socialistic measures, such as the imposition of a ceiling on urban property and the abolition of the privy purses without paying full compensation according to the prevailing market value. The Central Minister of State for Planning, Mr. Mohan Dharia, has emphasised the

need for raising more funds for financing the stepped up development effort by socialistic measures. How radical Mr. Y. B. Chavan's Budget will be is anybody's guess.

News from abroad also has not been encouraging. The Indo-U.K. textile talks on the proposed 15-per cent import tariff on Indian textiles have not been progressing smoothly. And the international monetary crisis stemming from the mounting pressure on the U.S. dollar has deepened. The U.S.A. is opposed to the devaluation of the dollar and West Germany seems equally opposed to revaluing its deutchmark. For the time being, West Germany has decided to float the mark. The crisis cannot be satisfactorily resolved unless Washington is able to balance its domestic obligation and international responsibilities. The Vietnam war has proved a serious strain on the U.S. economy.

The stock markets are standing almost at the best level recorded this year so far. Political and Budget uncertainties have made for caution, but the undertone is steady-to-firm. The market can be expected to forge ahead if the forthcoming Budget does not contain any big damper. It is not really the quantum of taxation which bothers the market, but the way how funds are raised.

Government securities have remained quiet this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have received selective support. Turnover has been fair.

The Calcutta stock market has remained steady this past week. Operators have apparently been enthused by the rise in exports and the latest import policy for 1971-72. A plethora of good corporate news has also cheered sentiment. Among engineering shares, J. K. Steel, Burn, Wellman Incandescent and Shriram Bearings have received selective support. Among paper shares, Bengal, Straw Products and Seshasayee have changed hands. Among jute shares, Gourepore, Kankinarrah and Budget-Budge have been supported. Among miscellaneous shares, National Insula-

ted Cable, Indian Explosives and Woolcombers of India have received support. Among tea shares, Birpara, Hasimara and Hattikhira have met with buying enquiries.

Dalal Street has had a dull time this past week. Equity prices have fluctuated in a narrow range with a steadier tone. Net changes over the week show a preponderance of gains. Interest has remained selective and the steadier tone has been due more to poor offerings than large support. Cotton mill shares have ruled steadier. Although conditions in the cloth market have remained sluggish, there seems general satisfaction that the Government's policy on controlled cloth is much less harsh than generally feared. South India Viscose and Baroda Rayon have been the bright spots. Steel shares have been slightly subdued due to profit-taking and lack of fresh support. Engineering shares have generally ruled steadier. Only Alcock Ashdown have registered a big decline. Zenith Steel and Larsen and Toubro have held distinctly firm while Tata Engineering and Voltas have maintain-

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section :

**Bharat Vijay Mills
Camphor and Allied
Dharamsi Chemical
Goodlass Nerolac
Goodyear
Gujarat Fertilisers
Gujarat Steel Tubes
Khandelwal Udyog
Peirce Leslie
Polson
Raymond Woollen
Sandoz (India)
Simon-Carves
Tata Chemicals
United Bank
Vijaya Bank
Vijay Mills
Warner Hindustan**

ed a steady tone. Automobile shares have displayed a quietly steady tone. Among shipping shares, Great Eastern have recorded a marked rise while Scindia have kept barely steady. Among cements, Orissa have been subdued while A.C.C. and Digvijay have kept steady. Chemical and pharmaceutical shares have maintained a steady tone with a small turnover. Firm features have been Tata Chemicals, Colour-Chem and Synthetics and Chemicals. Except for Cent Tyres, which have recorded a good rise, the shares of tyre companies have held quietly steady. Sugar shares have been steady with a limited turnover. Paper shares have showed a steadier tendency on modest support. Bank, insurance and electric shares have ruled steady. Among miscellaneous counters, Motor Industries and Camphor and Allied have been among the firm features. Escorts and Bombay Oxygen have receded on profit-taking. Hindustan Aluminium and Tata Oil have kept steady.

The Madras stock market has remained quietly steady this past week. In the planting section, Ochterlony Valley have met with buying enquiries while Cochin Malabar have been subjected to selling pressure. Blue Mountain have been stagnant in the absence of demand while Pullangode have met with buying enquiries. In the textile section, South India Viscose and Madura have been traded. In the miscellaneous section, Ashok Leyland and Mettur Chemicals have received support while F.A.C.T.s have met with selling pressure. Bank

shares have received selective support and Indian Bank have met with buying enquiries. In the sugar section, Aruna Sugar and Kothari Sugar have changed hands.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	23/50—23/50—22/80—22/80—
(18/60)	
Dunlop India	39/20—39/25—38/50—38/80—
(34/30)	
Guest, Keen, Williams	37/35—37/40—36/75—
—37/05—(16/20)	
Hindustan Motors	12/90—12/90—12/65—
12/70—(15/36)	
Howrah Jute	7/12—7/19—7/00—7/06—(6/50)
Indian Aluminium	38/55—38/80—38/25—
38/65—(30/85)	
Indian Cable	18/00—18/40—17/65—18/35—
(14/70)	
Indian Copper	4/15—4/19—4/11—4/15—
(4/63)	
Indian Iron	12/00—12/15—11/95—12/15—
(17/00)	
J. K. Cotton	10/65—11/05—10/50—11/00—
(13/35)	
Jaipur Udyog	9/20—9/20—9/10—9/10—
(9/60)	
Jayashree Tea & Industries	18/50—18/50—
17/94—18/44—(13/37)	
Kesoram Industries	16/40—16/75—16/35—
16/35—(17/10)	
Orient Paper	39/35—39/60—39/05—39/25—
(32/55)	
Orissa Cement	18/65—18/80—18/40—18/80—
(14/65)	
Rohtas Industries	6/40—6/45—6/20—6/25—
(7/58)	
Textile Machinery	10/80—11/30—10/80—
11/30—(11/40)	

a proposed final dividend of Rs. 1.75 a share is being placed. A proposal to issue bonus shares in the ratio of one for one is also being considered. Mr. Chrestman said that the machinery for the major expansion programme of a second automotive tyre plant and the 2-million-unit bicycle tyre plant was on site. But the production in both the plants is not expected to commence until the middle of this year because of the difficulties in procuring electrical components and other major service facilities from local manufacturers.

Mr. Chrestman said that the Company would be able to double its passenger, truck and tractor tyre out-

put, introduce a line of scooter tyres and double its earthmover tyre capacity if the present difficulties were removed. In addition, it will start its own bicycle tyre and tube production. He said that the profit outlook for 1971 was not bright since the Company had heavy interest expenses created by loans taken from various financial institutions. The raw material for nylon tyre cord must be imported and the present imports permitted are just not enough to meet the needs of truck operators.

The profit of Goodyear India Ltd has declined from Rs. 1.40 crores to Rs. 56.03 lakhs for 1970, after providing Rs. 69.30 lakhs for taxation and Rs. 4 lakhs for development rebate reserve. A taxable ordinary dividend of Rs. 4.75 a share, including an interim of Rs. 3 a share, has been declared, absorbing Rs. 1.21 crores. This offers a yield of 8.3 per cent at the present price of Rs. 57 a share of Rs. 10 each. A sum of Rs. 16 lakhs was transferred from development rebate reserve since it is no longer required by statute to be held in the reserve account. Sales fell from Rs. 28.73 crores to Rs. 25.28 crores. It is stated that production at the Ballabgarh factory was adversely affected by a slow-down by labour lasting approximately six months. A special programme was, however, undertaken to ensure an equitable distribution of tyres. The operating results were also affected by the increase in the statutory price of natural rubber in September and by increases in other manufacturing costs.

SIMON-CARVES

Dividend Raised

IN their latest report for 1970, the directors of Simon-Carves India Ltd say that in spite of the rather unsettled industrial climate, the total intake of orders during the year was well in excess of the annual target. The value of contracts obtained was about Rs. 5.30 crores, of which orders to the value of Rs. 4.66 crores are for design, engineering and construction. The most important contract secured during the year was Calico polyester fibre project for which the Company would be undertaking all the detailed engineering and design work in India necessitating a degree of technical competence so far unequalled in the country. During the year a number of major contracts for Hindustan Steel

Ltd in Durgapur were successfully concluded.

The profit, before taxation, has risen from Rs. 11.11 lakhs to Rs. 27.84 lakhs, after providing Rs. 5.46 lakhs (against Rs. 4.13 lakhs) for depreciation. In view of the Company's better performance, a taxable ordinary dividend has been declared at 15 per cent (against 8 per cent), absorbing Rs. 9 lakhs which will be paid out of general reserve. This offers a yield of 12.1 per cent at the present price of Rs. 12.37 a share of Rs. 10 each. Allocations include Rs. 11.73 lakhs (against Rs. 6.55 lakhs) for taxation and Rs. 25,171 (against Rs. 4,775) for development rebate reserve. After making other adjustments, a sum of Rs. 15.94 lakhs is transferred to general reserve, against Rs. 91,110.

BHARAT VIJAY MILLS

Profit Down

DESPITE a small increase in sales from Rs. 3.49 crores to Rs. 3.61 crores, the gross profit made by Bharat Vijay Mills in 1970 is down by nearly 21 per cent from Rs. 40.05 lakhs to Rs. 31.64 lakhs. The dividend has been reduced from Rs. 15 to Rs. 12 a share but since the reduced dividend is payable on the enlarged capital (on 36,000 shares against 32,000 shares), the total distribution is higher at Rs. 3.84 lakhs (against Rs. 3.60 lakhs). After providing Rs. 15.97 lakhs (against Rs. 14.84 lakhs) for depreciation, Rs. 3.89 lakhs (against Rs. 5 lakhs) for development rebate reserve and Rs. 6.25 lakhs (against Rs. 10.50 lakhs) for taxation, the net profit for 1970 amounts to Rs. 5.52 lakhs, against Rs. 9.71 lakhs in the preceding year. Out of this, a sum of Rs. 5.50 lakhs (against Rs. 9.70 lakhs) has been transferred to general reserve. The proposed dividend is to be paid out of general reserve.

VIJAY MILLS

Sharp Fall in Profit

VIJAY Mills (Ahmedabad) has reduced the dividend for 1970 from Rs. 20 to Rs. 17 a share. The Company has fared badly during the year. Despite a rise of about 11 per cent in sales from Rs. 3.69 crores to Rs. 4.10 crores, the gross profit has shrunk by 40 per cent from Rs. 36.65 lakhs to Rs. 21.85 lakhs. After providing Rs. 96,000 (against Rs. 86,000) for managerial remuneration, Rs. 7.48

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lakhs (against Rs. 7.42 lakhs) for depreciation, Rs. 1.32 lakhs (against Rs. 1.21 lakhs) for development rebate reserve, Rs. 5 lakhs (against Rs. 1.40 lakhs) for taxation, Rs. 3.25 lakhs (against Rs. 3 lakhs) for bonus to workers and Rs. 20,000 (against Rs. 10,000) for donations, there remains a surplus of Rs. 3.64 lakhs, against Rs. 22.66 lakhs in the previous year. The proposed dividend will absorb Rs. 2.38 lakhs (against Rs. 2.80 lakhs).

WARNER HINDUSTAN

Results Impress

WARNER Hindustan has maintained the dividend for 1970 at 9 per cent but, in addition, it has proposed a two-for-five bonus issue. The Company has done exceedingly well during the year, with sales up by 60 per cent from Rs. 2.68 crores to Rs. 4.29 crores and the gross profit rising by 63.4 per cent from Rs. 72.01 lakhs to Rs. 117.68 lakhs. After providing Rs. 24.89 lakhs (against Rs. 17.53 lakhs) for depreciation, Rs. 64,000 (against Rs. 26.26 lakhs) for development rebate reserve and Rs. 48.86 lakhs (against Rs. 2.90 lakhs) for taxation, the net profit for 1970 amounts to Rs. 43.29 lakhs, against Rs. 25.35 lakhs in the preceding year. After adding Rs. 4.67 lakhs on account of excess provision and refund of income-tax, Rs. 15.54 lakhs have been allocated to the previous year's adjustments, Rs. 2.65 lakhs to reserve for repayment of U.S. A.I.D. loan and Rs. 12 lakhs to preference share capital redemption reserve. The previous year's adjustments consisted of Rs. 12.56 lakhs as additional

depreciation on account of readoption of the method for providing it on the reducing balance basis, Rs. 92,000 written off in respect of capital expenditure on scientific research and Rs. 2.05 lakhs for other adjustments. The usual preference and equity dividend would absorb Rs. 7.80 lakhs and the surplus balance of Rs. 9.97 lakhs is proposed to be credited to general reserve.

POLSON

Dividend Reduced

POLSON has reported a small improvement in its working results for 1970. Production, sales and profits are higher than in 1969. The dividend, however, has been reduced from 12.5 per cent to 10 per cent. The distribution is being reduced with a view to conserving resources. The value of the Company's production in 1970 is placed at Rs. 2.65 crores, against Rs. 2.20 crores in the previous year. Sales have recorded a small increase from Rs. 2.37 crores to Rs. 2.47 crores. The gross profit is higher at Rs. 16.08 lakhs (against Rs. 15.29 lakhs). After providing Rs. 2.53 lakhs (against Rs. 2.99 lakhs) for depreciation, Rs. 9,000 (against Rs. 60,000) for development rebate reserve and Rs. 7.70 lakhs (against Rs. 6.87 lakhs) for taxation, the net profit for 1970 amounts to Rs. 5.76 lakhs, against Rs. 4.83 lakhs in 1969. After adjustments, a sum of Rs. 5.85 lakhs has been transferred to general reserve; in the preceding year, no allocation had been made to general reserve but a sum of Rs. 5.08 lakhs had been transferred to dividend reserve. The preference dividend amounting

to Rs. 1.20 lakhs (same) and the equity dividend claiming Rs. 3.60 lakhs (against Rs. 4.50 lakhs) will be paid out of general reserve.

The prospects for the current year are considered better. Production, sales and profits are expected to show further improvement. The Digba Ghat dairy in Patna has restarted from February. Costs have been rising but the directors state that they are taking steps to bring about a reduction in the cost of production to the extent possible. A letter of intent for the manufacture of high protein beverage has been issued to the Company. Prices of milk and cream in Anand have reached Rs. 17 a kilogram of fat—the highest ever paid by the Company. Raw coffee prices which also went up are now gradually coming down. The Company has had to reduce the selling price of butter to meet the growing competition and this helped to increase sales.

KHANDELWAL UDYOG

All-round Improvement

KHANDELWAL Udyog's working results for 1970 show an all-round impressive improvement over the previous year's poor performance. This has enabled the directors to clear the arrears of preference dividend for 1967 and 1968. According to the preliminary figures, sales have gone up by 78 per cent from Rs. 56.62 lakhs to Rs. 101.13 lakhs and the gross profit has increased by 70 per cent from Rs. 7.12 lakhs to Rs. 12.04 lakhs. After providing Rs. 96,000 (against Rs. 95,000) for depreciation, Rs. 17,000 (against Rs. 1,317) for development rebate reserve and making some adjustments in respect of prior years (Rs. 3.29 lakhs, against Rs. 3.62 lakhs), there is a surplus of Rs. 7.63 lakhs (against Rs. 2.54 lakhs) which has been utilised to reduce the outstanding deficit to Rs. 13.98 lakhs. The preference dividend for two years will claim Rs. 3.94 lakhs. Orders on hand at the end of March 1971, amounted to Rs. 1.20 crores, against Rs. 75 lakhs a year ago. The results for the current year are expected to show further improvement.

RAYMOND WOOLLEN

Results Impress

THE preliminary statement from Raymond Woollen Mills shows that the Company has done extreme-

ly well during 1970. Not only are both sales and profit appreciably higher than in the previous year but margins too have improved. Sales are up by 15.6 per cent from Rs. 9.55 crores to Rs. 11.04 crores and the gross profit has increased by 43.2 per cent from Rs. 89.87 lakhs to Rs. 128.73 lakhs. The ratio of profit to sales has improved from 9.4 per cent to around 11.7 per cent. If despite substantially improved results, the dividend has only been maintained at 12 per cent, it is largely because the dividend for 1970 is payable on the increased capital resulting from the one-for-five bonus issue.

After providing Rs. 40.06 lakhs (against Rs. 31.81 lakhs) for depreciation, Rs. 15.20 lakhs (against Rs. 6.20 lakhs) for development rebate reserve and Rs. 20 lakhs (against Rs. 22 lakhs) for taxation, the net profit for 1970 amounts to Rs. 53.47 lakhs, against Rs. 29.86 lakhs in the preceding year. A sum of Rs. 11.30 lakhs (against Rs. 8 lakhs) has been allocated to deferred taxation reserve. After writing off capital expenditure on scientific research amounting to Rs. 25.23 lakhs (against nil), the balance of Rs. 16.94 lakhs (against Rs. 21.86 lakhs) has been transferred to general reserve. The equity dividend absorbing Rs. 15.12 lakhs (against Rs. 12.44 lakhs) and the preference dividend amounting to Rs. 1.63 lakhs (same) are to be paid out of general reserve.

VIJAYA BANK

Phenomenal Progress

AT the annual general meeting of the Vijaya Bank Ltd held recently in Mangalore, Mr. Mulki Sunder Ram Shetty, chairman, said that the progress of the bank had been phenomenal during 1970. (A version of the statement was published in last week's issue of *Capital*.) The bank's deposit growth was 47 per cent, against the average increase of 16.4 per cent for all the banks in the country. Deposits which stood at Rs. 18.81 crores at the end of 1969 had increased to Rs. 27.52 crores. The bank's gross advances had risen from Rs. 13.01 crores to Rs. 17.54 crores. The credit-deposit ratio had been on average 70.71 per cent throughout the year. The advances to the priority sectors like agriculture and small-scale industries were well maintained. The bank's gross earnings were Rs. 201.97 lakhs, against Rs. 142.52 lakhs. The net profit had in-

creased to Rs. 8.49 lakhs, against Rs. 4.60 lakhs. With the consent of the Reserve Bank of India, the bank has been able to increase its rate of dividend to 10 per cent, subject to tax.

The chairman said that the bank had released further shares of Rs. 20 lakhs for public subscription. As for the outlook in the current year, the chairman said that the Banking Commission had not yet submitted its report. He feels that there will be both structural and functional changes when the Commission's report is published. As a larger portion of the bank's total deposits is being held in interest-bearing deposit accounts, higher interest will have to be paid in 1971. The continuing wage-price spiral may increase the bank's outgoings.

UNITED BANK

Group Loans to Farmers

IN July 1970, the United Bank of India advanced a loan of Rs. 69,000 to 70 cultivators for the construction of masonry well to irrigate lands under the *aman* crop which were severely damaged by draught. It has also helped farmers to culti-

vate a second crop in this *rabi* season. This is a bid to assist a nature-stricken group of small farmers in tackling the problem. After the devastating flood in September 1968, the farmers of Soulavari village, Midnapur district, initiated a scheme of cultivation of *boro* paddy in January 1969 in 233 acres of land with the help of pumpsets and shallow tubewells. U.B.I. advanced a crop loan of Rs. 79,000 to 290 cultivators of that village. The shallow tubewell was sunk by them by joint efforts. This was U.B.I.'s first venture in assisting and participating in a joint venture by big, medium, small and very small farmers. After the failure of the *kharif* crop due to water logging and flood in Raipur village, 24-Parganas, U.B.I. sanctioned a loan of Rs. 20,000 for the installation of electric pumpsets and shallow tubewells and crop loan to 300 farmers for cultivating 33 acres of land. They are a group of landless farmers brought together to till the land of others lent out with the prospect of better return than they would get under normal share-cropping arrangement.

In Mahula village, Murshidabad, U.B.I. sanctioned a loan for purchasing electric pumpsets and the instal-



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lation of shallow tubewells to 13 groups of farmers consisting of 203 farmers. Each group of farmers will be liable for the loan of Rs. 5,000. Crop loan will also be sanctioned for proper cultivation with assured irrigation. In Baranberia village, Nadia, U.B.I. sanctioned a loan to 88 farmers having 116 acres of land for the purchase of pumpsets and shallow tubewells. In this case, the margin money requirement has been waived. This is also on a group basis.

CAMPHOR AND ALLIED

Results Impress

THE working results of Camphor and Allied Products for 1970 show further appreciable improvement over the previous year's good performance. Sales are up by 27.2 per cent from Rs. 1.98 crores to Rs. 2.52 crores and the gross profit has increased by 26.8 per cent from Rs. 54.13 lakhs to Rs. 68.63 lakhs. The improved results reflect an increase in production of camphor from 571 tons to 636 tons and a 15 per cent rise

in other products. Sales of by-products and new chemicals recorded a rise of 52 per cent from Rs. 48 lakhs to Rs. 73 lakhs. The Company had to contend with an "unusual rise"—about 30 per cent—in the market price of turpentine. But its adverse effect was almost offset by the higher yield in the process and higher production. In the latter part of the year, however, the turpentine price showed a downward trend. The Company did well on the export front, with export sales exceeding Rs. 10 lakhs, against Rs. 2.54 lakhs in the previous year.

The dividend has been maintained at 12 per cent but since it is payable on the increased capital resulting from the one-for-five bonus issue, the total distribution among equity shareholders will be larger at Rs. 7.23 lakhs, against Rs. 6 lakhs in the previous year. After providing Rs. 8.16 lakhs (against Rs. 9.54 lakhs) for depreciation, Rs. 30,000 (against Rs. 1.45 lakhs) for development rebate reserve and Rs. 39.13 lakhs (against Rs. 26.75 lakhs) for taxation, the net profit for 1970 amounts to Rs. 21.05 lakhs, against Rs. 16.39 lakhs in 1969.

After transferring Rs. 2.50 lakhs (against Rs. 2 lakhs) to deferred taxation reserve and Rs. 6 lakhs (against nil) to replacement reserve, a sum of Rs. 12.50 lakhs (against Rs. 7.60 lakhs) has been allocated to general reserve, leaving a surplus of Rs. 6,441 to be carried forward, against Rs. 1,874 brought in. The equity and preference dividends amounting to Rs. 8.12 lakhs (against Rs. 6.92 lakhs) is to be paid out of general reserve. In the previous year, a separate sum had been set aside for payment of dividends.

The Company's turpentine chemical project is expected to go into full production by the third quarter of the current year. The civil construction work has been completed and a majority of equipment have also been erected. The research centre, which is under construction in Baroda, is expected to go into operation in the second half of 1972. Meanwhile, research and development activity has been further strengthened by installing a full-fledged pilot plant at the factory; this plant will start operating during the second half of the current year.

GUJARAT FERTILISERS

Another Good Year

THE preliminary statement from Gujarat State Fertilisers Company on its working results for the year ended March 1971 shows a further improvement in its performance during the year. And the equity dividend has been stepped up from a maiden 8 per cent paid last year to 12 per cent; the enhanced dividend is covered 2.4 times. With the Company's turnover up nearly 20 per cent from Rs. 26.63 crores to Rs. 31.83 crores and the gross profit higher by 58 per cent at Rs. 11.82 crores, against Rs. 7.48 crores in the preceding year, the ratio of profits to sales has improved from 28.1 per cent to 37.1 per cent. After providing Rs. 5.32 crores (against Rs. 4.90 crores) for depreciation and Rs. 3.61 crores (against nil) for development rebate reserve, the net profit for 1970-71 amounts to Rs. 2.89 crores, against Rs. 2.52 crores in the preceding year. After making some adjustments, a sum of Rs. 152.66 lakhs (against Rs. 73.03 lakhs) has been transferred to general reserve. The preference dividend claims Rs. 27.87 lakhs (against Rs. 108.49 lakhs, including arrears) and the enhanced equity dividend absorbs Rs. 107.96 lakhs (against Rs. 71.98 lakhs).

GOODLASS NEROLAC

Sales and Profit Rise

GOODLASS Nerolac Paints has reported considerably improved results for 1970. Sales are up by 15.6 per cent from Rs. 5.39 crores to Rs. 6.23 crores and the gross profit has increased by about 22 per cent from Rs. 49.17 lakhs to Rs. 59.98 lakhs. The dividend, however, has been kept unchanged at 12 per cent. After providing Rs. 5.47 lakhs (against Rs. 4.98 lakhs) for depreciation, Rs. 79,000 (against Rs. 47,000) for development rebate reserve and Rs. 32.53 lakhs (against Rs. 26.05 lakhs) for taxation, the net profit amounts to Rs. 21.19 lakhs, against Rs. 17.67 lakhs in the previous year. After some adjustments, a sum of Rs. 22.14 lakhs (against Rs. 20.97 lakhs) has been transferred to general reserve. The proposed dividend absorbing Rs. 10.80 lakhs is to be paid out of general reserve.

The directors state in their report that the construction of the pigment factory as also the expansion of paint production division are nearing com-

pletion but full production from the increased facilities at both sites has been delayed by a few months due to unavoidable reasons. It is hoped that the major benefits of increased production will accrue to the Company from September. The Company's turnover in the first four months of the current year has been higher than in the corresponding period of last year, but the chairman, Mr. F. H. Kemple, has cautioned that the net profit is likely to be less due to larger depreciation and increased interest charges.

SANDOZ (INDIA)

Results Improve

SANDOZ (India) has reported improved results for 1970 and the dividend has been raised from 10 per cent to 11 per cent. Sales have risen from Rs. 7.51 crores to Rs. 8.20 crores and the gross profit has increased from Rs. 112.90 lakhs to Rs. 125.38 lakhs. After providing Rs. 25.34 lakhs (against Rs. 26.26 lakhs) for depreciation, Rs. 42,000 (against Rs. 5 lakhs) for development rebate reserve and Rs. 63.50 lakhs (against Rs. 45.60 lakhs) for taxation, the net profit for 1970 amounts to Rs. 36.12 lakhs, against Rs. 36.04 lakhs in the previous year. After some adjustments, a sum of Rs. 37.23 lakhs (against Rs. 35.16 lakhs) has been transferred to general reserve. The proposed dividend absorbing Rs. 16.50 lakhs (against Rs. 15 lakhs) is to be paid out of general reserve.

The Company's turnover increased by about 9 per cent over the previous year but sales of pharmaceuticals rose by only 1 per cent, against nearly 14 per cent in the preceding year. The main reason for the fall in pharmaceutical sales was the Drug Price Control Order which created uncertainty in the trade. The dyestuffs and industrial chemicals and agrochemicals divisions have shown substantial progress in 1970. Exports during the year amounted to Rs. 22.30 lakhs, against Rs. 23.50 lakhs in 1969. The export performance in dyestuffs has earned the Company the status of a priority industry. A major portion of exports of dyes and chemicals went to the U.A.R. and Switzerland. The outlook for the current year is considered satisfactory. Sales during the first quarter of 1971 have recorded an improvement of 19 per cent over the corresponding figures for the previous year. However, the rising price level with its impact on raw material prices and staff emoluments

calls for caution, according to the Company's chairman, Mr. Raghavan Pillai. Nonetheless, the chairman feels that the results for 1971 will not lag behind those of 1970.

TATA CHEMICALS

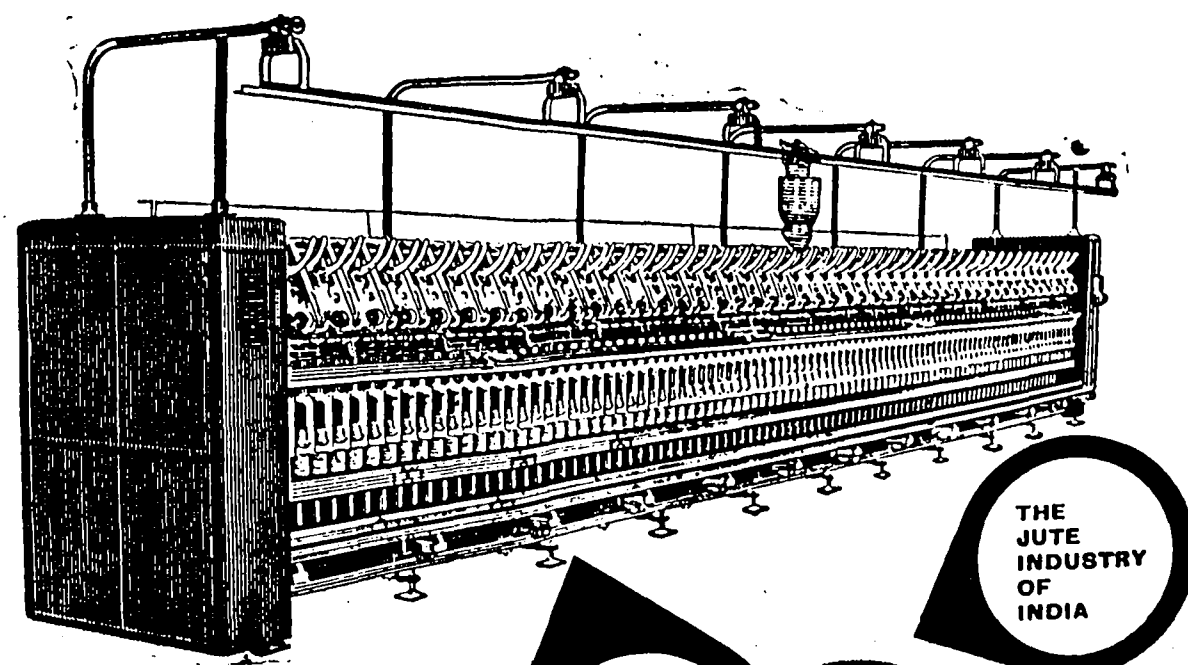
Small Rise in Sales

TATA Chemicals' sales (inclusive of excise duty) of all products for the nine months ended March 1971 are placed at Rs. 859.72 lakhs. This shows an increase of Rs. 8.21 lakhs (1 per cent) over the corresponding figure for the previous year. Among the Company's major products, the output of soda ash during the nine months at 155,304 tonnes was higher by 1,911 tonnes (1.2 per cent) over the corresponding period of last year.

DHARAMSI CHEMICAL

Sales and Profit Up

DHARAMSI Morarji Chemical Company has done well in 1970. Both sales and profits are higher than in the preceding year; margins, how-



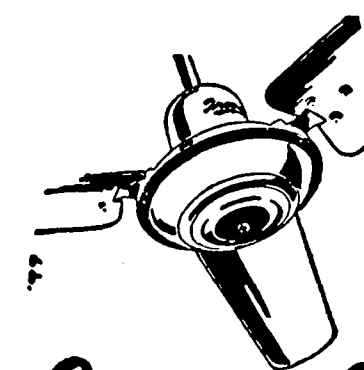
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ever, have been under some pressure. The dividend has been maintained at Rs. 10 a share but since it is payable on the increased capital resulting from a bonus issue, the total distribution is larger at Rs. 25.49 lakhs, against Rs. 20.39 lakhs in the preceding year. Six per cent of the dividend is expected to be tax-free; in 1969, 7 per cent of the dividend was tax-free.

Sales have risen from Rs. 7.95 crores to Rs. 8.51 crores. Sales of fertilisers amounted to Rs. 464.54 lakhs (against Rs. 445.25 lakhs), of acids and chemicals Rs. 381.57 lakhs (against Rs. 348.69 lakhs) and of miscellaneous products Rs. 4.52 lakhs (against Rs. 95,000). The total value of exports was Rs. 28.32 lakhs—Rs. 3.67 lakhs more than in 1969. The gross profit shows a small increase from Rs. 1.31 crores to Rs. 1.34 crores. After providing Rs. 34.61 lakhs (against Rs. 38.18 lakhs) for depreciation, Rs. 3.11 lakhs (against Rs. 5.65 lakhs) for development rebate reserve and Rs. 53.50 lakhs (against Rs. 45 lakhs) for taxation, the net profit of Rs. 43.15 lakhs (against Rs. 42.47 lakhs) has been transferred to general reserve out of which the proposed dividend is to be paid.

GUJARAT STEEL TUBES

Dividend Maintained

GUJARAT Steel Tubes has done fairly well in 1970. While sales have just been maintained at the previous year's level—Rs. 4.59 crores, against Rs. 4.62 crores—the gross profit has risen from Rs. 75.68 lakhs to Rs. 85.05 lakhs. The dividend has been maintained at Rs. 10 a share but it is payable on the capital enlarged by the one-for-five bonus issue. Appropriations of profits include depreciation Rs. 12.60 lakhs (against Rs. 9.54 lakhs), development rebate reserve Rs. 3.70 lakhs (against Rs. 50,000), taxation Rs. 36.02 lakhs (against Rs. 37.75 lakhs) donations Rs. 39,000 (against Rs. 7,000) and general reserve Rs. 32.33 lakhs (against Rs. 27.81 lakhs). The proposed dividend absorbing Rs. 12 lakhs (against Rs. 9.95 lakhs) is to be paid out of general reserve.

The Company proposes to set up a Rs. 2-crore stretch-reducing mill and the letter of intent is awaited. With this project, the production capacity of the Company would be doubled to 72,000 tonnes a year. The new pro-

ject will be financed partly by issuing debentures and partly by loans. With the setting up of the new stretch mill, the Company would be able to produce tubes up to 6 inches diameter; at present, it produces tubes up to 4 inches diameter only. The Company's exports during 1970 were lower at Rs. 1.08 crores, against Rs. 1.70 crores in 1969; the decline is attributable mainly to the discontinuance of allocation of steel by the Government.

PEIRCE LESLIE

Profit Declines

FOR the year ended September 1970, Peirce Leslie India Ltd has earned a lower profit of Rs. 8.07 lakhs, against the pre-tax profit of Rs. 32.37 lakhs for the 14-month period ended 30th September 1969. The fall in the profit was mainly due to unsatisfactory trading conditions in the Company's most important line of business, namely, cashew. The Company's turnover and profits in fertilisers also declined due to competition from the major manufacturers. The coffee curing business too was adversely affected.

COMMODITIES

Gunny Exports Need to be Raised Through Fiscal Incentives

DESPITE the reverses suffered since the partition of the sub-continent, the Indian jute industry remains very much an export industry. Its export performance at the all-time low of 539,000 tonnes in 1970, registering a sharp slump of 42 per cent from 929,000 tonnes in 1965, was most disappointing. Over the past 16 years, exports of sacking have fallen from 445,000 tonnes to 76,000 tonnes, leaving for India hardly 25 per cent of the sacking export market. Indian exports of hessian have almost halved from 488,000 tonnes in 1964 to 279,000 tonnes last year. The phenomenal growth of carpet-backing cloth exports suffered its first serious setback in 1970. Last year, exports of this fabric crashed to 138,000 tonnes from 219,000 tonnes in 1969.

Competition from Synthetics

Industry circles have ascribed the debacle in the export markets primarily to the rapid strides in petrochemical-based synthetics and India's inability to compete with the jute industry in East Bengal. On a long-term view, Indian industry is more worried about the technological displacement of jute caused by the use of alternative methods and materials, especially synthetics. It all started with the bulk system, which dispensed with every kind of bag and paper packaging. But the greatest threat to the future of jute is held by synthetic substitutes, even though these entered the field much later.

These woven as well as knitted polypropylene or polyethylene structures are today capable of replacing hessian and sacking in most areas and are already competing with jute in both price and quality. India's sandbags market for jute in the U.S.A., which used to account for a cut-up of some 230 million yards of fabrics a year, has gone to synthetics. The extent of the threat to carpet-backing cloth from this source is underscored by the fact that the share of jute in the total primary backings used in U.S. tufted carpets production declined from 80.6 per cent in 1968 to 61.6 per cent during the third quarter of 1970. Over the same period, the share of synthetics has gone up from 16 per cent to 33 per cent.

Jute goods manufacturers have urged the Government to undertake a well-planned salvage operation to revive the industry without any further loss of time. They have affirmed that they are realistic enough to realise that there is little that can be done to increase India's exports of sacking. But they are convinced that exports of hessian and carpet-backing cloth might still be revived, provided the right remedial measures are taken in time. Since the survival of the industry is dependent on the revival of the export of jute goods, they have suggested that India should take matching action when her competitors subsidise their export of jute goods. The mere abolition of the duties will not be enough; the Indian industry also needs a scheme of suitable incentives. To be most effective, these should be extended in the shape of cash assistance to the mills on their consumption of raw jute, tax credit certificates for exports and a full drawback of all local taxes.

The industry has been fortunate in having an expanding domestic market for jute goods to cushion its steady export losses, and this alone has enabled it to maintain a fairly high rate of production and a relatively steady employment level. India's internal offtake, which declined to 380,000 tonnes in 1969 due to the shortage of goods, increased last year to 441,000 tonnes, or a little above the 1968 level. The sustained rise in industrial and farm production within the country has encouraged manufacturers to anticipate an annual growth of 7 per cent in the demand for packaging materials in the country. As the Indian market has predominantly been for sacking, a steadily rising demand for hessian during the last few years has tended to be overlooked. The hessian consumption at 68,000 tonnes in 1970 revealed an increase of 20 per cent over the previous year's figure.

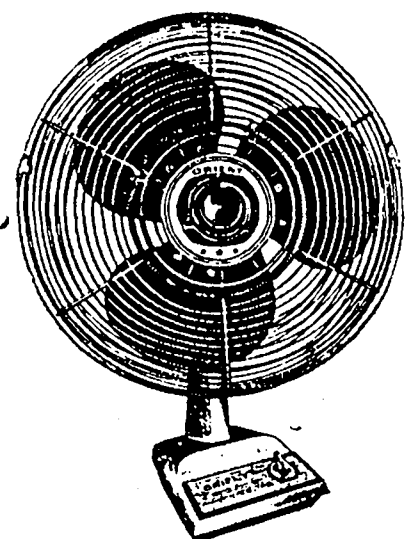
Raising Fibre Production

The stabilisation of the area under jute and an improvement in productivity have been considered necessary for raising the overall production of fibre to optimum levels. During the last decade, the area under fibre fluctuated between the peak level of 2.1

million acres in 1961-62 and a low of 1.3 million acres in 1968-69. The heavy shrinkage in the acreage has been attributed mainly to adverse weather conditions at the sowing time and the unfavourable jute/paddy price ratio in 1968-69. In the recent past, it has been observed that the absence of timely rains brought down the acreage in the southern districts of West Bengal from 650,000 acres to 350,000 acres. The impact of unfavourable weather on the jute acreage is also reflected in other concentrated jute-growing tracts in the country.

For stabilising the area under jute, it has been suggested that the State Governments may accord priority in the allocation of resources for minor irrigation works to the potential jute-growing areas. The extension of irrigation facilities, particularly in selected areas of the southern tracts of West Bengal, the Cuttack district of Orissa and the Purnea district of Bihar, will go a long way in stabilising the acreage under fibre in these zones. Along with the extension of such facilities, large-scale demonstrations of multiple-cropping may be taken up in the irrigated zones. The national demonstration scheme has proved that the grower can substantially raise his income by adopting rotational pattern of cultivation with jute followed by paddy and thereafter by wheat or potato. The new early maturing *olitorius* strain (JRO-878) with a higher yield-potential and superior fibre quality is suitable for multiple-cropping in the irrigated zones.

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COMPANY AND PUBLIC NOTICES

NAGA HILLS TEA COMPANY LIMITED

NOTICE

NOTICE is hereby given that the Fiftythird Annual General Meeting of NAGA HILLS TEA COMPANY LIMITED will be held at the Registered Office of the Company at 19, R. N. Mukherjee Road, Calcutta-1 on Monday the 14th June, 1971 at 3 P.M. to transact the following business:—

1. To receive and adopt the Directors' Report and audited Accounts for the year ended 31st December, 1970.
2. To declare dividend.
3. To elect Director in place of the retiring.
4. To appoint Auditors and to fix their remuneration.

The Register of Members and the Share Transfer Books of the Company will be closed from 10th to 14th June, 1971 both days inclusive pursuant to Section 154 of the Companies Act, 1956.

By Order of the Board,
Per Pro. DIANUKA INDUSTRIES (P) LTD.,
N. L. BHUWANIA
Secretaries.

Calcutta,
The 30th April, 1971.

N.B.—A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. The proxy need not be a Member of the Company.

Dividend, as recommended by the Directors, if approved at the Annual General Meeting will be paid to those whose names are on the Company's Register on the 14th June, 1971 or to their mandatees.

JAY SHREE TEA & INDUSTRIES LTD.

NOTICE

NOTICE is hereby given that the Twentyfifth Annual General Meeting of the Shareholders of this Company will be held on 25th June, 1971 at 3.30 P.M. at Hotel Hindustan International, 235/1, Acharya Jagadish Bose Road, Calcutta and its agenda has been/will be duly circulated to all the Members of the Company in time along with the relevant explanatory statement thereon.

NOTICE is also hereby given that if due to lack of quorum the above meeting stands adjourned for a week to be held at the same time as provided for in Section 174 (4) of the Companies Act, 1956, the adjourned meeting will take place at the Head Office of the Company at New Link Road, Jhandewalan Extn., New Delhi-55.

The Equity Share Transfer Registers (Registers of Members) will remain closed from 15th June, 1971, to 25th June, 1971 both days inclusive for the purpose of payment of dividend.

By Order of the Board
For JAY SHREE TEA & INDUSTRIES
LIMITED,
B. P. KEDIA
President

Registered Office:
"Industry House"
10, Camac Street,
Calcutta-17.

Dated, the 6th May, 1971.

COMPANY MEETINGS AND DIVIDENDS DECLARED OR PROPOSED

Name of Company	Date	Hours I.S.T.
Kumardhubi Engg. Works Ltd.	31-5-71	3.30 p.m.
Naga Hills Tea Co. Ltd.	14-6-71	3 p.m.
Triton Insurance Co. Ltd.	24-6-71	12 Noon
Jay Shree Tea & Industries Ltd.	25-6-71	3-30 p.m.
Indian Copper Corpn. Ltd.	21-7-71	11-30 a.m.

DIVIDENDS DECLARED OR PROPOSED

Sankey Wheels Ltd—Nil
Kumardhubi Engineering Works Ltd—Nil
Gourepore Co. Ltd—Nil (0)
Mothola Co. Ltd—10 p.c. (0), subject to tax
Simon—Carves India Ltd—15 p.c. (0), subject to tax
Murphulani (Assam) Tea Co. Ltd—8.5 p.c. (0), subject to tax

BOOKS RECEIVED

Commerce—Handbook of Election Manifestoes 1971. Edited by Vadilal Dagli. (Published by Commerce (1935) Ltd, Manek Mahal, 90 Veer Nariman Road, Bombay 20. Price Rs. 2, pages 204.)

Changing Horizon—Public Sector. By Raj K. Nigam. (Published by the Fertilisers and Chemicals, Travancore Ltd, Eloor, Udyogamandal P.O., via Cochin. Pages 129.)

Trends in Income Distribution—A Comparative Study. (Published by the Economic and Scientific Research Foundation, Federation House, New Delhi. Price Rs. 3.50, pages 32.)

Consumption Pattern of Selected Petroleum Products. (Published by the Economic and Scientific Research Foundation, Federation House, New Delhi. Price Rs. 20, pages 154.)

An Introduction to International Trade and Foreign Exchange. By K. P. M. Sundharam. (Published by Sultan Chand and Sons, Delhi 6. Price Rs. 4.50, pages 312.)

Moral Choice and Early Hindu Thought. By S. G. Sathaye (Published by Jaico Publishing House, 125 Mahatma Gandhi Road, Bombay 1. Price Rs. 4, pages 207.)

Computer for All—Basic Fortran Programming. By L. L. Bhirud. (Published by Somaiya Publications Pvt. Ltd, 172 Naigaum Cross Road, Dadar, Bombay 14. Price Rs. 5, pages 95.)

State and Co-operative Development. (Published by Allied Publishers, Calcutta 13. Price Rs. 20, pages 184.)

Rajendra Prasad. By Kali Kinkar Datta. (Published by the Publications Division, Ministry of Information and Broadcasting, Government of India, New Delhi. Price Rs. 5, pages 355.)

Rural Credit in Western India. By I. J. Catanach. (Published by Oxford University Press, Mercantile Buildings, Post Box 530, Calcutta 1. Price Rs. 37.50, pages 268.)

Agriculture in Asia. By Colin Clark. (Published by Forum of Free Enterprise, Sohrab House, 235 Dr. D. N. Road, Bombay 1. Pages 17.)

Institutional Financing in India. By Dr. Tarkeshwar Pd. Maitin. (Published by Sahitya Bhawan, Hospital Road, Agra 3. Price Rs. 35, pages 283.)

STATISTICS

Stock and Share Prices

The following are the official quotations of the Calcutta, Bombay and Madras Stock Exchanges. Fuller details relating to the accounts of companies are published in the final week's issue of 'Capital' every month.

CALCUTTA

	Dividend per cent	Latest Market Quotations as available until		
	1967	1968	4-5-71	11-5-71
			Rs.	Rs.
BANKS				
Allahabad Bank	13	13	135/00	135/00
Bank of India	20	20	134/50	134/50
Bank of Baroda	17	18	122/00	121/00
Central Bank of India	20	20-8*	71/50	71/50
Chartered Bank	15	15	282½	292½
Hongkong & Shanghai	sh. 10 2/5	sh. 12½	£12½	£12½
Indian Bank	15	15	164/00	165/00
Indian Overseas Bank	11	11	172/00	173/50
National & Grindlays	13½	13-9	338½	334½
Punjab National Bank	22	22	24/62	25/37
United Bank of India	7½	7½-7½*	9/06	9/37
United Commercial	14	14	111/50	112/00
Union Bank of India	12	12	8/52	8/52
COAL				
Amalgamated	12½	7½-10*†	7/75	7/75
Bengal	10	12-12*	146/00	147/00
Bokaro & Ramgur	Nil	5-15*	12/62	12/62
Borrea	13	Nil-12*	12/06	12/37
Burrakur	...	...	3/44	3/44
Central Kurkend	...	...	3/44	3/44
East Indian	15	Nil-Nil†	7/00	7/00
Equitable	Nil	Nil-Nil†	4/84	4/84
Karanpura Devt	2	Nil-5*	7/69	7/12
Karanpura Collieries	10	12-20*	11/31	11/19
Katras Jherriah	5	10-10*	10/25	10/25
New Beerbhoom	8	12-12*	14/00	14/25
New Manbhoom	Nil	Nil-Nil†	3/65	3/65
Pench Valley	12½	7½-10*†	7/25	7/75
Raneegunge	5	7½-10*	12/62	12/62
Rewa	12½	12½-20*	27/00	27/00
Sendra	3½	3½-7½*	4/31	4/31
South Karanpura	2½	10-20*†	12/87	12/81
Standard	Nil	5-10*	7/31	7/31
Union	Nil	Nil	5/00	5/00
Western Bengal	7½	7½-8*	7/12	7/19
			†1970	*1969

JUTE

	Dividend per cent	Latest Market Quotations as available until		
	1967	1968	4-5-71	11-5-71
			Rs.	Rs.
Agarpara	5	5-5*	7/31	7/25
Alexandra	Nil	...	46/00	46/00
Alliance	Nil	...	23/00	23/00
Anglo India	2½	2½-2½*	119/00	119/00
Auckland	Nil	Nil-Nil*	59/00	59/00
Bally	10	10-10*	13/69	13/87
Baranagore	Nil	Nil-Nil*	84/00	83/00
Birla	15	15-15*	23/35	22/80
Budge Budge Amal	Nil	Nil-Nil*	9/00	9/06
Champadany	Nil	Nil-5*	13/50	13/50
Chitavalash	Nil	Nil	6/90	7/12
Dalhousie	Nil	Nil-Nil*	46/00	46/00
Empire	Nil	Nil	4/44	4/87
Fort William	2½	Nil	10/62	10/62
Ganges	5	Nil-7½*	7/87	8/25
Gourepore	5	5-Nil*	7/31	7/37
Hastings	4	2½-2½*	101/00	101/00
Hooghly	10	10-10*6†	8/50	8/50
Howrah	Nil	Nil-Nil*	6/87	7/06
Hukumchand	Nil	Nil-Nil*	13/12	13/12
India	...	3½-5*	7/31	7/31
Kamarhatta	Nil	Nil-Nil*	74/50	74/50
Kankarrar	Nil	Nil-Nil*	30/00	33/00
Kelvin	Nil	Nil	32/00	32/00
Khardah	Nil	Nil-Nil*†	4/25	4/65
Kinnison	Nil	Nil	25/50	26/50
Lansdowne	Nil	Nil	24/50	25/50
Lawrance	3	2-Nil*	25/50	34/00
Megna	6	Nil-Nil*	4/31	4/31
National	Nil	10-Nil*†	7/50	7/31
Nellimaria	6	4	8/12	8/12
New Central	...	...	3/94	4/00
Northbrook	10	Nil-10*	12/00	12/81
Nuddea	2½	2½-Nil*	5/75	5/75
Presidency	Nil	...	1/03	1/03
Reliance	Nil	Nil-Nil*	5/69	5/75
Titaghur	Nil	Nil	12/50	12/12
Union	Nil	Nil	45/50	45/50
Waverley	15	15-6*	3/00	3/00
COTTON TEXTILES				
Bharat Commerce	15	15-15*	20/81	20/87
Birla Cotton	10	10-10*	14/50	14/50
Bowraah	17½	17½-17½*	10/00	13/37
Cawnpore Textile	Nil	10-8*	3/25	3/12
Delhi Cloth & Genl	12	6-12*	92/56	96/12
Dunbar	5	Nil-Nil*	9/87	9/87
Elgin	10	10-8*	6/81	6/81
J. K. Cotton	15	5-6*	10/80	11/00
Jaya Shree	5	Nil-Nil*	4/94	4/87
Jagatjit	10	...	8/31	8/31
Jiyajcerao	10	...	23/00	23/00
Oriassa Textiles	Nil	Nil	3/50	3/50
Rampooria	Nil	Nil	3/25	3/25
Swadeshi	2½	5-5*	11/50	11/50

RESERVE BANK

ISSUE DEPARTMENT

(In 000's of Rupees)

Week Ended

30-4-71 23-4-71 1-5-70

Liabilities—			
Notes in Banking Dept.	4,14.63	17,64.83	18,52.72
Notes in Circulation	43,30,95.21	43,43,59.73	39,59,03.21
Total Notes Issued	43,35,09.84	43,61,24.56	39,77,55.93
Assets—			
A. Gold Coin and Bullion	1,82,53.11	1,82,53.11	1,82,53.11
Foreign Securities	2,93,42.00	2,93,42.00	3,36,42.00
Total of A	4,75,95.11	4,75,95.11	5,18,95.11
B. Rupee Coin	46,23.64	47,59.40	61,10.80
Rupee Securities	38,12,91.09	38,37,70.05	33,97,50.02

Total	43,35,09.84	43,61,24.56	39,77,55.93
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BANKING DEPARTMENT

Liabilities—			
Capital Paid-up	5,00.00	5,00.00	5,00.00
Reserve Fund	1,50,00.00	1,50,00.00	1,50,00.00
National Agricultural Credit (Long Term Operations) Fund	1,72,00.00	1,72,00.00	1,55,00.00
National Agricultural Credit (Stabilisation) Fund	37,00.00	37,00.00	35,00.00
National Industrial Credit (Long Term Operations) Fund	95,00.00	95,00.00	75,00.00
Deposits—			
(a) 1. Central Govt.	2,25,43.91	3,08,41.21	1,73,37.75
2. State Govts.	4,45.88	3,11.66	3,32.08
(b) Banks—			
(i) Scheduled Banks	2,15,31.63	1,91,02.0	1,74,48.92
(ii) State Co-operative Banks	10,36.77	9,91.68	7,98.66
(iii) Non Scheduled State Co-operative Banks	80.30	79.35	63.82
(iv) Other Banks	36.79	33.89	23.25
(c) Others	78,74.17	80,42.54	1,09,73.50
Bills Payable	46,98.58	54,82.21	61,92.24
Other Liabilities	1,83,62.99	1,62,09.74	1,44,12.01
Total	12,25,11.02	12,69,94.29	10,96,02.23

Assets—			
Notes	4,14.63	17,64.83	18,52.72
Rupee Coin	4.84	3.87	9.83
Small Coin	3.65	3.51	5.31

Bills Purchased and Discounted:—			
(a) Internal	14,14.12	12,80.02	...
(b) External	...	...	...
(c) Govt. Treasury Bills	18,67.98	14,66.41	34,06.22
Balances held abroad	75,76.85	73,91.00	1,49,59.22
Investments	1,32,78.50	1,05,89.98	1,10,50.60

Loans and Advances to:—			
(i) Central Government	3,85,23.34	4,42,45.37	1,81,54.93
(ii) State Governments	...	...	...

Loans and Advances to:—			
(i) Scheduled Banks	1,90,67.57	1,95,84.05	2,54,62.10
(ii) State Co-operative Banks	2,42,54.98	2,46,37.56	2,24,53.62
(iii) Others	5,46.66	7,40.53	2,75.43

Loans, Advances and Investments from

National Agricultural Credit (Long Term Operations) Fund			
(a) Loans and Advances to:—			
(i) State Govts.	41,90.70	41,90.70	33,86.02
(ii) State Co-operative Banks	20,40.82	19,42.45	15,01.66
(iii) Central Land Mortgage Banks	...	...	...
(b) Investment in Central Land Mortgage Bank Debentures	9,59.42	9,59.42	9,49.70

Loans and Advances to State Co-operative Banks			
Loans, Advances and Investments from			
National Industrial Credit (Long Term Operational) Fund			
(a) Loans and Advances to the Development Bank	29,83.71	29,83.71	6,26.71
Other Assets	49,89.52	48,06.34	50,30.96

Total	12,25,11.02	12,69,94.29	10,96,02.23
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SCHEDULED BANKS

(In 000's of Rupees)

Week Ended

30-4-71 23-4-71 1-5-70

(i) Demand Liabilities—			
(a) Demand Deposits:			
(1) From Banks	1,67,52.00	1,67,17.00	1,48,34.00
(2) From others	26,88,85.00	26,91,80.00	22,88,49.00
(b) Borrowings from Banks	31,64.00	36,29.00	28,92.00
(c) Others	1,62,22.00	1,56,86.00	1,40,20.00
(ii) Time Liabilities—			
(a) Time Deposits:			
(1) From Banks	1,03,11.00	1,06,28.00	1,11,31.00
(2) From others	34,07,99.00	34,09,91.00	29,08,46.00
(b) Borrowings from Banks	9,67.00	12,04.00	5,62.00
(c) Others	45,11.00	43,70.00	31,41.00
(iii) Borrowing from State Bank—			
(a) Demand Liabilities	19,65.00	21,35.00	38,14.00
(b) Time Liabilities	67,05.00	65,39.00	64,30.00
(iv) Borrowings from Reserve Bank	4,60,25.00	4,66,90.00	5,36,84.00
(v) Cash	1,66,68.00	1,68,55.00	1,44,71.00
(vi) Balances with Reserve Bank	2,06,65.00	1,98,74.00	1,84,29.00
(vii) Balances with other banks in current account	69,17.00	78,22.00	54,11.00
(viii) Money at call and short notice	39,58.00	44,34.00	55,10.00
(ix) Investments in Central and State Govt. Securities	14,14,68.00	14,28,01.00	12,16,70.00
(x) (a) Loans, Cash Credits and Overdrafts	38,09,85.00	38,43,27.00	34,64,95.00
(b) Due from banks	4,36,01.00	4,41,99.00	3,96,02.00
(xi) Inland Bills purchased and discounted	7,60,39.00	7,66,06.00	5,11,70.00
(xii) Foreign bills purchased and discounted	2,07,31.00	2,06,46.00	1,91,76.00
(xiii) Total of X, XI and XII	52,13,56.00	52,57,78.00	45,64,43.00

INDEX OF INDUSTRIAL PRODUCTION

Seasonally unadjusted
(Base year 1960=100)

	1970	1969	1968
January	186.6	179.3	159.4
February	175.3	163.3	162.2
March	187.2	175.4	162.6
April	181.6	169.5	150.8
May	176.7	165.6	153.8
June	179.1	169.6	158.1
July	178.5	175.1	165.0
August	174.3	169.7	162.1
September	178.2	172.0	159.5
October	177.7	171.1	159.4
November	...	171.4	166.7
December	...	187.6	173.3
Annual Average	...	172.5	161.1

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(Founded in 1888: Published every Thursday)

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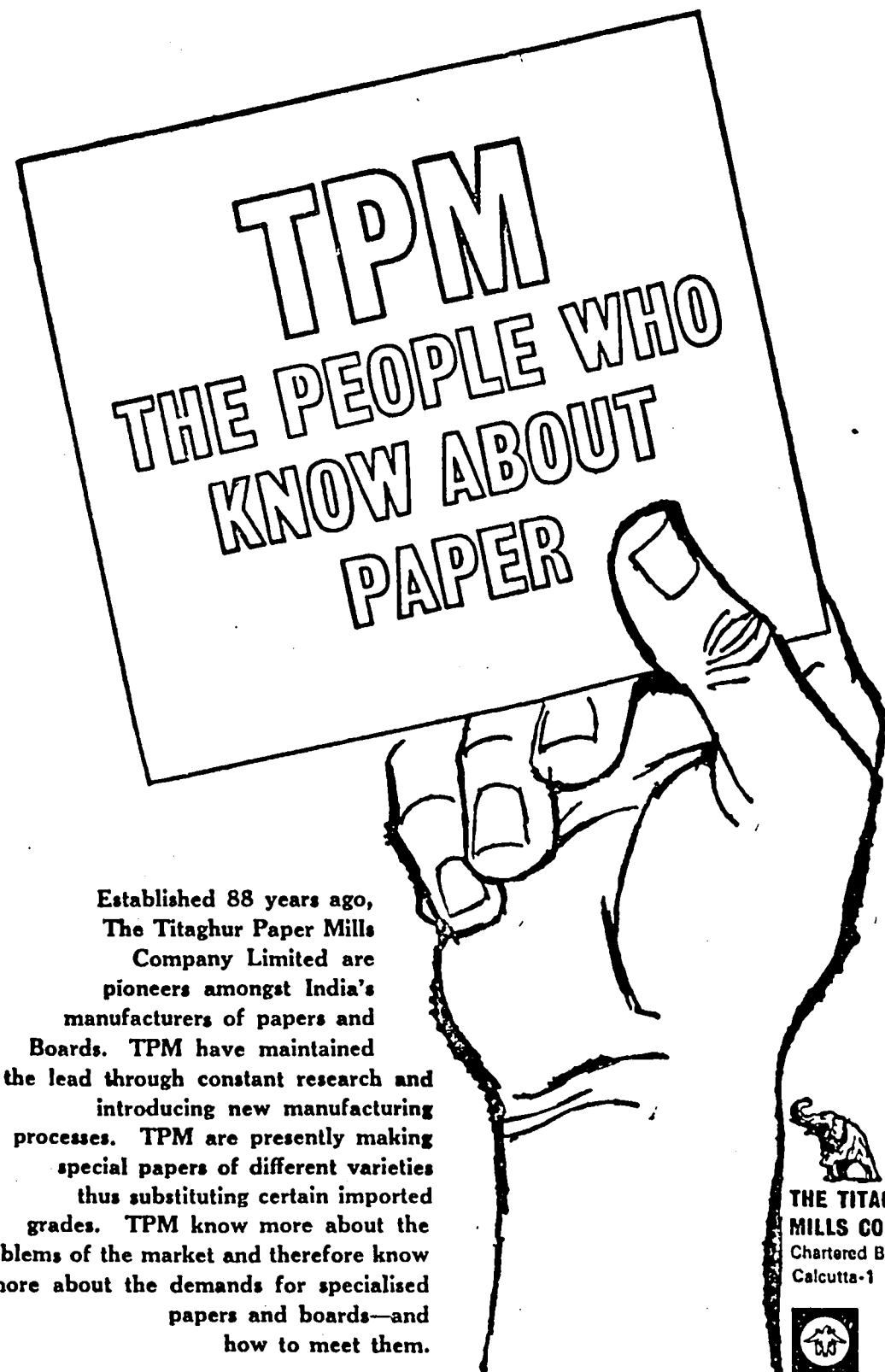
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CAPITAL

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Take-over of General Insurance

THE only good thing about the Central Government's decision to nationalise general insurance is that it ends all uncertainty and suspense on this account. In fact, what is surprising is not the decision but its delay. That the take-over of general insurance would not be delayed was all too evident after the nationalisation of banks in July 1969. What had, however, given the industry the feeling that it might be let off with just social control was the open expression of reservations on nationalisation by the new Congress leaders, more particularly the Prime Minister, Mrs. Indira Gandhi. In any case, those who believed that given a big majority, Mrs. Gandhi would be less radical may now find that both politics and politicians are unpredictable.

It will be some time before the people come to know what motivated the Government to come out with an ordinance all of a sudden. There was nothing similar to the political situation that obtained at the time of bank nationalisation; nor is the cost economics of the proposition so favourable that the Government should plump for it just before the annual Budget. On the contrary, it is quite clear that the nationalisation of general insurance is going to prove more a liability than an asset immediately. To that extent, it will make a dent on the budgetary resources of the Government as the compensation to be paid will be many times more than the profits that the industry yields annually. According to one tentative estimate, the compensation for take-over of ownership may exceed Rs. 20 crores, in addition to that amounting to Rs. 28 lakhs a month to be paid for management take-over.

It was for these reasons that the former Deputy Prime Minister and Central Finance Minister, Mr. Morarji Desai, was opposing the nationalisation of general insurance. In a statement

to Parliament towards the end of 1968, he pointed out that the funds available for investment with general insurance companies were modest and amounted, in the case of Indian insurers, to only about Rs. 50 crores, apart from another Rs. 10 crores that had already been invested in Government securities by them. The annual increase was of the order of only Rs. 5 crores. This was in contrast to life insurance where the investments were about Rs. 1,000 crores and the increase annually was over Rs. 100 crores. Furthermore, the profits in general insurance after tax were only about Rs. 3 crores or Rs. 4 crores and if the premium structure was rationalised, would be even more modest. In other words, he said, the resources available from general insurance were of such a minor nature that issues like the utilisation of those resources for planned development and appropriate policies for that purpose hardly arose. He, therefore, proposed social control as an alternative and the Indian Insurance Act was amended to provide for the same.

There can hardly be any exception to the major objectives of the Government's policy in this direction. For instance, no one would question the need for "fair" premium rates, complete security for policy-holders, and elimination of any monopoly trends in the general insurance business. Policy-holders will also welcome, as a rule, that insurance companies should not be owned by individuals and their funds should not be utilised to aggravate economic concentration in private industry. That they should function on sound and healthy lines and be free from malpractices is again unexceptionable. But the question is whether these objectives could not be secured with social control on general insurance companies.

Social control came into operation on 1st June, 1969, and has been in operation

ration for less than two years. No review appears to have been undertaken of its working and the results achieved in the last two years. Except that ownership remained with private companies, social control vested in the Government powers that it has acquired now by agreeing to pay heavy compensation. For example, the Controller of Insurance was given under the amended Act wide powers of supervision and control over the insurers. He had the power to remove directors or chief executive officers from office in certain circumstances and appoint substitutes. He also had the power to appoint additional directors on the board if the public interest or the interests of policy-holders or insurers so required. It would be interesting to know if the Controller had any occasion to exercise these powers in the last two years. If not, it should be assumed that social control had worked satisfactorily.

Another indication of the success of the scheme of social control would seem to be the improvement in the operating results of general insurance companies. The growth in premium income was as high as 11 per cent in 1969 and preliminary estimates suggest that the growth rate may be even higher at about 20 per cent for 1970, despite the steady decline in the number of Indian companies engaged in the general insurance business. Under the amended Act, the general insurance companies were also required to invest 75 per cent of their surplus funds in Government securities. Most of the companies offered to hold even 100 per cent of their funds in the form of Government securities, provided they were spared the constant threat of nationalisation. But where a Government—despite its massive majority in Parliament—decides to go ahead with a measure that it fully recognises to be of little economic value or priority, there is hardly any place for rationalism or logic. Evidently, this is meant to convey no more than the ruling Party's determination to implement the so-called ten-point programme, utterly unmindful of the new challenges and priorities claiming the country's urgent attention. At a time when the resources are overstrained by the wave of refugee influx from Bangladesh, the nationalisation of general insurance at considerable cost to the Exchequer is most inopportune.

According to reports, one of the primary aims of the Government in taking over general insurance is to make available the services of this industry to certain vital sectors of the economy

like agriculture. It is true that the private companies had shown little interest in drawing up a scheme of crop insurance about which the Government is understandably exercised. The companies pleaded that they did not have adequate data for taking up this business, but the real reason would seem to be that they did not wish to venture in this "risky business". But this was the attitude of not private-sector companies alone; those in the public sector were no more enthusiastic about the Government's proposal. In fact, the Life Insurance Corporation got out of it by saying that it did not have the requisite expertise to operate a crop insurance scheme. What is worse, the State Governments were equally lukewarm to the idea and were willing to experiment with the scheme only if the Centre was prepared to give them financial assistance.

It may well be expected that the four corporations to be set up to carry on the general insurance business under the proposed legislation would be asked to examine the feasibility of introducing a crop insurance scheme in selected areas and to diversify their activities with a view to increasing their premium income. While the farmer should certainly be provided adequate cover against losses due to natural calamities, that should not be

Hazards of Industrial Licensing

IT has become a fashion for every new Minister of Industrial Development at the Centre to walk round the corridors of Udyog Bhavan with a broom-stick in an effort to clean up the mess left by his predecessor. And everyone has also found at the end of a few months in office that the task is not all that easy because of the in-built deficiencies of the Indian administrative system. For instance, industrial licensing is the one important function of the Ministry which appears to have defied all attempts of reform and streamlining. Last week, the Central Minister for Industrial Development, Mr. Moinul Haq Chowdhury—undeterred by the failures of his predecessors—pledged himself to do something drastic to cut down delays and red-tape in the issue of industrial licences.

Mr. Chowdhury, who was presiding over a meeting of the Standing Committee of the Central Advisory Council of Industries, admitted that there was scope and need for reducing the

at the cost of other policy-holders. Any attempt to subsidise the premium rates of one set of policy-holders by raising the rates for others would amount to rank discrimination and would fail to serve the purpose of nationalisation. The attempt should be to bring down the cost of operations through efficiency and economy—words rather unknown in the public sector.

It was less than six weeks ago that the Prime Minister declared in Parliament that she did not consider nationalisation to be an objective by itself. Replying to the debate on the President's address to the Lok Sabha on 2nd April, Mrs. Gandhi said: "Decisions on nationalisation must fit into the general scheme of priorities of our economic programme. . . Any proposal for the nationalisation of any industry or activity must be subjected to two tests: Firstly, is it necessary from the point of view of enabling the public sector to attain a dominant rôle and to occupy a key position in the economy?; and secondly, does it further our such social objectives? The nationalisation of banks satisfied both these tests". At that time, Mrs. Gandhi made no reference to the nationalisation of general insurance but one wonders whether she asked herself these questions before taking a decision on this crucial issue.

delays in processing the applications for industrial licences. The average time taken at present is 131.5 days which is an improvement over the average of 180 days prior to the introduction of the revised procedure for dealing with licence applications. The Standing Committee is reported to have considered an official note on the directions in which procedural improvements could be made. The note says that if applications are directly dealt with at the level of Deputy Secretaries and above, the long and arduous process of note-making at the lower levels could be totally eliminated and decisions could be very much expedited. The question is whether the bureaucracy, accustomed to assistance from layers of subordinate officers and clerks, will readily submit to a system which will seek to dispense with notings from assistants upwards.

Similarly, the note suggests that the practice of asking every administrative Ministry to put up a summary

of its views on each application to the Licensing Committee can be done away with. Instead, it proposes that the various Ministries could be asked to convey their views to the Licensing Committee Section in the Central Ministry of Industrial Development within eight weeks of the receipt of copies of licence applications and the Licensing Committee could consider them along with the applications after a specified time. The advantage of this proposal will be that the Licensing Committee need not wait indefinitely for the views of the administrative Ministries. Even if these Ministries fail to convey their views in time, the Licensing Committee will be free to dispose of the applications either after hearing their views or even without doing so.

It is true that a part of the delays is due to the increase in the volume of applications to be handled, especially after the liberalisation of the licensing policy last year in favour of small and middle-level entrepreneurs. The number of applications received in 1970 was over 3,000, as against 1,420 received during 1969 and less than 1,000 in 1968. Of the applications received last year, only 806 were for the grant of carrying on business licences in respect of industries which were relicensed under the new licensing policy. The rest were for new licences or for substantial expansion.

At the meeting, three major suggestions were made by representatives of industry. First, there should be a clear enunciation of the norms for accepting applications for industrial licences. Secondly, an inter-ministerial machinery should give simultaneous consideration to various points of view, concurrently and not successively, in order to cut down delays. And thirdly, simplified but comprehensive forms should be introduced to avoid repeated references to the applicant for further information. It is gratifying to note that the Minister promised to give careful consideration to all these suggestions. However, it is rather regrettable that the Standing Committee made only a superficial analysis of the licensing data and the processes involved in clearing an application. It did not, for instance, highlight the inordinate delay in the disposal of applications from the so-called larger houses and monopolies. Hardly ever is an application from these undertakings disposed of within a year. The Tata fertiliser project in Mithapur and the Birla fertiliser

project in Goa are classic examples of proposals that had to be chased from pillar to post. In fact, it is delays in such vital projects that cause a greater harm to the economy than the holding up of the licensing of a textile unit here or a cement plant there.

To cite another example, the Central Minister for Steel and Engineering, Mr. Mohan Kumaramangalam, announced at the Steel Advisory Council meeting in New Delhi last week that the Government had finally decided to let the private sector set up five or six mini steel plants within the Fourth Plan period and permit the new units to import the continuous casting machinery from abroad, as the Heavy Engineering Corporation was still not in a position to make them. Proposals from the private sector for setting up such plants have been lying with the Government for nearly two years and if they had been cleared in time, much progress might have been achieved by now in the erection of these mini plants.

It is, therefore, clear that what is needed is not mere mechanical re-

form of the licensing machinery but drawing up an order of priorities and pursuing them vigorously. If there are applications for industrial licences for the manufacture of goods that are in short supply within the country, the highest priority should be given to them and they should be cleared within the shortest possible time. It is not enough to have statistical achievements in this direction, for that will only amount to cheating oneself. What the country needs is the quickest disposal of applications that propose to add to the productive wealth in critical sectors.

It is here that the Centre should depend a little more on the judgment of the State Governments. While autonomy in industrial licensing is undoubtedly a matter of dispute, what is less controversial is that the Centre should seek the aid and advice of the States in the preliminary processing of industrial applications. Even now this is supposed to be done, but it is done in such a routine fashion that the comments of the State Governments hardly carry any weight in arriving at the final decision.

Crisis in Coal Transport

ALTHOUGH the rehabilitation of the coal industry, which has been ailing for far too long, should not any longer be delayed, it is unlikely that the Government will initiate any new measures until it has with it the report of the Fuel Policy Committee. The industry has become one of the least healthy of Indian industries because of the rising pithead stocks following a decline in despatches, fall in production and uneconomic prices for coal. The signs of recovery that were visible consequent on the easing of the economic recession were soon to disappear and a total crisis developed by May 1970. Addressing the annual general meeting of the Indian Mining Association held in Calcutta a few days ago, Mr. J. F. N. Kalyanvala, the outgoing chairman, put the major blame for this at the door of the railways. In the Bengal-Bihar coalfields alone, the shortfall in the loading of wagons averaged as much as 1,222 wagons a day. In 1970-71, the production at 77 million tonnes was down by 3 million tonnes; even then pithead stocks rose by 3 million tonnes because of lower despatches. The normal practice of the collieries is to maintain a stock of one month's production—which is around 6.5 million tonnes—but the

present accumulation is nearly 9 million tonnes.

The available statistics show that in the first nine months of last year, wagon loading of coal and coke declined by 7 per cent on the broad-gauge and by 12 per cent on the metre-gauge. It is feared that in the whole of 1971-72, the railways would have lifted only 50 million tonnes of coal, against the production of 77 million tonnes. Mr. Kalyanvala has pointed to the paradox that while the railways deny the paucity of rolling stock, the wagon-builders are feeling the pinch of dwindling orders. It is not merely the coal producers who have been forced to curtail or stop production but also many important coal consuming industries like engineering and cotton textiles which are facing closures due to the coal famine. The engineering industry is particularly worried as power cuts are threatening to turn things upside-down at a time when it is making best efforts to fulfil its commitments both to the internal and overseas consumers.

Two factors are mainly responsible for the present crisis in coal transport—first, the countrywide indiscipline

among railway employees has often dislocated the movement of wagons to and from the loading points in the collieries and secondly, there has been a bad planning of wagon allotment. Mr. Kalyanvala regretted that the consultative body set up by the Central Railway Ministry was reduced to a forum for trotting out excuses rather than offering solutions. Industry circles have suggested that since the railways have not been able to tackle the problem of coal movement, the responsibility for wagon allotments and coal distribution should again be vested with the Coal Controller's office.

The demand for coal in certain sectors of the economy like public-sector steel plants has been sluggish. Mr. Kalyanvala said that the short-sighted policy of switching over to oil was encouraged by the lack of a well-defined policy on fuel, the uncertainties of getting coal at the points of consumption and the exorbitant railway freight on coal. The country's fuel policy has got to be pragmatic since India's total energy resources are adequate but not abundant for the present stage of her economic development. In this context, two factors should be borne in mind. In the first place, the present indigenous supply of oil will be far short of future requirements and unless new large-scale discoveries are made the country will have to make huge imports, necessitating a large allocation of foreign exchange. Secondly, there is a geographical limitation on the distribution of the coalfields. The Fuel Policy Committee will have to recommend measures that will lead to the optimum utilisation of various energy resources. Within an analytical framework, the Committee will study past trends in fuel consumption, relationship between power consumption and activities in different industries, factors influencing the selection of a particular fuel, relative costs of different fuels and draw up demand projections for the next 15 years.

The coal industry is in no position to meet the additional demand for funds for financing rising stocks and pay royalties to the Government and dearness allowance to labour based on the cost of living index. Mr. Kalyanvala said that the financial incapacity had stemmed from the long years during which the industry was rigidly controlled—when revisions in the coal prices did not cover the increases in production costs. The industry's profitability has also been affected by the incidence of additional overheads caused by the installation of new produc-

tion capacity during the Third Plan period in wrong anticipation of a sharp increase in the demand for coal. Because of its low profitability, the industry is not in a position to raise funds from the market; it does not have much internal reserves either. The nationalised banks have not given priority treatment to the industry and the conditions laid down by other

financing institutions are difficult to comply with. The industry would have got some relief if the railways had conceded its demand for a price increase of Rs. 3 a tonne. The issue has been referred to the Bureau of Industrial Costs and Prices. It must be remembered that only a rationalised price structure of coal can retrieve the industry from the morass.

Rethinking on Development Aid

WESTERN critics of aid to developing countries had often argued that it brought little benefit to ordinary people in those countries. Looking at Pakistan—or Bangladesh—they argued that it could be actively harmful to such people. Increased economic strength can no longer be regarded as good for its own sake, irrespective of the way it is used politically and socially. Yet interference by a supplier of aid may be as objectionable as a recipient's misuse of it. A book lately published in Britain, *Aid as Imperialism*, by Teresa Hayter, justifies developing countries' suspicions that what she calls "leverage" is applied to the course of their development by means of aid, even though the conscious purpose of it may be well-intentioned. Miss Hayter was employed by the Overseas Development Institute, which commissioned her to study and report on the operations of international agencies, principally the World Bank, in Latin America. Her report appears in the form of this book because the O.D.I. (persuaded by the World Bank) rejected it.

Through the medium of Britain's *Sunday Express* (a mass-circulation newspaper that is usually concerned with less serious affairs) the more orthodox Professor P.T. Bauer has argued against development aid from, principally, the supplier's viewpoint. As Professor of Economics (with special reference to development in poorer countries) at the London School of Economics he might be expected to adopt a "liberal" attitude to aid, but in fact he regards it as inequitable and largely wasted or misused. He quotes the gibe that "through aid poor people in rich countries help rich people in poor countries", and he says that if British exports are bought with aid "they are being given away". This kind of argument infuriates western "liberals", who observe that the years-long trend of the terms of trade

has favoured the richer countries and argue that if aid has helped to reverse the decline in British exports to India (for example), it is better to employ British workers for some useful purpose than not to employ them at all. And developing countries that are burdened with commitments to repay debt are not easily convinced that "aid" is altruistic.

The argument would be clarified, although not resolved, if the term were more clearly defined. It is used variously to mean grants, or grants and loans, or almost any kind of economic assistance, including free-enterprise capital. The United Nations and the Organisation for Economic Co-operation and Development are decidedly in favour of grants (the particular form that Professor Bauer resents), but most aid (in the ordinary sense) is still in the form of loans. Free-enterprise capital is essentially different from either, and is properly regarded not as a form of aid but as an alternative or complement to it. The flow of capital, like the terms of trade, has favoured the richer countries. Companies have seen more potential profit in big and prosperous markets than in poorer—even if big—markets. They have invested (whether to supply the local market or to export) where industrial skills are established rather than where labour and management need special training. And they have been deterred from developing countries whose relative poverty—whose development even—has caused political instability.

Professor Bauer says crudely: "What holds back the underdeveloped countries is the people who live there." He hastens to add that the statement is not a criticism but "simply recognition that if a country's policies and institutions, and its people's beliefs, modes of conduct, and customs, are incompatible with material advance, then it will not

occur, and aid will be useless". Obviously, a country's traditions and attitudes are relevant to its "material advance"; obviously, they may inhibit what is regarded (too facetiously, perhaps) as progress. But there is abundant evidence against the Professor's implication that underdeveloped countries are not really capable of development, nor even really interested in it. Multinational companies, although oriented towards areas of proved growth, have shown enough interest in "developing" countries to demonstrate the contrary opinion.

What such companies (and others that operate more modestly and more selectively) require is an assurance against the basic political hazards, particularly nationalisation of private enterprises for inadequate compensation or outright expropriation of them. Some capital-exporting countries (Britain is now added to the list) have established their own investment-guarantee scheme, and the European Community has a co-ordinated scheme, but a truly multi-lateral scheme (whereby countries would contribute to an international fund, from which compensation would be paid as appropriate) has not yet been established, although it was proposed—and the proposal was

widely welcomed—years ago. The International Chamber of Commerce recommended, sensibly enough, that such a scheme should insure investments in "developed" as well as "developing" countries, but its primary purpose would be to promote the flow of capital to countries most in need of it and evidently able to put it to good use.

Some companies are already ignoring the distinction between "developed" and "developing": they are fitting any country into their global scheme simply on the basis of its potential as they assess it. But not all countries welcome them. Europe can afford to debate whether foreign-based corporations operate to the benefit of the "host" country; a less-developed country must be certain that they do so. The relation between a "developing" country and a foreign investor must be one of mutual trust, a partnership. On that basis private capital is probably more effective than "aid" in dissolving that distinction between developed and developing countries. In the meantime, preferential treatment of developing countries' exports, such as the European Community will operate from the middle of this year, reinforces the principle of "trade, not aid".

Bokaro : A Sick Child Still ?

IF one were superstitious, one would certainly believe that Bokaro was born under an evil star. From the day the project was conceived, it has been bedevilled by any number of delays and difficulties, creating doubts in the public mind whether this will ever be completed. It was exactly four years ago that the Indian Government signed a protocol with Russia for setting up the Bokaro steel plant with its assistance. At that time, it was envisaged that the first blast furnace would be completed by March 1971 and the entire first stage by June 1972. However, on the basis of the actual progress till June 1969, the schedule was revised and it is now expected that the first blast furnace will be commissioned by the end of this year and the entire first stage of producing 1.7 million tonnes by March 1973.

In the meantime, the cost estimates of this giant project were also revised upward and according to present indications, the first stage of the pro-

ject would cost Rs. 760 crores, compared with the original estimate of Rs. 671 crores. By the time the first stage is completed, it may well turn out that the cost has escalated further by a substantially large sum. For, no project in the public sector has ever been completed according to the original cost estimates. It is the mounting cost of the project that had prevailed upon the Central Steel Ministry to go in for the expansion of the plant to its ultimate 4-million-tonne capacity even as work on the first stage was in progress. Russia was able to sell the idea that the expansion of the project to its rated capacity in one go might in the long run prove economical. As a result, the earlier proposal for proceeding with the expansion in two stages was abandoned and the Central Steel Ministry gave the "green signal" to the project authorities to go ahead with the expansion of the plant to the 4-million-tonne capacity. The Ministry had evidently hoped that it could get the approval of the Plan-

ing Commission without much difficulty by pointing out the economies of large-scale production in a project like Bokaro.

This, however, proved a difficult task and the Planning Commission refused to be convinced that the cost economies of expansion were so compelling as to make it imperative for the Government to take up the expansion without completing the first stage. The Commission's contention was that if the project authorities were asked to take up the expansion work simultaneously, there was every risk of the work on the first stage itself getting delayed further. The Commission's former Deputy Chairman, the late Professor D. R. Gadgil, and the former member for Industry, Mr. R. Venkataraman, had vehemently argued against expanding the plant without completing the first stage on schedule. Their fear was that the delay in the completion of the first stage might mean not a single tonne of steel coming out of Bokaro during the Fourth Plan period, even though an investment of over Rs. 700 crores would have been made on the project by the end of 1973-74. There was logic in the Planning Commission's stand, although political circles sought to play this as yet another proof of the Commission's failure to appreciate the viewpoint of administrators.

The issue was debated upon between the Planning Commission and the Steel Ministry for a long time with neither side willing to accept the other's viewpoint. It is now heartening to see that the new Steel Minister, Mr. Mohan Kumaramangalam, has found a compromise between the two extreme viewpoints and has inaugurated work on the expansion of the plant to 2.5 million-tonne capacity within the Fourth Plan itself. The expansion is estimated to cost Rs. 50 crores and will involve the installation of an additional 100 tonne L. D. converter, one coke-oven battery and other connected facilities. Launching the expansion programme at Bokaro recently, Mr. Kumaramangalam said that it would be a crash programme, designed to augment the availability of steel in the next three years. It is hoped that the expansion programme will be completed within a year after the completion of the first stage.

This does not mean that the expansion of the plant to its ultimate capacity of 4 million tonnes is being abandoned or put off indefinitely.

On the contrary, most of the facilities required for the 4-million-tonne stage are being put up even in the first stage itself which accounts partly for the high overhead costs. But breaking the expansion programme in stages will have the advantage of giving the authorities the time and facility to assess the plant's performance and determine the kind of measures needed to keep the plant working to its optimum capacity. It will be interesting to note that a proposal for incorporating an intermediary stage of 2.5 million tonnes in the construction schedule of Bokaro was made by the Central Steel Ministry itself in June 1969 but was given up under pressure from Russia which impressed upon the Government of India the advantages of going ahead with the expansion to the 4-million-tonne stage in one go.

What has evidently prevailed upon Mr. Kumaramangalam to revive the old proposal is the fear that the expansion to the 4-million-tonne even as work on the first stage was in progress might have the consequences apprehended by Mr. Venkataraman. There might be inordinate delays in the supply of indigenous machinery and equipment required by the project. The Minister himself has stated that the project schedules have already been revised three times and it is meaningless to keep on revising them further. Some target date must be set for the completion of the first stage which should be strictly adhered to. Even now, it is clear that the project will have to depend heavily on imports from Russia to meet its requirements of equipment and refractories. The chairman of Bokaro Steel, Mr. M. Sondhi, has stated that out of 20,000 tonnes of equipment required for the expansion, only 3,800 tonnes would have to be imported from Russia. But if past experience is any guide, the ultimate imports may be much higher.

For instance, for the first stage of the project only 140,829 tonnes of equipment had been received till February this year, against the total requirement of 275,605 tonnes. Of the supplies received, 90,000 tonnes were from Russia, which has to supply another 12,000 tonnes for the first stage. In contrast, Indian suppliers are pathetically lagging behind in their deliveries, and the performance of private suppliers is no better than that of public-sector

undertakings like the Heavy Engineering Corporation and the Mining and Allied Machinery Corporation. The H.E.C. is to supply 72,234 tonnes but till February only 22,931 tonnes have been delivered. Similarly, the M.A.M.C. has supplied only about 4,000 tonnes out of over 10,000 tonnes of equipment for which orders had been placed with it. Private-sector suppliers are to deliver 80,000 tonnes of equipment but till February they had despatched only 17,350 tonnes. All these go to show that there is something seriously wrong in the way the Bokaro affairs are being managed.

A part of the delays could be ascribed to genuine difficulties but most of them were due to ineptitude. The H.E.C., which at one time feared that it would have "zero orders" after 1972 if work on the Bokaro expansion programme was not taken

up well in advance, is now finding excuses for delays in the delivery of its supplies to the project. If the Corporation is in no position to deliver the goods, it should not fight shy of admitting it. That would at least leave the project authorities to meet their requirements from Russia and complete the project according to schedule.

Mr. Kumaramangalam has done well to act boldly and give some direction to the steel plants in the public sector which he visited recently. His statements after these visits indicate that he has made a fairly sound assessment of their problems and difficulties. It is hoped that he would find dynamic solutions for them before long. It is not a change of top personnel that will set right the H.E.C. or Bokaro but what is called for is a change of attitude at all levels.

CURRENT COMMENT

GENERAL INSURANCE

Reactions to Take-over

In a Press statement, the president of the Federation of Indian Chambers of Commerce and Industry, Mr. S. S. Kanoria, has said that although the nationalisation of general insurance was in the programme of the ruling Congress Party, the present move has come as a surprise in view of the fact that there are more pressing issues before the Government. The main problems today are the provision of employment and a better deal to the poorer sections of the community. General insurance was already subject to social control and its nationalisation cannot help achieve the priority objectives. On the contrary, by increasing bureaucratisation it will place unnecessary additional burden on the administrative and financial resources of the Government. The present move will also adversely affect the foreign investment climate. Now that the nationalisation of general insurance is a *fait accompli*, the proposal to set up four corporations competing with each other is a good one. The corporations should function independently and compete with each other in securing business, settling claims expeditiously and providing additional services. Nothing should be done at the Central level in the name of co-ordina-

tion to whittle down competitive functioning.

Mr. N. K. Jalan, president of the Calcutta Trades Association, said that it was laudable that one of the objects of nationalisation was to make general insurance reach the common man. This could be achieved only by a sizable reduction in the premium rates. The spread of the insurance cover, compared with the country's national income, is very low. If, therefore, insurance rates are suitably revised and steps are taken to raise the proportion of insurance cover, it would serve a good purpose.

According to Mr. S. N. Dalmia, president of the Merchants' Chamber of Commerce, the Government may not gain in a big way by having control over the additional resources as the total amount involved is not much. There is the apprehension that with the gradual deterioration in the efficiency in the public services, there may be abnormal delays in taking decisions. General insurance mostly involving commercial matters, however, calls for quick decisions.

O.N.G.C.

Price Rise Protested

The upward revision of Ankleshwar and Cambay gas price has evoked a strong protest with a poli-

tical overtone in Gujarat. The State Government is accusing the Government of India-owned Oil and Natural Gas Commission of exploiting its "monopoly" over gas production and denying Gujarat the benefit of the gas produced in its own territory. The O.N.G.C., on the other hand, is maintaining that it has merely revised the price strictly in conformity to the Rao Award. It denies that the new price is arbitrary or unilateral, as is being alleged by the Gujarat Government. The O.N.G.C. held talks with consumers in Gujarat to convince them of its position but it has not yet succeeded. It feels that "extraneous considerations" are sought to be imported into a normal commercial transaction. Whatever the O.N.G.C. may say, the Gujarat Government, the biggest consumer of gas, and leading trade bodies in the State have strongly protested against the unilateral price rise. They demanded the intervention of the Government of India in the matter.

Dr. V. K. R. V. Rao, a former Central Minister and a former member of the Planning Commission, had determined the well-head price of gas at Rs. 50 a 1,000 cubic metre. His award expired on 1st April and the O.N.G.C. has decided to raise the price to Rs. 106 a 1,000 cubic metres. Dr. Rao in his award had recommended that for the subsequent five years from 1st April, 1971, the gas price should be based on a prescribed formula on the basis of actual costs of production and output. The O.N.G.C. has worked this out to be Rs. 80 a 1,000 cubic metres. Apart from this, the Rao Award had stipulated that any under-recovery or over-recovery in 1966-71 should be made good in 1971-76. The O.N.G.C.'s logic is that since the Commission got Rs. 30 a 1,000 cubic metres of gas less in the previous five-year period, it is entitled to a premium of this value in the coming five years. However, on account of the increased output, the production cost would be cut to some extent, making the actual premium charge Rs. 26 a 1,000 cubic metres of gas. Added to the well-head cost of Rs. 80 a 1,000 cubic metres, the well-head price works out to Rs. 106 a 1,000 cubic metres, according to the O.N.G.C.

The Gujarat Government questions the very basis on which the cost has been worked out. It is repeatedly asking the Centre to supply it with

the cost tables that Dr. Rao had used in arriving at the well-head cost. The State Government even wrote to Dr. Rao for this. The O.N.G.C. claims that complete and detailed data on the basis of which the price increase was proposed has been supplied to the consumers. But the State Government wants the data used by Dr. Rao in giving his award. It has set up an expert committee to examine the case but the committee has done little in the absence of the data asked for from the Centre. The Centre is yet to supply these.

The State Government and the industry in the State are on solid ground when they bring the analogy of Assam where gas is being supplied at a much lower price. They have some point when they demand that the State must be allowed to have gas at a cheaper rate for its development. Gujarat has to generate power at a high cost because it must bring coal from far off areas. It has no hydel power, the major hydro-electricity source, the Narmada project, being bogged down in an inter-State dispute. Nature has given it gas which it must be allowed to use for its development. The O.N.G.C. should not forget that the consumers in Gujarat took to gas at a time when there was no one to use it and the O.N.G.C. would have had to let the gas be wasted had they not come forward to use it. The O.N.G.C. is trying to justify its price on the ground that substitute fuels or feed-stocks like furnace oil and naphtha would cost far more to the consumers today than the new price of natural gas. This argument is not tenable; the consumers were taking gas because it was cheaper than substitute fuels, etcetera. The Gujarat Chamber of Commerce's arguments has some force when it says that the levy of premium price would impair the competitive capacity of consumers of gas in Gujarat.

It is true that the O.N.G.C. must earn a profit and show a 12 per cent return on investments. It cannot supply gas at a price lower than the cost. The O.N.G.C. says that the price the consumers were paying till March 1971 was "unrealistically low", having been based on the assumptions of larger output of natural gas and crude oil, lower capital outlay, etcetera. It says that the assumptions have not come true. Surely, the consumers cannot be asked to pay for the failure of the O.N.G.C. to make correct assumptions.

SMALL ENTREPRENEURSHIP

New Course

A six-day training programme on Small Entrepreneurship is being organised in Calcutta by the West Bengal State Board of the All-India Manufacturers Organisation in collaboration with the Management Study Group between 14th June and 19th June. The rôle that small-scale industries has been playing in India since independence is significant on many counts. In the period covered by the Five Year Plans, large responsibilities have been given to the small industries sector for the purpose of broadening the industrial base of the country, creating employment on a dispersed basis and contributing to national income. The present course has been designed with the object of underlying the fact that elements of viabilities are established at the stage of conception of an enterprise itself. The subject-areas have been chosen with regard to the rôle of small-scale industries, external environs that such units are facing and are likely to face, sources from which assistance of different kinds would be available and the ways in which such units could be run better. The course will concentrate on developing a continuous dialogue among the small-scale entrepreneurs and the speakers have been chosen from different fields intimately connected with the small-scale industries. In these sessions, several problems of real life actually being faced by these units will be discussed for the purpose of giving the participants a feel in decision-making, the practical dimensions of the problems encountered and the manner in which they can be attacked.

FREIGHT HIKES

Sub-committee Set up

The Joint Committee on Shipping and Ports of the All India Manufacturers Organisation under the chairmanship of Mr. Homi J. H. Taleyarkhan, M.L.A., has set up a sub-committee to examine in detail the question relating to shipping freight hikes, especially in view of the concern shown by Mr. Raj Bahadur in the course of his address to the All India Shippers' Council in Panaji. After examination of the question in all its aspects, the sub-committee will make specific recommendations to the Government for controlling the frequent freight increases on

various routes. It is expected to make its report within three weeks.

PUBLICITY CONFERENCE

Stress on Co-ordination

The two-day North-East Zonal Publicity Co-ordination Conference, presided over by Mr. R. C. Dutt, Secretary to the Central Ministry of Information and Broadcasting, concluded in Calcutta on Tuesday. The conference considered problems of publicity approach and co-ordination directed towards the promotion of national integration and economic development. It also considered specific problems of the region, such as the influx of evacuees from East Bengal and the orientation of publicity among the various tribal communities. Steps were formulated for better projection of the rôle of public-sector undertakings through greater co-ordination of the efforts of the public relations wings of the undertakings and of the Government media. The conference was attended by representatives of the Information Directorates of the States and Union Territories in the region as well as Public Relations Officers of some of the major public-sector undertakings, besides officials of the Central Ministry of Information and Broadcasting and of its media units.

INDUSTRY

Ceiling on Credit

The Federation of Indian Chambers of Commerce and Industry has received a number of complaints from enterprises all over the country that commercial banks have virtually put a ceiling on the credit made available to industry and trade at an amount which they were allowed last year. It is not clear whether this measure has been initiated by the Reserve Bank of India or the Central Ministry of Finance, either in an effort to hold the price line or direct credit to other sectors. This step, however, does not take into account the fact that greater credit is necessary to finance the inventory holding at a working level. In the last 12 months, prices generally have increased by 7 per cent or 8 per cent, and of industrial raw materials in an even greater measure. For example, the prices of raw cotton have gone up by 46 per cent. If industry does not get credit commensurate with its needs, it will not be possible to increase the productive effort. There are already signs that the credit restrictions are constituting a drag on even maintaining the present level of production. The Federation has urged upon the authorities to increase

credit limits keeping in view the rise in inventory prices as also the much needed increase in production. Unless production is augmented, it will not be possible to stabilise the general price level, create larger employment opportunities or maintain the export effort.

INDUSTRIAL RETURNS

Rationalisation Needed

The increase in recent years in the number of statistical returns that industrial organisations are required to submit to the different Government departments and also to various quasi-governmental bodies has been causing concern. The compilation of figures for the preparation of these returns has been making an over-increasing demand on the time and personnel of organisations. This could otherwise be devoted to more productive efforts. It is high time that an attempt were made to rationalise and streamline the process of data collection so that a fewer number of comprehensive returns may replace the large number of scattered requests for data from various sources. This will result in reducing the frequency of submission of returns and permit industrial concerns to ensure accuracy and validity of the returns submitted. It is understood that the Government has set up a special committee to look into this very problem but the outcome of the deliberations of this committee is not yet known. There is no denying that in a planned economy like that of India, the availability of accurate and up-to-date statistical information relating to the activities of industrial organisations is of utmost importance and, therefore, reference to industrial units for statistical information cannot be avoided. But, this objective should be achieved by putting the industrial units to the least inconvenience, and by ensuring that the data collected are put to good use.

MONEY MARKET

Easier Trend

The short-term money market has been easier during the past week. The call rate has been steady at 5 per cent towards the close. The demand for remittances has been moderate. The supply of gunny bills has been fair to moderate and that of tea bills has been moderate. The pound-sterling has strengthened against most major foreign currencies.

A Ditcher's Diary

THE ESTIMATE THAT THE REFUGEES from East Bengal may eventually cost India something like Rs. 1 crore a day may be no more accurate than an earlier estimate that the military operations in East Bengal were daily costing Islamabad Rs. 1 crore. The inaccuracies may cancel each other out. But even if the present expenditure on the refugees is no more than Rs. 30 lakhs a day it must be a crushing burden, which can be lightened only, marginally by international assistance of the kind received so far. Larger aid may flow in after the United Nations High Commissioner for Refugees is fully briefed by his representatives who recently visited the refugee camps in West Bengal and Tripura. But there is little prospect of aid reaching the suffering millions within East Bengal; and any assistance channelled through the West Pakistani authorities will almost certainly be used to assist the military operations. Reports that helicopters, vehicles and boats contributed by some countries for relief work after last November's cyclone have been diverted to military use have at last reached the U.S. Congress; some Senators have reacted very sharply and may oppose a replenishment of funds to the International Development Association to see Pakistan out of its present financial difficulties. But the World Bank is believed to be in a dilemma; if it takes a tough line Pakistan may go to the extent of declaring a moratorium on debt repayments. This would be blackmail; and it remains to be seen whether the Bank is sufficiently strong, or

determined to resist it. But, while the Governments concerned are still dithering over suspension of aid to Islamabad, purely commercial considerations have already begun to enforce a squeeze. Britain's Export Credits Guarantee Department, for example, has suspended further insurance cover for exports to Pakistan. A spokesman of the Department explained: "We are obliged to pay our way, and this is a commercial judgment". Clearly, then, there are occasions when a commercial judgment can serve the right cause more effectively than a political one; in the House of Commons last Friday, an official spokesman refused to accept the suggestion that aid could be used as a lever to enforce a particular solution which observers in Britain "may wrongly think will contribute to peace". Surely, he could have shown a little more respect for the views of some of those observers who had had a closer look at the East Bengal events and their consequences; in the Commons itself, one of them reminded the British Government that it was impossible that Pakistan could ever be one country again and economic sanctions could prevent a long and tragic war.

REPORTEDLY AFTER AN OVERDOSE OF sleeping pills Mrs. Tarakeshwari Sinha was said to be in a comatose condition for a distressingly long while. But it seems that by early last week she had not only recovered full consciousness

but also rediscovered her radical instincts. I don't know if the coma helped something hidden in the unconscious or the sub-conscious to come up to the surface; but the seeming change was quite dramatic. In a sharply-worded letter to Mr. Nijalingappa, the charming lady of the Congress (O) took the Party bosses to task for failing to live up to the Party's socialistic ideals; she even threatened to quit the Party if the "Old Guard" did not retire to enable younger elements to take immediate steps for a "radical reorientation" of the Congress (O) economic programme. She did not identify the younger elements; and lest anybody should think that she was trying to promote her own case she volunteered the information that she was not interested in any office. I do not know what could have happened to make Mrs. Sinha so distrustful of the "Old Guard"; in any case, the distrust cannot have disappeared after the Congress (O) session held last week in a Bombay suburb. Although some of the Syndicate bosses have receded a little into the background, the composition of the Party leadership has not radically changed; and, at 61, Mr. Sadiq Ali is not exactly young. Nor do the Party's latest resolutions reflect any reorientation. But I wonder if a policy reorientation is the Congress (O)'s most urgent need at the moment; the people cannot change so easily, nor can their basic interests. And this is true of every party, including the Congress (R). In spite of all the radical postures struck by the Congress (R) leaders since the great split, the Party remains much the same as the old undivided Congress. The postures have yielded quick and rich dividends; but disenchantment may set in sooner

CURRENCY REFORM

A CORRESPONDENT writes in its fourth and final article on gold currency in India deplores the policy of 1893, and while not advocating its undoing cautions our legislators against doing anything that may tend to demonetise silver in India and substitute gold. It continues to uphold the Moreton Frewen doctrine that India suffers by an exchange at 1s 4d in comparison with Japan at 1s 2d and China at silver parity. This argument in one respect has the same force as the Tariff Reform argument, that with protection the industries and trade of Britain would greatly prosper. But as without protection they have beaten the record in a phenomenal degree, what evidence is there that they could do better with protection? So, under the

reform of the currency India's trade and industry has advanced in quantity and prospered phenomenally by the greater security now offered, and yet some writers would have us believe that India was more prosperous under the *status quo ante*. Had they kept vigil upon a somersaulting exchange and crumbling credit for the 18 years from 1875 to 1893, their wings of friendship for the old regime would have moulted some feathers, and they would not now, I am sure, be desiring a renewal of such perilous and disastrous times, or believing that there can be any virtue in the condition of a currency, which, as I stated in my paper on banking in India, renders trade more subservient to exchange than responsive to supply and demand.

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than seems likely at the moment. At the recent New Delhi conference of presidents and general secretaries of district committees, the Congress (R) set itself the task of raising Party membership to 10 million. But if a mad scramble for leadership really ensues, the magnet will be power and patronage, not any stirring cause. This is not necessarily perverse; pragmatic efficiency is preferable to ideological extravagance, particularly in the ruling Party. And, with all her rousing rhetoric, Mrs. Gandhi is not given to extravagance in practice; so, even if there is no dynamic progress, there may be relative stability, which must be reckoned at least a small mercy in the present context.

THE DECISION WHETHER OR NOT Britain is to join the European Common Market is expected before the autumn, and the next few weeks could see some dramatic developments in the protracted debate. For instance, French doubts are being expressed with growing vigour, whether intended to exclude Britain or simply improve the terms in France's favour is not yet known. In London the possibility of President Pompidou throwing a last-minute spanner into the works is among the numerous anxieties now troubling Mr. Heath's Government. The Conservatives, and particularly Mr. Heath, are still committed to joining on virtually any terms, although the doubts of the extreme right wing are becoming more vocal. There is a nasty rumour going round Westminster that membership of Europe is now the sole remaining policy shot in the Prime Minister's locker, all other possibilities of saving the British economy having failed. Certainly Britain's economic prospects outside the Community would be even worse than inside, but it is probably going too far to claim that membership is now all that stands between the British and economic extinction, although this was the verdict of a recent leader in *The Times*. The Labour Opposition, of course, is still dithering, and there is growing evidence that Mr. Wilson is reconsidering his own position. British public opinion, partly under the influence of Mr. Enoch Powell, is reported by the pollsters as being less enthusiastic about joining than at any time since the negotiations started up again. It is a good think for Mr. Heath that the public opinion polls should themselves be so discredited at the moment. Over in Bonn, where hitherto enthusiasm for British membership has been sus-

tained throughout at least a decade, there are reported to be growing doubts that the weakness of the British economy will permit membership without more or less permanent subsidy from the rest of the Community. Moreover, the West German Government seems to be yielding to French pressure and turning lukewarm towards safeguards for New Zealand. That could be the worst setback of all for Mr. Heath, although it does offer him an honourable way out of the negotiations if he should decide he needs one.

RECENT REPORTS OF DRUG-TAKING among U.S. servicemen in Vietnam are so startling that it would seem wiser to discount them, if not in fact reject them altogether. I doubt if it is possible to do that, however. That there is drug addiction among Americans fighting in Vietnam is clear enough, although doubtless most of it is concentrated on marijuana and not excessively chronic. The question is to what extent it damages military efficiency, and I suspect the answer is: a great deal. It is a fact which cannot have escaped the communists, who are probably promoting the habit for all they are worth. There is an old tradition in Asia, and one we in India have seen much of during our long history, that if you cannot defeat an enemy by force, you can usually undermine his capacity for being a nuisance by encouraging self-indulgence. There is nothing like the alternative attractions of liquor, women, drugs, even flattery, to persuade a potential tyrant that he is not so interested in tyranny after all. When the history of the Vietnam war comes to be written, the verdict could well be that what has in fact

defeated the U.S. army is not the resistance of the North Vietnamese and the Vietcong, but the combined effects of subverted morale and weakness of purpose at home. Some people may be tempted to regard this as divine justice. I am not among them. The spectacle of the world's most powerful country reduced to military impotence by virtue of its armies being defeated and its home front in chaos has the kind of consequences for international politics which are apt to make my flesh creep. Changes in power balances must be gradual if they are to be peaceful.

ABOUT 200 PEOPLE, THROUGH AN ADVERTISEMENT in *The Times* last week, urged the British Government to suspend all aid to West Pakistan and join in an international relief effort to reach East Bengal. "Man", said the advertisement, "is more than an internal problem". To say that what had been happening in East Bengal was "an internal problem", the advertisement pointed out, was to suggest that "a Government has the right to murder and starve its own citizens when they vote the wrong way". This is what India has long been trying to impress upon others; and, as far as India is concerned, the East Bengal events ceased to be an internal problem of Pakistan even in a narrow legalistic sense when thousands of refugees started pouring into this country to escape death by bullet or by starvation. The situation is already impossible, with the economy and the social fabric in the border States under heavy strain and with other Indian States reluctant to relieve this pressure by accommodating some of these people. If the fate of people still in East Bengal is regar-

ded as Pakistan's internal problem, the fate of those who have fled the stricken land may now be regarded as India's internal problem. But clearly India cannot live with this problem for long; and I am not surprised that comparisons are being made between the cost of the Indo-Pakistani war of 1965 and the cost of a phenomenon resulting from Islamabad's war against East Bengal. I am sure that New Delhi will do everything it can to avoid a military conflict with Pakistan; but I am beginning to wonder how long it will be possible to avoid a sharper and more direct encounter than the diplomatic and political exchanges of the past two months. India has no reason to welcome any kind of military involvement; but I cannot see Pakistan following a reasonable, let alone humane, policy even after the pretty blunt Indian Note delivered on Friday night. The bigger Powers, particularly the U.S.A. and Russia, which could force Pakistan to see reason, are evidently inhibited by the prospect of West Pakistan moving still closer to China and of Chinese influence operating in a different way in the entire eastern region of the sub-continent with the emergence of an independent East Bengal. This is an incredibly short-sighted view; nothing is more conducive to the growth of subversive influence in this region than the consequences of West Pakistani military repression in East Bengal.

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MANAGEMENT

Inter-firm Comparison: An Important Tool for Management

By P. Chattopadhyay

Director of Research,
Institute of Cost and Works
Accountants of India

Inter-firm comparison helps to know and judge how the firms are doing in relation to one another and why. Despite its importance in western countries, firms in India continue to show a lukewarm attitude to it.

INTER-FIRM comparison essentially implies the juxtaposition of key management information of individual firms for the purpose of knowing and judging how the firms are doing in relation to one another and why. As a technique of management, inter-firm comparison has gained much importance in western countries—particularly in the U.K. and the European continent. Highly encouraging results have since been available from different European centres. For instance, the British Centre for Interfirm Comparison Ltd (jointly sponsored by the British Productivity Council and the British Institute of Management) has produced a good lot of material to suggest how inter-firm comparison has benefited the participating firms over a period of time. Similar results are also available from the comparison made in the European countries.

Lukewarm Attitude

Unfortunately, the demonstration-effect of these results does not seem to have been brought home in India. Even in the U.K., only the more dynamic firms have shown interest in such comparison. A lukewarm attitude to inter-firm comparisons continues in spite of the fact that several industrial associations in India have started such comparisons in relation to the industries under their purview. In this context, mention may be made of inter-firm comparisons being conducted by the A.T.I.R.A. and S.I.T.R.A., although based mainly on published financial data. The F.I.C.C.I. (E.S.R.F.) survey of top 300 companies in India is also an example of successful inter-firm comparison, although from the point of view of external viewers.

In India, the scope for inter-firm comparison for effecting improvement in industry is almost unlimited. The progress of application of the technique is, however, still tardy. One of the major benefits arising out of the technique is the "mutuality of interest" underlined by the exchange of information related to different aspects of working of firms belonging to the same, or different size groups, and the same, or different, industries. This "mutuality of interest" becomes apparent from the fact that even the so-called best firm may not have all the segments of working superior to the corresponding segments of working of other firms. In such cases, the firm is afforded an opportunity to streamline the functioning of these segments so that the total result improves further.

Basis for Planning

For the purpose of internal management, inter-firm comparison provides a workable basis for planning and control in such a way as to enable management to keep the relevant productive factors on track. In planning, inter-firm comparison facilitates the setting of realistic targets of operation which enable viewing the actuals *vis-à-vis* the targets as also *vis-à-vis* the results of other firms. So the firms are always kept on the alert so as to explore all opportunities for effecting improvement and for instilling dynamism in their operations.

It is necessary to consider here that merely cost, productivity or financial comparison in isolation may not yield the best results for management. Such comparison should be based on a composite criteria involving technical, financial and operational aspects of working of individual segments as also the totality of performance of the unit. Thus, cost-productivity-profitability comparison may indicate snags in the results that may not be apparent from any of them individually. Differences

CAPITAL, 20th MAY, 1971

rent constraints faced by individual firms may come under focus in such comparisons and may offer a reasonable explanation as to why the operational results of one firm are different from those of another.

Setting up New Centre

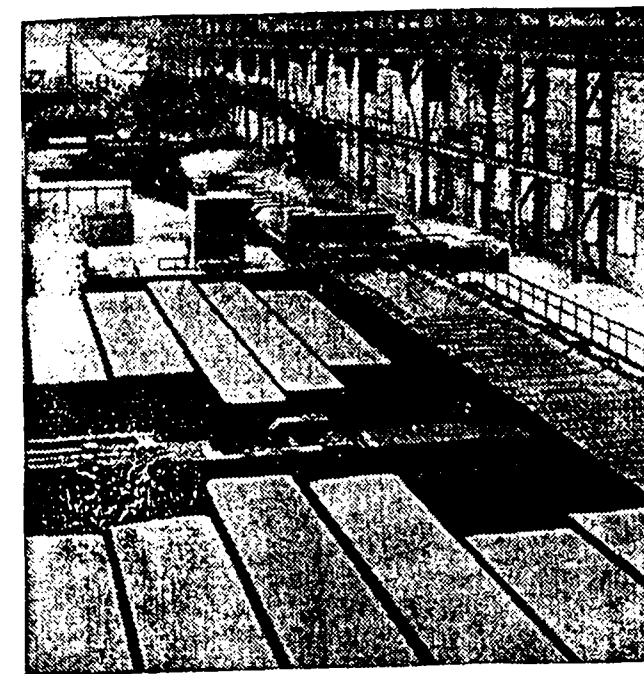
In India, the private-sector firms in different industries and belonging to different size groups can participate in inter-firm comparisons under the aegis of the industrial associations of chambers of commerce. Alternatively, and more appropriately, a centre for such comparison may be established by industry to enable collection, collation and interpretation of data in a way that helps the participating firms to improve their performance in different segments. If such a centre is established, even the Government and the Planning Commission would benefit through the participation of the public-sector industrial and commercial enterprises in such a scheme. This apart, such a centre would enable the Planning Commission and the Government to marshal enough information, not available now, to improve industrial planning under the Five Year Plans. The allocation of funds to different sectors in the economy would also be more realistic on the basis of inter-industry studies carried on under the scheme. Indeed, the benefits likely to arise from nationwide inter-firm comparisons would outweigh the costs of establishing such a centre. The costs can even be shared by the Government and industry in agreed proportions.

In another respect, inter-firm comparison can help the country. For example, inter-firm comparison of exporting firms will have shown the laggards among them, the areas of their weaknesses and the way they could be set right. Such a step has become urgent in view of the steady rise in production costs of India's industrial products. To stand international competition, it is necessary that all the avenues are explored for the reduction of operational costs of export products. So inter-firm comparison would immensely help the exporting firms. In fact, such a scheme is envisaged in the charter of the Trade Development Authority recently established by the Government of India. It is hoped that the exporting firms will participate in the scheme in large numbers so that the T.D.A. is in a position to know, judge and help improve the performance of exporting units.

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SPECIAL ARTICLES

Budget Thoughts of Mr. Chavan : A Tax Spree No Solution

By M. B. Lal

In shaping his Budget, Mr. Chavan is bound to be influenced by the all-important question of wages and prices. If he is anxious to see his budgetary policy succeed, he should not allow his Plan ambitions to get the better of him and launch him on a taxing spree which could let loose a wage-price spiral and destroy the whole fabric of the economy.

EVEN the *panwala* knows that recent international events are likely to cast their shadow on the coming Central Budget. Some popular brands of superior quality cigarettes have gone underground and the explanation offered is that the Bangladesh tragedy must find its echo in the Budget. The Government must find the money somewhere to meet the colossal new commitment of feeding the refugees and the *panwala* thinks that high priced tobacco, being considered a luxury item, will not be spared.

Even if the Bangladesh tragedy was not there, the coming Budget would be something to fear. Mrs Indira Gandhi has come to power with a steam-roller majority and with a commitment to the people which she is anxious to fulfil. Her Party's debacle in the Delhi municipal elections brought about by the very Party—the Jana Sangh—which the Congress (R) routed in the parliamentary election, should have convinced her that the people would judge her by her performance. They want quick results and if these are not forthcoming they could change their views about her Party and the Government in the elections to several State Assemblies due within less than a year. The fear is that Mrs. Gandhi might feel that the best way to achieve her objective would be to mobilise resources by a heavy dose of taxation and launch new and spectacular projects that would impress the people.

The dollar crisis is another international development which cannot but have its effect on the Budget. Past experience suggests that when faced with balance-of-payments crises

of their own, the western countries are inclined to hold their hand not only in the field of aid but also trade. Only recently at the time of the presentation of Mr. Richard Nixon's message on aid to the Congress, U.S. authorities emphasised the multinational character of international assistance. For the past few years, the U.S.A. has been consistently trying to shift part of her aid burden on west European countries. But these countries have shown greater interest in aiding E.C.M. associates in Africa.

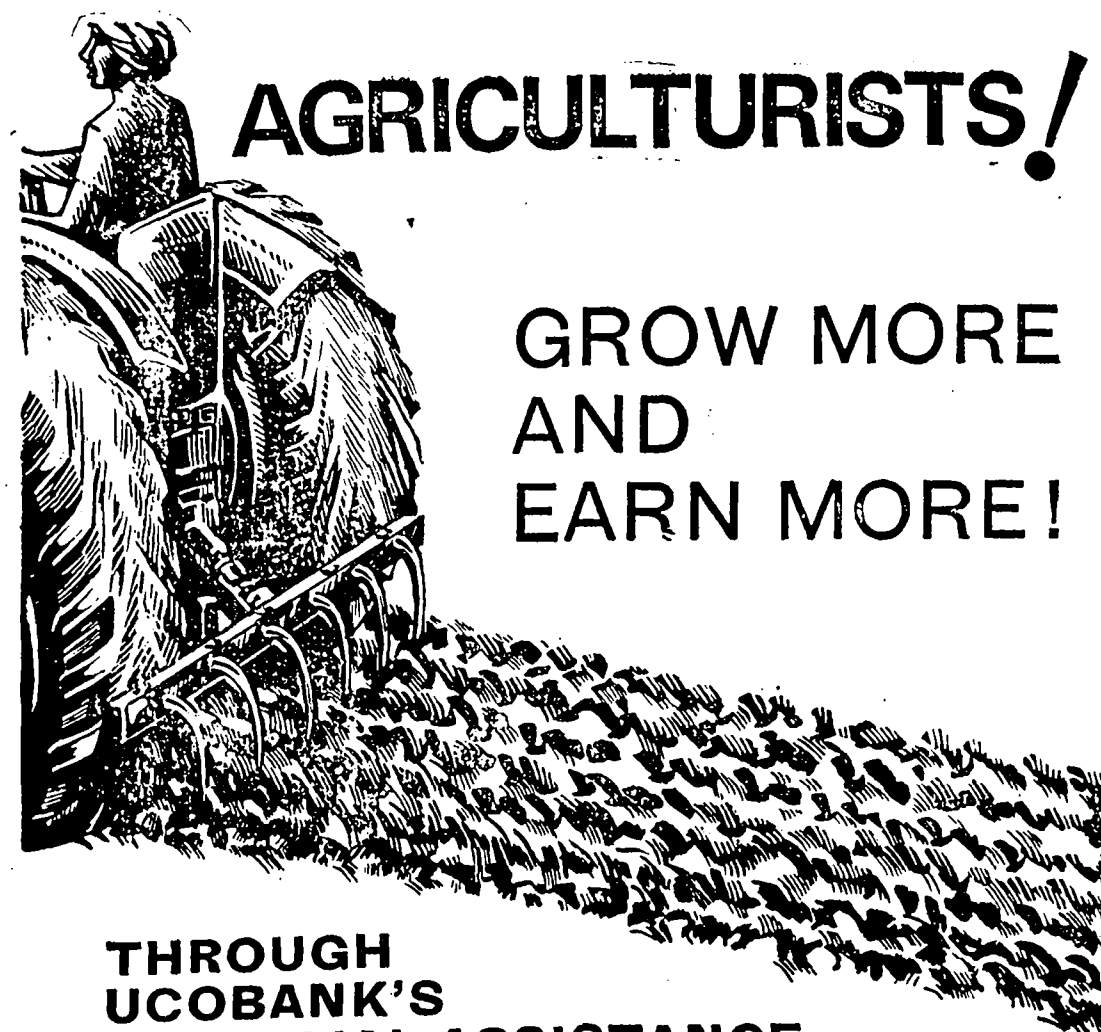
If European currencies are re-valued, India's trade earnings from Europe could be proportionately reduced without a corresponding advantage being available in her dollar trade. Trade with western countries must continue to be a major headache since any accelerated plan of development—which Mrs Gandhi and Mr. C. Subramaniam intend to launch—must necessarily have a substantial content of sophisticated imports from these countries. The latest plan to set up mini steel mills is an example. Although the capacity to build the required machinery exists in the country, the Heavy Engineering Corporation is somewhat out of gear at the moment and the equipment will have to be imported in the larger interest of rapid industrialisation. The same is true of a large number of raw materials that will have to be imported in big quantities.

Another dwindling source of budgetary finance which must be causing some anxiety to the Central Finance Minister, Mr. Y. B. Chavan, is food imports. In the past, these came in handy to inject a substantial dose of rupee finance into the economy. Some economists were inclined to equate this with deficit financing or paper money while some others felt it was legitimate finance. But whatever its impact on the economy, it did help the Government to reduce its budgetary gap on paper and to that extent the need for direct taxation or deficit financing was reduced. This will be the last year of food imports and the quantity imported may not be very large compared with previous years.

On top of all this comes the warning by Mr. Subramaniam, Central Minister for Planning, that the Fourth Plan is being recast and will have a new look which will become apparent in the Budget. In addition to the essential development projects already included in the Plan, the new Plan is bound to have some grandiose schemes to provide jobs. Mr. Subramaniam's stewardship of the Food Ministry during very difficult days suggests that he is a man of determination and is not bothered about short-range hardships in the pursuit of long-range objectives. He might be tempted to pursue the goal of creating new jobs with the same ruthlessness with which he pushed through the high-yielding varieties programme to accomplish the "green revolution". But jobs need investment and any plan for creating new jobs would defeat its very purpose if it became top-heavy and upset the economy. Even more developed economies, like the U.S.A., are finding that fighting unemployment is a tricky business which cannot be accomplished overnight.

As if these were not enough, the Government's burdens are further increased by its new fads, such as the rationalisation of banks and insurance companies and the proposed abolition of privy purses. These will involve large amounts in compensation and will no doubt be followed up by vigorous—and perhaps long overdue—land reform measures which again would involve further budgetary commitments. Although land reform is a State subject, eventually the States have a tendency to pass the burden on to the Centre. Even if they do not, it all adds up to the total weight of taxes that the common man has to bear, whatever the collecting authority.

In the present euphoria over nationalisation and socialism, it may not be heresy to say that at this stage of India's development private foreign investment could conceivably play a vital rôle in accelerating economic growth. What is needed more than anything else at the moment perhaps is new technology. Its discriminating import on a large scale could make all the difference between stagnation and take-off. The Central Government's latest decision to take over general insurance, including the foreign-owned companies, and the Kerala Government's order nationalising the forests there could cause apprehensions in the minds of potential investors. The next Budget



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might be the right occasion for Mr. Chavan to spell out in clear terms his views on foreign investments.

More important than all these factors which will undoubtedly influence Mr. Chavan's thinking in shaping his Budget is the question of wages and prices. If Mr. Chavan is anxious to succeed, he must not allow his Plan ambitions to get the better of him and launch him on a taxing spree which could let loose a wage-price spiral and destroy the whole fabric of the economy. If, for instance, Mr. Chavan pours in huge amounts of paper money to create new jobs for the unemployed millions, there would be more money chasing the same goods and prices would shoot up. Also, if he raises money by heavy taxation, this too would push up prices. The result in either case would be irresistible demands for wage increases. In the end only speculators, profiteers and the trade unionists would benefit. The rest of society, which includes the vast majority of the people, will suffer. This clearly cannot be Mr. Chavan's objective.

Stabilised wages and prices formed the sheet-anchor of the Fourth Plan when it was released in 1969 by the then Deputy Chairman of the Planning Commission, the late Dr. D. R. Gadgil. But, in spite of the ideal conditions that have prevailed ever since on the vital front of food production, the anchor broke soon after the ship was launched. Prices that were expected to rise at no more than 1 per cent a year have been galloping at a mad pace. This happened despite generally stable food conditions, an improved balance-of-payments position and the revival of industry. Today, when fresh national and international complications have arisen, an ambitious Plan could mean further inflation. This must be avoided at all costs.

Mr. Chavan has to frame his budgetary policy within the four walls of the limitations listed above. Wisdom requires that like a good physician he should not try to cure all the ailments of the economy at one stroke. It is a well-known principle of medicine that the doctor should try to cure one disease at a time. Overdrugging a highly diseased patient can kill him. Mr. Chavan must choose his priorities and tackle the most important problems first, leaving the others to be solved step by step.

To give an example, Mr. Chavan might succeed in creating more jobs on a lasting basis if he could release a large sum, say, another Rs. 200 crores or so, on power generation now than he would were he to fritter away a similar amount on launching a big rural works project which is nothing but euphemism for granting doles. The recipients of such charity should be placed in the same class as the millions of refugees from Bangladesh. To call such schemes a form of "employment" would be nothing but self-deception. From end to end of the country industry and agriculture seem to be starved of power. Next only comes the need for steel. If, for the present, Mr. Chavan could confine his attention to filling the gaps in these two vital spheres and ignore acceleration in other fields of development, he might succeed in attaining progress with stability. Another field which may be given top priority could be family planning. But this

needs more interest at various levels of society than money.

Simultaneously, Mr. Chavan might make a beginning now to mop up some of the vast earnings of the new rich class of big farmers who have made fortunes from the "green revolution". The greatest tragedy of the Indian economy in recent years seems to have been the imbalance between the urban and rural sectors in the matter of resource mobilisation. While the main beneficiary of the Five Year Plans has been the rural sector, the burden has been borne almost entirely by the urban sector. This has severely handicapped industry. Economists and administrators seem agreed now that for the next stage of Indian development, which includes creation of greater employment, an "industrial revolution" is even more important than the "green revolution."

Need for a Rational Export Policy

By Indra Dev Gupta

Despite all efforts, India's export growth has remained sluggish. Export planning on the right lines alone can help the country to achieve a breakthrough.

A "GREAT leap forward" and the consequent transformation of an agrarian economy into an industrialised one requires a substantial and rising foreign exchange earning to finance the import of capital goods, technical know-how, and other raw materials. There are two ways to acquire foreign exchange, namely, foreign aid and trade. If exports increase faster than imports, then foreign trade will help accumulate foreign exchange. On the other hand, when other developed nations are persuaded to provide aid, the problem of foreign exchange can be solved temporarily. It is expected that with the reaching of the "take off" stage, the aid receiving country would be able to earn enough foreign exchange by rising its exports substantially to repay foreign debt.

However, in the initial stages of development the exportable items of a developing country mostly comprise primary commodities and semi-manufactures whose supply is governed by

unpredictable natural forces. On the other hand, their demand in developed countries is influenced by severe competition from other developing countries. Consequently, a foreign exchange shortage develops out of an adverse balance of trade. However, for raising exports in the future the foundations of a comprehensive export planning should be laid down in the earlier stages, otherwise a stagnation in exports would develop which will affect the growth of the economy and raise doubts about development planning itself. The latter part of the argument was not adequately realised by the Indian planners. There is no point in arguing that trade deficit and foreign exchange shortage are a normal phenomenon of development, which will be corrected in the long run when, with the advancement of development planning and industrial progress, exports will increase automatically.

Now, with the contraction of India's share in world trade, increasing uncertainties concerning foreign aid and growing strain on her economy for debt servicing, it is being increasingly realised that her reluctance towards exports was unwarranted and there is still a need for evol-



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ing a comprehensive export planning. Statistics show that since the beginning of the planning era in the country exports, on average, rose only by 3 per cent or 4 per cent a year. During the first two Five Year Plans, they were virtually stagnant. Annual export earnings were of the order of Rs. 606 crores during the First Plan period and Rs. 609 crores during the Second Plan period. The growth rate in exports during the Third Plan period was about 4.6 per cent a year. Even after taking such a drastic measure as the devaluation of the rupee in June 1966, exports did not rise up to the desired extent. Excepting the year 1968-69, the growth in exports was less than 7 per cent. In the first year of the Fourth Plan (1969-70), they rose only by 3.8 per cent. Latest available trade figures indicate that Indian exports during 1970-71 are about 8.5 per cent higher than in 1969-70. However, when one looks at the world exports, one finds that they registered a rise of 14 per cent in 1970 over the level of 1969.

India has been steadily losing ground in world export trade. Although her exports have shown an uptrend, they have not kept pace with the increase in world exports. Consequently, her share in total exports has shrunk from 2.1 per cent in 1951 to 1.2 per cent in 1963 and to just 0.7 per cent in 1970. Between 1963 and 1970 world exports more than doubled from \$136,100 million to an estimated \$278,000 million in 1970. During this period, India's exports rose by 20 per cent, compared with an increase of 860 per cent in the case of South Korea, Japan 255 per cent, West Germany 134 per cent, Nigeria 134 per cent and Yugoslavia 113 per cent.

In 1960-61, India occupied the fifteenth position as an exporter in the world; but she slipped to the nineteenth position in 1966 and further to the twenty-third position in 1969. The country's export trade is still limited to a few items. Till 1967-68 the share of three major traditional items, jute, tea and cotton, was more than 40 per cent. There is a need to diversify the base. Fortunately, in recent years, certain new Indian commodities have entered the world market but much remains to be done.

Diversification is more necessary in view of the fact that India's traditional items are mainly agro-based commodities whose supply fluctuates widely with the monsoon and other

natural conditions. Besides, there is a fierce international competition, e.g., with Pakistan in jute goods, with Ceylon in tea and with Japan and China in cotton textiles. At the same time, synthetic substitutes in the developed countries pose another threat.

Among non-traditional items, exports of engineering goods have increased eight times in the last eight years. Compared with 1956-57, they have shown an increase of 18 times in 1969-70. The total export of these goods was of the order of \$141.8 million, against \$7.2 million in 1956-57. Yet India exports only 4 per cent of its total production of engineering goods while West Germany, Italy, Switzerland and the U.K. export 45 per cent, 49 per cent, 63 per cent and 32 per cent, respectively, of their domestic production of such goods. It indicates that even in this field, much remains to be done. It has been apprehended that the export target of engineering goods in the Fourth Plan is not likely to be achieved due to certain bottlenecks, especially the shortage of steel.

Because of the slower growth rate of exports, India's foreign exchange earnings have not been sufficient to pay for her essential imports. The country has been experiencing a shortage of hard currencies in particular in recent years, which indicates that its exports to the hard currency areas have not grown up to the expected levels. A recent study reveals that there has been an alarming decline in India's exports to the United States. The same has happened with the U.K. Imports from India to the U.S.A. reached a high level of \$348 million in 1965. In 1967, there was a decline to \$294 million. In the next two years there was again an increase to \$312 million and \$344 million, respectively. As against this, U.S. imports of Indian goods in 1970 are not likely to exceed \$280 million.

The above review of exports presents a disturbing picture. Even though massive export incentives were given at a heavy cost to society, India was unable to overcome the stagnation in exports and the slogan "export or perish" has yet to yield any result. It is not just a matter of shortages in internal availability of exportable goods due to the rise in the *per capita* income and growth of population; there are other more complicated reasons, such as (1) poor quality of exports; (2) higher costs and non-competitive prices of export products; (3) lack of service after

sales; and (4) absence of modern techniques of marketing and market management.

It has been observed for a number of years that the quality of Indian exports is not competitive with that of other countries. Also there has been variance between samples shown and the final products received. Furthermore, the delivery periods are not rigidly adhered to. Although some improvement has been introduced like preshipment inspection, much remains to be done in this direction. Then, uncompetitive prices of export products (because of higher costs) is another major barrier to India's exports. Deficit financing and indirect taxation have resulted in a steady rise in domestic prices. When inflation is rampant within the country, export products lose their competitiveness in world markets.

As for service after sales, it is complained that Indian exporters are merely interested in casual sales and are not keen on maintaining a regular contact with the markets in which sales are effected. Indian sellers do not provide an efficient service after sales. They merely make a sale and are not prepared to nurse the market when it comes to maintaining the sold product in an efficiently running condition. In addition to cost, quality and lack of service after sales, exporters are also unaware of the market potential prevailing in foreign countries. Marketing has to be based on a close study of consumer habits, local specifications, local preferences and other factors. These have to be closely studied and taken into consideration in producing a given product.

To attain a real breakthrough in exports, there is need for a systematic and comprehensive export planning at the national level. It will have to arouse among all—producers, workers, consumers and the Government—a sense of responsibility dedicated towards the promotion of exports. An important aspect of export planning would be the elimination of production constraints and capacity constraints so that a transition from persistent shortages to sustained surpluses may be effected in selected fields. In order to eliminate inflationary tendencies in the country and attain a fairly stable price system (which is crucial not merely for a sustained growth in exports but also for an overall economic growth), it is necessary that shortages must be replaced by surpluses, particularly in

the production of goods having export potential. To identify the sectors with export potential, product surveys and market surveys may be conducted for goods which can be produced efficiently in the country. Similarly, a number of such product surveys should be conducted in respect of designing, packing and marketing of different products. It is a welcome feature that a study group set up by the Central Foreign Trade Ministry for recommending measures for implementing the export policy resolution seemed to have identified 25 export products as being capable

of yielding speedy returns "provided their problems of production, capacity and marketing are quickly tackled."

Competitiveness in cost and quality is another important aspect in export planning. It will have to be ensured that producers are provided with adequate raw materials of the required standard at internationally comparable prices. It is also necessary to enforce strict quality control in export-oriented industries in line with the technological developments abroad.

New Import Policy Will Help Reopen Closed Engineering Units in West Bengal

(BY A SPECIAL CORRESPONDENT)

The raw material requirements of the closed engineering units in West Bengal will be favourably considered under the new import policy in order to help them restart production. But the reopening of these units is not going to be easy unless the problems of finance, orders and labour are simultaneously tackled.

THE new import policy has provided some special facilities for the closed engineering units in West Bengal. The policy lays down that the units in the engineering sector, which have been closed down for want of steel, non-ferrous metals and other raw materials, will be provided with special facilities in regard to their requirements of raw materials and/or components so that they resume production. Such units are asked to apply with evidence of their capacity and requirements of raw materials for one year.

To enable such units to restart production, the import facilities for three months' requirements will be considered, to begin with. Their requirements for the remaining nine months would be permitted only on the production of evidence that they have reopened their factories and started production. They would be allowed to apply in the subsequent licensing periods in the usual manner, after they have produced evidence of their reopening, employment and output. The applications of such units are to be sent directly to the Chief Controller of Imports and Exports, New Delhi, for processing by the special com-

mittee. The policy also says that the requirements of canalised items of such engineering units will be released by the canalising agencies on a priority basis. The licences for non-canalised items will also be issued to them on a priority basis.

These provisions in the import policy are welcome. But will they be of much practical benefit to the closed units? It is not clear how the engineering units which have stopped production for quite some time can direct their applications for import licences unless they first reopen. Moreover, what is the Government going to do to ensure that the indigenous raw materials are also made available adequately to the closed engineering units when they reopen? Few engineering units appear to have closed down solely due to the lack of raw materials. Often, many factors have combined to bring about the closure. The paucity of finance, lack of orders, and the chronic labour trouble are among the factors that have contributed to the closure of the engineering units. Unless, therefore, all these problems are simultaneously and effectively tackled, the reopening of the closed engineering units is not going to be easy.

It is also relevant to ask if any engineering unit will be in a position to estimate its requirements of steel and non-ferrous metals unless it is sure of the nature of the orders that it is going to get, if it decides to restart production. There is no evidence to show that the railways, which are the largest purchaser of engineering goods

in the public sector, have decided to adopt a more helpful policy in placing their requirements of wagons on the engineering units in West Bengal. It is well known that it was the decision of the railways to reduce drastically their purchase of wagons that accelerated the recession in the eastern region.

The railways not only reduced their demand for wagons but the prices they have offered for the wagons actually bought by them have been uneconomic. All this has produced a chain reaction in West Bengal. Not only the units which have been producing wagons have suffered financially and otherwise but the numerous ancillary industries, which depend on the wagon manufacturing industry for their orders, have also been hit hard. In these circumstances, one fails to see how the mere promise of import licences for steel, non-ferrous metals and other raw materials will create enthusiasm among the closed engineering units to reopen.

In this context, it is worth noting that even before the recent recession started, industries in West Bengal had been experiencing an acute shortage of raw materials. This fact has been highlighted by the Bengal Chamber of Commerce and Industry. For example, in 1962-63, Maharashtra's requirement of copper was assessed at 10,000 tons and it got 2,863 tons or 28.63 per cent. But West Bengal asked for 19,900 tons of copper in that year and received only 1,935 tons or 9.22 per cent. The percentage of allotment of copper to other States in 1963-64 in response to their requirements was 14.48 for Uttar Pradesh, 14.11 for Punjab and 72.97 for Gujarat. In the matter of allotment of zinc, tin, lead and nickel as well, West Bengal's requirements were not given the importance they deserved.

The Government of West Bengal has appointed a special committee to enquire into the causes that led to the closure of engineering units. It is not known to what extent the work of this committee has progressed and what recommendations it is going to make for the revival of these units. It has to be emphasised that unless the problems of the closed units are tackled in an integrated manner, the assurance of raw materials is not going to be of much help. The closed units should have a feeling of confidence that if they reopen, the difficulties which they experienced in the past in regard to raw materials, orders for their goods and finance will not confront them again.

SPOTLIGHT ON STATES

Will the Tamil Nadu Government Lift Prohibition?

(BY A SPECIAL CORRESPONDENT)

The General Council of the D.M.K. is pressing the Tamil Nadu Government to lift Prohibition. The general feeling is that the latter is inclined to scrap the dry law on the plea that the Centre is not compensating the State's loss of excise revenue.

PROHIBITION in Tamil Nadu has assumed considerable importance now for more than one reason. In the background of the decision of the General Council of the D.M.K. asking the State Government to review its Prohibition policy and in the light of the consensus among the Party's members in favour of lifting Prohibition, the scrapping of the dry law in Tamil Nadu is considered almost certain by many people. But there is an important aspect to the present discussions on the issue which is economic as well as political. Gujarat and Tamil Nadu are the only two States where total Prohibition is in force.

The fact that Tamil Nadu is surrounded by "wet" States influences the thinking of those who favour the scrapping of Prohibition. The question that is now being asked by the people of Tamil Nadu is: Will the D.M.K. Government, which attaches much importance to social and economic welfare of the people and which respects the teachings of Tiruvalluvar and Mr. C. N. Annadurai who have gone on record in favour of Prohibition, lift Prohibition totally? There is a possibility of the State Government finding a workable *via media* by resorting to a partial relaxation of the dry law, even in the event of a final decision of the Cabinet against Prohibition.

On the economic side, there is a strong temptation for the State Government to lift Prohibition. In Mysore, the revenue from excise has moved up to Rs. 20 crores after scrapping the dry law. There is no reason why the Tamil Nadu Government will not reap the same benefit if Prohibition is scrapped. It will be recalled that in 1937 the first Congress Government, under Mr. C. Rajagopalachari, introduced Prohibition in Salem district. It

is said that since then, no one has been able to muster enough political courage to scrap it. Now that the D.M.K. Government has been returned to power with greater strength, there will be no political opposition to scrap Prohibition. But the Chief Minister attaches more importance to the economic aspect of Prohibition, especially in the context of the rising Government expenditure and commitments, following the many concessions and social welfare measures to which the Government has committed itself. What seems likely now is that Prohibition will be scrapped in Tamil Nadu on the plea that the Centre is not coming forward to bear the State's excise revenue loss.

Campaign for Autonomy

The Tamil Nadu Government is yet to enter a delicate stage in the sphere of Centre-State relations. There has been a consistent stepping up of the campaign for State autonomy. Although there is no reason for correlating the agitation for autonomy by Bangladesh with the pure and simple constitutional enlargement of powers for Indian States, the fact remains that the sweeping Constitutional changes recommended by the Rajamannar Committee will call for patient and diplomatic handling both by the Tamil Nadu Government and the Centre. It is understood that the recommendations of the committee generally support the State Government's posture and thinking in the matter of State autonomy.

Apart from the suggestion to transfer certain Central taxes to the jurisdiction and responsibility of the States, the transfer of industrial licensing powers to the States has evoked considerable interest in industrial circles. It is just possible that a shift in Centre-State relations, on the basis of the recommendations of the Rajamannar Committee, would add a new dimension to the political stature of various parties in the country. Although the vital issue of State autonomy will be in the forefront after the publication

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of the Rajamannar Committee report by about the end of this month, political circles feel that the D.M.K. Government will not risk open confrontation with the Centre. The increased strength of the Central Government and the more realistic posture of the D.M.K. Government after the elections should lead to greater understanding between them.

Mitsubishi Mission

Mr. S. Madhavan, Tamil Nadu's Industries Minister, has reiterated the State Government's view that decentralisation of licensing power is the only way to develop industries in the country on a uniform basis. He has pointed out that the Japanese delegation, which visited Madras recently to explore the possibilities of establishing ancillary industries with Japanese collaboration in Tamil Nadu, shared the State Government's views on the handicaps suffered in setting up industries in States without the Centre's permission.

The Mitsubishi Economic mission, which had discussions with the Tamil Nadu Government and industrialists, has expressed satisfaction over the improved atmosphere in Tamil Nadu, and in the country as a whole, for Japanese investment. The Japanese industrial delegation was appraised of the possibilities in Japanese collaboration in the proposed factories for production of soda ash, tyres and tubes, and salt in the Tuticorin region. The mission referred to Japan's willingness to participate in joint ventures in the joint sector both in India and in third countries, as the atmosphere was very much favourable for this kind of collaboration both politically and otherwise. According to the Japanese team, the Government's attitude has become very much flexible, thus giving a lot of encouragement to Japanese investors and industrialists to come to India. It is the view of the economic mission that procedural delays look like being eased.

PEOPLE AND PERSONALITIES

Mr. R. C. S. Sarkar, a member of the Union Public Service Commission, has been appointed chairman of the Union Public Service Commission. Mr. Sarkar has been holding charge of the office of chairman, U. P. S. C., since the retirement of Mr. K. R. Damle.

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INDUSTRY

Co-ordinating the Mineral Exploration Activities

By Dipak B. R. Chaudhuri

THE long gap between the successful exploration of mineral resources and their commercial exploitation has of late invited the attention of planners and experts in the management of technology. It is understood that the Cabinet Secretariat Committee on Organisation of Scientific Research (C.O.S.R.) has submitted its report on the management of mineral prospecting and exploitation. Out of Rs. 289 crores spent on imports of metals and minerals in 1967, Rs. 108 crores were spent on non-ferrous metals. In terms of value, in 1967 India had to import copper worth Rs. 41 crores, aluminium worth Rs. 22 crores, zinc worth Rs. 16 crores, tin worth Rs. 11 crores, lead worth Rs. 7 crores and nickel worth Rs. 3.5 crores.

One of the objectives of the Fourth Plan is to bring about conditions which will enable the maximum utilisation of the capacity already built up. Viewed from this angle, there is a lot of scope in some fields like that of base metals where the exploitation of indigenous resources has not been able to keep pace with the new discoveries in mineral deposits. The Geological Survey of India, according to a recent Press statement by its Director-General, has explored and estimated sizable ore reserves of copper, lead, zinc, nickel and bauxite in different parts of the country. The airborne "Operation Hardrock" has also yielded good dividends. Even with 44 per cent geological mapping of the country's entire area, the G.S.I. has been able to obtain a general idea about the distribution of mineral deposits. It has already proved more than 240 million tonnes of low grade copper ore, about 50 million tonnes of lead-zinc ore and more than 11 million tonnes of lead ore in various parts of Andhra Pradesh, Bihar and Rajasthan. The newly constituted Marine Geology Units have started off-shore exploration of the economically exploitable mineral deposits and other applied aspects like the fluorescent tracer study of sediment movement in coastal areas.

The domestic production of copper and lead has remained at around

9,000 tonnes and 3,000 tonnes a year, respectively, during the last decade. This not only shows the lack of interest and absence of co-ordination between the exploring and exploiting agencies but also reflects on the meagre foreign exchange resources of the country. In view of the strides that are made in industrial growth, the gap existing between the demand and supply of non-ferrous metals will become wider in coming years. Unless concerted efforts are made now, it may not be possible to fill up the gap with the increasing demand in the future. The Estimates Committee in its studies on the G.S.I. and the Bureau of Mines released earlier this year concluded that "there is considerable time-lag between the discovery of a new source of mineral deposit and its commercial exploitation". The Committee, therefore, recommended that in order to reduce the time-lag to the minimum, the last

phase of exploration by the G.S.I. should synchronise with the initial operations of the exploiting agency so as to maintain the continuity of efforts. This is not difficult to achieve as both the exploring and exploiting agencies are under the administrative control of the Department of Mines and Metals.

The Estimates Committee noted that there is no particular cell in the Central Ministry of Mines and Metals where perspective planning can be done from exploration to exploitation. Nor is there any agency to abridge the time-lag between the location and exploitation stages. According to the Committee, the present arrangement of constituting planning groups under the auspices of Yojana Bhavan, though useful for short-term needs, is not helpful from the point of view of long-term needs. It, therefore, suggested that "a permanent agency or cell should be created in the Ministry which would not only watch the long-term needs of the country for a systematic and progressive development of its resources but could also provide a link between the exploration and exploitation stages. This agency can also be utilised by



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the Government for solutions of specific problems as and when they arise."

It may be recalled that on the basis of the B. C. Mookherjee Committee report, the Indian Bureau of Mines was reorganised to avoid overlapping of functions with G.S.I. The exploration work of the I.B.M. was merged with the G.S.I. and the former made responsible for providing "systematic guidance, advice and consultancy to the mining industry". The idea of overlapping being an unavoidable feature in the business of finding and winning minerals is perhaps largely due to the mistaken notion that any agency which is responsible for exploration at any stage must necessarily own and maintain a large number of drilling rigs and other mining equipment. This may be partially true in the conditions obtaining in India today but is not the essence of the matter and is certainly not the case in industrially advanced countries where the normal practice is for any exploring party to have all its drilling and mining done by hired contractors. The Mookherjee Committee found that "the present cost of drilling by Governmental agencies are, due to a variety of reasons . . . abnormally high." Till reliable private contractors are able to offer competitive bids, the Mookherjee Committee advised, "purely as an interim measure", the formation of a Government-owned drilling company and the transfer to it of all drilling rigs and equipment. It was envisaged that the agency to be run on commercial lines would be able to serve all the three parties concerned in different stages of exploration and exploitation.

A note prepared by the Planning Commission in July 1969 said that the merger of the exploration wings of the I.B.M. with the G.S.I. instead of increasing the tempo of exploration has actually tended to slow it down. "The same prospects which were earlier under exploration under the I.B.M. are being continued with less vigour and speed except for a spurt during the first few months. No new important areas have been taken up since 1966 for detailed exploration by the major agencies. . . . It is also known that the G.S.I. has become so unwieldy and big with the amalgamation of the exploration wing of the I.B.M. that it cannot play a significant role to expedite mineral exploration programme and concentrate on its normal functions. As such, it is felt that a new organisation which

may be called 'Department or Corporation of Mineral Exploration' may be created so that all the exploration work can be centralised in one organisation which will be responsible for carrying out detailed exploration for all minerals, other than atomic minerals and oil and natural gas."

In the past, the Ministry and the Government were responsible for resolving the conflicts and controversies between the professionals of exploring agencies and the public-se-

New Unit for Producing Antimony Planned

(BY A SPECIAL CORRESPONDENT)

A NEW unit for the production of antimony is likely to be set up either in Udaipur, Rajasthan, or in Tundoo, Bihar. The Central Ministry of Mines and Metals has suggested that the new unit should be in the public sector, the metal being of strategic importance. At present there is only one factory producing the vital metal, Star Metal Refinery, with an annual capacity of 1,000 tonnes. It is estimated that the demand for antimony will be over 2,000 tonnes by the end of the Fourth Plan. There is a wide field in which antimony is used. It is an important metal in defence production, such as ammunition primers, shrapnel, smoke generators and flame retarders, paint and signal pyrotechnics.

The annual world production of antimony appears to have fluctuated between 65,000 tonnes and 70,000 tonnes a year during the last five years and on present reckoning the demand for this metal should be increasing faster than supplies. Already, the price of antimony ore has fluctuated between \$8 and \$45 a long ton unit of 60 per cent contained antimony. Among the major sources of supply are China, South Africa, Russia, Bolivia, Mexico and Yugoslavia. The Ministry of Mines and Metals has asked the Engineers India Ltd to prepare a project report for the proposed public-sector unit. The idea is that the new unit should be based on the import of rich antimony ore and concentrates from the major producing countries, namely, Russia, Mexico and Yugoslavia.

The Government is yet to take a decision on the location of the new unit, but the project report seems to

prefer Udaipur to Tundoo. The major factor in favour of Udaipur is better facilities available for the import of antimony ore and concentrates (which contribute over 85 per cent of the cost of metal), since zinc concentrate for the existing zinc plant as well as antimony ore for the proposed smelter are likely to be imported from the same source. On the other hand, Tundoo would be a better choice due to its proximity to consumer centres and because the process used for the existing lead smelter is similar to the one proposed for the antimony smelter, both being based on the pyrometallurgical method. The capital cost for a 3,000-tonne capacity unit is estimated at Rs. 21.50 lakhs and for a 1,500-tonne unit at Rs. 18.60 lakhs. After a period of five years, the unit is expected to yield a 20 per cent return on capital.

Because of its military uses and important commercial applications, antimony is considered a vital and strategic metal. Most countries, therefore, maintain stocks of the metal and concentrates which is considered necessary because of the dependence on imported ores, the regular supply of which can be disrupted during war. Intensive survey carried out by the Geological Survey of India has led to the location of antimony ores in some parts of the country. However, no commercial scale mining of the ore has yet been undertaken and it seems unlikely that antimony ore will be commercially exploited in the near future. Under the circumstances, the thinking in Government circles is that it is advisable to attain self-sufficiency in smelting and refining capacity and to enter into long-term arrangements for the import of ores.

BOOKS

A Model for Development Banking in India

Development Banking in India. By R. M. Saksena. (Published by Vora and Co. 3, Round Building, Bombay 2. Price Rs. 25, pages 309.)

This book deals exhaustively with the structure and problems of development banking in India. The financial and promotional rôles of such development banks in the economies of underdeveloped countries have been stressed and some light has been thrown on some of the complicated issues involved. It is shown that there is a steady progress of development banking in India since the First Five Year Plan. During the First Plan, the contribution of development bank finance to gross fixed investment in organised private-sector industries was between 6 per cent and 6.5 per cent. It rose to 7 per cent during the Second Plan and to 16 per cent during the Third Plan. In view of investment requirements, the contribution of development banks to such fixed investment in private-sector industries was estimated by the author at about Rs. 700 crores, i.e., slightly more than 25 per cent. The common problems of these banks are with the selection of priorities, balanced regional growth, taxation, state regulation, co-ordinated demarcation, promotional activities, the lack of technical personnel, delays in the sanction and disbursement, the absence of adequate follow-up measures, inadequate capital structure, rigid security margin, comparatively high rates of interest, lengthy application forms, etcetera.

The author suggests a model with the Industrial Development Bank of India as the apex development bank. It is said that the functions of this bank in respect of direct assistance, and rediscounting should be transferred to the Industrial Finance Corporation and this bank should develop its promotional activities to fill up the gaps in the industrial structure of the country by assuming the rôle of an entrepreneur. The Industrial Finance Corporation will have to be developed as the chief financing agency. The State finance corporations will be developed to offer financial assistance to medium and large-scale industries. The State Industrial Development Corporations should have promotional activities.

The State Small Industries Development Banks will finance small-scale industries. The Industrial Development Bank will be the chief co-ordinator. The experience of development banking in other countries—developed as well as underdeveloped—has also been discussed along with the working of the Industrial Finance Corporation, State finance corporations and the Industrial Development Bank of India in a detailed manner. The analysis is lucid and the approach is factual. The work will be of value to general readers and students besides men in business. An excellent forward has been written by Dr. S. K. Basu. The bibliography and index are excellent.

ASOKE MOHAN ROY

Behavioural Science

Introduction to Behavioral Science for Business. By Blair J. Kolasa. (Published by Wiley Eastern Private Ltd. J41, South Extension 1, New Delhi 49. Price Rs. 9, pages 654.)

Mr. Kolasa discusses a very new science of a very ancient subject, namely, behavioural science. Aristotle is considered the first behavioural scientist. Tracing further back one finds precepts of Ptah-Hotep, a series of sage sayings in Egypt, code of Hamurabi around 2100 B.C. in Babylon. There are also Judaic thoughts and the thoughts of Confucius in China and those of Buddha in India. All these have contributed to the development of this science. But very few people are aware of the exact scope and applied areas of this important discipline which deciphers facts and helps to cause, motivate, or direct a particular behaviour of an individual or a group of persons. The aim of this science is to discuss, accumulate and interpret facts and relationships among them. Behavioural science embraces the disciplines of anthropology, psychology, sociology, economics, political science, psychiatry, jurisprudence, and history; it also covers some of the applied areas of endeavour, such as management, marketing, consumer

behaviour, and business administration. This particular science is a result of the harmonisation of all these disciplines.

In the second chapter the author traces the history of behavioural thoughts. The focus is on all the great thinkers who had contributed to the crystallisation of the science. This chapter is very stimulating. The author shows that a galaxy of great men like Plato, Aristotle, Augustine, Aquinas, Copernicus, Machiavelli, Bacon, Locke, Adam Smith, Karl Marx, Bentham, Mill, and Freud laid the foundation of this important science. The third chapter on "Data and Decision Making" discusses the collection of data and the measurement of the same in order to decide how to guide and control an organisation or to implement a policy. The fourth chapter on the "Development of Individual Differences" highlights the influence of heredity and environment. There are a few good paragraphs on sociology in this chapter which are bound to interest the reader. In the fifth chapter, the author describes behaviour as an input-output system. The input side is represented by the information that enters from outside. The output side is the behaviour or the causation, motivation and direction resulting from the impulse generated by the input.

In the sixth chapter the author differentiates between perceptual learning and conceptual learning. The eighth chapter deals with needs and need-satisfaction and shows how organisational problems are created by psychosomatic disorders, apathy, alcoholism, absenteeism, rôle conflicts and industrial conflicts. The ninth chapter is on language and communication which is the medium for the exchange of ideas. The author stresses that solution to the problem of communication can come from individuals only. One may be surprised to find that all these things are so much integrated and can be explained in a systematic manner. The author depicts the individual, the organisation and society and points to the ultimate challenge confronting society and the individual: "to reflect upon its pursuit of happiness and harmony and its success in expelling pain, tension, sorrow and ubiquitous curse of ignorance. It must also, so far as this may be possible, insure its survival".

A. C. MUKERJEA

NATIONAL AND GRINDLAYS BANK LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866. The Liability of Members is Limited.

BALANCE SHEET OF INDIAN BRANCHES AS AT 31st DECEMBER, 1970.

BALANCE SHEET OF INDIAN BRANCHES AS AT 31st DECEMBER, 1970.																							
1969				CAPITAL AND LIABILITIES				1970				1969				PROPERTY AND ASSETS				1970			
Rs.	P.	Rs.	P.	1.	Capital :	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	1.	Cash :	Rs.	P.	Rs.	P.				
1,36,73,500	00				Amount deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	1,51,74,250	00			10,74,95,759	92				In hand and with Reserve Bank and State Bank of India (including foreign currency notes)			12,32,54,950	68				
		4,51,18,108	82		2. Reserve Fund and Other Reserves :			4,51,18,108	82			60,32,429	66		2. Balances with Other Banks (on Current Accounts) :	71,33,800	00						
					Capital Reserve—on revaluation of Bank's Premises (including accumulated depreciation of Rs. 27,77,968.29 upto 31st December, 1966)							83,74,453	42		(i) In India	1,19,89,001	03	1,91,22,801	03				
					3. Deposits and Other Accounts :										3. Money at Call and Short Notice :								
93,18,97,243	09				Fixed Deposits	1,04,85,48,030	37								4. Investments (at below market value) :								
68,84,60,766	35				Savings Bank Deposits	76,32,90,757	87								(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	69,80,56,037	45						
73,83,89,100	98	2,35,87,47,110	42		Current Accounts, Contingency Accounts etc. (including Head Office Reserve of Rs. 2,19,60,000.00 remitted from London)	82,52,95,531	47	2,63,71,34,319	71			54,52,47,352	05		(ii) Shares								
					4. Borrowings from Other Banking Companies, Agents, etc. :							32,24,447	50		Rs. P.								
					(i) In India	36,00,59,154	02					36,33,125	00		31,00,500.00								
11,24,58,283	36				(includes Rs. 2,94,61,000.00 borrowed and Rs. 2,56,36,454.02 Bills rediscounted from Industrial Development Bank of India and Rs. 7,61,700.00 borrowed from Agricultural Refinance Corporation)							88,45,020	00		Fully paid Ordinary Shares	36,25,000.00							
13,92,022	30	11,38,50,305	66		(ii) Outside India	1,38,263	60	36,01,97,417	62			3,00,000	00		Partly paid Ordinary Shares			67,25,500	00				
					Particulars :										(iii) Debentures			26,52,020	00				
3,13,20,600	00				(i) Secured (See Note 4)	3,02,22,700.00									(iv) Other Investments			3,00,000	00				
8,25,29,705	66	3,26,56,951	81		(ii) Unsecured	32,99,74,717.62		4,69,79,558	26						(v) Gold				70,77,33,557	45			
					5. Bills Payable :							1,39,13,99,888	63		5. Advances :								
					6. Bills for Collection being Bills Receivable as per contra :										(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)								
15,88,16,205	57	23,04,76,782	44		(i) Payable in India	20,02,50,611	85								(i) Loans, Cash Credits, Overdrafts etc.	1,65,29,80,402.86							
7,16,60,576	87				(ii) Payable Outside India	5,07,48,264	37	25,09,98,876	22						(i) In India								
					7. Other Liabilities :							1,39,13,99,888	63		(includes Rs. 2,94,61,000.00 and Rs. 7,61,700.00 relating to medium term advances for which finance has been obtained respectively from Industrial Development Bank of India and Agricultural Refinance Corporation as per contra)								
					Net Inter-Branch and Head Office balances outside India							13,64,65,332	28		(ii) Outside India	1,65,29,80,402	86						
					8. Acceptances, Endorsements and Other Obligations per contra										(2) Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments)	18,90,60,026.61							
					9. Profit and Loss :										(i) Payable in India								
					Balance brought forward from previous year	90,69,040	03								(includes Rs. 2,56,36,454.02 Bills rediscounted from Industrial Development Bank of India as per contra)								
					Add: Profit for the year brought from the Profit and Loss Account	90,69,040	03					26,05,56,975	80		(ii) Payable Outside India	29,96,49,121.35	48,87,09,147	96	2,14,16,89,550	82			
					Less: Remitted to Head Office	1,53,30,229.63						39,70,22,308	08	1,78,84,22,196	71	Particulars of Advances :							
					Less: Over Remittance since received	62,61,189.60									See separate Statement appended								
					10. Contingent Liabilities :										6. Bills Receivable being Bills for Collection as per contra :	20,02,50,611	85						
					Claims against the Banking Company not acknowledged as Debts	65,63,759.01									(i) Payable in India	5,07,48,264	37	25,09,98,876	22				
					Outstanding Forward Exchange Contracts	71,28,44,410.09									(ii) Payable Outside India								
					Confirmed Credits and Guarantees given	85,96,74,435.08									7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra			1,54,81,844	02				
					In respect of partly paid shares	36,25,000.00									8. Premises Less Depreciation :								
					In respect of Participation Certificates Issued	1,30,00,000.00									At cost as at 31st December, 1969 (including Rs. 4,23,40,140.53 being increase due to revaluation in 1967)	5,46,21,726	73						
					NOTES :										Additions during the year	79,73,967	50						
					(1) By the Companies Act, 1956, the Bank is exempt from disclosing matters not required to be included by the Banking Regulation Act, 1949, and these accounts have been prepared accordingly.										Less: Depreciation to date	6,25,95,694	23						
					(2) Retirement benefits to employees are accounted for on a cash basis as and when they arise.											25,11,515	00	6,00,84,179	23				
					(3) Assets and Liabilities in foreign currencies have been converted at current market rates as at 31st December, 1970.										9. Furniture and Fixtures Less Depreciation :								
					(4) Secured under I.D.B.I. and Agricultural Refinance Corporation Schemes by the corresponding secured advances under "Loans, Cash Credits, Overdrafts etc."										At cost as at 31st December, 1969	1,38,93,402	50						
															Additions during the year	30,12,296	02						
			</																				

W. M. BENNETT
General Manager in India

NATIONAL AND GRINDLAYS BANK LIMITED—Cont'd.

Particulars of Advances

1969				1970	
Rs.	P.			Rs.	P.
1,44,18,71,338	05	(i) Debts considered good in respect of which the Banking Company is fully secured	...	1,74,21,53,897	65
7,53,59,614	25	(ii) Debts considered good for which the Banking Company holds no other security than the Debtors' personal security	...	9,29,13,047	92
27,11,91,244	41	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	...	30,66,22,605	25
1,78,84,22,190	71	(iv) Debts considered doubtful or bad, not provided for	...	2,14,16,89,550	82
6,21,827	76	(v) Debts due by directors or officers of the Banking Company or any of them either severally or jointly with any other persons	...	9,02,401	48
11,73,62,411	28	(vi) Debts due by companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or, in the case of private companies, as members	...	—	—
6,21,827	76	(vii) Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the Banking Company or any of them either severally or jointly with any other persons	...	9,05,093	60
14,87,75,687	82	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or, in the case of private companies, as members	...	12,47,58,017	97
8,26,571	20	(ix) Due from Banking Companies	...	1,66,567	18

AUDITORS' REPORT

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Bank as required by law so far as appears from our examination of those books. We have visited all the Indian Branches and proper returns adequate for the purposes of our audit have been received from those branches.

We have examined the Balance Sheet of the Indian Branches of the National and Grindlays Bank Limited as at 31st December 1970, and the enclosed Profit and Loss Account for the year ended on that date which are in agreement with the books of account and returns. In our opinion and to the best of our information and according to the explanations given to us, the Accounts of the Bank, together with the notes thereon are properly drawn up so as to disclose in India, in the case of the Balance Sheet a true and fair view of the state of the Bank's affairs as at 31st December, 1970, and in the case of the Profit and Loss Account a true and fair view of the Profit of the Indian business for the year ended on that date, so far as is required by the provisions of the Companies Act, 1956, and the Banking Regulation Act, 1949.

Calcutta,
30th March, 1971.

LOVELOCK & LEWIS
Chartered Accountants

Profit and Loss Account of Indian Branches for the year ended 31st December, 1970.

1969				1970	
Rs.	P.			Rs.	P.
7,34,83,290	27	1. Interest paid on Deposits, Borrowings, etc.	...	14,47,48,200	74
5,83,04,149	18	2. Salaries and Allowances and Provident Fund	...	4,32,26,656	90
87,680	00	3. Directors' and Indian Advisory Board Members' Fees and Allowances	...	1,79,847	79
2,54,11,674	76	4. Rent, Taxes, Insurance, Lighting etc.	...	19,30,460	50
1,85,395	13	5. Law Charges	...	2,83,46,384	79
12,62,878	80	6. Postage, Telegrams and Stamps	...	2,30,451	61
1,40,000	60	7. Auditors' Fees	...	13,53,991	71
42,82,979	16	8. Depreciation on and Repairs to the Banking Company's Property	...	1,20,000	00
31,09,101	51	9. Stationery, Printing, Advertisement, etc.	...	46,52,416	48
1,65,47,848	24	10. Loss from Sale of or Dealing with Non-Banking Assets	...	30,90,400	40
72,70,168	88	11. Other Expenditure	...	2,11,37,013	20
19,00,85,165	93	12. Balance of Profit	...	90,69,040	03
61,285	71	NOTE: Particulars of remuneration relating to General Manager for India:—	...	22,53,41,530	43
50,775	00	(i) Salary	...	19,00,85,165	93
24,953	14	(ii) Allowances	...	—	—
1,37,013	85	(iii) Monetary value of any other benefits or perquisites	...	—	—
			...	18,027	24
			...	1,24,704	65

W. M. BENNETT
General Manager in India

MONEY AND BANKING

Evolving Proper Guidelines for Credit Planning

(BY A SPECIAL CORRESPONDENT)

The chairman of the State Bank of India has expressed the view that there is a need for proper guidelines for credit flows. The Reserve Bank should examine whether its credit squeeze policy has not affected the banking system as a whole.

THE system offering banking facilities in India is characterised by two main functions, namely, deposit mobilisation and the extension of credit. While deposit and credit are equally important facets of banking, deposits mobilised by the banking system act as the base for a sound credit structure. It is in this context that the central banking authority—the Reserve Bank of India—comes into the picture to ensure that the edifice of bank credit does not stand on a false base of meagre deposit channelisation. It urges upon bankers to conform to the norms laid down by the Banking Regulation Act and also through various directions issued by it for sound and proper banking.

The year 1970-71 witnessed a number of such exhortations issued in the form of directives and circular letters by the Reserve Bank to scheduled commercial banks. The more significant of these were the revision of the rates of interest payable on deposits

in March 1970 and more recently the rise in Bank rate from 5 per cent to 6 per cent in January 1971 and, as a consequence, the enhancement in the interest rates payable on both deposits as well as advances by banks.

Such steps taken by the Reserve Bank create one's interest in the movements in total deposits mobilised and the bank credit purveyed by the banking system as a whole. In order to facilitate a study of deposits and credit by Indian scheduled banks and foreign banks, the statistics compiled are shown in the table below.

It would be seen from the table that the credit-deposit ratio has moved up to 80 per cent in June 1970 while it was at the low of 74 per cent in December 1969. This ratio indicates the level of credit granted by banks in relation to deposits. The lower ratio is indicative of the fact that the credit dispensation is not up to the expectation of deposit accretion. On the other hand, a higher credit-deposit ratio is a pointer to the fact that the resources are lagging behind the requirements of credit. Therefore, banks have to maintain this ratio in such a way as would strengthen the confidence of depositors and also would not deprive borrowers of bank finance for their needs.

DEPOSITS AND BANK CREDIT BY BANKS IN INDIA (In Rs. crores)

	Indian scheduled commercial banks (1)	Foreign banks (2)	Scheduled commercial banks (3)	Variation over the previous quarter (4)	Credit-deposit ratio (%) (5)	Col. (2) as % of col. (3) (6)
Aggregate deposits						
December 1969	4,398.3	478.3	4,876.6		74.2	9.8
March 1970	4,537.1	491.4	5,028.5	+151.9	79.0	9.8
June 1970	4,754.3	520.2	5,274.5	+246.0	79.9	9.9
September 1970	4,956.0	531.8	5,487.8	+213.3	77.4	9.7
December 1970	5,136.6	538.9	5,675.5	+187.7	78.0	9.5
Bank credit						
December 1969	3,207.8	408.1	3,615.9			11.3
March 1970	3,560.4	410.3	3,970.7	+354.8		10.3
June 1970	3,803.1	409.6	4,212.7	+242.0		9.7
September 1970	3,805.4	441.0	4,246.4	+33.7		10.4
December 1970	3,972.3	456.0	4,428.3	+181.9		10.3

Source: Reserve Bank of India Bulletins

The statistics show that total deposits accrued amounted to Rs. 798.9 crores between December 1969 and 1970, i.e., the average quarterly rate of growth in deposits was Rs. 200 crores. As against this, the moving variation over the quarter had exceeded in June 1970 and September 1970 and had lagged behind in the quarters ended March 1970 and December 1970. It would, therefore, be necessary for the authorities to find out the reasons for the slackened pace of deposit accretion, especially in the quarter ended December 1970.

On the other hand, bank credit has expanded to the tune of Rs. 812.4 crores between 1969 and 1970. The quarterly average rate of bank credit expansion thus works out to Rs. 203.1 crores. Compared with this average, the moving variation over the quarter ended March 1970 and June 1970 has shown an excess, while it has slackened in recent quarters. This may be the result of the Reserve Bank's credit squeeze policy.

Another noteworthy feature of this quarterly survey of deposits and advances is that the share of foreign banks in both was around 10 per cent throughout the period, despite the fact that the credit-deposit ratio of foreign banks was higher than that of the Indian scheduled banks. In other words, the latter have been more responsive to the call for vigorous deposit mobilisation efforts and cautious credit dispensation. The impact of Bank rate enhancement on both deposit mobilisation and curtailment of credit would be revealed when data for the first two quarters of the current year become available.

The views expressed by the chairman of the State Bank of India at its sixteenth annual general meeting that "I doubt very much whether deposits, at least in this country, can be considered interest elastic" and that "there is need for proper guidelines for credit flows" are clearly borne out by this survey. Hence, it will be appropriate for the Reserve Bank and the Central Government to investigate the cause for the slackened rate of deposit growth and also the impact of the directive on credit restraint in order not to impair the banking system. What is of utmost importance is to devise proper guidelines for credit planning and pay sufficient attention to deposit mobilisation efforts which would go hand in hand and not lead to diverse ends.

"Nothing can be done without the full support of the people...and I think, only democracy can make them feel involved..." —Indira Gandhi



In an interview with Dr. Gisela Bonn, noted German TV writer, India's Prime Minister Indira Gandhi answered crucial questions on a varied range of subjects—the eventful years of her childhood, her major policies and the broader international issues of peace and co-existence. This interview was shown on German TV and the full transcript was published by GERMAN NEWS. Here are some excerpts:

What do you think are India's most urgent requirements?

The most urgent requirement...is to get rid of this very deep poverty and economic backwardness... It's something that will take a long time, and therefore our method is to try and reduce the disparities between people. So far when we made our programmes we found that although the programmes are meant for everybody, those who had property could take more advantage of them. Therefore they became richer, and this increased the disparity.

Do you think you could achieve these programmes by democracy...?

I am deeply committed to democracy, because... nothing can be done without the full support of the people... and I think, only democracy can make them feel involved.

When did you become interested in politics and think of a political career?

Well, the two things are quite separate. I think there was no time when I was not interested in politics, but never as a career... There are times in the life of a nation when something has to be done. And when we were not free, you just had to be in the freedom struggle because you couldn't be an artist or a writer or anything properly in that situation. Today the situation is the same. Unless there is peace in the country and... a change in society which gives India a place in the modern world, which helps her people to make use of new knowledge, we can't build the sort of life that any individual would like...

The full text of this interview appeared in GERMAN NEWS, a fortnightly magazine published by the German Embassy in New Delhi. If you are interested to receive the GERMAN NEWS regularly, please fill in and mail the coupon to: Embassy of the Federal Republic of Germany, P.O. Box 613, New Delhi.

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TAXATION

Need for Changing the Basis of Company Taxation

By L. C. Gupta

Professor, Delhi School of Economics

The Government of India would do well to re-examine the corporate taxation structure. This has become urgent in view of the dilemma facing the Government: a gaping budgetary deficit on the one hand and the low level of investment activity on the other.

EVEN to this day the concept of company taxation is not entirely free from the original notion that it is an integral part of the system of personal income taxation. Professor Nicholas Kaldor in his celebrated report on *Indian Tax Reform* (1956) cogently argued for a separation of personal and company taxation. He observed: "Under a system of progressive taxation and assuming that individuals are taxed on their capital gains as well as on their dividend income, the old conception which regarded the tax levied on companies as part of the same income tax which is levied on individuals can no longer be applied. . . ."

"There is, therefore, everything to be said for a formal separation of personal and company taxation, which would at once simplify considerably the whole tax structure and make it possible to vary personal and company taxes entirely independent of each other. . . . Companies as such ought not to be charged to income tax at all (though they may be asked to deduct income tax at the maximum rate on all dividends, interest, etc., paid out as part of the normal system of collection at source) but should be charged to a single company tax, drawn up on principles which are appropriate to company taxation and which need not be identical either in structure or in weight with the personal income tax levied on individuals."

Professor Kaldor's discussion of the principles appropriate to company taxation was confined to two alternatives, namely, a tax on the undistributed profit and a tax on the whole profit. Theoretically, both the alternatives can be made to yield the same tax revenue by appropriate rate adjustment but the distribution of the

tax burden among individual companies will greatly differ under the two systems. Since a tax on undistributed profit would treat expanding companies, which are likely to plough back a large part of their profit, relatively more severely than a system of charging tax on the whole profit, he concluded in favour of the latter basis. Thus, while arguing on logical grounds that companies "ought not to be charged to income tax at all", Professor Kaldor ended up with the suggestion that, on grounds of economic expediency, the appropriate basis of charging a single company tax would be the total profit of the company. In concrete terms, therefore, the delinking of company taxation from personal taxation, for which he made out an irrefutable case, was to be only in respect of the rate structure and weight. The basis of charge for company taxation remained the same as for personal income taxation. Professor Kaldor's suggestions for reform of company taxation were implemented in 1959.

Profit in the case of company assesses is determined for purposes of taxation on ordinary accounting principles in exactly the same manner as in the case of non-company assesses (that is, individuals, partnership firms and joint families). According to the traditional accounting principles, profit is an owner-oriented concept. Following this, accountants make a sharp distinction between payments of profit to owners (in the form of dividends) and payments of interest to creditors. Interest on all kinds of debt does not form part of the profit but is treated like any other expense, such as wages or materials.

While in the case of non-corporate assesses, the deduction of interest payments for ascertaining the taxable profits is appropriate and creates no anomalies, in the case of corporate assesses the distinction drawn between interest and dividend payments is becoming increasingly untenable, especially as a result of two interrelated developments, namely, the evolution of the modern concept of a corporate enterprise and the very significant changes in the structure of company financing.

As for the first, the institutional developments over the past few decades have tended to sharpen the divorce of corporate ownership from corporate management. This is well recognised and has been widely commented upon in economic literature. Among the important institutional developments in this connection are the emergence of professional management, the diffusion of share-ownership, the growth of institutional shareholding and the increasing size of the corporate unit. Under these conditions, the old concept which regarded the shareholders and the company as one is out of date. The modern concept of a corporate enterprise can be aptly summarised in the words of Edward Townsend:

"The business enterprise may therefore be pictured as a production unit, controlled and coordinated by 'professional' management, owned by the holders of its equity stock and employing two factors of production: labour and capital. . . ."

"The capital stock of the firm is initially obtained in part from the owners and in part from the company's creditors (bond and debenture holders). . . ."

"The decision-taking authority lies in the hands of a professional management whose role is to reconcile the opposing interests of the various pressure groups which together form the company."

This realisation has led to a revolution in thinking about the nature of corporate enterprise. Since under these conditions the simplistic business objective of profit-maximisation for the owners is not applicable, serious attempts have been made to redefine the corporate objective in the light of these developments. A refreshing discussion of these problems is found in Professor Galbraith's *The New Industrial State*. The fact has been widely recognised that the so-called outside shareholders, as distinguished from the "insiders", have no effective control over the management. As Professor Galbraith interestingly remarks, "Corporate size, the passage of time and the dispersion of stock ownership do not disenfranchise the shareholder. Rather, he can vote but his vote is valueless."

This reality has yet to be recognised by India's taxation system. The shareholders, whether equity or preference, provide capital in a particular form to the enterprise which is a distinct col-

lection of interests. Given the fact that they exercise hardly any effective control over management, they are nothing more than a special and unusual set of creditors. With the emergence of hybrid forms of financing such as convertible loans and debentures, the distinction between debt and equity becomes still less sharp.

Although accountants do not view dividends as a cost item like interest on debt, corporate managements have no doubt whatsoever that the outflow of dividends constitutes the cost of capital obtained from shareholders in the same way as the payment of interest. Management choice of the type of financing is influenced to an important degree by the consideration of relative costs of equity and debt. Extensive support for the management view can be found in economic literature. The economic logic is clearly against discriminating between debt capital and share capital for purposes of company taxation. Such discrimination causes serious distortions. The most glaring distortion is with regard to the relative costs of equity and debt finance. With the present profits tax of 55 per cent on companies, both equity and preference share capitals become over 2½ times as costly as debt. The following example based on com-

monly prevailing rates of yield will serve to show this:

	Market yield rate of divi- dend or interest	Required pre-tax earn- ings rate with 55 per cent profits tax (In per cent)
Debentures	7.75	7.75
Preference shares	9.3	20.7
Equity shares	10.0	22.4

The present tax system, therefore, provides a strong stimulus to companies to use debt in place of equity to the maximum extent possible. This tendency, which is inherent in the present system of company taxation, has been greatly strengthened over the last two decades by the rise in the rates of corporate taxation.

This leads one to the second development mentioned above, namely, changes in the structure of company financing. The change is most clearly indicated by the proportion of interest payments to earnings (before interest and taxes) as shown in Table I below for selected years in respect of public limited companies covered by Reserve Bank studies on company finances.

TABLE I

THE PROPORTION OF EARNINGS (BEFORE INTEREST AND TAXES) TAKEN UP BY INTEREST PAYMENTS IN THE CASE OF PUBLIC LIMITED COMPANIES—

Year	Interest payments as a proportion of earnings (In per cent)
1950-51	8.3
1955-56	10.1
1960-61	14.5
1965-66	24.3
1966-67	28.1
1967-68	35.6

The proportion of earnings taken up by interest payments has steadily increased from a mere 8.3 per cent in 1950-51 to 35.6 per cent in 1967-68, the latest year for which data are available. Looked at from another angle, the tax base for charging company tax, namely, profits after interest charges formed only 64.4 per cent of earnings (before interest and taxes) in 1967-68, as against 85.5 per cent in 1960-61 and 91.7 per cent in 1950-51. From the viewpoint of tax yield to the Government, though not from that of the burden of taxation on companies, the corporate tax rate of 55 per cent applied to 64.4 per cent of the earnings after interest as in 1967-68, was equivalent to a rate of 41.4 per cent applied

to 85.5 per cent of the earnings as in 1960-61.

In other words, the increase in the rate of profits tax on companies since 1959-60, when the reforms suggested by Professor Kaldor were carried out, has failed to produce a commensurate increase in the yield of corporate tax to the Government because of a significant shift to debt financing by companies. Since the present system of company taxation severely penalises the use of equity financing, it compels companies to rely more on debt. In fact, given the present system and rate of company taxation, a fairly large number of companies are unlikely to be in a position even to pay a reasonable return on their equity without the use of tax-exempt debt financing to a considerable extent.

Several alternative systems can be suggested. One of these is to change the basis of charge for company taxation from profits after interest payments to profits before interest payments. In other words, interest on debentures and other debt may be treated in the same manner as the preference dividend is treated under the present system. If the base is thus expanded to include interest, the present tax rate will have to be suitably brought down. This will not affect the interest received by the debt-holder.

However, any system of corporate taxation based on profits has a built-in incentive for extravagant expenditure. Attempts have been made in recent years to curb this tendency by placing limits on certain items of business expenditure for purposes of computing taxable profit. The best ultimate solution for all these problems is to replace the tax on profits by a value-added tax. The Government will be well advised to examine the possibilities of replacing, at least partially to begin with, the present profits tax on companies by a value-added tax which has found favour in an increasing number of countries during recent years.

This discussion underlines the need for a careful re-examination of the fundamental basis of charging company taxation. This has become urgent in view of the dilemma facing the Government: a gaping budgetary deficit on the one hand and the low level of investment activity on the other. There is a strong case for carrying the separation of company taxation from personal income taxation to its logical end by adopting a basis of charge more appropriate to business taxation than the present income-tax on companies.

INVESTMENT

Surprise Take-over of General Insurance Business Weakens Shares

THE stock markets have presented a very different picture this past week. The mood of cautious optimism, which had been in evidence for quite some time, has given way to a feeling of uneasiness. The markets which had moved up very close to their January peak at the end of the preceding week have had to beat a hasty retreat under the pressure of anxious bull liquidation and moderate bear selling induced mainly by tax fears. Net changes over the week show widespread losses and some of the popular counters have been marked down quite substantially. Few counters have managed to wind up the week with plus signs.

Last week's turn in sentiment has had nothing to do with corporate news which, though less plentiful, has continued to be quite encouraging. Nor could the change be ascribed to political uncertainties and developments on the international monetary front, although they did continue to weigh heavily on the markets' psychology. Since the markets had risen extremely close to the highest level reached this year so far, technical considerations had underlined the need for caution. But the markets would not perhaps have developed the pronounced weakness they did if sentiment had not been unsettled by the surprise announcement about the nationalisation of general insurance. The stock markets do not have much stake in insurance companies—only a few general insurance companies have their shares listed on the stock exchanges—but the take-over of general insurance has had an adverse psychological impact as it is taken as an indication of Mrs. Gandhi's Government's determination to implement its radical social and economic programmes outlined in the election manifesto. This has given rise to all kinds of disturbing conjectures about the possible shape of the Central Budget due to be presented on 28th May.

In his interim Budget speech, the Central Finance Minister, Mr. Y. B. Chavan, had clearly indicated the Government's intention of augmenting the provision for the Centre's Plan in the final Budget. If there is to be a substantial increase in the

Plan outlay for 1971-72 and if deficit financing is not to be increased beyond the interim Budget figure of Rs. 240 crores, there is no escape from a massive mobilisation of resources. Additional expenditure on Government staff arising from the Pay Commission's interim report—the final report has still to be submitted—enhanced food subsidies following reduced P.L. 480 imports and the State Governments' opposition to the lowering of procurement prices of wheat, unexpected large expenditure on rehabilitation of refugees from Bangladesh and a possible cut in the contribution by the railways have imposed a heavy strain on budgetary resources. In a joint 16-point memorandum, the stock exchanges have urged the Central Finance Minister to overhaul the taxation structure completely by rationalising and simplifying the schedule of tax rates and reducing all cumbersome procedures to the minimum. It is extremely unlikely that the Government will give any serious consideration to the suggestions for an early resumption of forward trading in shares and reduce the incidence of tax on individuals in the top income brackets. The suggestions for larger investment in equity shares by the Life Insurance Corporation and the Unit Trust of India may have a good deal to commend, but if they were to be implemented in the present circumstances when good shares are already scarce, it will result in an unhealthy boom on the stock exchanges.

With the time for presenting the Central Budget so very near, it is natural for the stock markets to toe a cautious line. In view of the overriding need for giving a big boost to industrial growth, one would be justified in looking forward to a saving and investment-oriented Budget. But who could ever be sure about the Budget, especially when the Government seems much inclined to rush with its radical economic programmes?

Government securities have remained dull this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have received selective sup-

port. Turnover has remained restricted.

The Calcutta stock market has remained quiet this past week because of the pre-Budget uncertainties. The nationalisation of 106 foreign and Indian general insurance companies has created misgivings among operators. Furthermore, the report that the Central Finance Minister, Mr. Y. B. Chavan, will make a major effort for mobilising fresh resources amounting to Rs. 175 crores or more in the forthcoming Central Budget has created a lot of anxiety and anguish in the market. Among engineering shares, J. K. Steel, Jessop and Jay Engineering have remained quiet. Among paper shares, Sirpur, India Paper Pulp and Seshasayee have been transacted. Among jute shares, Budge-Budge, Ganges and Caledonian have met with buying enquiries. Among miscellaneous shares, Indian Oxygen, British Paints, J. K. Synthetics and National Insulated Cable have changed hands. Among tea shares, Carron, Hattikhira and Rajahbhat have met with buying enquiries.

Dalal Street has displayed a distinctly easier tendency this past week. Sentiment has been unsettled mainly by the surprise take-over of general

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section:

Aluminium Industries
Ambika Silk Mills
Anup Engineering
Arvind Board
Budge Budge Amalgamated
Dalmia Cement
Ferro Alloys
Food Specialities
Gaekwar Mills
Gourepore
Indequip Engineering
Jagatjit Industries
McLeod
New City of Bombay
Phaltan Sugar
Raja Bahadur Mills
Sankey Wheels
Swadeshi Polytex
Travancore Electro
Victoria Mills
Widia (India)



insurance which has given rise to fears of a radical Budget. Despite a modest rally at the week-end, equities have recorded widespread losses which have been quite pronounced in some cases. New India Assurance have been marked down heavily despite its improved performance in 1970. The selling in these shares has been induced by uncertainty concerning the final compensation. Among cotton mill shares, Century have been the worst sufferer and have registered a sharp decline. Kohinoor have been another weak spot. Khatau have ruled steadier and Standard Mills have rallied after the earlier decline. Rayons have ruled easy on modest selling. Substantially improved results and higher dividend distribution for 1970 have failed to produce any important recovery in National Rayon shares. Steel shares have eased due to the lack of support and scattered selling. Engineering shares have remained subdued. Most shares have been marked lower but losses have been confined within narrow limits.

The Madras stock market has remained subdued this past week. The proximity of the Central Budget and taxation uncertainties have restricted turnover. In the planting section, Perikaramalai, Blue Mountain and Consolidated Coffee have remained dull. Among textile shares, Madura Mills have been supported while South India Viscose have remained quiet. Sugar shares have received selective support, although business has been restricted. Deccan, Kothari Sugar and E.I.D.-

Parry have met with buying enquiries. Bank shares have remained dull.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	22/90-23/05-22/50-22/60-
(18/35)	
Burrakur Coal	12/00-12/00-12/00-12/00-
(12/75)	
Dunlop India	37/85-38/05-37/60-37/80-
(34/10)	
Guest, Keen, Williams	35/55-35/70-35/20-
35/30-(16/75)	
Hindustan Motors	12/65-12/75-12/60-
12/60-(15/24)	
Howrah Jute	7/25-7/19-7/19-(6/87)
Indian Aluminium	38/10-38/25-37/10-
37/30-(30/05)	
Indian Cable	18/05-18/10-17/75-17/75-
(14/80)	
Indian Iron	12/05-12/10-11/75-11/90-
(16/80)	
Indian Copper	3/98-3/98-3/88-3/90-
(4/62)	
J. K. Cotton	10/95-10/95-10/95-10/95-
(13/40)	
Jaipur Udyog	9/10-9/20-9/10-9/10-
(9/50)	
Jayashree Tea & Industries	18/25-18/25-
18/00-18/12-(13/31)	
Kesoram Industries	16/55-16/55-16/20-
16/30-(17/20)	
National Rubber	7/87-7/87-7/87-7/87-
(32/30)	
Orient Paper	39/00-39/05-38/00-38/10-
(14/50)	
Orissa Cement	18/30-18/35-18/30-18/35-
(7/48)	
Rohitas Industries	6/20-6/20-6/00-6/05-
(11/20)	
Textile Machinery	11/05-11/10-10/90-
10/90-	

factory of 6,100 tonnes of polyester fibre a year and has entered into an agreement with Vickers-Zimmer AG, Frankfurt, West Germany, for the purchase of machinery, equipment and technical know-how. The Swadeshi Cotton Mills has been allotted Rs. 1 crore face value of equity shares and the directors, nominees and associates have been allotted Rs. 65 lakhs face value of equity shares.

SANKEY WHEELS

Small Rise in Profit

IN their latest report for the 52 weeks ended 2nd January, 1971, the directors of Sankey Wheels Ltd say that the Company's sales are up from Rs. 2.30 crores to Rs. 2.57 crores and the profit has improved from Rs. 5.55 lakhs to Rs. 5.90 lakhs, after providing Rs. 12.54 lakhs (against Rs. 13.98 lakhs) for depreciation. After making other adjustments, there is a debit balance of Rs. 30.74 lakhs which is proposed to be carried forward, against the debit balance of Rs. 36.64 lakhs brought in. It is stated that the effect of the new production incentive scheme introduced in 1970 was felt in later months of the year. With improved labour productivity and a less difficult raw material situation, better results are expected in the current year. The Company has applied for a small increase in the licensed capacity—to 380,000 wheels a year. No additional foreign exchange for the plant has been sought.

MCLEOD

Another Difficult Year

IN their latest report for 1969, the directors of McLeod and Co. Ltd say that the trading results have again been unsatisfactory. Dividend income as well as revenue from miscellaneous trading were higher but both the agency and gunny export departments sustained losses. There was also a drop in the earnings of the insurance department. The Company has incurred a loss of Rs. 8,352, against a loss of Rs. 96,960, after providing Rs. 86,602 (against Rs. 91,865) for depreciation. The dividend has been skipped. With other adjustments a sum of Rs. 46,689 is carried forward, against Rs. 55,041 brought in. Sales fell from Rs. 7.11 crores to Rs. 2.63 crores.

BUDGE BUDGE AMALGAMATED

All-round Improvement

BUDGE Budge Amalgamated Mills Ltd has shown an all-round improvement in production, turnover and sales for the year ended November 1970. The production cut was restored due to the improved supply of raw jute and the output was 46,229 tons, against 36,420 tons—an increase of about 27 per cent. Simultaneous buying and selling was possible almost throughout the year at a reasonable margin of profit and these two factors were mainly responsible for the satisfactory working results. Gunny sales are up from Rs. 10.70 crores to Rs. 12.81 crores and the pre-tax profit has amounted to Rs. 74.88 lakhs, after providing Rs. 29.49 lakhs (against Rs. 30.78 lakhs) for depreciation, against a loss of Rs. 38.69 lakhs in the previous year. A taxable ordinary dividend of 12 per cent, including an interim of 4 per cent has been declared, absorbing Rs. 19.77 lakhs. This offers a yield of 13.2 per cent at the present price of Rs. 9.06 a share of Rs. 10 each. The Company paid no dividend for the last four years. Development rebate reserve claims Rs. 13.30 lakhs and general reserve Rs. 24.22 lakhs.

GOUREPORE

Profit Earned

IN their latest report for 1970, the directors of Gourepore Co. Ltd say that the Company has produced improved working results as the trading conditions were reasonably good in most varieties of jute goods. Sales of carpet-backing, however, were very depressed due to the recession which prevailed in the U.S.A. during most of the period under review. Sales rose from Rs. 7.91 crores to Rs. 8.15 crores and the Company has made a profit of Rs. 66,635, against a loss of Rs. 53.23 lakhs in the previous year, after providing Rs. 16.73 lakhs (against Rs. 21.41 lakhs) for depreciation. The ordinary dividend has been skipped again but the preference dividends for 1969 and 1970 have been paid absorbing Rs. 4.64 lakhs. Sums of Rs. 1.40 lakhs (against Rs. 49.20 lakhs) and of Rs. 2.70 lakhs (against Rs. 3.89 lakhs) have been transferred from general reserve and development rebate reserve, respectively. After making other adjustments there remains a balance of Rs. 19,238 which is carried forward, against Rs. 6,539 brought

Attractive Share Offer from Swadeshi Polytex

SWADESHI Polytex Ltd will soon enter the market with an issue of 1,650,000 equity shares of Rs. 10 each and 110,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. Sums of Rs. 2.50 and Rs. 25 are to be paid on application and Rs. 2.50 and Rs. 25 on allotment for each equity and preference shares, respectively. The balance of Rs. 5 and Rs. 50 is to be paid on two equal calls to be made simultaneously on both the equity and preference shares by the board of directors on or after 1st October, 1971, with an interval of not less than two months between the calls. The subscription list will open on 25th May, 1971, and close on 31st May, 1971,

or earlier at the discretion of the director but not before 27th May, 1971. (Details appear on a later page in this issue of Capital.)

The proposed public issue of equity and preference shares has been underwritten. Being promoted by the Swadeshi Cotton Mills Co. Ltd, Kanpur, the Company was incorporated on 21st March, 1970, and received a certificate of commencement of business on 9th July, 1970. The objects of the Company are to carry on, among others, the business of manufacturing, processing and the selling of synthetic fibres. The Company has obtained an industrial licence for the manu-

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in. The directors also state that the prospects for 1971 from the trading point of view can be considered good.

WIDIA (INDIA)

Product Range Widened

THE sixth annual report of the directors of Widia (India) Ltd for the year ended December 1970 says that the Company took up production of special tungsten carbide tools, thus widening the range of its products. What is more, an ore processing plant was also set up and commissioned during the year. The Company is now self-sufficient as far as the main raw material—tungsten—is concerned, which is at present processed right from the ore stage. During the year, a letter of intent has been issued to the Company by the Government for an expansion in the capacity of hard metal production from 24 tonnes to 48 tonnes a year.

The profit amounted to Rs. 18.23 lakhs, after providing Rs. 8.85 lakhs for depreciation. This compares with the previous year's profit of Rs. 9.73 lakhs, after providing Rs. 8.26 lakhs for depreciation. Deducting from the year's profit a sum of Rs. 99,636 (against Rs. 1.06 lakhs) being expenses relating to prior years, there is a profit balance of Rs. 17.24 lakhs. After adjusting this profit against the brought-forward loss of Rs. 32.70 lakhs, there is a deficit balance of Rs. 15.46 lakhs which is being carried forward. Sales showed a substantial increase at Rs. 116 lakhs (against Rs. 73.49 lakhs).

VICTORIA MILLS

Same Dividend

VICTORIA Mills has maintained the dividend for 1970 at 15 per cent. The working results for 1970 are better than in the previous year. Sales are higher at Rs. 4.91 crores (against Rs. 4.38 crores) and the gross profit has risen from Rs. 27.84 lakhs to Rs. 28.81 lakhs. Export sales during the year were Rs. 48 lakhs (against Rs. 44.47 lakhs). After providing Rs. 12.64 lakhs (against Rs. 12.01 lakhs) for depreciation, Rs. 2.09 lakhs (against Rs. 1.01 lakhs) for development rebate reserve, Rs. 5.10 lakhs (against Rs. 40,000) for taxation, Rs. 4.67 lakhs (against Rs. 5.96 lakhs) for other provisions, Rs. 70,000 (against Rs. 34,000) for development

and rehabilitation reserve and Rs. 30,000 (against Rs. 14,000) for donations, there is a surplus of Rs. 3.31 lakhs (against Rs. 7.99 lakhs). A sum of Rs. 5.15 lakhs has been transferred from development rebate reserve no longer required. The preference and equity dividends will absorb Rs. 5.74 lakhs.

JAGATJIT INDUSTRIES

Margins Squeezed

DESPITE a rise of 27 per cent in sales from Rs. 3.57 crores to Rs. 4.54 crores, the gross profit made by Jagatjit Industries in 1970 is lower at Rs. 53.67 lakhs, against Rs. 57.01 lakhs in 1969. The sharp diminution of margins in 1970 is attributed to the rise in production costs without any compensating rise in selling prices of the Company's products. Despite a reduced profit, the dividend has been raised from 10 per cent to 12 per cent and, what is more, the enhanced dividend is payable on a larger capital of Rs. 63.10 lakhs against Rs. 32.95 lakhs in 1969. In June 1970, the Company sold 169,737 equity shares of Rs. 10 each fully-paid to existing shareholders at Rs. 2.50 a share by transferring Rs. 7.50 a share from the "share forfeited" account, and in August it allotted 20,000 cumulative redeemable preference shares of Rs. 100 each fully-paid. After providing Rs. 8.64 lakhs (against Rs. 6.85 lakhs) for depreciation, Rs. 2.05 lakhs (against Rs. 1.70 lakhs) for development rebate reserve and Rs. 24.37 lakhs (against Rs. 28.20 lakhs) for taxation, the net profit amounts to Rs. 18.61 lakhs, against Rs. 20.30 lakhs in 1969. After some adjustments, the entire surplus of Rs. 18.68 lakhs (against Rs. 20.87 lakhs) has been transferred to general reserve out of which dividends will be paid.

DALMIA CEMENT

Profit Down

DALMIA Cement (Bharat) has maintained the dividend for 1970 at 12.5 per cent. The preliminary figures show that the Company has suffered a setback in its working results during the year. The gross profit is down from Rs. 2.12 crores to Rs. 1.82 crores. Appropriations include depreciation Rs. 36.77 lakhs (against Rs. 34.68 lakhs), development rebate reserve Rs. 7.15 lakhs (against Rs. 2.12 lakhs), taxation Rs.

74 lakhs (against Rs. 93.50 lakhs), general reserve Rs. 26.50 lakhs (against Rs. 50 lakhs), reserve for bad debts Rs. 1.25 lakhs (against nil) and dividend reserve Rs. 38.15 lakhs (against Rs. 38.62 lakhs). The dividend will be paid out of dividend reserve.

FOOD SPECIALITIES

Profit Declines

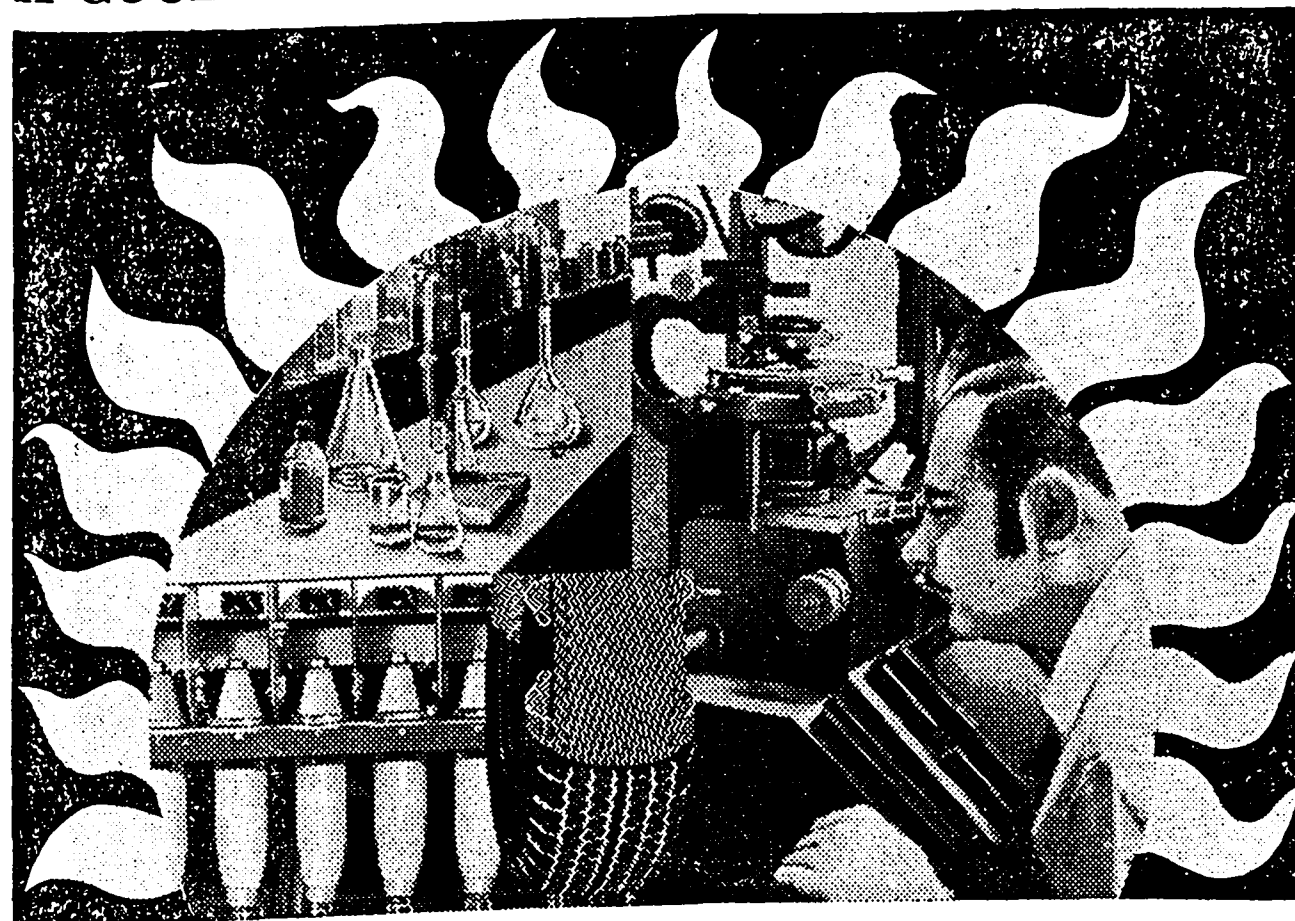
DESPITE a rise of 23.2 per cent in sales from Rs. 7.78 crores to Rs. 9.59 crores, the gross profit made by Food Specialities in 1970 has shrunk by 13.2 per cent from Rs. 1.82 crores to Rs. 1.58 crores. The fall in profit is attributed to the levy of excise duty on processed foods and metal containers and the abolition of tax credit certificate scheme. The directors have proposed a final dividend of 13 per cent which, together with the interim payment of 10 per cent, makes a total of 23 per cent, against 20 per cent for 1969. After providing Rs. 26.67 lakhs (against Rs. 26.79 lakhs) for depreciation, Rs. 3.25 lakhs (against Rs. 2.60 lakhs) for development rebate reserve and Rs. 77.50 lakhs (against Rs. 87.60 lakhs) for taxation, the net profit for 1970 amounts to Rs. 50.87 lakhs, against Rs. 65.29 lakhs in the preceding year. After writing back Rs. 2.87 lakhs, being excess tax provision in the previous year, the amount available for disposal is Rs. 53.74 lakhs (against Rs. 65.29 lakhs). The interim dividend had absorbed Rs. 18.50 lakhs. The final dividend amounting to Rs. 24.05 lakhs (against Rs. 18.50 lakhs) is to be paid out of general reserve to which a sum of Rs. 35.24 lakhs (against Rs. 18.50 lakhs) has been transferred.

FERRO ALLOYS

A Good Year

THE working results of Ferro Alloys for 1970 show an impressive improvement over the previous year's performance. Sales have increased by 56 per cent from Rs. 5.21 crores to Rs. 8.13 crores and the gross profit has jumped by 130 per cent from Rs. 42.82 lakhs to Rs. 98.67 lakhs. After providing Rs. 45.34 lakhs (against Rs. 45.58 lakhs) for depreciation, Rs. 2.80 lakhs (against Rs. 70.61 lakhs) for development rebate reserve and after making some adjustments, there is a surplus of Rs. 50.01 lakhs, against a deficit of Rs.

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LOOKING BACK ONLY TO SEE FAR AHEAD

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73.37 lakhs in the preceding year. Arrears of the preference dividend for 1968 and 1969 and the preference dividend for 1970 absorb Rs. 11.49 lakhs. The Company's ferro-chrome plant worked at about 84 per cent of the rated capacity, against only 39 per cent in the previous year. Production of ferro-manganese rose during the year by about 50 per cent. Exports of ferro-manganese and ferro-chrome products amounted to Rs. 4.32 crores.

PHALTAN SUGAR

Profit Shrinks

PHALTAN Sugar Works has reported disappointing results for the year ended September 1970. Despite a larger crush and higher sales, there has been a sharp decline in profits. Sales are up from Rs. 3.38 crores to Rs. 3.92 crores and the gross profit has shrunk from Rs. 50.38 lakhs to Rs. 25.29 lakhs. The dividend has been reduced from Rs. 10 to Rs. 6 a share. The decline in profit has been attributed to lower sugar recovery, enhanced excise duty on sale of free sugar and the availability of a large quantity of levy sugar which resulted in lower prices of free market sugar. The Company crushed 249,000 tonnes (against 201,000 tonnes) of cane and produced 259,000 bags (against 230,000 bags) of sugar at an average recovery of 10.39 per cent—the lowest in the past 34 years.

After providing Rs. 17.44 lakhs (against Rs. 16.25 lakhs) for depreciation, Rs. 2.73 lakhs (against Rs.

25,000) for development rebate reserve and Rs. 78,000 (against Rs. 18 lakhs) for taxation, the net profit for 1969-70 amounts to Rs. 4.34 lakhs, against Rs. 15.88 lakhs in the preceding year. After adjustments, a sum of Rs. 4.50 lakhs (against Rs. 15 lakhs) has been transferred to general reserve out of which the proposed dividend absorbing Rs. 7.50 lakhs (against Rs. 10 lakhs) is to be paid. The dividend of Rs. 6 a share is payable on the capital increased by the one-for-four bonus issue. The management expects to crush 197,000 tonnes of cane and produce 224,000 bags of sugar during the current year.

INDEQUIP ENGINEERING

Better Results

INDEQUIP Engineering has reported improved results for 1970. Sales and other income are up by 22.1 per cent from Rs. 2.05 crores to Rs. 2.51 crores and the gross profit has risen by 31 per cent from Rs. 29.60 lakhs to Rs. 26.98 lakhs. The dividend has been raised from Rs. 8 to Rs. 9 a share. After providing Rs. 10.75 lakhs (against Rs. 9.02 lakhs) for depreciation and Rs. 2 lakhs (against Rs. 5.83 lakhs) for development rebate reserve, the net profit for 1970 amounts to Rs. 14.23 lakhs, against Rs. 5.75 lakhs in the previous year.

NEW CITY OF BOMBAY

Dividend Repeated

NEW City of Bombay Manufacturing Company has maintained the dividend for 1970 at 6 per cent. The Company's sales have risen from Rs. 4.23 crores to Rs. 4.59 crores and the gross profit has increased from Rs. 27.67 lakhs to Rs. 30.53 lakhs. The increase in profit is, however, due mainly to the profit on sale of assets amounting to Rs. 9.57 lakhs, against Rs. 33,000 in the preceding year. After providing Rs. 13.32 lakhs (against Rs. 11.91 lakhs) for depreciation and Rs. 6.01 lakhs (against Rs. 10.14 lakhs) for development rebate reserve, a sum of Rs. 6.82 lakhs (against nil) has been set aside for capital reserve and the surplus of Rs. 4.37 lakhs (against Rs. 5.62 lakhs) has been transferred to general reserve out of which the proposed dividend absorbing Rs. 3.24 lakhs is to be paid.

The management has decided to install a new process house with latest

machinery. The project is estimated to cost Rs. 77 lakhs which is proposed to be met partly by the issue of preference shares and partly by deferred payment arrangements. With the cotton supply position continuing to be difficult, the outlook for the current year is considered to be "gloomy".

ARVIND BOARD

Better Results

ARVIND Board and Paper Products has reported considerably improved results for 1970 and the directors have proposed a dividend of Rs. 12 a share. Sales are up from Rs. 86.61 lakhs to Rs. 95.86 lakhs and the gross profit has increased from Rs. 6.58 lakhs to Rs. 11.86 lakhs. Appropriations include depreciation Rs. 2.50 lakhs (against Rs. 2.81 lakhs), development rebate reserve Rs. 17,000 (against Rs. 22,000), managerial remuneration Rs. 86,000 (against Rs. 40,000), taxation Rs. 3.41 lakhs (against nil) and donations Rs. 7,000 (against Rs. 3,000), leaving a surplus of Rs. 4.85 lakhs, against Rs. 3.12 lakhs in the preceding year. The proposed dividend will absorb Rs. 1.20 lakhs.

ANUP ENGINEERING

Maiden Dividend

ANUP Engineering has reported highly encouraging results for 1970 and the shareholders have been rewarded with a maiden dividend of 8 per cent. Sales have risen by 38.2 per cent from Rs. 73.90 lakhs to Rs. 102.15 lakhs and the gross profit has registered an impressive rise of 168 per cent from Rs. 7.37 lakhs to Rs. 19.75 lakhs. After providing Rs. 4.70 lakhs (against Rs. 3.12 lakhs) for depreciation and Rs. 7 lakhs (against Rs. 4.01 lakhs) for development rebate reserve, the net profit for 1970 amounts to Rs. 8.06 lakhs, against Rs. 25,000 in the previous year. The proposed dividend will absorb Rs. 2.39 lakhs.

AMBIKA SILK MILLS

Dividend Cut

AMBIKA Silk Mills has reduced the dividend for 1970 from Rs. 12 to Rs. 10 a share. Even the reduced dividend is not fully earned. Despite an increase of about 25 per cent in

sales, the Company's gross profit has declined by 14.4 per cent from Rs. 21.37 lakhs to Rs. 18.28 lakhs. The margin has been eroded by the increase in manufacturing costs and the steep increase in excise duty on polyester and synthetic fabrics which could not be passed on to consumers. After providing Rs. 10.54 lakhs (against Rs. 10.88 lakhs) for depreciation, Rs. 82,000 (against Rs. 3 lakhs) for development rebate reserve and Rs. 4.10 lakhs (against Rs. 3.90 lakhs) for taxation, the net profit amounts to Rs. 2.82 lakhs, against Rs. 3.59 lakhs in the previous year. After some adjustments, the disposable surplus amounts to Rs. 3.60 lakhs (against Rs. 4.25 lakhs). Out of this, a sum of Rs. 3.57 lakhs (against Rs. 4.24 lakhs) has been transferred to general reserve. The proposed dividend absorbing Rs. 3.50 lakhs (against Rs. 4.20 lakhs) is to be paid out of general reserve.

GAEKWAR MILLS

A Good Year

GAEKWAR Mills has raised the dividend for 1970 from 12 per cent to 16 per cent. The very brief preliminary statement from the Company shows an impressive improvement in its performance during the year, while sales are up by about 10 per cent from Rs. 3.39 crores to Rs. 3.72 crores, the gross profit has increased by 90 per cent from Rs. 13.40 lakhs to Rs. 25.71 lakhs. The management expects the Company to continue to show good results for the current year.

TRAVANCORE ELECTRO

Maiden Dividend

TRAVANCORE Electro Chemical Industries has at long last declared a maiden dividend of 10 per cent for 1970. This has come after 25 years of the incorporation of the Company. Managed by the house of Somanis since 1965, the Company has reported considerably improved results for 1970. While turnover has risen by about 9 per cent from Rs. 1.03 crores to Rs. 1.12 crores, the gross profit has shot up by 155 per cent from Rs. 11.41 lakhs to Rs. 28.57 lakhs. After providing Rs. 4.39 lakhs (against Rs. 20.42 lakhs, including arrears) for depreciation, the net profit amounts to Rs. 24.18 lakhs, against a loss of Rs. 9.01 lakhs in the previous year. Out of this, Rs. 5.36

lakhs have been utilised to write off the deficit brought in. A sum of Rs. 12.75 lakhs has been transferred to development rebate reserve. Arrears of the preference dividend for 1968 and 1969 absorb Rs. 97,000 and a sum of Rs. 4.16 lakhs has been allocated to general reserve out of which the preference dividend for 1970 amounting to Rs. 95,000 and the equity dividend absorbing Rs. 3.47 lakhs are to be paid.

The rise in profit in 1970 is attributed partly to the Company's other income of Rs. 7.80 lakhs, against Rs. 14,000 in the previous year. The production of calcium carbide was down from 8,766 tons to 8,241 tons. The Company has been granted a letter of intent for expansion of its capacity from 10,000 tonnes to 15,000 tonnes a year involving an expenditure of Rs. 25 lakhs. The expansion programme is expected to be completed by the second quarter of 1972. The Company has also secured a letter of intent for the manufacture of 1,000 tonnes of acetylene black a year. This project is estimated to cost Rs. 70 lakhs and it is expected to be completed next year. A collaboration agreement has been entered into with Denka, a reputed Japanese firm.

ALUMINIUM INDUSTRIES

Debenture Issue

THAT the impact of the recession of the past few years in the cable industry affected Aluminium Industries Ltd is obvious. The absence of a dividend for 1969 and 1970 has affected the value of the equity of the Company. But the fact that the Company has been recovering from the effects of the recession from the second half of the last financial year should provide some comfort to its shareholders. The decision of the directors to raise Rs. 65 lakhs, through the issue of 8 per cent first mortgage debentures of Rs. 100 each to the public, has to be viewed in the light of the poor cash generation in the past few years because of the recession, and also in the context of the need to augment the working capital to take the Company to higher levels of profitability through enlargement of business. The subscription list will open on 24th May, 1971, and will close on 4th June,

Finance for both the projects will be found partly from internal resources and partly from borrowings. The management is contemplating a rights equity issue at par on a one-for-three basis.

RAJA BAHADUR MILLS

Bigger Dividend

RAJA Bahadur Motilal Poona Mills has raised the dividend for 1970 to 10 per cent from 6 per cent paid in the preceding year after a lapse of four years. The preliminary figures indicate fair improvement in sales as well as profit, although margins have been under pressure. While sales are up by nearly 20 per cent from Rs. 3.48 crores to Rs. 4.16 crores, the gross profit has increased by 10.4 per cent from Rs. 25.03 lakhs to Rs. 27.63 lakhs. Appropriations include depreciation Rs. 14.08 lakhs (against Rs. 15.93 lakhs), development rebate reserve Rs. 1.22 lakhs (against Rs. 1.38 lakhs), employees' bonus Rs. 3.36 lakhs (against Rs. 2.75 lakhs) and general reserve Rs. 9 lakhs (against Rs. 5.08 lakhs). The proposed dividend is to be paid out of general reserve.

1971. The full amount of Rs. 100 is payable on application. The debenture issue is fully underwritten.

The present debenture issue is being made not for the purpose of financing any new expansion scheme of the Company, but for the purpose of meeting repayment obligations partly of medium-term loans and fixed deposits and for the repayment of the reesidue (Rs. 13 lakhs) of the Company's earlier debenture issue and for augmenting working funds. The directors add that if the Company had the normal facility of cash generation through its day-to-day operations, repayments would have been made as heretofore without resort to extraneous sources. The debenture issue will also help the Company to repay partially, on maturity, the higher interest bearing deposits. The directors expect that the next five years will be a period during which the Company will reap the full advantage of the installed capacity created in the Company's four divisions.

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COMMODITIES

New Drive to Raise Fibre Output Launched

IN view of the rise in the world demand for jute goods from India in the context of the recent military developments in East Bengal, the Central and State Governments have launched a concerted drive to boost the output of raw jute and mesta during the ensuing jute season. The unusually good rainfall during March and April has helped farmers to complete sowing operations in 90 per cent of the plots earmarked for fibre in north Bengal and 60 per cent in other areas. The incentives to be extended to farmers, according to a spokesman of the West Bengal State Agriculture Department, include a 50-per cent subsidy on improved seeds, free distribution of urea and the loan of insecticide-spraying gadgets, free of charge. A sum of Rs. 2 lakhs has also been sanctioned for the excavation of community retting ditches. For the first time, the aerial-spraying of urea will be done on about 10,000 acres of jute-sown land in west Dinajpur and Murshidabad districts in the State.

It will be recalled that the Central Ministry of Foreign Trade had estimated the annual requirements of raw jute during 1971-72 at around 7.3 million bales—7 million bales for mill consumption, 200,000 bales for rural offtake and 100,000 bales for exports. Against an actual output of 6.194 million bales during the current

season, the Ministry had recommended a fibre output target of 8.4 million bales for 1971-72. With an estimated carryover of 617,000 bales at the end of this season, the carry-forward to the next season was likely to be 1.717 million bales. These estimates had been endorsed by the Indian Jute Development Council at its Patna session in March and finally approved and worked upon by the appropriate Ministries of the Central and State Governments.

Provisional Targets

The provisional jute production target for 1971-72 for West Bengal has been 3.98 million bales, against an actual output of 2.684 million bales this season, Bihar 1.086 million bales, against 773,000 bales, Assam 1.092 million bales, against 987,000 bales, Orissa 480,000 bales, against 297,000 bales, U.P. 208,000 bales, against 100,000 bales and Tripura 96,000 bales, against 65,000 bales, making a total of 6.942 million bales, against 4.905 million bales. The all-India mesta target for the next season has been placed at 1.5 million bales, against the expected output of 1.289 million bales this season—West Bengal 391,000 bales, against 383,000 bales, Bihar 225,000 bales, against 141,000 bales, Assam 38,000 bales, against 34,000 bales, Orissa 96,000 bales, against 101,000 bales,

Tripura 87,000 bales, against 40,000 bales, Andhra Pradesh 511,000 bales, against 400,000 bales, Madhya Pradesh 30,000 bales, against 46,000 bales and others 122,000 bales, against 141,000 bales.

In view of the low output during 1969-70 and 1970-71, and the relatively high target set for the 1971-72 season, the Central Government has decided to accelerate the Centrally-sponsored jute and mesta development programmes during the ensuing season. It has proposed to expand the coverage under the special package programme on jute from 36,160 hectares in 1970-71 to 90,000 hectares in 1971-72—from 20,000 hectares to 50,000 hectares in West Bengal, from 6,400 hectares to 12,000 hectares in Bihar, 5,600 hectares to 10,000 hectares in Assam, 2,880 hectares to 14,000 hectares in Orissa, 800 hectares to 2,000 hectares in U.P. and from 480 hectares to 2,000 hectares in Tripura. The areas selected for the programme will be completely saturated with all development inputs, such as improved seeds, line-sowing, foliar-spraying with urea and insecticides. Besides, scientific retting and extraction practices will be adopted on a more extensive scale and the grading of fibre will form an integral part of the special package programme.

The coverage under the special package programme on mesta is to be extended from 6,680 hectares to 18,000 hectares—from 4,000 hectares to 10,000 hectares in Andhra Pradesh, 800 hectares to 2,500 hectares each in Bihar and Madhya Pradesh, 800 hectares to 1,500 hectares in Tripura and from 280 hectares to 1,500 hectares in

I.J.M.A. STOCK FIGURES FOR APRIL

The Indian Jute Mills Association reports the total stocks of jute goods at the end of April as follows:

Description	30th April, 1971		31st March, 1971		Increase over (+) or decrease from (-) last month		30th April, 1970	
	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)
Hessian cloth and bag	12,04.05 (13.17)	36.0 (35.4)	12,99.45 (14.21)	38.3 (37.7)	-95.40 (-1.04)	-2.3 (-2.3)	7,18.86 (7.86)	22.3 (22.0)
Sacking cloth and bag	9,23.60 (10.10)	40.6 (40.0)	8,86.23 (9.69)	38.9 (38.3)	+37.37 (+41)	+1.7 (+1.7)	5,66.14 (6.19)	24.4 (24.0)
Carpet-backing	1,05.28 (1.15)	12.1 (11.9)	1,03.03 (1.13)	11.7 (11.5)	+2.19 (+2)	+0.4 (+0.4)	2,67.27 (2.92)	29.9 (29.4)
Others		7.0 (6.9)		7.0 (6.9)		0.0 (0.0)		9.1 (8.9)
Grand Total (000 Tonnes/Tons)		95.7 (94.2)		95.9 (94.4)		-0.2 (-0.2)		85.7 (84.3)

Note : All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, National, New Central, Shree Hanuman, General Industrial, Hooghly, Premchand and Bird group of mills. The figures in brackets are in British measures.

Orissa. Besides, the entire package area will be saturated with all development inputs as in the case of jute.

No Separate Bank

The Government of India is understood to have turned down the suggestion of the U.S.A.I.D.-sponsored survey conducted by the Administrative Staff College, Hyderabad, for establishing a separate bank for extending the necessary facilities to the Indian jute industry and service the export of end-products. The step has reportedly been taken on the ground that the existing banking and financial institutions are capable of meeting the various requirements of the industry and the export trade. It will be recalled that the Central Government had implemented a number of suggestions made by the team after a survey of

I.J.M.A. PRODUCTION FIGURES FOR APRIL

The Indian Jute Mills Association reports the total production of jute goods at the end of April as follows:

(000 metres and 00,000 yds.)			
	Apr. '71	Mar. '71	Apr. '70
Hessian	8,86,74 (9,70)	7,89,05 (8,63)	11,16,48 (12,21)
Sacking	9,50,46 (10,39)	8,21,38 (8,98)	8,35,52 (9,14)
Carpet-backing	1,53,67 (1,68)	1,37,78 (1,51)	75,72 (83)
(000 tonnes and tons)			
	Apr. '71	Mar. '71	Apr. '70
Hessian	27.5 (27.1)	24.7 (24.3)	34.1 (33.5)
Sacking	43.1 (42.4)	37.4 (36.8)	38.8 (38.2)
Carpet-backing	16.9 (16.6)	15.2 (15.0)	8.7 (8.6)
Others	7.3 (7.2)	6.4 (6.3)	7.4 (7.3)
Grand Total	94.8 (93.3)	83.7 (82.4)	89.0 (87.6)
Hours worked:	208.0	184.0	208.0

Note: All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, National, New Central, Shree Hanuman, General Industrial, Hooghly, Prenchand and the Bird group of mills. The figures in brackets are in British measures.

the export potentialities of Indian jute goods. Besides the suggestions concerning the minimum price of fibre, the creation of buffer stocks, measures relating to the raising of unit yield and the overall production of jute and mesta and the need for pursuing product development and research on a sustained scale, the main recommendation related to the setting up of three independent agencies—a buffer stock organisation, a jute marketing board and a jute bank operating under the unified control of a jute board. The team had also suggested that the Government should evolve a suitable pricing strategy to help the industry overcome competition from Pakistani products and synthetic substitutes.

The recently established jute corporation with its headquarters in Calcutta has been given the task of operating as the buffer stock agency, jute marketing board and also as the jute board. Besides, it will undertake the export of jute goods in place of the State Trading Corporation which had been operating in a limited sphere, offering competition to Pakistani and synthetic products.

Joint Venture in Indonesia

Indonesia has reportedly been on the look-out for Indian collaboration in setting up a joint venture in the sphere of packaging in an effort to achieving greater self-reliance. The plan envisages the establishment of a jute sacking plant with an annual rated capacity of 3 million bags in Makassar, South Sulawesi, at a project cost of some \$500,000. The Foreign Investment Board of Indonesia is said to have approved the application of a Japanese firm for setting up another sacking plant with Indonesian participation. Indonesia imports about 16 million gunny bags a year, involving a foreign exchange spending of some \$4.2 million.

Gunnies Hesitant

After opening on a steady note on scattered short and shipper-covering in ready and near-delivery goods, the Calcutta gunny market started losing fresh ground till Thursday last due to the development of a bearish trend on a spate of adverse news. Operators were unable to take a clear view about the near and far-term prospects as there were conflicting reports from the Pakistan Radio and international and Indian sources about the condition of the industry and port activities in East Bengal. In an effort to retain their grip on overseas markets, Pakis-

tani exporters had been freely offering near-delivery goods at discounts ranging from 5 per cent to 10 per cent in hessian and up to 50 per cent in sacking over the rates quoted in Calcutta. The talk of devaluation of the Pakistani rupee—even to the extent of 100 per cent—was another additional damper. But overseas buyers did not appear to be inclined to extend their commitments until the emergence of a clear picture on the production and export fronts in that country and also the completion of outstanding shipments. Moreover, the season was practically at its fag-end and both internal and overseas consumers deemed it advisable to tarry a couple of months by which time prices were sure to come down to more realistic levels. A New York report stated that increased exports of end-products from West Bengal had almost offset the sharp rise in prices of jute in Dundee. Major shipping circles revealed that only three U.S. cargo liners had visited Chalna and Chittagong in East Bengal since 25th March. Reports from Chittagong, which handled a lion's share of the exports, revealed that there had been a considerable dislocation of port activities. The extensive damages to road and rail communications and sniping by the Mukti Fauz on river transport, it was stated, made it difficult to maintain the regular movement of goods from producing centres to ports. Except for a small business with Argentina, fresh enquiries from and bookings by other overseas countries were conspicuous by their absence in the Calcutta market. Despite her eagerness to augment the import of Indian goods—and jute goods in particular—the United Arab Republic had to restrict imports due to an acute shortage of foreign exchange. Hence, overseas consumers and shippers preferred to toe a cautious line, avoiding the emergence of a frantic scramble for goods in the present sellers' market. Major internal consumers also stayed away from the market. The continuing rigours on futures trading, under the vigilance of the Forward Markets Commission, also arrested the speculative pressure on the market to an appreciable extent. The interplay of these factors helped the prices to move between moderate limits in a restricted turnover. The proximity of the closure of the May delivery futures contracts induced a lot of squaring up of the outstanding long positions. The gross and net outstanding long positions in hedge contracts in 40in. 10oz. hessian and B Twills for May and August deliveries also dropped appreciably over the preceding week's levels. Since the an-

nouncement of the production and stock figures for April, there was a moderate revival of interest in the market on Friday. Market circles were favourably impressed by the sizable expansion in both production and off-take of jute goods. The closing undertone was hesitant.

Latest available quotations (in rupees) were as follows:

	May	June	June-Sept.
40in. 7½oz.	73.50	73.00	71.00
40in. 8oz.	79.50	—	—
40in. 10oz.	96.50	94.50	93.00
B Twills	260.50	262.00	264.50
Heavy Cc's	260.50	262.00	264.00
Cornsacks	—	—	—
A Twills (U.S.)	325.00	326.00	329.00
Liverpools	310.00	310.00	306.00

Fibre Firm

Raw jute prices hardened sharply during the past week due to the keen and sustained interest shown by mills in absorbing all available offers of suitable grade fibre even at rising prices. The unexpected reversal of the trend was accentuated due to the virtual suspension of clandestine arrivals from the East Bengal border, following the closure of the five-mile belt on the other side of the border by the Pakistani army. The rigorous vigilance of the Pakistani army ruled out the further entry of contraband jute into India from East Bengal in worthwhile lots. Besides, reports from East Bengal tended to indicate that the standing plants on the low-lying areas had sustained serious damage during the recent untimely showers. It was feared that due to the exodus of people and continued military activities, sizable percentage of the jute acreage was lying fallow and that the country might be unable to produce more than 50 per cent of its normal annual output of 7 million bales next season. Unconfirmed reports of the partial resumption of work by some mills in East Bengal and of shipments from Chalna and Chittagong ports indicated the prospect of a heavy lag between the demand for, and supply of, raw jute in that country with its ultimate impact on the world raw jute and jute goods markets. Meanwhile, the all-out effort for stepping up the output of jute goods in India was likely to be followed by a sustained increase in the demand for fibre, leading to a bullish trend in the fibre market. Meanwhile, the sharp increase in the production of jute goods

during April induced both fibre trade and industry circles to turn exceptionally cautious and await the announcement of the end-April fibre inventories position of the industry. Turnover was moderate. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

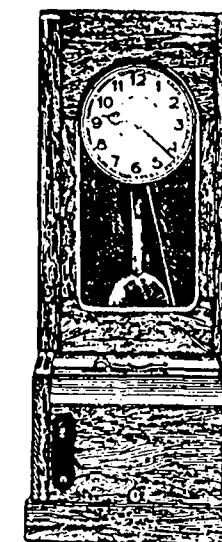
	May-June		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	168.79	160.75	60.00
Northern Jute Western Desal	163.43	155.40	58.00
Jute Selected	155.40	147.36	55.00
Daissee	172.81	164.77	61.50
Assam-Agartala Tossa	174.15	166.11	62.00
Mesta:			
Assam Mesta	156.74	148.70	55.50
Selected Daissee			
Murshidabad	151.38	143.34	53.50
Bihar Dist.	144.68	136.64	51.00

TEA

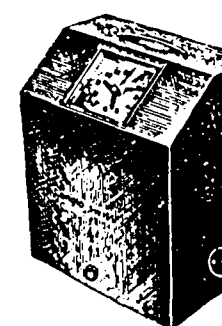
Demand Declines

A Special Correspondent writes: The offerings at last week's Calcutta tea auction amounted to 10,790 packages of which 1,344 packages were of the old season's manufacture. There was much less general demand. The Darjeeling teas on offer met with less competition and were easier. While there was a fair enquiry for the C.T.C. teas these also showed an easier tendency. Orthodox teas came to a very selective and much easier market. Buying was very restricted, and the trade feels that this was mainly due to the emergence of three large auctions of held-up teas.

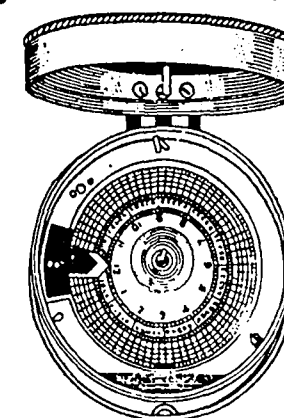
The offerings of "locked-up" teas amounted to 41,567 packages for which there was a good demand. C.T.C. brokens and fannings were well supported, with the brighter lines meeting with keen competition. Plain orthodox brokens met with strong enquiry and sold well but there was only a limited support for the Assam brokens on offer which sold well below brokers' valuations. Whole leaf grades sold very well and were the strongest feature of the sale. The offerings of C.T.C. brokens were well supported and many prices showed an advance over the cancelled price of their original sale.



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SWADESHI POLYTEX LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office: KH-257, KAVINAGAR, GHAZIABAD, U. P.

HISTORY AND BUSINESS

The Company which has been promoted by The Swadeshi Cotton Mills Company Limited, Kanpur, one of the leading textile manufacturers in India, was incorporated on 21st March 1970 and received a certificate of commencement of business on 9th July 1970. The objects of the Company are to carry on the business of manufacturing, processing and selling of synthetic fibres, organic and inorganic heavy chemicals, fine chemicals, dyestuffs and resins.

The Company has obtained an industrial licence for the manufacture of 6,100 tonnes per annum of polyester fibre at Ghaziabad, near Delhi. Polyester fibre, a leading man-made fibre, was commercially developed by Imperial Chemical Industries Limited, U.K. under the name of "Terylene" and by Du Pont of U.S.A. as "Dacron". Polyester fibre is now recognised as amongst the most versatile and useful of textile fibres. The demand for polyester fibre in India is very much in excess of supply.

The Company has entered into an agreement with Vickers-Zimmer AG, Frankfurt, West Germany for the purchase of machinery, equipment and technical know-how. Vickers-Zimmer is a specialist in the design and supply of plant and machinery for the manufacture of synthetic fibre and has designed, fabricated and erected plants for leading manufacturers in more than thirty countries in the world. Tata Consulting Engineers have been retained to supply detailed design and engineering services based on the technical information provided by Vickers-Zimmer. They will provide assistance and supervision in procurement, construction, start-up and acceptance-testing of the plant. Siemens India Limited will be responsible for the supply of electrical instrumentation and control facilities for the plant. A project manager with several years' experience in the chemical industry and who was until recently employed in the polyester fibre plant of Du Pont, U.S.A., has joined the Company. Some senior technical personnel have already been recruited and other executives will be recruited in due course and trained by the Company's technical collaborators.

The Swadeshi Cotton Mills Company Limited has been allotted Rs. 1,00,00,000 face value of equity shares and the directors, nominees and associates have been allotted Rs. 65,00,000 face value of equity shares.

COST OF THE PROJECT

The total cost of the project is estimated by the Directors at Rs. 1272 lacs as follows:

	Rs. lacs
Land and site development	26
Buildings	93
Plant, machinery and equipment	746
Other Assets	20
Preliminary, pre-operative and issue expenses	48
Interest on loans and on deferred payments during construction period, mortgage expenses, etc.	70
Contingencies	47
Working Capital	222
TOTAL	1272

The total foreign exchange cost (including insurance and freight) is estimated at Rs. 229 lacs.

SOURCES OF FINANCE

The project is being financed as follows:

	Rs. lacs
Equity share capital	330
Preference share capital	110
UPSIDC deferred credit on land	18
Term loans/debentures	649
Cash credit facilities from banks	165
TOTAL	1272

SHARE CAPITAL

AUTHORISED	Rs.	Rs.
75,00,000 equity shares of Rs. 10 each		7,50,00,000
2,50,000 redeemable cumulative preference shares of Rs. 100 each		2,50,00,000
		10,00,00,000
ISSUED, SUBSCRIBED AND PAID UP	Paid up	Face value
4,00,000 equity shares of Rs. 10 each allotted to subscribers to the Memorandum, directors, nominees and associates, which have been fully paid up	40,00,000	40,00,000
2,50,000 equity shares of Rs. 10 each allotted to directors, nominees and associates on which Rs. 5 per share has been paid up	12,50,000	25,00,000
10,00,000 equity shares of Rs. 10 each allotted to The Swadeshi Cotton Mills Company Limited on which Rs. 5 per share has been paid up	50,00,000	1,00,00,000
	1,02,50,000	1,65,00,000

The balance of Rs. 5 per share on the partly paid shares will be called up along with the calls on the present issue to the public.

PRESENT ISSUE TO PUBLIC

16,50,000 equity shares of Rs. 10 each for cash at par	1,65,00,000
1,10,000 9.5% redeemable cumulative preference shares of Rs. 100 each for cash at par	1,10,00,000
	2,75,00,000

SWADESHI POLYTEX LIMITED—Contd.

TERMS OF PAYMENT

	Equity shares	Redeemable cumulative preference shares
On application	Rs. 2.50	Rs. 25.00
On allotment	2.50	25.00
By two equal calls to be made simultaneously on both equity and preference shares by the Board of Directors on or after 1st October 1971 with an interval of not less than two months between the calls	5.00	50.00
	10.00	100.00

Note: The balance amount, if any, paid on application will be adjusted towards the amount payable on allotment of shares actually allotted to the applicant concerned. Failure to pay the amount due on allotment or call will render the shares, including the amount already paid up on them, liable to forfeiture.

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Financier and Landlord
Motilal, Patiala.

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*PROJECT MANAGER
SHRI ASHOK K. NEWATIA
KF-80, New Kavinagar, Ghaziabad.

*REGISTRARS TO THE ISSUE
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33, Netaji Subhas Road, Calcutta 1.

SOLICITORS
MULLA & MULLA & CRAIGIE, BLUNT & CAROE,
51, Mahatma Gandhi Road, Bombay 1.

KHAITAN & CO.,
Himalaya House, Kasturba Gandhi Marg, New Delhi.

UNDERWRITERS

The proposed public issue of 16,50,000 equity shares and 1,10,000 9.5% redeemable cumulative preference shares has been underwritten as follows:

Name	Equity Rs.	Preference Rs.
Industrial Development Bank of India	35,00,000	35,00,000
Life Insurance Corporation of India	20,00,000	35,00,000
The Industrial Credit & Investment Corporation of India Limited	15,00,000	20,00,000
U.P. State Industrial Corporation Limited	15,00,000	10,00,000
Industrial Finance Corporation of India	20,00,000	—
Unit Trust of India	10,00,000	10,00,000
National and Grindlays Bank Limited	12,00,000	—
The New India Assurance Company Limited	5,00,000	—
Hercules Insurance Company Limited	4,50,000	—
Dhirajlal Maganlal Purshotamdas	3,50,000	—
Barliwala & Karani	3,50,000	—
Harkisondass Lakhmidass	3,50,000	—
Place, Siddons & Gough (Private) Limited	3,50,000	—
Harbans Singh Mehta & Co.	3,50,000	—
Pateron & Co.	2,00,000	—
Lewis & Jones	1,50,000	—
Champaklal Devidas	1,50,000	—
Merwanjee Bomanjee Dalal	1,50,000	—
D. S. Purbhoo Das & Co.	1,50,000	—
Chunilal T. Mehta	1,50,000	—
Stewart & Co.	1,50,000	—
	1,65,00,000	1,10,00,000

PRINCIPAL BROKERS

DHIRAJLAL MAGANLAL PURSHOTAMDAS,
Stock Exchange Building, Apollo Street, Bombay 1.
BATHIVALA & KARANI,
Union Bank Building, Dalal Street, Bombay 1.
HARKISONDASS LUKHMIDASS,
Stock Exchange Building, Apollo Street, Bombay 1.
PLACE, SIDSONS & GOUGH (PRIVATE) LIMITED,
6, Lyons Range, Calcutta 1.
HARBANS SINGH MEHTA & CO.,
33, Regal Buildings, Parliament Street, New Delhi 1.
PATERSON & CO.,
Vanguard House, 11/12, Second Line Beach, Madras 1.

OTHER BROKERS:

Bombay

LEWIS & JONES,
Bank of Baroda Building, Apollo Street, Bombay 1.
CHAMPKAL DEVIDAS,
Bhupen Chambers, Dalal Street, Bombay 1.
D. S. PURBHODAS & CO.,
10/11, New Stock Exchange Building, Apollo Street, Bombay 1.
MAHADEVIA BROS.,
Stock Exchange Building, Dalal Street, Bombay 1.
MERWANJEE BOMANJEE DALAL
Allahabad Bank Building, Apollo Street, Bombay 1.

Calcutta

STEWART & CO.,
14, India Exchange Place, Calcutta 1.
G. M. PYNE,
Allahabad Bank Building, 14, India Exchange Place, Calcutta 1.
N. L. ROY & CO.,
7, Lyons Range, Calcutta 1.
RAMNARAIN KAYAN & CO.,
7, Lyons Range, Calcutta 1.
MURARKA BROTHERS,
7, Lyons Range, Calcutta 1.
CHUNILAL T. MEHTA,
8, Lyons Range, Calcutta 1.
BHAGIRATH MURARKA,
7, Lyons Range, Calcutta 1.

Continued on page 936

SWADESHI POLYTEX LIMITED—Contd.

Continued from page 935

KISHANGHANI JHUNJHUNWALA,
7, Lyons Range, Calcutta 1.

Delhi

RAJA RAM BHASIN & CO.,
Jewan Mansion, 8/4, D. B. Gupta Road,
New Delhi.

D. B. MALHOTRA & CO.,
13, Stock Exchange Building, Asaf Ali Road,
New Delhi 1.

BHARAT BHUSAN & CO.,
H-45, Connaught Place, New Delhi 1.

JALAN & CO.,
Stock Exchange Building, Asaf Ali Road,
New Delhi 1.

K. B. MALIK & CO.,
Atma Ram House, Opp. Odcon Cinema,
Connaught Place, New Delhi 1.

H. P. MEHTA & CO.,
302, Akash Deep, 3rd floor, Barakhamba
Road, New Delhi 1.

Madras

KOTHARI & SONS,
Kothari Buildings, 20, Nungambakkam
High Road, Madras 34.

CHITRA & CO.,
322/323, Linghi Chetty Street, Madras 1.

Bangalore

M. NANJAPPAIAH JAGGIRDAR,
205, Cavalry Road, Bangalore 42.

Hyderabad

P. B. AFZALPURKAR,
Sultan Bazar, Hyderabad.

Ahmedabad

CHINUBHAI CHIMANLAL DALAL,
Fatchbai's Haveli, Ratanpole, Ahmedabad 1.

BANKERS TO THE ISSUE

STATE BANK OF INDIA
Apollo Street, Bombay 1.
and main branches at:
Ahmedabad, Bangalore, Calcutta, Indore,
Jabalpur, Kanpur, Madras and New Delhi.

PUNJAB NATIONAL BANK
Punjab National Bank House,
Sir Pherozshahi Mehta Road, Bombay 1.
and main branches at:
Allahabad, Amritsar, Calcutta, Kanpur,
Lucknow, Madras, New Delhi and Patna.

BANK OF INDIA
70-80, Mahatma Gandhi Road, Bombay 1.
and main branches at:
Baroda, Calcutta, Jamshedpur, Kanpur,
Madras, Nagpur, New Delhi and
Secunderabad.

NATIONAL AND GRINDLAYS BANK
LIMITED
90, Mahatma Gandhi Road, Bombay 1.
and other branches at:
Bombay, Calcutta, Cochin, Delhi, Hydera-
bad, Kanpur, Madras, New Delhi and
Tuticorin.

FIRST NATIONAL CITY BANK
293, Dadabhai Naoroji Road, Bombay 1.
and other branches at:
Bombay, Calcutta, Madras and New Delhi.

Issue managed by
MERCHANT BANKING DIVISION,
NATIONAL AND GRINDLAYS
BANK LIMITED.



NATIONAL AND GRINDLAYS BANK LIMITED

	1970
Capital and reserves	£48m.
Deposits	£817m.
Advances	£478m.
Consolidated Profit after Tax	£2,948,000
—excluding exceptional items	

"On the same basis and using the same accounting principles I estimate that the Group profit for 1969 would have been just over £2.5m. If the Enlarged Capital had been available throughout the year 1969 I estimate that the consolidated profit after tax for that year would have been £2.64m. thus, I estimate that there has been a real increase between the two years of about £300,000 after tax."—Lord Aldington.

Distribution of Net Profits after Tax —excluding exceptional items

	1966	1967	1968	1969	1970
Asia	39%	30%	31%	24%	25%
Africa	17%	11%	13%	11%	12%
Mediterranean and Middle East	—	—	—	9%	2%
United Kingdom and Europe	44%	59%	56%	56%	61%
	100%	100%	100%	100%	100%

"The principal purpose of the Group is to provide international banking services to our customers wherever they may reside."

—Lord Aldington, from his annual report to shareholders

In recent years we have paid close attention to the study of the problems of the developing countries of the world, in many of which we bank. We have watched the growing nationalism which in different ways has dominated political decisions in these countries. The consciousness of national character and the assertion of national independence is inevitable and right. The peoples ask that banking operations in their countries should benefit—and manifestly benefit—them. This has been our aim for many years and we have sought to work closely with the economic and financial policy of successive governments in those countries. The more successful we are as an international bank, the more we can improve our help for these countries.

Changes in 1970

1970 was the first full year in which the Bank has enjoyed additional funds made available as a result of the increase of capital in April, 1969, and also the first full year during which we have had the former Ottoman Bank branches with us.

In the Group's overseas banking territories further progress has been made in establishing merchant banking divisions or merchant banking companies. The Merchant Banking Division in India has had a busy year and has been able to build up a highly skilled management which is rapidly gaining the name for itself for which we had hoped.

COMPANY AND PUBLIC NOTICES:

HERCULES INSURANCE COMPANY LIMITED

(Incorporated in India)

NOTICE IS HEREBY GIVEN THAT the Thirty-sixth Annual General Meeting of the HERCULES INSURANCE COMPANY LIMITED will be held at the Registered Office at Dare House Extension, Fourth Floor, 2/1, North Beach Road, Madras-1, on Monday the 21st day of June, 1971, at 3 P.M. to transact the following business:—

- To consider the Accounts, Balance Sheet and the Reports of the Board of Directors and Auditors for the year ended 31st December, 1970.
- To declare a Dividend.
- To appoint Directors in place of those retiring.
- To appoint Auditors and fix their remuneration.

The Register of Members will be closed from the 10th June, 1971 to the 21st June, 1971, inclusive.

By Order of the Board,
HERCULES INSURANCE COMPANY LIMITED
P. C. SEKHAR
Managing Director.

Registered Office:
Dare House Extension, Fourth Floor,
2/1, North Beach Road, Madras-1.
10th May, 1971.

W. H. TARGETT & COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of W. H. Targett & Co. Limited will be held at the Board Room of Messrs. Bird & Co. (Private) Limited, Chartered Bank Buildings, Calcutta-1, on Monday, the 28th day of June, 1971, at 10.35 A.M. to transact the following business:—

- To consider the Profit & Loss Account of the Company for the year ended 31st December, 1970, the Balance Sheet as at that date and the Committee of Management's and Auditors' Reports thereon.
- To appoint a Member of the Committee of Management in place of a retiring Member of the Committee of Management.

- To appoint Auditors and fix their remuneration.

The Register of Members of the Company will be closed from the 14th June, 1971 to 28th June, 1971, both days inclusive.

By Order of the Committee of Management
W. H. TARGETT & CO. LTD.
D. K. DAS GUPTA
Secretary

Registered Office:
5, Mission Row
Calcutta-1, 11th May, 1971.

Note: A Member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company.

THE LOOBAH CO., LIMITED

NOTICE

THE Directors have decided to recommend to the forthcoming Annual General Meeting of the Company the payment of a Dividend @ 5% on the Equity Shares subject to deduction of the appropriate Income Tax at source, in respect of the accounting year ended 31st December, 1970.

The next Annual General Meeting of the Company is scheduled to be held at the Registered Office on June 29, 1971, @ 11.00 A.M., and the Dividend, if approved by the Members at the said Meeting, will be payable on or after 9th July, 1971, to those Members whose names are on the Register of Members on June 29, 1971, or to their mandatees.

Notice pursuant to Section 154 of the Companies Act, 1956 is hereby given that the Register of Members of the Company will be closed from June 22, 1971 to June 29, 1971, both days inclusive.

By Order of the Board,
J. C. CRAWFORD
Director.

Registered Office:
14, Old Court House Street,
Calcutta, May 17, 1971.

CAPITAL LIMITED

NOTICE is hereby given that the Annual General Meeting of CAPITAL LIMITED, will be held at the Board Room of Bird & Company (Private) Limited, Chartered Bank Buildings, Calcutta-1, on Monday, the 28th June, 1971, at 10.30 A.M. to transact the following business:—

- To consider the Profit & Loss Account of the Company for the year ended 31st December, 1970, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
- To appoint a Director in place of a retiring Director.
- To appoint Auditors and fix their remuneration.

By Order of the Board
D. K. DAS GUPTA
Secretary

Registered Office:
5, Mission Row
Calcutta-1, 11th May, 1971.

Note: A Member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company.

ORISSA CEMENT LIMITED

Regd. Office: RAJGANGPUR

(Orissa State)

THE Twentyfirst Annual General Meeting of the Shareholders of the Company will be held at Rajgangpur in the Company's Guest House on Tuesday, the 29th June, 1971 at 11.30 A.M. Notices of the Meeting setting out the Agenda, etc, are being sent to the Shareholders by post.

The Register of Members of the Company will remain closed from 3rd June, 1971 to 29th June, 1971 both days inclusive. The dividend for the year 1970, when declared, will be payable to those Shareholders whose names would appear in the Register of Members on 29th June, 1971.

By order of the Board,
P. T. HINDUJA
Secretary

New Delhi
12th May, 1971

**THE PATHEMARA TEA COMPANY,
LIMITED**
NOTICE

THE Directors have decided to recommend to the forthcoming Annual General Meeting of the Company the payment of a Dividend @ 10% on the Equity Shares subject to deduction of the appropriate Income Tax at source, in respect of the accounting year ended 31st December, 1970.

The next Annual General Meeting of the Company is scheduled to be held at the Registered Office on June 29, 1971, @ 11.30 A.M., and the Dividend, if approved by the Members at the said Meeting, will be payable on or after 16th July, 1971, to those Members whose names are on the Register of Members on June 29, 1971, or to their mandatees.

Notice pursuant to Section 154 of the Companies Act, 1956 is hereby given that the Register of Members of the Company will be closed from June 22, 1971 to June 29, 1971, both days inclusive.

By Order of the Board,
J. C. CRAWFORD
Director

Registered Office:
14 Old Court House Street,
Calcutta, May 17, 1971.

**THE HATTIKHIRA TEA COMPANY,
LIMITED**

NOTICE

THE Directors have decided to recommend to the forthcoming Annual General Meeting of the Company the payment of a Dividend @ 5% on the equity shares subject to deduction of the appropriate Income Tax at source, in respect of the accounting year ended 31st December, 1970.

The next Annual General Meeting of the Company is scheduled to be held at the Registered Office on June 28, 1971, @ 11 A.M., and the Dividend if approved by the Members at the said Meeting will be payable on or

after 23rd July, 1971, to those Members whose names are on the Register of Members on June 28, 1971, or to their mandatees.

Notice pursuant to Section 154 of the Companies Act, 1956 is hereby given that the Register of Members of the Company will be closed from June 18, 1971 to June 28, 1971, both days inclusive.

By Order of the Board,
J. C. CRAWFORD
Director

Registered Office:
14 Old Court House Street,
Calcutta, May 17, 1971.

**THE METHONI TEA COMPANY,
LIMITED**

NOTICE

THE Directors have decided to recommend to the forthcoming Annual General Meeting of the Company the payment of a Dividend @ 10% on the

equity shares subject to deduction of the appropriate Income Tax at source, in respect of the accounting year ended 31st December, 1970.

The next Annual General Meeting of the Company is scheduled to be held at the Registered Office on June 29, 1971, @ 4.00 P.M. and the Dividend, if approved by the Members at the said Meeting, will be payable on or after 2nd August, 1971, to those Members whose names are on the Register of Members on June 29, 1971, or to their mandatees.

Notice pursuant to Section 154 of the Companies Act, 1956 is hereby given that the Register of Members of the Company will be closed from June 15, 1971 to June 29, 1971, both days inclusive.

By Order of the Board,
J. C. CRAWFORD
Director

Registered Office:
14 Old Court House Street,
Calcutta, May 17, 1971.

**INDIAN COPPER CORPORATION
LIMITED**

(Incorporated in England with liability of its members limited)

THE following are the returns for the quarter ended 31st March, 1971:—

Ore Milled (Wet) ...	Kgs. 13,51,59,750	S/T.	1,48,987
Average Grade ...	1.988%		
Refined Copper produced (equivalent) ...	22,15,000	1/T.	2,180
Rolled Brass produced ...	6,05,500	"	596
Rolled Copper produced ...	37,001	"	36
Copper Wire Bar produced ...	16,25,000	"	1,599
Crude Cupro Nickel Alloy ...	6,000	"	6
Crude Copper Bar ...	66,000	"	65
Copper Swarf ...	71,002	"	70
Nickel Sulphate Crystals ...	31,050	"	31

The results of development work carried out on the properties of the Corporation during the quarter under review are as follows:—

	Developed Metres	Sampled Metres	Payable Metres
Mosaboni ...	616.0	556.8	379.3
Badia ...	45.6	33.1	1.2
Surda ...	526.3	477.3	109.5
Pathargorah ...	99.2	82.2	29.4

Gillander House,
Netaji Subhas Road,
CALCUTTA-1.

Dated 19th May, 1971.

S. N. SINGHANIA,
Secretary.

CAPITAL, 20th MAY, 1971

CAPITAL, 20th MAY, 1971

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STATISTICS :

Stock and Share Prices

The following are the official quotations of the Calcutta, Bombay and Madras Stock Exchanges. Fuller details relating to the accounts of companies are published in the final week's issue of 'Capital' every month.

CALCUTTA

	Dividend per cent	Latest Market Quotations as available until		Dividend per cent	Latest Market Quotations as available until
	1967	1968	18-5-71	11-5-71	
BANKS			Ra.	Ra.	
Allahabad Bank	13	13	135/00	135/00	
Bank of India	20	20	132/00	134/50	
Bank of Baroda	17	18	120/00	121/00	
Central Bank of India	20	20-8*	68/00	71/50	
Chartered Bank	15	15	292½	292½	
Hongkong & Shanghai	sh. 10 2/5	sh. 12½	£12½	£12½	
Indian Bank	15	15	165/00	165/00	
Indian Overseas Bank	11	11	169/00	173/50	
National & Grindlays	13½	13-9	335	334½	
Punjab National Bank	22	22	25/37	25/37	
United Bank of India	7½	7½-7½*	10/00	9/37	
United Commercial	14	14	110/00	112/00	
Union Bank of India	12	12	8/44	8/52	
COAL					
Amalgamated	12½	7½-10*†	7/75	7/75	
Bengal	10	12-12*	146/00	147/00	
Bokaro & Ramgur	Nil	12/00	12/00	12/00	
Borra	Nil	5-15*	12/62	12/62	
Burrakur	13	Nil-12*	12/00	12/37	
Central Kurkend	...	...	3/44	3/44	
East Indian	15	Nil-Nil†	7/00	7/00	
Equitable	Nil	Nil-Nil*†	4/84	4/84	
Karanpura Devt	2	Nil-5*	7/12	7/12	
Karanpura Collieries	10	12-20*	11/00	11/19	
Katras Jheriah	5	10-10*	10/25	10/25	
New Beerbhoom	8	12-12*	14/25	14/25	
New Manbhoom	Nil	Nil-Nil*†	3/65	3/65	
Pench Valley	12½	7½-10*†	7/75	7/75	
Rancegunge	5	7½-10*	10/06	12/62	
Rewa	12½	12½-20*	27/00	27/00	
Sendra	3½	3½-7½*	4/81	4/31	
South Karanpura	2½	10-20*†	12/50	12/81	
Standard	Nil	5-10*	7/31	7/31	
Union	Nil	Nil	5/00	5/00	
Western Bengal	7½	7½-8*	7/06	7/19	

†1970 *1969

JUTE

	Dividend per cent	Latest Market Quotations as available until		Dividend per cent	Latest Market Quotations as available until
	1967	1968	18-5-71	11-5-71	
			Rs.	Rs.	
Agarpara	5	5-5*	7/25	7/25	
Alexandra	Nil	...	46/00	46/00	
Alliance	Nil	...	23/00	23/00	
Anglo India	2½	2½-2½*	112/00	119/00	
Auckland	Nil	Nil-Nil*	59/00	59/00	
Bally	10	10-10*	13/19	13/87	
Baranagore	Nil	Nil-Nil*	82/00	83/00	
Birla	15	15-15*	22/60	22/80	
Budge Budge Amal	Nil	Nil-Nil*	8/44	9/06	
Champadany	Nil	Nil-5*	13/50	13/50	
Chitavalash	Nil	Nil	6/84	7/12	
Dalhousie	Nil	Nil-Nil*	45/00	46/00	
Empire	Nil	Nil	4/87	4/87	
Fort William	2½	Nil	10/62	10/62	
Ganges	5	Nil-7½*	8/06	8/25	
Gourepore	5	5-Nil*	7/37	7/37	
Hastings	4	2½-2½*	101/00	101/00	
Hooghly	10	10-10*6†	8/50	8/50	
Howrah	Nil	Nil-Nil*	7/19	7/06	
Hukumchand	Nil	Nil-Nil*	12/75	13/12	
India	Nil	3½-5*	7/31	7/31	
Kamarhatty	Nil	Nil-Nil*	75/00	74/50	
Kankarrah	Nil	Nil-Nil*	30/00	33/00	
Kelvin	Nil	Nil	32/00	32/00	
Khardah	Nil	Nil-Nil*†	4/65	4/65	
Kinnison	Nil	Nil	25/75	26/50	
Lansdowne	Nil	Nil	25/50	25/50	
Lawrance	3	2-Nil*	34/00	34/00	
Megna	6	Nil-Nil*	4/31	4/31	
National	Nil	10-Nil*†	7/31	7/31	
Nellimarla	6	4	8/25	8/12	
New Central	...	...	3/81	4/00	
Northbrook	10	Nil-10*	12/81	12/81	
Nuddea	2½	2½-Nil*	5/81	5/75	
Presidency	Nil	...	0/94	1/03	
Reliance	Nil	Nil-Nil*	5/75	5/75	
Titaghur	Nil	Nil	11/87	12/12	
Union	Nil	Nil	45/50	45/50	
Waverley	15	15-6*	3/00	3/00	
COTTON TEXTILES					
Bharat Commerce	15	15-15*	20/19	20/87	
Birla Cotton	10	10-10*	14/75	14/50	
Bowreah	17½	17½-17½*	13/50	13/37	
Cawnpore Textile	Nil	10-8*	2/69	3/12	
Delhi Cloth & Genl	12	6-12*	94/62	96/12	
Dunbar	5	Nil-Nil*	9/75	9/87	
Elgin	10	10-8*	6/44	6/81	
J. K. Cotton	15	5-6*	10/95	11/00	
Jaya Shree	5	Nil-Nil*	4/81	4/87	
Jagajit	10	...	8/31	8/31	
Jiyajecrao	10	...	23/00	23/00	
Orissa Textiles	Nil	Nil	3/50	3/50	
Rampooria	Nil	Nil	3/25	3/25	
Swadeshi	2½	5-5*	11/50	11/50	

RESERVE BANK

ISSUE DEPARTMENT	(In 000's of Rupees)		
	Week Ended		
	7-5-71	30-4-71	8-5-70
Liabilities—			
Notes in Banking Dept.	10,16,08	4,14,63	23,22,61
Notes in Circulation	44,01,15,78	43,30,95,21	40,49,82,12
Total Notes Issued	44,11,31,86	43,35,09,84	40,73,04,73
Asset—			
A. Gold Coin and Bullion	1,82,53,11	1,82,53,11	1,82,53,11
Foreign Securities	3,03,42,00	2,93,42,00	3,96,42,00
Total of A	4,85,95,11	4,75,95,11	5,78,95,11
B. Rupee Coin	42,45,93	46,23,64	56,59,28
Rupee Securities	38,82,90,82	38,12,91,09	34,37,50,34
Total	44,11,31,86	43,35,09,84	40,73,04,73
BANKING DEPARTMENT			
Liabilities—			
Capital Paid-up	5,00,00	5,00,00	5,00,00
Reserve Fund	1,50,00,00	1,50,00,00	1,50,00,00
National Agricultural Credit (Long Term Operations) Fund	1,72,00,00	1,72,00,00	1,55,00,00
National Agricultural Credit (Stabilisation) Fund	37,00,00	37,00,00	35,00,00
National Industrial Credit (Long Term Operations) Fund	95,00,90	95,00,00	75,00,00
Deposits—			
(a) 1. Central Govt.	1,03,93,20	2,25,43,91	91,97,31
2. State Govts.	4,25,35	4,45,88	7,81,92
(b) Banks—			
(i) Scheduled Banks	1,92,71,18	2,15,31,63	1,72,16,03
(ii) State Co-operative Banks	9,40,11	10,36,77	8,46,17
(iii) Non Scheduled State Co-operative Banks	79,54	80,30	63,02
(iv) Other Banks	33,22	36,79	21,28
(c) Others	72,03,27	78,74,17	1,12,96,28
Bills Payable	58,83,26	46,98,58	47,23,92
Other Liabilities	2,12,53,55	1,83,62,99	1,36,53,56
Total	11,13,82,68	12,25,11,02	10,00,99,51
Assets—			
Notes	10,16,08	4,14,63	23,22,61
Rupee Coin	2,32	4,84	4,25
Small Coin	3,82	3,65	5,36
Bills Purchased and Discounted:—			
(a) Internal	15,02,14	14,14,12	...
(b) External	...	...	...
(c) Govt. Treasury Bills	18,45,26	18,67,98	14,45,73
Balances held abroad	69,77,31	75,76,85	1,06,19,76
Investments	57,91,24	1,32,78,50	85,05,11
Loans and Advances to:—			
(i) Central Government	3,36,17,46	3,85,23,34	1,46,82,25
(ii) State Governments	...	...	...
Loans and Advances to:—			
(i) Scheduled Banks	2,05,45,42	1,90,67,57	2,76,74,35
(ii) State Co-operative Banks	2,38,79,50	2,42,54,98	2,24,61,63
(iii) Others	4,72,95	5,46,66	2,98,68
Loans, Advances and Investments from			
National Agricultural Credit (Long Term Operations) Fund	...	...	...
(a) Loans and Advances to:—			
(i) State Govts.	41,90,71	41,90,70	33,79,85
(ii) State Co-operative Banks	20,12,17	20,40,82	15,35,53
(iii) Central Land Mortgage Banks	...	...	...
(b) Investment in Central Land Mortgage Bank Debentures	9,59,42	9,59,42	9,65,70
Loans and Advances to State Co-operative Banks			
Loans, Advances and Investments from	3,89,73	3,93,73	4,72,92
National Industrial Credit (Long Term Operational) Fund	31,85,72	29,83,71	6,26,71
(a) Loans and Advances to the Development Bank	...	...	...
Other Assets	49,90,89	49,89,52	50,99,07
Total	11,13,82,68	12,25,11,02	10,00,99,51

SCHEDULED BANKS

	(In 000's of Rupees)		
	Week Ended		
	30-4-71	23-4-71	8-5-70
(i) Demand Liabilities—			
(a) Demand Deposits:			
(1) From Banks	1,67,52,00	1,67,17,00	1,46,50,00
(2) From others	26,88,85,00	26,91,80,00	22,87,24,00
(b) Borrowings from Banks	31,64,00	36,29,00	28,67,00
(c) Others	1,62,22,00	1,56,86,00	1,42,51,00
(ii) Time Liabilities—			
(a) Time Deposits:			
(1) From Banks	1,03,11,00	1,06,28,00	1,05,91,00
(2) From others	34,07,99,00	34,09,91,00	29,20,30,00
(b) Borrowings from Banks	9,67,00	12,04,00	5,98,00
(c) Others	45,11,00	43,70,00	32,08,00
(iii) Borrowing from State Bank—			
(a) Demand Liabilities	19,65,00	21,35,00	40,90,00
(b) Time Liabilities	67,05,00	65,39,00	64,46,00
(iv) Borrowings from Reserve Bank	4,60,25,00	4,66,90,00	5,12,31,00
(v) Cash	1,66,68,00	1,68,55,00	3,21,61,00
(vi) Balances with Reserve Bank	2,06,65,00	1,98,74,00	1,43,57,00
(vii) Balances with other banks in current account	69,17,00	78,22,00	57,36,00
(viii) Money at call and short notice	39,58,00	44,34,00	57,18,00
(ix) Investments in Central and State Govt. Securities	14,14,68,00	14,28,01,00	12,34,23,00
(x) (a) Loans, Cash Credits and Overdrafts	38,09,85,00	38,43,27,00	35,06,99
(b) Due from banks	4,36,01,00	4,41,99,00	3,95,84,00
(xi) Inland Bills purchased and discounted	7,60,39,00	7,66,06,00	5,01,57,00
(xii) Foreign bills purchased and discounted	2,07,31,00	2,06,46,00	1,89,70,00
(xiii) Total of X, XI and XII	52,13,56,00	52,57,78,00	45,94,10,00

INDEX OF INDUSTRIAL PRODUCTION

Seasonally unadjusted
(Base year 1960=100)

	1970	1969	1968
January	186.6	179.3	159.4
February	175.3	163.3	162.2
March	187.2	175.4	162.6
April	181.6	169.5	150.8
May	176.7	165.6	153.8
June	179.1	169.6	158.1
July	178.5	175.1	165.0
August	174.3	169.7	162.1
September	178.2	172.0	159.5
October	177.7	171.1	159.4
November	...	171.4	166.7
December	...	187.6	173.3
Annual Average	...	172.5	161.1

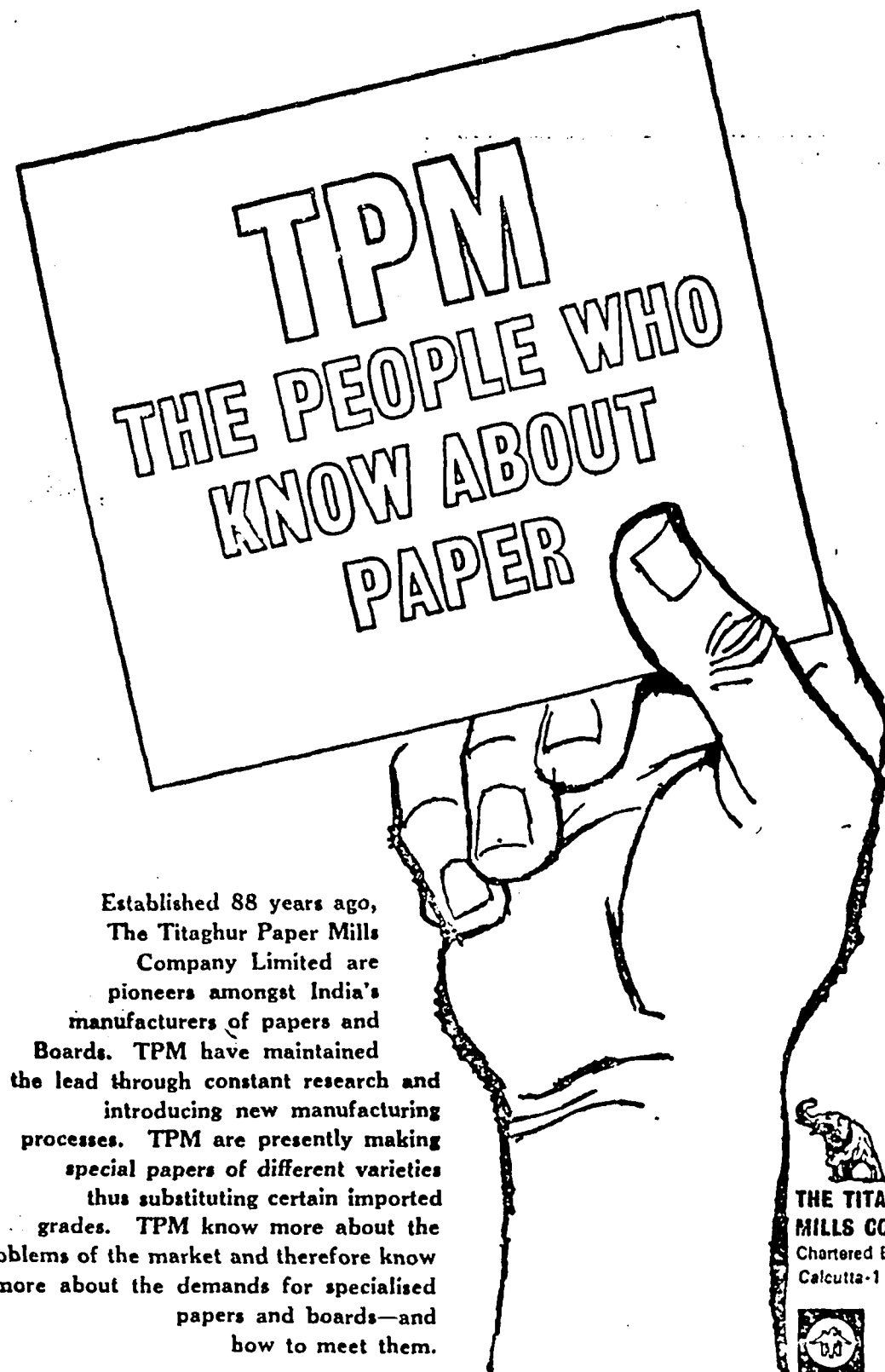
REVISED PROCEDURE
FOR
INCOME TAX ASSESSMENTS

In accordance with the substituted provisions of Section 143(1) of the Income-tax Act, 1961 Income-tax Officers will be free to accept, in a large majority of cases, returns of income, subject only to statutory adjustments to the income declared, without calling tax-payers or their account books and other evidence. If a tax-payer objects to such an assessment, the Income-tax Officer is duty bound to make a fresh assessment after calling upon the tax-payer to appear personally or to produce account books and other evidence.

These procedures, with their accent on trust in tax-payers, lean heavily on the completeness and correctness of returns of income. Tax-payers are requested to respond by furnishing correct particulars in the returns of income and ensuring that these are, wherever available, invariably accompanied by a copy of the Manufacturing or Trading Account, the Profit and Loss Account and Balance Sheet.

New assessment procedures aim at expeditious completion of income-tax assessment. To achieve this objective, it is essential that tax-payers furnish their returns of income promptly and voluntarily as required under Section 139(1) of the Income-tax Act, without waiting for a reminder from the Department. Under that Section, returns of income for assessment year 1971-72 are ordinarily due by June 30, 1971, but a tax-payer closing his accounts of business or profession after 31st December, 1970 may file his return within six months from the date of closing the accounts. Tax-payers would be well-advised to comply with the provisions of Section 139(1) to avoid the penal consequences.

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Railways : A Sick Giant

THE fare and freight hikes in the Railway Budget for 1971-72 presented by the Central Railway Minister, Mr. K. Hanumanthaiya, to the Lok Sabha on Monday have not caused any major flutter in trade and industry circles, for the simple reason that these increases were expected in any case when the interim Railway Budget was presented to Parliament in March. Mr. Hanumanthaiya then showed a shortfall of Rs. 33.12 crores for 1971-72 at the prevailing level of fares and freight. The shortfall, on the face of it, did not create a furor because it was widely expected that the Budget might reveal a whopping deficit of about Rs. 70 crores. In his latest Budget, Mr. Hanumanthaiya has estimated that the railways will be in the red to the extent of Rs. 33 crores and will be incurring a loss for the seventh year in succession. In order to cover the revenue deficit of Rs. 33 crores, the Minister has proposed a "marginal" increase in passenger fares and selective increases in freight rates, which will yield an additional Rs. 26.25 crores during the nine months of the current year. In a full 12-month period, the additional revenue is expected to amount to Rs. 35 crores. By introducing freight and fare hikes, the Minister has sought to reduce the deficit to a little under Rs. 7 crores which has been left uncovered in the latest Budget presumably because he intends to make it up by introducing economies and by curtailing unproductive expenditure in the railways.

Strangely enough, this aspect of the problem has not been elaborately dealt with by Mr. Hanumanthaiya in his latest Budget. Instead of showing an uncovered deficit of a little less than Rs. 7 crores, he could have introduced rationalisation and economy of expenditure rightaway in order to revitalise the giant which is languishing steadily due to its chronic ailments. After maintaining the *status quo* in

third-class fares for three years in a row, the Minister has found it expedient to raise them, although his predecessor, Mr. Gulzarilal Nanda, had had a difficult time in and out of Parliament in making a proposal for raising them and had eventually to withdraw it in *toto* in the face of a stiff opposition. One reason for raising the third-class fares is that the new Government feels emboldened because of its solid majority at the Centre and naturally thinks that it need not play to the gallery any longer by resorting to cheap stunts and politically-motivated measures. In fact, the whole amount of an additional Rs. 26.25 crores which the Minister now proposes to raise by introducing the freight and fare hikes could have been achieved by raising the third-class fares alone. But the Central Railway Minister has not apparently decided to do so since it would have virtually confronted him with a stiff opposition which his predecessor had to face in Parliament last year. So by a judicious combination of selective increases in freight rates and a so-called marginal increase in fares, Mr. Hanumanthaiya has made a serious effort to retrieve the poor financial position of the railways.

As the largest public-sector undertaking in India, the railways' financial position is unenviable and is steadily deteriorating year after year. With the advent of the recession, the growth of traffic had been substantially affected, and the railways have been unable to contribute to the general revenues since 1966. Mr. Hanumanthaiya has pointed out in his Budget speech that the liability of the railways for the payment of dividend to general revenues on capital investment would rise from Rs. 165.81 crores in 1970-71 to Rs. 173.77 crores in 1971-72. Since the net revenue will fall short of the liability by Rs. 6.87 crores, a loan will have to be taken which will increase the railways' indebtedness to the general

Exchequer under this head to Rs. 38.83 crores by the end of 1971-72. The cause for concern is that the total indebtedness of the railways to the general revenues under the two sets of loans would amount to Rs. 126 crores at the close of 1971-72. Incidentally, cannot the dividend payable to the Exchequer be reduced marginally for some time till the railway finances improve?

Much of the financial predicament of the railways is undoubtedly attributable to the slow growth of goods traffic. As anticipated in March, traffic receipts at current fares and freight rates in 1971-72 are expected to amount to Rs. 1,042 crores. It is still anybody's guess whether the growth of traffic will reach this figure in view of the country's sluggish industrial growth which is estimated to have been only 4.5 per cent last year. The Minister himself pointed out that the prospect for increased traffic did not seem to have improved since he presented the interim Budget in March. The total gross traffic earnings in April this year were short by Rs. 1.63 crores over the proportionate Budget target of Rs. 86.89 crores. He added in this context that if this trend continued, it might not be possible to reach the level of earnings forecast in the interim Central Budget. The working of the Eastern and South Eastern Railways, which accounted for 60 per cent of the tonnage carried by the Indian railways and held over 40 per cent of the total number of broad-gauge wagons, has continued to cause anxiety. In fact, the magnitude of the problem was elaborately stated in a conference in New Delhi a couple of days before the presentation of the Railway Budget to Parliament. The deterioration in railway efficiency, pilferage of railway equipment, theft of overhead wires, frequent bottlenecks and poor labour-management relations have created a vicious circle which does not show any prospect of being removed in the foreseeable future. Furthermore, the crisis in coal transport has led to a heavy accumulation of pithead stocks and the situation has come to such a pass that the two railways in eastern India, which would normally be loading a minimum of 6,500 coal wagons daily in the Bengal-Bihar coalfields, have hardly been able to increase their loadings to 5,500 wagons, with the result that there is a perpetual cry of wagon shortages in coalfield areas.

The railways' financial plight would not have been as great as it is had it not to discharge certain social obligations. They are incurring a loss of

Rs. 8 crores on unremunerative branch lines, loss on the passenger traffic is as much as Rs. 59 crores and they have heavily to subsidise the suburban travellers, the subsidy on account of which amounts to as much as Rs. 12 crores. In addition, the railways' welfare obligations to their employees have been mounting year after year with the result that they are being steadily converted into a charitable organisation throwing commercial considerations to the wind. Unfortunately, Mr. Hanumanthaiya did not elaborately discuss the effect of the Pay Commission's interim recommendations on railway wages and operational costs. But even if an effort is made to make up the uncovered deficit

of about Rs. 7 crores, will not the shortfall mount to a higher figure if the Government has to accept the Pay Commission's report recommending an increase in railway wages substantially? The railway users, meanwhile, have been implicitly asked to bear the burden of increased fares and freight with a benign smile. However, the Central Railway Minister has only provided palliatives instead of providing permanent solutions to the railways' chronic ills. The time has come when the Centre should give a close look at the sick giant before it proves to be a huge drag on the country's economy like other ailing public-sector projects which are merrily incurring losses year after year.

The End of a Currency Era

THE international currency crisis through which the world has just passed was no less dangerous for being one of a series reaching back many years. Yet it differed from its predecessors in the speed and ease with which it was resolved. That is not to say we have heard the last of it; its reverberations will be felt for some time yet, and certainly the next annual meeting of the International Monetary Fund will reflect the events of the past few weeks. But there is no denying the fact that this particular crisis was relatively unique in the facility with which it was handled, and the promptness shown by the countries mainly concerned in taking the measures necessary to defuse the immediate situation if not entirely rectify the long-term one. The reason is not difficult to identify. The periodic crisis of the past few years have conditioned countries to a more flexible attitude towards their currencies and the problems of management they involve. The era when parities were confused with a nation's political prestige seems to have passed away, along with the mistaken concept that the only direction in which a currency can move is downwards against the U.S. dollar. The rigidities of Bretton Woods are now dead. It all represents progress of a sort, and there is good reason to be thankful for it. With luck, this latest international currency crisis could prove to be the last in the line.

That is probably being too optimistic. It may be true that the world appears to have learnt the lesson that flexibility pays, that considerations of national pride have little relevance for economic reality. But it is also

the case that this particular crisis may have repercussions for the future arising from the causes on which it was based. What touched it off was not so much the under-valuation of certain European currencies, plus the Japanese yen. It was the studied indifference of the U.S. administration to the consequences for the rest of the world of the American balance-of-payments deficit. There is much in logic to justify Washington's stand; and no country can complain that it was not warned well in advance of what attitude would be adopted towards the problem when the crunch came. Nevertheless, and despite the excellent economic arguments which can be quoted in the U.S.A.'s defence, it is not conducive to international goodwill that the entire burden of adjustment to an internal and politically-dictated economic situation taken by one country, however large, should be thrown on the shoulders of other countries. This is bound to lead to long-term resentment, the growth of defensive measures, and a weakening of the spirit of co-operation which has done so much to prevent recent crises from developing into worldwide disasters.

Now that some of the dust has settled, it is useful to assess what may lie in the future. The fact that the situation this time was saved by flexibility does not, unfortunately, mean that this will become an even more prominent feature of world monetary management from now on. Rather the contrary. Because it is the United States' deficit which has caused the trouble, the inference would seem to be that in future the countries inconvenienced will increasingly come

to favour methods of preventing its being financed at their expense. That means they could refuse to take dollars into their reserves and oppose the extension of such schemes for boosting international liquidity as the Special Drawing Rights on the I.M.F. This has already been threatened. Moreover, they may well begin to rely more on gold and thus wreck the two-tier system which has ruled now for the past three years. Such developments would damage the world's monetary system and probably slow down the growth of world trade. Developing countries such as India would be seriously hit if that were to happen. But possibly even worse, the resulting pressure on the dollar would further reduce the United States' already inadequate capacity for financing its foreign aid programme. Those who have recently been enthusing over the downfall of the over-mighty dollar would perhaps do well to reflect that the ability for expanding foreign aid among those countries which have humbled it is unlikely to be such as might compensate for any cutback. Washington was forced to make in its own aid programme, or indeed in U.S. imports.

It may seem paradoxical that a crisis which succeeded in rubbing home the moral that greater flexibility pays dividends in world monetary affairs should also increase the dangers of growing protectionism. Yet this appears extremely likely, and could come about in a variety of ways. Most obviously, it could encourage the United States to take steps against Japan, which refused to follow West Germany in correcting the misalignment of its currency. But the more serious danger is that the European Common Market, acting as a group in the way the Germans have been urging, should decide that the best way of forcing devaluation of the U.S. dollar is to restrict American imports of both goods and investment. That would almost inevitably touch off a trade war from which the whole world would suffer, and probably restrict the flow of international investment capital as well. It is at once significant that West Germany should have been pushed into adopting exchange controls as a result of this crisis, and that the French were the main custodians of I.M.F. orthodoxy. The lesson is that even in a tight grouping such as the European Community, nations will behave at times of crisis in what they regard as their own interests, not according to the princi-

ples of the fraternity to which they belong.

It is difficult at this stage to predict what is going to happen to the West German deutschemark—the storm centre of the recent crisis. The authorities in Bonn have professed their intention of restoring the old parity after the period of floating. But it seems unlikely they will be able to do this without inviting another crisis before the end of this year. They have also stated that no new parity at all will be fixed before the entire Community has improved its defences against the inflow of dollars. This means, in effect, that in any future crisis the Six will react as one. The chances of this being agreed might be brighter if the crisis had not left behind a certain bitterness between Paris and Bonn which could go on for a long time. In the meantime, it must be presumed that the deutschemark will continue floating, in defiance of the I.M.F., although not necessarily to the detriment of the world's monetary stability. The main danger to this, it can confidently be assumed, will continue to lie in the overvaluation of the U.S. dollar.

There would be greater justification in Washington's case against devaluation, which is possible whatever the Americans might say, if their current stand did not damage countries such as Britain, whose pound is not overvalued, yet which is suffering as much as most from the international flood of dollars. It is impossible at this stage to decide whether the crisis has helped or hindered Britain's hopes of joining the European Common Market, although there is little doubt that the floating of the deutschemark has strengthened sterling. But Britain's domestic inflation has been substantially boosted in recent months by the inflow of hot money, and this has

Neglecting Research and Development?

AT a recent meeting of the Central Advisory Council for Industries, the woeful condition of indigenous research and development had come to light. While it has been recognised that research and development is as important in the field of industry as in defence, very little prominence is being given to it. It is no good saying that like India, many other developing countries are spending a much lower percentage of their gross national pro-

duct on research and development than the industrially developed nations. It has been estimated that India is spending a little over 0.4 per cent of her G.N.P., as against 4.2 per cent in Russia, 3.2 per cent in the United States and between 1 per cent and 2 per cent in most European countries.

Research, like development, is a highly skill-intensive activity which is relatively scarce in many develop-

ing countries. Therefore, unless conscious efforts are made to build up research and development by promoting the requisite skill within the country, industrial progress will continue to be profoundly influenced by technology developed elsewhere. Needless to say, this is not a very desirable state of affairs. For one thing, the new processes and products that are being developed in the industrially advanced countries may not be always suitable to conditions obtaining in developing countries. Secondly, even when a product or process developed abroad is suitable, local conditions and the availability of materials require considerable adaptation of the product or the process. More than anything else, borrowed technology cannot be a substitute for indigenous research.

It is not that India has not made any progress in this direction, but the point to be noted is that such progress as has been possible so far is not adequate or commensurate with her requirements. According to a report prepared by the Committee on Science and Technology (C.O.S.T.), which is the highest scientific advisory body in the country, the total expenditure on scientific research and development has increased from Rs. 27 crores in 1958-59 to about Rs. 136 crores in 1969-70. Most of this expenditure—some 94 per cent—is incurred directly, or is supported, by the public sector. The research and development effort in the country is mainly financed by the Central Government and the contribution of industry is quite small in the overall financial expenditure. Furthermore, an important aspect of financing that deserves particular attention is that industry in India has not incurred any massive or even matching expenditure for adapting or developing the borrowed and imported technology. Although industry has developed a greater awareness of utilising more of indigenous research, the total effort remains small in terms of resources.

A sample survey recently carried out has revealed that most of the industrial units in India have routine research and development cells or departments staffed with qualified scientists and engineers. Although the objectives of the research and development departments appear to be comprehensive, in practice, companies, barring a few exceptions, seem to prefer only those lines of activity where the effect can most easily be related to the original investment. In conse-

quence, the importance and even the functions of research and development departments in many firms, in a large measure, seem to be confined to routine developments. In keeping with the functional and financial limitations, the pattern of research undertaken by companies seems to concentrate largely on import substitution, including simple process improvements, substitution of raw materials and designing and manufacturing simple components for the machinery installed. Product innovation and development seem to be mainly confined to very large business groups.

While the Government claims that it has set up a number of organisations to promote research, the point to be noted is that the results are not being felt by the people for whose benefit it is intended. In other words, there is very little impact, and the work of these organisations remains good on paper. Even if this is a broad generalisation, it must be recognised that there is no proper co-ordination among various agencies of the Government with the result that there is avoidable duplication in the work. The commercial exploitation of research results is not being done on an adequate scale and the performance of the National Research Development Corporation is not spectacular. There is a big gap between India and the more developed countries in the field of technical know-how—a gap which has to be narrowed by a two-pronged drive of developing indigenous know-how and by adapting foreign know-how to Indian conditions. In this context, it is worth while to examine whether the Government's policy in respect of technical collaborations with foreign countries is sound.

It has been the experience of several industries that there is a

great deal of uncertainty concerning the commercial exploitation of new products. Equally discouraging is the fact that the import licensing procedures are not conducive to spending vast amounts on research. Research institutions have certainly faced difficulties in importing equipment and certain chemicals and raw materials. Whereas in Japan, imported technology often constitutes the nucleus of further advancement, in India, corresponding efforts are not made. The transfer of technology is today an international phenomenon like the movement of capital and it would be disastrous for any developing country to cut itself off from the system. It would be rewarding to prescribe minimum outlays on research and development by all companies which resort to the import of technology. It may be prescribed as a condition that an Indian company should spend on research and development at least as much as the cost of imported technology during the period of collaboration.

On the part of the Government, it should instruct its research organisations to maintain better liaison with industrial organisations. The relatively small size of an average plant is one of the reasons for the lack of research activity. The Government will have to step in in such cases. Although the A.R.C. had suggested that there should be a Ministry of Science and Technology, this has not found favour with the Government so far. Instead, some hotch-potch arrangements are being made. There is no sense of direction nor is there any attempt to place science and technology on a sound footing. Certainly, this will not inspire private industrial units. Will the Government correct this sad state of affairs?

A Muddled Eurodollar Market

TURBULENCE in the currency markets has again focussed attention on Eurodollars. In recent years international monetary instability has been associated with them. In April 1969, at the regular monthly meeting of the Bank for International Settlements in Basle, some central bankers argued for official action, through pressure on the American authorities, to regulate the Eurodollar market, but they were persuaded to leave the problem to

the Americans' discretion. Last month, just two years later, the B.I.S. meeting decided to appoint a special committee to study one important aspect of the problem—the artificial creation of monetary reserves through that market. It was a belated initiative of doubtful practical value.

However, the study will clarify the problem, by clarifying the mechanism of the market. A common definition of Eurodollars is dollars owned

by non-Americans and employed or deposited, initially, outside the U.S.A. Any other "expatriate" currency is relevant, but the market is designated Eurodollar because most of it is denominated in U.S. dollars. Continuing U.S. deficits, involving huge aggregate payments in dollars, have expanded the market's resources from approximately \$1,000 million to approximately \$50,000 million in little more than a decade. But not all of this growth is attributable to the U.S. deficits. Central banks that have accumulated dollars (from whatever causes—genuine payments surpluses, interest-rate differentials or speculative movements of funds) have employed some of them in the Eurodollar market. Whatever the purpose (to take advantage of relatively high rates or to depress rates as an act of policy), the effect of putting dollars into the market is to provide more resources that can find their way back into reserves. If the "new" reserves are similarly employed, the process of reserve-creation can continue indefinitely.

The B.I.S. should not need to study a process in which it has been an intermediary. The West German and British and other European central banks have deposited "surplus" dollars with the B.I.S., and the B.I.S. has employed them in the market, because rates there have been higher than those on U.S. Treasury bills. If they were invested in the U.S.A. these "expatriate" funds would be put out of circulation. It is a muddled pattern. The focal countries have been (negatively) the U.S.A. and (positively) West Germany. U.S. rates have been too low to attract the funds; West German rates have been high enough to attract them (borrowed Eurodollars have been switched into Deutschmarks and added to the Bundesbank's reserves); releases from reserves have replenished the market and kept Eurodollar rates below domestic levels (so maintaining the incentive to switch).

In this enormous market, the pattern can change dramatically. In 1969, when the U.S. administration was using high interest rates and restrictions on borrowing to restrain inflation, foreign branches of U.S. banks borrowed huge quantities of Eurodollars and transferred them to their parent banks, which could thus circumvent the restrictions. In 1970, when the administration reversed this policy to promote economic growth, the flood of dollars returned

on the ebb tide to Europe. The inflow complicated the problems of managing the U.S. economy, the outflow aggravated the troubles of the dollar; and the shifting mass of funds disturbed the world's monetary system. It is easier to argue that the Eurodollar market—the so-called "mindless monster"—must be controlled than to suggest methods that will effectively control it but not deprive it of its virtues. American-based banks were the principal developers of the market, and about two-thirds of it are still attributed to them, but London—where these banks are strongly represented—regards itself as the principal Eurodollar centre. Naturally, the idea of restricting the business finds no favour among commercial banks. Nor has the Bank of England—which is gratified by the growth of London's international business—shown the slightest inclination to restrict it.

At a recent conference in London, "Euro-finance in 1971", Mr. Minos Zombanakis, managing director of London-based merchant bank Manufacturers Hanover, acknowledged the complicating effect of the Eurodollar market on central banks' domestic policies, but he added: "I think it will also be fair to recognise that for many of them it has helped enormously in relieving temporary pressures on currencies and has naturally assisted their balance-of-payments problems". He said it had emerged as the largest international money market of the world, a truly free market where deposits and loans could be negotiated outside of national controls. Undoubtedly, it has benefited multinational corpora-

tions, whether temporarily employing surplus funds or borrowing for development (or acquisition). But the market is not truly international in the fullest sense. Governments of some smaller countries have borrowed in it, but its services as a supplier of capital are virtually confined to rich countries' big corporations. (Even British paper was suspect after Rolls-Royce collapsed.) And a market whose resources can be borrowed not only for "legitimate" business but alternatively for speculation in currencies is always a potential and sometimes an actual menace to financial stability.

Mr. Charles Stahl, American precious-metals economist, has proposed a "two-tier" system for dollars (analogous to the "two-tier" system for gold), whereby "financial dollars"—money exchanged for money—would be distinguished from "commercial dollars"—proceeds of commercial transactions—and only "commercial dollars" (accompanied by an affidavit declaring them as such) would be convertible into gold. "Financial dollars"—traded, naturally, at a discount—would not be acceptable as national reserves. Official American attempts to get more Eurodollars into U.S. Treasury bills may be evidence that the administration is aware of the risks of the moving mass—or, at least, of foreign central bankers' objection to its influence. Sceptics doubt that the related problems of inflation and monetary instability will be solved while the U.S. deficit puts large quantities of dollars into circulation or reserves. While the world is on "the dollar standard", only the Americans are competent to control "the mindless monster".

Shipping: Target within Sight

SHIPPING is one of the few fields in which the target laid down in the Fourth Plan is within sight. The Plan envisaged a tonnage of 3.5 million G.R.T., with another 500,000 G.R.T. on order. As against this, the operating tonnage at present is 2.4 million G.R.T. If one takes the firm orders placed and the proposals approved during the current year, these should yield an additional 1 million G.R.T. in another three years—which is approximately the same tonnage expected by the end of the Fourth Plan period. In addition to the firm orders and proposals approved, negotiations are under way to acquire tonnage amounting to 400,000

G.R.T. The credit for the silent progress in shipping should go to all the three parties concerned with its development—the Central Ministry of Shipping and Transport, the Shipping Corporation of India and the private shipping companies. The private and public sectors will, between themselves, be acquiring about 74 new vessels in the next three years at a cost of about Rs. 350 crores. This is no insignificant achievement, considering the country's foreign exchange resources position. Firm orders have been placed for about 49 vessels and proposals have been approved for the purchase of ten more. In other words, out of

the 74 to be bought in the next three years, the acquisition of 59 vessels is now a certainty. Negotiations are under way for the remaining 15 vessels.

In respect of acquisition, the Government has certain policy objectives. One of these is to foster both the public and private sectors, with the latter eventually owning about 50 per cent of the national tonnage. A major part of the additional tonnage to be acquired in the next three years will be in the public sector. Out of the 74 vessels to be acquired, 35 ships, accounting for a tonnage of about 715,000 G.R.T., will be in the public sector; private shipping firms have on order or are negotiating for the remaining 39 vessels which will account for a tonnage of about 644,000 G.R.T. The share of the public sector in the existing national tonnage of 2.4 million G.R.T. is about 36 per cent. With the addition of 1.4 million G.R.T. to the national tonnage in the next three years, the share of this sector is expected to increase to about 45 per cent.

Another aspect the Government has kept in mind while sanctioning the purchase of new vessels is the development of the indigenous shipbuilding capacity. Thus, out of the 49 ships for which firm orders have been placed, 18 are with the Hindustan Shipyard and Mazgaon Dock, the former getting 16 and the latter two. The Hindustan Shipyard will be building seven 22,000 G.R.T. vessels and nine others with a tonnage of 14,000 G.R.T. each. According to knowledgeable sources, the orders in hand should keep the Hindustan Shipyard busy throughout the current Plan period; some orders might also spill over into the next quinquennium. Yet another objective of the Government was to ensure that a major part of the bulk cargo, which forms 65 per cent of the country's total trade, was carried in Indian bottom. Hence the emphasis is on the acquisition of large tankers and bulk carriers. Among the 74 new vessels to be bought in the next three years, there will be 14 bulk carriers and large tankers.

The significant increase in the tonnage ordered in the current financial year was facilitated by the assistance extended by Britain (to purchase five vessels, including three bulk carriers), suppliers credit made available by Belgium and also the facilities given by Japan and West Germany. It is worth noting that Japanese shipbuilders, who once used to extend suppliers credit, have resumed the

practice. It is reported that negotiations between the shipping Corporation of India and Mitsubishi of Japan for a 126,000 G.R.T. bulk carrier are in an advanced stage—the largest vessel yet to be bought by India. Japan may have had other considerations in resuming suppliers credit for the purchase of ships. For instance, Japan is interested in Bailadilla ore and assistance to the S.C.I. to buy a large bulk carrier will be of some use to Japan if the ship is utilised to carry iron ore. Whatever the considerations,

the extension of suppliers credit to buy ships marks a welcome change in Japan's policy. At the moment only about 21 per cent of India's total trade is carried in her own ships. Every country can reasonably hope to carry about 60 per cent of its trade in its own ships. It may take some more time before India is able to reach this target, but with the acquisition of an additional 1.4 million G.R.T. in the next few years, India can hope to carry 40 per cent or 45 per cent of her total trade in her own bottoms.

CURRENT COMMENT

CAPITAL FORMATION

Plea for Pragmatism

With the rest of society, the business community has also come to expect great things from the new Government installed in New Delhi following the mid-term polls. Mr. K. K. Dutt, Managing Director of Place, Siddons and Gough (Private) Ltd, evidently spoke for a large section of business men when in a recent speech at the meeting of the Administrative Staff College Association, East Zone, in Calcutta, he said that the political stability in the country now provided the Prime Minister and her Government with ample opportunity for more pragmatic thinking on the larger economic issues.

While welcoming some of the recent statements made by the Prime Minister and other leaders of the Government on the economic situation, Mr. Dutt also underlined the many misgivings that still lurked in business circles. The prospect of a large deficit in the Central Budget to be presented by Mr. Y. B. Chavan this week and his earlier hint at a marked rise in tax incidence, unabated rise in prices and higher costs of inputs, tightening of bank credit to the larger industrial sector, the lag in savings and industrial production and the worsening finances of the Indian railways, among other things, continue to keep the investment perspective somewhat hazy. The stock markets thus are still feeling their way.

The real test of the new leadership, Mr. Dutt feels, lies in how far it succeeds in mobilising resources, both financial and human. The many promises made by the Party in power can be implemented only if adequate resources are quickly mobilised, if neces-

sary through recourse to unorthodox methods and bold political decisions. Mr. Dutt outlined three broad areas where such a beginning can be made. First, the vast potentialities of taxing income from agriculture and from urban land should be explored. Secondly, a climate of austerity should be actively cultivated all over the country, for this alone can raise the amount of savings, and through it, the amount of investment. And finally, the affluent sections should be persuaded to accept their social responsibilities in a spirit of enlightened self-interest and to make sacrifices in proportion to their affluence.

Nothing should be allowed to stand, Mr. Dutt feels, in the way of industrial development. And understandably, he is of the opinion that the new industrial licensing policy does not fulfil this test. It has greatly restricted the area for new investment by the larger organisations and has saddled them with too many restrictions. It is desirable, he feels, that entrepreneurs should be clearly told which industries they can set up, and once they get the letters of intent in these fields, there should be no other formalities and no more delays. The licensing process has to be streamlined.

Turning to West Bengal, Mr. Dutt observes that it would be better if the State Government concentrates on a few major issues, for too ambitious a programme may not make the right impact. The most immediate task is to improve the law and order situation and restore the badly shaken confidence of the business community. Side by side, public-sector investments in the State should be stepped up. During the last four or five years, neither the Central Government nor the Planning Commission has thought of setting up any large industrial unit in the

State. Haldia offers an ideal base for such investment, and in addition to the petro-chemical complex, which has been hanging fire for quite some time, a shipbuilding project, processing industries and a pig iron plant can be set up there.

The West Bengal Government has also to initiate immediate steps to ensure wider and better infra-structural facilities in the State. The formation of the Industrial Reconstruction Corporation with its headquarters in Calcutta—"the only positive indication of the Centre's anxiety about West Bengal's industrial development"—is welcome, but to be effective, it cannot confine its activities to reviving sick and closed units only, but must also give financial accommodation to the existing ones.

BANGLADESH

Two Phases of Struggle

The first phase of the liberation struggle of the people of Bangladesh is now over. For about two months, the almost unarmed Bangladesh people have been valiantly fighting against the brutal force of the Pakistani army, equipped to the teeth with sophisticated weapons. Except some big towns and cantonments, the entire Bangladesh was under the control of the Mukti Fauz (freedom fighters). The valiant fighters of East Bengal got plenty of lip support and sympathy from many. But there was little material help coming at a time when they needed this most to consolidate their position. A correspondent who had been to the liberated areas in Bangladesh said that "there were instances when a few sticks of dynamite could have blown up a bridge and halted the rush of the Pakistani soldiers. The absence of a jeep or a truck delayed the arrival of reinforcements of freedom fighters at the crucial moment at some other front. Lack of petrol in some areas immobilised whatever transport the liberation forces managed to get together".

The only country that could have probably aided the freedom fighters at that time in consolidating their position was India. But notwithstanding the assurance of full support and sympathy to the fighting people of Bangladesh, the Indian Government's approach was halting and hesitant. Apparently, the Government was more anxious to ensure that any help given went to "the right people". At a time when

an entire people was engaged in a life and death struggle, every minute counted. But it appears from all available reports that the Government of India waited for the "right people" to organise themselves. Unfortunately, those considered "right" by the Government were not always in the vanguard of the liberation struggle. Many of them were unequal to the task of leading an armed struggle and the leadership in many sectors passed to those who were not considered the "right type" by New Delhi.

The military junta of Pakistan apparently understood the dilemma of the Government of India and did not lose any time in bringing under its control the vital areas. While carrying out its military operation, the Pakistani rulers involved India in a diplomatic skirmish so as to deflect the world attention from the genocidal war. By this masterly stroke, Pakistan gained some advantages. Its army dislodged the ill-equipped liberation forces from almost all the areas and forced over three million refugees upon India, creating a gigantic economic problem for her. A situation which with a little bit of imagination and boldness could have been turned to India's favour is now going to be a source of concern for a long time to come. Pakistan is likely to squeeze out a larger number of its people from East Bengal with the obvious intention of reducing the population of its eastern wing. The refugees are unlikely to return to their homes till the West Pakistani forces are withdrawn from East Bengal. But there is no immediate prospect for that.

Reports from Bangladesh suggest that the second phase of the liberation movement there is proceeding along expected lines. The Mukti Fauz has now taken to guerrilla warfare, harassing a tired army in a hostile terrain and disrupting the communication system which, according to the East Bengal Military Administrator, would take a year to be restored to normality in "a favourable condition". In a guerrilla warfare, spectacular victory is unlikely; it is a war of attrition, slowly bleeding the Pakistanis. The economy of Pakistan is already showing signs of strain and cracking. Pakistan, if unaided by the Big Powers, will find it impossible to maintain a huge occupation force in Bangladesh. The present phase is going to be more difficult for the liberation forces. In a prolonged and protracted warfare, the leadership generally slips to the extremists. And a Bangladesh, liberated under an extremist leadership, is unlikely to be friendly to India. The

foreign policy of a country is shaped by its national interest. India's interest demands that there should be a friendly Government across its eastern border.

CENTRAL BUDGET

Taxing Farm Income

A pre-Budget memorandum submitted to the Central Finance Minister by the Merchants' Chamber of Commerce, Calcutta, has suggested that agricultural income above Rs. 20,000 should be brought within the purview of income-tax, if necessary, by amendment of the Constitution. It has pointed out that while on an estimated annual income of the non-agricultural sector of Rs. 17,000 crores, the burden of income-tax is Rs. 786 crores, the agricultural sector with an income of Rs. 5,000 crores bears the income-tax burden of Rs. 11 crores only. This, according to the Chamber, is too glaring an inequity.

Referring to the different rates of tax on different types of companies, the Chamber feels that this practice has no justification. There is also no reason why there should be high rates of taxes on trading companies as they play no less an important rôle than the industrial ones. Urging rationalisation in the tax rates structure for the corporate sector, the Chamber has suggested that the rates of tax should be stabilised at 55 per cent on all types of companies.

On personal taxation, the Chamber has pointed out that the present marginal rate of income-tax at 93.5 per cent, together with the rate of wealth tax in the case of assesses falling within the highest slab, being too harsh and burdensome, there is an urgent necessity for reducing the rates of taxation and fixing a ceiling on total taxes. This is particularly important in the case of middle-class people having an income up to Rs. 50,000 as the bulk of private savings is from the small savings of these categories of assesses.

AIRPORT DEVELOPMENT

Consultancy Service

Air traffic all over the world has been increasing at a rapid pace. It has reached a stage where it is almost doubling every five years. It has become necessary to redesign airport ter-

minals in order to ensure a smooth passage from air to surface mode of transport and *vice versa*. Since the new airport complexes in Bombay, Delhi and Madras are to be constructed on the basis of the recommendations of the high-powered International Airports Committee (appointed in 1967) to meet the requirements of the new generation of aircraft, the Central Government has decided to engage Airport de Paris as consultants. The French consultants will produce the master plans, detailed drawings and technical reports for the three airports in about a year. It will develop the plans for the terminal units in association with Indian architects.

Dr. Karan Singh, Central Minister of Tourism and Civil Aviation, is anxious that since the development of airports envisages an overall outlay of Rs. 50 crores, the most advanced design concept should be obtained. He would like the airports to be more utility-orientated with provisions for extension. For this purpose, the Government has requisitioned the services of the world-famous Dr. Buckminster Fuller. Designing a passenger terminal is a highly complex subject. The

failure to recognise and appreciate the complexity has led to costly errors at many of the international airports in the past. In view of the enormous increase in the carrying capacity of an aircraft, the design of the passenger terminal has to be such that there will be no bottleneck to smooth and quick flow of traffic.

INCOME-TAX RETURNS

Simplifications Needed

The President of the Calcutta Trades Association, Mr. N. K. Jalan, has welcomed the decision of the Government of India to repose confidence in the assessee as indicated in the Central Finance Ministry's Press release that income-tax assessments from 1971-72 would be normally completed on the basis of the assessee's returns without calling him or his books of account. In this connection, he has commented that the assessee used to be looked upon in the past with suspicion and this change in attitude is sure to pay rich dividends to the Government in the long run. Mr. Jalan has, however, regretted that the previous depart-

mental instruction to accept returns up to Rs. 15,000 was honoured more in the breach. If salaried assessee are excluded, the percentage of assessments according to returns up to Rs. 15,000 without calling the assessee would not even come to 5.

The attempt hitherto to attract a larger number of tax payers who are scared of income-tax proceedings and avoid filing any returns at all by all sorts of dubious means has not resulted in any success. There are nearly 40 millions of non-agricultural families in this country while the total assessee, excluding the number of doubly taxed assessee, registered firms and partners, etcetera, would hardly exceed 2 million. Thus, only 5 per cent of the families have hitherto been brought within the purview of direct taxation which, from the modern standards of taxation in other countries, is very low. Mr. Jalan feels that if the taxation rules were simplified and the vexatious taxation proceedings and uncalled for additions and penalisation eliminated, the percentage of assessee would certainly go up considerably and would result in a much higher revenue yield to the Government in the long run.

MONEY MARKET

Call Rate Declines

The short-term money market has eased considerably during the past week, and the call rate has come down from 5½ per cent to 4½ per cent with stray lots being done at 4 per cent. The demand for remittances has been limited. The supply of gunny bills has been nominal while that of tea bills has been small. The pound-sterling has been steady against most major foreign currencies during the week.

The latest statement of the Reserve Bank of India for the week ended 14th May, 1971, shows a rise of Rs. 35.60 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 228.31 crores, compared with the previous week. Their borrowings from the Bank have increased by Rs. 2.74 crores to Rs. 208.19 crores, of which advances against usance bills have amounted to Rs. 99.30 crores, against Rs. 102.72 crores. Balances held abroad by the Reserve Bank in the Banking Department show a rise of Rs. 3.26 crores to Rs. 73.03 crores.

A Ditcher's Diary

IT IS FASHIONABLE IN INDIA TO quote Yeats and complain of things falling apart, though it will be surprising if the Centre cannot hold even after the massive accretion of strength in March. But things are really falling down: not merely the bridges blown up in East Bengal. Almost everything seems to be crumbling in Calcutta and the surrounding industrial belt. Last Friday was perhaps the first really hot and sultry day in the season, and I was in bed with a minor illness. The fans stopped at 9.30 in the morning, announcing another power failure in the area. It was an hour and a half before the ordeal was over. But around 6.30 in the evening, the lights went out and the fans slowed down to a dead halt. This time it took an hour for power supply to be restored. Lest one should think that such agony was to be experienced only occasionally, the Calcutta Electric Supply Corporation announced on Sunday that "interruptions may be expected" according to a schedule of areas and periods. It appears that for three days in a week people must be prepared to be without electricity for three hours in the morning, two hours in the afternoon, and three hours in the evening. I do not know who is responsible for this shocking state of affairs; I can only say that this sort of thing is hardly calculated to inspire confidence in the "system" as a whole. Maybe, the breakdowns are a consequence of attempts to subvert the system; but as a citizen I expect the administra-

tion to look after that problem. The more I see of the administration, the more I despair of its ability to look after anything. The railways have long been finding it impossible to maintain normal services through West Bengal; the posting of Army and C.R.P. personnel at some endemic trouble spots may reduce some of the lawless activity conducted in the open, but the roots of the problem will remain. People have become so cynical that few can have been thrilled to learn that spending on development projects in the Calcutta metropolitan area may be doubled this year. What exactly has been done so far with these projects? One or two patches of prominent roads may have been widened, but this sort of face-lift will not hide the many ugly sores. Indeed, the whole city is one festering wound; the contrived glitter here and there merely makes the sight more hideous. And wait for a month or so for the refugees herded in border camps to start trekking to this stiflingly congested metropolis for shelter in parks or on pavements, which they may consider safer than the muddy fields in the rain-sodden countryside.

THE UNEXPECTEDLY LARGE SWING back to Labour in Britain's recent local elections has been shrugged off by Mr. Heath and his team at Westminster with admirable nonchalance. Admirable, that is, unless you are inclined to the view that the notori-

ous unflappability of Conservative Ministries is really impenetrability. After all, the main complaint about Mr. Heath and his Tories in power is their studied indifference to all despairing calls for prompt action to deal with this, that and the other. This is what Mr. Heath called before last year's election "a different style of Government", and which his Ministers now say is "holding firmly to long-term policies". But to an electorate, suffering even more severely from the rising prices Mr. Heath promised to reduce, faced with growing unemployment and nervous about going into Europe, it all seems much like the old-style Tory indifference to the interests of those who have returned the Party to power. At any rate, this appears to be the verdict of the recent elections, and there are those who are saying that the Conservatives would do well to heed it even if they have a maximum of four more years before they need seek a fresh mandate. At this stage in Britain's history, it would be difficult for any Government to redeem the kind of promises—explicit and otherwise—that are necessary to win a democratic election. There is no doubt that Mr. Heath knew this even before his victory last June, and that he is relying on his Government's long-term record to put things right before the next resort to the polls. But although he could eventually be vindicated, there is no doubt that this is the kind of attitude that is feeding the disillusionment which seems to be affecting the British electorate at the general way the country is run whichever Party is in power. Besides, the ordinary voter is not alone in feeling that without radical

TECHNICAL EDUCATION

OVER a quarter of a century ago the necessity for promoting and encouraging technical education was recognised by the Government of India and the co-operation of all Local Governments and administrations was invited in this direction. The subject was brought into prominence by the pressure of two sets of considerations which, though cognate, were yet not identical. In the first place, it was recognised that useful and practical knowledge suited to every station in life which could be conveyed to the great masses of the populace was not attained by a State education purely literary in character and tending too exclusively towards literary culture. In order to remedy this drawback, the Government of India suggested the introduction of a secondary school course, where the study of the natural sciences and the cultivation of the faculty of observing and reasoning from observation and experiment would be encouraged

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enabling youth to qualify themselves for industrial or commercial careers. In other words, it was accepted as a desideratum and accordingly recommended that studies which may incline towards the application of natural science and to scientific research should not be neglected in favour of a purely literary course. The other consideration which brought this question into prominence was intimately connected with the needs of industrial occupation for a population rapidly outgrowing the means of support supplied by a too conservative system of agriculture. There was also the necessity for scientific methods to develop the natural resources of the country and to improve its agriculture, its products and manufactures, so that they may better hold their place in the markets of the world, where competition is carried on with an intensity of purpose which may well be compared with the conditions of warfare.



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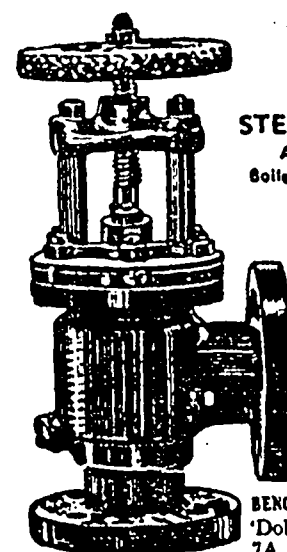
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changes of current policy, there is no hope of bringing inflation under control, the main promise on which the Conservative Government was elected. And unless it is, there is no chance for the long-term objectives anyway.

THE SENSATIONALISM OF THE American space programme used to exasperate me, as it did many people scientifically much more knowledgeable. The P. R. boys exploited the human drama on a prodigious scale; even some senior scientists on the staff of the National Aeronautics and Space Administration resented the colossal gimmickry. In fact, some of them resigned because truly scientific objectives were being neglected for the sake of fabulously expensive human adventures. But now I am beginning to feel really sorry for people in the U.S. space business. Things started going wrong about a year ago when Apollo-13 was involved in a major accident. Doubts about manned flights to the moon, let alone the planets, began to grow; and drastic budgetary cuts led to a pruning of the Apollo programme while preventing expansion in fields which even orthodox scientists considered promising. Apollo-14 last February was also dogged by a series of difficulties in the initial stages; in any case, there was nothing very exciting about a repeat performance. And then on 8th May, Mariner-8 plunged into the Atlantic soon after its launching, upsetting not only the schedule for Mariner-9 but the entire programme for the exploration of Mars by spacecraft orbiting the planet. N.A.S.A. must have found these failures particularly galling because the Russians have in the meantime been forging ahead in space with remote-controlled craft. Whether they ever tried to land a man on the moon may never be known; but their unmanned spacecraft have performed miracles. One returned to earth with samples of lunar soil and rock; another landed a jeep-like vehicle on the moon's surface, and for over six months Lunokhod-1 moved about the surface during the long lunar days while going to sleep during the equally long nights. And now a Russian spacecraft is on its way to Mars. Although the Russians have not said what it will do, I shall not be surprised if it does land on the "Red Planet"; after all, a Russian spacecraft was the first to land on another planet; Venera-7 even transmitted data to

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earth from the surface of Venus. None of this, however, means that the Americans have permanently lost the race. As a matter of fact, the idea of a race is wrong; the American and Russian programmes could play highly useful supplementary rôles. Even in purely scientific terms, the American programme has yielded extremely valuable results; the distortion of overall aims caused by the extravagance of the man-on-the-moon project can easily be corrected.

THERE HAS BEEN A FAINT WHIFF OF nostalgia about the recent revival of commercial interest in the airship which, although no surprise, could probably be misleading. Personally, I have never doubted that there is a future in the airship, not since the replacement of hydrogen by helium, that is. Now one gathers that close studies of airships as a modern form of cargo-carrying transport are being conducted in Japan, West Germany, Britain and Russia. The latter country is reported already to be using them for timber lifting in the *tiagra* regions of central Asia while at least one company in Britain is going into the potentiality of airships in relieving an overburdened road system of traffic-stopping heavy loads. This is comparatively small stuff, however. In the longer run, or so the enthusiasts maintain, the airship could equally be the answer to the world's overcrowded shipping lines as to the mounting cost of land surface transport. Moreover, it has an in-built advantage in this increasingly environment-conscious world because it makes little noise and has practically no emission. It is relatively safe, too, which could recom-

mend it as a form of cheap, medium-distance passenger transport. In fact, about the only advantage the enthusiasts are not claiming is as an answer to the problem of commuting to and from large cities. If it all sounds too good to be true, then that is something which could well emerge from these various studies now being undertaken. The trouble is that most of them will probably take insufficient notice of the "external diseconomies"—as an economist would call them—of alternative forms of transport.

NEW DELHI'S SEEMING CONFIDENCE that the refugee problem will disappear within six months may have given the impression that it knows how it will be possible to send the refugees back to their homes in East Bengal. As I have said before, they can go back only to an East Bengal that has been freed from West Pakistani rule; but even the most optimistic supporters of the freedom struggle cannot expect the "liberation forces" beating the Pakistani armed forces decisively within the next six months. Will India herself, then, act in order to create conditions in which the refugees can return to East Bengal? And will this mean war? Official spokesmen are understandably unwilling even to mention this possibility; but journalists are less inhibited, and at least one foreign correspondent thinks that the slightest incident could now start a full-scale war. Indeed, the correspondent's report is dramatically headlined: "India and Pakistan on Brink of War as Troops Move to Border". This seems a highly exaggerated view. The hawkish argu-

ment may be that, since the refugee problem will be an unbearable burden, it would be cheaper in the long run for India to move into East Bengal to restore order so that the refugees might go back. But I cannot see Mrs. Gandhi or any of her senior colleagues readily accepting this argument; the international implications of military intervention are bound to be very closely weighed. I suspect that New Delhi still does not know how the refugee problem can be solved; nor has it worked out its own course of action in trying to find a solution. If there is an armed conflict, it will be more by the pressure of unforeseen events than by design and consequent planning. New Delhi has always had a habit of reacting to events as they occur from day to day instead of responding to a situation after assessing it as a whole. It may be driven into a war; it is hardly likely to choose a war as an instrument of policy. The military preparations near East Bengal's borders are the result of a natural defensive reflex; I greatly doubt if they reflect any kind of positive decision. Such reflexes, however, are reassuring; nothing would be worse than to be involved in a conflict without preparation. I do not think that there is much conscious preparation, precisely because there is no clear decision; and, in such a situation, a decision can be forced only by sufficient provocation. It is, therefore, more important to find out if Pakistan wants to provoke India into an armed conflict. Islamabad has little to gain from such a course; but desperation can breed recklessness.

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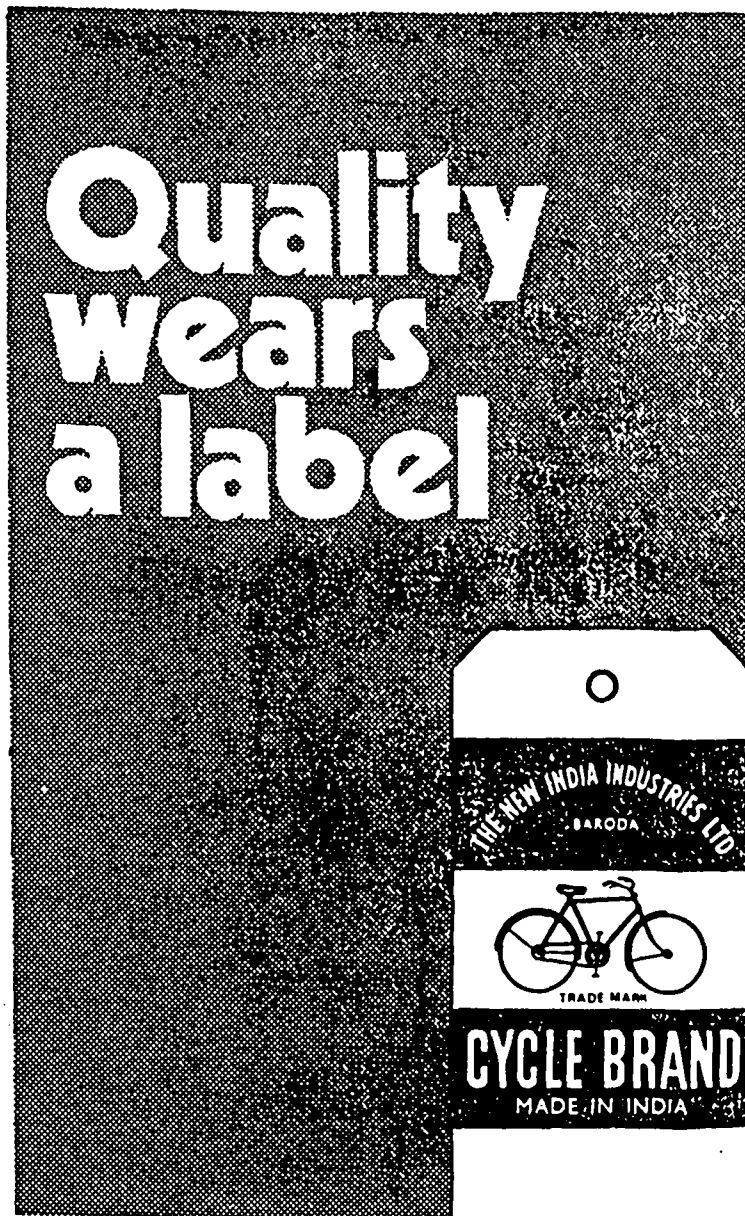
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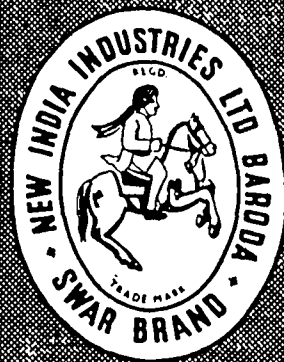
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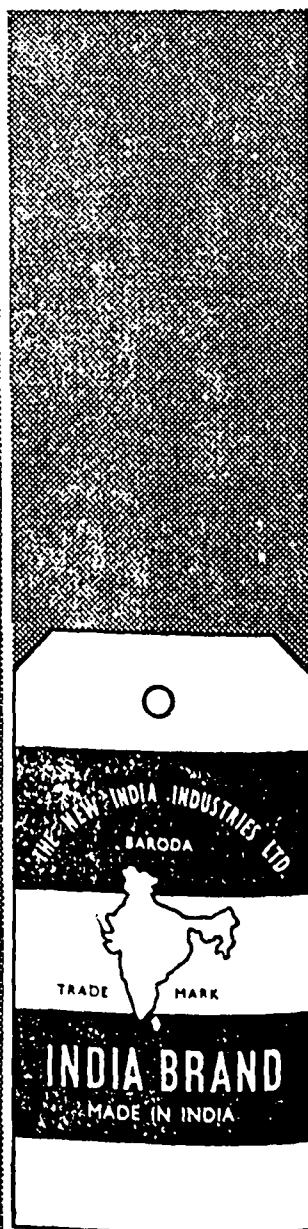
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MANAGEMENT

Do Computers Help Management in Decision-making?

By R. K. Nandy

The installation of a computer does not automatically bring down the cost of data processing work. Its economy lies in the fact that by performing routine work accurately and with a fantastic speed, it helps the management from many worries and allows it to perform its work more efficiently.

TWENTY years have passed since the first commercial electronic computer was manufactured in 1951 in the U.S.A. Now the uses of a computer are too well known. It is fast and accurate in calculations and is capable of arriving at logical decisions. Quite a few electronic computers are now in use in India. The first computer based entirely on Indian technical know-how has just been manufactured in India by the Electronic Corporation of India Ltd.—a State-owned enterprise. But the storm raised about ten years ago when the first computer was introduced in the country has not yet blown over. Computerisation of an organisation largely affects the workers of the middle rung. It is ironical that labour and workers' unions have taken up the cudgels against it.

Direct Benefits

The technical executives and managers are, by and large, convinced about the direct benefits to be derived from computers. In a country like India where there is large-scale unemployment, it is essential that a labour-intensive recruitment policy should be followed without affecting the economic viability of an organisation. From the experience of other countries, both big and small, who have taken to computerisation, it is now an established fact that a computer does not render administrative personnel surplus but profitably utilises an increasing number of highly qualified middle management people. It can be stated without the least hesitation that there is no cause whatsoever of apprehension that the employment opportunities will dwindle in the wake of large-scale computerisation. The ques-

tion is: Should an organisation increase the number of clerks? Actually, computerisation promises to change the lot of clerks by turning them into better administrative people. The ultimate gain for the nation as a whole is that it will have a larger number of better trained and better experienced people. This gain should not be lost sight of.

There are two types of electronic digital computers. Computers which are used for solving some specific problems are called special-purpose computers and those which are used for solving a variety of problems are called general-purpose digital computers. This article will deal with general-purpose computers only.

Speed and Accuracy

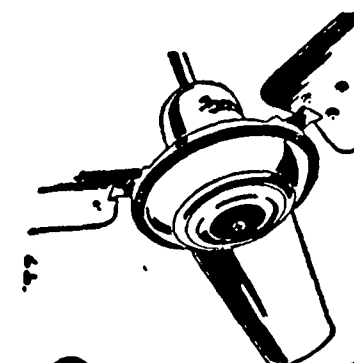
The function of a computer depends on how it is intended to be utilised. For business and industry, it can perform routine work with speed and accuracy. Since it needs minimum human intervention, the accuracy in work is higher, and the introduction of transistors and integrated circuitry in computer hardware has minimised its failure rate. The preparation of statement of periodical accounts, workers' wage bills, agents' commission on sale, inventory and production control are but a few of the scores of applications in business and industry for which a computer can be profitably used. It can provide the management with information required for decisions, which is widely called Management Information Systems (M.I.S.). The success or failure of a business is dependent on various decisions of the management. On presenting some logical constraints, the computer itself will make the decision, thereby considerably reducing the burden inherent in decision-making. The management will thus get more time for other work.

India is a populous country with a potentially big home market. There is full Government control over the country's economic activity by way of

various economic policies. With greater emphasis on industrialisation, the competition in the home market will grow. To exploit the export-oriented industrial policy of the Government, an organisation has to frame its investment policy in a way that a judicious capital investment on computers will enable it to compete successfully in the world market. Successful application of sophisticated techniques such as Critical Path Method (C.P.M.), Program Evaluation and Review Technique (P.E.R.T.), Operation Research, and Simulation Techniques, will enable an entrepreneur to produce superior quality products at a lower production cost.

Research and Development

The production of quality goods involves the introduction of technological innovations and inventions. This is possible only through Research and Development (R. & D.) activity. R & D activity demands a steady supply of qualified scientists and technologists, of which fortunately there is no dearth in this country. Thus, a new avenue for employment will be thrown open. Secondly, in order to maintain the cost of production at a lower level and



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at the same time to maintain a higher level of profit, the expenditure on salary-head should be the minimum but attractive enough for qualified persons. A higher profit can augment capital by way of accumulation in the reserve fund of an enterprise. As a result, there will be a natural tendency to expand or to diversify activity, thus generating further employment opportunities. This argument is based on the human psychology that there is no limit for ambition.

During the transition period of computerisation, some clerical and administrative staff may be found surplus, but by imparting training to them, they can be groomed to fit into new rôles. Thus, typists and supervisors can be trained as operators and console operators, some can be trained as librarians to maintain files containing information. To be economically viable, a computer system must be kept busy on a shift basis which will create a further need for computer operators. There will be jobs like programming and system analysis for qualified and intelligent staff.

As things are, there is a very limited R & D activity within industries and specially within the private sector where it is mainly confined to pharmaceuticals, fine chemicals and the textile industries. The absence of widespread R & D activity is solely due to the existence of monopolies and sellers dominating the domestic market. An increase in industrial production and the creation of new industries will turn the table in favour of buyers. R & D activities will bring other benefits also. There exists large-scale smuggling in foreign consumer durables, such as tape recorders, transistors and watches. By striving for the production of better quality goods and introducing innovations at cheaper prices and in sufficient number should be the strategy against smuggling.

Technological Transfer

A brief reference to the subject of "Technological Transfer" will not be out of place here. There has been a gradual awareness within the Government machinery against the wholesale borrowing of technical know-how from more advanced countries. Some industrialists, however, do not subscribe to this view. In India, R & D activity

is mainly the responsibility of the Government through certain agencies, such as the Council of Scientific and Industrial Research, Indian Council of Agricultural Research, Bhaba Atomic Research Centre, Indian Council of Medical Research, Defence Science Laboratory and a few more. Higher educational institutions, such as the I.I.T.s, Indian Statistical Institute, Indian Institute of Science and the network of universities spread over the country conduct basic and applied research. Added to this list, there are a few private research organisations, such as the Indian Association for the Cultivation of Science and the Tata Institute of Fundamental Research. Computer helps in a big way by solving various numerical problems. It has ushered in a new era by providing a means for solving problems which otherwise would have been well-nigh impossible.

The successful implementation of the Government's policies demands reliable quantitative data on the country's population. But who else can provide the Government with reliable data about the population other than a computer. The possession of information or possession of data in itself has no meaning unless it is processed and brought to the stage of analysis and interpretation. So it turns out that data processing and information storage and retrieval are major problems in Government departments. The enormous capability of a computer makes one wonder whether the existing volume of work together with that which is expected to be generated in the near future on account of computerisation will be sufficient to keep the computer busy. If the workload is found to be insufficient, then an arrangement will have to be made on a time-sharing basis with other departments. Because of the high rate of obsolescence and huge capital investment, a novel system has been developed by which a computer system situated at a central place is connected to different users by telelinks. This system is very popular in the U.S.A. and Japan. It may also prove to be a success in India.

The installation of a computer does not automatically bring down the cost of data processing work. Its economy lies in the fact that by performing routine work accurately and with a fantastic speed, it frees the management from many worries and allows it to perform its work more efficiently. Research problems, involving complicated and time-consuming calculations, need no longer be shelved.

SPECIAL ARTICLES

Grave Implications of the Politics of Toppling Game

By M. B. Lal

In its post-election euphoria, the Central leadership fails to realise the grave implications of the toppling game. The Party is now a divided house in many States following its bid to dislodge the Opposition parties from power.

THE Prime Minister, Mrs. Indira Gandhi, is biting more than she can chew. The haste with which the Congress (R) has been toppling Governments in the States may not be entirely to its advantage. Quality is being sacrificed to quantity. The ambitions of local party bosses are being allowed to override larger considerations of national policy. With surprising speed, the Congress (R) is assuming the old amorphous shape of the undivided Congress once again. Whatever the objectives of the Party High Command, for the units in the States power is once again the means as well as the end.

This seems a rather harsh and sweeping comment on a Party which has only recently won a sweeping victory at the polls indicating the people's full faith in it. But it will be to the Congress (R)'s own advantage not to waste the slippery asset of public goodwill to suit the short-term gains of its minions many of whom may be no more than birds of passage. In recent years, the Indian electorate has shown itself to be highly temperamental and would not forgive trifling with its emotions even by its most loved leaders like Mrs. Gandhi. Perhaps no one realises it more than the Prime Minister herself that there are limits beyond which it would be dangerous for her to allow her name to be exploited by her Partymen. That perhaps explains why she chose to remain aloof from the recent municipal elections in Delhi. This must have contributed partly to its defeat.

But this caution is not enough. In the States there seems to be a scramble among power hungry politicians in other parties to jump on Mrs. Gandhi's bandwagon. The only precaution that Mrs. Gandhi seems to be taking so far is to refuse to give a

lift to her erstwhile political foes like Mr. Biju Patnaik who could in course of time become centres of power and cause headaches for her. She does not seem equally anxious to discourage opportunists of another kind—people who would be content to play a second fiddle as long as they continue to have a share in the spoils of power. There could be no other explanation for the speed with which large hordes of M.L.A.s of other parties in various States have been allowed to cross over to the Congress (R) and topple the Governments there.

The latest example is Gujarat. It is now clear that the Hitenra Desai Ministry came to power for a second brief spell—shortly after its fall following the elections—not due to the generosity or principled stand of the Congress (R) but for the Party's internal dissensions. Its members were not happy with the then leader, Mr. Ghia, and did not want to see him become the Chief Minister. Mr. Ghia was hastily replaced by Mr. Patel and the toppling game ensued with renewed vigour.

The Congress (R) leaders seem to feel that the defectors in Mysore and Gujarat will become honourable politicians—with the stigma of defection removed from them—once they have been made to go through the test of fire in the shape of fresh elections. This may not be quite true. Defectors are like alcoholics. They are power drunk. It is difficult to imagine how a Government formed largely with the help of such elements would be seriously wedded to the social objectives of Mrs. Gandhi. In the country's biggest State—Uttar Pradesh—even the subterfuge of elections has been given up. A Government whose mainstay is a mass of defectors has been ushered in with unseemly haste under a leader who has earned a reputation for political bungling.

The Congress (R) units in the few States that are still ruled by other parties are becoming restless to get

to power. They want the relaxation of the few "principles" that still remain against what is considered unscrupulous detections. In Punjab, for instance, the State leaders of the Congress (R) have worked out a plan to topple the Akali Ministry headed by Mr. P. S. Badal and replace it by a Ministry most of whose members will be Akali defectors. On the face of it, the Congress (R) is far from being eligible to hold power in Punjab, having only 29 members in a house of 104. The Akalis have twice that number and expect the backing of the six-member Jana Sangh group which would do all it can to prevent the Congress (R) from pulling off a coup. But such is the frame of mind of the Congressmen that they are confident of splitting the Akali Party in the middle. Similar attitudes are to be seen in Bihar, one of the few remaining outposts of non-Congress (R) Governments in the country.

In its post-elections euphoria, the Central leadership of the Congress (R) does not seem to comprehend the full magnitude of the danger inherent in this toppling game. It must remember that India is a federal and multi-national country in which the State Governments have to play as vital a rôle in achieving social objectives as the Centre. If the States fail, the Centre cannot succeed. It would be more useful, therefore, for the Central leadership of the Party to have control of a few States and use the Party's authority to enforce its policies there than to spread its sway over a nebulous mass of unbridled politicians who believe in the pursuit of power for its own sake.

The result of this drive to capture power, by fair means or foul, is that the goals before the Party have become dim. And, as always happens in such situations, in almost every State the Party is once again a house divided. Nearly every State unit has a dominant group and a dissident group. For all practical purposes, short of voting in the Assembly, the dissident group behaves like an Opposition party. It has to be pacified all the time to keep its mouth shut. The defectors who have recently joined the Party derive maximum benefit from this infighting. Behaving outwardly as "disciplined soldiers" of Mrs. Gandhi's new army of socialists, they find the atmosphere congenial for playing



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their old game of playing one group against another.

Mrs. Gandhi and her colleagues at the Centre might in their own interest ponder over the long-term impact on their Party's image of the policy of allowing such self-styled

The U.N.I.D.O.'s New Role Widens Indian Investment Possibilities in Asia and Africa

(FROM A NEW DELHI CORRESPONDENT)

A special international conference in Vienna in the first week of June will chalk out the U.N.I.D.O.'s new rôle as a promoter of investment in Asia and Africa during the second Development Decade. India has much to gain from this move.

A SPECIAL international conference is going to be held in Vienna from 1st June to 8th June to discuss the rôle of the U.N. Industrial Development Organisation during the second Development Decade. The U.N.I.D.O. has involved itself in a new area of activity—that of investment promotion in Asia and Africa. And India will press for a more important place for this new kind of function by the U.N.I.D.O. during the current decade. Exercises in this new area involve action by the U.N.I.D.O. as an intermediary between individuals and enterprises of developed and developing countries and for bringing together buyers and suppliers of various inputs needed in industry, such as capital resources, equipment, know-how and training facilities. This is done in the hope that exchange of such information on the possibilities of investment will lead to detailed negotiations later on.

In September 1970, the U.N.I.D.O., in co-operation with the Economic Commission for Asia and the Far East, organised an investment promotion meeting in Manila where private parties with project proposals were brought in touch with possible investors from developed countries. Another conference on promotion of industrial projects in Africa, jointly sponsored by the U.N.I.D.O., the African Development Bank and the Economic Commission for Africa, was held in Nairobi from 30th November to 4th December, 1970.

socialists to rule the States in the name of the Prime Minister, the high sounding principles of the Congress (R) and socialism. It might have been better for the Congress (R) to let a few States be run by the Opposition parties, thereby allowing the people to feel the difference.

Although it is not possible to assess right now the success of such exercises by the U.N.I.D.O. in specific terms, it is clear from the Manila and Nairobi deliberations that there are enormous possibilities for Indian investments in south-east Asia and in some African countries. This is because India, although technically classifiable as a developing country, has achieved, in some selected sectors at least, degrees of expertise of the developed nations. There is scope for, and considerable keenness on the part of, Indian entrepreneurs to invest in projects abroad through exports of machinery and know-how.

It is, however, necessary to ensure that overseas investments are permitted only in such fields where there are surplus machinery capacity and where the internal demand for a product is already largely covered. It is also necessary to exercise a degree of selectivity in order to ensure that India's image in joint ventures abroad remains unsullied. Both these considerations necessitate that if joint ventures abroad with Indian participation are to be actively encouraged, this should be done on a well-planned and co-ordinated basis. Over a period of time, such enterprises will strengthen not only the economic bonds between India and these developing countries, but also India's own economic and industrial development programme.

In all, 30 countries—14 developing ones from Asia and 16 developed ones from all over the world—were represented at the Manila meeting. In Nairobi, the 23 African countries which participated put forward a large number of industrial projects. Prior to these meetings, the U.N.I.D.O. had requested various developing economies in Asia and Africa to

sponsor specific industrial projects, along with the relevant information and project sheets, for which they would like to have external finances and/or know-how. India sponsored 36 projects for the Manila conference. These mainly covered various petrochemical items, such as caprolactum, polypropylene, polyols and polyethers, P.V.S. stabilisers and specialised machinery. In Manila she presented a list of projects that might be set up in this country for which foreign assistance was welcome and also indicated where she can offer financial and technical assistance to the less developed countries in south-east Asia.

In Nairobi, India enumerated the know-how and machinery she can supply for projects in Africa. At both meetings, the Indian delegation led by Rana K. D. N. Singh, Joint Secretary to the Central Ministry of Industrial Development, explained the broad features of the country's national policies on foreign investment and collaboration and joint ventures, etcetera. The 20-odd Indian industrialists present at these sessions also evinced considerable interest in the various projects sponsored by other countries, and fairly fruitful discussions were initiated on a number of them. The response received from many Asian countries in respect of possible Indian investment was very positive and favourable, particularly from Indonesia, the Philippines, Fiji and Malaysia.

How many of these units will actually be set up remains to be seen. About 12 projects, including pulp plants in Indonesia and the Philippines, textile mills in Indonesia, fruit canning, brewery and textile plants in Fiji, food canning in Malaysia and plywood production in Nepal, are being followed up. The discussion in Nairobi related to the setting up of a clinker plant in Ghana, a solvent extraction plant in Ethiopia, a cement plant and study of iron ore deposits in Morocco, and synthetic adhesives and formaldehyde-cum-paraformaldehyde units, and sulphuric acid, ammonia sulphate and copper exychloride projects in Kenya, etcetera. The conferences underline the enormous possibilities of Indian investment in Asia and in some countries of Africa. A beginning has already been made with Kirloskar's scheme for diesel engine and pumps manufacture in the Philippines.

West Bengal's Industrial Development : Need for Reviewing Incentives Scheme

(BY A SPECIAL CORRESPONDENT)

The Government of India has singled out four districts in West Bengal as backward and offered special incentives for starting industries there. But neither are the incentives enough nor are the other districts much more industrially developed. The entire incentives scheme thus needs to be re-examined.

BUSINESS organisations in Calcutta have recently suggested that the Government of India should declare the whole of West Bengal as a "backward" area for purposes of giving investment incentives. It will be recalled that last year, the Government of India identified four districts in West Bengal as "backward" and offered some special incentives for those who set up industries there. These districts were Purulia, Bankura, Midnapur and Darjeeling. The new industrial units which are established in these districts have been made eligible for a subsidy, amounting to 10 per cent, provided the total fixed capital investment in each unit does not exceed Rs. 50 lakhs.

It is not clear on what criteria these four districts alone were chosen for this kind of special treatment. An analysis of industrial statistics in West Bengal shows that most other districts also are almost as "backward" as the four so identified by the Government. For example, in 1968, out of 5,737 registered working factories in West Bengal, Purulia had 46, Bankura 63, Midnapur 93 and Darjeeling 168. In some other districts, the number of registered factories was even fewer. For example, in Murshidabad in 1968 there were only 19 working factories, there were only 12 in Malda 12, in Cooch Behar 12 and in Birbhum 17.

It is also significant that in 1957 some of the districts in West Bengal had more factories than in 1968. For example, Murshidabad had 20 factories in 1957 but only 19 in 1968, and in 1957 but only 19 in 1968, and in West Dinajpur had 34, against 32. In Cooch Behar the number of factories in 1957 was 12 which was the same as in 1968. It is true that in some districts like Howrah and 24-some Parganas, there has been a large

number of factories but even here the progress has not been steady. For instance, in 1966, Howrah district had 1,215 factories but in 1968 this number had come down to 1,190. In 24-Parganas, there were 2,608 factories in 1966 but in 1968 the number had increased only slightly to 2,648.

Incidentally, it seems rather strange that the Government of West Bengal does not have up-to-date districtwise figures on the number of registered working factories in the State. The *Economic Review for 1970-71*, issued recently by the State Government, gives districtwise figures of registered working factories but, surprisingly, no figure is given after 1968. Even the figures for 1961, 1966, 1967 and 1968 have been described as "provisional". One wonders how long the Government will take to give the "final" figures of the working factories in the State!

Business organisations in Calcutta have argued that the problem of giving incentives for industrial development in the State has to be approached in a bolder manner because backwardness is not confined to the four districts alone, as decided by the Government of India, but covers practically the entire State. The State needs more factories almost in every district, including Howrah and 24-Parganas, which is supposed to have made considerable progress in industrial development. That is why it is now suggested that in order to encourage investment, the Government should extend the incentives—which are now available to only four districts—to all the districts in the State.

In Britain, the Government allows generally a cash subsidy of 40 per cent, and in some cases 45 per cent, on the total expenditure of a new unit set up in a backward area. These incentives are available even to units set up 20 miles from London and there is no ceiling on investment either.

The reaction of the Government of India and the Government of West Bengal to the suggestion made by the business organisations to treat the entire State as "backward" remains to

be seen. Even if there is a case for more incentives for investment in West Bengal, is it necessary to describe the State as "backward"? Could we not use a more appropriate expression for this purpose?

It is worth noting in this context that the Commission on International Development, headed by Mr. Lester Pearson, a former Prime Minister of Canada, has stressed the need for the choice of correct expressions in describing the economic status of various countries. The Commission, in its report submitted to the World Bank said that words like "rich and poor", "advanced and backward", "highly developed" and "under-developed" and even "donor" and "recipient" were unsatisfactory as they might be misinterpreted. The Commission pertinently remarked that there was far more to development than economic and material progress and that the gross national product was no assurance of the possession of other values and qualities. The Commission, therefore, preferred the use of the words "developed" and "developing" and, in doing so, expressed the hope that this would help to remove any irritation that might be caused by words which might be misunderstood.

But whatever may be the expression used to describe West Bengal, there can be no two opinions about the imperative need for massive investment in the State. This has to come both from the Government of India and the Government of West Bengal and from the private sector. With the formation of a popular Ministry in West Bengal and a stable Government in New Delhi, the climate for investment in the State is expected to improve, though in the last few weeks there has not been much evidence in this direction. The entire scheme of incentives for West Bengal's industrial development has to be reviewed and made more attractive. Unless this is done at an early date, economic revival of the State cannot gather momentum.

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SPOTLIGHT ON STATES

Maharashtra : The Pros and Cons of the New Labour Bill

(BY A SPECIAL CORRESPONDENT)

The Maharashtra legislature has passed a new Bill to prohibit unfair labour practices. It appears that while every conceivable unfair practice by employers has been listed, the most harmful practice of work-to-rule by labour has been left out from the scope of the Bill.

IN the Budget session of the Maharashtra legislature which has concluded, perhaps the most important legislative measure which has been passed by both the Houses is the Maharashtra Recognition of Trade Unions and Unfair Labour Practices Bill. The Maharashtra Government had, in 1966, appointed a committee for defining certain activities of employers and workers and their organisations which should be treated as unfair labour practices and for suggesting action which should be taken against employers or workers or their organisations for engaging in such practices. The committee made a unanimous report. The National Labour Commission also reported that it was important to write into law provisions to prohibit unfair labour practices and penalise them and that the report of this committee could form a suitable basis for the enumeration of such unfair labour practices. The Bill passed by both the Houses is substantially in accordance with the committee's report.

Unfair labour practices by employers specified in the Bill include such practices as the employer discriminating an employee for joining a union, discharging office bearers or active union members on account of their union activities, and transferring an employee *mala fide* from one place to another under the guise of management policy. Unfair practices by trade unions include such practices as the union supporting or instigating an illegal strike, encouraging such forms of coercive activities as wilful go-slow, *gherao* of any members of the management or other staff, and staging demonstrations at the residences of the employers or managerial staff members. Jurisdiction to pass orders requiring an employer or an employee or a union to desist from such unfair practices is given to the Industrial

Court and, in some cases, to the Labour Court. A recognised union engaging in an unfair labour practice is liable to have its recognition cancelled.

The Bill also makes provision for recognition of the majority union in undertakings (for which the State Government is the appropriate Government under the Industrial Disputes Act), employing 50 or more employees. The union applying for such recognition must have not less than 30 per cent of the total number of employees employed in the undertaking. The recognition in cases where there are more than one union claiming larger membership is to be determined by the Industrial Court after verification of membership. Privileges of collective bargaining with the employer, etcetera, are given to the recognised union. Unrecognised unions are allowed, subject to certain conditions as may be prescribed by rules under the Act, to negotiate with the management grievances of individual members relating to suspension, discharge, removal, retrenchment and termination of service.

The Bill was introduced in the legislature some time in 1969. There was opposition from some leftist unions as it was thought that it curtailed the right to strike, and secondly, they were opposed to the provision in the Bill for determination of the majority union by verification of membership and not by secret ballot. During the debate in the Assembly one member suggested that the recognition of the majority union should be by secret ballot as in the case of legislative bodies.

In the Legislative Council a proposal to refer the Bill to a select committee was defeated, the Minister for Labour, Mr. N. M. Tidke, opposing the proposal observing that the Government was not rushing through the Bill and the matter had been before the public and the legislatures for two and a half years. The only provision about which there was some difference of opinion was on the question of the secret ballot. The Minister observed that even if there was a ballot it would be necessary to have it only

among the members of unions, for which verification of membership would be necessary. It would not be correct to give votes to non-members of unions as it would equate members of unions with non-members. The Minister further observed that the Bill was neither anti-strike nor anti-labour. The object was to have strong and responsible trade unions which were not just demand-oriented but also production-oriented. The unfair practices listed in the Bill include those by both employers and employees.

In the State of Maharashtra the system of determination of the majority union by verification of membership instead of by secret ballot has all along existed in industries to which the Bombay Industrial Relations Act applies and has worked well. At the last meeting of the Standing Labour Committee of the Indian Labour Conference, there was general support for the system of determining the majority union by verification of membership. As under the Bill verification of membership of unions would be done by and under the supervision of the Industrial Court, there need be no apprehension that the determination would be influenced in any way by the Party in power. The provisions in the Bill for determining the majority union in undertakings by verification of membership by the Industrial Court and giving rights of collective bargaining to the majority union are steps in the right direction.

Unions can avoid penalties for unfair labour practices by disclaiming responsibility and saying that the acts were not authorised by the unions but were of individual employees. The Bill also permits individual employees to institute proceedings against an employer for an alleged unfair labour practice. This may not promote collective bargaining and may lead to frivolous complaints by individuals to harass employers. Except in cases such as wrongful dismissal or discharge, the right to institute proceedings for an alleged unfair labour practice might well have been given only to employers and unions. Again, while every conceivable unfair practice by employers is listed, the unfair practice by labour of the so-called work-to-rule, which is an insidious form of go-slow, such as the one that paralysed the working of the Indian Airlines recently, has not been included. Since there are proposals to introduce similar legislation at the Centre and in other States, the points mentioned above need to be considered.

MONEY AND BANKING

Streamlining the Credit Policy of Nationalised Banks—I

By Suresh Chandra Srivastava

The benefits of bank nationalisation have so far been slow to reach the common man. It is, however, heartening to find that the nationalised banks are intensifying their efforts to achieve their social objective. This is the first in a series of two articles. The other one will be published next week.

IT was in July 1969 that the Central Cabinet decided to nationalise the 14 major Indian commercial banks with a view to securing a faster growth of the country's economy and also fulfil, at the same time, the important social objectives of the ruling Party. The Prime Minister, Mrs. Indira Gandhi, in a broadcast to the nation had expressed the "earnest hope" that the nationalisation of 14 major Indian commercial banks "mark a new and more vigorous phase in the implementation of our avowed plans and policies." However, the policies adopted by the banks relating to branch expansion, deposit mobilisation and credit disbursement and, in fact, every aspect of the banking business, have, by and large, continued to be what they were before nationalisation. The object of this article is to suggest a credit policy which would meet the increasing credit needs of all "the productive sectors and particularly those of agriculture, small industry, export,

budding entrepreneurs and weaker sections of society."

The existing pattern of sectoral distribution of credit is heavily weighted in favour of large-scale industries, wholesale trade and commerce rather than agriculture, small-scale industries, retail trade and small borrowers. Table 1 shows that agriculture, which contributed more than 50 per cent of the national income, gets 2.1 per cent of the bank credit whereas industry which contributes less than one-fifth of the national income appropriates nearly two-thirds of the bank credit. More than four-fifths of the scheduled commercial banks' credit go to industry and commerce which account for roughly one-third of the national income. This is because the doyens of commerce and industry were till recently in substantial control of the management and policies of the banks.

TABLE 2

ADVANCES OF SCHEDULED COMMERCIAL BANKS TO PRIORITY SECTORS

(Rs. in crores)					
Average of advances during 1966-67	Exports	Small-scale industries (guaranteed by Credit Guarantee Organisation)	Agricultural inputs*		
Busy season	103.66	35.81	21.41		
November 1968	211.14	77.64	30.29		

* Relate to the distribution of chemical fertilisers and pesticides. (Source: Reserve Bank of India Bulletin, March 1969.)

Against this background, the banks evolved procedures and practices primarily suited to industrial and commercial clientele on the conventional basis. They had little urge to modify these procedures because there was no motivation on their part to cater for rural areas and undertake non-conventional business. Although there has been a slight increase in advances to non-conventional borrowers from the agricultural and small-industry sectors

or Rs. 10,000 would be advanced to farmers, both big and small, without demanding any tangible security other than the hypothecation of standing crops. For larger production loans exceeding Rs. 5,000 or 10,000, additional security by way of mortgage of lands, houses, shares of insurance policies would be called for. On behalf of one of the nationalised banks, it was also announced that its agents had been given discretionary power to allow clean production loan up to Rs. 1,500 a farmer. The loan will be extended for the duration of the crop and the due date will be fixed in a way that

TABLE 1

(Per cent)

Sector	Share in bank credit end-March 1967	Contribution to national income 1967-68
Agriculture ...	2.1	53.2
Industry ...	64.3	18.1
Commerce ...	19.4	14.6*
Financial ...	3.6	
Personal ...	4.2	14.1
Others ...	6.4	
Total ...	100.0	100.0

* Including transport and communications.

* Statements of objects and reasons appended to the Banking Companies (Acquisition and Transfer of Undertaking) Bill, 1969.

the loan becomes payable immediately after harvest of the crop.²

The State Bank of India has taken the lead in offering all types of loans to agriculturists, short-term and long-term. The loans will cover the entire gamut of agricultural operations like land reclamation, sinking of wells and supply of agricultural inputs.³ The United Commercial Bank has decided to render financial assistance to weavers, blacksmiths, carpenters and furniture makers, tailors with cloth shops, self-employed technicians, doctors, chartered accountants, lawyers, small business men and retailers, transport operators, taxi-owners and *rickshaw-walas*, fishermen, small agriculturists, dairy farms, vegetable and fruit dealers, etcetera. In order to assist the young people who have good academic background but who are unable to pursue specialised or higher studies for want of funds, the bank will grant loans for higher studies both inside the country and abroad.

The Dena Bank has worked out schemes for helping the white-collared workers and the common man. For instance, the bank has a People's Loan Scheme which is aimed not only at raising the standard of living of the common man but also at increasing his earning capacity by helping him to engage in some lucrative activity. Under this scheme, self-employed persons, such as artisans, carpenters, blacksmiths, goldsmiths, cobblers, hawkers, *rickshaw-walas*, milk vendors, and fruit and vegetable dealers will all be granted loans from Rs. 100 to Rs. 2,000 for the purchase of tools, equipment, etcetera, and also for working capital to carry on their avocations. Clean advances will also be made to salaried employees for education of their children, hospitalisation and other contingencies. The bank has revised its Personal Loan Scheme through which the middle-class people and the low-income group can avail themselves of bank loans for the purchase of durable consumer goods such as bicycles, refrigerators, air-conditioners and professional equipment. The bank has also introduced a comprehensive scheme to provide financial assistance to the retail trade in rural and non-urban areas.

(To be continued)

² Ashakant, "New Credit Policy for Banks", the *Economic Times*, 13th January, 1970, page 5.
³ *Ibid.*

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INSURANCE

New Dimensions in the L.I.C.'s Investment Policy

(BY A SPECIAL CORRESPONDENT)

The L.I.C. has added new dimensions to its investment policy. Its main aim seems to be not to limit any longer its investments to big projects in the private sector.

FROM a modest beginning, the life insurance industry in India has already converted itself into a giant public-sector undertaking. Today it protects about 10 million people by the life coverage. The surge in its business is expected to be complemented by a new approach in the investment policy to support the agencies that are mainly responsible for serving the people or expanding the nation's infra-structure. The L.I.C.'s recent motto seems to be not to limit any longer its investments to big projects in the private sector. Which is why the percentage increase in 1970-71 over 1969-70 has been 100, 47.7 and 102.7 for loans to water-supply and sewage schemes, loans to State Electricity Boards and loans for financing housing schemes, respectively. The L.I.C. is now investing more in backward areas for reducing regional imbalances. Furthermore, land mortgage banks, State Electricity Boards and municipalities all over India, engaged in improving the living standards of the rural people, are now receiving substantial assistance from the Corporation.

Interestingly, consistent with the motto that "your welfare is my responsibility", the Corporation has diverted 73.6 per cent of its total investment (at the end of March 1970) to the public sector, against 16.5 per cent in the private sector and 0.5 per cent in the joint sector and 9.5 per cent in the co-operative sector. Unfortunately, however, its disbursements of loans in West Bengal are down from Rs. 11.95 crores in 1969-70 to Rs. 6.86 crores at the end of February 1971. It is significant to note here that the rate of L.I.C.'s investment in the private sector has declined in course of a few years from 19.5 per cent to 16.5 per cent partly due to classifying the loans

with the Government backing out of this sector. Moreover, the Corporation has "become careful in lending in certain directions in the private sector". But there is apprehension in certain quarters that the reluctance to make fresh investments in major projects in the private sector would badly affect entrepreneurs. In the context of a recent note of the Planning Commission, wherein the diversion from the private to the public sector of the resources of State financial institutions has been discouraged, it is pointed out that the L.I.C.'s investment policy will inevitably lead to a fall in industrial production.

It is not, however, suggested that the L.I.C. is not keen on earning more from its investments. The Corporation is trying to attract savers, particularly urban ones, to buy insurance. Some insurance experts have raised this moot point: is it desirable to overlook the scope for improving the profitability of the L.I.C. when it is estimated that a better management of the Corporation's short-term floating funds alone can yield about Rs. 4 crores which would enable it to declare an additional bonus of Rs. 10 per thousand rupees in favour of policy-holders and make life insurance more attractive? The urge to get a higher return on the temporary surplus funds has induced the L.I.C. to tap the call market. If surplus funds of the L.I.C. are kept in the current account of banks, very little interest will be earned. The *raison d'être* of the Corporation seems to be that there is no harm in investing surplus funds to earn higher rates of interest by means of advances in the call market when "life insurance business is a service industry that exists for policy-holders".

As an alternative, the chairman of the L.I.C. is understood to have suggested that the commercial banks should offer the Corporation an annual interest of 4.5 per cent on surplus funds. But the Reserve Bank of

India has permitted the L.I.C.'s entry in the call money market to improve the liquidity of the banking system. Institutions like the L.I.C. are more than ordinary financial agencies to deal with investible funds on behalf of their policy-holders. Indeed, the R.B.I. seems to believe that any additional benefit accruing to the L.I.C. with the aid of inter-bank call money market will in turn yield benefits to policy-holders. In the current busy season, the L.I.C. has supplied useful funds to the commercial banks. In the opinion of some financial experts, the sharp fluctuation in the call rate during the current busy season would have remained unchecked but for the timely intervention by the L.I.C. through the supply of its surplus funds.

As a first step to fill the undesirable gaps left by the abolition of the managing agency system, the L.I.C. and the U.T.I. have between themselves purchased 3 million shares of Indian Iron. The deal has raised the holdings of the L.I.C. and the U.T.I. in the Company's equity capital from 22 per cent to 33 per cent. It has eliminated a major drag on the market and improved the liquidity of the scrip. In addition, the acquisition will be bringing a change in the pattern of ownership of the Company. The effective participation by institutional investors will attract rupee capital from the Government.

It has been pointed out that the L.I.C.'s investment policy has failed to mop up the new income resulting from the "green revolution". About its entry in the call money market, some banking experts are of the opinion that it would have been fair to keep the L.I.C.'s surplus funds in bank deposits and that its entry, not being proper, is bound to affect the economy. The bulk purchase of 3 million ordinary shares of Indian Iron has been viewed by a group of operators as a step upsetting the demand-supply relationship by accommodating a group of bills for unloading at heavy premiums. In any event, the chairman of the L.I.C. has made it clear that he wants more earnings from investments. It is suggested that the Corporation should tap the huge deposit potential of the rural sector for improving its total volume of business and for making possible the productive investments of rural funds.

LABOUR

Tasks for Central Labour Minister : Need to Link Wages with Productivity

(BY A SPECIAL CORRESPONDENT)

The Central Labour Minister, Mr. R. K. Khadilkar, has stressed the need for increasing productivity through greater co-operation between employers and employees. In a free society, the Government's rôle in the field of industrial relations could not be decisive. In the last resort, it is the employers and workers who have to achieve the goal.

RECENT statements of the Central Labour Minister, Mr. R. K. Khadilkar, and a series of steps contemplated by him seem to suggest that he has taken up the new assignment with certain novel ideas of great relevance to Indian conditions and setting. His task is no doubt onerous, and as Mr. Naval Tata put it at a meeting held to felicitate Mr. Khadilkar, under the auspices of the National Institute of Labour Management in Bombay the other day, the Labour Ministry "is not a bed of roses". The fact that industrial relations have taken a turn for the worse since 1966 needs no repetition and the data, though provisional, released by the Government should only cause further concern about this.

Between 1957 and 1965, the total number of mandays lost on account of industrial disputes varied from 3 million to 7.5 million. In 1966, it reached a staggering level of 13.85 million. What is more appalling is that this trend has been persistently upward and in 1969, the number of mandays lost crossed 25 million. Although the data for 1970 are not yet available, there is no reason to believe that there has been any perceptible improvement in the situation. If one were to take any other barometer of industrial relations, the picture which emerges would be nothing but patently pathetic.

It is a truism to say that a strong and healthy system of industrial relations can be evolved only through the constant and consistent endeavour of both labour and management. Whatever the rôle ex-

pected of the Government, it can be of a catalytic agent. Because of various factors, which are too well known to need reiteration here, the rôle of the State has tended to border on interference in many spheres, which for understandable reasons neither the enlightened and responsible employers nor at least a section of organised labour have attempted to resist.

The result has been that instead of evolving a bipartite structure of industrial relations, India appears to have built a monolithic pillar. How else can one explain the reported decision of the Government to call separate meetings of organisations of employers and workers? Moreover, the Indian Labour Conference, a tripartite body set up well before the attainment of independence, and which has done, with all the constraints under which it had to operate, some useful work to bring about a measure of uniformity and orderliness in the field of labour legislation in the country has lost its importance. Of late its effectiveness has been reduced, each State going its own way, thanks to the turn of events since the 1967 elections. Besides, one of the second largest central organisations of workers, the All India Trade Union Congress, has boycotted the I.L.C., while the other powerful body, the Hind Mazdoor Sabha, may also follow suit.

There is also a feeling, rightly too, that the representative character of the I.L.C. is faulty, because it just does not find representation for many unions which can really speak for a particular group of workers in an industry or in a region, while those represented on it have ceased to command the support of workers whom they purport to represent. Thus, a number of factors seem to have conspired together which prompted the Government, or rather left the Labour Minister, with no option but to call separate meetings of employers' and workers' organisations. Mr. Khadilkar will seek to thrash out the outstanding issues and achieve a consensus on the broad contours of industrial relations policy. Besides the four central organisations of workers, namely, the Indian National

Trade Union Congress, All India Trade Union Congress, Hind Mazdoor Sabha and the United Trade Union Congress, the other three central organisations, which seem to have gained some foothold in the labour field now, namely, the C.P.I.(M)-led C.I.T.U., the S.S.P.-led H.M.P. and the Jana Sangh-led B.M.S., have also been invited to take part in the dialogue.

Mr. Khadilkar, however, faces a dilemma. The I.N.T.U.C., controlled by the Congress, cannot think of countenancing a situation which apparently treats it on equal terms with other central organisations of labour. This is somewhat true in the case of A.I.T.U.C. and the C.I.T.U. The Dange group claims it is the representative body, while the Ramadive group refutes the claim of the former in an equally firm and assertive tone. Such claims and counter-claims will go on as long as the present method of recognition of unions by membership verification continues, which is strongly supported by the I.N.T.U.C.

The problem before the Central Labour Minister is thus really challenging. Whether or not he will be able effectively to tackle the seemingly intractable issues across the table are yet to be seen. In the same breath, one can say that if he could bring out some sort of consensus on broad issues even among the central trade unions, that itself would be a great achievement to his credit. It is not that the problems by themselves are difficult. Devoid of partisan politics, they can be considered of solution with patience and tactfulness.

Mr. Khadilkar has underlined the need for increasing productivity and the co-operation of both the partners in production. To quote him, "the present system of industrial relations based on distrust has to be replaced by one based on understanding and mutual co-operation." He has done well also to emphasise that in a free society, the Government's rôle could not be decisive in the sphere of industrial relations. Legislation can only lay down the ground rules or create the institutional set-up necessary for the maintenance of co-operative relations in industry. In the last resort, it is the employers and workers who have to play the game. Unfortunately, however, this is an idea mentally desired, emotionally accepted, but not actually practised.

INVESTMENT

Taxation Uncertainties in Ensuing Budget Depress Share Prices

THE stock markets have continued to be on the retreat this past week. Barring a few isolated counters, equity prices have eased further under the pressure of anxious bull liquidation and modest bear selling and quite a few counters have registered sizable losses. However, with operators inclined to hold off the market because of Budget uncertainties, turnover has remained restricted. While the markets' uneasy mood reflects mainly fears about heavy taxation with a marked socialist slant, some other adverse influences have also been at work. The nationalisation of general insurance has strengthened the feeling in market circles that the Government is determined to redeem its radical promises. The imposition of a ceiling on urban property is considered to be only a question of time. The Maharashtra Government has urged the Centre to amend the Constitution at an early date to enable it to go ahead with its Bill imposing a ceiling on urban property. The Central Minister for Company Affairs, Mr. K. V. Raghunath Reddy, has made some uncharitable observations on the rôle of stock exchanges in a socialist economy. In view of the continuing ban on forward deals since June 1969, his tirade against speculation sounds odd.

Not that speculative activity has come to an end, but if it is found to exist on a big scale, the Government is no less to blame for it. That Mr. Chavan will have to raise resources in a big way is not in doubt. The Plan outlay for 1971-72 is to be stepped up considerably above the interim Budget provision. The influx of refugees means an enormous additional expense. The Government is reported to have made a provision of Rs. 132 crores for six months to provide food and shelter to the refugees. The price situation does not permit a larger volume of deficit financing than what has been assumed in the interim Central Budget. Much will, of course, depend on the monsoon. But since the Government is fully seized of the pressing need for accelerating the pace of economic growth, it would be reasonable to expect that Mr. Chavan's fiscal strategy will not adversely affect the investment climate.

Adjustments in freight rates on a selective basis and "marginal increases" in passenger fares proposed by the Central Railway Minister, Mr. K. Hanumanthaiya, are estimated to yield Rs. 26.25 crores during the nine months of 1971-72 and Rs. 35 crores in a full year. Since an increase in freight rates and fares had been widely anticipated, the stock markets have not been the least unsettled after the announcement of freight and fare increases on 24th May. Whatever may be the quantum of taxation in the forthcoming Central Budget, it is unlikely to have any marked effect on the outlook for equities if the proposals do not hurt the corporate sector and help promote investment activity. The outlook for equities is closely linked with growth which the Government is so anxious to promote. The Central Finance Minister can be relied upon to use his fiscal brush for brightening the industrial landscape which is at present dotted with some dark spots. Having moved down substantially from the year's highest level, the stock markets stand closer to the year's low and is in a position to absorb mild shocks.

Government securities have remained quiet this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have received selective support. Turnover has remained restricted.

The Calcutta stock market has remained quiet during the past week due to taxation uncertainties in the Central Budget which is due to be presented to Parliament on 28th May. There is every possibility that the Central Finance Minister, Mr. Y. B. Chavan, will have to cast his net of taxation wide, in keeping with the statement he made while presenting the interim Budget in March that the resources base would have to be "widened and deepened". Among engineering shares, Jay Engineering, Electrosteel Castings and Sankey Wheels have been supported. Among paper shares, Seshasayee, Straw Products and Titagur have improved due to better buying enquiries. Among jute shares, Bally, Gourepore and New Central have been transacted. Among miscellaneous shares, Hindustan Alu-

minium, G.E.C., Indian Oxygen and India Tobacco have changed hands. Among tea shares, Rydak, Loobah and Grob have met with buying enquiries.

Equities on the Bombay stock exchange have suffered a further setback this past week on light but persistent selling. Intermittent rallies caused by short-covering have been feeble, but offerings have tended to subside at lower levels. Fears of heavy taxation have been the main unsettling influence, but the market has not taken much notice of the rise in freight rates and passenger fares and has wound up the week on a hesitant but quietly steady note. Cotton mill shares have been marked lower on moderate selling and lack of fresh support. Kohinoor, Century and Standard have been the prominent losers. Rayon shares have displayed a quietly subdued tendency. Buyers have been reserved but selling pressure also has been small. Cement shares have receded on small offerings. Digvijay have been marked down despite a higher dividend. Steel shares have fluctuated within a narrow range with a

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section :

Amluckie Tea
Bharat Commerce
Bharat Suryodaya
Bihar Alloy Steels
British Leyland
Chemicals and Fibres
Enfield India
Escorts
Gokul Rubber
Kumardhubi Engineering
Motor Industries
National Rayon
National and Grindlays
New Shorrock
Peermade Tea

steady tone. Engineering shares have ruled easier in sympathy with the general trend. Sandvik Asia, Tata Engineering, Voltas and Associated Bearings have registered small losses. S. L. M. Maneklal have held steady on modest enquiry. Automobile shares have been subdued with a small turnover. Among shipping shares, Great Eastern have been marked down further while Scindia have held steady. Sugar shares have been dull. Chemical shares have been easier with Indian Dyestuff, N.O.C.L.L., Coromandel Fertiliser and Gujarat Fertiliser among the soft spots. Chemicals and Fibres have held quietly steady despite the Tariff Commission's recommendation substantially to reduce the price of polyester fibre. The shares of pharmaceutical companies have kept quietly steady. Tata Chemicals have ruled steady. Tyre company shares have been subdued with a small turnover. New India Assurance have eased further. Bank and electric shares have ruled steady. Miscellaneous shares have displayed an easier tendency. Hindustan Lever and Camphor and Allied have held steady while Motor Industries and Premier Construction have been marked considerably lower. Paper shares have eased in sympathy with the general trend.

The Madras stock market has remained subdued during the past week. The undertone has remained hesitant due to the proximity of the Central Budget. In the planting section, Waterfalls and Consolidated Coffee have met with buying enquiries. Among textiles, South India Viscose and Madura have been dull. But Travancore Rayons and Radha-

Kumardhubi Engineering Makes Profit But Skips Dividend Again

KUMARDHUBI Engineering Works, Ltd. has produced improved working results for the year ended November 1970. The Company has made a profit of Rs. 5.65 lakhs, against a loss of Rs. 33.40 lakhs in the previous year, after providing Rs. 10.72 lakhs (against Rs. 10.83 lakhs) for depreciation. The dividend has been skipped again. General reserve is allocated Rs. 2,518. After transferring Rs. 28,300 from statutory development rebate reserve and making other adjustments, there remains a debit

balance of Rs. 14.88 lakhs which is proposed to be carried forward, against a debit balance of Rs. 20.89 lakhs brought in.

The directors say that satisfactory progress was made in the production of mild steel ingots. Production in the steel fabrication section was adversely affected due to the lack of orders as well as the scarcity of steel. Sales in the machinery manufacturing division, comprising mainly cable-making machines, declined. Production in the

krishna Mills have gained. In the miscellaneous section, Dalmia Cement have softened while Simco Meteres have lost. Among sugars, E.I.D.-Parry have declined but Andhra Sugars have been in demand.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	22/55—22/85—22/45—22/70—
(18/60)	
Dunlop India	37/30—37/80—37/20—37/60—
(34/25)	
Guest, Keen, Williams	35/50—36/10—35/45—
35/50—(16/70)	
Hindustan Motors	12/30—12/60—12/25—
12/40—(15/38)	
Indian Aluminium	37/40—37/45—37/15—
37/20—(30/25)	
Indian Cable	17/80—17/95—17/30—17/40—
(14/85)	
Indian Copper	3/88—3/92—3/83—3/87—
(4/50)	
Indian Iron	11/75—12/05—11/75—11/90—
(16/30)	
I. K. Cotton	10/75—10/85—10/50—10/50—
(13/50)	
Jaipur Udyog	9/10—9/10—8/70—8/80—
(9/60)	
Jayashree Tea & Industries	18/19—18/19—
18/19—(13/19)	
Kesoram Industries	16/45—16/45—16/25—
16/35—(17/15)	
National Rubber	7/62—7/69—7/62—7/69—
(10/25)	
Orient Paper	38/20—38/20—37/60—37/60—
(32/40)	
Orissa Cement	18/30—18/30—18/20—18/20—
(14/40)	
Robtas Industries	6/05—6/15—6/05—6/05—
(7/46)	
Textile Machinery	10/80—10/90—10/80—
10/85—(10/75)	

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foundry was 4,695 tonnes (against 6,336 tonnes). Despatches, however, rose from 4,869 tonnes to 5,139 tonnes. Production suffered due to the lack of orders for wagon components, and virtually no orders were received during the year. As a result, the Company had again to depend largely on orders for miscellaneous castings where the market continues to be highly competitive.

CHEMICALS AND FIBRES

Same Interim

CHEMICALS and Fibres of India has declared an interim dividend of 11 per cent for the year ending September 1971, the same as was paid for the previous year. The total dividend paid for 1969-70 was 27.5 per cent. The preliminary figures for the half-year ended March 1971 show a small setback in sales as well as pre-tax profit, compared with those in the corresponding period of 1969-70. Gross sales are placed at Rs. 16.74 crores (against Rs. 17.31 crores) and net sales, after excise duty, amount to Rs. 7.07 crores (against Rs. 7.72 crores). The pre-tax profit for the October-March 1971 period is Rs. 1.68 crores, against Rs. 1.78 crores in the corresponding period of the previous year. With tax liability estimated at Rs. 90 lakhs (against Rs. 91 lakhs), the profit after tax comes to Rs. 78 lakhs (against Rs. 84 lakhs). The fall in sales is attributed to interruptions in production in the first quarter of the current year. The management expects the shortfall in sales to be made up in the second half of the current year.

The Company has announced that the subscription list in respect of its public issue of 267,273 equity shares of Rs. 10 each offered at a premium of Rs. 15 a share will open on 5th July and will close on 17th or earlier but not before 7th July. The new shares will rank for dividend that may be declared on and after the allotment of shares. Additional funds which are being raised through its public issue and rights issue (445,000 equity shares in all) are required to finance expansion of the existing polyester fibre plant from 4,500 to 6,100 tonnes a year for which the requisite licence has been received. The Company is issuing shares to the public in response to the Government's directive asking it to reduce the equity holding of I.C.I. (U.K.) from 60 per cent to 55 per cent as a

CAPITAL, 27th MAY, 1971

prelude to the grant of permission to expand the capacity of the polyester fibre plant. The expansion estimated to cost Rs. 3.74 crores is expected to be completed by the end of 1971. The management hopes to be able to maintain the dividend on the increased capital.

BRITISH LEYLAND

Tractor Deal with India

BITISH Leyland's biggest-ever contract for tractors—a deal with India worth up to £40 million over the next ten years—has recently been signed in London. The contract is for the assembly and progressive manufacture in India of the 25 horsepower Leyland 154 tractor, which is currently produced for other markets at the Bathgate plant of the Company's truck and bus division. The deal was signed by Lord Stokes, Chairman and Managing Director of British Leyland, and Mr. Trevor Webster, Managing Director of British Leyland International, Overseas Division, and by Mr. M. A. Chidambaram and Mr. C. B. Saran, Chairman and Managing Director, respectively, of Automobile Products of India Ltd. The Indian Company which is to manufacture the tractor at a new plant in Uttar Pradesh, has made provision for the production of 5,000 units in the first year, progressing up to an initial maximum of 12,000 a year.

ENFIELD INDIA

Record Sales

THE directors of Enfield India Ltd have maintained the equity dividend at 10 per cent for the year ended December 1970. The working results for the year are encouraging, with a substantial increase in sales. That the Company has been making good progress is evident from the working results. Sales of motor-cycles and agro-industrial engines touched a new peak of Rs. 641.19 lakhs, against Rs. 583.50 lakhs in 1969. The profit amounts to Rs. 20.13 lakhs, after providing Rs. 20.26 lakhs for depreciation. This compares with the previous year's profit of Rs. 19.27 lakhs, after providing Rs. 16.42 lakhs for depreciation. With Rs. 4,396 brought forward from the previous year and with Rs. 69,847 being development rebate reserve written back, there is a total of Rs. 20.87 lakhs available for appropriation. Out of this, a sum

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of Rs. 9 lakhs (against Rs. 4.50 lakhs) is transferred to general reserve and another sum of Rs. 3.10 lakhs (against Rs. 6.17 lakhs) is transferred to development rebate reserve. Donations amounted to Rs. 25,551 (against Rs. 2,736). The preference dividend at 9.50 per cent claims Rs. 95,000 and the proposed 10 per cent dividend on ordinary shares absorbs Rs. 7.30 lakhs. The balance of Rs. 26,958 is being carried forward.

It is reported that almost the entire increase in sales during the year was accounted for by vehicles and spare parts and accessories thereof. The Company has applied for substantial expansion to increase the licensed capacity to 30,000 vehicles a year. It is said that the Government's decision is expected to be received in due course. In the meantime, steps have been taken by the Company to acquire balancing equipment for stepping up production to 16,000 vehicles a year.

MOTOR INDUSTRIES

Final Dividend

THE directors of Motor Industries Co. Ltd, Bangalore, have proposed a final dividend of Rs. 7.50 an ordinary share of Rs. 100, subject to statutory deductions, for the year 1970. An interim dividend of Rs. 10 a share was paid in October 1970. Thus the total dividend for 1970 is same as in the previous year. The net profit for the year is Rs. 2.11 crores, as against Rs. 2.08 crores in 1969. The estimated tax liability for 1970 is Rs. 1.05 crores.

NATIONAL AND GRINDLAYS

Encouraging Results

NATIONAL and Grindlays' Bank Ltd (Indian branches) shows encouraging working results for 1970. It has earned a higher profit of Rs. 90.69 lakhs, against Rs. 72.70 lakhs, after providing Rs. 46.52 lakhs (against Rs. 42.83 lakhs) for depreciation and repairs to the banking Company's property. Deposits have risen from Rs. 235.87 crores to Rs. 263.71 crores. Investments have improved sharply from Rs. 56.12 crores to Rs. 70.77 crores and advances from Rs. 178.84 crores to Rs. 214.17 crores. (Details appeared in last week's issue of Capital.)

ESCORTS

Sales Rise

SALES of Escorts Ltd crossed Rs. 39 crores in 1970, as against Rs. 28.7 crores in the previous year. The contribution of tractors towards the sales volume was very significant and the Company sold in 1970 over 11,000 units, as against 8,000 units in 1969. The directors have recommended the dividend to be maintained at 13 per cent on equity shares which, along with the preference dividend, will be paid out of general reserve. It is expected that a part of the dividend will be free of tax. This will absorb Rs. 45.89 lakhs. After payment of this dividend, reserves of the Company would stand at Rs. 278.22 lakhs, as against Rs. 194.68 lakhs in the previous year. However, the net profit, after tax, registered a drop and was Rs. 101.75 lakhs, against Rs. 112.80 lakhs in 1969, as a result of non-revision of retail prices of tractors by the Government. The profit was calculated after providing for depreciation amounting to Rs. 92.10 lakhs (against Rs. 75.82 lakhs), interest and finance charges of Rs. 73.96 lakhs (against Rs. 51.21 lakhs), managing agents' commission (up to 2nd April, 1970) of Rs. 2.53 lakhs (against Rs. 11.73 lakhs) and taxation of Rs. 77 lakhs (against Rs. 98 lakhs).

Escorts' newest subsidiary Company, Escorts Tractors Ltd (a joint venture with Ford Motor Co.), went into production of Ford 46 h.p. tractors according to the phased manufacturing programme in a record time and the first C.K.D.-assembled Ford 3000 tractor, with 50 per cent indigenous contents, was driven off its assembly lines last month. With the significant addition of Ford tractors to Escorts' sales activity and the introduction of a host of new products and new models, the Company expects to increase its overall sales substantially in 1971.

BHARAT COMMERCE

Good Performance

BHARAT Commerce and Industries has reported substantially improved results for 1970. Sales are up by 13 per cent from Rs. 16.94 crores to Rs. 19.17 crores and the gross profit has increased by 20.5 per cent from Rs. 128.91 lakhs to Rs. 155.35 lakhs. The dividend has been reduced from

15 per cent to 12 per cent but since the dividend for 1970 is payable on the increased capital resulting from a one-for-two bonus issue, the total distribution is larger at Rs. 18 lakhs, against Rs. 15 lakhs in the previous year. After providing Rs. 1.39 lakhs (against Rs. 1.06 lakhs) for managerial remuneration, Rs. 54.03 lakhs (against Rs. 49.22 lakhs) for depreciation, Rs. 4 lakhs (against Rs. 2.60 lakhs) for development rebate reserve and Rs. 37 lakhs (against Rs. 35 lakhs) for taxation, the net profit for 1970 amounts to Rs. 58.93 lakhs, against Rs. 41.03 lakhs in the preceding year. After some adjustment, a sum of Rs. 26.74 lakhs (against nil) has been provided for gratuity and the balance of Rs. 32.99 lakhs (against Rs. 41.03 lakhs) has been transferred to general reserve. Equity and preference dividends amounting to Rs. 22.56 lakhs (against Rs. 19.56 lakhs) are to be paid out of general reserve.

NEW SHORROCK

Satisfactory Results

NEW Shorrock Spinning and Manufacturing Company has raised the dividend for 1970 from Rs. 20 to Rs. 22 a share. This follows an appreciable improvement in the Company's working results during the year. While sales, net of excise duty of Rs. 2.06 crores (against Rs. 1.79 crores), have increased by 9 per cent from Rs. 16.06 crores to Rs. 17.55 crores, the gross profit has gone up by 31 per cent from Rs. 1.74 crores to Rs. 2.28 crores. The ratio of profit to net sales has improved from 10.8 per cent to 13 per cent. Appropriations of profits include depreciation Rs. 87.01 lakhs (against Rs. 91.01 lakhs), development rebate reserve Rs. 10 lakhs (against Rs. 19.75 lakhs), taxation Rs. 63.25 lakhs (against Rs. 18.25 lakhs), debenture redemption reserve Rs. 17 lakhs (against Rs. 10 lakhs) and general reserve Rs. 50.89 lakhs (against Rs. 35.20 lakhs). The dividend absorbing Rs. 44.66 lakhs (against Rs. 40 lakhs) is to be paid out of general reserve.

NATIONAL RAYON

Dividend Raised

NATIONAL Rayon Corporation has reported improved results for 1970. Production, sales and profit are all higher than in the previous year and the dividend has been raised from Rs. 28 to Rs. 32 a share

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through an increase in the bonus element from Rs. 4 to Rs. 8 a share. The production of textile yarn increased from 8.6 million kilograms to 9.1 million kilograms and of industrial yarn from 4.2 million kilograms to 4.5 million kilograms. Gross sales have risen from Rs. 22.34 crores to Rs. 26.23 crores. Sales of rayon yarn amounted to Rs. 22.79 crores (against Rs. 19.57 crores) and of chemicals Rs. 3.44 crores (against Rs. 2.78 crores). Sales, net of excise duty, are up by 16.2 per cent from Rs. 17.73 crores to Rs. 20.61 crores and the gross profit at Rs. 5.70 crores shows an increase of 8.5 per cent over the previous year's figure of Rs. 5.25 crores.

After providing Rs. 127.75 lakhs (against Rs. 133.89 lakhs) for depreciation, Rs. 13.05 lakhs (against Rs. 23.95 lakhs) for development rebate reserve and Rs. 260 lakhs (against Rs. 216 lakhs) for taxation, the net profit for 1970 amounts to Rs. 169.48 lakhs, against Rs. 151.46 lakhs in the previous year. After adjustments, the entire surplus of Rs. 169.70 lakhs (against Rs. 147.50 lakhs) has been transferred to general reserve. The enhanced equity distribution amounting to Rs. 112.07 lakhs (against Rs. 89.60 lakhs) and the preference dividend of Rs. 9.67 lakhs (same) are to be paid out of general reserve. The Company's profits in 1970 were adversely affected by the fact that it had to supply 45 per cent of the textile yarn production to actual users at concessional rates for a full year, as against about six months in 1969. The profitability in the current year is likely to be further affected as the textile yarn available for free sale will be 15 per cent less in the light of the new agreement with weavers. The Company has renewed its application for the issue of bonus shares in the ratio of one share for every four shares held.

BHARAT SURYODAYA

Poor Results

BHARAT Suryodaya Mills Company has turned out poor results for 1970 and the dividend has been reduced from Rs. 15 to Rs. 12 a share. The directors, however, have recommended a one-for-ten bonus issue, subject to the approval of the Controller of Capital Issues. Despite a small increase in sales from Rs. 2.67

crores to Rs. 2.79 crores, the gross profit has shrunk from Rs. 24.72 lakhs to Rs. 14.71 lakhs. Margins have been eroded by the increase in production costs and partial control on cloth. After providing Rs. 6.89 lakhs (against Rs. 6.30 lakhs) for depreciation, Rs. 1.30 lakhs (against Rs. 4.04 lakhs) for development rebate reserve and Rs. 1.33 lakhs (against Rs. 3.75 lakhs) for taxation, the net profit for 1970 amounts to Rs. 5.19 lakhs,

against Rs. 10.63 lakhs in the preceding year. After making some minor adjustments, a sum of Rs. 2.30 lakhs (against Rs. 2.37 lakhs) has been set aside for bonus, Rs. 16,000 (against Rs. 4,000) for donations and the balance of Rs. 2.75 lakhs (against Rs. 8.90 lakhs) transferred to general reserve. The proposed dividend absorbing Rs. 1.34 lakhs (against Rs. 1.68 lakhs) is to be paid out of general reserve.

SHARE OFFER FROM BIHAR ALLOY STEELS

BIHAR Alloy Steels is offering for public subscription at par 3.65 million equity shares of Rs. 10 each and 100,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each to raise part of the funds required for its project for the manufacture of alloy steels. The list for the fully underwritten public issue opened on 25th May and will close on the 28th or earlier but not before 27th May. The Company, promoted by the Birlas, has been licensed to manufacture annually 36,000 tonnes of alloy constructional steels and 4,000 tonnes of alloy tool steels and high speed tool steels. The French firm of Societe des Forges et Ateliers du Creusot is collaborating in the venture. The plant will be located at Patratu (near Ranchi); the site offers the necessary infra-structure for the project and also has the added advantage of being near to the heavy machinery building industry in the eastern zone where not only steel scrap—the necessary raw material—is easily available but several important consumers of the Company's products are located.

The project is estimated to cost Rs. 24.32 crores which is proposed to be met by the share capital of Rs. 8 crores and loans amounting to Rs. 16.32 crores. The foreign exchange component of the project is estimated at Rs. 10.03 crores. The Company has received necessary import licences for machinery. If all goes well according to schedule, the plant is expected to be commissioned by the end of 1973 or in the beginning of 1974. The gross turnover in 1974 is estimated at Rs. 9.15 crores, rising to

Rs. 13.72 crores in 1975, Rs. 16.46 crores in 1976 and Rs. 18.29 crores in 1977. With the anticipated gross profit margin of 35 per cent on turnover in the fourth year, the management expects to clear the arrears of preference dividends within the second year of production and pay a maiden equity dividend from 1976 onwards.

Marketing should present no difficulty. The present production of alloy, tool and special steels in the country is far below the demand. The present installed capacity is about 337,000 tonnes and production in 1969-70 is placed at 261,000 tonnes; imports during 1969-70 totalled 60,000 tonnes. The present demand is estimated at around 410,000 tonnes and it is expected to rise to 592,000 tonnes by 1975-76 and further to 856,000 tonnes by 1980-81.

The Company has an authorised capital of Rs. 15 crores made up of Rs. 10 crores in equity shares and Rs. 5 crores in preference shares. The issued capital consists of Rs. 8 crores of which Rs. 1 crore is in preference shares. The paid-up capital is Rs. 2.01 crores in equity shares and has been taken up by the various companies in the Birla group. The present issue is for Rs. 5.99 crores of which equity shares worth Rs. 54 lakhs are to be allotted to the foreign collaborators for technical know-how and equity shares of the value of Rs. 80 lakhs are reserved for allotment to various financial institutions. The remaining 3.65 million equity shares and 100,000 preference shares are now being offered for public subscription. Mr. M. P. Birla is the chairman of the board of directors.

PEERMADE TEA**Profit Rises**

THE directors of Peermade Tea Co. Ltd have stepped up the equity dividend slightly to 11½ per cent on ordinary shares for the year ended December 1970, from the previous year's 10 per cent. The higher dividend has been made possible because of a bigger profit for the year. The outstanding feature was the much improved price realisation for the Company's tea. The profit amounts to Rs. 1.46 lakhs, after providing for all expenses and also after providing Rs. 4.37 lakhs for taxation. This compares with the previous year's profit of Rs. 90,660, after providing Rs. 68,000 for taxation. Adding to the year's profit a sum of Rs. 7,351 brought forward, Rs. 80,075 being tax refunds and Rs. 22,220 being unclaimed dividends, there is a total surplus of Rs. 2.55 lakhs available for appropriation. Out of this the preference dividend at 6.765 per cent takes up Rs. 10,147, the interim equity dividend of 5 per cent accounts for Rs. 1.06 lakhs and the

proposed final dividend of 6¼ per cent absorbs Rs. 1.32 lakhs. The balance of Rs. 6,741 is being carried forward.

AMLUCKIE TEA**Profit Declines**

AMLUCKIE Tea Co. Ltd has produced unsatisfactory working results for 1969. After providing Rs. 1.85 lakhs (against Rs. 1.03 lakhs) for depreciation and Rs. 86,000 (against Rs. 1.85 lakhs) for taxation, the net profit has declined from Rs. 2.30 lakhs to Rs. 1.96 lakhs. A taxable ordinary dividend of 2 per cent has been declared (against nil), absorbing Rs. 32,742. This offers a yield of 2.2 per cent at the present price of Rs. 9 a share of Rs. 10 each. The salable crop fell from 642,883 kilograms to 581,395 kilograms and the average sale price was Rs. 6.14 (against Rs. 5.95) a kilogram. The estimates for the 1970 season provide for a crop of 634,000 kilograms at a revenue ex-

penditure of Rs. 33.03 lakhs. Sale proceeds are shown at Rs. 23.11 lakhs (against Rs. 26.60 lakhs).

GOKUL RUBBER**Dividend Repeated**

THE directors of Gokul Rubber and Tea Plantations Ltd have maintained the dividend at 15 per cent for the year ended December 1970. The profit for the year amounts to Rs. 1.24 lakhs, after providing for depreciation and also taxation of Rs. 1.25 lakhs. This compares with the previous year's profit of Rs. 1.71 lakhs, after providing for all charges and taxation of Rs. 1 lakh. Adding to the year's profit Rs. 5,348 brought forward, and also other items written back, there is a total surplus of Rs. 1.92 lakhs. Out of this, the proposed dividend claims Rs. 67,500. A sum of Rs. 10,584 is transferred to provision for gratuity. General reserve gets Rs. 1.10 lakhs (against Rs. 2.78 lakhs). The balance of Rs. 4,126 is being carried forward.

COMMODITIES**Meeting the World Demand for Gunnies After the Crackdown in East Bengal**

JUTE mills in India appear to be confident of meeting the world demand for jute goods out of their existing stocks and present output up to the end of the current jute season, according to a New York Press report. Some shortage may also be made up next season by the extra output arising from India's plans to raise the production of fibre from an estimated 6.2 million bales in this season to 8.4 million bales in 1971-72. But India cannot hope to make up the entire deficit emerging out of the shortfall in Pakistani exports due to the current developments in Bangladesh. Pakistan produced 7.3 million bales of fibre this season and the mills operated about normally up to the middle of March shortly before the crackdown. India and Pakistan together meet 97 per cent of the world demand for jute while Thailand, Taiwan and Spain meet the balance. But these major jute producers appear to be positively worried over the possible inroads the synthetic fibre might make into the world jute goods market, taking advantage of the current shortages in the production of fibre and end-products. Already, synthetic fibre substitutes have captured 35 per

cent of the market for carpet-backing cloth, displacing the traditional jute products during the short span of critical shortages in the past two years or so.

Since the crackdown in Bangladesh, increased exports from West Bengal have almost counter-balanced the hectic spurt in the prices of end-products. Prices in Dundee, the major international jute market, have already taken a downward trend. A check with ten major shipping companies in New York, dealing with exports from the East Bengal ports of Chittagong and Chalna, reveals that only three of their cargo vessels have visited these ports since 25th March. Reports from Chittagong also indicate a large-scale dislocation in port activities.

Misleading Reports

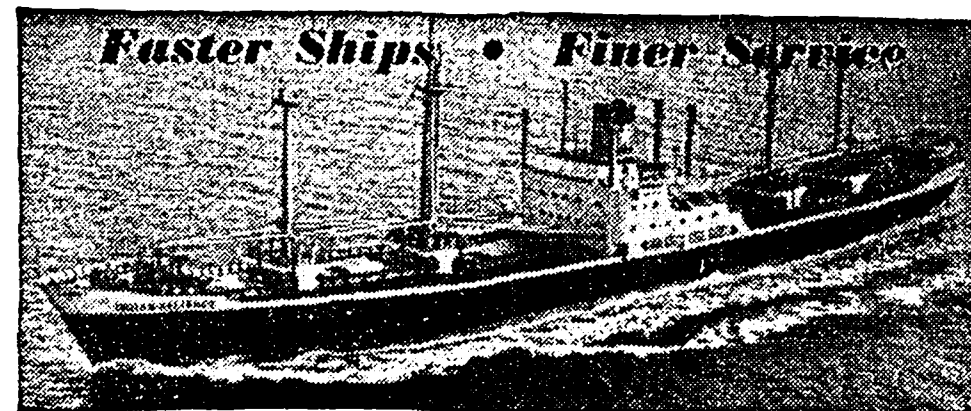
Meanwhile, West Pakistani industrialists and exporters have changed their tactics in allaying the apprehensions of overseas consumers concerning supplies for near and far positions. Apart from propagating misleading reports on the resumption of normal activities in the mills and

ports, they have been offering jute goods to overseas buyers subject to "inland freight" and "ocean freight" conditions. The first escape clause is, in fact, a recent addition, implying that inland transport—either through river or overland routes—continues to suffer from dislocation. Sensing such a possibility, overseas buyers are not responding to these offers, being generally made from Karachi, Dundee and the Continent. The prospect of a substantial devaluation of the Pakistani rupee is yet another depressant. According to information circulated by these circles but lacking confirmation from any official or dependable trade source, about 70,000 bales of raw jute and 12,000 bales of end-products are awaiting shipment in the Pakistani ports. Some nine ships are awaiting loading of these goods in or near the ports while another, now loading in Calcutta, is scheduled to move to the East Bengal ports soon.

Overseas buyers are eager to have their backlog of shipments since end-February covered before entering into fresh commitments with the Pakistani industry and trade.

Importing Thai Mesta

Short-sightedness and red tape at certain Ministerial levels have prevented India from availing herself of the offer of about 500,000 bales of mesta of fairly good grades from Thailand in September last when the



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MIDDLE CLASS COST OF LIVING INDEX NUMBER FOR CALCUTTA

(Base : August 1939)

THE Middle Class Cost of Living Indices, by groups, have now been brought up to April 1971. As compared with March, the April indices for Food, Fuel and Lighting, Clothing and

Miscellaneous remain unchanged at 883, 412, 693 and 400 points, respectively.

Combining all the factors, the Middle Class Cost of Living Index for Cal-

cutta shows that the cost of living remained unchanged at 696 points during April 1971.

Middle Class Cost of Living Index Number for Calcutta. Prices in August 1939=100

Groups	Weights	GROUP INDICES												
		Apr. 1970	May 1970	June 1970	July 1970	Aug. 1970	Sept. 1970	Oct. 1970	Nov. 1970	Dec. 1970	Jan. 1971	Feb. 1971	Mar. 1971	Apr. 1971
Food ...	53.6	860	865	864	874	881	891	900	911	906	894	883	883	883
Fuel and Lighting ...	4.4	412	412	412	412	412	412	412	412	412	412	412	412	412
Clothing ...	12.4	682	682	682	682	693	693	693	693	693	693	693	693	693
Miscellaneous ...	29.6	388	391	391	391	392	392	392	392	392	392	392	400	400
Combined Index ...	100.0	678	682	682	687	692	697	702	708	705	699	693	696	696

Compiled and constructed by the Statistical Department of "Capital".

price at Bangkok ranged from £65 to £76 a tonne, it is reliably learnt. It will be recalled that expecting a shortage of fibre and also for building a small buffer stock, the industry had appealed to the authorities to allow a token import of some 500,000 bales of fibre during the second quarter of the current season. At that time, Thailand was keen on entering into a bilateral arrangement with this country for the barter of mesta against rice and other commodities. The request was reportedly turned down by the Central Ministries of Food and Agriculture and Finance.

Since the emergence of a clearer picture about the current season's crop and also of the absolutely unexpected developments in East Bengal, followed by a sudden stepping up of finished goods output to capacity levels, the industry has been facing a serious fibre shortage. So the smooth maintenance of quality-wise production has been hampered. As Thailand has already used up or sold off its selected grade fibre, it is now left only with residual lots of offgrade stuffs which are of little use to the Indian industry. Meanwhile there has been a sharp upsurge in the prices of even the residual stuffs to around £125 a tonne.

S.T.C. Representative in Bangkok

Meanwhile, the S.T.C. is reported to have deputed a representative to Bangkok to make a first-hand assessment of the prospect of imports from that country. Knowledgeable circles say that the Central Ministry of Foreign Trade had requested the Finance Ministry to allow the import of 500,000 bales of Thai jute as early as September last. After sitting on the file for well over three months, the latter cleared the request, to the extent of 300,000 bales and passed on the instruction to the Jute Commissioner's establishment and the S.T.C. to take follow-up action in the matter.

Gunnies Steady

Despite a moderate intermittent rally, the Calcutta gunny market ruled about steady in a comparatively lean turnover during the past week. The hesitancy mainly stemmed from the uncertainties relating to the prevailing burden of export duties. Although the authorities had already ruled out the chances of any fiscal relief at this stage, Clive Row

was still expecting some incentives to the industry and the trade in the final Central Budget proposals for 1971-72 to be placed before Parliament on Friday. The market opened quietly steady and hardened somewhat in both hessian and sacking on reports of brisk covering by bears at the lower levels against their earlier commitments. Rising prices also induced some fresh enquiries and business in respect of all types of goods, mainly from the U.S.A., Russia, east Africa and Argentina. There were some enquiries from the United Arab Republic as well. But further negotiations had been stalled following the political developments in that country. In the absence of confirmation from reliable local and overseas sources, the persistent Radio Pakistan reports about the prevalence of normal operating conditions in the industrial areas and ports failed to produce any immediate impact on the market. Even the low offers made by Pakistani agents and trade failed to enthuse the interest of overseas consumers, for the additional escape clause relating to "inland freight" condition confirmed the suspicion that the ultimate shipment of the goods might be delayed. The decline in the floating stocks of the end-products in spite of an appreciable rise in production induced some Government of India and semi-official agencies to absorb moderate lots of goods, particularly sacking, for ready and May deliveries, further reinforcing the intermittent bullishness. But around the close, there was a setback induced by profit-taking by weaker bulls and the emergence of some mills as keen sellers at such levels. Because of the persistent stalemate in East Bengal, both industry and trade circles expected that it might be possible for them to dispose of the annual output around the industry's capacity level of 100,000 tonnes a month to overseas and internal consumers in spite of the encroachment by synthetic substitutes. The hedge market ruled about steady in thin trading due to the drastic enforcement of the penal restrictions. Turnover was confined to genuine transactions against bona fide export deals and sales. The May delivery hedge contract for 40in. 10oz. hessian and B Twills was closed on the due date after the formal squaring up of the outstanding open positions. The gross and net outstanding long position for August delivery futures contracts for both constructions declined further from the previous week-end levels. The closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	May	June	June-Sept.
40in. 7½oz.	75.00	74.50	72.50
40in. 8oz.	81.00	—	—
40in. 10oz.	98.50	97.00	95.00
B Twills	261.00	266.00	268.00
Heavy Cees	261.00	266.00	268.00
Cornsacks	—	—	—
A Twills (U.S.)	325.00	326.00	329.00
Liverpools	314.00	313.00	310.00

Fibre Firm

Raw jute prices hardened further in the Calcutta and the upcountry markets, following the absorption of the available offers of better grade fibre at quoted prices by mills and mill agents. This led to the elimination of such holders as well. It appeared that growers were practically having no stocks with them and the slender remnants of the season's stocks were being held by financially strong intermediaries. Official circles appeared to be seriously concerned over the rising trend in fibre prices and held a high level enquiry into its cause. It was reported that there had been no accumulation of wagons in Cossipore and that actual daily arrivals had dropped to abnormal levels. It was estimated that the current season might close with a small carry-forward of 600,000 bales, against 1.4 million bales a year ago. As the mills had been concentrating their attention to maintain production around some 100,000 tonnes a month and with the virtual snapping of contraband supplies of fibre from across the border, it was feared that the industry might experience considerable difficulties in fibre supplies during the initial quarter of the next season. The mills, therefore, redoubled their efforts to absorb all offers of fibre even at a premium over the quoted rates. But the holders remained practically indifferent, releasing only odd lots casually. Turnover was small. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	June-July Rates a quintal	June-July Rates a quintal	June-July Rates a quintal
	Mid.	Bot.	Mid.
Selected Assam-			
Agartala	171.47	103.43	61.00
Northern Jute	166.11	158.07	59.00
Western Desal			
Jute	158.07	150.04	56.00
Selected			
Daissee	175.49	167.45	62.50
Assam-Agartala			
Tossa	176.83	168.79	63.00
Mesta :			
Assam Mesta	159.41	151.38	56.50
Selected Daissee			
Murshidabad	154.06	146.02	54.50
Bihar Dist.	147.36	139.32	52.00

HINDUSTAN LEVER LIMITED

PAST AND FUTURE

Speech delivered by Mr. V. G. Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held in Bombay on Thursday, 20th May, 1971.

This year I am departing from the past practice when your Chairman restricted his address to a single facet of your Company's activities. The end of one decade and the beginning of another marks a milestone that would itself justify taking stock of the enterprise as a whole.

In assessing the Company's past performance and its plans for the seventies, I will confine my remarks to two questions which I feel sure are of interest to you. First of all in the face of growing concern and indeed in some quarters, trenchant criticism, about the role of large companies such as yours, what account have we given of ourselves? Secondly, in the light of the new industrial policy that has just emerged, how do we see our future?

A REVIEW OF THE PAST

Our Traditional Business

Our traditional business has been largely in good quality household consumer goods aimed at the mass market. For instance, 'Dalda' is not just an economical substitute for ghee, but a nutritious product in its own right. Similarly, 'Sunlight', 'Lifebuoy', 'Surf' and 'Vini' have come to represent the highest standards in their product class. In a developing economy, where the accent is on production rather than on distribution and marketing, the customer's interests have often been ill-served. By contrast, a trained marketing organisation dedicated to offering the consumer precisely what she wants at reasonable prices has been an integral part of your Company's philosophy since its inception and remains one of its greatest strengths. Indeed, the emergence of marketing as a discipline and a socially worthwhile profession is something which your Company has done much to foster.

In the field of distribution we have created a network which is not only efficient and economical, but which was one of the first to penetrate deep into the countryside using methods and equipment which were new to the

country. In the absence of taxation on agricultural incomes the sale of excise-bearing consumer goods in the rural areas is one of the few practicable means the exchequer has of tapping the wealth in the more prosperous farming communities.

Indianisation

During these last two decades one of the important objectives of Government policy was to persuade multinational companies to Indianise their managements. Our response may be gauged from the fact that as early as 1957 we had only a sprinkling of expatriates and there has been an Indian national at the helm of our affairs since 1961.

Again we were amongst the first to respond to Government's desire to associate Indian capital with the business. Our progress in this direction has been limited not by any reluctance in principle, but because such modest growth and diversification as we were permitted from time to time could be financed from within and did not call for any widening of the capital base.

Research and Development and Import Substitution

That industries should develop an indigenous research and development base and that one of the objectives of such R & D effort should be to reduce the country's dependence on imports of goods and know-how has been and is one of the goals of Government policy. Here also I believe your Company has an exemplary record.

We concentrated our efforts on vegetable oils—the principal raw material for the products which make up the bulk of the Company's business. The stagnant productivity of oil seeds in the face of rising demand, the theme of your Chairman's Annual General Meeting speech eleven years ago, resulted in a net deficit ten years ago and the deficit has been growing. In spite of imports amounting to over 200,000 tonnes by Government in 1970, and a good oil seed harvest in 1970-71, prices of vegetable oils are higher in India than almost anywhere else in the world.

With these and other problems in mind, a decade ago, your Company

began investing in its own Research and Development facilities and to-day it has the largest and finest organisations in its field in the country. One of its major tasks was to discover new techniques for upgrading non-traditional and inedible oils into materials suitable for making good quality soaps. Our Buying Department has played a pioneering role in promoting the collection of forest seeds such as sal. The joint effort of these departments has led to an eight-fold increase in the consumption of non-traditional oils by your Company during the last five years. To-day only the physical difficulties of gathering seeds in the short time that is available before the monsoon makes collection impossible and the low value of the by-product oil-cake are the main obstacles in the way of exploiting the full potential of these oils.

Perhaps our most notable success in reducing the need for imports of oils is in stimulating the mass consumption of synthetic detergent powders and bars which replace soap. In 1970 alone, the synthetic detergents produced by your Company saved the import of over Rs. 3 crores of oils which would have otherwise been required to produce an equivalent quantity of soap. In less than three years' time, if no impediments are put in the way of our growth, this figure can be readily increased to Rs. 6 crores, or Rs. 10 crores per annum if by then the alkylate, which is one of the main raw materials, is manufactured in the country.

Another area in which your Company has taken the lead in saving foreign exchange is in the chemicals which it requires for its traditional business. Thus, by manufacturing nickel catalyst for its own use as well as for third parties, and by producing aromatic chemicals based on entirely original know-how developed at our Research Centre, imports worth nearly one crore of rupees are being saved every year.

Our research activity is not confined to our own facilities or to our own products. We have for instance sponsored research projects in National Laboratories and helped our suppliers to cut costs and improved the quality of their products with the object of reducing our dependence on imports.

Exports

The long-standing adverse balance of payments has been a major problem for the last 15 years and, besides import substitution, increasing exports is an important feature of the country's economic policy. In response to this your Company had built up, prior to devaluation, a substantial export business based largely on the export of high quality refined edible oils and vanaspati tailored to meet the needs of the importing countries. After devaluation such exports were banned, leading overnight to an almost total collapse of our exports. We had to begin building up a new export business from scratch and in 1970, we again reached the respectable figure of Rs. 4.8 crores. In doing so we have widened the range of exports to include non-traditional items and entered new markets. Using our familiar marketing techniques we have begun the sale of Hima food mixes to people of Indian origin overseas. We recently sent a substantial consignment of synthetic detergent powder to the U.S.S.R. and hope to do so again this year.

Agro-Industries and Agricultural Extension

If the recent success with high yielding varieties of wheat could be extended to other cereals, especially rice, the day of self-sufficiency in foodgrains will not be far away. This has brought into even sharper focus the growing scarcity of indigenous fats and proteins, the other two major components of a balanced diet. In addition to finding substitutes for the traditional oils as mentioned earlier, we have succeeded by our own extension efforts and through the Vanaspati Manufacturers' Association, in stimulating the introduction of better seeds and improved agronomic practices for growing groundnuts, the nation's most important oil seed, in many parts of the country. By developing techniques which have enabled us to become one of the largest users of cotton-seed oil in vanaspati, we have encouraged the diversion of cotton-seed from its uneconomic use as a cattle feed, to oil crushing and extraction.

Through our international associates we have access to unrivalled knowledge and experience of modern palm oil plantations which if applied in suitable soil and temperature conditions can produce very high yields of oil per acre. Such conditions are believed to exist in the Andaman Islands and we have offered to place at Government's disposal the expertise to set up

and run a plantation there. Immediate and urgent action both by the Centre and the States is however required if the output of indigenous vegetable oils is to increase at a pace which will allow supply to catch up with demand. The recent suggestion that Government should appoint a National Commission for Oils and Fats to suggest the means by which this can be done deserves serious consideration.

Turning to the problem of proteins, amongst the best and most widely acceptable sources of proteins in India are milk, eggs and poultry. We have helped to stimulate milk production in the Etah district of U.P. by setting up a dairy to provide a steady outlet for the surplus milk in the area and by bringing in good quality buffaloes to improve the quality of the herds.

We have also played a major role in the rapid growth of the organised animal feed industry in India by formulating and supplying dairy herds and poultry farms with high quality feeds backed by expert guidance in the setting up and operation of egg and broiler producing units.

Our agro-industrial activities have gone further. At Ghaziabad we put up the first unit in India using a unique process for dehydrating peas and at the same time helped farmers to improve the yield and quality of their pea crops. In Assam we have taken the initiative in collaborating with the tea estates to cultivate Citronella grass on unused land on a scale which, last year, provided Citronella oil, a hitherto imported essential oil, in commercial quantities.

Management Development

To achieve progress in all these directions your Company had to develop a cadre of managers who were not only professionally competent by international standards, but were also sensitive and responsive to the nation's goals and ideals. It is now becoming widely accepted that the principal obstacle to rapid and healthy economic growth is not so much finance or foreign exchange or even natural resources, but the scarcity of such managers.

We have been privileged to play a small part in the development of such institutions as the Administrative Staff College of India, Institutes of Management and Institutes of Technology. Our contribution takes many forms—ranging from providing funds, to en-

couraging our senior executives to spend a significant part of their time in a teaching role or serving on the governing bodies of these institutions. A number of students and sometimes faculty members from the Institutes and colleges come to us for short-term training attachments at our offices and factories.

The training of our own managers is supplemented by the free access we have to the facilities available through our international associates. These facilities comprise specialised courses as well as short-and medium-term attachments with associated companies in various parts of the world. As a result we are able to expose our managers to the latest trends in management development. Neither have we neglected training at non-management levels—over 40 per cent of our managers have risen from the ranks.

Our contribution to professional management outside the Company sometimes takes a more direct form and it is with a sense of pride that we see some of our alumni, if I may call them that, occupying high places in both public and private sector organisations.

The efficient use of Resources

In order to provide the consumer with the highest value for her money we have, over the last two decades, devoted much attention to the efficient use of resources. To mention a few examples of what we have achieved between 1960 and 1970—distribution costs have been cut from 9.1 per cent to 8.2 per cent of turnover, the number of times in a year our working capital is turned over has increased significantly and the man-hours required to produce a tonne of soap have fallen from 40 to 27. Reductions in the wastage of materials and services and improved by-product recovery have all contributed to cost reduction. We have used the full range of our managerial skills to avoid or delay an increase in selling prices and to conform to Government's policy of keeping a check on inflation.

In spite of all this, price controls which now cover 75 per cent of your Company's products have bitten deeply into our profitability and their effect on margins can be judged by the fact that purchased materials accounted for 72.2 per cent of our income in 1970 as compared to 65.4 per cent in 1961. The pricing formulae that Government have evolved take into account the cost of the major raw material but pay

little or no attention to the rises that have taken place in the costs of other inputs such as chemicals, packing materials, engineering spares, fuel, transport charges, rents and wages. As a result, margins in many of our Company's traditional products are down to wafer-thin levels and their viability is threatened.

Our representations to the Tariff Commission which has recently submitted its report on vanaspati prices and to the Bureau of Costs & Prices which is examining the cost of soaps will, it is hoped, lead to the adoption of more equitable and sensitive pricing mechanisms. We are not pleading for a "cost plus" type of formula and we do not suggest for a moment that a manufacturer's inefficiencies should be passed on to the consumer. Competition in a free market has been shown time and again to provide the best protection to the consumer. However, if this is not practicable then prices should be such as to leave the manufacturer, who makes efficient use of his resources and makes good quality products, a surplus which is sufficient to pay the shareholder a reasonable dividend, the employees a fair wage and enables the manufacturer to improve his products and techniques, modernise his plant, widen his distribution and invest in Research and Development.

To summarise, I believe it is fair to say that over the last two decades, your Company, while safeguarding the interests of the shareholder, has responded as best as it could to every call that the country's industrial and economic policy has made on it. Even with harsh price controls it has continued to provide its main customer—the common man—whether he lives in the larger towns or in the smaller villages, good quality products which provide value for money.

PROSPECTS FOR THE SEVENTIES

Consumer Products

Our contribution to the Indian economy has been in those areas where we have been able to combine the wealth of knowledge, experience and research that has been made available to us, entirely free of charge, by our associates—Unilever—with our own skills in research and development, production, marketing and distribution. We are fortunate that our associates are a widely diversified business and in addition to being leaders in the

range of products which we already manufacture, are amongst the foremost companies in the world in such consumer products as frozen foods and processed meats. Whilst to-day the time may not be opportune to enter these fields because the market for such products may be too small or because current licensing policies may preclude it, we hope that one day we shall be able to play our part in bringing yet another range of quality products to the Indian consumer. We do not share the view held in some quarters that India cannot derive worthwhile benefits from international skills in the creation, production and marketing of good quality and efficient consumer goods which have provided, in many countries, the strongest incentive for better standards of living.

The new Industrial Policy

The industrial policy announced last year seeks to create a wider role for multi-national companies such as yours—a role which may be different to that which such companies have hitherto played in other countries, including the country in which they are based.

This new policy aims at directing the energies of your Company into the core/heavy investment sector of industry which, while it is of vital importance to the economy, is a field where neither we nor our associates have any direct experience. It could be argued that such a policy may tend to create a conglomerate type of corporate structure and by making it difficult for the economy to reap the benefits that flow from specialisation, may not turn out to be in the nation's long-term interest. Be that as it may, we have, as in the past, responded promptly to the new challenge.

Fertiliser Project

Your Company was asked by the Government to consider investing in a fertiliser project and, in particular, to participate in a joint sector venture in the Punjab in partnership with the Punjab State Industrial Development Corporation (PSIDC) to whom a Letter of Intent, it is understood, will be issued shortly. Accordingly, we commissioned a feasibility study by the Mitsui Toatsu Chemical Company of Japan and a market survey by the FACT Engineering and Development Organisation. These studies revealed that, prima facie and subject to certain key requirements being met, such a project would be viable and we are at present engaged in discussion with

the PSIDC and the Central Government in this regard.

In order to have access to up-to-date technology, both in the construction of the plant and on a continuing basis, it is our intention to associate with the project firms of international repute in the field of fertilisers. We have, we believe, the general skills to manage such a project and, after the gestation period associated with an undertaking of this magnitude, we expect it to provide a satisfactory return on our investment.

Our Existing Businesses

In the meantime the importance of maintaining the viability of your Company by allowing it freedom to grow in its existing businesses cannot be over-emphasised. We are, therefore, also discussing with Government a number of other projects which not only seek such growth, but at the same time fully conform to Government's social and economic objectives in regard to the development of backward areas, co-operation with the small-scale sector, import substitution, etc.

The project which involves co-operation with the small-scale sector is a novel concept and you might find it interesting to hear a few details about it. The proposal we have submitted to Government is to build a factory in a backward area, which, despite its other drawbacks, is well placed in regard to supplies of non-traditional oils such as rice-bran, sal, neem, etc. The factory will convert these and other oils into a semi-processed soap using complex and relatively capital intensive processes for upgrading these non-traditional oils, and extracting a strategically important by-product—glycerine—of which there is a growing national shortage. This semi-processed material will then be despatched to a number of widely dispersed and independent small-scale units who will process it further, package it to our specifications and return it to us for marketing and distribution.

We propose, subject to obtaining the Government's approval for this project, to provide these small entrepreneurs, free of charge, the know-how required to instal and operate their equipment and to guarantee the offtake of the finished goods. Such a scheme, we believe, will provide an example of how the small-and large-scale sector can perform complementary roles—the large-scale unit undertaking the complex technological and marketing functions which are generally beyond the

capacity of the small-scale sector, leaving the latter with the more labour-intensive, but technologically less complex activities in a way which gives the maximum benefit to the economy and conforms to the social objectives of the country.

This is not to suggest that we have not been conscious of these social objectives in the past. Our dairy project, for instance, was located in one of the most backward areas of Uttar Pradesh and is making a significant contribution to raising living standards in its neighbourhood, although the cost to us has been heavy. Likewise, as a part of our purchasing policy, we are encouraging and giving technical guidance to a large number of small and medium-scale firms.

Whilst we are thus responding, as promptly and wholeheartedly as in the past, to the social and economic objectives of the new industrial policy, the cost and delays, for instance, of starting up a factory in a backward area cannot be ignored. It would, I believe, be wrong if, in pursuance of the new policy, all growth on the existing factory sites is completely stopped when it is clear that such growth is the quickest and most economical way of increasing production, particularly at a time when there is a growing shortage of your Company's products.

Conclusion

In the final analysis, national growth aims at things that transcend the parameters of output and income. Two decades ago Pandit Jawaharlal Nehru observed that we should seek to improve the quality of life in our society, that our aim should be the making of better men rather than men who are merely better fed and clothed. The quality of life depends upon standards, specifically standards of excellence. May I, again in a spirit of humility, assert that the function of an enterprise like your Company in a developing society is to aim at setting such standards, albeit in the limited spheres of commerce and industry. The standards we have set span a whole host of activities ranging from the quality of the raw materials we are prepared to use to the quality of the product we are hoping to sell, from management practices within the Company to our corporate behaviour vis-a-vis the society at large. Such standards have, we believe, significant, if immeasurable, effects on the values of those we meet at the boundaries of our enterprise:

(Continued on the next column)

GUEST KEEN WILLIAMS LIMITED

CHAIRMAN, MR. K. C. MAITRA'S STATEMENT

Statement by the Chairman, Mr. K. C. Maitra, on the occasion of the Forty-first Annual General Meeting held in Calcutta on the 19th May, 1971.

It gives me great pleasure to welcome you to this, the 41st Annual General Meeting of your Company. The Directors' Report and the Statement of Accounts have been with you for some time and with your permission I propose to take them as read.

Board of Directors

Mr. J. E. Sawtell who had joined the Board on the 21st November 1968 resigned from it on the 31st January 1971 on his retirement from India. His knowledge and experience of the engineering industry were of great assistance to the Board and, on your behalf and mine, I would like to place on record our appreciation of his services to the Company.

Of the four Directors due to retire this year by rotation, three, namely—Mr. T. Mathew, Mr. A. K. Roy and Mr. A. H. Sethna, have expressed their willingness to continue to serve on the Board. Their re-election will

(Continued from previous column)

our customers, our stockists, and our suppliers, to cite a few.

In one sense, therefore, our activity in the seventies will be no different from what it has been in the past. We believe that this particular function of your Company draws strength from its association with a multi-national corporation. It is this international association that continuously exposes us to new and more challenging standards of excellence. In the relatively narrow view of the statute books, we may be a foreign company. But, from a larger point of view, the label is misleading as most labels are. Your Company is just as much concerned with the welfare of the nation in which it has grown as are enterprises based wholly on indigenous capital. It is this concern which, I believe, emerges out of a social audit of your Company in the sixties; and it is the same concern which will continue to permeate its plans for the future.

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

be the subject of appropriate resolutions later on.

Mr. Brian Eustace, having served for three years in India as General Managing Director of the Company, is returning to the U.K. and does not seek re-election. He will therefore retire at the end of this Meeting. During his period with us he has made a deep impress on the operations of the Company. I am sure you will join me in expressing our appreciation of his contribution to the Company's prosperity and in extending to him our good wishes for the future.

Operations During 1970

1970 has been, on the whole, a satisfactory year for our Company. The Directors' Report gives you details, and I shall add only a few comments.

Whilst the turnover increased from Rs. 32.03 crores in 1969 to Rs. 42.59 crores in 1970 (increase of 33%), production in terms of tonnage did not rise correspondingly though it was higher than the previous year's figure. The increase in the sales value is thus largely the result of higher prices of raw materials and therefore of finished products due to price rationalisation. Liquidity improved considerably and our finance charges were significantly lower because of saving in overdraft interest. The pre-tax profit improved to Rs. 7.12 crores as against Rs. 1.61 crores for 1969.

Stocks have fortunately recorded significant increase at the end of 1970, particularly because of large consignments of CRGO steel shipped towards the year end. With their arrival the raw material situation, as far as the Precision Pressings Division is concerned, should be considerably eased.

I must add that almost throughout the year we have been plagued by a shortage of raw materials and it has been, on the whole, a hand-to-mouth existence. Critical raw materials have often had to be purchased at extremely high prices to keep the production going. Our production was also materially affected by the lockout in the Andul Road Works where operations were completely suspended for eight weeks and could

be resumed to a reasonably satisfactory degree only after another six weeks.

Among the four divisions the performance of Precision Pressings Division has been the most encouraging, both in terms of production and despatches. Although a much smaller unit, operations of the Screws & Fasteners Unit of the Fasteners Division can also be regarded as highly satisfactory.

The Units located at Andul Road Works, besides the set back due to lockout, were at all times very severely afflicted by steel shortage. In addition, certain strategic materials, particularly for steel making, remained extremely scarce, notably graphite electrodes and ferro alloys.

The Future

Before I share a few of my thoughts on the future operations of the Company, I would like to place the background against which these are based:—

(1) The results of the last General Elections have established the strength of democracy in our country. The fact, that, in spite of somewhat disturbed conditions in West Bengal, such a large percentage of voters came out to exercise their franchise proves that our people are conscious of their rights and obligations. However, from the point of view of industry and of our Company, what is even more important is that the elections have resulted in the formation of a Central Government whose stability cannot be questioned at least for the next five years. In that period, one might expect a consistent and, I hope, a firm policy not subject to the pulls and pressures of the various Parties on whom it was dependent in the last two or three years. Politically and administratively the Government is thus poised for a big thrust forward to launch upon its "Garibi Hatao" or "Quit Poverty" programme.

(2) One must keep one's fingers crossed, but the international situation so far has been reasonably peaceful for some time. Even though dark clouds appear to be gathering, one may hope that wise counsel will prevail and these international problems will disperse.

(3) The Weather-God has been all along reasonably kind to us during the last four years and we have had good spells of monsoon. Coupled with better techniques, provision of

better seeds and better fertilisers and the industry of our peasants, this has helped us to overcome the food crisis and one may expect that the worst is over.

(4) West Bengal, where our largest units are located, has been the scene of unprecedented violence and crimes. Whether these are the results of personal or political vendetta or acts of unsocial elements, the fact remains that there is a feeling of uncertainty for the future, which is further aggravated by the alarmingly mounting unemployment in the State. To what extent the situation will be further complicated by the continuing influx of refugees from our neighbouring State is still not known. West Bengal thus faces big problems. The administration with its political uncertainty and lack of resources would have a heavy burden cast on it and it appears that the prime need for the State at the moment, more than ever in the past, is its political stability. Since unemployment in the State will continue for a long time, telling phrases or clichés such as, "crash programmes", "war-footing" etc., would appear to be facile unless the State embarks on a 5 or even a 10 Year Plan concentrating on labour oriented schemes which will at the same time be economically productive. Grave maladies need drastic and effective remedies.

(5) Production in the field of basic raw materials and of heavy industries continues to remain sluggish. The public sector steel plants are still far from producing their rated capacity and the date of starting of the new steel plants at Bokaro and also at other places is being continuously deferred. Railway wagon builders and structural engineering firms continue to suffer from shortage of orders or of raw materials or of both. The construction of the new Howrah Bridge which was expected to give a fillip to local industry has not yet been started. Though the Government has so far managed to electrify one out of every six villages in the country, it is still unable to meet the ever increasing demand for power and today industries in the Punjab, Haryana and Western U. P. are languishing under acute power shortage. Against this gloomy picture must, of course, be stated the fact that on account of rising prosperity in agriculture there is a steady and developing demand for consumer products which is bound to lead directly or indirectly to the demand for products of industries of our

type. The problem will still, however, be of scarcity of raw materials.

(6) The Fourth Plan is said to be again under revision to be labour-oriented. It is not known to what extent and in what manner the Plan will be revised so as to be consistent with Government's "Garibi Hatao" programme and how soon these plans start giving immediate relief to the unemployed. Whether the importance given to heavy industries will remain unaltered is a moot point.

If my analysis is correct, we appear to be, by and large, in an era of political stability combined with uncertainty of the pace and direction of economic growth. What then should be this Company's policy in the immediate future? With increasing demands for our products, one's thoughts would naturally turn to the idea of a substantial increase in the Company's production capacity. I would like, however, to recall in this connection that we have only recently carried out a major expansion of our steel plant. An application for increase in the capacity of manufacture of wood screws has been pending with Government for some time. In our other major activities, such as electrical stampings, bolts and nuts, etc., the limitation is not so much of plant capacity as largely of raw materials. Given more, we can certainly produce more.

It should be remembered that in spite of the shortage of raw materials, Government have granted industrial licences for the establishment of several other factories for the manufacture of electrical stampings. In automotive forgings, there is already excess capacity in the country. In our other fields of activity, such as bolts and nuts, screws and fasteners, more and more capacity is being created in the sphere of small-scale industries. It should cause no surprise if, consistent with their declared policies, Government give more favourable treatment to them in the matter of allotment of raw materials.

In this situation, it seems to me that our future lies in making the best use of the resources we have and these, I assure you, are of the highest quality, both in men and plant. Your Company already has the highest reputation for quality and efficiency; but achieving perfection is a continuous process and we must pursue it methodically, vigorously and relentlessly. We have done much but we must do more and I

would like to enumerate them in some detail:—

(i) *Consolidation of the Company's Operation:* The restructuring of your Company's organisation in four operating divisions and the closure of the Railway Engineering and Track Department in 1968 have been followed up by intensive training of management in all functional areas, and at all levels to build up a cadre of skilled managers. The keynote of our objective has always been professional engineering and professional management.

(ii) *Products & Product Development:* As is well known, our Company's manufacturing divisions serve several emerging industries whose growth must continue to be a basic urge. At the same time we have to serve a number of established industries whose stability is essential to the country's economic survival. We produce finished and semi-finished components used in generation, transmission and distribution of electricity, in structural, fabrication and construction industry, in automotive industry and in a host of consumer durables. In our time, we have pioneered the manufacture of a number of new items for all these industries and are still pioneering the development of "C" and "E" cores for electronics in India. We have also developed Boron Steel specifically for tractors.

Our customers have faith in the quality of our products and we want to stay and grow in the market on the strength of this reputation. This it would be idle to claim to be an easy task in an increasingly complex and competitive environment. We have to concentrate on learning new skills and disciplines in marketing. We have to build up a highly motivated team of managers, and advanced technology for our diversified operations most of which produce precision components. Their manufacture requires a high degree of professional engineering which will continually provide the basis for further diversification of the products in the Company.

(iii) *Assistance to Customers:* With the increasing importance now being given to small-scale industries, it is no longer enough merely to supply our products to our customers; it is important that we train these small industries in the better and more efficient use of these products to our mutual advantage. This will mean a more detailed study of our customer's products and we must intensify our efforts in this direction.

Apart from this being a social obligation, it is only through such effort that we can help the country to develop a massive industrial super-structure under-pinned by an equally strong and vigorous intra-structure of ancillary and small scale industries in the country.

(iv) *Labour relations:* After the lockout in the Andul Road Works last year, we have fortunately had no major labour troubles. Nevertheless, we still continue to have minor labour problems here and there in our various works throughout the country. Although individually minor, their cumulative effect leads to a significant loss of production and it should be our constant endeavour during this period of consolidation to see that they are minimised to the extent possible.

What I have said above may not sound so commonplace when it is revealed that no fewer than 19 million man-days were lost to the country's industry in 1969 and the figure for 1970 is expected to be in the neighbourhood of 25 million man-days. It is important to constantly watch the organisational behaviour of industrial labour in operating a big manufacturing unit like ours, and it is wise to remember that in the field of industrial relation the routine is more effective than the spectacular.

1971

Encouraged by our performance in 1970, we have set our targets fairly high for 1971. Partly due to shortage of raw materials and partly due to minor labour unrest, we have not been able to achieve these high targets during the first four months. Though not comforting, we should have no reason to be unduly worried about it. Our production and sales during the first four months of the current year have continued to follow last year's growth trends. Fall in demand for certain products is counter-balanced by increase in some others and on the whole the situation appears to be not too disquieting. The only uncertainty is about the supplies of steel. Our small inventories of mild steel and poor arrivals from the steel works continue to be our major problem. Given adequate steel and power supply we should expect to match the performance of 1970 in 1971 as the upswing in the country's economy which began in 1969 still continues to gain momentum and the demand for most of our products persists to be strong.

Exports

It is a matter of great regret that our earnings from exports last year were not upto expectations. In my statement last year I referred to the difficulties of exports and these were mainly lack of availability of raw materials and high costs in the country. These difficulties still continue to face us. I think, however, that our determined efforts to promote exports of other commodities are beginning to bear fruit and we hope to be able to do better in the current year although on account of recession in the U.S.A. there is a possibility of a deferment of export orders for screws and fasteners.

The Restrictive Trade & Monopolies Act will inevitably act as a brake on the growth of already existing and efficient units. Unless organised industries are allowed to have strong domestic base firmly anchored to economies of volume production, their performance both in domestic and overseas markets will be adversely affected and this in a decade when the need for exports and self-sustaining economy is vitally essential. Moreover, any unimaginative "policing" of the industrial sector by the Act is likely to retard the research & development work in organised units and without such developmental activity it may be difficult even to continue to maintain the present export markets in the future.

Our Associates

Our Associates—Guest, Keen & Nettlefolds Limited of U.K. continue to give us valuable assistance. They have helped us to train our people here and in their various Works in the U.K. Their Deputy Chairman, Sir Henry Wilson Smith, who is also on our Board, has visited India three times during the last 12 months and has spent almost two months in this country. I am very glad he is present amongst us today and I take this opportunity of personally thanking him on your behalf and mine for his wise counsel and able guidance.

Conclusion

It remains for me only to thank our employees for their continued co-operation. All of them have had to work in somewhat difficult conditions, particularly those at Calcutta owing to continual disturbances there and the neighbouring areas.

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

COMPANY AND PUBLIC NOTICES

THE INVESTMENT & FINANCE COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of THE INVESTMENT & FINANCE COMPANY LIMITED will be held at the Registered Office of the Company, Chartered Bank Buildings, Calcutta-1, on Friday, the 25th June, 1971 at 11-40 a.m. for the following purposes:

- (1) To consider the Profit & Loss Account of the Company for the year ended 28th February, 1971 and the Balance Sheet as at that date together with the Directors' and Auditors' Reports thereon.
- (2) To declare the Dividends recommended by the Directors.
- (3) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- (4) To appoint Mr. D. K. Das Gupta, a Director who retires at this Meeting and to consider and if thought fit to pass with or without modification the following Resolution of which the prescribed Notice has been received by the Company in terms of Section 257 of the Companies Act, 1956 (the candidate having filed with the Company his consent in writing to act as a Director, if appointed) and which will be proposed as an Ordinary Resolution:

"RESOLVED that Mr. D. K. Das Gupta be and is hereby appointed a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation".

The Registers of Members of the Company will be closed from 18th June, 1971 to 25th June, 1971 both days inclusive.

By Order of the Board
THE INVESTMENT & FINANCE COMPANY LTD.
P. C. GANGULI
Director.

Registered Office:
Chartered Bank Buildings,
Calcutta, 17th May, 1971.

Notes: (a) A Member entitled to attend and vote at this Meeting may appoint a Proxy to attend and vote instead of

himself. A Proxy need not be a Member of the Company. A blank form of Proxy is enclosed, it should be sent back to the Company not later than 48 hours before the General Meeting.

- (b) The Dividends, if declared, will be paid on or after 5th July, 1971, to those members so entitled whose names appear in the Company's Registers of Members on the 25th June, 1971 or to their Mandatees. No application for Dividend Warrants will be necessary.
- (c) The Relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Special Business set out above is being sent to the Members.

THE INVESTMENT & FINANCE COMPANY LIMITED

THE Board of Directors, at a Meeting held on 17th May, 1971, has decided to recommend to the forthcoming Annual General Meeting of the Company, the following final Dividends for the year ended 28th February, 1971 subject to deduction of tax:

On the 1st Cumulative Preference Shares @ 6.50% per annum.

On the 2nd Cumulative Taxable Preference Shares @ 4.8285% per annum.

On the Ordinary Shares @ Re. 1/- per share—Making a total of Rs. 16.00 per share.

By Order of the Board
THE INVESTMENT & FINANCE COMPANY LIMITED
P. C. GANGULI
Director.

Registered Office:
Chartered Bank Buildings,
Calcutta, 17th May, 1971.

BANARHAT TEA COMPANY LIMITED

THE Board of Directors have today decided to recommend to the forthcoming Annual General Meeting of Members Dividends in respect of the year ended 31st December, 1970 of 7.35% on the First Preference Shares, of 9.3% on the Second Preference Shares and of Rs. 16/- per share on the Ordinary Shares, all less tax.

The Annual General Meeting of the Company will be held on 16th June, 1971 and the Register of Members and the Transfer Registers of the Company will be closed from 10th June to 16th June, 1971 both days inclusive.

By Order of the Board,
BANARHAT TEA CO. LTD.
ANDREW YULE & CO. LTD.
P. R. ROY
Secretaries.

Registered Office:
8, Clive Row,
Calcutta 1,
19th May, 1971.

THE GROB TEA COMPANY, LIMITED NOTICE

IN connection with the Annual General Meeting of the Company scheduled to be held at the Registered Office on June 29, 1971 at 3-00 p.m. notice pursuant to Section 154 of the Companies Act, 1956 is hereby given that the Register of Members of the Company will be closed from June 22, 1971 to June 29, 1971, both days inclusive.

By Order of the Board,
P. H. ARMITSTEAD
Director

Registered Office:
14 Old Court House Street,
Calcutta, 24th May, 1971.

THE GENERAL INVESTMENT & TRUST COMPANY LIMITED

THE Board of Directors at a Meeting held on 17th May, 1971, has decided to recommend to the forthcoming Annual General Meeting of the Members of the Company, the following Dividends for the year ended 28th February, 1971, subject to deduction of tax:—

On the 1st Cumulative Preference Shares @ 6.50% per annum.

On the 2nd Cumulative Taxable Preference Shares @ 4.8285% per annum.

On the Ordinary Shares @ 7½%.

By Order of the Board
BIRD & CO. (PRIVATE) LIMITED
K. L. DUA
Managing Director
Secretary

Registered Office:
Chartered Bank Buildings,
Calcutta, 17th May, 1971.

This list is brought up-to-date and published in the last issue of "Capital"
Associations and other sources.
each month.

[illegible]

STATE GOVERNMENT LOANS

MUNICIPAL LOANS

Amount Outstanding	Interest per cent	Year of issue	Repayable	Market quotations	Amount	Interest per cent	Year of issue	Repayable	Market quotations
Rs.				Rs.	Rs.				Rs.
MAHARASHTRA									
4,35,25,000	4½	1958	1971	99/40	72,50,000	4½	1954	1979	94/50N
15,00,00,000	5½	1965	1977	100/20					
10,00,00,000	4½	1961	1972	99/10					
12,00,00,000	4½	1962	1974	99/40					
15,00,00,000	4½	1964	1976	99/40					
MADRAS									
14,00,00,000	5½	1965	1977	99/85	21,10,000	3½	1942	1972	92/00
8,77,00,000	4½	1959	1971	99/10					
10,00,00,000	4½	1961	1972	99/00					
12,00,00,000	4½	1962	1974	99/25					
14,00,00,000	4½	1964	1976	98/75					
WEST BENGAL									
7,69,69,400	4	1959	1971	99/10	2,22,72,000	4	1955	1985	94/75N
7,60,00,000	4½	1961	1972	99/00					
7,00,00,000	4½	1962	1974	99/25					
7,00,00,000	4½	1964	1976	98/75					
7,00,00,000	5½	1965	1977	100/00					
6,00,00,000	5½	1966	1978	100/00	1,67,32,000	4½	1958	1970	95/50N
8,00,00,000	5½	1967	1979	100/70					
8,00,00,000	5½	1968	1980	100/70					
11,00,00,000	5½	1969	1981	100/70					

Amount	Interest per cent	Year of issue	Repayable	Market quotations	Amount	Interest per cent	Year of issue	Repayable	Market quotations
Rs.				Rs.	Rs.				Rs.
CALCUTTA									
2,50,00,000	4	1955	1967	96/00	2,09,10,500	4½	1957	1969	99/60
BOMBAY									
8,25,00,000	3½	1947	1977	83/00	2,12,14,500	3½	1949	1979	80/00

JOINT STOCK COMPANIES' DEBENTURES

Amount Authorised	Amount Outstanding	Rate of interest per cent	NAME OF COMPANIES	Year of Issue	MARKET PRICE	Interest payable	Principal Repayable
Rs.	Rs.		COAL		26-4-71	24-5-71	
60,00,000	27,03,000	6½	Bengal	1961	93/00	95/00	31-10-75
30,00,000	11,01,000	7½	Bharat Collieries	1944	80/00†	80/00†	31-10-72
20,00,000	20,00,000	8	Burrakur	1967	98/00†	98/00†	30-6-82

JOINT STOCK COMPANIES' DEBENTURES—Contd.

Amount Authorised	Amount Outstanding	Rate of interest per cent	NAME OF COMPANIES	Year of Issue	MARKET PRICE	Interest payable	Principal Repayable
Rs.	Rs.		JUTE		26-4-71	24-5-71	
15,00,000	15,00,000	7½	Auckland	1945	90/00†	90/00†	31-12-79
12,00,000	10,69,000	8½	Chitavalah	1951	94/00†	94/00†	30-6-71
30,00,000	22,88,000	7½	Howrah	1955	97/50†	97/50†	31-3-80
25,00,000	25,00,000	7½	Kinnison	1949	93/00†	93/00†	31-12-79
25,00,000	10,54,000	7½	Kamarhatti	1955	96/00†	96/00†	30-6-80
25,00,000	25,00,000	8	Nalhati	1952	85/00†	85/00†	31-3-82
20,00,000	5,00,000	6½	Nellimarla	1939	90/00†	90/00†	14-5-74
20,00,000	20,00,000	7½	Northbrook	1945	93/00†	93/00†	31-12-79
10,00,000	10,00,000	6½	Waverley	1925	89/00†	89/00†	31-8-72
MISCELLANEOUS							
10,00,000	9,78,072	7	Aluminium Corporation of India Ltd.	1948	92/00†	92/00†	15-7-75
5,00,000	5,00,000	7½	Bareilly Electric Supply Co. Ltd.	1949	96/00†	96/00†	31-12-77
12,00,000	1,00,000	7½	Benares Elec. Ltd. & Power Co. Ltd.	1949	96/00†	96/00†	30-6-75
17,50,000	14,48,000	7	Carew & Co.	1938	93/00†	93/00†	1-6-71
25,00,000	13,80,000	4½	Clive Buildings	1936	80/00†	80/00†	1-7-86
1,00,00,000	1,00,00,000	6½	Dalmia Cement	1946	94/00†	94/00†	30-9-70
2,30,00,000	1,75,06,500	6½	Dunlop India	1950 & 1958	97/00†	97/00†	1-1-73
1,00,00,000	91,80,000	7½	Indian Cable Co. Ltd.	1954	97/50†	97/50†	30-6-84
20,00,000	8,90,000	5½	Kumardhul, Fireclay & Silica Works	1954	98/00†	98/00†	31-12-69
10,00,000	10,00,000	8	Kumardhul Engineering Works Ltd.	1946	98/00†	98/00†	31-5-79
6,50,000	6,50,000	6	Katakhal Lala Bazar Railway	1945	88/00†	88/00†	31-12-74
45,00,000	39,70,000	4	McLeod & Co. Ltd. (Con Notes)	1947	301/00 P note	301/00 P note	31-12-72
1,00,00,000	14,24,000	5	Macneill & Barry Ltd.	1951	85/00†	85/00†	1-4-71
...	59,36,000	7½	Do.	1969	87/00	87/00	1-4-86
20,00,000	20,00,000	7½	Parna Electric Supply Co. Ltd.	1949	93/00†	93/00†	1-12-73
1,00,00,000	50,50,000	6½	Rohas Industries Ltd.	1946	96/00†	96/00†	31-12-69
75,00,000	75,00,000	7½	Shaw Wallace & Co. Ltd.	1967	97/50†	97/50†	31-3-79
10,00,000	10,00,000	8	Shree Gopal Paper Mills Ltd.	1944	98/00†	98/00†	15-7-76
15,00,000	11,40,000	5	Sijua Jherriah	1951	87/00†	87/00†	30-6-76

CAPITAL, 27th MAY, 1971

CAPITAL, 27th MAY, 1971

JOINT STOCK COMPANIES' PREFERENCE SHARES

Dividends are cumulative and shares carry a preferential claim on the property for the payment of capital and on the profits for dividends. Months against names of companies indicate approximate time of payment of dividends. T means that dividend tax is deducted at source.

Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 24.5.71	Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 24.5.71
1901	Allahabad Bank (May Nov.)	Rs. 15.00	6	100	78/00	1896	Barnagore (Oct. Dec.)	Rs. 5.00	5T	Rs. 5.00	31/00
						1940	Bengal (June Dec.)	10.00	5 1/2	100	44/00
						1919	Birla (June Dec.)	23.64	7 1/2	100	65/00
						1934	Calcutta (Jan. July)	6.00	6 1/2	100	33/00
						1915	Caledonian (June Dec.)	10.00	7	100	65/00
1896-97	Borica (June Dec.)	4.00	6 1/2	100	78/00	1928	Chitavalah (Mar. Dec.)	5.00	7	100	75/00
1901-19	Burrakur (Jan. July)	22.93	7	100	70/00	1903-13	Dalhousie (July Jan.)	15.00	7	100	40/50
1946	Burrakur (June Dec.)	4.50	6T	10	4/25	1897	Empire (Jan. July)	10.00	7	100	41/00
1895	Equitable (May Nov.)	4.00	5 1/2	100	86/00	1912	Fort Gloster (Jan. July)	14.00	7	100	87/00
1931	Khas Kajora (March Sept.)	1.93	12.4	10	5/31	1890-93	Fort Gloster (2nd)	7.00	5	100	50/50
1920	New Becribbom (Jan. July)	2.00	7	10	7/00	1948	Fort William (May Nov.)	10.00	7	100	83/00
1898-00	Ondal (June Dec.)	2.00	6 1/2	100	79/25	1911	Ganges (June Dec.)	6.00	10.4	100	100/00
						1916	Gouropore (June Dec.)	26.50	6	100	59/50
						1895-04	Hastings (Aug. Feb.)	25.00	6	100	63/00
						1913	Hooghly (July)	11.76	10	10	8/50
						1890	Howrah (Jan. July)	8.75	7	100	45/50
						1903-06	Howrah "A" (Jan. July)	17.50	7	100	52/00
						1919	Hukumchand (June Dec.)	40.00	7	100	84/00
						1898-04	Kankarhary (Apr. Oct.)	16.00	6	100	50/50
						1900	Kankarhary (Apr. Oct.)	10.00	6	100	35/00
						1935	Kelvin (Mar. Sept.)	10.00	7	100	45/00
						1907	Kinnison (July Jan.)	15.00	7	100	33/00
						1895-09	Landowne (July Jan.)	5.00	7	100	39/50
						1903	Lawrence "A" (July Jan.)	10.00	5 1/2	100	46/50
						1912	Lawrence "B" (July Jan.)	7.50	7	100	50/50
						1906-07	Naihati (July Jan.)	10.00	4 1/2	100	57/00
						1905-06	National (May Nov.)	5.00	6	100	45/50
						1945	Nellimarla (Apr. Oct.)	33.00	7	100	52/50
						1917	New Central (Jan. July)	15.00	5 1/2	100	47/00
						1906-12	Northbrook (July Jan.)	7.00	6	10	8/80
						1928	Rameshwara (Jan. July)	20.00	7 1/2	100	94/00
						1920	Reliance (Jan. July)	11.70	7 1/2	100	29/00
						1901-02	Shree Ambica (Mar. Sept.)	6.00	7	100	56/00
						1918	Union (July Jan.)	7.50	5	50	27/00
							Waverley (Mar. Sept.)				

JUTE

1927	Agarpara (Jan. July)	10.00	7	100	65/50	1937	Alkali & Chemical (Mar. Sept.)	31.00	5	100	80/00
1905	Alcindra (Feb. Aug.)	9.00	6	100	50/00	1938	Aluminium Corp. (Oct.)	20.00	8.8	100	86/00
1895	Alliance (March Sept.)	15.00	7	100	26/00	1944	Aluminium Corp. (Oct.)	20.00	6.5	100	63/00
1917	Anglo-India (May Nov.)	40.00	7	100	73/00	1917	Andhra Valley Power (May Nov.)	49.34	7T	100	81/00
1909	Auckland (July Jan.)	10.00	5 1/2	100	49/50	1919	Arthur Butler (Mar.)	1.30	7	10	3/25
1945	Auckland (July Jan.)	15.00	4 1/2	100	41/50						
1918	Bally (Jan. July)	20.00	10 1/2	100	90/00						

MISCELLANEOUS

1937	Alkali & Chemical (Mar. Sept.)	31.00	5	100	80/00	1937	Alkali & Chemical (Mar. Sept.)	31.00	5	100	80/00
1938	Aluminium Corp. (Oct.)	20.00	8.8	100	86/00	1938	Aluminium Corp. (Oct.)	20.00	8.8	100	86/00
1944	Aluminium Corp. (Oct.)	20.00	6.5	100	63/00	1944	Aluminium Corp. (Oct.)	20.00	6.5	100	63/00
1917	Andhra Valley Power (May Nov.)	49.34	7T	100	81/00	1917	Andhra Valley Power (May Nov.)	49.34	7T	100	81/00
1919	Arthur Butler (Mar.)	1.30	7	10	3/25	1919	Arthur Butler (Mar.)	1.30	7	10	3/25

JOINT STOCK COMPANIES' PREFERENCE SHARES—Contd.

Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 24.5.71	Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 24.5.71
1895	Bengal Assam Steamship (Nov.)	3.00	7	60	44/50	1938	Mysore Chemical Mfg. (Sept.)	2.00	6	10	7/40
1926	Bengal Chemical (Aug.)	9.00	10 1/2	10	9/37	1942	National Tobacco (June Dec.)	25.00	5	100	52/00
1899	Bengal Paper Mill (Mar. Sept.)	2.00	7	50	39/50	1944	National Tobacco (Jan. Dec.)	20.00	4 1/2	100	49/00
1928	Bengal Paper Mill "A" (Mar. Sept.)	4.00	7	100	68/00	1935	Premier Construction "First" (Aug.)	10.00	6 1/2	100	68/00
1946	Birds Investment (Dec.)	24.00	5 1/2	100	79/50	1936	Premier Construction "Second" (Apr.)	15.00	6 1/2	100	60/00
1962	Braithwaite & Co	40.00	9T	100	10/25	1922	Purtapore (Sugar) (Oct.)	6.00	10	10	11/00
1918	Britannia Biscuit (Feb. Aug.)	15.00	8	10	104	1936	Ramnugger Cane & Sugar (Aug.)	4.00	6	100	59/00
1920	British India Corporation (Feb.)	81.00	7	100	76/50	1935-36	Rohas Industries (April)	20.00	7	100	72/00
1905-09	Burn Eng. (1st & 2nd) (Feb. Aug.)	15.00	6	100	55/00	1935	Rohas Industries "B" (April)	86.00	4 1/2	100	42/00
1903-5	Burn Engineering (Feb. Aug.)	15.00	6	100	55/00						
1909-11	Calcutta Electric Supply (Apr. Nov.)	£1.900	6	£1	10/44	1944-48	Shaw Wallace & Co. Ltd.	75.00	6T	100	50/00
1937	Calcutta Silk Manufacturing (July Jan.)	2.00	10	100	82/00	1936-38	Shree Krishna Gyanodaya Sugar "A" (Oct.)	6.00	6	100	46/00
1906	Calcutta Tramways (Jan. July)	£250	5T	£1	9/00	1937	Shree Krishna Gyanodaya Sugar "B" (Nov.)	12.00	5	100	40/00
1938	Carew & Co. (Jan.)	8.00	6 1/2	100	70/50	1918	Smith Stanistreet (Chemists) (Nov.)	5.00	10	50	51/00
1905-24	Cawnpore Sugar Works (Feb. Aug.)	10.00	8	100	107/00	1935	South Behar Sugar (Oct.)	5.00	9	100	20/50
1940	Chrestien Mica Industries Ltd.	50.00	5 1/2	100	28/50	1897	Spencer & Co. A (Provisions) (Jan. July)	23.20	6 1/2	10	5/80
1937	Dalmia Cement (Bharat)	66.57	6	10	7/19	1923	Spencer & Co. B (Provisions) (Jan. July)	36.80	8 1/2	10	7/50
1945	Deharghar Power Supply "A" (Jan.)	16.00	5	100	58/00	1936	Star Paper (Apr. Oct.)	10.00	5	100	54/00
1940	Duncan Brothers & Co. Ltd	45.00	4	100	44/25	1925	Surat Electricity (April)	5.00	6 1/2	100	107/50
1926	Dunlop India First (Jan. July)	30.00	8	100	94/00	1939	Tata Chemicals (Nov.)	60.00	7.14	100	80/50
1936	Dunlop India Second (Apr.)	40.00	5 1/2	100	60/00	1910	Tata Hydro Electric Power (Sept. Mar.)	89.28	7	100	81/00
1897	East India Distilleries (Jan. July)	£200	9	20th.	17/85	1906	Tata Iron & Steel (First) (Nov.)	75.00	6T	150	112/50
1946	Gillanders Arbuthnot (Apr. Oct.)	25.00	5 1/2	100	33/00	1918	Tata Iron & Steel (Second) (May)	6.95.82	7 1/2	100	88/50
1948	Godfrey Phillips India Ltd.	30.00	5 1/2	100	52/75	1919	Tata Power (Mar. Nov.)	86.97	7 1/2	1000	84/50
1940	Gwalior Sugar (Decemable) (Dec.)	6.75	7	100	33/00	1928	Titagarh Paper Mills (Mar. Sept.)	11.50	8	100	90/50
1940	Gwalior Sugar (Dec.)	5.00	7	100	52/75	1936	Titagarh Paper Mills "2nd" (Mar. Sept.)	15.00	4 1/2	100	42/00
1936	Humayan Properties Ltd. (Nov.)	12.00	6	10	5/00	1934	Vellore Electric (Sept. Mar.)	1.25	6	10	2/64
1936	Indian Aluminium (Mar. Sept.)	40.00	5T	100	62/00						
1927	Indo Burma Petroleum (Jan. July)	50.00	7T	100	47/50	1903	Amluckie (May Nov.)	75.00	7	10	21/96
1918	Indian Standard Wagon (Aug. or Sept.)	19.66	7	100	66/75	1901	Banarhat (Jan.)	4.00	6 1/2	100	51/00
1936	Indian Iron & Steel	2.69.95	5	100	62/50	1900	Birpara (Jan.)	1.50	6T	100	52/75
1937	Jardine Henderson Ltd.	50.00	5	100	33/50	1947	Assam Estate	35.00	6T	100	38/00
1941	Jessop & Co.	20.00	5	100	52/50	1901	Dimakuri (June Dec.)	70.00	8T	10	8/81
1915	Kumardhubi Engineering (June)	12.00	5	100	43/00	1894	Giele (Sept.)	2.00	6	100	8/75
1915	Martin Burn Ltd.	60.00	5	100	53/00	1904	Hasimara (Mar.)	3.00	7	100	45/00
1946	McLeod & Co.	10.00	5T	100	17/50	1929	Moheema (May Nov.)	3.20	6	10	3/75
1950	McLeod & Co.	40.00	5	100	20/00	1888	Okayil (Dec.)	0.50	7	100	63/00
1936	Mettur Chemical & Industrial (Sept.)	20.00	6	10	7/70	1914	Peermade (July)	1.50	6	100	85/50
	Metal Box Co. of India Ltd.	30.00	6T	100	76/69	1916	Pusimbing (Jan.)	2.00	7	100	63/00
						1909	Sonai River (May)	1.00	8	100	100/00
						1932	Tezpur (Jan.)	2.06	6	6	6/69
						1922	Tirrihannah (May Nov.)	1.00	10	10	11/46

TEA

1903	Amluckie (May Nov.)	75.00	7	10	21/96	1903	Amluckie (May Nov.)	75.00	7	10	21/96
1901	Banarhat (Jan.)	4.00	6 1/2	100	51/00	1901	Banarhat (Jan.)	4.00	6 1/2	100	51/00
1900	Birpara (Jan.)	1.50	6T	100	52/75	1900	Birpara (Jan.)	1.50	6T	100	52/75
1947	Assam Estate	35.00	6T	100	38/00	1947	Assam Estate	35.00	6T	100	38/00
1901	Dimakuri (June Dec.)	70.00	8T	10	8/81	1901	Dimakuri (June Dec.)	70.00	8T	10	8/81
	Dhunseri	1.20	10T	10	8/75		Dhunseri	1.20	10T	10	8/75
1894	Giele (Sept.)	2.00	6	100	45/00	1894	Giele (Sept.)	2.00	6	100	45/00
1904	Hasimara (Mar.)	3.00	7	100	45/00	1904	Hasimara (Mar.)	3.00	7	100	45/00
1929	Moheema (May Nov.)	3.20	6	10	3/75	1929	Moheema (May Nov.)	3.20	6	10	3/75
1903	New Samanbagh (Nov.)	1.00	8	100	63/00	1903	New Samanbagh (Nov.)	1.00	8	100	63/00
1888	Okayil (Dec.)	0.50	7	100	85/50	1888	Okayil (Dec.)	0.50	7	100	85/50
1914	Peermade (July)	1.50	6	100	63/00	1914	Peermade (July)	1.50	6	100	63/00
1916	Pusimbing (Jan.)	2.00	7	100	100/00	1916	Pusimbing (Jan.)	2.00	7	100	100/00
1909	Sonai River (May)	1.00	8	100	80/00	1909	Sonai River (May)	1.00	8	100	80/00
1932	Tezpur (Jan.)	2.06	6	6	6/69	1932	Tezpur (Jan.)	2.06	6	6	6/69
1922	Tirrihannah (May Nov.)	1.00	10	10	11/46	1922	Tirrihannah (May Nov.)	1.00	10	10	11/46

BANKS

H indicates that Share capital is half paid. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed

Paid-up Capital Ordinary	Reserve & other Funds	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent	Paid-up per Share	Latest Market Quotations as available until
Rs.	Rs.	Rs.	Rs.	Rs.			1966 1967 1968	Rs.	24-5-71 Rs.
90,00,000	1,48,51,000	44,39,42,719	57,95,470	1,534	12	Allahabad Bank P	13 13 13	100	135/00
2,50,00,000H 4,05,00,000H	3,40,76,510 6,52,00,000	1,54,80,10,876 1,58,91,26,293	92,80,951 1,49,82,705	62,908	12	Bank of Baroda Bank of India	18 17 18 18 20 18-Nil*	50 50	116/00 122/00
52,50,000 4,22,47,975H 58,470,000	7,03,00,778 1,72,56,26,710 1,72,291,125	1,72,56,26,710 1,72,291,125	1,18,72,601 2,11,49,462 2,11,49,462	36,841 5,54,098	12	Central Bank of India Chartered Bank	20 20 20 15 15 15	25	71/70 sh. 257 1/2
1,25,00,000H 50,00,000H HK\$19,12,91,625	10,00,000 3,10,000 HK\$26,00,00,000 HK\$55,22,22,50,866	3,70,10,489 1,52,63,057 HK\$55,22,22,50,866	9,68,909 2,11,49,462 HK\$9,07,36,157	17,401 52,289 HK\$64,52,371	12	Hindusthan Commercial Hindusthan Mercantile Hong Kong & Shanghai	Nil Nil Nil Nil Nil sh 10/8dt sh 12/1d. sh 13/-	50 50 HK\$25	22/25 20/00 £12 1/2
88,59,950	96,69,883	24,75,00,867	17,34,255	1,10,781	12	Indian Bank	15 12 12	100	163/00
1,00,00,000	1,14,80,738	39,46,53,120	15,15,535	43,447	12	Indian Overseas Bank	14 11 11-Nil*	100	169/00
£7,604,000	£11,464,000	£213,359,000	£1,502,000†	£760,000	12	National & Grindlays Bank	13 13 13.9-18*	£1	328
2,00,00,000	5,01,50,000	1,62,56,55,584	1,46,16,892†	75,708	12	Punjab National Bank	22 22 22	10	23/25
1,00,00,000	84,00,000	26,93,06,358	32,28,551	1,46,209	12	Union Bank of India	12 12 ...	5	8/60
2,68,84,370	1,33,50,000	49,60,96,734	25,73,369	66,671	12	United Bank of India	7 7 7	10	8/60
2,80,00,000	5,50,00,000	10,66,79,073	44,31,565	8,01,285	12	United Commercial Bank	13 14 14	50	111/50

2 Per Share

* 1966

CAPITAL, 27th MAY, 1971

CALCUTTA JUTE MILLS

P. next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid up Capital Ordinary	No. of Looms	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent	Paid-up per Share	Latest Market Quotations as available until
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.			1966 1967 1968	Rs.	24-5-71 Rs.
60,00,000	879	81,23,180	79,88,500	5,73,417	6,67,967	8,96	3	Agarpara P.	5 Nil 5-5*	10	7/69
18,00,000	446	42,80,380	6,12,200	9,61,678	13,38,541	12,28,415	12	Alexandra P.	Nil Nil Nil	100	25/50
30,00,000	1,264	43,75,072	12,28,250	2,85,586	18,27,284	24,42,555	5	Alliance P.	Nil Nil Nil	100	15/50
59,04,900	2,581	1,85,16,219	1,20,82,484	71,07,837	26,45,800	23,585	3	Anglo-India P.	2 1/2-2 1/2* 5 1/2	100	121/00
40,00,000	810	1,61,41,562	38,49,654	4,42,855	8,05,351	...	3	Auckland P.	Nil Nil Nil	100	59/00
20,00,000	959	1,02,10,363	46,32,069	6,64,478	15,79,586	24,424	3	Bally P.	Nil Nil Nil	100	13/31
£275,000	1,889	£34,948	£248,568	£112,879	£5,282	£8,292	3	Barnagore P.	Nil Nil Nil	£5	85/00
45,00,000	600	29,61,854	15,46,700	8,93,663	5,85,851	1,33,555	6	Bengal P.	Nil Nil Nil	10	2/00
1,59,56,210	1,373	7,59,53,838	4,30,61,136	96,39,875	1,11,00,519	40,062	3	Birla	15 15 15-15*	10	23/25
7,47,380	502	12,59,648	4,17,958	1,73,320	61,970	48,461	6-12	Calcutta P.	Nil Nil Nil	10	5/00
1,64,73,540	3,721	1,80,45,362	1,17,81,923	4,48,091	74,88,252	7,532	11	Budge-Budge Amal.	Nil Nil Nil	10	8/44
18,00,000	616	54,89,909	40,88,628	4,33,492	19,56,178	...	3	Calcuttany P.	Nil Nil Nil	100	80/00
29,58,200	1,400	1,08,23,008	1,16,92,537	81,396	19,26,044	66,166	3	Chandany P.	Nil Nil Nil	10	13/50
30,15,000	500	47,58,760	36,18,100	24,13,893	12,54,300	28,06,412	7	Chitavalah P.	Nil Nil Nil	100	6/87
31,49,200	766	136,28,339	20,94,569	5,23,512	7,72,146	20,82,065	5	Dalhousie P.	Nil Nil Nil	100	46/00
30,00,000	500	31,21,705	15,28,300	15,57,032	16,81,580	11,68,141	7	Empire P.	Nil Nil Nil	10	4/56
41,99,250	1,014	1,79,27,023	34,81,489	5,40,201	7,31,753	...	5	Fort William P.	Nil Nil Nil	10	10/62
84,32,100	1,709	1,66,66,961	88,17,046	1,47,864	3,87,887	2,901	3	Ganges P.	Nil Nil Nil	10	8/12
48,00,000	1,394	1,10,17,146	39,04,052	13,56,883	66,635	19,238	3	Gouropore P.	Nil Nil Nil	10	7/31
80,00,000	1,078	1,54,55,552	1,12,99,562	84,57,999	7,78,541	3,911	3	Hastings P.	Nil Nil Nil	100	101/00
65,62,500	720	82,99,921	3,33,875	4,74,228	8,50,920	66,18,729	3	Howrah P.	Nil Nil Nil	10	7/44
52,50,000	2,272	2,80,69,771	27,09,318	16,42,898	3,97,947	23,21,098	3	Hukunchand P.	Nil Nil Nil	10	13/50
16,80,000	2,272	3,14,95,248	57,53,568	10,96,375	11,13,503	9,613	3	India	Nil Nil Nil	7 1/2	9/50
87,30,000	1,118	1,22,90,100	58,83,095	69,58,593	16,13,082	57,29,093	12	Kamarhatti P.	Nil Nil Nil	12 1/2	7/56
43,20,000	1,997	68,74,774	16,60,818	5,13,028	4,11,527	42,20,810	12	Kankarhar P.	Nil Nil Nil	100	74/50
77,00,000	1,527	60,82,911	1,36,374	13,27,100	7,05,912	20,74,746	5	Kelvin P.	Nil Nil Nil	100	30/00
67,50,000	1,530	95,57,285	12,32,836	4,91,257	34,79,253	36,59,587	3	Khardah P.	Nil Nil Nil	10	4/25
59,96,400	1,537	1,78,80,175	28,48,377	37,18,131	13,22,459	61,38,341	3	Kinnison P.	Nil Nil Nil	100	25/50
24,48,000	841	72,78,713	1,33,600	8,50,484	4,06,886	47,001	3	Lansdowne P.	Nil Nil Nil	100	25/50
28,00,000	840	10,35,768	12,89,006	42,37,568	86,779	...	3	Lawrence P.	Nil Nil Nil	10	4/31
81,65,200	1,283	2,04,00,863	42,91,376	25,94,823	29,86,688	7,673	3	Megha	Nil Nil Nil	100	27/00
29,98,900	815	97,08,300	32,50,383	20,56,128	5,26,808	7,507	3	Nahati P.	Nil Nil Nil	10	5/87
20,00,000	425	10,79,854	15,55,000	26,11,429	3,36,343	17,816	4-10	Naskarpara	Nil Nil Nil	10	7/31
35,00,000	852	3,27,07,154	1,06,69,449	13,97,686	10,90,246	17,176	10	Nellmarla P.	Nil Nil Nil	10	8/31
36,75,000	316	40,26,516	19,64,913	26,10,570	18,53,666	7,29,274	7	New Central P.	10-10 Nil†	10	11/94
2,56,00,000	1,765	3,08,96,118	45,89,880	6,40,331	15,43,230	...	3	Northbrook P.	2 1/2 Nil*	10	5/56
16,79,880	567	24,85,278	16,94,868	5,20,356	53,10,897	19,57,279	12	Nuddea	Nil Nil Nil	5	1/00
6,79,500	1,092	1,04,94,081	6,08,654	7,76,711	3,10,181	25,79,189	3	Presidency	Nil Nil Nil	10	11/25
25,00,000	400	23,02,605	7,10,286	1,10,734	3,10,181	...	3	Rameshwara P.	Nil Nil Nil	10	5/69
20,00,000	305	24,85,278	88,72,947	2,02,791	30,39,366	...	3	Reliance P.	Nil Nil Nil	10	5/94
49,50,000	911	1,67,26,400	15,81,636	27,81,388	2,15,128	3,184	9	Shree Ambica P.	Nil Nil Nil	10	4/50
1,892,722	1,794	£1,220,775	£455,838	£38,677	£385,385	£1,327	12	Titagur P.	Nil Nil Nil	£1	12/62
35,98,600	1,326	98,58,072	5,15,713	4,80,597	13,80,391	16,28,600	3	Union P.	Nil Nil Nil	100	45/50
2,50,000	465	7,58,391	8,10,000	9,73,942	3,91,079	20,102	5	Waverley P.	15-6*	1	3/00

* 1969

† 1970

CAPITAL, 27th MAY, 1971

CALCUTTA COAL COMPANIES

F indicates shares. P next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary		Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent		Paid-up per Share	Latest Market Quotation as available until	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			1966	1967	1968	Rs.	Rs.
51,00,000	71,32,601	50,54,428	4,48,663	20,49,328	11,473	3	Amalgamated Bengal P.	12½	24	74-10*	10	7/94	7/75
1,20,00,000	4,60,22,970	3,75,73,255	27,49,322	4,84,269	...	10	Bengal Bhatdee	10	10	12-12*12½	100	146/00	146/00
4,49,350	4,37,882	1,30,132	91,796	43,397	4,471	10	Bengal Nagpur	Nil	Nil	...	10	2/37	2/37
2,25,000	3,06,216	5,45,835	5,19,015	1,55,638	16,129	12	Bhagalpur	5	7½	5	10	8/06	8/06
15,97,000	25,07,455	4,47,308	14,214	-2,45,265	-6,47,481	9	Bhulanbarree	Nil	Nil	Nil	10	1/00	1/00
7,15,000	14,96,845	11,02,672	64,329	-3,06,406	-4,92,536	12	Bokaro & Ramgur	Nil	Nil	...	10	8/56	8/56
16,00,000	38,87,275	16,18,636	7,185	1,21,936	-79,196	6	Borra P	Nil	Nil	5-12½12½	10	12/00	12/62
15,00,000	42,47,955	27,76,392	9,31,166	5,13,268	...	12	Burrakur P	13	13	Nil-12*	10	12/37	12/00
1,21,23,300	3,50,27,105	1,56,04,105	35,58,979	-11,66,299	...	12	Central Kurkoid P.	Nil	Nil	Nil-Nil*	10	3/44	3/44
8,00,000	9,74,804	6,16,228	1,61,693	46,450	-5,34,766	6	Dhemo Main	Nil	Nil	...	10	0/97	0/97
16,00,000	25,01,305	Nil	19,429	-6,45,261	-5,39,034	12	East Indian	15	15	Nil-Nil-Nil*	10	7/00	7/00
6,014,000	11,291,995	5,549,137	1,96,185	-1,39,408	-5,33,308	12	Equitable P.	Nil	Nil	Nil-Nil*	10	4/84	4/06
29,63,760	2,14,98,966	1,55,30,025	16,55,768	2,81,332	-1,35,85,305	4	Ghurick & Muslia P.	Nil	Nil	Nil-Nil*	10	11/00	11/00
15,00,000	26,44,248	2,30,000	16,401	2,89,347	-11,61,930	12	Huriladh	...	...	...	10	1/43	1/43
8,00,000	5,43,022	...	16,702	-10,172	-5,65,025	3	Karanpura Development	2	2	Nil-5*	10	7/69	7/00
15,00,000	12,22,251	8,73,318	14,98,223	3,88,279	...	12	Karanpura Collieries P.	15	10	12-12*12½	10	11/31	11/00
5,00,000F	84,74,921	52,13,401	10,28,265	28,60,921	...	2	Katras Jheriah	10	10	10-10-10½	10	10/25	10/00
18,90,460	52,89,576	44,03,671	11,93,599	2,35,816	1,918	6-12	Khas Kajora P.	Nil	8	...	10	10/25	10/25
1,38,400	6,75,000	95,000	11,80,294	49,776	74,711	12	Nazira	Nil	Nil	...	10	1/18	1/18
7,48,240	3,39,261	56,489	7,29,802	1,15,573	15,52,713	10	New Beerthoom P.	5	8	12-16*16½	10	14/50	14/25
31,97,210	72,34,903	69,43,971	1,69,302	15,52,713	-1,98,283	3	New Manbhoom	Nil	Nil	Nil-Nil*	10	3/65	3/65
10,00,000	14,60,892	3,25,512	19,872	2,87,458	15,045	12	North West	10	10	7½-5*	10	9/50	9/50
1,15,000	7,03,719	4,31,409	40,364	1,44,042	...	12	Ondal P.	7½	7½	7½-10*10½	10	16/25	14/00
1,57,500	1,50,215	14,17,824	10,27,676	2,25,410	3,757	12	Parateca P.	2½	2½	6½-10*	10	14/00	14/19
7,50,000	1,50,215	18,35,371	4,30,954	2,99,204	2,326	12	Pench Valley	20	12½	7½-10*	10	7/75	7/75
16,68,000	86,95,091	34,20,575	4,26,425	8,17,234	15,837	5	Raneengunge	14	5	7½-10*	10	12/62	10/06
51,50,000	47,55,061	66,75,970	23,45,686	13,15,487	6,473	12	Rewa	20	12½	15-20*	10	27/00	27/00
52,48,010	1,55,88,712	53,96,724	23,89,462	47,80,842	...	12	Sendra	Nil	Nil	3½-7*	10	4/75	4/75
000/00/04	52,92,369	53,96,724	23,89,462	47,80,842	...	12	South Karanpura	7½	2½	10-20*20½	10	12/81	12/00
12,84,000	2,605	7,03,502	19,18,772	2,28,589	...	12	Standard	Nil	Nil	5-10*	10	7/31	7/00
26,95,000	37,54,499	20,85,378	5,63,913	18,53,402	1,96,203	12	Union	Nil	Nil	...	10	5/00	5/00
8,00,000	1,50,000	17,53,053	25,91,367	1,96,203	1,418	12	Western Bengal	8½	7½	7½-8½+	10	7/31	7/06
2,50,000	4,36,300	3,23,000	36,660	1,37,973	-6,51,403	12	West Jamuria	Nil	Nil	...	10	2/50	2/50
99,95,000	1,84,95,190	72,96,056	18,13,809	34,12,743	-6,23,711	12		Nil	Nil	...	10	2/50	2/50
7,00,000	26,06,335	Nil	47,091	-6,51,403	-6,23,711	12		Nil	Nil	...	10	2/50	2/50

* 1969 +1970

CAPITAL, 27th MAY, 1971

CALCUTTA COTTON MILLS

Po. and Dd. Indicate Preferred Ordinary and Deferred Shares respectively. P. next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Number of Spindle Looms	Net Block Account	Reserve & other Funds		Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent		Paid-up per Share	Latest Market Quotations as available until	
			Premium & Forfeited Shares if any	Rs.						1966	1967			
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.					1968	26-4-71 24-5-71	
15,00,000	17,044	356	64,58,797	99,386	93,691	-4,39,327	-13,38,120	12	Rasanti P	Nil	Nil	Nil-Nil*	10 2/56 2/56	
7 11,280	36,000	932	17,17,120	2,20,369	30,842	31,66,177	47,818	3	Bengal Luxmi	...	...	40	36/00 36/00	
1,00,00,000	24,000	...	4,08,58,373	1,89,56,527	17,64,215	76,03,094	...	12	Bharat Commerce P	17½	15	15-15*	10 19/94 19/60	
39,95,950	45,000	1,100	1,41,21,067	2,04,63,885	46,60,129	35,71,457	17,682	3	Birla Cotton	20	10	10-10*	10 14/50 14/75	
33,60,000	60,336	937	1,43,92,365	90,79,726	4,44,105	17,16,279	...	12	Bowreah P	15	17½	17½-17½*	10 12/87 13/50	
60,00,000	33,384	604	73,03,054	43,06,253	13,41,959	17,97,124	8,697	12	Cawnpore Textile	7½	Nil	10-8*	5 3/44 2/56	
9,65,80,125	76,744	1,645	47,91,772	16,66,97,709	1,36,94,493	3,58,26,564	...	6	Delhi Cloth & Gear P	12	12	6-12*	25 92/44 50/80	
47,50,000	68,084	734	1,33,27,812	28,65,495	-7,75,049	-7,75,049	...	12	Dunbar	15	5	Nil-Nil*	10 11/00 9/75	
63,50,000	1,20,006	2,302	1,59,42,527	1,59,59,322	2,52,091	43,76,451	4,891	12	Elgin P.	12½	10	8-8*	10 6/87 6/75	
1,25,00,000	...	...	3,48,97,571	56,34,321	85,50,730	19,28,764	1,22,795	12	J. K. Cotton (Rayon) P	4	5	5-6*	10 11/00 10/50	
99,26,625	6,272	218	3,43,53,817	36,41,804	3,08,668	-23,27,825	...	12	Jaya Shree P.	12½	10	Nil-Nil*	10 4/94 4/81	
48,45,700	...	...	88,96,755	5,30,972	1,26,038	4,60,553	-23,98,843	3	Orissa Textiles P.	Nil	Nil	Nil-Nil-Nil*	10 3/50 3/50	
10,47,750 } 5,00,000 } 17,50,000 } 1,47,50,000Po }	23,196 } 795 } 2,30,394 } 2,800 }	705 } 2,800 }	25,28,451 } 6,35,67,315 }	4,01,892 } 4,39,07,383 }	1,42,774 } 2,04,97,429 }	-8,80,396 } 23,00,906 }	-43,54,178 } 23,00,906 }	6 } 12 }	Rampooria Cotton } Swadeshi (Kanpur) P. }	Nil } Nil }	Nil } Nil }	Nil } Nil }	10 } 10 }	3/25 } 8/56 }

*1969

+1970

CALCUTTA TEA COMPANIES

Po indicates Preferred Ordinary Shares. P next to the name of the company indicates that the company also has Preference Shares. Figures in "account closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds	Area Hectares	Outturn and Average Price per Kg. realised for crop		Estimate 1970	Net Profits including taxation	Accounts closed	NAMES	Dividends per cent		Latest Market Quotations as available until	
				1968	1969					1967	1968	26-4-71	24-5-71
Ra.	Ra.	Ra.		Kgs.	Ra. Kgs.	Kgs.	Ra.			Ra.	Ra.	Ra.	Ra.
ASSAM													
16,37,100	23,80,974	12,15,938	368	6,42,883	5.95	...	...	12	Amluckie	2	Nil	10	9/00
8,75,000	12,67,985	8,35,443	203	3,37,284	6.53	3,60,000	3,52,346	12	Ananda Bag	7 1/2	5	10	33/25
35,00,000	78,49,906	17,53,684	1,184	15,80,321	5.59	...	5,42,095	6	Assambrook	9	10	10	10/44
5,50,000	20,72,431	15,13,120	242	4,13,881	6.19	2,80,000	-2,91,455	12	Baghmari	Nil	Nil	10	4/19
7,65,000	21,71,483	12,45,000	197	2,63,600	7.57	...	1,66,730	12	Basmatia	15	Nil	10	11/44
9,91,800	...	...	337	4,67,493	5.71	...	...	12	Bateli	12 1/2	5	10	16/00
10,24,000	18,21,039	11,03,601	280	4,04,733	6.82	4,50,000	5,07,738	12	Bejjan	24	Nil	10	11/25
41,23,960	76,87,444	15,43,234	1,836	19,68,731	7.28	19,01,740	2,01,501	12	Bishnauth	8	Nil	10	7/37
7,50,000	21,14,995	14,44,230	220	3,85,822	6.07	...	1,02,439	12	Bormah Jan. P.	24	10	10	7/44
9,60,000	16,57,346	3,48,488	137	2,74,799	6.65	...	1,89,728	12	Dejoo Valley	24	Nil	10	7/06
17,53,440	...	...	194	3,40,227	6.05	...	...	12	Dhulabhat	15	Nil	10	7/06
10,00,000	19,40,390	15,78,520	369	4,53,191	6.47	4,75,000	3,18,258	12	Dhunseri	15	10	10	9/50
4,50,000	...	...	205	4,06,785	7.05	...	5,95,017	12	Dibrugarh	30	30	10	11/12
9,46,800	14,04,914	11,20,500	267	3,32,141	7.43	3,43,000	3,86,924	12	Dimakuri P.	15	12 1/2	10	15/00
10,00,000	...	...	518	5,61,465	5.94	...	...	12	Gillapukri	Nil	Nil	10	12/06
10,14,000	13,91,843	8,66,200	222	2,95,210	7.84	2,84,200	1,84,033	12	Gohpur	10	5	10	9/56
23,29,085	59,88,543	34,93,111	1,088	11,72,321	6.36	11,70,000	-2,37,363	12	Grob	6	Nil	5	4/12
10,00,000	30,75,787	26,24,629	365	3,47,701	...	...	...	12	Hoograjuli	9	3	10	25/00
8,70,000	...	...	...	2,48,100	8.01	3,30,000	1,67,465	12	Hoolungoorie	Nil	Nil	100	97/00
13,50,000	21,49,952	13,38,838	425	5,71,659	6.75	6,15,000	8,92,678	12	Judibari	10	10	10	15/50
7,05,015	29,35,073	9,57,534	598	7,33,371	5.20	7,90,000	1,47,815	12	Kotumullai P.	Nil	Nil	10	4/16
7,00,000	13,21,699	2,75,000	140	2,38,012	6.44	2,60,000	81,468	12	Krishnabehari	10	10	10	10/00
2,00,000	...	...	...	...	...	...	...	12	Kyang Tea	Nil	...	10	6/37
6,50,000	31,70,044	22,07,933	471	4,14,965	4.87	...	1,12,616	12	Ledo	7 1/2	5	10	9/50
20,40,000	...	...	383	2,82,771	7.01	6,40,000	5,58,685	12	Methoni	13	6	10	10/19
6,00,000	...	...	...	...	...	...	...	12	Moithola	8	10	100	133/00
8,00,000	21,23,826	10,12,950	207	2,14,800	6.61	2,15,000	1,32,416	12	Murphulani	15	7 1/2	10	9/00
2,00,000Po	...	...	...	...	...	...	...	12	...	{ 20.63	13.13	10	11/31
6,00,000	28,58,218	18,46,177	299	3,15,989	7.80	3,35,000	62,744	12	Naga Hills	15	15	10	15/25
8,82,750	...	...	569	6,68,872	5.31	...	...	12	Namburnadi	20	20	100	9/00
6,00,000	21,75,734	8,96,927	223	2,49,200	7.94	29,00,000	1,47,594	12	Rajgarh	10	Nil	10	10/31

CALCUTTA TEA COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds	Area Hectares	Outturn and Average Price per Kg. realised for crop		Estimate 1970	Net Profits including taxation	Accounts closed	NAMES	Dividends per cent		Latest Market Quotations as available until	
				1968	1969					1967	1968	26-4-71	24-5-71
Ra.	Ra.	Ra.		Kgs.	Ra. Kgs.	Kgs.	Ra.			Ra.	Ra.	Ra.	Ra.
18,00,000	21,12,013	4,82,412	674	6,76,673	5.87	...	19,161	12	Sapoi	Nil	Nil	10	7/50
17,94,000	15,05,527	10,22,356	271	4,34,522	6.23	4,60,000	7,22,494	12	Teloiyan	4	4	10	7/87
10,00,000	46,20,378	33,33,614	992	13,57,311	5.94	4,35,000	2,87,129	12	Tenphani	10	10	10	3/19
19,82,880	...	...	471	6,08,131	5.82	13,33,658	...	12	Tezpur	15	5	10	66/25
5,20,000	...	...	...	...	...	...	...	12	Tyoon	6	Nil	10	20/12
CACHAR													
3,00,000	...	...	349	2,18,300	4.00	...	...	12	Arantipore	Nil	Nil	10	10/50
4,00,000	5,74,416	4,37,780	278	1,55,965	4.48	...	41,056	12	Baitakhal	...	...	10	5/00
4,50,000	...	...	...	2,76,250	5.16	...	...	12	Eastern Cachar	...	...	10	4/81
3,60,000	20,29,595	7,82,355	983	7,02,705	4.75	7,10,000	-57,181	12	Kallinger Khoreel	Nil	Nil	100	33/50
5,63,690	6,06,836	2,69,025	236	1,74,833	4.93	1,85,000	23,858	12	Katikhira	Nil	Nil	10	9/94
12,60,000	9,42,022	2,35,265	888	5,18,387	4.33	2,75,000	66,501	12	Konchapor	Nil	Nil	10	3/50
2,59,050	8,87,816	6,514,486	255	2,77,850	5.18	...	1,78,181	12	Loobah	6	Nil	100	4/62
2,60,000	19,77,402	12,77,950	341	4,25,980	5.07	...	2,16,876	12	North Western	Nil	Nil	10	65/00
4,00,000	...	...	292	1,87,584	4.53	...	...	12	Pathemara	10	Nil	10	10/06
DARJEELING													
3,99,750	...	...	516	4,65,697	7.68	...	...	12	Rangacherra	12 1/2	5	10	4/12
16,79,400	...	...	400	3,63,382	7.93	...	...	12	Rangamattar	Nil	Nil	10	8/00
5,64,000	...	...	195	72,236	6.12	...	...	12	Sonai River	...	...	10	3/25
2,00,000	...	...	228	1,45,471	12.56	...	...	12	...	...	...	10	7/00
4,00,000	...	...	713	5,10,867	7.54	...	...	12	...	...	...	10	3/00
10,32,000	7,27,254	5,75,561	333	...	...	...	...	12	...	...	...	10	3/00
7,00,000	5,94,817	2,05,500	167	1,04,200	9.92	1,00,000	94,090	12	...	...	...	10	7/62
4,77,000	21,62,867	14,84,508	283	2,30,423	11.28	2,28,300	-1,13,446	12	...	...	...	100	150/00
8,99,700	...	...	205	1,01,478	9.95	...	...	12	...	...	...	10	10/62
4,00,000	...	...	618	2,01,208	5.62	...	...	12	...	...	...	10	600/00
3,30,000	4,57,415	5,07,800	228	1,20,831	6.46	...	-1,11,456	12	...	...	...	100	55/12
2,05,000	...	...	156	1,97,600	2.82	...	1,38,033	12	...	...	...	100	7/62
6,00,000	...	...	293	1,13,274	9.21	...	...	12	...	...	...	10	4/94
9,00,000	...	...	233	1,33,350	5.58	...	...	12	...	...	...	10	7/62
6,00,000	10,71,558	5,30,400	203	1,45,290	11.22	1,59,800	10,257	12	...	...	...	10	49/50
15,62,500	12,95,745	8,55,381	298	1,88,219	12.14	...	3,75,274	2	...	...	...	10	3/25
6,40,000	...	...	306	1,88,392	11.04	...	...	12	...	...	...	10	17/31

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CALCUTTA TEA COMPANIES—Contd.

Paid-up Capital Ordinary	Net Reserve Block & other Account Funds	Net Block Account	Outturn and Average Price per Kg. realised for crop		Net Estimate including taxation	Accounts closed	NAMES	Dividends per cent		Paid-up Share	Latest Market Quotations as available until
			1968	1969				1967	1968		26-4-71
Ra.	Ra.	Ra.	Kgs.	Ra.	Kgs.	Ra.				Ra.	24-5-71
DOOARS											
58,50,000	1,43,92,728	64,39,414	2,046	27,80,100	5,73	24,66,900	5,93	27,95,000	—7,58,909	12	Banarhat P.
9,00,000	...	...	476	7,43,400	5,50	...	...	...	...	12	Bhatkawa
47,52,000	1,05,55,156	92,36,347	1,756	24,71,576	4,90	24,88,867	5,17	24,80,000	4,20,479	12	Birpara P.
6,00,000	...	...	257	...	...	...	...	...	...	12	Carron
6,00,000	...	...	198	3,00,928	4,89	...	...	...	...	12	Ellenbrie
2,40,000	...	...	266	1,54,561	4,58	...	...	...	...	12	Engo
4,90,000	...	...	227	3,34,747	...	...	...	...	...	12	Ethelbari
10,50,000	14,88,860	6,90,187	481	6,06,251	5,22	4,22,300	5,42	6,50,000	—2,57,142	12	Gairkhat
14,00,000	...	...	466	...	...	...	...	...	...	3	Gopalpur
64,00,000	...	...	2,214	32,87,486	...	...	...	...	...	12	Hasimara
16,50,000	...	...	738	12,05,898	5,26	...	...	...	...	2	Hulidbari
7,00,000	...	...	246	2,44,000	4,55	...	...	...	...	12	Jaybirpara
6,40,000	...	...	284	3,26,073	3,55	...	...	...	...	12	Oodlabari
2,50,000	...	...	112	1,59,200	4,81	...	...	...	...	12	Phakowa
6,00,000	...	...	286	4,42,390	5,26	...	...	...	...	12	Rajabhat
7,65,000	...	...	654	5,61,465	5,52	...	...	...	...	12	Ranicherra
74,85,000	98,44,433	61,28,614	2,145	27,85,982	5,73	26,30,516	5,80	29,89,000	1,39,246	12	Rydak
3,46,000	15,18,281	10,74,456	279	...	...	...	...	...	...	12	Sarugaon
TERAI											
4,50,000	...	...	...	...	...	...	...	...	...	12	Atal
7,50,000	...	...	262	2,74,774	...	2,70,000	...	...	...	12	Belgachi
13,50,000	...	...	231	...	...	...	...	...	...	2	New Chumta
7,20,000	...	...	308	4,01,240	...	...	...	...	...	12	New Terai
11,70,000	...	...	445	6,10,865	...	...	...	...	...	12	Phargoomiah
3,00,000	...	...	122	1,33,877	...	...	...	...	...	12	Putinbarre
2,20,000	...	...	231	4,46,669	...	...	...	...	...	12	Tirribanah P.
SYLHET											
6,00,000	...	...	245	...	...	...	...	...	...	12	Daurachera
5,59,930	...	12,33,587	465	...	...	...	...	...	...	12	New Samanbagh P.
36,00,000	...	...	1,799	19,40,713	...	...	...	...	...	12	Patrakola
9,00,000	...	...	505	...	...	...	...	...	...	12	Teliapara

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CAPITAL, 27th MAY, 1971

CALCUTTA MISCELLANEOUS COMPANIES

Dd., indicates Deferred Shares. P. next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities		Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent		Paid-up Share	Latest Market Quotations as available until
			Ra.	Ra.					1967	1968		26-4-71
Ra.	Ra.	Ra.	Ra.	Ra.	Ra.	Ra.					Ra.	24-5-71
MININGS												
£2,369,769	...	£285,782	£499,650	£620	£201,716	12	12	Burma Mines	...	Nil*	34sh.	1/00
50,00,000	18,42,300	19,17,592	48,55,513	9,74,317	24,849	12	12	Chreston Mica Industries P.	Nil	Nil	10	5/12
15,00,000	£2,571,188	£4,907,664	£458,348	£1,225,126	...	12	12	Indian Copper Corporation	Nil	Nil	5Dd	2/81
£2,59,52,727	40,07,495	22,25,150	1,11,140	5,75,762	18,044	8	8	Metal Corporation P.	7.6	9-9*	2sh.	4/15
60,00,000	39,60,086	48,39,650	54,24,712	27,99,170	...	6	6	Orissa Mineral Development	5	5-10*124	10	6/56
CEMENT, LIME, SLATE, ETC.												
59,90,843	1,50,96,951	54,89,559	7,02,647	13,38,096	...	3	3	Ashoka Cement	10	6	10	4/81
55,23,546	1,04,34,291	40,16,797	18,888	—10,73,604	...	6	6	Bengal Potteries	9	9-Nil*	24	1/37
50,00,000	1,26,43,729	45,96,816	76,268	17,17,315	...	3	3	Bisra Stone Lime	Nil	124-154	10	13/62
2,86,93,580	2,50,16,176	3,26,42,543	2,30,22,104	1,77,27,068	...	12	12	Dalmia Cement (Bharat) P.	124	124-124*	10	14/81
3,00,00,000	4,69,93,753	1,64,70,210	65,45,205	51,15,119	...	3	3	Jaipur Udyog P.	10	10-10-104	10	8/80
1,00,00,000	4,68,78,451	52,68,042	2,25,121	19,87,662	2,11,202	12	12	Kalyanpur Lime	8	6-8*	10	9/40
50,00,000	88,00,224	52,44,398	3,67,104	827,929	...	12	12	Kumardhuli Fireclay & Silica P.	Nil	Nil-Nil*	10	19/66
2,70,00,000	3,25,82,309	2,54,41,112	35,87,638	1,17,38,898	...	12	12	Orissa Cement P.	124	11-124*	10	19/55
6,00,000	20,07,006	21,78,065	17,41,738	4,85,806	30,441	2	2	Reliance Firebricks & Pottery	Nil	Nil	10	21/00
75,00,000	63,28,018	44,95,600	5,26,119	12,18,128	6,195	12	12	Sone Valley Portland Cement	8	Nil	5	1/40
14,45,200	29,62,248	14,97,441	5,46,579	6,28,332	21,489	12	12	Sutna Stone & Lime	15	15-15*	10	15/12
CHEMICAL INDUSTRIES												
4,34,00,000	6,64,32,527	2,50,42,491	91,68,423	2,37,84,069	1,157	9	9	Alkali & Chemical Corp of (I)	25	18	5-10-154	30/75
15,00,000	...	...	...	...	...	3	3	Bengal Chemical & Pharm P.	10	10	74	41/00
11,08,900A	76,41,544	68,84,605	21,11,440	18,06,053	1,50,717	3	3	Calcutta Chemical P.	18	274	274-274*	21/25
22,54,700B	44,70,125	43,10,662	30,13,152	19,51,649	3,14,635	6	6	Chemicals And Fibres	224	5	Nil-214*	48/50
4,90,00,000	4,41,62,331	2,76,83,586	6,44,295	3,52,95,990	156	9	9	Frank Ross P	6	Nil-214*	6	1/50
4,95,000	1,31,555	1,33,245	41,188	1,15,552	210	2	2	Indian Explosives	124	15	15-15*	27/62
4,80,20,000	52,70,62,104	3,60,65,954	1,51,88,269	2,98,94,320	751	9	9	Smith Sanistreet P	274	8	15-15-104	5/12
30,00,000	15,66,800	20,35,238	11,31,033	12,74,506	2,720	6	6					
ELECTRIC LIGHTING, POWER												
19,99,600	2,78,34,554	48,06,742	15,68,313	—1,67,752	...	3	3	Agra Electric	6	10-10-104	100	136/00
8,00,000	39,77,346	16,69,259	6,68,814	1,56,078	221	3	3	Bareilly Electricity	10	6-10-104	10	18/12
17,00,000	1,25,17,670	60,56,232	15,26,090	1,78,574	831	3	3	Benares Electric	6	6-10-104	10	15/50
5,91,000	16,64,570	10,99,230	13,29,578	1,66,823	25,297	3	3	Bhagalpur Electric Supply P.	11	11-11*	8	12/12
£4,262,646	£21,086,133	£11,221,520	£1,141,964	£1,942,345	£80,891	3	3	Calcutta Electric Supply P.	9	9-9*	£1	16/50
43,20,000	1,10,73,188	52,45,587	35,65,119	25,36,602	36,929	3	3	Dishergarh Power Supply P.	124	124	9-94	10/37

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CALCUTTA MISCELLANEOUS COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent	Paid-up Share	Latest Market Quotations as available until		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			1966	1967	1968	Rs.	Rs.
22,49,700	71,82,278	34,32,158	8,71,829	2,03,107	879	3	Jubulpore Electric	10	10	10-10*	14/00	15/12
4,95,000	6,76,324	2,24,149	1,09,770	46,495	39,015	3	Mirzapur Electric Supply	Nil	Nil	Nil	2/56	2/56
5,82,390	25,58,752	11,94,466	2,92,621	5,39,691	970	3	Muzafferpore Electric Supply	12	10	10-10*	10/19	10/19
6,99,700	13,79,795	4,94,586	2,61,730	2,31,127	5,727	3	Muttra Electric	10	10	10-10*	11/00	11/00
35,07,380	1,35,93,224	61,40,656	1,96,943	13,09,947	80,697	3	Patna Electric Supply	10	10	11-11*	12/87	12/87
9,10,000	10,02,146	3,78,590	3,92,989	2,09,883	80,824	3	Shahjahanpur Electric P	8	7	10-8*	7/94	7/94
16,80,000	23,25,097	21,59,665	5,72,754	8,19,417	...	3	Silma (Jheriah) Electric	10	10	11-10-11*	9/00	9/00
ENGINEERING & METAL												
6,00,000	17,68,727	7,28,551	3,76,395	8,30,823	4,14,416	12	Arthur Butler (Muzafferpore) P	...	...	...	6/55	4/00
50,00,000	53,56,692	65,81,000	88,223	-21,13,139	-38,70,033	12	Bharati Electric Steel	5	...	24	7/25	7/56
1,60,00,000	2,95,78,876	68,19,483	4,66,566	-1,24,85,483	-99,58,070	12	Braithwaite & Co. (India) P	8	6	Nil-Nil*	5/25	4/81
36,00,000	57,16,762	63,05,500	6,69,804	25,82,202	...	12	Bridge & Roof	10	10	10-8*	35/19	35/19
1,00,00,000	1,69,30,485	27,07,000	10,24,766	-85,28,723	-69,11,305	12	Britannia Engineering P	174	Nil	Nil	1/75	1/75
3,36,00,000	2,62,64,997	72,89,647	70,05,434	-98,59,818	-95,93,478	4	Burn P (Engineering)	174	Nil	Nil-Nil*	61/50	60/50
1,00,00,000	78,72,496	35,76,143	1,33,735	11,37,399	20,066	3	Calcutta Steel	124	124	124-Nil-5*	6/06	6/19
6,32,18,740	13,81,21,148	12,88,22,995	5,23,30,639	7,12,10,363	...	12	Guest Keen Williams	12	Nil	Nil-8*16*	37/20	35/50
17,30,000	16,79,688	2,83,600	26,325	-55,265	-13,45,343	12	Hooghly Docking	Nil	Nil	Nil*	31/00	31/00
24,88,17,980	67,46,15,102	40,88,16,626	4,02,76,290	2,59,37,025	...	3	Indian Iron & Steel P	17	84	Nil-5*6*	12/20	11/90
1,54,00,000	11,52,812	14,001	1,82,994	-4,15,836	-4,03,294	3	Indian Malleable Casting	Nil	Nil	...	2/00	2/00
1,55,94,000	54,26,818	31,84,791	34,18,507	-82,15,695	-1,22,14,432	3	Indian Standard Wagon P	20	Nil	Nil-Nil*	0/50	0/50
96,79,740	1,24,01,958	4,66,12,737	3,20,17,147	65,86,338	8,792	3	Indian Steel & Wire Products	24	24	20-20*	23/12	23/75
12,00,070	6,23,260	13,46,680	1,83,546	13,76,042	...	12	Industrial Containers	10	3	8-12*	13/56	13/56
1,97,43,750	2,05,19,702	1,23,43,183	28,40,309	41,27,148	...	3	Jay Engineering P.	8	Nil	8-10*10*	13/94	13/75
60,00,000	1,62,98,825	27,11,124	12,16,436	...	...	6	J. K. Steel P	15	10	Nil-Nil*	9/06	9/75
2,04,00,000	5,42,02,714	1,61,44,932	78,98,952	-2,22,55,186	...	10	Jessop & Co. P	124	124	Nil-Nil*	6/56	5/44
76,99,599	2,05,24,635	44,04,697	7,31,935	5,64,670	-14,88,064	11	Kumardhubi Engineering P	Nil	Nil	Nil-Nil*	2/75	2/87
15,75,000	49,41,339	10,85,004	11,90,197	36,407	-11,795	6	Marshall Sons (India)	74	8	4	1/06	1/06
49,96,000	61,94,985	13,58,398	3,83,036	2,56,716	-4,42,917	3	National Iron and Steel	Nil	10	Nil-6*	9/31	9/31
6,00,000	7,80,759	25,02,189	4,02,276	6,40,851	882	3	Saran Engineering	7	7	7-8*	12/25	11/06
59,99,250	44,32,212	12,23,725	15,49,586	10,83,926	...	12	Simon-Carves	8	9	7-Nil*	8/00	8/00
1,35,00,000	2,42,12,335	1,14,74,756	15,34,774	5,46,376	1,796	9	Sen Ralfeigh Industries P	10	15	20-20*	21/31	21/31
14,00,070	11,02,797	23,46,907	12,53,446	13,38,837	26,409	12	Steel Containers	174	Nil	Nil-Nil*	10/60	10/85
50,00,000	3,66,85,121	1,75,93,168	16,18,295	2,07,33,385	...	12	Textile Machinery	6	8	8-8*10*	8/94	8/44
24,98,770	10,59,368	11,17,159	1,28,637	8,26,369	...	3	Wellman Incandescent	...	...	...	...	...

1969

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CAPITAL, 27th MAY, 1971

CAPITAL, 27th MAY, 1971

CALCUTTA MISCELLANEOUS COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent	Paid-up per share	Latest Market Quotations as available until		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			1966	1967	1968	Rs.	Rs.
SUGAR BREWERIES ETC.												
14,00,000	38,18,156	27,09,640	4,77,178	4,84,309	2,034	6	Balrampur Sugar	4	Nil	8-10*10+	24	3/00
29,23,537	25,90,571	18,57,627	8,15,697	17,17,269	3,873	9	Belaund Sugar	10	10	131-131*	74	8/75
15,00,000	7,50,511	15,58,462	16,06,010	10,82,824	8,118	6	Bharat Sugar P.	20	134	13-13*	10	11/00
32,00,000	35,16,933	72,68,155	1,78,079	13,45,271	...	9	Carew (Sugar) P.	Nil	Nil	6-Nil*	10	5/00
30,00,000	1,14,69,809	50,41,765	14,50,041	2,41,161	-1,00,93,528	10	Chawpore Sugar P.	Nil	Nil	Nil*	10	5/25
18,00,000	52,21,190	67,01,949	3,48,016	13,73,596	37,123	6	Champaran Sugar P.	Nil	Nil	15-5*	10	6/22
38,01,380	34,96,500	42,10,647	1,65,304	17,20,330	18,493	8	Durbhanga	10	Nil	10-74*	10	11/62
11,00,000	6,45,722	3,75,000	10,90,564	95,437	52,205	6	New Sivan Sugar and Gur	24	Nil	Nil*	10	4/28
9,00,000	19,47,931	23,02,870	2,05,743	2,86,438	4,006	10	Purbapur Sugar P.	Nil	Nil	Nil*	10	2/44
33,19,640	66,90,747	49,99,358	35,462	18,11,459	4,02,403	8	Ramnugger Cane & Sugar P	8	8	20-10*6+	10	4/00
65,00,000	1,36,73,218	39,23,734	8,59,581	-55,32,027	-22,79,801	10	Raza Bhand	Nil	Nil	10	10	8/06
8,00,000	6,07,238	7,72,778	3,77,846	4,24,492	13,204	6	Ryam Sugar P.	Nil	Nil	Nil*	10	1/37
11,99,000	22,10,161	18,54,067	2,09,163	-2,24,407	-2,20,853	6	Shree Krishna Granodaya Sugar P.	3	5	6-Nil*	10	2/19
40,00,000	1,00,22,238	18,34,483	5,60,693	-6,11,276	...	7	Shree Sitaram Sugar	Nil	Nil	5	10	4/00
15,89,000	13,29,503	16,01,933	30,60,111	-10,56,886	-10,54,435	8	Samsatpur Central Sugar	Nil	Nil	Nil*	10	7/62
9,99,950	20,87,159	80,565	62,828	-8,01,122	-21,84,604	6	Sitalpore Sugar	Nil	...	...	10	0/33
16,00,000	42,22,843	19,40,304	2,03,163	-11,15,414	-9,17,147	9	United Provinces	7	10	124-10*	10	4/50
8,00,000	1,06,95,053	93,34,827	10,83,673	58,12,885	49,700	6	Upper Ganges Sugar P.	724	84	84-10*	10	6/00
MISCELLANEOUS												
1,35,00,000	7,24,57,999	3,89,03,842	8,43,489	64,53,352	10,697	3	Aluminium Corporation P.	9	12	12-10*	10	15/12
2,00,00,000	1,01,17,943	70,30,647	2,24,88,151	43,36,214	...	12	Andrew Yule P.	16	8	10-10*	10	6/23
45,00,000	21,08,091	41,32,692	16,15,805	8,78,163	7,745	8	Angelo Bros.	16	16	174-74*	10	6/00
50,00,000	51,31,822	68,22,629	31,88,627	60,38,048	...	12	Assam March	14	14	15-17*20*	10	6/75
13,99,998	26,77,314	27,24,034	7,342	1,52,254	...	9	Associated Battery	3	3	10-10*	3	22/62
2,12,40,000	1,58,63,619	1,48,90,530	58,24,967	1,62,54,861	...	8	Assam Saw Mills & Timber	154	154	6-18*20*	10	30/37
1,44,03,000	51,40,652	1,20,30,776	1,02,75,353	22,28,338	...	12	Balmer Lawrie & Co.	14	12	8-8*	100	2/87
12,00,000	10,55,266	23,36,210	61,118	2,74,318	...	3	Barace Coke	20	20	20-20*15*	10	7/00
20,00,000	...	5,36,037	61,00,044	55,554	70,371	9	Birds Investments P.	Nil	Nil	Nil-Nil*	10	19/81
1,66,00,350	2,64,50,428	2,77,65,335	1,11,03,150	2,45,85,019	...	3	Britannia Biscuit P.	20,15	20	154-18-20*	10	2/50
3,25,00,000	1,26,02,068	1,89,17,670	1,59,41,991	64,11,410	8,829	12	British India Corporation P.	Nil	Nil	Nil-Nil*	5	34/50
75,00,000	35,46,674	73,85,764	8,29,485	49,68,784	466	12	British Paints	15	10	10-12*	10	4/53
6,70,00,000	4,12,57,451	7,59,07,932	2,17,25,613	5,24,25,986	...	6	Brook Bond India	...	...	134-174*20*	10	21/00
5,00,000	6,83,781	1,65,739	1,54,429	2,63,717	5,201	3	Calcutta Silk Manufacturing P	Nil	5	5-5*	10	27/12
1,38,80,000	...	11,85,521	1,52,89,904	4,33,757	23,625	12	Clive Row Investment	44	4	44-3*	10	6/87
1,30,68,000	45,20,187	1,93,10,000	3,01,07,477	44,19,024	2,628	12	Duncan Brothers & Co. P.	12	12	12-12*	100	6/56
10,00,00,000	12,89,20,000	11,41,12,000	1,29,69,000	7,04,07,000	...	12	Dunlop India P.	174	174	174-20*20*	10	116/00

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CALCUTTA MISCELLANEOUS COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Account closed	NAMES	Dividends per cent	1966	1967	1968	Latest Market Quotations as available until
Ra.	Ra.	Ra.	Ra.	Ra.	Ra.							26-4-71 24-5-71
76,89,000	3,00,23,411	65,56,730	1,71,17,302	11,34,145	7,902	12	Eastern Investments P.	44-94*10+	7	4	44-94*10+	6/75
1,27,40,250	1,31,46,125	1,31,46,125	6,62,680	23,75,784	7,902	10	Electric Construction P.	10-Nil*	12½	10	10-Nil*	25/44 24/69
1,35,85,000	3,75,21,140	1,41,87,078	8,72,429	20,28,356	...	3	Fort Gloster P.	21*7½+	15	2½	21*7½+	178/00 192/00
30,00,000	34,79,154	46,900	11,48,349	-15,43,626	-8,57,415	3	French Motor Car	Nil-Nil*Nil+	Nil	Nil	Nil-Nil*Nil+	14/12 14/12
14,00,000	13,90,589	25,14,324	2,25,568	3,30,114	9,867	12	Ganges Rope	15-7½+	22½	20	15-7½+	160/00 150/00
65,00,000	25,12,513	72,67,593	1,49,73,033	27,65,000	...	3	Gillanders Arbuthnot & Co. P.	12.5-12-6*	936	12.5	12.5-12-6*	7/08 7/87
60,00,000	52,80,206	53,75,200	53,693	86,44,858	25,315	12	Godfrey Phillips (India) P.	35	35	35	35	55/00 55/00
2,53,85,770	3,57,28,891	6,31,46,316	2,43,90,979	2,89,72,547	...	12	Goodyear India	15-17½*	15	15	15-17½*	57/25 55/50
30,00,000	43,74,366	17,66,560	1,60,432	1,09,512	794	3	Great Eastern Hotel	Nil-Nil*	Nil	Nil	Nil-Nil*	285/00 285/00
5,90,15,000	12,12,97,991	1,57,327	36,27,386	4,65,783	1,90,67,933	12	Hindustan Aluminium P.	10	10	10	10	39/19 36/00
10,97,10,070	44,70,63,499	12,08,69,050	1,49,42,736	4,36,227	2,24,274	3	Hindustan Motors P.	12-10*Nil+	12½	12½	12-10*Nil+	13/05 12/40
1,80,00,000	1,89,35,894	70,29,294	9,44,407	17,77,745	40,939	12	Hindusthan Pilkington P.	10-8*	Nil	10	10-8*	8/56 7/94
73,85,860	1,35,43,836	45,88,819	2,51,649	26,29,269	...	3	Hindusthan Sanitaryware P.	10-10*10+	12	10	10-10*10+	15/00 14/62
35,20,000	38,70,309	28,22,894	32,82,526	24,61,728	...	12	Hoare Miller & Co.	...	...	...	...	2/56 2/56
18,95,00,000	10,48,33,594	17,06,68,005	2,05,86,307	7,83,02,631	...	3	India Tobacco	11-13-13½+	10	10	11-13-13½+	16/37 16/00
60,00,000	2,88,17,227	1,50,14,188	4,46,672	38,96,742	193	6	India Carbon P.	16-16*16+	10	16	16-16*16+	34/00 34/00
12,01,17,698	41,96,25,970	19,11,11,907	3,16,01,938	5,27,25,278	2,428	12	Indian Aluminium P.	14-14*14+	19	17½	14-14*14+	39/60 37/20
4,14,42,410	2,45,37,553	3,17,45,871	31,70,774	8,70,485	...	3	Indian Cable	5-2½*2½+	25	15	5-2½*2½+	17/00 17/40
4,62,00,000	6,67,33,813	5,64,27,167	41,37,651	1,90,21,031	...	9	Indian Oxygen	12-12*14+	12	12	12-12*14+	23/25 23/25
8,77,670	8,85,919	12,42,784	10,80,551	12,01,372	53,791	3	Indian Rubber Manufacturers P.	Nil	10	Nil	Nil	21/00 15/00
36,00,000	3,27,367	20,99,116	15,29,617	8,28,789	...	9	Indian Wood Products	9-15*9+	10	9	9-15*9+	13/12 13/12
3,00,00,000	12,59,81,963	9,37,07,064	6,49,86,610	3,95,29,709	4,671	6	J. K. Synthetics	12½-12½*15*	12½	12½	12½-12½*15*	38/50 38/50
2,00,00,000	55,06,451	1,28,88,758	5,98,54,868	1,39,884	...	3	Jardine Henderson P.	4-Nil*+	100	100	4-Nil*+	34/50 33/50
1,63,99,940	3,30,95,000	1,40,74,090	19,49,926	47,29,145	6,219	12	Jay Shree Industries P.	10	11½	11½	10	16/50 18/19
1,99,95,910	8,34,86,880	5,94,09,281	54,62,407	1,58,89,365	...	3	Keonam Industries P.	13½-13*	15	16	13½-13*	17/15 16/35
64,00,000	3,17,363	6,02,938	8,21,617	-14,078	-4,840	3	Macfarlane & Co.	Nil-Nil*	Nil	Nil	Nil-Nil*	2/00 2/00
1,50,00,000	1,96,74,937	1,31,48,312	2,10,65,916	11,83,866	25,454	12	Macneill & Barry P.	5-5*	5	5	5-5*	0/56 0/56
2,20,68,370	87,20,722	1,12,22,205	2,19,70,478	46,33,048	2,012	9	Martin Burn Ltd. P.	6-10*10+	10	12½	6-10*10+	40/00 40/00
47,12,000	16,00,806	70,83,368	2,43,14,304	-8,352	46,689	12	McLeod & Co. P.	Nil-Nil*	11½	Nil	Nil-Nil*	7/53 7/62
6,64,12,500	7,01,13,939	2,85,55,151	1,13,20,628	26,39,560	10,032	3	Metal Box Co. of India P.	9-6*	16	17½	9-6*	190/00 190/00
2,43,09,940	3,74,67,212	4,65,92,074	84,90,675	2,46,12,954	30,455	9	Mohan Meakin (Breweries)	9-10*12+	15	17½	9-10*12+	13/62 13/81
2,02,50,000	62,42,181	1,14,61,033	11,91,664	41,00,306	...	3	National Insulated Cable P.	5-5*10+	20	20	5-5*10+	13/00 12/44
60,00,000	33,40,168	24,17,319	1,16,281	8,52,279	...	9	National Pines & Tubes P.	5-2½*+	10	20	5-2½*+	10/50 11/81
64,00,000	27,90,365	10,84,447	24,496	28,669	...	6	National Rolling & Steel Rope	5-2½*+	20	20	5-2½*+	7/87 7/87
23,31,400	1,08,23,661	28,05,713	28,75,516	23,55,797	36,426	12	National Rubber P.	12-5*	12	12	12-5*	6/12 5/75
70,67,000	81,79,664	1,97,70,558	39,37,283	28,74,697	...	12	National Tobacco P.	8½-9*	12	5	8½-9*	7/75 7/69
50,00,000	349	22,04,845	46,17,593	3,59,824	7,563	12	New India Investment: Corpn	3½-4*	4	1	3½-4*	12/87 13/87

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CAPITAL, 27th MAY, 1971

CAPITAL, 27th MAY, 1971

CALCUTTA MISCELLANEOUS COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Account closed	NAMES	Dividends per cent	1966	1967	1968	Latest Market Quotations as available until
Ra.	Ra.	Ra.	Ra.	Ra.	Ra.							26-4-71 24-5-71
5,46,00,000	8,46,74,317	5,07,60,571	1,25,85,376	6,72,31,786	72,801	12	Phillips India	20-23*20+	18	19	20-23*20+	40/12 40/12
2,86,200	57,200	6,36,653	92,939	5,33,181	...	3	Publicity Society	15	25	12½	15	4/25 4/00
2,25,00,000	1,65,99,578	1,42,10,957	2,20,54,621	85,72,108	...	8	Rallis India P.	13-13*13+	13	13	13-13*13+	140/00 139/00
5,00,00,000	7,83,40,803	1,57,26,775	74,69,230	1,36,89,037	...	3	Robtas Industries P.	Nil-Nil*Nil+	6	Nil	Nil-Nil*Nil+	6/30 6/05
94,27,380	4,73,05,083	10,00,000	14,42,952	-1,00,411	13,613	9	Sirlik P.	Nil-Nil*	Nil	Nil	Nil-Nil*	3/94 3/81
1,00,00,000	86,79,977	1,70,64,312	1,77,46,612	59,66,898	76,551	12	Shaw Wallace P.	15-15*	15	15	15-15*	23/87 23/87
12,28,50,000	20,28,60,481	8,34,62,981	1,62,88,566	6,22,46,392	90,797	12	Union Carbide	15-15*15+	15	15	15-15*15+	33/12 32/37
1,04,56,500	1,60,21,457	66,75,525	1,38,672	82,31,472	7,803	3	Universal Cables	10-10*	21	10	10-10*	17/50 17/81
31,53,000	19,04,731	23,80,875	14,19,210	6,73,686	7,803	12	Walford Transport	7½-7½*	1	7½	7½-7½*	0/87 0/81
79,78,310	81,32,468	22,85,500	6,19,214	21,27,050	17,347	12	Woolcombers	3	Nil	Nil	3	13/56 13/00

MISCELLANEOUS (Contd.)

INSURANCE COMPANIES

13,50,000	23,65,213	1,45,18,766	1,31,08,607	19,22,680	16,447	12	Concord of India	20-20*	15	15	20-20*	12/87 12/25
54,00,000	9,76,169	1,40,13,348	1,89,99,721	26,29,556	1,708	12	Hercules	18-2½*	15	15	18-2½*	25/12 25/12
70,00,000	1,14,97,733	2,90,85,330	4,63,82,183	56,88,901	16,991	12	Ruby General	12½-15*	16½	12½	12½-15*	17/25 16/18
5,75,000	16,564	80,62,937	1,10,14,358	6,29,089	...	12	Triton	12½	12½	12½	12½	143/00 208/00

FLOUR MILLS

30,00,000	11,07,196	20,86,062	4,80,286	3,18,940	...	12	Bengal	3-4*	10	3	3-4*	13/19 13/19
7,15,980	13,70,610	37,26,856	8,44,273	4,76,152	...	10	Delhi P.	12	...	12	12	10/06 10/06
9,00,000	3,99,736	6,90,051	3,10,760	4,20,302	3,436	12	Hooghly	Nil-10*	10	10	Nil-10*	19/75 19/75
5,00,000	2,74,745	8,46,582	7,17,820	3,83,396	1,06,671	11	United	5-5*	7½	5	5-5*	19/25 19/25

OIL COMPANIES

1,00,00,000	79,66,401	1,71,43,536	2,58,49,049	31,22,549	87,095	12	Indo Burmah Petroleum P.	15-12½*	15	15	15-12½*	15/19 15/87
6,00,000	9,44,301	19,06,116	4,30,375	4,42,718	...	10	Tide Water Oil	15-15*20+	22½	22½	15-15*20+	30/50 30/50

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CALCUTTA MISCELLANEOUS COMPANIES—Contd.

Paid up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent	Paid-up per Share	Latest Market Quotations as available until		
Rs	Rs.	Rs.	Rs.	Rs.	Rs.			1966	1967	1968	Rs.	Rs.
PAPER MILLS												
1,25,56,710	4,82,42,758	1,51,25,115	16,44,354	46,24,767	638	12	Bengal P	15	7 1/2	-10*	10	17/25
1,25,48,000	1,52,89,747	12,51,744	10,02,052	—32,38,779	—92,59,101	3	India Paper Pulp	Nil	Nil	Nil-Nil*	10	5/50
3,81,74,500	24,89,00,000	3,61,27,428	55,63,530	1,15,53,401	39,858	3	Orient Paper P	20	10	10-10*	10	39/40
2,73,19,050	4,28,25,108	94,29,176	63,90,889	2,93,680	1,08,791	6	Sirpur P	12	8	Nil-Nil*	10	12/81
1,40,64,900	3,75,86,520	73,75,834	7,81,658	37,13,676	...	3	Star Paper P	6	Nil	Nil-Nil-Nil*	10	9/00
10,00,000A	4,37,500P						Titaghar P	13	13	13-13*	2 1/2 PO	2/81
3,64,03,500Q	6,11,89,988	1,15,45,621	32,54,058	21,44,503	5,000	3		3	Nil	Nil-Nil-Nil*	10AO	6/12
56,04,800B								3	Nil	Nil-Nil-Nil*	10RO	6/69
3,24,20,800	3,97,86,845	1,57,59,525	10,26,69,115	1,07,73,940	537	12	Tribeni Tissue	...	...	18*	100	19/50
56,95,600								...	...	...	50	20/12
4,30,000	1,81,531	1,45,000	5,54,786	65,294	24,928	7	Camperdown	...	...	...	100	120/00
PRESSING COMPANY												
REAL PROPERTY STORAGE												
1,00,00,780C	14,69,599	8,53,120	3,54,870	1,24,262	3,212	4-10	Bengal Bonded Warehouse	10	...	...	A500	955/00
1,25,000B											B624	101/00
2,00,000D											C100	165/00
25,000Dd											D124	60/00
1,00,00,780C	18,59,983	6,80,906	12,73,261	—1,59,346	—1,59,346	9	Humayan Properties P	Nil	Nil	...	100	10/25
2,00,000Dd	5,51,621	2,91,466	3,17,053	13,41,213	—2,69,631	4	Midnapore Commercial	Nil	Nil	Nil	100	1/30
79,90,000								Nil	Nil	Nil	85	42/00
TRAMWAYS & STEAMER												
20,00,000	8,13,420	19,60,785	21,44,476	21,44,476	20,502	10	Bengal Assam Steamship P	Nil	Nil	Nil-Nil-Nil*	100	33/00
6,25,000	6,52,342	7,29,818	2,76,704	2,76,704	2,558	10	Calcutta Landing & Shipping	Nil	Nil	3-6*	10	8/31
12,60,000	47,23,178	14,01,984	1,02,898	63,719	—11,281	8	Calcutta Steam Navigation	Nil	Nil	Nil	10	0/40
£700,000	£2,89,537	£1,56,916	£315,682	£153,252	£2,006	12	Calcutta Tramways P	...	Nil	...	£1	7/81
6,04,880	6,97,957	8,56,706	33,440	1,35,098	—633	3	Fraser & Co	Nil	Nil	Nil	10	2/56
2,47,50,000	11,13,54,408	5,03,50,188	2,19,60,638	81,89,490	...	3	India Steamship P	5	7	8-10*	10	10/44
2636,460	45,33,830	8,48,956	21,039	74,511	...	12	Port Shipping	15	2 1/2	4-Nil*	10	4/25

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CAPITAL, 27th MAY, 1971

BOMBAY COTTON MILLS

P next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Number of Spindle Looms	Net Block Account	Reserve & other Funds	Cash & Securities	Net Profit including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent			Paid-up per share	Latest Market Quotations as available until			
									1966	1967	1968		Rs.	Rs.	Rs.	
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.										
40,00,000	48,652	1,016	1,28,56,156	46,70,828	20,69,878	10,39,744	26,620	Ahmedabad Advance P.	9	Nil	9-9*	100	231/00	231/00		
50,00,000	48,254	896	20,17,010	9,99,960	10,78,394	1,49,501	2,24,486	Apollo	Nil	8	Nil	2	0/48	0/48		
4,75,80,675	...	...	7,93,95,787	36,820	66,397	52,12,519	8,34,505	Baroda Rayon	Nil	8	8-8*	100	117/00	116/00		
3,61,41,125	2,03,942	4,911	5,37,12,692	3,54,91,952	40,74,555	99,65,359	9,052	Bombay Dyeing, etc.	12	8	12-12*13*	25	39/25	37/25		
10,00,000	35,052	648	32,07,778	34,59,612	5,45,173	10,89,180	1,37,996	Bradbury P.	15	15	Nil-Nil*	50	47/00	47/00		
2,54,90,900	1,18,296	2,760	95,79,538	6,46,84,314	4,55,244	4,05,56,456	...	Century	37	37	40-40*	100	876/50	861/50		
46,87,500	1,15,188	2,062	2,99,18,629	10,75,722	15,14,712	3,59,289	—40,19,762	Central India P.	Nil	Nil	Nil-Nil*	100	44/00	42/00		
26,00,000	24,916	719	37,34,829	32,52,434	1,01,653	7,46,029	1,28,751	Coorla	12	9	9-9*	100	111/25	111/25		
28,00,000	43,512	...	33,97,504	29,03,230	5,19,246	23,98,267	2,06,873	Dawn	30	20	10-10*	50	73/00	68/00		
30,00,000	47,700	886	1,29,89,439	47,86,744	3,05,575	—2,29,847	1,578	Elphinstone P.	Nil	Nil	Nil-Nil*	50	24/52	23/00		
50,00,000	63,212	784	85,32,658	71,62,852	16,838	4,09,432	37,155	Finlay	13 1/2	15	10-11*	100	170/00	162/00		
39,04,700	77,966	...	19,75,309	43,25,176	23,64,706	12,85,523	85,195	Gokak	14	12	15-15*	100	156/00	157/50		
2,00,00,000	2,48,870	6,498	4,41,45,022	3,84,70,022	31,82,629	1,32,22,197	5,89,816	India United	Nil	Nil	Nil-Nil*	10	1/28	1/26		
50,00,00,000	...	...	...	...	...	...	...	Indian Ravon P.	Nil	Nil	Nil-Nil*	100	75/50	72/00		
2,49,62,500	50,074	1,426	5,44,40,998	34,30,000	34,33,245	—31,38,833	16,269	Indore Malwa United	Nil	Nil	Nil	100	165/00	165/00		
50,00,000	...	...	95,21,338	...	28,02,268	3,23,559	...	Khatrau Makanji P.	10	10	10-10*	100	156/00	157/00		
59,85,000	65,260	1,514	1,07,21,545	82,79,165	25,00,707	76,87,297	38,751	Kohinoor	6	6	Nil-12*	100	233/00	230/00		
1,00,00,000	1,20,504	1,846	1,69,24,239	1,20,99,729	16,14,657	—2,40,871	2,781	Lakshmi-Vishnu P.	Nil	Nil	Nil-Nil*	100	91/50	79/00		
89,60,000	49,880	1,369	1,68,41,759	73,73,674	4,43,460	—24,99,262	—49,14,154	Morarijee Goculdas P.	15	15	15-15*15*	100	275/00	276/00		
74,75,000	71,652	1,620	3,52,53,062	1,90,80,703	7,56,803	4,31,920	...	Nysore Spg. & Mfg. P.	Nil	Nil	Nil-Nil*	10	7/24	7/24		
66,91,100	50,480	500	1,33,40,024	43,57,311	32,25,435	59,099	...	New City of Bombay	7 1/2	5	5-6*	100	64/00	64/00		
24,00,000	45,944	432	23,52,760	7,45,700	10,79,000	15,67,753	8,456	Phoenix	Nil	15	Nil-Nil*	100	70/00	70/00		
30,00,000	46,884	1,029	22,27,098	25,72,444	27,32,568	12,48,697	153	New Great Eastern P.	20	15	Nil-Nil*	100	71/00	70/00		
48,00,000	54,244	728	53,94,222	35,02,899	1,54,21,523	21,027	27,380	Simplex	24	20	16-16*	50	107/50	104/00		
60,48,000	49,840	1,258	1,23,70,283	66,23,351	1,51,647	48,66,416	4,444	Shree Niwas P.	10	8	5-10*	100	129/00	126/00		
1,00,00,000	77,436	1,640	1,76,11,644	1,03,86,202	57,34,437	44,31,691	55,007	Swadesh P.	15	14	9-9*	100	153/00	156/00		
1,00,00,000	65,040	2,000	1,96,83,714	1,42,81,829	24,73,107	35,08,617	8,176	Swan	15	15	15-12*	100	148/00	145/00		
36,00,000	40,328	549	56,94,838	71,73,330	7,774	26,062	12	Tata	8	Nil	Nil-Nil*	25	32/00	28/00		
65,57,875	63,248	1,800	2,12,86,475	1,12,83,538	11,32,192	20,80,953	1,422	Western India	28 1/2	28 1/2	9 1/2 - 9 1/2*	250	188/75	189/75		
12,00,000	45,508	1,308	62,07,441	12,11,933	31,81,227	52,10,985	8,027	...	...	...	...	...	...	...	...	

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CAPITAL, 27th MAY, 1971

BOMBAY MISCELLANEOUS COMPANIES

F. Indicates Founder Shares. P. next to the name of the company indicates that the company also has Preference shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent 1966	1967	1968	Paid-up per share	Latest Market Quotations as available until 26-4-71	24-5-71
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
CEMENT													
28,47,75,400	55,44,18,349	21,24,07,366	5,87,15,014	8,01,56,323	8,472	7	Associated Cement	12	12	12-12*12†	100	137/00	132-30
ELECTRIC LTG. POWER													
8,74,77,100	19,53,38,681	4,48,49,557	2,57,00,400	2,16,91,751	105	3	Ahmedabad Electricity	9	9	9-9*†	100	108/50	109/25
3,02,77,000	9,34,77,781	1,23,89,917	32,52,570	52,28,395	36,154	3	Andhra Valley Power P.	12	12	12-12*	100	157/25	146/00
2,58,67,900	12,15,43,411	3,82,49,028	40,21,132	66,10,571	2,187	3	Bombay Suburban Elec.	10	11	11-11*	100	121/00	120/50
2,39,99,975	7,17,76,350	1,39,56,841	51,65,971	60,68,808	27,536	3	Tata Hydro Elec. Power P.	12	12	12-12*	100	162/50	146/00
5,15,36,000	17,59,03,832	3,61,11,341	57,28,753	1,22,80,113	29,988	3	Tata Power P.	12	12	12-12*	100	157/00	146/50
ENGINEERING & METAL													
33,42,200	17,06,292	44,16,374	1,54,08,311	5,79,666	1,35,820	12	Alcock Ashdown	5	5	5-Nil*	100	57/00	44/50
4,00,00,000	4,54,62,666	72,000	36,71,749	—24,39,656	—47,42,841	12	Associated Bearing	Nil	Nil	Nil	100	297/50	290/00
15,00,000	11,96,078	4,08,067	6,49,653	13,462	3,516	3	Jost's Engineering	5	6	Nil	50	31/50	31/50
3,63,00,000	6,46,65,430	2,34,87,196	2,13,62,600	1,13,35,044	—	3	Larsen & Toubro P.	15	15	15-10*10†	10	24/00	23/52
11,00,000	24,82,776	9,19,770	3,79,367	10,04,439	2,261	7	McKenzie	24	24	Nil	100	82/00	82/00
2,50,000	5,834	1,00,53,052	1,79,52,042	3,35,178	59,102	12	Premier Construction P.	34	36	36-40*	50	148/00	121/00
1,31,250†	1,88,51,658	45,13,087	1,26,659	31,01,174	11,174	3	Sandvik	10	10	10-10*	100	312/00	288/00
75,00,000	1,68,38,555	—	21,840	—17,72,188	—50,40,288	12	Sankey Wheels	Nil	Nil	—	10	9/20	7/92
1,77,77,250	1,73,30,018	5,09,28,017	13,84,385	3,61,61,616	14,962	3	Tata Engg. & Locomotive P.	14†	14†	14-14†	100	246/50	237/00
7,99,97,300	1,01,51,15,046	52,71,37,866	14,63,49,405	11,32,49,040	—	3	Tata Iron & Steel P.	16	16	16-11†	75	103/50	102/00
38,58,01,637	1,74,37,455	1,34,67,523	14,82,244	1,12,18,437	21,237	4	Zenith Steel	10	8	9-10*14†	10	17/52	18/76
1,40,00,000	—	—	—	—	—	—	—	—	—	—	—	—	—
INSURANCE COMPANIES													
20,00,000	23,84,913	95,96,033	4,24,629	1,18,606	1,18,606	12	British India General	...	...	...	10	17/52	17/24
18,74,940	25,01,134	2,61,49,442	38,951	4,63,316	4,63,316	12	Jupiter General P.	...	...	...	15	11/80	11/80
1,70,90,550	1,16,06,358	17,69,50,056	1,77,99,237	1,77,99,237	...	12	New India	40	40	40-40*	15	47/25	37/25
15,99,270	...	59,86,789	6,03,803	3,81,242	3,81,242	12	Vulcan	20	20	20-20*	10	15/12	15/12
MISCELLANEOUS													
1,44,50,000	2,47,08,875	1,29,75,000	45,67,297	65,29,734	54,973	12	Alambic Chemical	12	12	12-12*	100	163/00	157/50
2,64,82,500	1,99,34,223	1,01,744	1,37,52,145	—8,04,219	—7,87,678	12	Bayer	...	...	Nil-Nil*	100	250/00	257/00
70,49,650	41,70,604	1,23,53,608	1,09,82,038	67,94,850	3,00,263	6	Belapur Sugar	30	14	22-22*	50	84/50	78/00
3,67,81,250	3,08,81,124	2,08,72,353	2,60,35,402	1,07,15,567	18,787	5	Bombay Burmah Trading	8	14	14-15†15†	25	46/00	45/75
2,76,00,000	2,55,98,043	91,53,835	52,54,287	14,72,827	...	12	Cent Tyres	6	9	9-11*	100	259/50	265/00
1,07,50,000	4,44,53,202	2,79,50,083	8,89,331	78,04,785	6,478	6	Dharangadhra Chemical	12	12	12-12*	100	140/00	137/00
4,79,06,260	21,12,87,108	6,46,00,063	5,52,95,724	1,58,77,000	45,270	6	Great Eastern Shipping	16	20	20-25*12†	10	37/50	37/25

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CAPITAL, 27th MAY, 1971

CAPITAL, 27th MAY, 1971

BOMBAY MISCELLANEOUS COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent 1966	1967	1968	Paid-up per share	Latest Market Quotations as available until 26-4-71	24-5-71
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
MISCELLANEOUS (Contd.)													
2,48,28,560	2,14,97,142	2,13,66,286	58,41,713	1,35,04,672	...	3	Hindustan Ferodo	20	20	20-22†22††	10	37/75	36/50
11,55,63,120	8,37,72,828	5,86,47,579	59,72,647	5,15,58,234	...	12	Hindustan Lever	14	14	14	10	23/60	21/24
99,99,250	13,82,957	7,34,142	14,05,223†	8,97,490	30,418	7	Industrial Invt Trust	6†	6†	7	200	99/00	99/00
11,99,900	9,03,579	53,88,113	1,75,58,164	28,72,674	16,942	7	Kemp (Chemists)	...	...	...	100	175/00	175/00
1,24,95,600	9,86,22,308	2,83,02,205	44,45,798	2,12,35,409	2,98,157	12	Killick Industries	...	...	...	100	96/00	95/00
2,64,41,900	44,01,695	10,55,700	11,095	5,46,010	7,648	12	National Rayon	...	...	...	100	520/00	518/00
27,50,000	4,01,695	75,02,973	14,81,167	22,17,633	47,092	9	Permanent Magnets	8	9	24-20*	50	165/00	128/00
50,00,000	16,13,54,387	74,57,989	41,09,113	17,80,480	29,80,721	6	Phalton Sugar	20	20	Nil-Nil*†	100	72/00	70/00
7,48,38,785	1,44,04,272	2,79,95,044	14,28,288	37,07,065	5,919	12	Premier Automobiles	...	...	...	10	57/00	55/00
1,49,06,425	2,51,55,945	46,47,505	23,82,18,364	2,20,94,830	418,097	6	Sandox	6†	7†	7†-7†8††	20	21/00	20/83
11,27,72,980	40,30,24,881	16,81,62,371	4,14,686	—3,03,605	2,943	11	Scindia Steam Navign	Nil	Nil	Nil-Nil*	100	182/00	185/00
21,00,000	32,82,527	44,05,000	89,75,702	2,16,45,902	16,948	12	Shivrajpur Synd	Nil	Nil	Nil-Nil*	100	29/25	31/00
5,74,91,000	8,61,34,995	1,95,15,921	23,87,449	89,88,449	5,923	6	Synthetics And Chemicals	16	17	17-15*	10	29/25	31/00
3,02,33,815	6,32,84,424	1,44,04,272	47,75,465	50,73,815	1,187	8	Tata Chemicals P	14	14	15-7*15†	100	219/00	219/00
1,05,05,475	2,21,88,319	1,25,42,386	1,98,04,954	2,58,24,320	...	3	Tata Oil P	15	15	11-12*12†	100	151/50	151/00
4,32,90,000	5,43,41,531	4,15,69,048	1,78,50,135	1,90,01,098	...	12	Volas	11	11	...	100	...	...
4,95,00,000	3,96,04,472	2,39,57,617	1,78,50,135	1,90,01,098	...	12	Western Indip Match	11	11	...	100	...	...
SOUTH INDIAN PLANTATION COMPANIES													
Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds	Hectares	Output and Average Price per kg/lb realised for crop	Net Profits	Accounts closed	NAMES	Dividends per cent 1966	1967	1968	Paid-up per share	Latest Market Quotations as available until 26-4-71	24-5-71
Rs.	Rs.	Rs.	Hectares	Kilograms	Rs.						Rs.	Rs.	Rs.
3,50,000	12,57,795	5,72,253	...	1,12,000	70,011	12	Anandam P.	Nil	Nil	Nil-Nil*	10	12/50	11/75
10,98,900	18,96,078	4,83,841	...	225,168	4,11,290	3	Balanoor P.	15	15	15-15*	10	14/75	14/75
3,00,000	3,92,218	...	171	51,000	—52,885	8	Balmadies P.	10	10	Nil-Nil*	2	2/10	2/10
17,32,230	13,56,710	3,36,253	...	3,59,531	63,110	5	Be Re P.	7	7	Nil-Nil*	5	2/80	2/80
84,00,000	1,22,59,799	14,15,889	...	10,60,000	11,92,421	8	Blue Mountain	10	11	8-6*-Nil†	2	1/63	1/50
20,53,480	35,53,194	24,06,114	1,832	8,37,342	5,94,950	2	Chembra Peak	20	22†	5-10*-10†	2	2/70	2/70
26,91,279	46,12,278	19,45,895	3,257	11,32,759	3,41	2	Cochin Malabar P.	17†	17†	16-16*	10	5/85	5/00
32,50,000	39,31,709	30,58,661	2,710	19,48,320	8,71,279	6	Coffee Lands P.	15	16	18†-18†	10	26/50	26/87
71,55,000	1,15,74,494	63,44,278	7,001	60,81,120	25,60,562	6	Consolidated Coffee P.	27†	18†	20-20†	10	28/84	28/84
5,66,730	22,17,651	15,84,267	174	29,08,68	5,69	9	Coonor P.	15	15	...	10	...	...
4,80,000	10,36,448	4,76,798	...	3,53,888	1,19,880	3	Coorg P.	10	10	10-10*	2	2/30	2/30
6,00,000	11,82,508	2,17,761	...	1,57,785	1,47	3	Cottanad Plantation P.	15	20	10-15*	10	15/75	15/75
6,00,000	8,89,831	4,80,155	...	3,25,310	1,25,515	12	Devashola (Nilgiri)	9	Nil	...	10	14/00	14/00
6,74,650	9,14,644	3,31,040	...	1,38,386	1,56,712	3	Devon P.	15	15	15-15*	10	15/50	15/50
7,50,000	3,38,952	1,26,500	...	1,12,936	2,66	12	Emerald Valley	20	20	20-20*	5	11/50	11/50
4,50,000	3,64,462	20,000	...	62,830	40,424	12	Gokul	15	15	15-13*	2	4/36	4/30
25,00,000	42,82,150	17,77,500	...	17,21,550	2,04	12	Hallevburia P.	9	10	10-8*	10	7/75	7/75
11,85,700	28,02,058	10,77,705	...	9,59,804	5,60,461	2	Kallas	22†	22†	15-15*	2	3/25	3/25
9,00,000	12,52,263	7,23,749	978	3,14,942	4,04,443	3	Kalasa Tea Produce	12	16	14-16*	2	2/90	2/90
17,17,076	28,48,525	14,32,010	811	4,62,975	7,80,209	10	Kil Kotagiri P.	17†	20	15	2	2/90	2/90
5,00,000	9,11,259	1,21,604	267	305,757	96,485	12	LuckyValley	10	10	10-10*	10	19/75	19/75
15,50,000	19,78,359	9,14,031	1,785	5,42,784	4,63,747	3	Malankara	24	25	22†-35*	10	29/00	29/00

†Hectares

SOUTH INDIAN PLANTATION COMPANIES—Contd.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds	Hectares	Outturn and Average Price per kg./lb. realised for crop	Net Profits	Account closed	NAMES	Dividends per cent	Paid-up per share	Latest Market Quotations as available until
Rs.	Rs.	Rs.		Kilograms	Rs.			1966 1967 1968	Rs.	Rs. 26-4-71 24-5-71
40,50,000	67,47,600	17,25,166	4,013	12,60,448	9,94,509	3	Midland Rub & Prod P.	10	10	12/15 11/50
14,06,250	33,53,804	7,45,346	1,587	9,98,596	1,60,000	3	Nilgiri P	Nil	10	7/02 7/02
23,10,000	24,28,291	11,02,621	1,057	7,29,106	16,62,532	1	Nonsuch	15	10	17/75 17/75
9,75,000	11,21,586	3,67,000	293	2,29,900	3,27,700	3	Osoor	15	2	3/40 3/40
19,45,380	33,19,864	24,42,874	7,970	6,55,342	5,06,184	10	Oucherlony	6	2	2/91 3/06
17,00,000	27,55,157	13,87,519	1,099	10,69,078	7,13,678	12	Parkside Neilgherry	30	10	33/75 33/75
17,00,000	27,36,576	12,82,518	1,563	10,83,565	11,29,838	12	Peermade P	15	10	12/62 12/62
6,00,000	7,90,316	3,35,510	1,167	3,85,268	1,65,244	2	Peninsular	20	10	15/66 15/66
57,94,880	78,72,019	20,68,711	2,074	23,46,900	13,16,964	3	Periakaramalai	20	2	2/96 2/95
13,50,000	48,44,469	13,58,959	952	845,000	8,05,161	5	Rajagiri Rub & Prod P	13	10	16/75 16/75
2,00,000	3,14,567	1,35,963	711	...	1,18,791	3	Rajendra P	25	5	22/00 22/00
10,00,000	20,71,084	2,48,373	1,454	4,30,695	63,263	3	Teekoy P.	9	10	6/15 6/15
9,15,300	14,26,893	10,75,840	2,365	2,35,780	2,77,689	9	Thirumbadi	Nil	1	2/03 1/70
6,00,000	6,51,402	46,742	1,307	2,23,794	30,950	12	Travancore Rubber	10	10	9/00 9/00
41,00,000	72,63,801	12,65,584	2,555	12,19,484	10,61,172	12	Travancore Rub & Tea P	10	8	8/90 8/60
20,00,000	23,48,701	1,46,000	3,028	6,33,402	2,02,762	12	Tropical Plantation	8	10	22/25 21/00
15,75,000	2,47,811	16,00,000	1,267	9,63,293	1,00,000	12	Twyford	5	10	4/75 4/70
81,99,280	30,03,223	17,04,089	5,638	8,28,976	859,587	3	United Nilgiri	17 1/2	10	16/75 16/75
8,80,010	9,26,890	2,82,051	952	4,94,400	2,20,00	12	Vaikundam	30	20	28/50 28/50
47,25,000	1,19,27,305	37,59,110	2,214	7,68,146	10,82,508	8	Waterfall Estates P	12 1/2	14	2/25 2/25

SOUTH INDIAN COTTON MILLS

Paid-up Capital Ordinary	Number of Spindle Looms	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	NAMES	Dividends per cent	Paid-up per share	Latest Market Quotations as available until
Rs.		Rs.	Rs.	Rs.	Rs.			1966 1967 1968	Rs.	Rs. 26-4-71 24-5-71
30,00,000	...	57,98,387	62,16,405	2,33,650	15,12,989	4,952	Anglo-French P.	17 1/2	15	15/15 151/25
20,00,000	28,000	22,72,373	31,406	96,302	7,68,513	42,421	Cambodia P.	Nil	Nil	1/40 1/40
35,99,600	33,864	74,98,712	39,45,014	8,68,959	20,95,517	12	Coimbatore Cotton	8 1/2	10	128/00 125/00
50,76,900	407	47,91,212	7,98,681	22,227	-7,52,342	-10,23,340	Coimbatore Spg. & Wvg	Nil	Nil	115/50 115/50
67,20,000	30,512	87,47,369	20,79,194	7,10,548	6,54,550	15,879	Kothari Textiles P.	5	5	7/70 7/70
1,06,50,000	1,10,800	1,78,79,375	1,06,05,813	74,49,476	14,73,436	2,142	Lakshmi	14	10	8/8 67/00
7,00,09,970	4,02,004	1,011	6,35,99,316	4,44,31,862	70,04,795	2,01,35,292	Madura	7 1/2	10	10/6*8+ 18/50
1,13,61,000	26,496	654	50,79,268	46,70,299	5,84,128	179	Mettur Beardsell	17 1/2	17 1/2	20/15 175/00

† Hectares

* 1969 † 1970

CAPITAL, 27th MAY, 1971

CAPITAL, 27th MAY, 1971

SOUTH INDIAN SUGAR MILLS

P. next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net profits	Carry forward	Account closed	NAMES	Dividends per cent	Paid-up per share	Latest Market Quotations as available until
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			1966 1967 1968	Rs.	Rs. 26-4-71 24-5-71
80,00,000	62,64,264	26,55,000	5,52,400	10,92,779	22,959	9	Andhra P.	12	12	12/12 9/40
40,00,000	80,62,883	12,61,424	1,58,472	13,46,266	1,40,987	6	Cauvery P.	7	100	98/00 98/00
3,140,560	3,98,923	56,93,500	10,51,344	33,73,758	5,798	5	Deccan Sugar	13 1/2	5	4/06 4/12
63,97,650	39,62,680	15,44,848	64,64,375	12,35,437	69,501	9	E.I.D. Parry	7 1/2	10	13/87 13/70
12,45,572	1,22,66,623	18,99,861	1,51,052	5,99,416	2,090	6	India Sugar P.	5	10	8/00 8/00
10,52,200	2,87,27,773	1,23,75,000	31,53,982	20,76,426	91,745	8	Jeyapore P.	10	10	14/25 14/25
67,20,000	68,25,707	17,54,874	7,44,531	22,50,032	13,43,312	6	K. C. P.	7 1/2	10	10/30 10/30
54,10,190	2,19,59,178	1,75,22,685	45,76,265	30,13,247	56,800	6	Kothari	9	10	5/00 6/00
30,00,000	35,93,381	11,41,000	10,12,037	4,88,902	1,46,735	4	Mysore	Nil	10	22/25 22/25
1,00,00,000	1,38,91,570	1,03,73,060	1,28,28,232	53,41,998	...	3	Travancore P.	6	9	15/75 16/00
							United Breweries	6	9	

SOUTH INDIAN MISCELLANEOUS COMPANIES

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net profits	Carry forward	Account closed	NAMES	Dividends per cent	Paid-up per share	Latest Market Quotations as available until
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			1966 1967 1968	Rs.	Rs. 26-4-71 24-5-71
2,31,15,668	1,96,45,010	1,13,97,169	62,02,907	71,71,658	10,357	3	Aluminium Industries	18	12	7/10 7/00
71,03,170	67,38,199	11,05,008	6,17,579	24,62,265	15,621	12	Andhra Cement P.	10	10	10/80 10/80
3,07,67,658	1,59,93,383	25,63,610	1,84,694	30,01,343	20,076	12	Ashok Leyland	10	8	6/50 6/55
6,80,00,000	10,99,21,112	2,82,78,280	85,42,685	1,11,38,656	-1,42,41,206	12	Binny	...	100	69/00 70/50
7,50,000	5,45,587	56,538	41,650	93,226	-1,46,143	12	Brunton & Co.	Nil	100	3/60 3/60
73,00,000	1,79,06,906	26,81,982	6,22,914	19,27,076	4,396	12	Enfield P.	6	10	10/25 10/25
2,24,44,750	3,21,08,642	66,66,496	73,60,475	51,28,679	1,38,608	12	India Cement P.	9	5	5/75 5/75
1,40,00,000	1,39,97,039	10,47,778	36,09,251	29,82,180	11,631	3	Indian Steel Rolling P.	Nil	10	8/40 7/90
24,81,220	16,92,196	4,52,189	17,48,674	8,48,641	8,514	3	Mettur Chemical Industries P.	8	10	12/30 12/20
8,00,000	5,20,889	9,38,696	2,18,413	1,23,999	85,187	3	Mysore Chem & Fert	Nil	10	5/75 5/75
6,56,250	5,13,585	3,16,884	6,374	1,23,999	3,146	3	Mysore Chemical Mfgs. P.	20	15	10/70 10/58
25,00,000	55,50,342	37,12,500	2,43,664	14,29,395	36,663	3	Mysore Lamp P.	Nil	10	11/75 11/75
10,00,000	7,56,329	3,16,884	29,32,342	75,422	622	3	Mysore Paper	6	10	18/00 18/00
40,00,000	11,42,007	1,74,500	1,32,329	21,82,347	3,899	3	Mysore Tobacco	10	10	13/45 16/75
47,00,000	86,53,610	20,65,000	59,59,486	24,85,127	3,92,204	6	Parry's Cont.	18	18	2/33 2/40
39,84,400	42,58,650	13,07,759	16,66,624	4,19,707	41,732	9	Spencer (Provisions)	30	6	6/50 6/50
3,75,00,000	5,18,36,038	2,25,17,394	86,31,139	33,46,806	2,468	7	Standard Motors P.	Nil	100	14/75 14/75
							T. Stanes P.	7	10	27/00 27/00
							Textool	10	10	151/50 150/00
							Tube Investments	12 1/2	10	

* 1960

† 1970

RESERVE BANK

ISSUE DEPARTMENT (In 000's of Rupees)		Week Ended		
		14-5-71	7-5-71	15-5-70
Liabilities—				
Notes in Banking Dept.	...	10,71,22	10,16,08	15,64,14
Notes in Circulation	...	44,24,52,36	44,01,15,78	40,55,88,20
Total Notes Issued	...	44,34,69,58	44,11,31,86	40,71,52,34
Assets—				
A. Gold Coin and Bullion	...	1,82,53,11	1,82,53,11	1,82,53,11
Foreign Securities	...	3,03,42,00	3,03,42,00	3,96,42,00
Total of A	...	4,85,95,11	4,85,95,11	5,78,95,11
B. Rupee Coin	...	40,82,79	42,45,93	55,06,47
Rupee Securities	...	39,07,91,68	38,82,90,82	34,37,50,76
Total	...	44,34,69,58	44,11,31,86	40,71,52,34
BANKING DEPARTMENT				
Liabilities—				
Capital Paid-up	...	5,00,00	5,00,00	5,00,00
Reserve Fund	...	1,50,00,00	1,50,00,00	1,50,00,00
National Agricultural Credit (Long Term Operations) Fund	...	1,72,00,00	1,72,00,00	1,55,00,00
National Agricultural Credit (Stabilisation) Fund	...	37,00,00	37,00,00	35,00,00
National Industrial Credit (Long Term Operations) Fund	...	95,00,00	95,00,00	75,00,00
Deposits—				
(a) 1. Central Govt.	...	83,70,48	1,03,93,20	90,67,63
2. State Govts.	...	3,17,52	4,25,35	4,78,48
(b) Banks—	...	...	...	...
(i) Scheduled Banks	...	2,28,30,85	1,92,71,18	1,86,70,54
(ii) State Co-operative Banks	...	10,16,14	9,40,11	8,72,18
(iii) Non Scheduled State Co-operative Banks	...	80,04	79,54	63,53
(iv) Other Banks	...	26,64	33,22	19,78
(c) Others	...	66,72,46	72,03,27	1,12,02,31
Bills Payable	...	59,34,66	58,83,26	44,05,22
Other Liabilities	...	2,41,31,35	2,12,53,55	1,53,89,95
Total	...	11,52,80,14	11,13,82,68	10,21,69,62
Assets—				
Notes	...	10,17,22	10,16,08	15,64,14
Rupee Coin	...	3,26	2,32	14,99
Small Coin	...	3,79	3,82	4,98
Bills Purchased and Discounted:—				
(a) Internal	...	15,03,04	15,02,14	...
(b) External	...	...	...	...
(c) Govt. Treasury Bills	...	16,25,51	18,45,26	18,13,35
Balances held abroad	...	73,02,92	69,77,31	1,12,05,28
Investments	...	63,95,29	57,91,24	90,54,95
Loans and Advances to:—				
(i) Central Government	...	...	...	...
(ii) State Governments	...	3,59,97,14	3,36,17,46	1,65,07,53
Loans and Advances to:—				
(i) Scheduled Banks	...	2,08,19,07	2,05,45,42	2,69,87,55
(ii) State Co-operative Banks	...	2,41,68,35	2,38,79,50	2,27,61,91
(iii) Others	...	5,18,20	4,72,95	3,36,59
Loans, Advances and Investments from				
National Agricultural Credit (Long Term Operations) Fund	...	...	...	...
(a) Loans and Advances to:—	...	...	...	...
(i) State Govts.	...	41,90,69	41,90,71	33,79,85
(ii) State Co-operative Banks	...	20,02,48	20,12,17	15,23,18
(iii) Central Land Mortgage Banks	...	...	...	...
(b) Investment in Central Land Mortgage Bank Debentures	...	9,59,42	9,59,42	9,65,70
Loans and Advances to State Co-operative Banks	...	3,85,54	3,89,73	4,64,98
Loans, Advances and Investments from National Industrial Credit (Long Term Operation) Fund the Development Bank	...	33,82,21	31,85,72	6,26,71
Other Assets	...	50,06,01	49,90,89	49,57,93
Total	...	11,52,80,14	11,13,82,68	10,21,69,62

SCHEDULED BANKS

(In 000's of Rupees)		Week Ended		
		7-5-71	30-4-71	15-5-70
(i) Demand Liabilities—				
(a) Demand Deposits:	...	...	...	...
(1) From Banks	...	1,64,31,00	1,67,52,00	1,43,51,00
(2) From others	...	26,70,40,00	26,88,85,00	22,78,50,00
(b) Borrowing from Banks	...	33,67,00	31,64,00	24,70,00
(c) Others	...	1,63,58,00	1,62,22,00	1,40,42,00
(ii) Time Liabilities—				
(a) Time Deposits:	...	...	...	...
(1) From Banks	...	1,01,19,00	1,03,11,00	1,01,73,00
(2) From others	...	34,47,59,00	34,07,99,00	29,26,03,00
(b) Borrowing from Banks	...	8,82,00	9,67,00	5,77,00
(c) Others	...	47,09,00	45,11,00	33,18,00
(iii) Borrowing from State Bank—				
(a) Demand Liabilities	...	24,55,00	19,65,00	45,11,00
(b) Time Liabilities	...	65,05,00	67,05,00	64,48,00
(iv) Borrowing from Reserve Bank	...	4,68,26,00	4,60,25,00	5,15,41,00
(v) Cash	...	1,67,10,00	1,66,68,00	1,46,94,00
(vi) Balances with Reserve Bank	...	2,12,47,00	2,06,65,00	1,85,27,00
(vii) Balances with other banks in current account	...	70,38,00	69,17,00	57,56,00
(viii) Money at call and short notice	...	32,34,00	39,58,00	51,62,00
(ix) Investments in Central and State Govt. Securities	...	14,12,90,00	14,14,68,00	12,32,60,00
(x) (a) Loans, Cash Credits and Overdrafts	...	38,40,98,00	38,09,85,00	35,11,17,00
(b) Due from banks	...	4,32,94,00	4,36,01,00	3,98,02,00
(xi) Inland Bills purchased and discounted	...	7,53,71,00	7,60,39,00	5,16,16,00
(xii) Foreign bills purchased and discounted	...	2,09,95,00	2,07,31,00	1,87,82,00
(xiii) Total of X, XI and XII	...	52,37,58,00	52,13,56,00	46,13,17,00

INDIA'S FOREIGN TRADE

(In crores of rupees)		
Year/Month	Imports	Exports
1961	958.43	675.64
1962	981.28	691.10
1963	987.65	770.36
1964	1082.66	836.16
1965	1348.06	803.16
1966	1581.48	979.54
1967	2016.97	1210.45
1968	1538.33	1095.13
1969	1277.74	1146.19
1970	1601.00	1468.10
1970	...	...
February	132.03	96.78
March	125.54	128.14
April	142.59	127.97
May	127.63	119.11
June	132.64	93.93
July	132.78	91.81
August	154.73	127.00
September	130.76	119.19
October	125.32	129.50
November	136.10	138.36
December	132.26	151.27
1971	...	...
January	157.10	143.72

Source: Supplement to the monthly Statistics of Foreign Trade of India.

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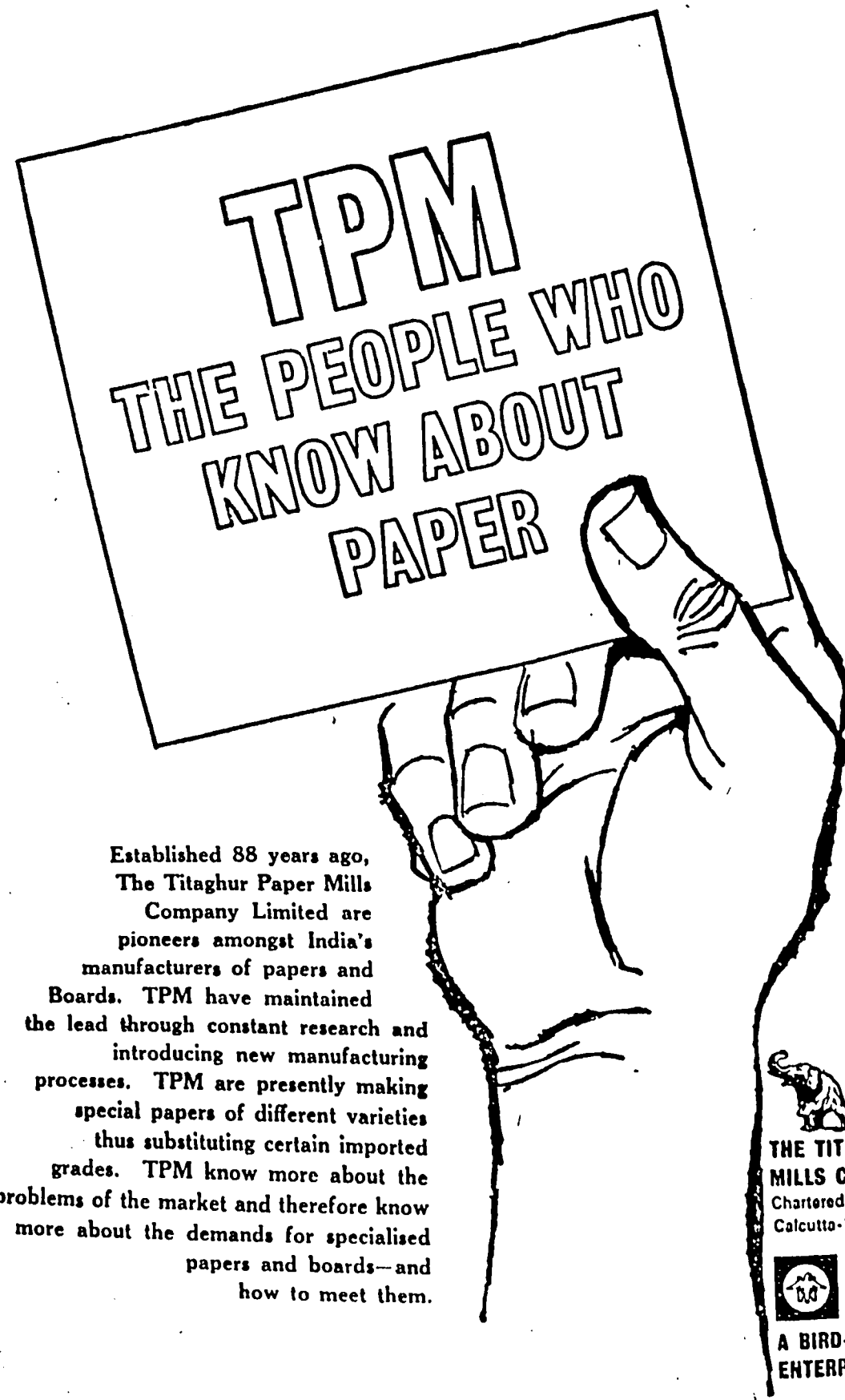
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Budget : Symbol of Socialism?

IN making his massive taxation proposals for the 1971-72 Central Budget, Mr. Y. B. Chavan, Central Finance Minister, has received more brickbats than bouquets, but there is no denying that he has earned a distinct place in India's fiscal history. But one has to appreciate that he has had to make the best of a bad job. While presenting the interim Budget for 1971-72, he had revealed a deficit of as much as Rs. 240 crores. Mr. Chavan did suggest then that there was a crucial necessity for "widening and deepening the resources base". The *Economic Survey*, which he presented to Parliament a few days ago, provided a number of straws in the wind about how the Government's mind was working in raising the required resources so as to enable it to cope with the emerging situation. Mr. Chavan had perforce to scrape the bottom of the barrel to find out the wherewithal to finance the increased Plan expenditure on the one hand and the need to provide finances for the relief and rehabilitation of the steady stream of refugees which is currently causing a big headache to the Government. International aid for the relief and rehabilitation of refugees now amounts to a paltry figure of Rs. 12 crores and the Government has reportedly spent more than Rs. 50 crores within a short space of time so far. The Prime Minister, Mrs. Indira Gandhi, herself estimated that the relief and rehabilitation of refugees would necessitate an expenditure of Rs. 180 crores within the space of six months.

Although the Budget is couched in the semantics of socialism, there is not even an iota of doubt that the Central Finance Minister has had to face a difficult task in raising the required resources for financing the increased Plan and non-Plan expenditure. But his first full-fledged Budget with massive taxation proposals reminds one of the one presented in

1947 by Mr. Liaquat Ali Khan who claimed that it would serve the cause of the common man. But the big difference between Mr. Liaquat Ali Khan's Budget and that presented by Mr. Chavan is not only the radical socialistic slant of the latter but also the amount of resources that he has sought to raise through his tax-loaded Budget. It will be recalled that Mr. Khan's Budget created a furore in both Parliament and outside in proposing to raise a sum of only about Rs. 40 crores by way of fresh taxation. In contrast, Mr. Chavan will be raising Rs. 177 crores by way of fresh levies. Times have apparently changed since then, and it is a sign of the tendency towards megalomania in New Delhi that the Centre's Budget has grown ten times to about Rs. 6,000 crores since independence. The massive public-sector investment programme and a gigantic volume of planned financing have inevitably brought in their wake an ambitious public expenditure programme which is regarded as the *sine qua non* for building the foundations of a welfare State. Unfortunately, there is little talk of reducing unproductive expenditure which is merrily rising year after year.

But the cause for concern is that in putting forward his proposals for a massive dose of taxation, is not the Central Finance Minister giving a fresh momentum to inflationary pressures in the economy? It is all very well to bring about a socialist millennium by pursuing a policy of soaking the rich. But will it ensure growth with social justice which appears to be the Government's official policy? As Mr. Chavan has shown in his Central Budget proposals, revenue receipts are estimated at Rs. 3,562 crores and revenue expenditure at Rs. 3,587 crores. But the Rs. 114-crore surplus on revenue account foreseen in the interim Budget proposals had turned into a deficit of Rs. 25 crores. The estimated deficit on capital account has also in-

creased by Rs. 18 crores to Rs. 372 crores since Mr. Chavan presented his interim Budget in March bringing the overall deficit to Rs. 397 crores. Mr. Chavan has had apparently no choice but to reduce the deficit to a manageable Rs. 220 crores by levying additional taxes.

But the question which has been rightly raised is: could not the Central Finance Minister broaden the base of taxation by casting his net to the rural sector? Agricultural income in India, such as it is, has been mounting steadily, for the country has had record foodgrains harvests for four years in a row. On an estimated income of Rs. 17,000 crores in the non-agricultural sector, the burden of income-tax is Rs. 786 crores. On the other hand, the burden of income-tax is only Rs. 11 crores on an agricultural income of Rs. 15,000 crores. Can there be any justification for not taxing the rural sector adequately, especially when the Finance Minister himself had categorically stated that the just basis of taxation is "the area of income or wealth, irrespective of whether it is derived from agricultural or non-agricultural sources"? The powerful agricultural lobby in the country has persistently stood in the way of increasing taxation on farm incomes. But since agriculture is a State subject, the Finance Minister has not apparently ventured to stir up a hornet's nest by making radical tax proposals in this direction. But if constitutional difficulty has stood in the way of levying fresh taxes on the farm sector, could not the Constitution itself be amended in advance, particularly when a step in this direction has become long overdue? After all, the non-farm sector should not be treated as a golden goose in levying fresh taxes year after year. Meanwhile, honest taxpayers are mulcted and a long rope is being given to tax evaders whose number is increasing by leaps and bounds in recent years.

At a time when it is necessary to create a climate of confidence due to the continued sluggish industrial growth, which has been accelerated by

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barely 5 per cent last year, the Central Finance Minister's budgetary proposals would affect the incentive to earn, save and invest. Although there has been no increase in corporation tax as such, a number of structural changes have been introduced, the effect of which will be perceptible on fresh industrial investments. In the first place, the list of priority industries has been pruned and the 8 per cent exemption of profits available to these industries has been cut down to 5 per cent. Secondly, the development rebate on new investments, which has undoubtedly helped capital formation in the past, will be terminated after 31st May, 1974, on the plea that this will raise industrial investments by the end of the current Fourth Plan period. Thirdly, an effort is being made to convert the surtax into an excess profits tax by increasing the former from 25 per cent to 30 per cent on chargeable profits in excess of 15 per cent of the capital. Fourthly, there is a proposal to effect an increase in the surcharge on personal incomes and to impose a ceiling on the salary of a company executive at Rs. 6,000, including Rs. 1,000 a month as perquisites, which will aggravate brain-drain from the country. Fifthly, there is a rise in the tax on capital gains and the rate of tax on urban wealth is proposed to be doubled at the top levels. Furthermore, the scope of wealth tax is being widened in keeping with the Government's socialistic philosophy. The large array of taxes now proposed will have an adverse effect on initiative and enterprise and will willy-nilly make the sluggish industrial growth rate still more sluggish. When Mrs. Gandhi presented her maiden Budget last year, she rightly realised that the country's much-maligned entrepreneurs had to be given a shot in the arm to provide the required investments in the economy. But Mr. Chavan has apparently forgotten to hear this crucial point in mind while presenting his budgetary proposals.

But while taxes are being raised, New Delhi appears to believe that they will have only a marginal effect on prices, which are estimated to have increased by about 5.6 per cent last year. On a conservative estimate, the fresh taxation in the Central Budget as well as the freight and fare hikes in the latest Railway Budget will boost prices by at least 10 per cent during 1971-72. In keeping with the usual pastime of the Central Finance Ministers to raise excise duties all round, Mr. Chavan has increased the excise levies on a large number of articles of

common consumption on the mistaken notion that these are nothing but luxury goods. But he should have pondered over the possibility that the levies might bring in their wake a phenomenon of what is known as "taxation inflation". With a bit of humour, Mr. Chavan stated that due to the heavy increase in excise duty, if the smokers gave up smoking or continued to puff their favourite brand of fags, it would "be a net gain to national welfare". He could have equally stated that it would be a net gain to national welfare if a motorist kept his car at the garage and used a bullock cart instead as his mode of conveyance or if a housewife gave up using a pressure cooker as a labour-saving device and castigated the Finance Minister for her awful lot in the kitchen!

All these sacrifices could have been borne with a benign smile if the Central Finance Minister prepared his taxation proposals with a view to making his Budget a growth-oriented one. It is a truism that the net of taxation need not have been cast further afield if the majority of public-sector projects—with a long gestation period—have not been in the red year after year, causing a serious drag on the nation's resources. Nor would have been the position so precarious had the tax collecting machinery been efficient and economical. In his latest Budget, Mr. Chavan has substantially raised the Central Plan outlay. But the cause for dismay is that the ratio of planned investment to national income, which amounted to as much as 10 per cent or 11 per cent in earlier years, has actually come down to 8 per cent or 9 per cent. Mr. Chavan has ruefully stated that despite the increased special assistance of Rs. 195 crores to the States during 1970-71, 14 States had overdrafts with the Reserve Bank aggregating Rs. 260 crores at the end of last March. To make matters worse, the country's defence expenditure has had to be increased by Rs. 58.83 crores more than in last year. However, Mr. Chavan would have done well in providing fillip to exporters by announcing some much-needed fiscal concessions. This he has not done since he seems complacently to believe that the country's export performance last year will be repeated in the future. But now that the tax proposals have been announced, the country has hardly any choice but to accept them in good grace and take them in its stride. But it remains a million-dollar question whether the economy will revive, industrial invest-

ments will gather momentum and entrepreneurs will shake off their lethargy and sluggishness to bring about the socialistic millennium which

Budget and Growth

THE most striking feature of the Central Finance Minister, Mr. Y. B. Chavan's first full-fledged Budget is the gap that it reveals between professions and practice. Until the other day, Mr. Chavan was not tired of repeating *ad nauseam* the urgent need for accelerating the pace of growth and distribution of social justice. In fact, he chanted this gospel even in the first part of his Budget speech but conveniently forgot it while coming to the second part, dealing with tax proposals. He talked of his Party's mandate from the people "for rapid economic growth matched by increased social justice" but his Budget betrays him.

It is significant to note that Mr. Chavan's objectives themselves are rather limited. In his preface to the budgetary proposals, he set for himself three major tasks: To simplify and rationalise the tax structure; to distribute the overall burden of taxation among the different sections of the community in such a manner as to scale down appreciably the concentration of economic power and reduce inequalities in income and wealth; and to ensure that the incidence of fresh imposts does not, as far as possible, disturb the general level of prices of essential goods.

Mr. Chavan's proposals, it must be conceded, are well designed to meet these objectives. What, however, surprises the public is the callous indifference to factors that contribute to a faster rate of growth. It would seem that the Finance Minister has taken a higher growth rate for granted, merely because the outlay for the Annual Plan has been stepped up in the Central sector. It is common knowledge that the lag in growth in the first two years of the Fourth Plan period was not due to lack of finance but because of the shortfall in public investments. And surely Mr. Chavan is well aware that investments in the public sector are related to the demand for products of public undertakings in the private sector. Therefore, to assume that a mere step-up in public investments is enough to secure the ends of accelerated growth

apparently is the goal of the planners and politicians. As it is, Mr. Chavan's Budget contains too few carrots and too many sticks for the investor.

and social justice is to shut one's eyes to economic realities.

Mr. Chavan's performance has to be viewed in relation to the economic imperatives that he himself has spelt out in the pre-Budget *Economic Survey*, presented by him to Parliament last week. The *Survey* makes two important points: First, the rate of domestic capital formation needs to be lifted. Secondly, if the rate of industrial growth is to be raised from the level of 5 per cent last year to the level of around 10 per cent, as stipulated in the Plan, there has to be continued emphasis on enlarging the scale of outlays in carefully selected areas. The question is how far does Mr. Chavan's Budget help to achieve these two imperatives of economic growth. On the face of it, it is clear that no special effort has been made by the Finance Minister to encourage capital formation in the corporate sector. On the contrary, some of his proposals will discourage savings and investment in the corporate sector. For instance, the increase in the rate of surtax on company profits, from 25 per cent to 30 per cent in the case of chargeable profits in excess of 15 per cent of the capital, puts straightaway a premium on efficiency. The exclusion of debentures and long-term borrowings from capital employed for purposes of a tax holiday is a positive disincentive to investment. Mr. Chavan has taken credit for a revenue of Rs. 10 crores in the current year from this source, but it is doubtful whether this revenue will be more than the net benefit that may have accrued to the economy from continuing the tax holiday provision for profits on all constituents of capital and encouraging fresh investment.

Similarly, the tax exemption of 8 per cent allowed in the 29 priority industries has been reduced to 5 per cent in 23 industries and totally withdrawn in respect of the remaining six which have been taken out of the priority list. A more purposeful way of doing the same thing would have been to limit such exemptions to profits that are reinvested in specified industries. By mopping up a revenue of Rs. 6 crores through this measure,

Mr. Chavan has not found a new source of revenue that his predecessors were not aware of.

Another deliberate attempt to depress corporate savings is the new stipulation that the deduction of income up to Rs. 3,000 from investments will be admissible only to individuals and Hindu undivided families and not to the corporate sector. With all these measures, it will be a miracle if capital formation of the rate envisaged in the *Survey* ever takes place. Mr. Chavan evidently depends too much on individual savings rather than on corporate savings but again his Budget hits individuals earning more than Rs. 15,000 a year and erodes their capacity to save. Under the circumstances, it may not be surprising if the rate of capital formation even shows a fall in the remaining years of the Fourth Plan.

Mr. Chavan would seem to be well aware of this possibility. That is why he has sought to pressurise the private sector to step up investment with a clear notice that no development rebate will be offered to any industry after May 1974. He significantly added that he would consider himself amply rewarded if advance notice of this change quickened the pace of investment in the remaining years of the Fourth Plan. It is true that the practice of offering a development rebate has had a full play for over 16 years and a selective approach will have been justified. But coming together with the withdrawal of existing concessions, this can be seen as nothing more than pressure tactics.

The charge is that private industry has been enjoying development rebate too long and avoiding payment of taxes by setting up new industries for the sake of claiming development rebate. Granting that the charge is true, what is wrong in that? After all, the resources are ploughed back for economic development and, therefore, it must be welcome and not presented as an "unhealthy practice". It is, indeed, strange that the Government offers an incentive and when that is taken full advantage of, industry is blamed for doing so. If development rebate was not to be taken advantage of for making new investments, what else was it meant for?

The Finance Minister is perhaps convinced that the private sector has no alternative but to increase its investments even under these conditions; if it fails, the Government, with its massive majority backed by

the "mandate from the people", could take more stringent measures against the corporate sector. Or, at least a case would be made for such action because the private sector has failed to live up to the Government's expectations. But all this will in no

way accelerate the growth rate in the economy. It is a pity that Mr. Chavan, who displayed a sense of realism in identifying the problems afflicting the economy, has been swayed by solely political considerations in drawing up his budgetary proposals.

Budget and Prices

THE Central Finance Minister, Mr Y. B. Chavan, will probably claim in the course of parliamentary discussion on the Budget that the majority of people have little to fear from his 1971-72 Budget proposals. They never feared any Central Finance Minister. They are the ones who eat cheap grain, live in thatched houses or no houses at all, do not use soap, are scantily clad, never travel except on foot, use earthen pottery, burn twigs and cowdung for fuel, smoke—if at all—*bidis*, have no recreation other than procreation and depend entirely upon nature to cure or kill them when they fall sick. They are not aware that there are in the world such personalities as Finance Ministers and things like annual Budgets. But they have a franchise to exercise and only once they give the impression of not being entirely happy with their milieu—at the time of voting. They like to vote for those who promise them a new deal.

Mr. Chavan's Budget must have induced among many in the middle and lower middle classes a feeling of quiet admiration for the state of nature in which the majority of the Indian people live. Many might feel that if the drift indicated in Mr. Chavan's Budget proposals continues, all that they will have is a choice between a voluntary acceptance, here and now, of the state of nature on the one hand and being pushed into it by successive fiscal measures of the Government on the other. The Budget is distinctly a step towards socialism in as much as it helps the middle class to visualise the charm of a life without wants—a life without soap, cosmetics, glassware, a variety of clothes, cigarettes and almost everything else that goes under the label of modern living. It will be a life without even bread and butter, for as Mr. Chavan rightly suggested, there is not much sanctity in the need for bread and butter which the majority of Indians do not use—an unexceptionably socialist view of life.

So far so good. But if the "common man" of Mr Chavan's concept had all the facts before him, what an image would he form of the Budget? By taking them away from the shopping list of the middle and lower middle classes, has Mr Chavan succeeded in bringing within the reach of the common man some of the needs of life he has been pining for all these years? Does it in any manner better his prospects? Here the facts speak for themselves to show that the answer is "no". The fact is that savings and, therefore, investment will be the main victims of Mr. Chavan's Budget which, in its severity, resembles a war-time Budget. The only kind of savings that have conspicuously escaped Mr. Chavan's wide net are those in black money. These, by implication, can be assumed to have been given encouragement in the Budget—to what purpose, it is not clear since black money is not easy to invest productively.

The heavy price inflation inevitable after the Budget can jeopardise its main objective: increased employment. A great majority of the middle class people who have been driven to the wall by successive years of enhanced taxes and consequent high prices, will have no choice but to further restrict their wants. They will buy less of a variety of goods thus pushing down their production and creating unemployment in the factories that make them. Perhaps the most important point to remember in connection with the Budget is that its impact will not be restricted to the prices of those goods that have been subjected to new levies. It is equally important to note that the inflationary influence of the Budget will transcend the numerous indirect constraints put on the corporate sector and various industries through general duties and taxes, withdrawal of concessions and sympathetic price increases.

All these taken together will perhaps account for only a portion of

the total price rise that will become manifest in coming months, more so in a year from now. They take care of only Rs. 200 crores (including Rs. 43 crores of excise benefits accruing to the States) of the contemplated deficit. Another Rs. 220 crores will be made good through deficit financing. And, unfortunately, even this perhaps tells only part of the story. Mr Morarji Desai, a former Finance Minister, has predicted that the actual deficit may be substantially larger. He seems right since on Bangladesh refugees alone, the Government may be obliged to spend at least three times the budgeted amount of Rs. 60 crores, much of which has already been spent. The continuing overdrafts by the States is another nightmare for the taxpayer and average consumer. The overdraft of Rs. 260 crores together with special assistance given to some States by the Centre last year makes a staggering total of Rs. 455 crores.

The actual magnitude of the deficit—now placed at about Rs. 400 crores—in the Budget, excluding taxes, is thus anybody's guess. Last year, which was a pre-election year, when the Budget was less ambitious in its sweep and there were no major calamities to cope with (like a famine or the problem of Bangladesh refugees), wholesale prices shot up by 5.6 per cent and retail prices rose by a larger margin. Any prediction about price increases would be unrealistic if it did not leave room for the vagaries of nature. For four consecutive years, India is having a good monsoon. The bad year now seems round the corner. Already farmers in many parts of the country are jittery over the unseasonal rains which have made the summer in northern India look like the monsoon season, destroying the harvested grain and making the prospect of good rains in the monsoon months somewhat bleak. If their fears come true and the monsoon fails, a much sharper price rise would be inevitable. The Annual Plan would then hardly be worth the paper it is written on.

Besides the salaried middle class, the brunt of price increases will have to be borne by industry. Not only will the cost of its inputs rise and its direct and indirect tax burdens increase, it will be faced with irresistible demands for wage hikes from its employees. This could directly affect the country's exports

and the balance-of-payments position unless the Government rushes in with heavy subsidies to keep the prices of exports low.

Finally, there is the unseen factor of labour unrest which is the necessary concomitant of an inflationary economy. How many million man-days will be lost in fresh wage disputes all over the country? What kind of industrial climate will such battles generate? Will any sector of industry, public or private, be able

to escape such conflicts so as to be able to concentrate on production? Economists of almost all shades of opinion have been holding the view that there is a definite relationship between inflation induced by paper money or high taxation on the one hand and the growth rate on the other. Beyond a point, the mechanism of induced inflation to achieve rapid economic growth tends to be self-defeating. That point seems to have been crossed by a wide margin by Mr Chavan's Budget.

Budget and the Middle Class

PRESENTING the Central Budget for 1971-72 in Parliament, the Central Finance Minister, Mr. Y. B. Chavan, said that in formulating his new proposals, he was guided by three principles. The first was that the tax structure must be simplified and rationalised in such a way that the burden of assessment for the assessee as well as for the tax collector and the opportunities for evasion are minimised. His second principle was that the overall burden of taxation must be distributed among different sections of the community in such a manner that there is an appreciable scaling down of concentration of economic power and reduction in inequalities in income and wealth. And thirdly, the incidence of fresh imposts should not, as far as possible, disturb the general level of prices of essential goods.

Judging from the criteria laid down by the Central Finance Minister himself, one could say without any fear of contradiction that he has admirably failed in achieving any of his objectives. His Budget proposals imply an additional revenue of Rs. 177 crores in 1971-72 which will scale down the budgetary gap from Rs. 397 crores to Rs. 220 crores. Mr. Chavan also proclaimed that the fiscal policy was not a matter simply, or even primarily, of raising resources to meet the inescapable demands on the national Exchequer, but it must serve the larger objectives as well as guide the economy in desired directions. Here again, one could see nothing in the Budget which could justify the belief that Mr. Chavan was doing what he wanted to do.

While as Mr. Chavan says that it is not possible to claim that a new social and economic order can be ushered in

through the budgetary policy alone, much less through a single Budget, there is hardly anything in the Budget which gives evidence of a concerted move to bring about economic growth or stability or social justice. It is no use taking refuge behind the fact that there is still the imponderable factor of East Bengal developments and the rising flow of evacuees. The Budget provides Rs. 60 crores for the refugees, while a paltry sum of Rs. 25 crores is allotted to tackling the problem of urban unemployment.

Taking direct taxes first, Mr. Chavan was guided by the principle that the affluent groups should be touched to an increasing degree. It has almost become an obsession with the Finance Minister to talk of the affluent groups, but the tax proposals he has made have actually hit the middle-income groups who form the mainstay of the Indian economy. In the field of personal income taxation, the rate of surcharge in the case of individuals as well as Hindu undivided families is being increased from 10 per cent to 15 per cent for incomes over Rs. 15,000. In a full year, this is expected to yield Rs. 20 crores more to the Exchequer. And this will kill the ability of this income-group to save anything.

Another short-sighted measure proposed in the name of social justice is the imposition of a ceiling on the remuneration of company employees which would be deductible in the computation of taxable profits. The ceiling is being set at Rs. 6,000 a month, including Rs. 1,000 as perquisites. But the point to be noted is that the Government will be able to realise more by way of tax from employees who get more than Rs. 6,000 a month than by including the

excess over Rs. 6,000 in the companies' taxable profits. What about the perquisites of Ministers? Do they go well with the concept of an egalitarian society about which the Central Finance Minister is so much concerned?

But the most astounding part of the Budget is the indiscriminate increase in indirect taxes on a number of "luxury" items. Mr. Chavan has proposed five slabs of duty on cigarettes in place of the existing three, as a result of which he hopes to raise Rs. 33.20 crores, of which Rs. 16.40 crores will go to the States. There will be a marginal increase in the price of cheaper varieties but a much sharper rise for the more expensive ones. Excise duties on medium varieties of cotton textiles are being stepped up from 4.8 paise to 6 paise a square metre and the additional duty leviable on coarse cloth is being rounded off from 3.6 paise to 4 paise a square metre. Perhaps, Mr. Chavan thinks that this type of cloth is worn by the affluent. He has not spared superfine and fine cloth and the rates of additional excise duty are being raised to 25 paise and 15 paise, respectively, a square metre, all of which together will fetch an additional revenue of Rs. 4.90 crores.

It is, however, the tax on motor-spirit that is really steep and the reason given by the Central Finance Minister in increasing the duty on petrol by 20 paise a litre, that he wants consumption should be cut to conserve foreign exchange, is unconvincing. This is bound to hit the road transport industry, put up bus fares and taxi charges and will affect the common man more than the car-owner. Mr. Chavan has cast his net wide as far as indirect taxes are concerned. Soap prices are to go up and, again in the name of the affluent rich, he has even taxed *maida* by levying a duty of 10 paise a kilo. This will doubtless raise the cost of bread which, by no stretch of imagination, is eaten only by the richer class of people. Similarly, there is to be a levy on certain ready-made garments "mostly purchased by the well-to-do". Mr. Chavan seems to have forgotten that these garments made by the organised sector are as popular with common men as with the affluent. Pressure cookers, playing cards, zip fasteners, photographic cameras and a host of other articles are now being sought to be taxed. There is no doubt that all the proposals for excise duties will hit the middle class hard.

Budget and Exports

IT is indeed disappointing that the Central Budget for 1971-72 does not provide any specific incentives for export promotion. The hard fact that the export gains in 1970-71 were largely fortuitous has apparently been overlooked by the Central Finance Minister, Mr. Y. B. Chavan. His Budget does little to help industries to reduce costs and improve efficiency. Mr. Chavan could have at least reduced the export duties on certain commodities, especially on jute goods, manganese ore and iron ore. The Government expects to realise nearly Rs. 59 crores from export duties. For a country which has given the highest priority to export promotion, the realisation of a revenue of as much as Rs. 59 crores through export duties seems anomalous. The jute industry had asked not only for the total abolition of export duties but also other incentives, such as the refund of all local taxes. Mr. Chavan perhaps feels that the developments in Bangladesh have strongly stimulated the demand for Indian jute goods and that there is no reason to forgo revenue by reducing or removing export duties. But Bangladesh has also given an impetus to the growth of synthetics. Moreover, there is an urgent need for the jute industry to expedite its programme of modernisation and intensify research. The Central Budget, therefore, should have provided some incentives to the jute industry which is vitally important from the point of view of exports and employment. The removal of export duties on iron ore and manganese ore would have also helped to step up mining operations and provided more employment.

It will be recalled that before the rupee devaluation in 1966, income-tax concessions were available for exports as follows: (1) rebate to the extent of one-tenth of the amount of tax attributable to income derived from exports; (2) rebate at the average rate of 2 per cent of export turnover; and (3) tax credit certificates for 22 export products on export sale proceeds at rates varying from 2 per cent to 15 per cent. But, at present, direct tax incentive is available for export only in the form of an export market development allowance at the rate of one and one-third of the revenue expenditure incurred for developing export mar-

kets. Mr. Chavan could perhaps have offered some more fiscal incentives to attract more producers to sell their goods abroad rather than in the home market.

The Central Budget has imposed a tax on foreign travel at 20 per cent *ad valorem* on all tickets purchased in rupees. Will not this measure discourage Indian companies to send their salesmen abroad on export promotion tours as frequently as they should? It has been pointed out by many competent authorities that Indian salesmen are rarely to be seen in the international markets whereas salesmen from Japan or West Germany are conspicuous by their presence. If, as a result of the tax on foreign travel, fewer salesmen go abroad, Mr. Chavan will have done precious little service to export promotion.

The Central Budget has reduced the number of import duties from seven to four. The new rates of duties are 30, 40, 60, and 100 per cent. All items of machinery will now be subject to an import duty of 30 per cent. The Government's objective to accelerate import substitution is, of course, commendable. But, at the same time, it is essential to ensure that costs of industrial production do not go up because of excessive import duties. At present, imports are confined only to those items which are not available in the country and which are absolutely essential for India's economic development. Thus, during April-October 1971, India imported raw materials and intermediate manufactures worth Rs. 516.5 crores, capital goods Rs. 222.6 crores, consumer goods Rs. 124.9 crores, and unclassified items worth Rs. 68.4 crores. The import policy, therefore, should be so administered as to make imported goods available at competitive prices.

To what extent the Central Budget will succeed in stimulating export promotion and import substitution will depend largely on how far it will help the economy to achieve buoyancy in agricultural and industrial expansion. In view of the steep increase in the burden of total taxation, it is doubtful if economic growth can get as much momentum as it should, in order to have a favourable impact on foreign trade.

The Central Ministry of Foreign Trade has gone wild with jubilation over the "breakthrough" in exports in 1970-71 and the consequent narrowing of the trade gap to less than Rs. 100 crores for the first time in 15 years. According to official figures released in New Delhi, India's exports last year amounted to Rs. 1,530.65 crores, representing an increase of Rs. 117.4 crores or 8.3 per cent over those of the previous year. Imports also went up during the year to Rs. 1,638.17 crores from the level of Rs. 1,582.67 crores in 1969-70. As a result of the export earnings showing a bigger rise than the import bill, the trade gap was brought down from Rs. 169.5 crores to Rs. 97.5 crores.

Final figures of commoditywise performance are not available for the whole year but from the trends of the first eight months of last year, it would appear that much of the much-publicised gain has been fortuitous. While such gains are not unwelcome for that reason, it is necessary to remember that factors like a rise in world prices of steel, ores and oils may not continue to favour India in the years to come. Furthermore, the export earnings would have been significantly higher had the country been able to export the same quantity, if not more, of those goods that showed a mark-up in price in world markets. Secondly, the world inflationary trend is bound to make India's imports too costlier in the current year and may, to that extent, vitiate the real gain to the economy.

Commoditywise data available up to November last show that even in items where exports had declined quantitatively, earnings have been higher because of the rise in world prices. A typical example of this is provided by exports of iron and steel. Because of the demand for steel within the country, the Government had pursued a deliberate policy of depressing steel exports last year and was prepared for a reduction in earnings as compared with 1969-70. But, surprisingly, earnings from a much reduced quantum of exports were higher in 1970-71 than in the previous year. Instead of floating over the spurt in earnings, the Government would do well to ponder over the "loss" to the country because of its failure to step up production and exports of goods that fetched fanciful prices in foreign markets.

Furthermore, a country can claim a breakthrough in exports only when the gains are evenly spread over its

major exports. Whereas the increase in export earnings from iron ore, iron and steel products, engineering goods, oilseeds, sugar, coffee and spices was substantial, there was a sharp decline in the earnings from jute manufactures, and leather and leather goods. Jute exports dropped by 15 per cent. Tea fetched less in the first half of the year but later the trend was reversed as world prices rose. Exports of mill-made cotton textiles registered a moderate increase but the value of yarn exports fell by about a sixth despite a sharp rise in its unit value. Exports of handloom fabrics showed a marginal decline.

Exports of so-called non-traditional commodities were about 15 per cent higher during the year. For instance, iron ore exports were up by about 40 per cent. Because of the programmes raising output of steel all over the world, especially in Japan, iron ore exports are expected to continue to be on the increase. Exports of manganese ore were higher by 22 per cent in spite of the fall in the quantity of ore exported. Oilseeds shot up by 42 per cent because of the increase in the quantity of exports and the rise in world prices. But to expect a still better performance in the current year because of the record groundnut crop in the last *kharrif* season is to presume that world prices would remain static even under conditions of easy supply.

As for imports, available statistics show that foodgrain imports in the first seven months of 1970-71 were lower by Rs. 51 crores, or 30 per cent. Fertiliser imports fell by 21 per cent. But raw cotton imports went up from Rs. 54.1 crores to Rs. 70.1 crores and metal imports from Rs. 84.1 crores to Rs. 146.7 crores. Imports of both cotton and metals are expected to be significantly higher this year because of the persisting shortage of these two commodities within the country. The bill for petroleum products is also bound to be higher because of the recent increase in crude prices under the Teheran agreement.

It is in this context that the need to review the country's rupee trade agreements and make them instruments of mutual economic growth rather than political friendship becomes urgent. If, for instance, India cannot get more of her requirements of raw cotton and metals from the U.A.R. and Russia against rupees, then there is hardly any justification for continuing this arrangement and disillusioning oneself that the rupee agreements

have opened up new vistas in foreign trade. And it is well known that India's efforts to secure larger quantities of cotton from the U.A.R. and non-ferrous metals from Russia have not been quite successful. These countries have shown a positive disinclination to export larger quantities of these goods against rupees because they could earn dollars for the same. As a result, the scope for further expansion

Budget Perspective: Economic Survey

FOR any honest review of the Indian economy today, it is not possible to strike an entirely optimistic note, just as it is not necessary to take a very gloomy picture either. The *Economic Survey of 1970-71* which, like some of the previous ones, has been spared by New Delhi from playing the usual image-building rôle of official publications, has been candid enough to admit the presence of many disturbing facts and forces in the economy while taking legitimate satisfaction at some of the brighter features. A 5.5 per cent growth in national income in 1970-71, made largely possible by the steady progress in the agricultural sector, and the continued rise in food production, estimated at a record figure of about 106 million tonnes last year, are obviously good news. Exports, after initial setbacks, raced hard to score a rise of over 8 per cent over 1969-70. Dependence on food imports was reduced and India's short-term indebtedness to the International Monetary Fund was paid back. The balance of payments remained fairly comfortable. The enthusiastic response to new capital issues, the number of industrial licences sanctioned, build-up of import licences and an impressive list of known investment intentions point to an encouraging climate for private investment. Corporate performance has been good, and the stock market has shown considerable confidence. A new vitality is reported to be spreading in the small-scale sector, greatly aided by the nationalised banks' liberal financial assistance and other concessions extended by the Government.

But, inevitably, a break soon comes in the enumeration of such satisfactory achievements. Prices and employment, the two most important issues affecting the common man, have persistently refused to show much improvement. A 5.6 per cent

of trade under rupee agreements has also become much restricted. Furthermore, with the generalised system of preferences coming into operation in the Common Market countries from 1st July, the developing countries are bound to vie with each other in exporting more of their goods to the developed countries of the West in order to increase their earnings of hard currency.

rise in the price level in one year (against 3.7 per cent in 1969-70), in spite of the many efforts made by the Government to hold the inflationary forces and in spite of four consecutive years of good agricultural production, has hit the vulnerable sections of the community hard. Little advance has been made in employment, and although the Government has of late refrained from making any quantification of the extent of unemployment after some unrewarding recent exercises, there is little evidence that New Delhi has as yet been able to make any dent on joblessness and under-employment. Industrial production, which was to have risen by 8 per cent or 10 per cent a year during the Fourth Plan period, has lagged, faced with raw material shortages in some areas, and during the first two Plan years has scarcely exceeded 6 per cent. The *Survey* is silent on the trend of savings, but the continued desultory performance of the public-sector projects in yielding surplus and an unabated inflationary situation rule out any appreciable rise in either Government or private savings.

Foodgrains, along with textiles, are one of the two basic wage-goods that determine the behaviour of prices, and although food production has gone up by nearly 25 million tonnes in the course of the last three or four years, total procurement has risen by only 2 million tonnes, thus greatly limiting the scope of the public distribution system as an antidote to price-hikes. In the production of cash crops, no breakthrough comparable to that in wheat has yet been made and their continued shortage is reflected in high prices. The *Survey* underlines the need to raise the rate of domestic capital formation from the current level of 12 per cent of national income to around 15 per cent by 1974, but that will need special efforts which are nowhere in sight

yet. And right when the economy is sufficiently developed and diversified to make the best use of foreign aid—particularly non-project assistance—the aid perspective has become rather hazy. The coming June meeting of the Consortium countries will give a firmer indication of the situation, but as a recent World Bank report observed, the chance of larger assistance hardly fits in with the present mood, with the so-called "aid fatigue" prevailing on both sides of the aid relationship. The Pakistani developments and the changed, and changing, political equations in the sub-continent can only confuse the issues further.

In the perspective of such spotty progress on the economic front, a very heavy responsibility lay with the Central Budget that Mr. Y. B. Chavan presented last week. Evidently conscious of this importance, the Central Finance Minister has tried his best to make such changes in the fiscal-monetary set-up and to take such steps as he thought would best serve the aim of economic growth with social justice and meet the many problems that the pre-Budget *Economic Survey* itself has highlighted. The success of the Budget will not be judged by some statistical figures alone, but by a larger criterion of how far it succeeds in imparting an all-round dynamism to the economy and helps to correct the many imbalances that the *Survey* has mentioned. One of these relates to the basic question of the inter-action between agriculture and industry. The general improvement in agricultural conditions in the very recent past has been unable to induce a major stimulus to industry. The demand from the farm sector has largely been confined to the heavy engineering and machine tools sectors with the result that sub-optimal use of industrial capacity has led to a comparatively high unit cost of output, which in turn has inhibited demand and, therefore, production. The *Survey* has also underlined the need for rethinking on the investment pattern, particularly in the public sector, a point stressed in a report of the National Council of Applied Economic Research published early this year. A mere switch-over from projects with long gestation periods to quick-yielding ones cannot possibly be the answer. The gamut of policies on employment, pricing, investment, etcetera, of public undertakings needs to be re-appraised before another scheme is drawn up. In fact, it would have been unrealistic to expect one Budget to

tackle all these problems at a time. However, the Budget did provide an opportunity to make a beginning in some of these fields, but Mr. Chavan, it appears, has preferred to let it go for the time being. Perhaps it will take another redrafting of the Fourth Plan to give a more purposeful direction in many of these issues.

For the time being, it is at least heartening to know that New Delhi

is fully aware of the large backlog of problems as well as of new ones, like those posed, for instance, by the "green revolution", being added to the list. The *Economic Survey* has predictably confined itself to a study of how these problems can be tackled with economic tools within the economic constraints. For the rest, the inscrutable ways of political will will determine the shape of things to come.

CURRENT COMMENT

CENTRAL BUDGET

Mixed Reactions

In a Press statement, the president of the Associated Chambers of Commerce and Industry of India, Mr. Bhaskar Mitter, has said that the task of the Central Finance Minister is unenviable and one must consider his Budget in the context of promoting rapid economic growth on the one hand and furthering social justice on the other. His task this year has been made even more difficult by the unexpected problem of refugees from East Bengal. As part of the aim of promoting social justice, the steps which Mr. Y. B. Chavan outlined to combat tax evasion and generally tighten tax administration merit full support. But the main taxation proposals are most disappointing in that they not only fail to encourage rapid economic growth but serve in large measure as a hindrance to it. This is particularly unfortunate as growth is essential to raise the living standards of the people and in particular to combat the growing menace of unemployment.

The president of the Federation of Indian Chambers of Commerce and Industry, Mr. S. S. Kanoria, said that while the socialist orientation of fiscal policy is clearly evident in the Budget proposals, there is a remarkable lack of incentives for development. Managerial salaries have been limited, surtax on companies has been increased and concession to priority industries reduced. The new wealth tax rates are expropriatory.

The Committee of the Bharat Chamber of Commerce apprehends that the impact of the tax proposals will further push up industrial costs and inflation in the country. Additional import and excise duties of the order of more than Rs. 200 crores, together with Rs. 11 crores on postal and communication in a full year, will signify

further rise in industrial costs. All such increases will be ultimately reflected in higher prices of goods.

The president of the Andhra Chamber of Commerce, Mr. Rasiklal M. Mehta, has described the Budget as "a balanced one in the socialist context".

The president of the Calcutta Trades Association, Mr. N. K. Jalan, has welcomed the Central Finance Minister's commendable efforts in extensively widening the net of excise duty, instead of depending only on traditional items, granting fringe benefits to employees, plugging loopholes for *benami* holdings and for investing black money in landed properties, and providing Rs. 75 crores for employment orientation and Rs. 7.5 crores for child health. Mr. Jalan feels that while the country is poised for an industrial leap, the proposed withdrawal of development rebate from 1974, the imposition of additional 5 per cent surtax and the reduction in rebate to the priority industries would retard industrial development.

MONEY MARKET

Call Rate Hardens

The short-term money market has been firm during the past week. At the beginning of the week, the call rate was steady at 4½ per cent but with the entry of the State Bank of India into the local call money market, the demand became keener. As a result, business has been done at 4½ per cent and 4¾ per cent simultaneously, with borrowers over at 4½ per cent. The demand for remittances has been limited. The supply of tea bills has been small and that of gunny bills has been nominal. The pound-sterling has weakened again during the week.

A Ditcher's Diary

A GREAT DEAL HAS ALREADY BEEN SAID about Mr. Chavan's Budget; and surely a great deal more will be said. I expect, however, that Mr. Chavan will be able to do without an immediate record of my specific reactions. I may return to the subject later; for the present, let me merely put it on record that I am allergic to Budgets in general. Seldom has a Budget seemed to be an improvement on one in the past; even when a Budget has appeared to provide some relief, it has really taken more than it has given. But few will dispute my contention that life has been made progressively more difficult by successive Budgets. This year, of course, the refugee burden, as has been pointed out in the first editorial in this week's issue of *Capital*, has been a ready excuse for much harsh imposition; but I doubt if the Central Finance Minister would have spread sweetness and light even if this burden were not there. In fact, one explanation for Mrs. Gandhi's decision to go in for a mid-term poll was that she saw no alternative to a harsh Budget, which she could inflict upon the people only from a position of strength. Now that she is in a politically unassailable position, she can get away with this Budget and much else. But a time will come when people will demand an economic return for the price they have paid for political stability. Admittedly, development cannot be a painless process; but it must be a process whose direction is demonstrably correct. Who is it that coined the word "stagflation" to describe the curious co-existence of

stagnation and inflation? I am told that this is not a peculiarly Indian phenomenon; but few countries can have contended with such a rapid rise in prices with so little increase in the purchasing power of ordinary people. Indeed, while the financial commentators go on pronouncing on the deeper implications of the Budget, I am concerned mainly with its effect on my cost of living, which seems to have an infinite capacity for increase. Even without going into any specific Budget proposal, I can foresee that people are going to find prices still more crippling than before. Not that the price level was waiting for the Budget to rise; it has been rising for as long as I can remember. It rises even when there is no budgetary explanation for the rise; but unexplained implications of the Budget are a convenient excuse for jacking up prices. This about explains the basis of my opposition to Budget in general. And my opposition does not diminish when I find that individuals have much smaller scope for deficit financing than Governments seem to do.

THE DISCLOSURE BY AMERICA'S EX-President Johnson that his country came to the brink of a military confrontation with Russia on the last day of the Arab-Israeli war in 1967 provided, I thought, a somewhat chilling background to the latest political reshuffle in Cairo. One is seldom brought so dramatically face to face with the frightening truth

that the Middle East conflict is a danger to the peace of the world. Apparently, what happened was that early in the morning of 10th June, when Israeli tanks were pushing into Syria, the President was summoned to the "hot line" in the White House to receive a message from Mr. Kosygin warning that the Russians were prepared to use military means to halt the advance if no other way could be found. It was, fortunately; and later on that same day, a ceasefire was concluded between Syria and Israel, although not before the President had countered the Russian threat by moving the United States' Sixth Fleet closer to the Syrian coast. A tense situation indeed, and unlike the Cuban crisis of 1962, it was one the world knew little about at the time. But the one feature it did have in common with the Cuban affair was that overwhelming American power, decisively used, prevented a dangerous incident from deteriorating into a disaster. But could it, I wonder, happen again? The other day I was idly browsing through some facts and figures comparing the varying sizes of the Russian and U.S. armed strength, and I came up sharp against the fact that in the past few years they have approached parity. Indeed, in some respects, the Russians are already clearly in the lead. When account is also taken of the demoralised condition of American public opinion, the complete disillusionment with military power generally, I just wonder whether any U.S. President now would have the nerve to do what Kennedy did in 1962, and Johnson in 1967. And if he had, would it end in another Russian climb-down? These are



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worrying thoughts, especially when all the indications are that the next few months could bring yet another dangerous episode in this never-ending saga of Israeli-Arab enmity.

I HAVE BEEN WAITING TO HEAR MORE about "the morning after pill" developed by the Central Drug Research Institute in Lucknow. This popular name may be considered *risqué*, but it is far more expressive than an "anti-zygote drug". Unlike the ordinary contraceptive pill, this new drug does not suppress ovulation; it destroys the fertilised ovum or egg-cell. That it does not disturb a woman's normal hormonal cycle may be a biological advantage; but the main advantage seems to be practical. But before I touch on this aspect, let me recall that many unsuccessful attempts have been made in the past to develop a fully effective and yet completely safe anti-zygote drug. (A zygote is nothing but a fertilised ovum.) Several experimental products have been abandoned because of undesirable side-effects; after all, the drugs kill the egg-cells by exerting some noxious influence. The latest variety developed by the Lucknow institute is said to have no toxic effect on the system; but I should wait till the results of human trials are known. I expect that the women on whom the drug will be tried will be asked to be prepared for the possibility, however remote, of a zygote surviving the chemical action. Just in case. But if it proves to be both safe and unfailing, it may well bring about a bigger sexual revolution than any seen so far. The anti-ovulatory pills themselves have caused a minor revolution, at least in the West. But a pill a day makes sense only with a regular sex life; the schedule is too demanding for those with whom the sexual experience is unexpected, unforeseen or occasional. With a "morning after" pill, they will not have to regret the physical consequences of what may seem to have been momentary folly and carelessness. In fact, the pill may not have to be taken exactly the morning after; in laboratory experiments on animals anti-zygote drugs have worked even when administered three or four days after the sexual act. This seems to allow a lot of time for correcting one's carelessness; and, with a perfect "morning after" pill, lack of precaution need not be considered carelessness at all. And once it is readily available, the entire abortion debate will become irrelevant. In-

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deed, abortion practitioners, who have incidentally set up a thriving business in London, may be the only people to regret the new drug on practical grounds. Meanwhile, a controversy may begin on whether the ethical objections to abortion should apply to zygote-destruction as well.

NOT MUCH HAS BEEN HEARD IN recent years about the possibility of a world oil shortage. For some time after the second World War it was, I remember, a constantly recurring theme, but the discoveries of the past two decades made the pessimists look so foolish I suppose they just gave up. Now the old bogey is back again I see, and this time the evidence looks more convincing because the chances of startling new discoveries are so obviously dwindling. A senior geologist of British Petroleum has just published a paper which puts the facts as follows. Total known oil resources of the world amount to slightly more than 100 billion tons, of which about 30 billion have already been used. At the current rate of consumption around 2.5 billion tons a year, enough oil exists to last until the end of this century. But consumption is increasing by about 7.5 per cent a year, and if this continues the world's known oil resources will have been used up by 1987. However, the oil industry could not continue as it is now without ten years' supply in hand, so that means the point of inflexion will be with us before the end of the current decade. New discoveries will, of course, continue to put the date further back, as happened throughout the 1960s.

To prevent a shortage, it will be necessary to discover between now and 1990 almost as much oil as is currently known to exist. But the estimate our expert makes is that about 170 billion tons of liquid oil remain to be discovered, that half the world's resources will have been consumed by the mid-1990s, and that after this date consumption will begin to decline from its peak of 7 million tons a year. So within 20 years oil will have ceased to be a cheap fuel, and its use will become increasingly confined to the chemical industry and perhaps aircraft.

DRUNKEN DRIVING CONTINUES TO invite much righteous criticism. I wouldn't trust a man at the wheel who, after the tenth large whisky, has suddenly convinced himself that he is Stirling Moss, but I have known people who drive better when slightly under the influence than when stone sober. In any case, judging by driving standards in Calcutta or Delhi, nobody can doubt that the most fanatical teetotalers can be the gravest menace on the road. Luckily, however, we are still a little less fussy about the alcohol content in a driver's bloodstream than the guardians of public safety in the West. Predictably, an American manufacturing firm has already discovered that this obsessive concern can be a source of profit; it has devised a machine to prevent people from starting their cars when drunk. The machine functions by requiring drivers to pass a test of alertness, the assumption being that intoxicated people will fail. I do not know if I will pass the test even when perfectly sober; but

let me first describe it. The machine is a little keyboard containing ten numbered buttons, connected to a car's ignition; and to unlock it the driver must first punch out a five-figure number which is his own personal code. Then a set of five random numbers is flashed on to a small screen above the keyboard for a few seconds; after the screen has turned blank, the driver must punch out the numbers he has seen. Only then can he start the car. If he fails, he is given two more chances with different sets of numbers each time; but if he fails for the third time, the engine will not start for a long period. I am sure this is a very ingenious device; that one is allowed three attempts may also seem reasonably fair; but my memory for figures is so poor that I may fail even in the hundredth attempt. Indeed, I suspect that a spot of the much-maligned stuff may really help. I am not being just facetious; there is some scientific evidence that up to a point alcohol can sharpen one's reflexes, particularly if one has been exhausted or distracted before. I know the prohibitionist answer: one doesn't know when the point is crossed and left far behind. True enough; a driver who is really sozzled can be a nightmare. But, in this country at least, the problem is not so much drunken driving as bad driving; also a total disregard for traffic rules, which in any case seem non-existent. Yet I can see one important use for the newly-devised machine in Indian conditions; the five-figure personal code could be an effective safeguard against car thefts. The problem is becoming increasingly acute in Calcutta.

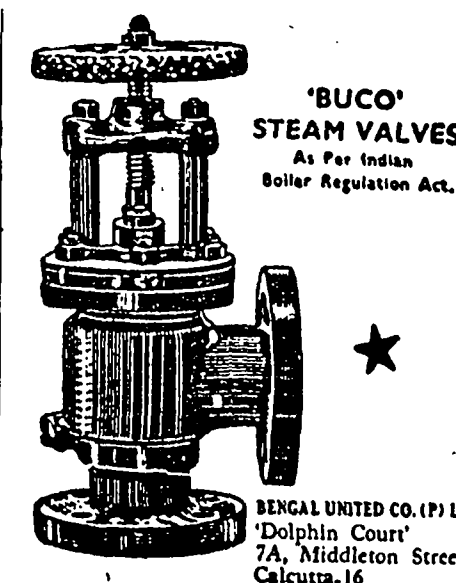
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MANAGEMENT

How to Select and Promote Executives in an Organisation

By K. K. Rai

Engineering Manager,
Davy-Ashmore (India) Ltd

The criteria for selecting and promoting executives in an organisation are not simple and straightforward. There has been much talk of promotion on the basis of merit or seniority. But it should be seen whether the person meets the requirements of the rôle which is to be assigned to him.

THERE is a definite relationship between the calibre of the man at the top and the calibre of those who work under him in an organisation. If the top man is above average in intelligence, he would appreciate the qualities in his subordinates. He would be interested in building up an organisation of capable and brilliant men. He would be proud in leading a team of outstanding people. On the other hand, if the top man is below average in intelligence, he would be distrustful

of anybody more intelligent than himself. He would ensure that everybody working for him is less intelligent and this chain-reaction would ultimately result in an organisation comprising only duds. Unfortunately, in large organisations, which have impersonal managements, the latter very often happens.

If second-rate persons are put in an interview board or selection committee, the chances of second-rate and third-rate persons being taken are 50:50. There is practically no chance of any first-rate man getting in. Of course, some second-rate persons may be taken into an organisation even with the best selection methods. However, such persons being only a few, can be discovered in time and kept confined to positions where they cannot do any harm to the organisation. There has been much talk of promotion on the basis of merit or seniority. Before the question is considered further, it is worth while examining whether the job requirements of a position senior to the one held by the individual, being considered for promotion, are compatible with his qualifications. In other words, it should be seen whether the person meets the requirements of the rôle which is to be assigned to him.

Rewarding a Person

It has been seen in many instances that an excellent machinist does not necessarily become a good supervisor. The reason is simple. The skills required for being an excellent machinist and those required for being a good supervisor are completely different. It has also been seen that a person, who is a very good No. 2, fails to make his mark if he becomes No. 1. While the principle of rewarding a person for his good work must be accepted, it will be necessary to make a distinction between rewarding a person and promoting him. A person should be rewarded on the basis of his good work in any particular assignment by increasing his salary and emoluments. But promotion often means giving greater responsibility to

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the person and putting him in an altogether different rôle.

A first-rate leader, i.e., one who has all the qualities of leadership to a very high degree, can be placed anywhere and he will discharge his rôle with credit. But another person, who may possess only some of the qualities to a high degree, may not succeed in every rôle. It would, therefore, be necessary to job-evaluate the particular rôle for which persons are being considered and then to fit the qualities of the individuals to select the one who is found best suited. Such a step, of necessity, indicates a complete departure from any consideration of seniority and merit. This point should be considered seriously because the entire future of an organisation depends on the acceptance or otherwise of such a policy. In many organisations, which have been described again and again as having impersonal management, the very painful practice of promoting a man because he is unwanted, or because he is not doing well in his present job or because his subordinate would prove better than what he is, is followed. The disastrous consequences of such practices have been shown time and again.

Assessment of Qualities

In middle levels of management, a person may be promoted as a reward for his achievements, provided such a promotion does not very much change the nature of duties. If it does, then the assessment of his qualities of leadership becomes more relevant and important. Mr. Antony Jay says: "Bad executives often drive out the good. A company which is only offering a secure future . . . is likely to be overweighted with results whose primary concern is the pension plan . . . Promotions are the one visible, unmistakable sign of the corporation's standard of values. They are an irrevocable declaration of the qualities it prizes in its staff. . . ."

If promotion is not based on the principle of matching his ability with the rôle he will be required to play, one will always observe the phenomenon of every person getting promoted to his level of incompetence. This, in other words, means that promoting a person on the basis of his competence in any job would ultimately take him to a position, where he would be beyond his depth. Of course, in an impersonal organisation, where only the rule of seniority is followed, the person would go very much beyond his level of incompetence. In either case, the consequences are detrimental to the organisation.

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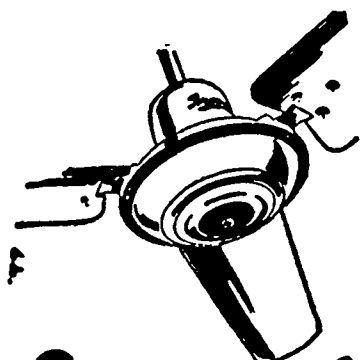
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SPECIAL ARTICLES

New Structure of Corporate Taxation in Budget Will Retard Industrial Growth

By Kailash Khanna

In his Budget speech, the Central Finance Minister emphasised that cost reduction and improvement in efficiency were vital for industrial growth. But his tax proposals, if adopted, will produce exactly opposite results.

IT has become the rule with successive Central Finance Ministers in India to make lofty pronouncements on accelerated economic development and growth in Part A of the Budget speech and then to announce tax measures in Part B which run counter to their professed intentions. Mr. Y. B. Chavan is no exception to this rule. In his Budget speech of 28th May, he says "cost reduction and improvement in efficiency are thus vital for imparting a new dynamism to industrial growth". And he proposes changes and amendments in the tax laws which, if adopted, will enhance costs, reduce efficiency and slow down the pace of industrial growth. This is evident from a brief analysis of some of the important tax proposals contained in the Finance (No. 2) Bill, 1971, which was presented to the Lok Sabha on Thursday last.

Take the proposal to increase the rate of surtax on company profits from 25 per cent to 30 per cent on chargeable profits in excess of 15 per cent of the capital. The obvious effect of this change will be to impose a penalty on efficiency. Should a company which, given the same capital and resources, is able to achieve a better return, be "rewarded" with the imposition of a higher tax burden? It will be recalled that when the rate of surtax was reduced from 35 per cent to 25 per cent in 1968, the then Central Finance Minister, Mr. Morarji Desai, justified the reduction as a "spur to efficiency". Have the companies now become so efficient within a short period of three years as to warrant a brake on efficiency? The intended increase in the rate of surtax is a retrograde step and should not be proceeded with.

It is proposed to reduce the quantum of tax-exempt profits in the case of "priority" industries from 8 per cent to 5 per cent of such profits. The reduction is justified because, in the

Finance Minister's words, "the general economic conditions are now such that it is not necessary that these industries should continue to enjoy special benefits". This is a curious contradiction of Mr. Chavan's own statements earlier in his Budget speech admitting that "lack of certain raw materials has hampered production" and that "apart from raw material shortages and procedural delays, we have also to face problems of low scales of operations and high unit cost in some industries". The cumulative additional tax burden on a widely-held domestic company carrying on a "priority" industry, resulting from the increase in surtax rate and decrease in the deduction relating to profits derived from a "priority" industry on the basis of assumed data, is shown below.

Thus the tax burden on an efficient domestic company carrying on a "priority" industry will increase by 2.25 per cent. To make matters worse, it is proposed to curtail the list of "priority" industries by deleting aluminium, motor trucks and buses, automobile ancillaries, cement and refractories, soda ash and petrochemicals therefrom. This will mean an increase of about 5 per cent in the rate of income-tax chargeable on the profits of these industries. The tax burden on companies in India is admittedly high; to add to this high burden at a time

Capital and reserves		Profits before tax	
Tax on existing basis		Rs. 2,00,00,000	
Profit before tax	...	Rs. 2,00,00,000	
Less 8 per cent	...	Rs. 16,00,000	
Taxable profit	...	Rs. 1,84,00,000	
Income-tax at 55 per cent	...	Rs. 1,01,20,000 (A)	
Chargeable profit	...	Rs. 82,80,000	
Statutory deduction at 10 per cent of capital	...	Rs. 50,00,000	
Net chargeable profit	...	Rs. 32,80,000	
Surtax at 25 per cent	...	Rs. 8,20,000	
		Rs. 8,20,000 (B)	
Income-tax (A)	...	Rs. 1,01,20,000	
Surtax (B)	...	Rs. 8,20,000	
Total tax	...	Rs. 1,09,40,000	
Percentage of total tax to profits	...	54.70	

when industry needs a spur and not a damper, is, to say the least, most unfortunate.

Next in the list of tax disincentives for the corporate sector is the proposal to exclude debentures and long-term borrowings from the capital base for calculating the limit of tax exemption available for new industrial undertakings, ships and approved hotels. This proposal apparently overlooks the necessary and important part played by borrowed capital in the setting up of new units and the substantial expansion of existing ones. It is difficult to appreciate the logic behind the proposal, particularly when it is realised that the borrowed funds includible in the capital base are long-term debts secured from approved financial institutions and banks to meet development needs. Interest on such borrowings is a necessary charge to profits and not an appropriation of profits. It cannot, therefore, form the basis for the proposed withdrawal of the existing concession.

The Finance Minister has given notice that "no development rebate will be allowed on ships acquired or machinery or plant installed after 31st May, 1974", because according to him, the practice has had "a full play". May one enquire, with due deference, the criteria that Mr. Chavan has adopted in coming to this conclusion? It is strange that while highly developed countries like the United States and the United Kingdom continue to offer accelerated depreciation and investment allowances to boost industrial development, a developing country like India should propose to withdraw the incentives for development. Furthermore, a

Capital and reserves		Profits before tax	
Tax on proposed basis		Rs. 5,00,00,000	
Profit before tax	...	Rs. 5,00,00,000	
Less 5 per cent	...	Rs. 2,50,00,000	
Taxable profit	...	Rs. 2,50,00,000	
Income-tax at 55 per cent	...	Rs. 1,37,50,000 (A)	
Chargeable profit	...	Rs. 1,12,50,000	
Statutory deduction at 10 per cent of capital	...	Rs. 50,00,000	
Net chargeable profit	...	Rs. 62,50,000	
Surtax at 25 per cent on 5 per cent of capital (Rs. 25,00,000)	...	Rs. 3,12,50,000	
Surtax at 30 per cent on balance (Rs. 10,50,000)	...	Rs. 3,15,000 (B)	
		Rs. 3,15,000	
Income-tax (A)	...	Rs. 1,37,50,000	
Surtax (B)	...	Rs. 3,15,000	
Total tax	...	Rs. 1,40,65,000	
Percentage of total tax to profits	...	56.95	

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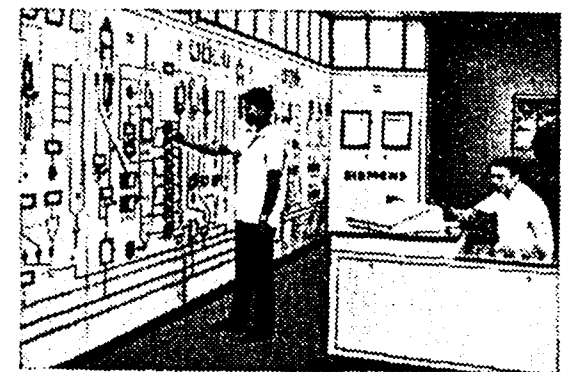
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part of the development rebate has come to be regarded as a compensation for higher replacement costs of machinery and plant, as depreciation is based on the historical cost of the assets. Is it then wise and proper to withdraw the development rebate when industry is still in need of assistance for development and the inflationary trends continue?

Some of the other changes proposed in regard to corporate taxation include the intended increase in the rates of tax on long-term capital gains from the existing 30 per cent and 40 per cent to 35 per cent and 45 per cent. The exemption at present available to companies in respect of investment income up to Rs. 3,000 is proposed to be withdrawn. The rates for deduction of tax at source from dividends payable by companies to non-company shareholders are intended to be increased from 22 per cent to 23 per cent in the case of resident shareholders and from 33 per cent to 34.5 per cent in the case of non-resident shareholders.

At present, foreign investors, both corporate and individual, are entitled to relief from the tax chargeable on capital gains arising from the sale of shares in Indian companies, provided the sale proceeds are reinvested within a period of two years in approved investments in India. It is proposed to withdraw this tax concession.

Under the existing law, a foreign company is entitled to a deduction from its total income of 80 per cent of the dividends received by it from a closely-held Indian company engaged in a priority industry, with the result that the said dividend income bears tax at 14 per cent. It is proposed to withdraw this concession by reducing the deduction to 65 per cent of the dividends received thereby increasing the effective tax burden on the said dividends to 24.5 per cent.

Last but not least is the proposal to limit the expenditure deductible from taxable income on payment of salary to an employee or former employee to the extent of Rs. 5,000 for each month or part thereof comprised in the period of employment in India during the relevant year. Furthermore, the allowable expenditure on the grant of a benefit or amenity or perquisite to an employee, including the allowance in respect of the use of assets belonging to the employer, will be restricted to one-fifth of the salary or Rs. 1,000 for each month or part thereof, whichever is less.

In order to prevent avoidance of the above restrictions, it is further proposed that any expenditure incurred in payment of fees for services rendered by a person who was an employee at any time during the 24 months immediately preceding will not be allowed as a deduction to the extent it exceeds Rs. 60,000 in a year.

The aforementioned limits over the deductible amount of expenditure will not apply to (i) payments to an employee in respect of any period of his employment outside India; and (ii) payments to a foreign technician who is entitled to exemption from tax on his remuneration under the Income Tax Act. It is also proposed to reduce the tax deductible limits of daily allowance to employees while on tour.

These proposals arbitrarily restricting deduction of expenditure incurred

CAPITAL, 3rd JUNE, 1971

wholly and exclusively for business purposes will lead to harmful economic consequences. Managerial services must be adequately remunerated, net of tax, to provide incentives for work, integrity and savings. Necessary business expenditure shall be incurred whether or not it is allowed in the computation of taxable income. The proposed changes will burden the companies with additional costs, push up prices and accentuate inflationary pressures. These proposals should be dropped.

The cumulative adverse effect on companies of the suggested changes in corporate taxation is too obvious to need further elaboration. Mr. Chavan's tax proposals, if implemented, will withdraw much-needed incentives, will penalise efficiency, will increase costs and will certainly not impart "a new dynamism to industrial growth".

Central Budget : Strengthening the Hold of State Capitalism

By Pesi M. Narielvala

The Central Budget for 1971-72 further strengthens the hold of State capitalism on the Indian economy by depriving the private sector of savings and investment as well as of managerial enterprise. But the problems of poverty and unemployment can be tackled only by releasing the individual's own initiative.

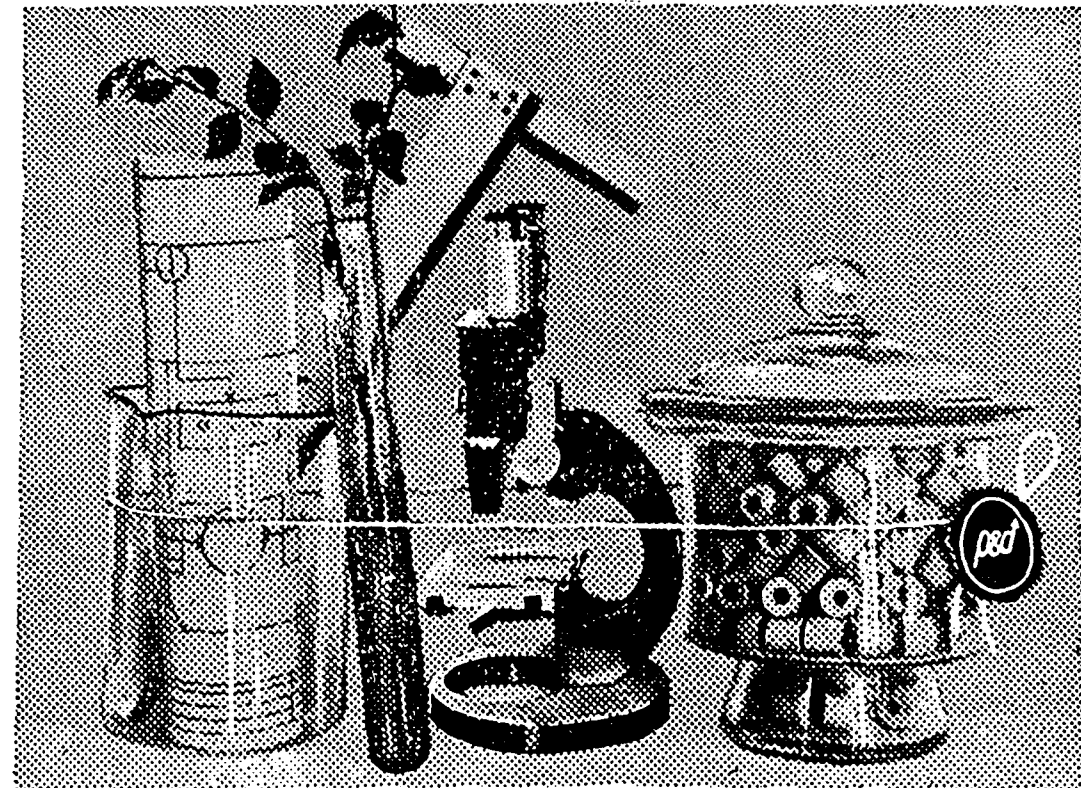
THE Central Budget for 1971-72 as presented by the Finance Minister, Mr. Y. B. Chavan, on 28th May must be reviewed in the overall context of national strategy. Such a review will indicate that it is one further attempt to strengthen the stranglehold of State capitalism on the Indian economy. In order to appreciate this point of view, it is necessary to have regard to the under-noted aspects of the Government's policy which have manifested themselves over the last few years: (a) The nationalisation of 14 major commercial banks nearly two years ago gave the Government power over what the Prime Minister, Mrs. Indira Gandhi, described as the controlling heights of the economy. (b) The earlier nationalisation of life insurance and the very recent nationalisation of general insurance place the Government in control of vast funds collected from the public. (c) In the matter

of corporate equity, increasing encroachments have been made by the public sector through the activities of financial institutions acting as underwriters, as well as of the Unit Trust of India and the Life Insurance Corporation. Coupled with this, there are two further developments. One relates to the Government's directives to the nationalised banks to utilise voting rights on equity shares pledged as collateral while the other arises from recent policy directions for conversions of institutional loans to equity in appropriate cases. (d) The Monopolies Act has placed a virtual ceiling on the growth of companies beyond an asset value of Rs. 20 crores, including the combined assets of inter-connected companies. While large companies will be denied the opportunity of further expansion, small companies will be unable to develop and expand because of the shortage of capital.

Seen in this context, it should be clear that one of the concealed objectives of the Budget is to further strengthen the public sector by depriving the private sector of savings and investment, as well as of managerial enterprise. Apart from the increase in the income-tax surcharge on incomes over Rs. 15,000, there is an almost savage increase in

CAPITAL, 3rd JUNE, 1971

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the wealth tax and these increases are coupled with additional concessions for savings which are canalised into the public sector through life insurance premiums, etcetera. In other words, the basic objective is to make investment in the private sector increasingly difficult while offering rewards for investment in the public sector. The tragedy of this situation arises from the fact that, for the last two decades, there is an attempt to drain away the enterprise of the individual and his capacity to save and invest. This drain into the coffers of the State has not yielded the requisite benefit to the national economy—nor has it resulted in the uplift of the poor or the relief of the unemployed because, by and large, the State has been unable to show the same enterprise and initiative as the individual.

The Central Finance Minister himself defined the basic principles of his Budget proposals as simplification and rationalisation, the redistribution of economic power and reduction in the inequalities of income and wealth, and the maintenance of the price level of essential goods. Apart from a minor rearrangement of import duties, there is very little evidence of simplification or rationalisation. A redistribution of income and wealth may be desirable as a matter of political expediency, but it needs very little wisdom to realise that it will not solve the basic problem of poverty unless it is coupled with measures to increase production. Mr. Chavan's claim to maintain the price level of essential goods can hardly be sustained in view of the excise duties on bread and soap—to name two of the most obvious articles selected for further taxation—and to add to this problem, there will be a further rise in the price level due to the inflation which is inevitable as part of the inherent weaknesses in the Budget.

In fact, at this juncture of the country's economic development, the only valid aims of fiscal policy should be the removal of poverty, the relief of unemployment, and increase in production. These three aims are inter-linked, the most fundamental among them being an increase in production. If State capitalism is able to achieve increased production and improve productivity, it will no doubt solve the problems facing the country, but the record of the public sector does not lead one to undue optimism on this point. Also, by their very nature, public enterprises are large and, therefore, capital-in-

tensive. The problem of unemployment can be mitigated only by a massive effort which is aimed at releasing the individual's own initiative and enterprise.

The main immediate impact of the Budget proposals on corporate taxation is twofold. In the first place, salaries and perquisites exceeding the limits of Rs. 5,000 a month and Rs. 1,000 a month, respectively, will be disallowed in a company's assessment. Not only is this unrealistic, it is also unfair because it takes no account of the existence of valid commitments which cannot be broken and which were undertaken in good faith at a time when there was not the slightest hint that they would result in disallowable expenditure. In the case of directors of public companies, there are already adequate precautions under the Companies Act against the payment of excessive salaries and in other cases, the Income Tax Officer has discretionary powers of disallowance. The other major impact on corporate taxation is the increase in the rate of surtax on a graduated scale. Surtax itself is bad enough because it is a tax on efficiency but to levy it on a graduated scale is contrary to all accepted canons of corporate taxation.

To appreciate the effect of the salary disallowance, an example may be given of an executive employed at a salary of Rs. 7,500 a month plus a perquisite of Rs. 1,500 a month which is taxable in his hands to the extent of Rs. 1,000 a month. The total tax impact could be as much as Rs. 87,000, including the employee's own income-tax Rs. 61,640, company income-tax and surtax on disallowed salary Rs. 24,000 approximately, and additional taxes on the employee's petrol consumption on business account, on his foreign travel, etcetera. This is a fantastically high percentage of his salary income and is a positive penalty on enterprise and initiative.

In spite of the fact that the 1971-72 Budget represents one of the most massive attempts at additional taxation in recent years, it still ends up with a deficit which will inevitably be further increased because of the relatively small provision made for the Bangladesh refugees. In addition to the inflation which this will generate, a further increase in prices will be the inevitable result of many of the excise levies leading to the familiar pattern of wage and price spiral. This does not augur well for

the growth of the economy or even its ability to maintain a semblance of stability at the existing level. The principal reasons for this unfortunate state of affairs are, probably, the following: (a) The Bangladesh misadventure resulting in a heavy burden of financial commitment. (It is, however, an ironic commentary of New Delhi's sense of priorities that as against an allocation of only Rs. 25 crores for the educated unemployed, the Government's provision for the Bangladesh refugees is Rs. 60 crores, against an expected expenditure of as much as Rs. 300 crores!). (b) The inability of the public sector to provide reasonable returns on investment matched by its ever increasing appetite for further acquisition and expansion as evidenced by the recent take-over of general insurance. (c) The constant increase in the Government's non-productive expenditure. In fact, the expenditure on certain departments of the Government is not only non-productive but positively anti-productive, since it is mainly concerned with impeding, delaying, or preventing attempts at industrial development or expansion by the private sector. (d) The growing financial indiscipline of the States to which even Mr. Chavan made reference in his Budget speech. (e) The inability to tap the growing agricultural revenues in the States. (f) The fact that the wealth tax levies amount, in effect, to a conversion of the individual's wealth into the nation's expenditure, coupled with the further fact that, at the marginal levels in the affluent sections of society, the combined effect of income-tax and wealth tax encourages wasteful expenditure rather than savings and investment.

The Budget has been presented by a Government with an overwhelming majority in Parliament. The Budget proposals presented before the last general election could be excused on the ground of political motivation. Since this excuse is no longer available, it must be assumed that the present Budget proposals represent the zenith of the Government's ability to constructive thinking on the economic problems facing the country. A second-year student of economics may be excused for suggesting that socialism and prosperity can be achieved by the redistribution of income and wealth even in a country which is excessively poor. If, however, this is the full scope and extent of the Government's ability to deal with the situation, there is very little scope for confidence and even less for hope.

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THIRTYFIRST REPORT

Directors' Report for the year ended 31st December, 1970.

Gentlemen,

The Directors have pleasure in presenting to the Shareholders their thirtyfirst annual report on the working of the Bank for the year ended the 31st December, 1970. The Profit & Loss Account for the year ended the 31st December, 1970 and the Balance Sheet as at that date and the Auditors' Report thereon are annexed.

2. The Directors are glad to state that the Bank's working has resulted in a profit of Rs. 3,18,876.58 during the year under report after providing for depreciation to the extent of Rs. 57,613.77 as against a profit of Rs. 2,03,950.33 in the previous year and that the Bank has been able to maintain steady all round progress.

3. Bank's deposits increased during the year by Rs. 157.75 lakhs to Rs. 847.12 lakhs representing a rise of 22.8% compared with the rise of 16.4% in respect of deposits of all scheduled commercial banks. In the previous year deposits had risen by Rs. 93.04 lakhs (15.6%) to Rs. 689.37 lakhs. Time deposits of the Bank rose by 36.2% while demand deposits increased by 14.4%. During the year 1969 time and demand deposits had risen by 17.3% and 13.1% respectively. Of the total increase in deposits during the year 1970, time deposits accounted for as much as 61.4% and demand deposits 38.6%.

4. Over the year the Bank's advances increased by Rs. 78.84 lakhs from Rs. 443.57 lakhs to Rs. 522.41 lakhs representing a rise of 17.8% as compared with the rise of 16% in the previous year. Apart from industrial advances to large and medium scale industries, the Bank had also extended financial assistance towards meeting requirements of a number of small traders and entrepreneurs. Advances sanctioned by the Bank to priority sector, viz., small scale industry and agriculture and exports aggregated Rs. 137.98 lakhs as on the 31st December, 1970. Our advances to small scale industry are covered under the Credit Guarantee Scheme of the Govt. of India. The Credit Guarantee Corporation of India Ltd. which has been recently established would guarantee the advances made by the Bank to small borrowers in the priority and neglected sector, viz., transport operators, traders in fertilizer and other goods, professional and self-employed persons, owners of business enterprises and farmers engaged in cultivation and allied agricultural operations. The Board of Directors have decided that the Bank would avail itself of the Credit Guarantee facility and extend its advances to priority and neglected sector of the economy in a larger way.

5. Investment of the Bank had increased from Rs. 152.66 lakhs to Rs. 210.65 lakhs out of which 97% was invested in Govt. and other Trust Securities.

6. The liquidity of the Bank continues to be high. The liquid assets of the Bank comprising cash, balance with other banks, money at call and on short notice and Govt. Securities as at the close of the year was 40% of the total deposits.

7. From the following comparative figures for the last 7 years it would be observed that the Bank has been able to maintain a progressive trend in its business and there has been an all round improvement in its working from year to year.

(FIGURES IN LAKHS OF RUPEES)

	1964	1965	1966	1967	1968	1969	1970
Deposits	382.09	461.78	514.80	546.18	596.33	689.37	847.12
Advances	140.58	261.09	345.48	363.97	382.37	443.57	522.41
Total Income	15.86	27.76	35.39	41.37	45.47	51.96	63.56

While the deposits had recorded an increase of 122%, the advances had also risen by 272% in the course of the last seven years. The gross income of the Bank has also increased by more than 300% over that of 1964, i.e. the year of amalgamation with other banks.

8. The Shareholders are aware that the Bank's branch at Naraingunge in East Pakistan was taken over by the Custodian appointed by the Govt. of Pakistan on the 8th September, 1965, since when no statement has been forthcoming. The last known unaudited figures of assets and liabilities of the Branch as at 7.9.65, have, therefore, been incorporated in preparing the Balance Sheet of the Bank as at 31st December, 1970 and it has not been possible to compute the Profit & Loss Account for the year 1970 in respect of the Branch. Sanction has been obtained from the Government of India for exemption from audit of the Branch under provision of Section 228(4) of the Companies Act, 1956.

9. Shri N. N. Basu and Shri H. K. Das Gupta were appointed by Reserve Bank as additional Directors under Section 36—AB of the Banking Regulation Act, 1949.

10. Sarvashri Gaur Chatterjee and Bhavadeb Bhattacharya, two of the Directors would retire under the Articles but being eligible offer themselves for re-election.

11. Messrs. Ray & Ray, Chartered Accountants, appointed as the Auditors of the Company at the last Annual General Meeting, retire under the Articles. As they have been auditors for a period of more than five years, appointment of new auditors will be necessary according to directive from Reserve Bank of India which is applicable to all Commercial Scheduled Banks.

12. The Directors appreciate the assistance and co-operation they received from all categories of staff. The relation between the management and the staff had been cordial during the year under report.

13. Shri K. D. Roy, Director, being out of station could not sign the audited accounts.

Dated, Calcutta,

The 12th April, 1971

For and on behalf of the Board of Directors,

N. L. CHATTERJEE
Chairman.

UNITED INDUSTRIAL BANK LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 1970

31-12-69	CAPITAL AND LIABILITIES	31-12-70	31-12-69	PROPERTY AND ASSETS	31-12-70
Rs. P.		Rs. P.	Rs. P.		Rs. P.
	1. Capital :			1. Cash :	
	Authorised Capital :			In hand and with Reserve Bank and State Bank (Including foreign Currency Notes) ...	81,88,210 54
29,25,000 00	75,000 Ordinary Shares of Rs. 39/- each ...	29,25,000 00	59,61,254 05	2. Balance with Other Banks on Current Accounts :	
			79,167 67	(i) In India ...	1,44,757 20
			98,360 51	(ii) Outside India ...	98,360 51
			1,77,528 18		2,43,117 71
22,20,777 00	Issued Capital :	23,20,777 00	49,00,000 00	3. Money at Call and Short Notice :	52,00,000 00
	56,943 Ordinary Shares of Rs. 39/- each ...				
				4. Investment (at or below cost)	
22,03,890 00	Subscribed Capital :	22,03,890 00		(i) Securities of the Central and State Governments and other Trustees Securities	
2,966 65	56,510 Ordinary Shares of Rs. 39/- each fully called up ...	2,966 65		including Treasury Bills of the Central and State Governments (include face value	
22,00,923 35	Less : Calls unpaid ...	22,00,923 35	1,46,77,398 32	of Rs. 6,16,000 cost—Rs. 6,16,835.00 pledged under the Bank Guarantee Scheme and	
			2,61,614 51	face value of Rs. 10,00,000.00 cost Rs. 10,00,000.00 kept separately under an order of	
			1,46,532 75	the High Court at Calcutta dated the 21st day of December, 1963) ...	2,04,77,769 82
			206 00	(ii) SHARES—	
3,90,200 00	2. Reserve Fund and other Reserves :	4,54,000 00		Fully paid Ordinary Shares ...	2,62,734 18
				Fully paid Preference Shares ...	1,46,532 75
				Fully paid Deferred Shares ...	206 00
					4,09,472 93
2,67,72,618 18	3. Deposits and other Accounts :	3,64,66,192 84	4,08,353 20	(iii) DEBENTURES OR BONDS ...	53,000 00
2,43,04,774 37	Fixed Deposits and Cash Certificates ...	2,81,06,054 17	55,000 00	(iv) OTHER INVESTMENTS	
1,78,59,704 54	Savings Bank Deposits ...	2,01,39,356 78	1,24,968 75	Pakistan Government Securities ...	1,24,968 75
6,89,37,095 09	Current Accounts, Contingency Accounts, etc. ...	8,47,11,603 79	Nil	(v) GOLD	
				(Market value under items (ii) & (iii) as at 31st December, 1970 Rs. 2,27,379.57 and	2,10,65,211 50
				market value of item (iv) not known).	
				5. Advances :	
				(Other than bad and doubtful debts for which provision has been made to the satisfaction	
				of the Auditors)	
				(1) Loans, Cash Credits, Overdrafts, etc.	4,67,23,898 56
				(i) In India ...	4,08,038 35
				(ii) Outside India ...	4,71,31,936 91
				(2) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State	
				Government)	51,09,220 56
				(i) Payable in India ...	Nil
				(ii) Payable Outside India ...	51,09,220 56
					5,22,41,157 47
				Particulars of Advances :	
				As per Separate Statement annexed	
				6. Bills Receivable being Bills for Collection as per contra	
				(i) Payable in India ...	1,74,48,382 11
				(ii) Payable outside India ...	Nil
					1,74,48,382 11
				7. Constituents Liabilities for Acceptances, Endorsements and Other	
				Obligations per contra	15,82,760 21
				8. Premises Less Depreciation :	2,512 34
				9. Furniture and Fixtures Less Depreciation :	
				Total cost to 31st December, 1969 ...	4,58,860 92
				Additions during the year ...	99,512 44
					5,58,373 36
				Less : Sales during the year ...	23,355 88
					5,35,017 48
				Less : Total depreciation to 31st December, 1970 ...	2,71,472 10
					2,63,543 38
				10. Other Assets Including Silver :	
				Adjusting Accounts ...	4,68,390 95
				Income-tax refundable and tax deducted at source ...	5,01,530 41
				Stationery, Stamps, Suspense, etc. ...	3,75,951 67
				Nath Bank Ltd. (in liquidation) ...	10,170 59
				Assets taken from transferor Banks for collection as per contra ...	86,82,038 57
					1,00,38,062 19
				11. Non-Banking Assets Acquired in Satisfaction of Claims—at Cost :	2,47,186 06
				12. Profit and Loss :	
				Balance as per last Account ...	7,48,735 25
				Less : Profit for the year 1970 ...	3,18,876 58
				Less : Transfer to Reserve Fund under Section 17 of the Banking	
				Regulation Act, 1949 ...	63,800 00
					2,55,076 58
					4,93,658 67
9,64,77,116 62		11,70,13,824 18	9,64,77,116 62		11,70,13,824 18

N. L. CHATTERJEE
Chairman

R. N. KOLAY
G. CHATTERJEE } Directors.

P. BANERJEE
B. BHATTACHARYA } Directors.

N. BASU
H. K. DAS GUPTA } Directors.

J. N. BISWAS
General Manager

K. K. DUTTA
Chief Accountant.

UNITED INDUSTRIAL BANK LIMITED—Cont'd.

Particulars of Advances

31-12-69	Attached to and forming part of Balance Sheet as at 31st December, 1970.	31-12-70
Rs. P.		Rs. P.
4,34,87,205 87	(i) Debts considered good in respect of which the Banking Company is fully secured	5,10,79,950 60
5,93,482 79	(ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security	11,43,574 42
2,76,317 97	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	17,632 36
Nil	(iv) Debts considered doubtful or bad not provided for	Nil
4,43,57,006 63		5,22,41,157 47
19,469 41	(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	44,803 02
Nil	(vi) Debts due by Companies or firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as Members	Nil
22,727 44	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	53,482 46
Nil	(viii) Maximum total amount of advances, including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, partners or Managing Agents or in the case of Private Companies, as Members	Nil
Nil	(ix) Due from Banking Companies	Nil

Profit and Loss Account for the year ended 31st December, 1970

1969	EXPENDITURE	1970	1969	INCOME (Less Provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	1970
Rs. P.		Rs. P.	Rs. P.		Rs. P.
21,94,978 89	1. Interest paid on Deposits, Borrowings etc.	27,43,149 29	45,92,010 47	1. Interest & Discount	57,21,154 05
23,55,170 99	2. Salaries & Allowances and Provident Fund	27,72,639 57	2,06,123 40	2. Commission, Exchange and Brokerage	2,23,039 60
8,780 00	3. Directors' and Local Committee Members' Fees and Allowances	7,600 00	Nil	3. Rents	Nil
1,96,748 29	4. Rent, Taxes, Insurance Lighting etc.	2,04,661 67	89,732 50	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any Particular Fund or Account)	99,387 49
5,112 12	5. Law Charges	10,739 18	Nil	5. Net Profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any Particular Fund or Account)	Nil
16,269 42	6. Postage, Telegrams & Stamps	19,691 14	8,541 62	6. Income from Non-Banking Assets & Profit from sale of or dealing with such Assets	7,498 41
8,000 00	7. Auditors' Fees	8,000 00	2,59,888 60	7. Other Receipts	3,04,998 54
30,725 46	8. Depreciation on and Repairs to the Banking Company's Property	57,613 77	Nil	8. Loss	Nil
75,009 90	9. Stationery, Printing & Advertisement, etc.	1,12,057 72	Nil		
Nil	10. Loss from sale of or dealing with Non-Banking Assets	Nil	Nil		
1,01,600 89	11. Other Expenditure	1,01,050 07	Nil		
2,03,950 33	12. Balance of Profit	3,18,876 58	Nil		
	Particulars of remuneration relating to Chairman & Chief Executive Officer.				
	1969	1970			
Rs. P.	Rs. P.				
22,800 00	(i) Salaries	24,000 00			
Nil	(ii) Dearness and other Allowances	Nil			
Nil	(iii) Bonus	Nil			
1,425 00	(iv) Bank's contribution to Provident Fund & Pension Fund	1,500 00			
Nil	(v) Perquisites and other Benefits: Free use of Bank's Car	Nil			
24,225 00		25,500 00			
51,96,346 29		63,56,078 99	51,96,346 29		63,56,078 99

N. L. CHATTERJEE
Chairman.

R. N. KOLAY
G. CHATTERJEE
B. BANERJEE
B. BHATTACHARYA
N. BASU
H. K. DAS GUPTA

Directors.

J. N. BISWAS
General Manager
K. K. DUTTA
Chief Accountant

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the Balance Sheet of UNITED INDUSTRIAL BANK LIMITED as at 31st December, 1970 and the annexed Profit & Loss Account of the Bank for the year ended on that date in which are incorporated the returns from the branches audited by us, except for Pakistan Branch which has been exempted from the requirements of Section 228 of the Companies Act, 1956 by virtue of Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961. As far as Pakistan Branch is concerned, the latest available unaudited figures of assets and liabilities viz., as of the 7th September, 1965 have been incorporated without compilation of the Profit & Loss Account.

Subject to the foregoing remarks applicable to Pakistan Branch, we report that:—
(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) The transactions of the Bank which have come to our notice, have been within the powers of the Bank;
(c) In our opinion, proper books of accounts, as required by law, have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank;

(d) The Bank's Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of the account and returns; and
(e) In our opinion and to the best of our information and according to the explanations given to us the said accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st December, 1970, and the Profit & Loss Account gives a true and fair view of the Profit for the year ended on that date.

6, Church Lane, Calcutta,
The 27th March 1971.

RAY & RAY
Chartered Accountants.

INDUSTRY

Sugar Decontrol: Need for Follow-up Action

(BY A SPECIAL CORRESPONDENT)

The sugar industry had been pressing for an upward revision of levy prices. To be really successful, the decontrol policy will have to be backed by necessary follow-up action.

THE Central Government has conveniently freed itself from the onerous task of operating price and distribution systems of levy sugar and financing a huge buffer stock by announcing a policy of decontrol, excepting that releases of sugar from factories to wholesalers will continue to be regulated. Although the removal of all controls on the price, distribution and movement of sugar is obviously not in conformity with the Government's policy of extending its control over as wide an area as possible, industry circles have reservations about the move since what the millowners had been pressing for was an upward revision of levy prices. Perhaps, the industry would have nothing to complain about if the decontrol decision were taken when the trend of production was rising; now as a decline in output has set in, the mills have accumulated huge losses running into several crores of rupees. It is feared that as the industry has started the season with a highly eroded liquidity position, a tumble in prices—they have reacted sharply in the surplus areas—would cripple marginal units and aggravate the financial hardship of others. The record production of 4.26 million tonnes in 1969-70 resulted in an embarrassingly large carryover of about 2.2 million tonnes; prices have declined from over Rs. 400 a quintal to less than Rs. 200 a quintal; and the present year's expected production would leave with the mills a stock of nearly 1.9 million tonnes.

The finances of sugar companies have been considerably strained because of the necessity to maintain huge stocks. For quite some time, price realisations in the open market were roughly at the level of levy prices. Due to the easy availability

of free sugar and the reluctance of deficit States to lift high-priced levy sugar for distribution, factories located in the high cost zones had not been able to dispose of the released levy sugar. The industry's demand for price revision was to neutralise the rise in production costs. Many factories had actually resorted to litigation in recent months and had secured interim orders involving substantial increases in prices which varied from factory to factory in the same region. A uniform rate of excise duty at 30 per cent *ad valorem* has been fixed in place of 25 per cent *ad valorem* on levy sugar and 37.5 per cent *ad valorem* on free sugar; but this rationalisation is not going to benefit the mills since in the current season levy and free proportions were revised to 70:30. There is little scope for raising India's sugar exports as the cost of production here is very high and the only way to relieve the mills of their stocks is to increase the domestic consumption. Because of the recommendations of the Wage Board and the fixing of a floor price for cane, the mills cannot by themselves reduce sugar prices; but the Government could help boost consumption in the country through suitable reduction in the excise duty.

It is rather anomalous that the statutory minimum cane price is applicable only to supplies made to sugar factories, which generally account for one-third of the total cane crop. Moreover, there is no quantitative restriction as far as *gur* and *khandsari* units are concerned. These concessions give them considerable flexibility which is not available to sugar mills. The Centre as well as many States have enacted legislation providing for the total payment of cane price within 14 days from the date of purchase. Although the industry would be only too happy to make regular and timely payments to growers, the Government's irrational price fixing for levy sugar in 1969-70 and in the current season has crippled the paying capacity of mills whose payment backlog in course of two years

has increased from Rs. 37 lakhs to Rs. 20.82 crores. It is, therefore, unfortunate that Uttar Pradesh and Bihar should have taken punitive measures for realising prices due to the mills. The unrealistic floor price of Rs. 10 a quintal was a political move whose consequences have by now made their full impact. But there is no prospect of the minimum price being revised downward since the Central Food and Agriculture Minister, Mr. Fakhruddin Ali Ahmed, has said that cane growers' interests will continue to be protected and the control over minimum prices of cane will remain.

The industry has also been handicapped by the inadequate availability of bank finance; even though its credit requirement has increased in the current season due to the accumulation of large stocks, the credit availability is going to be lower than last year. The not-yet-streamlined system of processing applications, particularly where higher credits are involved, and increased bank margins are responsible for lower bank advances. The Government has done nothing to develop a buffer stock; but one cannot expect of the mills to mobilise resources to the extent of Rs. 413 crores for the purpose. Mr. Ahmed's assurance that the regulation of supplies will help maintain price stability as well as adequate supplies throughout the year comes as a relief to the consumer who knows how he may be affected when exposed to the recurring cycles of surpluses and shortages. The impact of the decontrol on consumers will not be the same everywhere—sugar prices are to decline in surplus States while deficit areas are to witness a price rise. Regional variations will also affect the mills—sugar units located in Maharashtra and Mysore with their higher recovery rate will benefit while factories in north and south India with a lower recovery rate will suffer. Whatever the merits and demerits of decontrol, the policy to be successful is to be backed up by necessary follow-up action.

PEOPLE AND PERSONALITIES

The Madras Stock Exchange Ltd has elected Mr. M. Sankaran as its president and Mr. J. V. Somayajulu as the vice-president for 1971-72.

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LABOUR

New Delhi Labour Conference Belies Mrs. Gandhi's Hopes

(BY A SPECIAL CORRESPONDENT)

The Prime Minister was hopeful that the labour conference, which was held in New Delhi a few days ago at her behest, would help improve industrial relations. But it seems that her hope has been belied.

WHILE the attempt made by the Prime Minister, Mrs. Indira Gandhi, and the Central Labour Minister, Mr. R. K. Khadilkar, to confer with trade union leaders and representatives of employers' organisations in a bid to improve labour-management relations is certainly laudable, the actual outcome of the discussions has not been very encouraging. The trade union leaders, if anything, insisted on the workers' right to strike and were nowhere near agreement on the vital issue relating to the selection of a bargaining agent for purposes of negotiations with managements or the Government. Mrs. Gandhi, who took the initiative to hold the conference, was too optimistic about the outcome but at the end of three days of negotiations with both employers and employees, the Government was nowhere near the desired result.

The main point stressed by Mrs. Gandhi was that there was need for industrial truce for at least some years and the trade union leaders must also remember that the poor and unemployed who stood outside the ranks of organised labour and industry represented at the conference had a vital stake. In other words, what she meant to convey was that the present trade unions did not represent all the workers in the country and, therefore, they alone could not take decisions on such vital matters as strikes. She pointed out that the number of mandays lost because of industrial unrest had increased threefold in the last five years and if this trend persisted, the country's economy would never revive.

In this context, certain facts become relevant. During the Third Plan period, the rate of growth of industrial production was only 8 per cent, as against the target of 11 per

cent. The growth rate during 1966-67 and 1967-68, which was a period of recession, was extremely low, being only 0.2 per cent and 0.5 per cent, respectively. Although the rate of recovery registered in the following two years rose to 7 per cent, it was still much below expectations. Therefore, the anxiety of the Government to see that the workers maximised production efforts is understandable. Unfortunately, industrial relations over the past several years have been very unsatisfactory. This is not confined only to the private sector. Even public-sector enterprises in which the workers are expected to have a greater sense of involvement have not been free from this adverse trend. The problem that arises is how to minimise, if not altogether eliminate, such losses as have resulted from work-stoppages. The total number of mandays lost increased from about 7.8 million in 1958 to 19 million in 1969. The Prime Minister said, and rightly so, that reduction in the number of mandays lost is of direct benefit to the economy as also to the workers; the workers stand to gain only if there is rapid growth in the economy and if the economy recedes or stagnates, so will the workers' earnings. Therefore, it is imperative that there should be strike-free growth.

The response of the trade union leaders to this suggestion has not been very encouraging. Here, the main question that was considered was how disputes should be settled. Industrial disputes are at present settled through bipartite negotiations, conciliation and arbitration or adjudication by industrial tribunals under the Industrial Disputes Act of 1947. The emphasis is on collective bargaining and direct negotiations, failing which adjudication or recourse to conciliation under the aegis of Government agencies is resorted to. The National Commission on Labour had recommended the setting up of Industrial Relations Commissions (I.R.C.s) both at the Centre and in the States with the functions of conciliation, adjudication and arbitration. The consensus at the conference was against I.R.C.s. Nor was the consensus in

favour of any kind of governmental intervention. Therefore, the leaders, by and large, have not made any new proposal to deal with disputes. But Mr. Khadilkar emphasised that industrial relations being too important and serious a matter to be left solely to workers and employers, the Government will have to have the right to intervene. Mr. Khadilkar also pointed out that even in highly developed societies, the rôle of the State in industrial relations had increased rather than diminished in recent times and in a "developing country like ours, this is bound to be so in even stronger degree". This is the crux of the problem and to the extent to which there has been no agreement on this, the conference could be said to have been in vain.

On the other important issue relating to the appointment of a bargaining agent, there has been general agreement that some effort should be made to arrive at a workable formula. The deliberations resulted in a very broad outline of the solution of this vexed problem. If there are more than one union and if the only union with a majority were to have all the authority for bargaining, then there is the likelihood of its attempts being frustrated by the minority section. Keeping this possibility in view, a suggestion was put forward that the bargaining agent would have to take into confidence all minority sections, subject to certain conditions. The Labour Minister also felt that this was a proposal worth pursuing since it had the merit of making multiplicity of unions less detrimental to the interests of the workers. On the method of selecting a bargaining agent, differing preferences were expressed. The I.N.T.U.C. opposed recourse to ballot while some other unions wanted this system.

An important outcome of the conference is the decision announced by Mr. Khadilkar that the Central Planning Minister, Mr. C. Subramaniam, has agreed to the setting up of a labour panel with which he can hold discussions on the Plan in so far as it relates to wages, employment and related questions in which the workers have a vital stake. Otherwise, the conference has ended on a tame note. In any case, it would have been too much to expect that the entire labour-management problems would be very much nearer a solution merely because of the fact that the conference was held at the behest of the Prime Minister.

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AVIATION AND TOURISM

Hotels Need More Incentives to Keep Pace with Tourist Traffic

(BY A SPECIAL CORRESPONDENT)

Without greater incentives, Indian investors find it difficult to set up new hotels. But it is more important for hoteliers to improve their services and cater to tourists, regardless of their big or small budgets.

IN February this year, Mr. Martin Plake, Executive Director of the Pacific Air Travel Association (P.A.T.A.) observed that India should increase her four-star and five-star hotels at key tourist gateways to at least 15,000 beds so that she can double the number of tourists within a few years. While appreciating India's vast potential to attract more tourists, he added that the paucity of good hotel accommodation and poor air-links between tourist centres and tourist entry points have so far been the two major deterrents to her honoured guests. Interestingly, Mr. Plake feels that the absence of "night life" in India is not a damper to the growth of the tourism industry. Rather, he has noted that "Miami Beach-type tourists did not generally come to India. They went to other tourist centres like Tokyo and Bangkok". The Director of Passenger Industrial Relations, Trans World Airways, New York, echoes the same optimism and holds that "India should be the prominent gainer from trends of air travel in the 1970's". He emphasised the value of transit stop-over traffic and cited Bangkok's "outstanding example" in this field.

The number of tourists in India is expected to be in the region of 400,000 by 1973, against 109,000 in 1959. Yet, there is no room for this country to be complacent. In the immediate future, India will be unable to attract as many tourists as England received in 1969, namely, 5 million, against an estimated 10 million in 1975. Even Thailand surpassed India in 1968 by attracting 370,000 tourists (with her estimated target of 638,000 for 1975), although she does not lack the historical and cultural interests which Thailand is proud of. India's original target,

fixed at 600,000 in 1973-74, has been slashed down to 400,000. If she really desires to have a substantial share of world tourism (with an annual turnover of Rs. 13,000 crores), then she must launch vigorous campaigns to increase the flow of tourist traffic. The most important step she can take is to provide more hotel beds.

At the 14th meeting of the All-India Tourist Development Council, the Central Minister for Tourism stressed the need to strengthen India's tourism infra-structure. While 6,000 hotel rooms will be provided during the Fourth Plan, there will still be a backlog of 4,000 rooms. According to a modest estimate, the nation will need 45,000 additional rooms by 1980 (16,000 in four and five-star categories, 20,000 in the three-star category and 9,000 in one and two-star categories) involving a total investment of Rs. 280 crores. Of course, the Government has already created a Hotel Development Loan Fund of Rs. 5 crores, taking into account the bright prospect of developing foreign tourism in India. The Government has already approved a plan to start a Hotel Consultancy Service to advise prospective hoteliers on all problems of the industry, from initial feasibility study to management.

Yet, commenting on the existing tourist facilities, the General Manager of a State-owned hotel has noted that on arrival here, foreigners often have to face many odds like an inefficient hotel receptionist who fails to trace out the name of a tourist in the bookings, or a house-keeper who leaves the rooms unattended, or a porter who cannot spot the correct number from the bell desk or a curious telephone operator ever inclined to test her instrument even after bed-time! The natural expectation of any incoming tourist in India is to have a comfortable stay and a feeling of at home after being received with a happy smile, and he should not be disappointed.

The private sector is also conscious of the vital rôle the industry has to

play in this field. Leading hoteliers or new ones are now engaged in building new hotels, either in collaboration with foreigners or on their own. A hotel room in New Delhi is still considered to be cheaper than in Hongkong, Singapore or Tokyo. The hoteliers point out to several snags in the industry. Their first complaint is the non-availability of suitable hotel sites at concessional rates when investment in land alone amounts to 25 per cent of the total capital. The depreciation allowed on hotel buildings should also be increased. The cost of a hotel room varies between Rs. 20,000 and Rs. 40,000 depending on the "star" and quality of the hotel and additional 2,000, 2,000 and 1,000 rooms are immediately needed for Calcutta, Delhi and Madras, respectively.

Secondly, while conceding that the Government has already granted several incentives for boosting the industry, the hoteliers point out that other countries like Hongkong, Taiwan, Ceylon and Malaysia are now offering still more. They press for the inclusion of the industry in the notified list of industries by the States concerned.

But new, posh hotels alone can never be the complete answer. When too many seats of airlines are chasing too few passengers, the need is for providing satellite hotels or tourist resorts together with cheap but readily available transport. Indian hoteliers have also to take more interest in the not-so-rich tourists, who always outnumber the rich ones, and induce the foreigners to prolong their stay in the country.

SWISSAIR

Jumbo Operation

In the first 30 days of its jumbo operation, i.e., from 20th March to 20th April, Swissair carried 5,120 passengers, 380 tons of cargo and 20 tons of mail on the North Atlantic route—Zurich-Geneva-New York. Between 20th March and 31st March, the first Boeing 747B of Swissair performed five flights and since 1st April, it is serving the route five times a week on schedule. The second jumbo jet is in service on the same route from 26th April. The operation of the two aircraft has been found entirely satisfactory with the regularity reaching 96.6 per cent.

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MONEY AND BANKING

Should Banks Put Excessive Weight on Security Aspect of Loans?—II

By Suresh Chandra Srivastava

The nationalised banks' progress in helping the weaker sections of the community is being keenly watched. They should, therefore, encourage their branch managers to get rid of the age-old tradition of putting excessive weight on the security aspect of loans. This is the second in a series of two articles. The first appeared last week.

THE attitude of the banks to various advances has undergone a change after nationalisation. Admittedly, there is a need to provide credit facilities to the weaker sections of society. However, it would be unwise to enhance credit to them in a haphazard manner. The credit needs, the production potential and repaying capacity of the borrower should be the main considerations in granting credit and the individual banks should have the maximum latitude in this regard. Before credit can be increased to the priority sectors, it is necessary to have a proper quantitative assessment of the credit needs of the different segments of the economy. The task of assessing the credit needs of a particular region and the responsibility of meeting such needs should be mainly the concern of a particular bank. The National Credit Council should assemble these data and, on the basis of the availability of resources with the banking system, fix targets of credit for different sectors.

It needs to be emphasised that in case of agriculture there should be no significant variations between the credit estimates of commercial banks and those of co-operative banks. The cost of cultivation of each crop is estimated at the field workers' conference by the co-operatives under the crop loan system. The crop loan system adopted by the co-operatives has brought about an overt shift in their loan policy from "asset nexus" to "production nexus". At the end of June 1968, 52 per cent of the total loan of primary agricultural credit societies were against anticipated crops and third-party security, while advances against tangible securities were only 48 per cent, as compared with 86 per cent of commercial banks. As a first

step towards co-ordination, the commercial banks should adopt the crop loan system of co-operative banks as a basic policy for farm loans. This would avoid divergent farm loan policies not only as between different commercial banks but also between commercial banks and co-operative banks.⁴

The per capita deposits which worked out to Rs. 80 to Rs. 85 in this country is the lowest when compared with other developing or developed countries. In India, hardly 17 per cent of the gross national product is banked at present, while in the case of Japan, it is 55 per cent. This percentage ought to be improved during the Fourth Plan, if India wants to harness this very potent source of investment capital. While the present deposits of Rs. 42,000 crores with the banking system ought to be augmented, it may be observed that the spread of the banking habit helps frozen money to become productive. The banking system increases the velocity of money circulation which augments investment capital without any increase in money supply in a country. In India, the velocity of money is virtually equal to unity. The new branch expansion drive would help to spread the banking habit of the people more and more and would ultimately result in improving the velocity of money circulation. There is a need for opening three rural branches for one opened in an urban centre. The present strength of about 8,000 branches should be raised to 20,000 by the end of the Fourth Plan.

It may be conceded that the opening of rural branches is not a profitable proposition. All the same, the loss incurred by rural branches could be offset to some extent by having a two-tier system of rates of interest on rural and urban lendings. A slightly higher rate of interest on urban lending as compared with that in rural areas may be introduced.⁵

While preparing the credit plan, the banks may keep in mind the sugges-

⁴ Ashakant, "New Credit Policy for Banks", *The Economic Times*, 13th January, 1970.

⁵ Manubhai Shah, "Credit Policy—Guidelines for Government", *Banker*, October 1969.

tion of a study group headed by the late Professor D. R. Gadgil. The group observes that "a close examination may be conducted of the present working of the credit guarantee scheme and a view may be taken of the extent to which these can be liberalised or applied to new fields so as to provide further assistance to banks and credit institutions in extending credit to small business and weaker sections." At present, the credit guarantee scheme is applicable only to small-scale industries. It would, therefore, be in the fitness of things if a National Guarantee Fund is established along the lines of the one in Japan. The Japanese Fund guarantees credit for industry only; the one to be operated in India can be extended to giving guarantees to farmers and other vulnerable sections of the economy.

The "lead bank"—under the Reserve Bank of India's scheme—should, in its turn, earmark a certain proportion of deposits mobilised in rural areas for local deployment. The average credit-deposit ratio of 70 per cent may be taken as the guiding norm.⁶ This would give a momentum to deposit mobilisation effort, for "Rural savings are most likely to be rendered available where most seen to be used for rural needs."

The lead bank has to play a major rôle in the formulation and implementation of the district credit plan recommended by the National Credit Council's Study Group presided over by Professor Gadgil. Once a comprehensive credit plan is prepared, the commercial banks should not wait until their own branches are established in all the areas of the district but should utilise the available institutional channel, namely, the primary agricultural credit society, for executing the plan. Commercial banks should directly finance primary agricultural credit societies, where central co-operative banks are not in a position to provide adequate credit facilities to these societies. There should be a closer co-ordination and functional relationship between the commercial and co-operative banks. This itself will solve a number of problems.

The new credit policy will have to see that no hardship is caused to industry as far as its genuine needs of credit are concerned. A study group of the National Credit Council headed by Mr. V. T. Dehejia has made a detailed study of this aspect and has sug-

⁶ Ashakant, *op cit*.

⁷ *All-India Rural Credit Survey—General Report*, page 480.

gested ways in which the credit policy should be reoriented. Industries and business so far were availing themselves of much larger credit than their genuine needs. Outstandings were only 60 per cent of the sanctioned limits. Rationalisation of loan policy in this regard is, therefore, indispensable.

It has been suggested* that the nationalised banks should work out a scheme of differential interest rates—lower rates for "carefully selected" low-income groups and progressively higher rates for the well-to-do sections. This implies that there would be no differential lending rate structure for the different sectors of the economy, but varying rates for various categories of borrowers. This is, however, not justified. Discrimination of this sort in interest rates would either distort the pattern of investment laid down in the Plan or it may aggravate inflation. Also, it will tend to make the interest rate structure in the organised sector as complicated and usurious as it is in the unorganised sector.

The problem is one of allocating scarce resources rationally. In such

*The Economic Times, 23rd July, 1970, page 4.

allocation differential interest rates would be meaningful only in terms of sectors—and not in terms of the size or affluence of the borrower. In fact, the productivity a unit of labour in small farms and small industry is higher than in large farms or industry. What the small man needs is more credit to support an absolute increase in his turnover and profits and not in his rate of profit. Subsidy through interest rates is, therefore, superfluous.

Lastly, it may be observed that there are some obstacles to a new credit policy. First, banks are vague about the method and manner of working the new schemes. To take an example of taxi and truck advances, the banks are inclined to give loans only for new taxis and trucks despite the fact that the majority of such vehicles belong to the second-hand category. They are not sure about how much advance should be given and what number of instalments should be allowed and whether the present taxi operators—who are now in the grip of money-lenders—should be allowed the access to cheaper bank finance.

Secondly, the bureaucratic attitudes and the old habit of playing safe with advances have not died, with the result that banks would like to treat

even a small loan of Rs. 2,000 to an artisan or trader as an advance of Rs. 2 crores. Thirdly, the long training in antiquated procedures in banks with considerable emphasis on adequate security to the exclusion of any other consideration is yet another obstacle which the bankers, at the grass-root level, are not in a position to overcome. They are more worried whether giving loans to small traders, shop owners, etcetera, would end in failure of such advances, marring their chances of promotion. While there is abundant enthusiasm at the senior levels, it has not percolated to the level of the branch agent who deems any extra work as nuisance.

Again, the banks do not have a large field organisation to carry the facilities of nationalised banks to the masses and to undertake door-to-door retail banking. They have a skeleton of field officers who are utilised more for propaganda or publicity than for real development work of locating entrepreneurial talent. In fact, in several banks, after the preliminary scouting work is done by the developmental office, there is no follow-up. If uneducated small traders, artisans, etcetera, go to the bank, the executives, too busy with their routine work, do not have the time even to discuss their problems.

Much of the difficulties can, however, be overcome by preparing a well-thought-out district credit plan and instituting a National Guarantee Fund. The banking staff will have to be strengthened and there will have to be a change in the basic attitude, outlook and approach of managerial personnel of banks, particularly at the branch level, which once things get started, will take place in due course of time. Thus, the new credit policy of the nationalised banks would entail a shift from security-oriented loan policy to development-oriented policy, adoption of the crop loan system of co-operatives by commercial banks in respect of farm financing, a quantitative assessment of the credit needs of the allotted district areas, expansion of sufficient branches in rural areas, introduction of a two-tier system of rates of interest on urban and rural lending, institution of a National Guarantee Fund, specification of a proportion of rural deposits for local disbursement, a closer co-ordination and operational linkage between commercial banks and co-operative institutions and fulfilment of the genuine credit needs of trade and industry.

(Concluded)

INVESTMENT

Second Thoughts on Mr. Chavan's Budget Depress Equities

THE stock markets' reaction to Mr. Chavan's Central Budget has been far from pleasing. The mood of cautious optimism, which had been in evidence on the eve of the Budget, has given way to a feeling of mild disappointment. Not only have the markets' best expectations not been fulfilled, but some of the Budget proposals are of a bearish nature. The optimistic mood before the Budget was attributable partly to the not so harsh increase in the railway freight rates and passenger fares and partly to the confident tone of the pre-Budget *Economic Survey*. The economy, which had given a "generally satisfactory" performance in 1970-71, was stated to be better poised to tackle the formidable problems facing the country. Equity prices staged an all-round recovery from their previous week's low levels on short-covering and considerable replacement buying. The markets presented a fairly steady front during the special post-Budget session on Friday evening, taking comfort from the thought that the Central Finance Minister could have assumed a far more radical posture in formulating his fiscal policy and that direct taxes estimated to yield only Rs. 27 crores could not be considered a heavy burden.

But signs of uneasiness emerged as the leading spokesmen of business and industry expressed the view that the various budgetary imposts would add to inflationary pressures and erode personal savings and corporate profits. It was felt that the Budget did not contain proposals which would provide incentives for capital formation and stimulate savings and investment. Proposals, which have special relevance to the stock markets, may be briefly mentioned. These include (1) an increase in surcharge on personal incomes, (2) a rise in the incidence of tax on long-term capital gains in respect of individuals as well as companies, (3) the steep rise in wealth tax on net wealth in excess of Rs. 15 lakhs, (4) withdrawal of the wealth tax exemption for investment in new issues up to Rs. 1.50 lakhs, (5) increase in surtax on company profits in excess of 15 per cent of the capital, (6) exclusion of debentures and long-term loans from the capital employed for calculating tax exemption in the cases of new

industrial undertakings, (7) reduction in tax exemption to priority industries, (8) shortening of the list of priority industries, (9) discontinuance of the concessional treatment of dividends received by foreign companies from a closely-held Indian company engaged in a priority industry and the abolition of development rebate from June 1974.

The stock markets cannot be expected to take kindly to taxation of personal incomes and wealth which tend to impair the capacity to save and invest. Nor can they be blamed for feeling uneasy over the various structural changes which have enhanced the incidence of company taxation. Measures to withdraw certain incentives and concessions cannot but adversely affect the investment climate. A closer study of company taxation might reveal that some of the big industrial units will have to pay considerably more by way of taxation and the tax liability will increase with the abolition of the development rebate. But this is only one side of the picture. The corporate sector has every reason to look forward to the future with confidence because of the expanding market and the likely increase in the pace of economic growth as a result of the stepped-up outlay in the current fiscal year. The prosperity of the corporate sector is closely linked with the overall growth of the economy and the outlook in this direction seems to be full of promise. The chilling effect of the budgetary proposals might not last long.

Government securities have remained steady this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have also remained firm. Turnover has been fair.

The Calcutta stock market has remained fairly steady during the past week. In the post-Budget session, lively conditions have been witnessed and prices have improved on the emergence of fresh support. There has been profit-taking later and top gains have been pared. Among engineering shares, Guest, Keen, Williams, Textile Machinery and Sankey Wheels have improved. Among paper shares, Orient, Tribeni Tissues and Straw

Products have attracted attention. Among jute shares, Birla, Bally and New Central have scored gains. Among miscellaneous shares, Alkali and Chemical, Indian Explosives, Good-year India, Mohan Meakin Breweries and Union Carbide have been supported at higher levels. Among tea shares, Bishnauth, Hasimara, Birpara and Assam Brook have been transacted.

It has been an eventful week for Dalal Street, not very exciting though. There was a good early rise induced by sizable short-covering and fresh support induced by the optimistic tone of the pre-Budget *Economic Survey* and expectations of a favourable Budget. But the pre-Budget gains have been erased in the post-Budget trading sessions due to persistent selling touched off by general dissatisfaction with the Budget proposals. Net changes over the week indicate a mixed pattern with minus signs outnumbering the plus ones. Cotton mill shares have been marked down on the argument that the in-

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section :

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Finlay Mills
Gold Mohur
Guest, Keen, Williams
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dustry might not find it easy to pass on the burden of additional excise to the consumer. Cost inflation continues to plague the industry. Rayon shares have drifted lower after an early rally. Steels too have shed most of the early gains, but Indian Rayon have registered a handsome rise. Century Enka have also held firm. After moving up and down irregularly, engineering shares have shown mixed changes over the week-end. S.L.M.-Maneklal have been an outstanding bright spot. Associated Bearings have also held steady. Voltas, Tata Engineering and Zenith Steel have receded at the close. Automobiles have moved both ways and closed with only minor net changes. Among shipping shares, Great Eastern have receded after a sharp early rise and so have Scindia. Sentiment has been affected by the proposed abolition of development rebate from June 1974. Among chemicals, Bayer, Colour-Chem, Indian Explosives and N.O.C.I.L. have been among the firm features, although the best levels recorded earlier in the week have not been held. Pharmaceutical shares have held fairly steady with Pfizer recording a good rise. The shares of tyre companies have closed on a steady note with Premier Tyres holding distinctly firm. New India Assurance have recorded a sharp rise on fresh support. Bank shares have kept steady with a limited turnover. Electric shares have been steady but dull. Paper shares have ruled steady but early gains have been erased. Sugar shares have displayed a steady tone. Among miscellaneous counters, Escorts, Premier Construction and United Carbon have been the steady features. Camphor and Allied, Food Specialities and Motor Industries have been subdued.

Share prices in the Madras stock market have remained quiet this past

week. In the planting shares, Blue Mountain have firmed due to the better demand. Waterfall, Nonsuch and United Nilgiri Tea have been in demand at market rates. Among textiles, South India Viscose and Madura have been supported. In the miscellaneous section, Seshasayee Paper and Mysore Paper have been quiet. Among sugar shares, E.I.D.-Parry and Andhra Sugars have been transacted.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	22/70—24/00—22/35—22/60— (19/10)
Dunlop India	37/60—39/50—37/50—37/50— (35/15)
Guest, Keen, Williams	35/75—38/50—35/70— 37/10—(17/90)
Hindustan Motors	12/25—12/90—12/25— 12/35—(15/36)
Howrah Jute	7/00—7/00—7/00—(6/47)
Indian Aluminium	37/15—38/50—37/05— 37/05—(31/05)
Indian Cable	17/50—18/50—17/50—17/55— (15/20)
Indian Iron	11/95—12/15—11/90—12/00— (16/80)
Indian Copper	3/85—3/96—3/83—3/86— (4/60)
Jaipur Udyog	8/80—9/00—8/80—9/00— (9/35)
J. K. Cotton	10/55—11/50—10/50—11/50— (13/30)
Jayashree Tea & Industries	18/12—18/37— 18/00—18/25—(13/12)
Kesoram Industries	16/55—16/95—16/15— 16/15—(17/05)
National Rubber	7/75—7/75—7/75—7/75— (10/31)
Orient Paper	37/80—40/35—37/05—38/20— (32/65)
Orissa Cement	18/25—18/90—18/15—18/25— (14/50)
Rohtas Industries	6/05—6/40—5/85—6/05— (7/42)
Textile Machinery	10/70—11/15—10/70— 11/15—(10/45)

sits increased by 14.4 per cent (against 13.1 per cent). Of the total increase in deposits, time deposits accounted for as much as 61.4 per cent. (Fuller details appear elsewhere in this issue of *Capital*.) Over the year, the bank's advances increased by Rs. 78.84 lakhs from Rs. 443.57 lakhs to Rs. 522.41 lakhs, representing a rise of 17.8 per cent (against 16 per cent). Besides advances to large and medium-scale industries, many small traders and entrepreneurs were given financial assistance. Advances to the priority sectors, namely, small-scale industry, agriculture and exports, aggregated Rs. 137.98 lakhs. The Credit Guarantee Corporation of India Ltd would be guaranteeing the bank's advances to the priority and neglected sectors. The bank's investment at Rs. 210.65 lakhs shows an increase of Rs. 57.99 lakhs; 97 per cent of the investment was made in Government and other trust securities. The liquid assets of the bank remained at 40 per cent of the total deposits. A comparative study of the figures for the last seven years would show that the bank has been able to maintain a progressive trend in its business and there has been an all-round improvement in its working from year to year. The bank's deposits, advances and the gross income during 1964-70 had increased by 122 per cent, 272 per cent and over 300 per cent, respectively.

GUEST, KEEN, WILLIAMS

Satisfactory Results

AT the annual general meeting of the Guest, Keen, Williams Ltd held recently in Calcutta, Mr. K. C. Maitra, chairman, said that the Company had achieved satisfactory results during 1970. (A fuller version of the speech appeared in last week's issue of *Capital*.) Although the turnover had increased from Rs. 32.03 crores to Rs. 42.59 crores, production in terms of tonnage did not rise correspondingly. The increase in the sales value is thus largely the result of higher prices of raw materials. The Company's liquidity has improved considerably and its finance charges have been significantly lower due to saving in overdraft interest. The pre-tax profit has improved from Rs. 1.61 crores to Rs. 7.12 crores. There has been a significant increase in stocks because of large consignments of C.R.G.O. steel shipped towards the year-end. It is hoped that the raw material situation would be considerably eased with the arrival of shipments. The chairman said that production was affected by the

lock-out in its Andul factory where operations were completely suspended for eight weeks. Among the four divisions, the performance of the precision pressings division has been very encouraging, both in terms of production and despatches. The working of the screws and fasteners units of the fasteners division can also be considered highly satisfactory. Andul Road Works faced steel shortages.

As for increasing the Company's production capacity, the chairman said that it has recently carried out a major expansion of its steel plant. An application for capacity expansion of woodscrews has been pending with the Government for some time. In its other major activities, such as electrical stampings, bolts and nuts, the limitation is not so much of plant capacity as of raw materials. The Company's future lies in making the best use of its resources. It has set its targets for 1971 fairly high. Its production and sales during the first four months of the current year have continued to follow last year's growth trends. The chairman regretted that the Company's projected earnings from exports did not materialise.

CEAT TYRES

Dividend Maintained

AT the recent annual general meeting of the Ceat Tyres of India Ltd, Mr. P. A. Narielwala, chairman, said that after an uninterrupted record of improved trading since 1964, the Company had suffered a setback both in production and sales during 1970. But he is confident that the shareholders will endorse the firm stand taken by the management in dealing with the strike as otherwise there would have been no improvement in the Company's position. The Company has lost about Rs. 1.35 crores of gross profit due to the reduced turnover. The board of directors has recommended a dividend at last year's level. Although the availability of raw materials was fairly satisfactory, costs rose significantly. The Company's exports exceeded Rs. 83 lakhs.

The land in Bhandup is now fully utilised and no surplus space is available there for setting up the bicycle tyre plant. Ceat Tyres has decided to set up a bicycle tyre plant in Nasik, where it has acquired 100,000 square metres of land from the Maharashtra Industrial Development Corporation.

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United Industrial Bank Achieves Excellent Progress

IN their annual report to the shareholders, the directors of United Industrial Bank Ltd have noted with satisfaction the continued progress in all directions during 1970. The bank's working shows a profit of Rs. 3.19 lakhs, after providing Rs. 57,613 for depreciation; the previous year's profit was Rs. 2.04 lakhs. The rise of Rs. 157.75 lakhs in the bank's deposits to

Rs. 847.12 lakhs represents an improvement of 22.8 per cent, compared with the increase of 16.4 per cent in respect of deposits of all scheduled commercial banks. During 1969, deposits of the bank increased by 15.6 per cent from Rs. 596.33 lakhs to Rs. 689.37 lakhs. While time deposits of the bank during 1970 rose by 36.2 per cent (against 17.3 per cent), demand depo-

It is ready for a further expansion of its capacity as soon as the Government issues additional industrial licences. The Company is trying to extend the technical agreement with Ceat International S.A. which had expired in 1968.

HINDUSTAN FERODO

Bonus Shares

THE directors of Hindustan Ferodo Ltd intend to recommend to the shareholders a proposal to issue bonus shares in the proportion of one equity share for every four existing equity shares held. For this purpose a sum of Rs. 62,04,260 consisting of Rs. 49,93,580 standing to the credit of the share premium account, Rs. 9,58,393 standing to the credit of the exchange reserve account, and Rs. 2,52,287 out of the amount standing to the credit of general reserve will be capitalised. The issued and paid-up share capital of the Company amounts to Rs. 2,48,17,030 and after allotment of the bonus shares now proposed, this will be increased to Rs. 3,10,21,290 divided into 3,102,129 shares of Rs. 10 each. The bonus issue proposal, which will be placed before the shareholders at an extraordinary general meeting, will be subject to the consent of the Central Government.

I.L.T.D.

Pact with Union

A MEMORANDUM of settlement for four years has been entered into between I.L.T.D. Company and the Andhra Pradesh I.L.T.D. Company Workers' Union, Guntur, covering all the terms and conditions of service of the Company's employees in Andhra Pradesh, whose strength is over 23,000. The agreement was signed on behalf of the Company by Mr. R. Ramananda Rao, director, I.L.T.D. Co., and on behalf of the workmen by Mr. J. Jyosyabhatla Satyanarayana, president, A.P.T.U.C., and Mr. K. M. Lingam, General Secretary of the Union. The agreement was signed in conciliation proceedings before Mr. J. Viswanatha Reddy, Deputy Commissioner of Labour, Andhra Pradesh.

The agreement is the fifth in a series of long-term agreements between the Company and the Union, the first one being in 1957. In 1960, the Labour Department,

Government of Andhra Pradesh, conducted a case study on the industrial relations in I.L.T.D. Company, having chosen the Company as a model for good industrial relations in the State. Benefits under the present agreement are to the tune of Rs. 25 lakhs a year, which include higher emoluments than prescribed by the Tobacco Wage Board. On its part, the union agreed for maintenance of higher productivity. It is also agreed that the Company and the Union would evolve a scheme whereby bonus will be linked with productivity instead of profits. Work standards have been fixed for all categories of employees. A model grievance procedure is part of the memorandum of settlement.

STRAW PRODUCTS

Progress of Expansion

STRAW Products Ltd has shown encouraging results for the year ended December 1970. The trend of all-round progress in production, sales and profits continued during the year. Production has gone up to 34,629 tons from 33,221 tons while sales touched a new high of Rs. 7.49 crores, against Rs. 7.21 crores. Profits, before depreciation, moved up to Rs. 1.78 crores, against Rs. 1.66 crores. The directors have recommended a dividend of 12 per cent on ordinary shares and 9.1 per cent on preference shares. Depreciation takes Rs. 49.11 lakhs, against Rs. 46.32 lakhs and taxation Rs. 56.60 lakhs, against Rs. 51.50 lakhs. A sum of Rs. 33.04 lakhs has been transferred to general reserve, against Rs. 21.65 lakhs in the previous year. Development rebate reserve gets Rs. 8.50 lakhs, against Rs. 16.10 lakhs.

The Company's expansion programme, costing approximately Rs. 8.5 crores, has well advanced. The M. G. machine was commissioned towards the end of the year and the Company has added M. G. tissue and poster papers to its range of paper products. The work on the third paper machine has substantially advanced with the completion of most of the buildings, and erection work is to commence shortly. The Company proposes to increase the production of paper and boards further by installing balancing equipment on a crash programme basis. Financial institutions have already been approached for assistance towards the expansion programme which is likely to cost Rs. 140 lakhs. The

directors are considering further expansion of the Company.

STAR TEXTILE

Good Results

THE preliminary statement from Star Textile Engineering Works on its working results for the 52-week period ended 2nd January, 1971, shows a marked improvement over the previous year's performance. Sales are up by 48.5 per cent from Rs. 1.71 crores to Rs. 2.54 crores and the gross profit has increased by 28 per cent from Rs. 13.10 lakhs to Rs. 16.74 lakhs. The dividend has been raised from 10 per cent to 12 per cent. After providing Rs. 6.65 lakhs (against Rs. 6.79 lakhs) for depreciation and Rs. 20,000 (against Rs. 1.49 lakhs) for development rebate reserve and making some adjustments, the surplus of Rs. 10.08 lakhs (against Rs. 4.95 lakhs) has been transferred to general reserve. The proposed dividends on equity and preference shares are to be paid out of general reserve. The Company's order position so far in the current year is stated to be satisfactory and sales are expected to be at least as large as those for 1970.

ALKALI AND CHEMICAL

Good Progress

THE trading results of the Alkali and Chemical Corporation of India Ltd for the half-year ended March 1971, show a marked improvement over the corresponding period of the previous year, mainly because technical improvements in the polythene plant have made it possible to achieve substantially higher production and sales and greater raw material efficiency. Sales of a new line of crop protection chemicals, namely, gramoxone, have also contributed to the better performance. Sales are shown at Rs. 12.28 crores for the half-year ended March 1971, against Rs. 9.30 crores in the corresponding period of the previous year, and the net profit at Rs. 56 lakhs (against Rs. 42 lakhs), after providing Rs. 75 lakhs (against Rs. 71 lakhs) for taxation. Development rebate reserve is allocated Rs. 6 lakhs (against nil). The board has authorised the payment of an interim dividend on the ordinary shares for the year ending September 1971, at the rate of 75 paise a share, subject to deduction of tax at source.

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BOMBAY OXYGEN

Results Improve

BOMBAY Oxygen has produced improved results for 1970 and the dividend has been raised from 8 per cent to 10 per cent. Sales have increased from Rs. 52.13 lakhs to Rs. 62.09 lakhs and the gross profit has risen from Rs. 21.93 lakhs to Rs. 23.99 lakhs. Appropriations of profits include depreciation Rs. 4.43 lakhs (against Rs. 5.94 lakhs), development rebate reserve Rs. 4.875 (against Rs. 87,865), doubtful debts Rs. 1.50 lakhs (against nil), general reserve Rs. 3.12 lakhs (against Rs. 1.35 lakhs) and dividend Rs. 14.89 lakhs (against Rs. 11.91 lakhs).

The Company has obtained permission from the Company Law Board to declare a dividend for 1970 without providing for full depreciation on its cylinders. According to the amended Income-tax rules, 100 per cent depreciation is to be provided on cylinders and this would have amounted to Rs. 38.68 lakhs. Such a large provision in one year is not possible; cylinders form a major portion of the machinery and capital investment. The Company's working for the first quarter of the current year has been encouraging. The Company is planning a substantial expansion of its activities. It has already secured letters of intent for its proposal to establish new units at the Kurla and Kalve plants of Mukand Iron and Steel Works to meet the latter's needs. The Company has also been allowed to expand the Mulund unit. The management expects better results in future because of the expansion of the Company's activities.

NEW GREAT EASTERN

Sales Up but Profit Down

DESPITE a 10-per cent rise in sales from Rs. 3.89 crores to Rs. 4.38 crores, the gross profit made by New Great Eastern Spinning and Weaving Company has shrunk by nearly 27 per cent, from Rs. 25.93 lakhs to Rs. 18.98 lakhs. After providing Rs. 14.65 lakhs (against Rs. 13.38 lakhs) for depreciation, the net profit for 1970 amounts to Rs. 4.33 lakhs (against Rs. 11.14 lakhs). To this has been added Rs. 7.82 lakhs (against Rs. 2.38 lakhs), being development rebate reserve no longer required. After adjusting the debit balance of Rs. 7.79 lakhs (against Rs. 21.11 lakhs), the surplus of Rs. 4.35 lakhs is carried forward. Preference

dividends for eight years amounting to Rs. 3.52 lakhs are in arrears.

The Company exported goods worth Rs. 125.17 lakhs in 1970, against Rs. 58.77 lakhs in the previous year. Cash premium under the export incentive scheme was higher at Rs. 16.17 lakhs, against Rs. 6.64 lakhs in 1969. The Company spent last year Rs. 27.55 lakhs on additions to fixed assets for modernisation of machinery. An agreement has been reached with S.I.C.O.M. for financing of Rs. 20 lakhs for carrying out further modernisation. Last year's poor results have been attributed to the "abnormal" rise in cotton prices, enhanced wage bill and more or less stagnant prices of cloth. The outlook for the current year is viewed with anxiety because of higher raw material costs without any compensating increase in cloth prices. Exports too are expected to suffer a setback.

SAHNEY STEEL

Laminations Plant

THE foundation-stone of an electrical laminations plant in Uppal—an industrial development area in Hyderabad—was laid recently. The plant, which is a division of Sahney Steel and Pressworks Pvt. Ltd, will manufacture a variety of laminations. The capital investment in plant and

machinery is likely to exceed Rs. 1.5 crores. Commercial production is scheduled to commence in the last quarter of 1971, and the full-rated capacity will be reached in 1973.

S.P.I.C.

Big Fertiliser Complex

THE Southern Petro-Chemical Industries Corporation Ltd (S.P.I.C.) proposes to enter the capital market in early November to raise about Rs. 7.50 crores in equity and preference shares to meet part of the expenditure on its big fertiliser-chemical complex to be located near Tuticorin (Tamil Nadu). The complex which will have naphtha as its feedstock will have a capacity to produce daily 1,100 tonnes of ammonia (largest plant in Europe and Asia), 1,600 tonnes of urea (largest plant in the world), 600 tonnes of D.A.P./N.P.K. (new type of plant in India), 470 tonnes of sulphuric acid and 165 tonnes of phosphoric acid. In terms of plant nutrients, the total annual production would be 290,000 tonnes of nitrogen, 52,800 tonnes of P₂O₅ and 41,200 tonnes of K₂O. The nutrients would be supplied in the form of urea, di-ammonium phosphate (18:46:0, N.P.K. (15:15:15) and soil stabilisers.

The project is estimated to cost Rs. 63.50 crores which is proposed to be

SHARE OFFER FROM RONEO VICKERS

RONEO Vickers India Ltd, a wholly-owned subsidiary of Roneo Ltd of the U.K., will enter the capital market on 21st June to raise Rs. 20 lakhs in equity shares of Rs. 10 each issued at par. The proceeds of the issue will be utilised to meet part of the finance required for its expansion programme. The Company manufactures and markets a wide range of business systems, postal/insurance franking machines, steel cupboards, shelving and a few other shelving items. The Company has a manufacturing unit in Faridabad (near Delhi) and it expects to set up another unit in the near future. The Company has plans to expand the production of its existing range of franking machines and systems and also to undertake the manufacture of certain other sophisticated business machines and systems. The required technical know-how for the

manufacture of new items will also be provided by Roneo Ltd of the U.K. free of cost.

The Company has a paid-up capital of Rs. 29.26 lakhs. Its sales during the year ended November 1970 amounted to Rs. 50.15 lakhs on which it made a gross profit of Rs. 4.71 lakhs and paid a dividend of 10 per cent. Sales are expected to rise to around Rs. 55 lakhs in 1971, Rs. 65 lakhs in 1972, Rs. 75 lakhs in 1973 and Rs. 90 lakhs in 1974-75. The management expects the Company's profitability to improve with the implementation of the development programme. The Company hopes to be able to maintain the dividend on the increased capital. The public issue which is fully underwritten is being managed by Management Consultation Division, First National City Bank, New Delhi.

met by a share capital of Rs. 16 crores, loans from financial institutions amounting to Rs. 40 crores, a contribution of Rs. 2.90 crores from the Bhabha Atomic Research Centre, Atomic Energy Commission, towards the integration of its heavy water scheme and internal resources of Rs. 4.60 crores. The foreign exchange component of the project estimated at Rs. 28 crores will be available equally from the U.K. and Japan. The entire public issue of Rs. 16 crores made up of Rs. 12 crores in equity shares and Rs. 4 crores in 9.5 per cent cumulative redeemable preference shares, to be

wholly underwritten, will be shared by the promoters, directors and their associates and the public.

The S.P.I.C.'s vice-chairman and president, Mr. K. R. Srivatsa, told newsmen the other day that on the basis of the present capital cost in India, the outlay on the project would have been 80 crores to Rs. 100 crores, against the proposed outlay of Rs. 63.5 crores. Based on the current prices of fertilisers, the sale proceeds for the total nutrient production envisaged by the Company would be around Rs. 62 crores. Thus, S.P.I.C.'s

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sales turnover to investment ratio would be 1:1, as against 1 to 0.7 which is about the best achieved so far in India. In its feasibility report, the Company has assumed sales prices around 15 per cent less than the present prices and raw material prices have been assumed about 20 per cent higher than the ruling prices. Utilities cost has been taken at 5 per cent to 10 per cent higher. Based on these assumptions, the Company's turnover would be around Rs. 53 crores a year with the break-even point at 45 per cent production rate. The normal break-even point for the best plants in India similar to S.P.I.C.'s so far is 55 per cent to 60 per cent.

If all goes according to plans, the entire complex would go into production by March 1974. The promoters expect the Company to be in a position to declare the first dividend for 1974-75. The initial dividend would be about 8 per cent, rising to 12 per cent in the following year and gradually to 30 per cent in the fifth year. Mr. M. A. Chidambaram is the chairman of the board and Mr. K. R. Srivatsa, who till recently was the managing director of the Gujarat State Fertiliser Company, will be the vice-chairman of the board and president of the Company.

SYNTHETICS AND CHEMICALS

Dividend Doubled

SYNTHETICS and Chemicals has stepped up the dividend for 1970 from a maiden 6 per cent to 12 per cent even though its working results have suffered a small setback, compared with those in the previous year. Production increased from 24,590 tonnes to 30,339 tonnes but sales recorded a much smaller increase from 26,170 tonnes to 27,749 tonnes. Net sales (exclusive of excise duty) are lower at Rs. 13.14 crores, against Rs. 13.92 crores in 1969. The gross profit is slightly lower at Rs. 3.35 crores, against Rs. 3.43 crores. After providing Rs. 1.31 crores (against Rs. 1.26 crores) for depreciation and Rs. 2.01 crores (against Rs. 38 lakhs) for development rebate reserve, the net profit for 1970 is only Rs. 3 lakhs, against Rs. 1.79 lakhs in 1969. After adjustments, the surplus amounts to Rs. 6 lakhs (against Rs. 1.83 crores) out of which Rs. 5 lakhs (against Rs. 1.29 crores) have been transferred to general reserve. The proposed dividend absorbing Rs. 68.97 lakhs is to be paid out of general reserve.

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FINLAY GROUP MILLS

Bigger Dividends

ALL the three cotton textile mills belonging to the Finlay group have raised their dividends for 1970 by a rupee a share—Finlay and Gold Mohur from Rs. 11 to Rs. 12 a share and Swan from Rs. 12 to Rs. 13 a share. But not all the mills have done well to justify higher dividend distributions. While all the mills have reported a rise in sales, only Finlay has earned a higher profit. Gold Mohur has fared the worst, with a substantial decline in profit. The profit made by Swan is only marginally down. Margins have been under pressure and according to the chairman of the Finlay group, Mr. Ratansi Mulji, the outlook for the current year is "one of continuing anxiety" in view of the difficult cotton supply position. Government policy in respect of controlled cloth and the coming Central Budget are mentioned as the other uncertain factors. However, the working of the three mills during the first quarter of the current year is stated to be reasonably satisfactory.

Finlay Mills: Sales are up from Rs. 4.46 crores to Rs. 5.23 crores and the gross profit has risen from Rs. 59.72 lakhs to Rs. 62.86 lakhs. The dividend has been raised from Rs. 11 to Rs. 12 a share. Appropriations of profits, after some adjustments, include depreciation Rs. 26.37 lakhs (against Rs. 20.23 lakhs), development rebate reserve Rs. 6.95 lakhs (against Rs. 5.77 lakhs), taxation Rs. 15.85 lakhs (against Rs. 16.33 lakhs), general reserve Rs. 5.50 lakhs (against Rs. 8.50 lakhs) and dividend Rs. 9.60 lakhs (against Rs. 8.80 lakhs).

Swan Mills: Sales have registered a small increase from Rs. 4.15 crores to Rs. 4.30 crores and the gross profit is fractionally lower at Rs. 52.21 lakhs, against Rs. 52.39 lakhs. The dividend has been raised from Rs. 12 to Rs. 13 a share. Appropriations include depreciation Rs. 16.22 lakhs (against Rs. 15.60 lakhs), development rebate reserve Rs. 1.40 lakhs (against Rs. 2.60 lakhs), taxation Rs. 19.88 lakhs (against Rs. 17.23 lakhs), general reserve Rs. 6 lakhs (against Rs. 8.50 lakhs) and dividend Rs. 10.40 lakhs (against Rs. 9.60 lakhs).

Gold Mohur: Despite a nearly 5 per cent rise in sales from Rs. 5.29 crores to Rs. 5.55 crores, the gross profit has shrunk by 21.2 per cent from Rs. 56.65 lakhs to Rs. 46.73

lakhs. Even so, the dividend has been raised from Rs. 11 to Rs. 12 a share. Appropriations include depreciation Rs. 17.63 lakhs (against Rs. 18.33 lakhs), development rebate reserve Rs. 1.57 lakhs (against Rs. 6.97 lakhs), taxation Rs. 15.60 lakhs (against Rs. 13.59 lakhs), general reserve Rs. 4 lakhs (against Rs. 9.50 lakhs) and dividend Rs. 9.60 lakhs (against Rs. 8.80 lakhs).

COROMANDEL FERTILISERS

Prospects Improve

THE working of Coromandel Fertilisers Ltd for the year ended December 1970 is quite impressive and the Company has ended the year with a profit. The directors point out in their report that although the profit is modest, the year marks the turning point in the Company's fortunes. They have not, however, recommended a dividend yet because the profit is modest and the working capital demand of the Company continues to increase. The profits would have been higher but for the two unforeseen breakdowns in the plant. The plant produced about 220,000 tonnes of fertilisers which is 76 per cent of the rated capacity in terms of plant nutrient. During the year, 141,000 tonnes of product were sold within Andhra Pradesh and 92,000 tonnes were sold outside the State. Sales in northern India have been very encouraging. In January this year, the Company appointed Rallis India Ltd as another major agent in order to ensure a broader base for the sale of the Company's products.

The Government of India has granted the Company a licence for the phase-I expansion programme. This licence permits an increase in the plant capacity from 260,000 tonnes to 287,000 tonnes of complex fertiliser and an increase of urea production from 16,500 tonnes to 43,400 tonnes. The programme involves a capital outlay of Rs. 5.3 crores, including a foreign exchange component of Rs. 1.73 crores. The directors are confident that, barring unforeseen contingencies, the Company's growth and profitability will further improve. The Company's products have gained good reputation and the demand for them is increasing.

The gross profit for the year amounts to Rs. 834.21 lakhs, against Rs. 912.17 lakhs for the 15 months ended December 1969. After deducting depreciation of Rs. 445.86 lakhs (against Rs. 556.67 lakhs) and interest of Rs. 332.86 lakhs (against Rs. 417.87 lakhs), there is a profit balance of Rs. 55.49 lakhs

(against a loss of Rs. 62.38 lakhs). Deducting from the year's profit of Rs. 55.49 lakhs a sum of Rs. 33,069 being adjustments in respect of previous years, there is a balance of Rs. 55.16 lakhs which is being carried forward.

JAY SHREE TEA

Satisfactory Results

JAY Shree Tea and Industries has produced satisfactory working results for 1970. It has earned a higher net profit of Rs. 58.05 lakhs (against Rs. 30.06 lakhs), after providing Rs. 41.04 lakhs (against Rs. 42.71 lakhs) for depreciation, Rs. 4.68 lakhs (against Rs. 3 lakhs) for development rebate reserve, Rs. 2.75 lakhs (against Rs. 4 lakhs) for development allowance reserve and Rs. 58.50 lakhs (against Rs. 22.50 lakhs) for taxation. The taxable ordinary dividend has been raised from 10 per cent to 11 per cent, absorbing Rs. 18.04 lakhs (against Rs. 16.40 lakhs) which will be paid out of general reserve. This offers a yield of 6.2 per cent at the present price of Rs. 17.62 a share of Rs. 10 each. Dividends on the preference shares have already been paid. After making adjustments, a sum of Rs. 53.04 lakhs (against Rs. 25.05 lakhs) is transferred to general reserve.

The quantity of tea harvested during the year rose from 8,420,395 kilograms to 10,164,752 kilograms. The directors expect that with the introduction of modern techniques of cultivation, perennial plucking and better control and supervision, there is ample scope for further increase in the crop. Production of both the plywood factories was adversely affected because of the shortage of timber, glue and other materials.

SHRI AMBICA MILLS

Better Results

SHRI Ambica Mills (Ahmedabad) has produced improved results for 1970; sales, profit and margins—all are higher than in the previous year. While sales are up by 7.2 per cent from Rs. 15.56 crores to Rs. 16.69 crores, the gross profit has increased by 27.2 per cent from Rs. 2.24 crores to Rs. 2.85 crores. The ratio of profit to sales has improved from 14.4 per cent to 17 per cent. The dividend has been maintained at Rs. 33 a share but the directors have, in addition, recommended a one-for-one

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Editor

AJIT SINGH

Director, Bureau of Public Enterprises.

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Write to:—

Assistant Director, Bureau of Public Enterprises
(Information & Research Division), Ministry of Finance,
'F' Wing, Nirman Bhavan, New Delhi-11.

bonus issue. The Company had proposed a one-for-two bonus issue last year but it was not approved by the Controller of Capital Issues in terms of the new guidelines for bonus issues. The Company was asked to make a fresh application in 1971.

Appropriations of profits include depreciation Rs. 67.97 lakhs (against Rs. 65.85 lakhs), development rebate reserve Rs. 21.22 lakhs (against Rs. 10.80 lakhs), taxation Rs. 112.50 lakhs (against Rs. 81 lakhs), donations Rs. 2.62 lakhs (against Rs. 2.63 lakhs), reserves Rs. 35.06 lakhs (against Rs. 18.14 lakhs), preference dividend Rs. 80,000 (same) and equity dividend Rs. 44.88 lakhs (same).

PALANI ANDAVAR

Bigger Profit Earned

A SUBSTANTIAL improvement in the profit and maintenance of the equity dividend at 16 per cent feature the working results of Palani Andavar Mills Ltd for the year ended December 1970. Sales of finished goods amounted to Rs. 383.45 lakhs (against Rs. 330.96 lakhs). The profit amounts to Rs. 26.16 lakhs, after providing Rs. 10.64 lakhs for depreciation. This compares with the previous year's profit of Rs. 18.19 lakhs, after providing Rs. 9.42 lakhs for depreciation. With the balance of Rs. 2,533 brought forward, Rs. 13,500 being excess provision, and Rs. 1,975 being excess sitting fees, there is a total surplus of Rs. 26.34 lakhs. Out of this, donations amounted to Rs. 35,615. Bonus for prior years, less adjustments made from provisions, amounts to Rs. 1.89 lakhs (against Rs. 73,053). Provision for taxation amounts to Rs. 15 lakhs (against Rs. 9.70 lakhs). Development rebate reserve gets Rs. 3.10 lakhs (against Rs. 3.30 lakhs). The balance of Rs. 5.98 lakhs is transferred to general reserve. The preference dividend at 9.1 per cent on equity shares having a preferential right amounts to Rs. 18,200 and the ordinary dividend accounts for Rs. 3.20 lakhs. The dividends are to be paid out of general reserve.

CALEDONIAN JUTE

Dividend Doubled

CALEDONIAN Jute Mills Co. Ltd has produced improved working results for the year ended November 1970. The pre-tax profit has increased from Rs. 5.29 lakhs in the previous year to Rs. 13.89 lakhs, after

providing Rs. 9.14 lakhs (against Rs. 7.48 lakhs) for depreciation. In view of the Company's better performance, the taxable ordinary dividend has been raised from 5 per cent to 10 per cent. This offers a yield of 12.5 per cent at the present price of Rs. 80 a share of Rs. 100 each. After providing for taxation, a sum of Rs. 5.38 lakhs (against Rs. 3.50 lakhs) has been transferred to general reserve.

TROPICAL PLANTATIONS

Same Dividend

THE directors of Tropical Plantations Ltd have maintained the dividend at 8 per cent for the year ended December 1970. The net profit amounts to Rs. 2.02 lakhs, after providing Rs. 50,544 for depreciation and Rs. 80,000 for taxation. This compares with the previous year's profit of Rs. 1.80 lakhs, after providing Rs. 45,636 for depreciation and Rs. 1.35 lakhs for taxation. With the balance of Rs. 2,423 brought forward from the previous year, the total surplus comes to Rs. 2.04 lakhs. Out of this, a sum of Rs. 40,000 (same) is transferred to development reserve. The dividend will absorb Rs. 1.60 lakhs. The balance of Rs. 4,604 is being carried forward.

TRAVANCORE RAYONS

Satisfactory Results

THE directors of Travancore Rayons Ltd have maintained the equity dividend at 15 per cent for the year ended December 1970. The performance for the year was quite encouraging with a rise in sales and profit. According to the preliminary figures available, sales moved up to Rs. 9.27 crores (against Rs. 7.62 crores). There was also an increase in production of both cellulose film and rayon yarn. The gross profit, before depreciation and bonus, amounted to Rs. 134.02 lakhs (against Rs. 118.56 lakhs). After providing depreciation of Rs. 38.19 lakhs (against Rs. 33.04 lakhs) and bonus of Rs. 14.50 lakhs (against Rs. 12.45 lakhs), there is a profit of Rs. 81.33 lakhs (against Rs. 73.07 lakhs).

The directors state that the net profit would have been bigger but for the increase in raw material and labour costs, higher depreciation provision and the fact that the benefit of the new plants could be reaped only towards the end of the year. Development rebate reserve gets Rs. 23 lakhs (against nil). Provision for taxation amounts to Rs. 19.50 lakhs (against Rs. 54.25 lakhs). General

reserve gets Rs. 38.76 lakhs (against Rs. 23.76 lakhs).

KUMERCODE ESTATES

Dividend Maintained

FOR the year ended October 1970, Kumercode Estates Ltd's profit, after taxation, amounted to Rs. 1.44 lakhs, against Rs. 1.64 lakhs for the previous year. But the directors have recommended a final dividend of 10 per cent, making a total of 18 per cent, the same as that paid for the previous year.

SAVAMALAI ESTATES

Results Improve

SAVAMALAI Estates Ltd has produced encouraging working results for the year ended October 1970. The dividend has been raised to 30 per cent from the previous year's 22.5 per cent. The pre-tax profit amounts to Rs. 6.37 lakhs, after providing Rs. 49,257 for depreciation. This compares with the previous year's profit of Rs. 4.36 lakhs, after providing Rs. 49,490 for depreciation. Adding to the year's profit a sum of Rs. 46,385 brought forward and also Rs. 1,313 being excess provision written back, there is a total surplus of Rs. 6.85 lakhs. Out of this, a sum of Rs. 1.25 lakhs (against Rs. 75,000) is transferred to general reserve. Provision for taxation amounts to Rs. 3.25 lakhs (against Rs. 1.86 lakhs).

TIDE WATER OIL

Sales Up but Profit Down

TIDE Water Oil Co. (India) Ltd has declared a taxable ordinary dividend of 20 per cent, including an interim of 10 per cent on the increased capital, absorbing Rs. 1.80 lakhs, for the year ended October 1970, against 15 per cent on the old capital. This offers a yield of 6.6 per cent at the present price of Rs. 30.50 a share of Rs. 10 each. Although sales are up from Rs. 1.90 crores to Rs. 2.30 crores, the profit has declined from Rs. 5.79 lakhs to Rs. 4.43 lakhs, after providing Rs. 88,402 (against Rs. 88,972) for depreciation. Taxation claims Rs. 2.65 lakhs (against Rs. 3.50 lakhs), development rebate reserve Rs. 5,893 (against Rs. 3,500) and general reserve Rs. 1.82 lakhs (against Rs. 1.50 lakhs). A sum of Rs. 50,000 has been transferred from excess provision for taxation in previous years.

COMMODITIES

Mr. Chavan's Central Budget Disappoints Jute Mills

JUTE industry circles are disappointed over the absence of any reduction in the still heavy export duty on carpet-backing cloth in the Central Budget for 1971-72. Well-posted with the phenomenal strides being made by the synthetic backing industry in the U.S.A. during the past two years or so and the sharp decline in the bookings and offtake of the special-purpose fabric since the beginning of the season, the Central Finance Minister, Mr. Y. B. Chavan, should have considered the high dollar-earning potential of the product and helped the industry in reducing its price, indirectly sharpening its competitive edge vis-à-vis substitute packaging materials.

Clive Row is inclined to believe that the Central Finance Ministry has misunderstood the recent request made by some mills to allow an increase in the price of the fabric by some Rs. 300 a-tonne in view of the temporary sellers' market which has developed in the commodity, following the virtual suspension of exports from East Bengal since March last. Although the supply position is unlikely to improve until selected grade fibre starts arriving in adequate quantities, any relief in the incidence of the duty even at this stage would have gone a long way in helping the industry in making offers for forward positions, thus stalling the redoubled efforts of the synthetic manufacturers to encroach upon the established market for the jute-based product. As direct mill offers of carpet-backing cloth and the rates thereof are subject to a rigorous scrutiny by the Jute Commissioner's establishment, the chances of any diversion of the relief are remote. It is to be hoped that the authorities concerned would look into this aspect of the problem and give substantial fiscal relief to the product, thus paving the way to the fruitful utilisation of the vast capacity installed by the industry at a colossal cost.

In the context of the unusual situation prevailing in East Bengal, it was essential that the existing policy allowing exports of raw jute from India to certain rupee-payment countries to the extent of 100,000 bales a year should be urgently revised, observed Mr. H. M. Bengani presiding over the annual meeting of the Cal-

cutta Hydraulic Press Association last week. Beside the facts that liberalisation of the export quota and lifting of the restrictions as to the countries of destination would be in the long-term interest of jute itself, he said, it would offer the much-needed fillip to the hydraulic pressing industry.

Worry over Power Shortage

The Indian Jute Mills Association is worried over the failure of the Government of West Bengal, the West Bengal State Electricity Board, the Calcutta Electric Supply Corporation and the Damodar Valley Corporation to initiate any positive move so far to alleviate the problem facing the jute industry in relation to the frequent interruptions in the supply of electricity to the mills. The power supply situation, in fact, has shown a progressive deterioration since April 1970. Explaining the difficulties of the industry, a Press note issued by the Association last week deplores that the C.E.S.C.'s operation of its present power restrictions is seriously militating against the industry's all-out drive to boost the output of jute goods in an effort to bridge the gap in the world supply of jute goods.

The I.J.M.A. hardly considers it necessary to emphasise that any loss of production suffered by the industry at the present time will not only cause a loss of foreign exchange earnings to the country but will also hasten the large-scale permanent replacement of jute by synthetics. In the absence of advance intimation relating to the precise duration of power cuts by the C.E.S.C., the mills suffer a complete disruption of activities. When the cut comes all on a sudden, the production schedule is thrown out of gear. The position is made all the more worse as mills are not advised as to when power supply will be restored. No one seems to know when the power shortage is going to end.

Gunnies Featureless

Notwithstanding erratic price movements, the Calcutta gunny market ruled practically featureless during the past week. The absence of

any positive development in East Bengal seemed to be the major factor contributing to the lack of interest from overseas buyers. The proximity of the final Central Budget for 1971-72 induced caution among operators. The absence of any fiscal relief or of any fresh levy failed to cause any surprise to either the trade or the industry. Unconfirmed reports from shipper circles and Radio Pakistan stated that Chalna and Chittagong ports had resumed operations, facilitating the export of jute and jute goods. But the position was less certain in respect of production which could hardly return to normal levels until a satisfactory settlement of the present conflict. So overseas interest in Indian jute goods remained confined to ready and near positions in bare minimum lots. Trading was resumed on a quietly steady note but prices of both hessian and sacking hardened on reports of brisk bear-covering at the lower levels. Rising prices also produced a snow-ball impact, inducing some shippers and shorts to rush in for covering their recent sales to the U.S.A., Russia, east Africa and Argentina. Besides, some major internal industries and the grains, cereals and oilseeds storage and distribution trades also bought moderate lots of ready and near-delivery goods. The Government of India absorbed some 10,000 bales of D.W. flour bags. Taking note of the present situation and the virtual absence of long-term bookings, operators were inclined to believe that official and semi-official agencies would soon enter the market to replenish their lean inventories of packaging materials. Thus prices tended to move erratically on alternate bouts of buying and selling. There was profit-taking at the bulges but all intermittent offers were well absorbed, helping prices to settle somewhat above the week's dips. Calcutta shipper circles said that the cancellation of the close-out date procedure in respect of end-April loaders helped late loaders receive adequate support on almost all routes. But the trend was likely to be reversed with regard to exports to Pacific Coast destinations in the U.S.A. as the longshoremen's wages agreement with their employers was scheduled for renewal soon. The I.J.M.A. despatches statement for April showed a comfortable increase in overall offtake by 13,200 tonnes over the March figures to 96,000 tonnes. Of these, exports rose by 9,400 tonnes to 50,100 tonnes, indicating the absorption of sizable consignments of ready deli-

very goods by shorts and shippers against their Pakistani bookings, and internal consumption by 3,800 tonnes to 45,900 tonnes. Hessian exports increased by 5,200 tonnes to 24,000 tonnes, sacking by 1,500 tonnes to 6,600 tonnes, carpet-backing cloth by 1,300 tonnes to 16,000 tonnes and miscellaneous goods by 1,400 tonnes to 3,500 tonnes. The internal consumption of sacking rose significantly by 3,900 tonnes to 35,500 tonnes due to brisk short-covering and hessian by a bare 300 tonnes to 6,000 tonnes while other goods dropped by 400 tonnes to 4,400 tonnes.

The hedge market ruled about steady in a lean turnover due to the drastic enforcement of the rigorous penal restrictions. Transactions were confined to genuine business against *bona fide* export contracts registered with the E.C.R.C. and sales to official and semi-official agencies and major internal industries. The gross and net outstanding open positions in August delivery futures contracts in hessian 40in. 10oz. and B Twills dropped further over the previous week-end levels. The closing undertone was cautious.

Latest available quotations (in rupees) were as follows:

	June	June-Sept.
40in. 7½oz.	75.50	73.25
40in. 8oz.	—	—
40in. 10oz.	97.50	96.25
B Twills	264.25	267.75
Heavy Cees	264.25	267.75
Cornsacks	—	—
A Twills (U.S.)	326.00	329.00
Liverpools	313.00	310.00

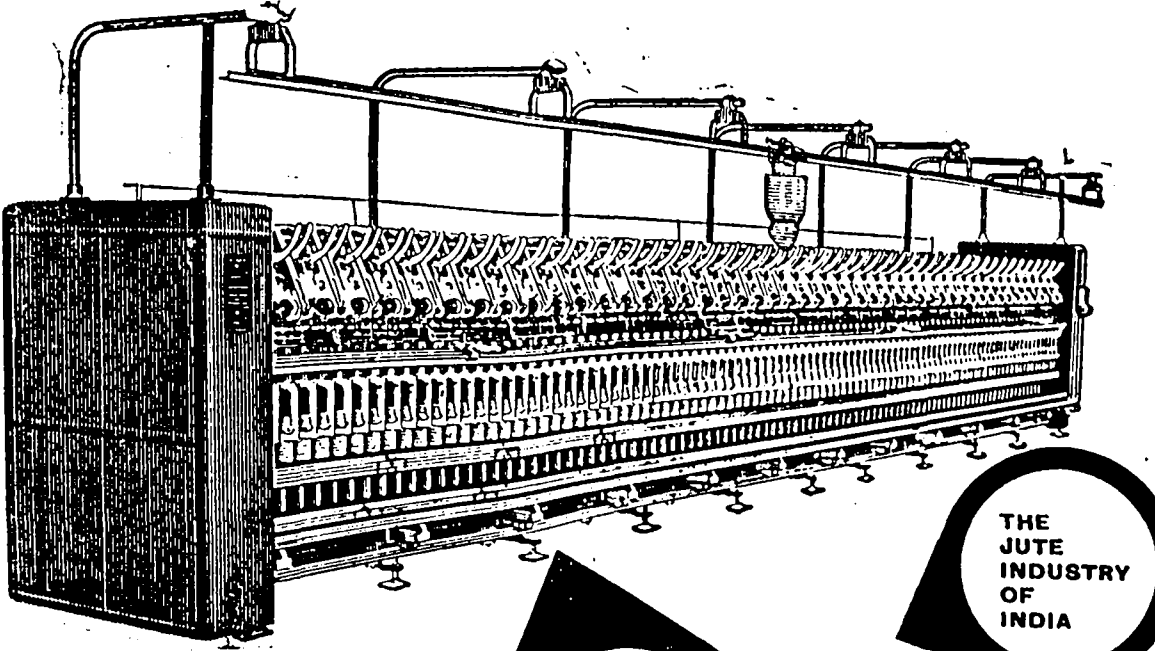
Fibre Steady

But for a short-lived firmness around mid-week, induced mainly by the brisk offtake by mills and mill agents of available offers of selected grade fibre induced by the announcement of the I.J.M.A. end-April raw jute inventories, the raw jute market ruled about steady in thin trading during the past week. As the prices had been ruling at fairly high levels and the floating stocks failed to meet the qualitative standards, buyers continued to show positive resistance to the offers. An appreciable decline in the pressure of fresh arrivals and rather lean inventories with the trade influenced the sellers' demand for higher prices. The I.J.M.A. statement showed that at the end of April, the mills

had an inventory of 1.645 million bales of fibre, against 1.628 million bales a month ago, inclusive of the undelivered quota of 425,000 bales, against 298,000 bales. During the ten-month period the mills purchased 5.178 million bales, against 5.765 million bales in the same period of the previous season, and consumed 4.674 million bales, against 4.695 million bales. Turnover was small. The closing undertone was pretty steady.

Latest available quotations (in rupees) were as follows:

	June-July		
	Rates a quintal	Rates a quintal	Rates a quintal
	Mid.	Bot.	Mid.
Selected Assam-			
Agartala	171.47	163.43	61.00
Northern Jute	166.11	158.07	59.00
Western Desal			
Jute	158.07	150.04	56.00
Selected			
Daissee	175.49	167.45	62.50
Assam-Agartala			
Tossa	176.83	168.79	63.00
Mesta :			
Assam Mesta	159.41	151.38	56.50
Selected Daissee			
Murshidabad	154.06	146.02	54.50
Bihar Dist.	147.36	139.32	52.00



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OILSEEDS

Ceiling on Advances Goes

After a review of the present supply and prices position of mustard-seeds and rapeseeds in the country and in order to facilitate the marketing of these oilseeds and soyabeans, the Reserve Bank of India has exempted bank advances against these oilseeds from the ceiling control imposed last January. Simultaneously, the Bank has also reduced the minimum margin on advances against mustardseeds and rapeseeds and soyabeans from 75 per cent to 60 per cent. These advances would, however, continue to be subject to the minimum rate of interest of 12 per cent as provided in the earlier directive. Again, the modification made in respect of ceiling and margin for these oilseeds does not apply to advances against either mustard-seed and rapeseed oil or soyabean oil which would continue to be governed by the provisions of the earlier directive. Advances granted to *vanaspathi* manufacturers against the security of soyabean oil imported under the P.L. 480 Agreement will continue to be exempted from the provisions of the directive. While making advances against these commodities, the scheduled commercial banks have been advised to exercise caution.

TEA

Fair Demand

A Special Correspondent writes: Approximately 23,000 chests were offered at last week's tea auction, of which about 1,000 chests were of the old season's manufacture. Generally there was only a fair demand; in fact, the auction continues to be dominated by buyers for Russia. Darjeeling teas sold at lower levels, although buyers followed quality closely. Orthodox brokens received fair support but fannings were a weak feature of the auction. This also applies to the C.T.C. teas—brokens met with a fair market but fannings were much lower. In the trade's view it is still too early for a market pattern to be established. Offerings are generally still of first flush quality and, in any event, the quantities on offer, for example of C.T.C. fannings, are too small to warrant any overseas buyer's large-scale operation. However, the trade is looking forward to a good market in the future weeks as quality improves.

COMPANY AND PUBLIC NOTICES

THE TITAGHUR JUTE FACTORY COMPANY LIMITED

1971, at 10.30 A.M. for the following purposes:—

SUBJECT to final audit the Group Profit for 1970 after all charges including taxation and minority interest is £756,982 (1969 Loss £461,338). Detailed Accounts will be issued on 8th June, 1971.

The Directors recommend payment of a Dividend on Ordinary Stock at the rate of 7½%. If approved at the Annual General Meeting to be held on 1st July, 1971 payment will be made on that date, less Income Tax at 38.75%.

The Transfer Books of the Ordinary Stock will be closed from 17th June, 1971 to 1st July, 1971, both days inclusive.

A CLARK,
Secretary.

Dundee, 25th May, 1971.

KUMARDHUBI FIRECLAY & SILICA WORKS LIMITED

THE Directors of the above Company have decided to recommend the payments of Dividends for the year ended 31st December, 1970, subject to deduction of tax as under:

On Redeemable Cumulative Preference Shares—@ 4.43% per annum
On Ordinary Shares—Rs. 2/- per share

By Order of the Board
S. C. MAHTAB
Secretary

Registered Office
Chartered Bank Buildings
Calcutta-1, 27th May, 1971.

KUMARDHUBI FIRECLAY AND SILICA WORKS LIMITED

NOTICE is hereby given that the Annual General Meeting of the Members of KUMARDHUBI FIRECLAY AND SILICA WORKS LIMITED will be held at its Registered Office, Chartered Bank Buildings, Calcutta-1, on Friday the 25th June,

(1) To consider the Profit and Loss Account of the Company for the year ended 31st December, 1970, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.

(2) To declare the Dividends recommended by the Directors.

(3) To appoint a Director in the place of a retiring Director.

(4) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

(5) To appoint Mr. M. M. Dutt, a Director, who vacates his seat at this meeting, and to consider and, if thought fit, to pass the following Resolution of which the prescribed notice has been received by the Company in terms of Section 257 of the Companies Act, 1956, the candidate having filed with the Company his consent to act as a Director, if appointed.

"RESOLVED that Mr. M. M. Dutt be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

The Registers of Members of the Company will be closed from 21st June, 1971 to 25th June, 1971, both days inclusive.

By Order of the Board
S. C. MAHTAB
Secretary

Registered Office:
Chartered Bank Buildings,
Calcutta, 27th May, 1971.

Notes: (1) A member entitled to attend and vote at this meeting may appoint a Proxy to attend and vote in his stead. A Proxy need not be a member of the Company.

(2) The Dividend, if declared, will be paid on or after 15th July, 1971, to those members so entitled whose names appear in the Company's Registers of Members on the 25th June 1971 or to their

order. No application for Dividend Warrants will be necessary.

- (3) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business, set out above is being sent to the Members.

THE KARANPURA DEVELOPMENT COMPANY LIMITED

THE Board of Directors at a meeting held today recommended the following dividends payable on or after the 31st of July, 1971.

- (a) On Ordinary Shares @ 5% per annum subject to deduction of tax at source for the year ended 31st December, 1970.
- (b) On Founders Shares @ 15% per annum subject to deduction of tax at source for the year ended 31st December, 1970.

The Annual General Meeting for the year ended 31st December, 1970, will be held on 28th of June, 1971, and the Registers of Members of the Company will be closed in this connection from the 21st of June, 1971 to 28th of June, 1971, both days inclusive.

By Order of the Board
K. L. DUA
Director

Registered Office:
Chartered Bank Buildings,
Calcutta 1,
31st May, 1971.

THE NUDDEA MILLS COMPANY, LIMITED NOTICE

NOTICE is hereby given that the Register of Members and Share Transfer Books of the Company will remain closed from the 17th to the 23rd June, 1971, both days inclusive.

THE NUDDEA MILLS COMPANY,
LIMITED,
S. C. BHANDARI
Director.

2, Fairlie Place,
Calcutta-1, 31st May, 1971.

THE KARANPURA DEVELOPMENT COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of The Karanpura Development Company Limited, will be held at the Registered Office of the Company, Chartered Bank Buildings, Calcutta, on Monday the 28th June, 1971 at 10-30 A.M. for the following purposes:

- (1) To consider the Profit & Loss Account of the Company for the year ended 31st December, 1970, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
- (2) To declare Dividends recommended by the Directors.
- (3) To appoint a Director in place of a retiring Director.
- (4) To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

- (5) To appoint Lt. General I. D. Verma, a Director of the Company, who vacates his seat at this Meeting, and, in this connection, to consider and, if thought fit, to pass the following Ordinary Resolution of which the prescribed notice has been received by the Company from a member, the candidate having filed with the Company his consent to act as a Director if appointed.

"That Lt. General I. D. Verma be and is hereby appointed a Director of the Company whose period of office will be liable to determination by retirement of Directors by rotation."

- (6) To consider and if thought fit to pass the following resolution which will be proposed as a Special Resolution:

"RESOLVED that approval be and is hereby accorded pursuant to Section 149(2A) of the Companies Act, 1956 to the commencement by the Company of the undernoted activities which are covered by the Objects Clause contained in the Memorandum of Association of the Company:

Manufacturers of bricks of all kinds (clay, fire, acid

CAPITAL, 3rd JUNE, 1971

proof and insulating) and their by-products of all kinds."

The Registers of Members of the Company will be closed from the 21st June, 1971 to the 28th June, 1971 both days inclusive.

By Order of the Board,
K. L. DUA
Director.

Registered Office:
Chartered Bank Buildings,
Calcutta, 31st May, 1971.

- Notes: (a) A member entitled to attend and vote at this meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a Member of the Company. A Blank Form of proxy is enclosed, it should reach the Company not later than 48 hours before the Annual General Meeting.
- (b) The Dividends, if declared, will be paid on or after 31st July 1971, to those Members so entitled whose names appear in the Company's Registers of Members on the 28th June 1971 or to their Mandatees. No application for Dividend Warrants will be necessary.
- (c) An explanatory statement in pursuance of Section 173 of the Companies Act, 1956, in respect of items No. 5 and 6 is being sent separately.

DIVIDENDS DECLARED OR PROPOSED

- Williamson Magor & Co. Ltd—10 p.c. (0), subject to tax
- Dimakusi Tea Co. Ltd—15 p.c. (0), subject to tax
- Gohpur Tea Co. Ltd—5 p.c. (0), subject to tax
- Nagri Farm Tea Co. Ltd—12½ p.c. (0), subject to tax
- Modern Mills Ltd—Nil
- Banarhat Tea Co. Ltd—16 p.c. (0), subject to tax
- Hoolungoore Tea Co. Ltd—Nil
- Soom Tea Co. Ltd—5 p.c. (0), subject to tax
- Hooghly Flour Mills Co. Ltd—15 p.c. (0), subject to tax
- General Industrial Society Ltd—10 p.c. (0), subject to tax

CAPITAL, 3rd JUNE, 1971.

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(Founded in 1888: Published every Thursday)

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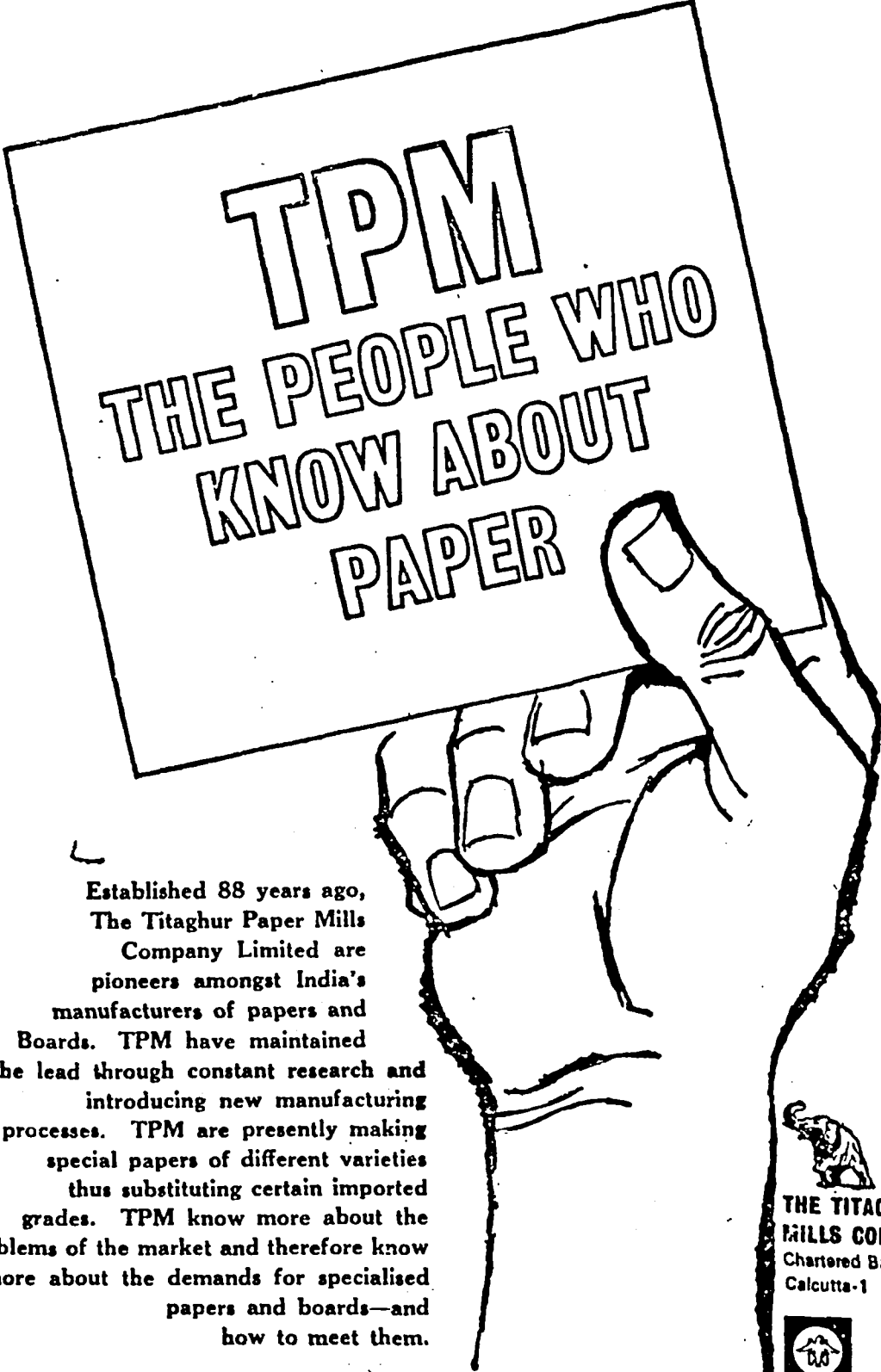
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THE TITAGHUR PAPER
MILLS COMPANY LIMITED
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A BIRD-HEILGERS
ENTERPRISE

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Editor: A. K. Ganguly

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E. C. M.: Good Luck to Britain
Storm Over Rupee Trade
Compensating Company Executives
Steel: Major Thoughts on Mini Plants
Bank Credit for Small Units

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E.C.M. : Good Luck to Britain

IT cannot yet be taken completely for granted that Britain's membership of an enlarged European Community is now inevitable. Despite the apparent success of Mr. Heath's meeting with President Pompidou, which by all accounts went more smoothly than almost anybody in London or Paris had expected, there are many problems still to be settled. The next few weeks of negotiation in Brussels could change the present favourable picture quite drastically. Even after that, there will be the appallingly difficult task of selling Common Market membership to the British public. Yet, the fact remains that Britain's entry into Europe now seems more likely than it has at any time since 1962, and that it would be unwise of those countries likely to be affected, of which India is one, not to plan their economic future on this basis. Luckily, India is not going to feel the impact of the change in any vital sense, in the way, for instance, that New Zealand will. India's attention should ideally be concentrated on extending her trading contacts with the expanded Common Market rather than attempting to protect what small privileges she still enjoys in the British home market itself. For India, the entire problem presents itself in terms of a Britain outside Europe, stagnant, crisis-prone, perhaps increasingly protectionist, and a revitalised country able to afford an increasing volume of imports and willing to promote the interests of her former trading partners inside a rapidly-expanding European unit.

It was reported from Paris that Mr. Heath and President Pompidou confined themselves to general problems, mainly of a political nature and centred on the ancient theme so dear to the heart of the late General de Gaulle—whether or not Britain is now a convinced European and not

just an American Trojan horse. But this does not have to be taken too seriously. The optimism which followed the meeting would scarcely have been justified in the eyes of either party had it not been based on the outcome of some fairly vigorous horse-trading. There must, for instance, have been agreement in principle about the terms of Britain's entry as represented by the contributions required of her to the Community Budget. Moreover, some understanding must have been reached about New Zealand. Both these matters are potentially explosive for the British public opinion because each in its own way offers a convenient rationalisation on to which opposition to Market membership could fasten. It also seems likely that there was an agreement in principle concerning the future status of the sterling as a world currency. About this the French have recently been more than usually anxious, and it will be of some interest to India to see how their views are met.

India's interest in what happens to the international status of the pound would, of course, be greater if she were the owner of substantial sterling balances. It is these that promise to be the problem, because the French are insisting that an agreement be reached on their disposal. This can only be achieved in two ways. The first would be by unloading the balances on the International Monetary Fund, say, in exchange of an issue of Special Drawing Rights (S.D.R.s). Britain's debt to the Fund would then be liquidated over the next 50 years or so, and in the meantime would bear interest at an agreed rate. The main disadvantage of the idea is that S.D.R.s are currently under a cloud, thanks to the reluctance of the United States to deal with her balance-of-payments deficit, and France especially would probably be unwilling to accept such a solution

at the present time. The alternative is that the Community itself should shoulder the burden of the balances. To some extent, this is already being done through the Baale Agreements. These are due for renegotiation in September, and it is possible that this time France will make some contribution. That would be a significant step towards the final goal of "Europeanising" the balances, and so effectively injecting the strength of the Community's currencies into the system hitherto known as the sterling area. It could confidently be assumed there would be no difficulty in countries such as India continuing to use the sterling as a trading unit if they wished.

Doubtless, the most vital way in which India will be affected by Britain joining Europe will be on the matter of tariffs. She derives only marginal benefit at present from her membership of the Commonwealth trading system, and even this will be sharply diminished when the proposed tariff on her cotton textile imports into the British market becomes effective next year. But there is no denying that India stands to lose from the process which Britain will have to pass through as she adapts herself to the common tariff. This will not be too fearsome a barrier by the time all the Kennedy Round cuts have been implemented. But it will still be there, and in the meantime there is a possibility that the worsening relations between the United States and the European Community will result in much of the good work done by the Kennedy reductions being lost. It is not easy to foresee the future in this matter, and the main hope for India is that the expansion of world trade over the next decade will be so large as effectively to diminish the problems of Britain's adoption of the common tariff. Nevertheless, India is bound to find her interests affected, and their protection will call for energetic representation in both London and Brussels for some years to come. It is probably wise to remember, however, that if Britain were not to go into Europe after all, then India's prospects would probably be no better. The proposed tariff on Britain's Commonwealth textile imports is an example of the kind of thing India might have to face if the British economy were to be left to fend for itself in an increasingly competitive and protectionist world.

This possibility underlines the importance of British membership of Europe for the rest of the world. The British tradition in trading matters is

distinctly liberal, or at any rate probably more so than that of her prospective partners in the Community. Her voice in the councils of Europe will almost certainly be heard in favour of the maximum amount of trade liberalism, and this is a fortunate prospect in a world which increasingly threatens to move towards greater protectionism. There is a lingering fear that, left to itself, the Community will become increasingly insular and inward-looking, and especially does it seem likely that it will permit its relations with the United States to deteriorate in view of that country's studied indifference to the economic interests of others as manifest in the latest international currency crisis. Any such deterioration could not fail to hit world trade as a whole, and that would certainly affect India. The hope is that Britain inside Europe will be able to exert her influence in support of the maximum amount of liberalism in international trade generally.

There is a reasonable prospect, too, that the developing countries as a group will benefit from Britain's voice being heard more loudly in the Community. So far the record of the Six has been fairly good in this matter, although such generosity as there has been has mainly benefited France's African partners. Britain has already been able to negotiate an agreement that all her developing partners—in Asia as well as Africa—will be entitled to associate membership of the Community. Exactly what significance this might have for a country in India's

position is difficult to say at this stage. But it would be unwise of New Delhi to rule out the possibility of India applying for an associate status, possibly on political grounds. It seems to have little, if any, political significance; the main question is whether or not it might help her trading position.

It would be unrealistic to assume that India's interests will feature prominently in the anxious debate which can now be expected to take place in Britain about prospective membership. This will, in logic, centre on the terms involved, which may be known by the end of June. But, in fact, the argument will be about feelings rather than facts—the feelings which any nation in Britain's position, and with her history, is bound to have about throwing in her lot with a larger grouping. It is not yet by any means certain that the outcome of the debate will be in Mr. Heath's favour, although it can be expected that no effort will be spared to convince the electorate that it is in Britain's long-term political and economic interests to join. The trouble is that it is impossible to make use of the most potent argument of all for Britain's membership, namely, that unless she does get in, her economic future is so bleak as to defy adequate description. No British Government would dare admit, publicly and within hearing of its prospective partners in Brussels, that unless Britain is admitted to the membership, she will have virtually sunk without trace by the end of this century.

Storm Over Rupee Trade

THE rupee trade is in the news again. The spotlight has been turned on the subject because of the visits recently paid to India by delegations from two countries—Yugoslavia and the United Arab Republic—with both of whom different kinds of problems have cropped up. The problem with Yugoslavia is that she wants to end the rupee payment trading system in March 1972. This was the date agreed to between the two countries to introduce a new system of payment. But to be able to change the present mode of payment, details will have to be worked out and this is what the Indian and Yugoslav officials tried to do during their recent talks in Delhi. However, these have not proved successful.

Yugoslavia apparently insists on a complete switch-over to payments in

hard currency from March next year. India naturally does not want to repay in hard currency the old rupee loans taken from her. India owes Yugoslavia about Rs. 60 crores on account of credits extended by the latter to buy ships and machinery. At the same time, Yugoslavia has recently contracted to purchase Rs. 40 crores worth of railway wagons from India on a deferred payment basis. India suggested during the recent Delhi talks that the switch-over to payments in hard currency be delayed till March 1974, when she would have repaid most of the Yugoslav credits. Yugoslavia was apparently not willing to consider this suggestion. A counter-suggestion made was that the present liabilities of either country should be taken into account and whoever has a net liability should be given a chance to pay it off in one package

exports of goods. According to the above figures, India has a net liability of about Rs. 19 crores.

The Indian side was not very happy about the clubbing together of the Indian and Yugoslav credits to arrive at the net figure. Such a step had certain patent disadvantages for India. For instance, when the Yugoslav loans were given to India, it was understood on both sides that the repayments would be made in rupees. The question of ending the rupee payment trading system was not in the air at that time. It may even be recalled that when a dispute arose (which is yet to be settled) following the devaluation of the sterling, which had been used in some contracts, Yugoslavia insisted that the quantum of India's repayment must not be changed since the sterling clause was purely notional and that actual transactions must be in rupees. However, the wagon deal is of a recent origin. When it was signed recently, it was very clearly known that a new payments system would have to be evolved by March 1972 which would entail payment in free foreign exchange. The contract, therefore, specified that deferred payment for the wagons would be in the currency prevailing for settlements between the two countries at the time of repayment or in any other currency mutually agreed upon. This is why India does not wish to lump together the liabilities of both countries to arrive at a net figure. This would work against the Indian interest.

With her other rupee trading partner—the United Arab Republic—India has a different sort of problem. Because of her poor export performance, the U.A.R. has piled up "technical credits" from India totalling about Rs. 25 crores. The dilemma is that neither can India afford to continue this level of credit in her present situation nor is the U.A.R. in a position to wipe it off. Although trade is supposed to be maintained on a balanced basis between the two countries, when this does not happen the country with a favourable balance of trade provides the other a short-term "technical credit" so as not to disrupt the trade flow. Such short-term technical credits are not normally supposed to exceed Rs. 5 crores, but the U.A.R.'s position is such that she has only a limited range of goods to offer India. Hence, the technical credits have piled up to Rs. 25 crores—which are equal to half the technical credits provided by India to meet the requirements of all

the countries with which she has rupee trading arrangements.

When one considers these problems in relation to the industrial collaboration agreement between the three countries signed a few years ago, the inevitable conclusion is that the tripartite agreement has produced no results, and it will for ever remain largely on paper. Following the agreement, several rounds of discussions had been held between teams of the three countries and half-a-dozen specific fields had been identified where the three could usefully put their resources together and produce goods to the advantage of all of them. But with Yugoslavia insisting on trade on the basis of payment in free foreign exchange and the inability of the U.A.R. to sell a wide range of goods to India, the tripartite agreement on industrial and economic collaboration will remain a pious resolution to be filed in the archives of the three Governments.

In whatever manner the problems of payment with the U.A.R. and Yugoslavia is settled ultimately, it is evident that a time has come for India to have a second look at the rupee trading system as a whole. There is no denying that the system, as it has evolved over the years, has helped India to import capital goods at a crucial stage of her development.

Steel: Major Thoughts on Mini Plants

THERE is no need at all for the Central Government to be apologetic about its decision to license four parties in the private sector to set up what have come to be known as mini steel plants. As the Central Steel Minister, Mr. Mohan S. Kumaramangalam, pointed out at a Press conference in New Delhi a few days ago, the process to be employed by the mini steel plants is nothing new to this country, nor are the plants being licensed for the first time. The first mini steel plant, making steel from an electric furnace using scrap and the continuous casting process, was licensed by the Government over ten years ago. Earlier, the private sector was permitted to set up pig iron plants. Therefore, any attempt to raise a controversy on this issue would be pointless.

On the contrary, the Government deserves to be congratulated on taking a pragmatic view on the question

Naturally, the volume of rupee trade—as a proportion to her total world trade—has also increased over the years. Nearly 22 per cent of India's exports is to countries with which she has rupee payment arrangements and about 18 per cent of this country's imports now come from these sources. It is thus extremely difficult to end the system abruptly. But with India's debt repayment liabilities in free foreign exchange growing steadily, there is a need to earn more of free foreign exchange. The country's export capability is also much better today than it was a decade ago. Therefore, it is time to review the payment arrangements with eastern Europe and a few of the west Asian nations with which India has similar agreements. For instance, when it comes to payment for cotton, India has to sell free foreign exchange to the Sudan, although the two countries have a rupee trading agreement. Similarly, a part of the cost of the Yugoslav ships has to be paid in hard currency. With the growing desire of some advanced western countries for more direct trade with India (these countries get some Indian products through "switch" deals practised by some of India's rupee trading partners), it is time a shift in India's foreign trade policy was undertaken. It is true that the changes cannot be brought about overnight, but a beginning could be made wherever it suits India's interests.

of licensing new capacity in the private sector. There is no place for ideological qualms on this matter, because it will be just frittering away the resources of the public sector if it were to be asked to put up mini plants. Even so, the Centre has licensed two units in the public sector, one to be owned jointly by the Kerala Government and a private party in the ratio of 51:49 and the other wholly owned by the Punjab Government. This should satisfy the radicals in the ruling Party and the left Opposition that the Government has not surrendered to the private sector.

At present, the country is facing a serious shortage of steel. The former Central Steel Minister, Mr. B. R. Bhagat, had stated a few months ago that the shortage would be there throughout the seventies. The National Council of Applied Economic Research (N.C.A.E.R.) has

estimated the annual shortage at 2 million tonnes and stated that this would be the position at least till 1975. If the country is to continue imports—worth Rs. 100 crores a year—throughout the 'seventies, the net outgo of foreign exchange will be a staggering figure of Rs. 1,000 crores—enough to set up three more conventional steel plants.

If the six mini plants that have just been licensed by the Government go into production even by the end of the Fourth Plan period, they will contribute about 1.5 million tonnes of steel and to that extent, reduce the foreign exchange drain on imports. It is indeed difficult to appreciate the logic of those who would rather let this country go on importing steel and other essential goods than allow them to be produced in the private sector. If this is the way to build a self-reliant economy, it will be many generations before the dream comes true.

The controversy on public and private sectors is meaningless for more than one reason. As Mr. Kumaramangalam has himself conceded, the licensing of a few units in the private sector is not going to affect in any way the commanding position that the public sector enjoys and will continue to enjoy in the steel industry. The Industrial Policy Resolution only envisages that the "commanding heights" of industry will remain in the public sector and as long as there is no threat to that position, it is idle to talk of the Resolution being violated. It is just a matter of interpreting the Resolution and those who care more for its spirit than those who go by its letter should be commended for taking a realistic view of the needs of the economy. If the Constitution itself can be amended to do away with certain inalienable rights, there is no reason why a more liberal view cannot be taken of a resolution that, in any case, is overdue for revision.

Furthermore, the private sector is no longer all that private. It has lost much of its teeth and has been made to depend on Government agencies for almost everything. The Government exercises control over licensing, capital issue and imports. The public financing institutions, giving assistance to private units of over Rs. 50 lakhs, have acquired the right to stipulate in loan agreements that they could

under certain circumstances convert their loans into equity capital. The nationalisation of major commercial banks and general insurance has also taken away the power that some bigger private units may have had to play with public funds. Under the circumstances, it is surprising that some politicians are still allergic to the private sector, as though it is the incarnation of all evils. It is time they developed a balanced view of the two sectors.

Mr. Kumaramangalam expressed dissatisfaction at the performance of public-sector steel plants. He said that their production in 1970-71 were 140,000 tonnes less than in the previous year and barring Bhilai, no other plant was working to even 60 per cent of its capacity. For the current year, the production target has been modestly raised but no one expects public-sector plants to produce to their rated capacity even after two or three years. Their two major problems are maintenance and labour relations, and even if Mr. Kumaramangalam's efforts to solve them succeed, it will be some time before these plants will be in a position to increase their output substantially.

In this situation, the need is clearly for augmenting production in every possible manner. It is just as well that the Central Steel Minister

has an open mind on the question of licensing more mini plants in the private sector. He said that six more plants might be licensed in the Fourth Plan period and hastened to add that the figure was not rigid and could be raised, if necessary. In order that new plants may find enough raw material, the Government has decided to license two sponge iron plants.

The progressive expansion of the electric arc furnace industry will not only help the country to reduce its dependence on imports to cover the gap between the demand and domestic production of steel but also ensure a more profitable use of scrap. While the decision to allow two sponge units to come up in the private sector is welcome, it is regrettable that the Government has not considered sympathetically their plea to be allowed to convert their sponge iron into steel in their own electric arc furnaces. The Government's contention that this would amount to allowing the private sector make steel right from converting ore into pig iron to making the finished products and would, therefore, constitute a violation of the Industrial Policy Resolution is as untenable as the opposition of radicals to the mini steel plants. If this stand was intended to soften the opposition to the decision on mini plants, it is even more regrettable.

Rumblings Over Rajamannar Report

THE Rajamannar Committee, which was appointed by the Tamil Nadu Government to study the Indian Constitution and suggest changes in regard to Centre-State relations, has submitted its report which has attracted nation-wide attention. Some of the proposals made by the committee are so radical that, if implemented, they will virtually amount to a redrafting of the Constitution. The D.M.K. Government in Tamil Nadu has been persistently pleading for greater autonomy for the States and the committee has obliged the State Government by making suggestions which, in effect, would considerably weaken the Centre. However, it must be remembered that the committee itself was appointed at a time when several State Governments were being run by non-Congress parties. After the recent mid-term poll to the Lok Sabha and elections in a few States

in the country, the entire political complexion has changed. The nation, as it were, has returned to a single Party rule and the chances of friction between the Centre and the States do not seem to be within the realm of possibility—at least for some years to come.

Even so, the report of the Rajamannar Committee is of vital importance. The committee asserts that its recommendations will enlarge the autonomy of the States consistent with the integrity of the country. At the same time, it has recommended such far-reaching changes in the distribution of powers between the Centre and the States that one wonders whether it would be possible for the former to assert itself at any time. That the country needs a strong Centre was never more true than it is today and if the Rajamannar Com-

mittee report is implemented faithfully, the Centre would be reduced to nullity.

This is best illustrated by the recommendation made by the committee for setting up an Inter-State Council. Article 263 of the Constitution provides for the setting up of such a council for enquiring into or advising upon disputes which may have arisen between States; investigating and discussing subjects in which some or all of the States, or the Union and one or more of the States have a common interest; or making recommendations upon any such subject and, in particular, recommendations for the better co-ordination of policy and action with respect to that subject. Almost all persons, including those from the Opposition parties, who appeared before the Administrative Reforms Commission when it went into the question of Centre-State relations, wanted such a council to be set up. During the last two decades, no such demand was made by political parties or Chief Ministers because many of the problems were discussed and settled at informal meetings between the Chief Ministers and the Prime Minister or between the Ministries of the Central Government and the States. But after the 1967 elections, when non-Congress Governments came into being in several States, the demand for an Inter-State Council as provided for in the Constitution was intensified.

The Rajamannar Committee has suggested that an Inter-State Council should be set up consisting of all Chief Ministers or their nominees with equal representation for all the States. The Prime Minister will be the chairman. Every Bill of national importance or which is likely to affect the interests of one or more States should be referred to the Inter-State Council and its views submitted to Parliament at the time of introduction of the Bill. The recommendations of the council should ordinarily be "binding" on the Centre and the States. If for any reason any such recommendation is rejected by the Central Government, such recommendations together with the reasons for rejection should be laid before Parliament and the State legislatures. The committee feels that besides the Prime Minister, no other Central Minister should be on the council.

The last mentioned suggestion runs counter to the one made earlier by the A.R.C. which also advocated the

setting up of an Inter-State Council. The A.R.C. wanted that the council should comprise the Prime Minister, the Finance Minister, the Home Minister, the leader of the Opposition in the Lok Sabha, five representatives—one each from the five zonal councils—and any of the Central Ministers or Chief Ministers who may be concerned with a particular subject. It also said that matters which can more appropriately be discussed in *ad hoc* conferences of Ministers need not come up before the council. The A.R.C. also did not envisage at this stage a permanent Inter-State Council. It should be tried for a period of two years to start with and a decision may be taken for its continuance in the light of the rôle it plays. In contrast to the guarded recommendation made by the A.R.C., the Rajamannar Committee's suggestion for a council with such wide powers looks drastic. First, such an Inter-State Council will become a super-Government itself. For, every Bill at the Centre will have its effect on the States and if the council is empowered to deal with it first,

Parliament will be reduced to a subordinate position. Secondly, where the recommendations of the council are rejected, a good deal of explanation would have to be offered. Thirdly, with only the Prime Minister on the council as a representative of the Centre, the States would be in a dominating position. This is a position which will not add to the power and prestige of the country as a whole.

When the makers of the Indian Constitution suggested a federal system, the intention was that the Centre and the States should be equal partners. Powers have been so distributed that while the States are assured of autonomy, the Centre could still, in the national interest, exercise a corrective influence on the States when occasion arises. The Centre also has been given certain powers which will ensure uniformity of administration throughout the country. If the Rajamannar Committee's proposal on Inter-State Council is implemented, will disintegration of the country be far behind?

Budget and West Bengal

THE Central Budget for 1971-72 has provided larger funds to West Bengal out of income-tax and excise duty collections. Its share in the divisible net proceeds of taxes on income for 1971-72 is placed at Rs. 39.82 crores, against Rs. 33.38 crores in the revised estimate for 1970-71. The State's share in basic excise duties has been increased from Rs. 21.71 crores in 1970-71 to Rs. 23.37 crores in 1971-72, and in additional excise duties, from Rs. 6.22 crores to Rs. 6.69 crores. But its share in estate duty is expected to decline from Rs. 64 lakhs in 1970-71 to Rs. 50 lakhs in the current year. Among other important provisions in the Budget relating to West Bengal, mention may be made of the estimated outlay for the Farakka barrage at Rs. 9.93 crores, against Rs. 13.16 crores in the revised estimate for 1970-71. The smaller allocation is attributed to the slower pace of work than was anticipated. There is also a provision of Rs. 2.21 crores for the work on the Bhagirathi-Hooghly river, compared with Rs. 1.07 crores in 1970-71.

The larger allocations for West Bengal are welcome. It is now for the State Government to augment its

tax revenue by better collection and administration. The State's revenues under various taxes have considerably increased in recent years. For instance, the earnings from sales tax went up from Rs. 40.7 crores in 1965-66 to Rs. 56 crores in 1969-70, electricity duty from about Rs. 7 crores to Rs. 9.7 crores, taxes on vehicles from Rs. 5.6 crores to Rs. 6.7 crores, motor-spirit sales tax from Rs. 4.6 crores to Rs. 6 crores, entertainment tax from Rs. 3.1 crores to Rs. 4.3 crores, raw jute tax from Rs. 80 lakhs to Rs. 2.3 crores, and agricultural income-tax from Rs. 1 crore to Rs. 1.2 crores in the same period. Had the economy of West Bengal remained buoyant in the last few years, the State's revenue from taxation would have been much higher than what it is.

The Central Budget provides no relief to the jute industry which, even in normal times, plays a crucial rôle in West Bengal's economy but much more so at present. Mr. Y. B. Chavan perhaps feels that the jute mills are now making good profits. But even if this is true, what is New Delhi doing to ensure that the sick jute mills are revived and that the other mills are able to carry out a vigorous programme to replace their

machinery? Mr. H. D. Wadia's speech at the annual general meeting of the Indian Jute Mills Association held in April this year revealed a sad state of affairs in this premier industry. He highlighted the precarious financial position of the jute mills. But the Central Finance Minister seems to think that the problem has been, or will be, solved by the higher earnings of the mills. But unless the Government of India takes care to see that sufficient funds are diverted to measures to improve the competitive capacity of the jute industry, its long-term prospects may not be bright.

It is difficult to say what will be the effect of the Budget on the price level in West Bengal. Although, as usual, the Central Finance Ministry has been trying to play down the impact of the Budget on the price level in the country, it is well known that with every increase in additional taxation, there has been a tendency for prices to rise steadily. In fact, its effect in West Bengal may be felt more because it has to depend on other States for most of its essential supplies. Apart from the higher excise duty, the railway freight has also been increased. The prices in West Bengal, therefore, need to be watched carefully. With the prevalence of acute unemployment and the influx of refugees, higher prices of essential goods will be particularly unfortunate.

The lack of positive incentives in the Central Budget for promoting investment is likely to be felt especially in West Bengal. The decision to withdraw the development rebate and to deny priority status even to industries like petrochemicals will not prove helpful to the promotion of private investment in the State. Mr. Chavan admitted in his Budget speech that in proposing a still increase in taxation, he was influenced by the Government's anxiety to scale down appreciably the concentration of economic power and reduce inequalities in income and wealth. But, in this ideological pursuit, the Central Finance Minister seems to have ignored its impact on the people's will to save and invest specially in a State like West Bengal. The Prime Minister has not yet replied to Mr. Ajay Mukherji's suggestion to keep the Monopolies and Restrictive Trade Practices Act in abeyance in West Bengal. Meanwhile, by increasing sharply the level of personal taxation, the Government of India seems to have further dampened the enthu-

siasm of entrepreneurs to invest in a big way.

Mr. Chavan referred to the tragedy in East Bengal as "one of the darkest episodes in human history". He has tentatively provided Rs. 60 crores for relief to the refugees and has expressed the hope that the international community would also play its part in solving this problem. But what

ever New Delhi and the other nations do, it is on West Bengal that the main responsibility of looking after the welfare of the refugees will fall. The Government of India should, therefore, see to it that, unlike in the past, it gives top priority to all the problems of West Bengal and not merely to those that are directly connected with the rehabilitation of the refugees.

CURRENT COMMENT

STOCK EXCHANGE

Popularising Share-owning

Addressing the annual general meeting of the Madras Stock Exchange, the president, Mr. M. Sankaran, emphasised the need for popularising share investments in the present changed environment of the country. Stock exchanges have long ceased to be a speculators' paradise and they are no longer a place for the idle rich. Mr. Sankaran observed that with taxes clipping the top brackets and a vigilant Government coming down on speculators, the future of the stock exchange rested on its ability and resourcefulness to meet the demands of new investors who are entirely drawn from the middle class. More and more new investors in stock exchange security have to be attracted. "This needs a lot of fresh organisational effort and public relations to sell the idea, utility and advantage of investment in shares. Mr. Sankaran suggested to the members of the stock exchange to extend their activities in rural areas and educate the people about the profitability of investment in shares. Will the stock exchanges initiate such a step to cover the entire country, region by region, so that national savings could be canalised for productive purposes?

L.I.C.

Assistance for West Bengal

In a Press conference held in Calcutta a few days ago, Mr. T. A. Pai, chairman of the Life Insurance Corporation of India, stated that the L.I.C. was ready to finance housing schemes "to any extent". But while many States are coming forward to avail themselves of the Corporation's assistance to housing, water supply and drainage projects, West Bengal

has till now made little use of such funds. The L.I.C.'s business in the State last year had, in the meantime, risen remarkably over the previous year's performance. In fact, the whole of the eastern zone had recorded a notable increase of 21 per cent. When several institutions had failed to reach their objectives, the Life Insurance Corporation was perhaps the only one which continued to function with increased vigour in this area. The overall rise in business of the Corporation of Rs. 1,303 crores last year was no doubt phenomenal, but as long as every home and every family had not come under the insurance protection, its task would remain unfulfilled.

By writing more business, the L.I.C. is not, however, building a big business organisation, but a national instrument which will weave into the infrastructure of the community. Its endeavours will always be to aim at providing better amenities of life through better housing, better drainage system, better protected water supply and such other things which make life worth living. The Corporation is not only mopping up the savings of the people and thus helping to check inflation, it is also trying to cover fresh grounds through its investments. During the recent period, it has been giving increased financial help to Electricity Boards, municipal corporations, municipalities and housing societies.

One of the new features of the L.I.C.'s underwriting practices is that it no longer treats life insurance as an amenity meant for a class, but wants to make it a mass concept. The group gratuity-cum-life insurance schemes provide a protective cover to a large number of people, and these are becoming more and more popular. The Maharashtra State Road Transport Corporation recently covered 31,000 of its permanent em-

ployees under these schemes. Other institutions in the country, Mr. Pai said, could emulate this example in the interest of their employees.

ALUMINIUM

Proceedings of Seminar

The close inter-dependence of aluminium and electricity was emphasised by Dr. K. L. Rao, Central Minister for Irrigation and Power, in his inaugural speech at a two-day seminar on "Aluminium — The Modern Metal". Dr. Rao pointed out that for raising the living standards of the people, particularly in the rural areas, electricity was a major factor and aluminium provided the medium for carrying power to the villages. At the same time, electricity was a major input for the production of aluminium since as much as 20,000 kilowatt hours of energy is required to produce a tonne of aluminium. He thus felt that there was a case for supplying power at uniform rates to all the aluminium producers.

Mr. S. S. Kothari, president of Hindalco, referred to the vital role that aluminium was playing in modern technology. He pointed out that as much as 75 per cent of *Apollo 11*, which put the first man on the moon, was made of aluminium. Although light in weight and resistant to corrosion, this metal becomes stronger than even structural steel when alloyed with certain other metals. Dr. P. Daxal, Senior Industrial Adviser in the Department of Mines and Metals, Government of India, said that aluminium consumption had increased from 11,000 tonnes in 1950 to 200,000 tonnes in 1970. Domestic production during this period had risen from a meagre 3,000 tonnes to 132,000 tonnes, and plans have been drawn up for expanding the installed capacity to 130,000 tonnes by 1976.

COTTON

Prices Move Up

After displaying a steadier but irregular tendency during the major part of May, cotton prices have developed a marked strength. Despite the hike in excise levies on cloth proposed in the Central Budget, cotton prices have moved up by Rs. 125 to Rs. 175 a candy from the pre-Budget levels. The recent upswing has carried most varieties of cotton to, or a little above, the half-way point

between the January end all-time highs and the subsequent lows recorded in the last week of April. The early onset of the monsoon, which is beneficial for cotton sowings, has not had any effect on market sentiment.

Many factors have contributed to the recent spurt in prices. There has been an appreciable increase in mill buying because of the stipulation concerning a larger supply of controlled cloth during the June-August quarter. Production of controlled cloth has become less unremunerative because of the enhanced subsidy. The imposition of an additional premium on American cotton to subsidise increased production of controlled cloth has narrowed the gap between the prices of indigenous cotton and foreign varieties and further stimulated the demand for Indian cotton. The steep increase in import duty on staple fibre has made imported fibre costlier and this in turn has pushed up the demand for cotton. The supply of foreign cotton has been running well behind expectations. Actual arrivals of foreign cotton since the beginning of the season are placed at around 450,000 bales which is less than half the quantity released. Import schedules have been seriously upset for one reason or another, and not all the cotton which has reached the country has been lifted by mills because of the continuing financial stringency. According to latest reports from New Delhi, the Government is said to be seriously thinking of liberalising credit facilities in respect of imported cotton in order to avert the threatened closure of mills. Reports from upcountry centres point to a steady decline in offerings. This is perhaps because holders of high-priced cotton are reluctant to dispose of their stocks at a loss. How long they will continue to sit tight on their stocks in the hope of realising better prices is anybody's guess. Quality cottons have grown scarce with time.

Because of the much-delayed arrivals, the pressure of foreign cotton has still to be felt, but its impact is likely to be reduced as a result of liberalised credit facilities. With the overall supply position of cotton being far from comfortable—the 1970-71 crop is currently placed at around 5.3 million or 5.4 million bales—prospects of any marked decline in prices are generally discounted. It seems unlikely that prices will fall below the April end levels. The chances of prices reaching the January highs are even more remote.

CHARTERED SECRETARIES

Rôle in the Economy

Addressing the annual meeting of the members of the Chartered Institute of Secretaries India, Association in Calcutta last week, Mr. B. B. Ghosh, formerly Principal Adviser to the Government of West Bengal and presently chairman of the Industrial Reconstruction Corporation of India Ltd., said that the investment trends in West Bengal had for the last few years been on a decline and it is the duty of the professional people like the chartered secretaries to restore investment activities so as to accelerate the pace of capital formation and industrial expansion in West Bengal. Mr. K. D. Ganguli, Secretary, Sen-Raleigh Ltd. and the incoming chairman of the C.I.S. India Association emphasised the rôle of a secretary in the growing corporate sector of India.

FLOUR

Excise Withdrawal Urged

The Calcutta Flour Mills Association has urged Mr. V. B. Chavan, Mr. F. A. Ahmed, the Central Ministers of Finance and Agriculture, respectively, to withdraw the excise duty levied on flour in the Budget. It has pointed out that flour is not essentially a rich man's food and that the cheapest varieties of sweets are made out of this commodity. The consumption of bread in West Bengal has vastly increased during the past few years, and it has more or less become a staple food item, being consumed by both the urban and rural sections of the population. The Association has emphasised that flour cannot take any further increase in its price, especially in West Bengal which is deficit in food.

PAINT

Raw Material Shortage

At the annual general meeting of the Indian Paint Association held in Calcutta a few days ago, Mr. D. N. Tripathi, president, pointed out that in spite of recurrent shortages of vital raw materials, the paint industry had now recovered from the low production rates of 1968 and 1969. Production and profitability had increased from the very low level they had touched in the previous years. The production of the 17 units

under the Director General of Technical Development (D.G.T.D.) was 60,338 tonnes in 1969, representing 78 per cent of the installed capacity. During the first ten months of 1970, the rate of output was 64,800 tonnes a year, representing 84 per cent of the capacity. This trend of increase in production had continued in the last two months of 1970 and also in 1971.

The year just passed had, however, been full of problems largely related to raw material shortages, particularly of glycerine. Towards the end of 1969, the State Trading Corporation made the first entry into the import of paint raw materials and had added since then certain more items to the list.

WEST BENGAL

Industrial Revival Needed

The Indian Chamber of Commerce in a memorandum submitted to the Chief Minister of West Bengal, Mr. Ajoy Mukherji, has highlighted the need for speedy revival of the

State's economy. It has emphasised that the stagnating economy of West Bengal will prove to be a greater burden as a result of the happenings in Bangladesh. A continuously declining trend has been in evidence in the State's economy since 1967. While other States are providing the base for many new industries, West Bengal has continued to depend on her traditional ones which are also gradually losing ground. The existing shortage of finance for industrial development and the general reluctance on the part of financial institutions to invest more money in the State are also causing difficulties.

I.M.F.

Review of Operations

The International Monetary Fund has completed its twenty-fourth year of operations with an increase in the members' quotas and Fund resources by about 35 per cent to \$28,433 million. The Fund also completed the first year of operations of its special drawing rights (S.D.R.s) facility, following the allocation within the first basic period of S.D.R. 3,414 million on 1st January, 1970, to 104

participants in the Fund's Special Drawing Account. A second allocation of S.D.R. 2,949 million was made on 1st January, 1971, to 109 participants. Total drawings by the members on Fund resources since operations started in May 1947 exceeded the equivalent of \$22,000 million by the end of 1970. Outstanding drawings amounted to approximately \$4,914 million, compared with the peak of \$5,654 million reached in June 1968. Drawings made by the members during the calendar year 1970 amounted to \$1,839 million and repurchases to \$1,404 million. During the year, the Fund bought \$646 million of gold, including \$639.75 million of gold from South Africa under arrangements made at the end of 1969. The Fund sold \$920 million of gold during the year to replenish its holdings of members' currencies, bringing the total sold since the beginning of Fund operations to \$3,516 million.

At 31st December, 1970, a total of 106 members had consented to increases in quotas authorised by the Board of Governors in February 1970, and 105 had gone into effect. The Fund had received the equivalent of \$1,732.8 million in increased gold subscriptions. It has sold the equivalent of \$547.8 million of gold to the United States for U.S. dollars to mitigate effects on the U.S. gold stock of purchases of gold by other members to pay their gold subscriptions to the Fund. National currencies received in connection with the quota increase amounted to the equivalent of \$5,328.6 million. These receipts raised total quotas to \$28,433 million at the end of 1970 from \$21,349 million at the end of 1969. During 1970, the following currencies were used most heavily in transactions with the Fund: U.S. dollars, deutschemark, Belgian francs, Canadian dollars, Netherlands guilders and Japanese yen.

MONEY MARKET

Call Rate Rises

The short-term money market has been firm during the past week. The demand for funds has increased steadily, and the call rate, after being steady at 4½ per cent, has gone up to 4¾ per cent, with borrowers over. The demand for remittances has been nominal. The supply of gunny bills has been small while very few tea bills have been seen. The pound-sterling has strengthened against most major foreign currencies during the week.

A Ditcher's Diary

THE PRIME MINISTER'S VISIT TO CALCUTTA last Saturday brought about no change in New Delhi's non-policy over the East Bengal upheaval and its consequences for this country. And Mr. Swaran Singh's foreign tour is just one more exercise in pursuance of this non-policy. Is there anything new that he can tell Washington and Moscow, or any of the other capitals he is visiting, about the "explosive potential" of the East Bengal developments? If the Big Powers have done little about these events, it is not because they have been unaware of what has been happening; and India does not dare do anything that might annoy them. The speculation about New Delhi seeking a military solution has always been a little unreal, even though one of Mrs. Gandhi's colleagues once hinted at the possibility of a drastic remedy. Mrs. Gandhi herself said in Calcutta last Saturday that the refugee problem was "very serious with serious consequences", but I doubt if she was referring to consequences other than the most obvious. Indeed, she went out of her way to explain that India was "not interested in the disintegration of Pakistan"; and she also talked about peace and stability. Does she envisage peace and stability returning to East Bengal under an agreement with Islamabad? It is hypocritical to express full support for the Bangladesh movement and at the same time to say that India does not want to see Pakistan fall apart. I am not suggesting that India

should have sought a military solution; I wish simply to point out that New Delhi has no idea about any kind of solution. Government spokesmen now talk about the refugee problem as one of unforeseen nature and magnitude; but every aspect of the problem could have been foreseen by the simplest analysis of the East Bengal situation. But even now New Delhi seems to think that a solution will somehow be found. At last it appears that some of the refugees may be moved out of West Bengal; but nobody knows how many and when. And what's the point of talking about temporary dispersal? It's time all concerned had faced up to a very unpleasant fact. The majority of the refugees are going to remain in India even if there is a political settlement between Islamabad and the leaders of East Bengal. They would return only if East Bengal became free; but independence through a political settlement is inconceivable, whatever the "Acting President of Bangladesh" may have said in his broadcast on Sunday night. It's all very sad; and things have not become cheerful after the Prime Minister's "we are not alarmed" piece of meaninglessness.

IT MAY NEVER BE KNOWN WHAT CHINA would have done if India had taken military action to safeguard her interests along the borders with East Bengal. As I have said before, military

intervention by a clear policy decision has never seemed likely, even though a conflict could be precipitated by the pressure of events. And any thought of military action must have been deterred most powerfully by fears of a bigger conflict with China. But I am not altogether sure that Peking would have immediately acted against India and, in consequence, against East Bengal; its calculations must be far more complex. Indeed, it would have been interesting to watch its response if India had asked it to do whatever it could to stop the military repression in East Bengal. Probably it would have done no more than dismiss the suggestion on the plea that it could not interfere in Pakistan's internal affairs; yet the exact nature of the response would have been of considerable political interest. All this, of course, is academic speculation. India's foreign policy has not acquired greater flexibility as a result of East Bengal's revolt against West Pakistani rule; New Delhi's obsession with 'China's growing military strength is again the outcome of a non-policy. Every time any source, whether authoritative or usually ill-informed, mentions some advance in Chinese weaponry, New Delhi reacts as if it was an unexpected or basically new development. But ever since China exploded its first nuclear device the growth of its atomic weaponry has been on wholly predictable lines. The development may have been a good deal faster than generally expected at the beginning; but it has by no means been surprising. The bombs became bigger and graduated into the thermonuclear class; after the H-bomb bangs came medium range

AGRI-HORTICULTURAL EXHIBITION

MR. J. L. writes: A scientific treatise can be purchased for a trifling sum on the growth of any plant, whether it is for the purpose of supplying food to man or beast, or intended to be a thing of beauty, in order to render our homes beautiful. There are all kinds of plans made and laid out to secure the illusive rupee. Some men can manage this to an extraordinary extent, as, for instance, those millionaires who have succeeded in accumulating during the comparatively short period of one's lifetime more money than can profitably spend. What does all the striving for money mean but simply to provide ourselves with clothes to keep our bodies warm and sufficient food to supply the waste and keep our bodily structure in repair. After these have been attended to, when there is money left over, we may go in for luxuries. Of course it must go without saying that man's

primary duty upon earth is to strive to leave it better than he found it. That is to say, if he leaves the earth with a larger population than he found when he made his entry, his duty very clearly is during his lifetime to create sources, by improving the old or inventing new methods, of food and clothing production. Taking those scientific and practical treatises to which we have alluded, in conjunction with agri-horticultural exhibitions, we have about the nearest thing to a practical and technical training how to produce the most essential things in life as we can possibly imagine. The Agri-Horticultural Society's culminant point is its exhibition, which may be classed as a kind of educational co-operation where all exhibitors publicly demonstrate the practical results of their knowledge and experience for the benefit of all and sundry.

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C-2

missiles; and now comes the news that even I.C.B.M.s may be ready. The course is entirely logical, and was hence predictable. If India needs to react to this development in any way, she could have thought about it as soon as the first bang at Lop Nor gave notice of China's nuclear intentions. An I.C.B.M. will be no new element in the situation, as the hydrogen bomb was not. No new fact is being introduced; and the size of the fact is increasing on lines that could be anticipated years ago. The nature of the fact will not change even if a test-fired I.C.B.M. plunges into the Indian Ocean. Even intermediate range missiles can deliver Chinese bombs on Indian targets. It is Chinese intentions that may pose a threat to Indian security; any addition to China's nuclear armoury is not what matters most. If the intentions constitute a threat, it will be serious enough even if supported wholly by conventional arms.

TRULY THERE IS A GREAT DEAL THE modern world can learn from the phenomenon of Albert Speer. The prototype of the technological, managerial man, for whom competence and material achievement are what life is all about, his story can serve as a lesson to every one of us. I have not yet had the chance to read Albert Speer's recent book, the one in which he describes the part he personally played in building Hitler's war machine. But even in the comments on it, the picture emerges clearly enough of a man who, by virtue of 20 years spent meditating in prison, has succeeded in achieving an almost unique perspective on his own past. Speer is not penitent; he has simply acquired detachment, and that is what makes his story of such value. For instance, in a recent interview published in *Playboy* magazine, he coolly admits that had he been aware of what Hitler was doing to the Jews, his probable reaction would have been that it was an appalling waste of the labour he could have used in his armament factories. If this is characteristic of modern, professional man, wholly immersed in a mechanical problem, when suddenly faced with a human one, then we have more to fear from our technological civilisation than indeed we thought. It dehumanised Speer, a fact which he freely acknowledges and which he has had the wit to recognise. Clearly it could do the

same to any man of similar training and background who found himself in the same position. Speer says he still feels "stirrings of pride" at the thought of how he did his job while accepting intellectually that it is wrong to feel proud of something which was so basically anti-human in its purpose. It is a significant admission. Albert Speer is a living example of what can happen to a man when intellect is not matched by conscience, and ego, by humility.

IT REALLY WAS VERY NAUGHTY OF President Pompidou to remind the British on the eve of Mr. Heath's recent pilgrimage to Paris that they would have to learn French if they wanted to become true Europeans. It was even more calculated to wound when he went on to add that nowadays English is mainly an American language. "Trust a French President to put the boot in" was among the gloomy comments in London. But it was subsequently agreed that Mr. Heath took a terrible revenge in Paris when he addressed a welcoming delegation at the airport in his own unique brand of French. It is now rumoured that patriotic Frenchmen are pleading with President Pompidou to persuade the British to stick to English at all costs. "It can only be a British conspiracy to get their own back on old de Gaulle" was the verdict of one Frenchman who claims he has never heard his beautiful language more brutally savaged. But on a more serious note, it was obvious from the violence Mr. Heath did to French sensibilities that the British have a long

way to go if they ever intend to make good their promise to behave like good Europeans. French will almost inevitably become the accepted *lingua franca* of the Community, if only as a gesture to emphasise how completely it differs from the United States. And whatever one might say of the British, it must be admitted they are not outstanding linguists.

DURING THE RECENT CONTROVERSY about permissiveness in British life, someone wrote to *The Times* describing two casual explorations of material offered for sale at a railway station book shop. Some two years ago he had to wait for a train at this station for a considerable while; looking for some suitable reading matter to pass the time, he found the shop filled almost exclusively with paperback sex and violence. But in the midst of a dizzy display of shiny covers with monstrous men pointing vicious daggers at the most private patches of exposed female anatomy stood out a most curious exception: a neatly bound volume of *The Forsyte Saga*. Since the waiting passenger had no taste for sadistic sex and was not sufficiently devoted to Galsworthy to regard the Forsytes as ideal travel companions, he decided to do without any literary diversion. And recently he happened to be at the same railway station again and was curious to find out if the fare at the book shop had become more varied. At first sight, the only change seemed to be that the paperback covers had become more lurid; the men had more sinister postures and the women more awesome

protuberances. And again there was one incredible exception; only that it was no longer *The Forsyte Saga* but *The Dynasts*. Galsworthy was surprising enough; Hardy's ponderous work, hardly known outside Eng. Lit. Departments, was totally inexplicable. I recalled this gentleman's experience when sampling the collection at a railway station. The presence of semi-pornographic material was perhaps not exceptional; and in any case there was a large assortment of paperback wisdom. I bought a straight-forward thriller, and found in it a publisher's announcement listing "Famous Authors in—Books", which was more interesting than the tale of murder and mayhem. The authors included Karl Marx and James Hadley Chase, Jean-Paul Sartre and John O'Hara, Ivan Turgenev and James Jones (whoever the last-named may be). I was disappointed to find that the list did not mention Plato and Peter Cheyney, but it was a good enough reminder that the paperback is the great leveller in an age of nearly universal semi-literacy. But let me not be snooty; there need be nothing wrong with a Penguin Dante, even if Miss Dorothy Sayers was better known through Lord Peter Wimsey.

A PRESS NOTE SAYS THAT THERE are unmistakable indications that the exodus of people from Calcutta during this summer is likely to be more than ever before. Is this a typical example of the traffic projections of the railways?

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MANAGEMENT

Should Company Executives be Compensated for Higher Budgetary Imposts?

By V. S. Bhatia

One cannot deny that the offer of adequate compensation helps any successful business to attract executives of the right calibre. Should then managerial personnel be compensated for higher taxes in the 1971-72 Central Budget?

IT has been presumed by industry for some time that the Government of India does not favour high salaries to executives in the private sector. The shape of this became visible over a year ago when it was announced that the emoluments of company directors would normally not be approved beyond a salary of Rs. 7,500 a month plus a share of profits. The latest Budget now proposes that any salaries beyond Rs. 6,000, including Rs. 1,000 as perquisites, would not be deductible as a legitimate business expenditure. This, naturally, has caused considerable disappointment, and in some circles annoyance. Hitherto this subject has been discussed in private but no serious attempt has been made to discuss it in its essentials from the relevant standpoints to determine the magnitude of the problem on the national and personal planes.

Two Important Principles

Two important principles of management are sensitivity to environment and the willingness to analyse problems on various bearings. This column of *Capital* should be a fit forum for exchange of ideas, but it should be pointed out that the object must be to provide a discussion in the open without emotion. A lack of clear-cut thinking can be

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dangerous. Historically, the emergence of high salaries, so-called, is comparatively a postwar phenomenon somewhat relative to the emoluments of expatriate executives working in India after independence. Their compensation had to be linked to their international market costs, and in the selected international companies, where they had to operate side by side with Indian colleagues, the latter's compensation was also sought to be made comparable. There were good reasons for this, an important one being the need to recruit, develop and conserve suitable Indian talents within the companies by offering such incentives as were not otherwise available to them. It was a good management principle to aim at the ultimate development of Indian managers on the assumption that they would be required to equip themselves sufficiently according to international expectation of performance in industry.

This was a very desirable precept, as consequent to the need for rapid industrialisation through the application of new technology, India was bound to require sufficient numbers of qualified and experienced technocrats possessing knowledge and expertise in spheres of finance, production and marketing. It was also desirable that these managers should be aware of what went on in the international arena in terms of industrial productivity—an aspect of considerable advantage to the Indian economy. There was thus a strong need for personnel with new orientation and outlook on business. It would have been unthinkable to extend the traditional approach on compensating executives in industry as if they were just mere civil servants engaged on applying the copy-book rules leaving initiative at the top echelons only, with disastrous results such as those visible today in some areas of Governmental activity.

Adequate Compensation

One cannot deny that the offer of adequate compensation helps any

successful business to attract executives of the right calibre needed to run a modern business, hold on to competent people on whose accumulated experience one can invest, and stimulate through incentives the various cadres to impress on them the gospel of initiative, independence and voluntary working towards agreed objectives. Over the years, the salaries and emoluments of private-sector executives have no doubt gone up, but it is sometimes forgotten how the buying power of the Indian rupee has plummeted at the same time—and what about the taxes? All in all, a salary of Rs. 6,000 in 1971 is much worse than half the amount five years earlier.

It will be argued that the leading business houses with large diversified activities will continue to contribute to the economy through the superior skills available with them, and it is in these companies where the new Budget regulations will impinge heavily. There would be the straight-forward reduction of profits in proportion to the salary bills which are not admissible, and in some companies the total amounts may run into lakhs of rupees—a prospect unlikely to win goodwill from the shareholders of any company. There might also be the connected consideration of industrial relations in today's complexion of things, where bonuses are related to admissible profitability. Even if the salaries above Rs. 6,000 a month of the present incumbents are tolerated, what about the future growth and careers of individuals? The present proposals, if implemented, must lead to diversion of talent from the existing employers. With so many other restrictions imposed on large companies, this will be yet another hit if they begin to lose competent and experienced staff through drain either to other countries or possibly to less productive professions in India, from the national standpoint.

Another Argument

Another argument, although a negative one, is that there is no ceiling on income of doctors, lawyers and consultants, and why should the Government single out salaried managers whose utility to the industrial economy is well recognised? All these are very important points. Assuming the rôle of the devil's advocate, counter-arguments can be

anticipated on behalf of the Government, such as the following:

(a) Following the devaluation in 1966, the link between the emoluments of expatriates and their Indian colleagues has finally broken; the total number of expatriates is diminishing, and, therefore, it is not necessary to maintain any semblance of even distant equivalence between expatriates and Indians working side by side.

(b) The differences between the salaries paid by large private-sector companies and the Government have provided an unhealthy undertone to the economy in that the "firm boys" have come to regard themselves as a

new class with more and more first class university graduates turning away from public administration. The net result is a situation where hundreds of talented young men flock to the large business houses even though a very small proportion of them get in.

(c) The scope of the large private-sector organisation might itself diminish and much of the emphasis on development, training and imbibing

of international rate skills is somewhat misplaced in terms of the tasks to be performed in the future.

(d) There is need for "indigenising" not only the concepts but also their practitioners.

(e) Money alone need not be the single incentive.

Monetary Incentive

According to a recent informal discussion by the writer with a few executives in the United States, it was gathered that of the various factors which click with an employee, money falls somewhere about the middle or even below in the importance of listed priorities. More important are the place and location of work, the state of relationship with one's bosses, with one's subordinates, the type and growth potential of one's job, the room for diversification of talents, and the social environment. In other words, what was sought was an agreeable and composite way of life. The point frequently made by Indian industry that the lack of incentives in India would lead to a

brain-drain can, therefore, be overdone. Some Government circles believe, including in the Council of Scientific and Industrial Research, that the flight of Indian technical talent to other countries poses no serious problem as the total number of personnel is not that large as it is made out, and most of the emigrants have a preference for reasons other than money.

It is obvious that there is a strong dissonance between the relative viewpoints of the Government and private industry, and it is about time that attempts were made to bridge the gap between the two. The top management in most companies in India, which are likely to be affected by the Budget proposals, is largely manned by Indians. Managers at the top have some time to accept the rôle of politicians as while predicting the future they have to safeguard against any negative repercussions on the coming generation, in this case new, or middle managers in their charge. It seems important, therefore, to establish an agreed national viewpoint on the subject of executive compensation.

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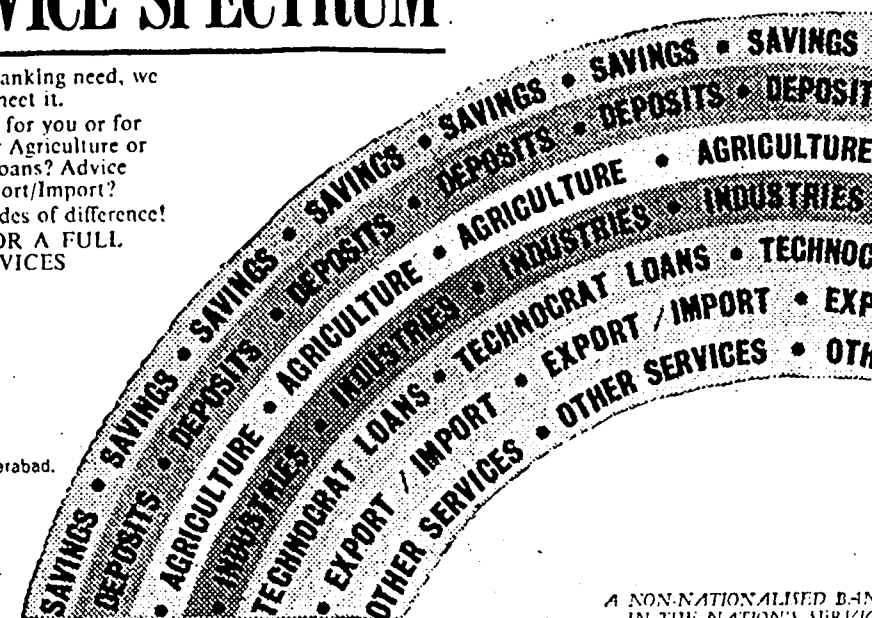
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SPECIAL ARTICLES

All-out Efforts Needed to Tackle the Unemployment Problem

By K. K. Dutt

The educational system has to be reoriented to instill the idea of self-employment and of dignity of labour among the country's young men. What is more important immediately, however, is to initiate a crash programme of expansion and employment in both the public and private sectors.

THE problem of unemployment has been worrying this country ever since one can remember. This is perhaps to some extent unavoidable in a developing economy like India's, although it does not in any way mitigate the seriousness of the problem. As long as the country's economy was booming, that is, during the pre-recession period, industries—both in the public and private sectors—were creating job opportunities for a reasonable number of young people, and this kept the unemployed section of the youth quiet in the hope that their chances would also come in the near future. Then came the recession, and hopes of employment for many young people were, to a large extent, dashed to the ground. With the closing down, strikes and lock-outs of certain industrial units, even some of the employed young men were forced to join the ranks of the unemployed. The unemployed young men then became an easy material for anti-social elements to exploit.

But one thing became apparent in this situation. India's present educational system has been turning out, year after year, young men with paper degrees but with very little practical training. They are wholly job oriented, with little or no leaning towards self-employment. In other words, the educational system was found to have failed to instill the idea of self-employment and of dignity of labour in the young people, so that when jobs became scarce, they had no idea at all as to how to keep themselves otherwise gainfully employed. My contention thus is that the present unemployment problem has its roots in the educational system itself, and unless the educational institutions and teachers can encourage the bulk of the students to think in terms of self-employment, it is hardly likely that India

shall find any permanent solution for the present malaise. The immediate introduction of self-employment-motivated technical and vocational training in the educational institutions may perhaps be a step in the right direction.

The introduction of technical and vocational training with a practical bias alone is not going to solve the problem, unless there are available organisations—either voluntary, like the recently set up Calcutta Youth Self Employment Centre, which is a partnership of industries, banks and social service organisations and has the blessings of the Government, or similar Government organisations—ready to guide and help young people coming out of educational institutions (a) to select the line of small-scale industry or business they should go into; (b) to prepare viable projects and schemes for such small-scale industry or business; (c) to secure bank finance for the same; (d) to secure initial orders from large industries—both public and private, as well as Government departments, and (e) to produce initial samples and prototypes, according to specifications. The Calcutta Youth Self Employment Centre has been set up entirely on a voluntary and experimental basis as a pilot project, and if it succeeds, other similar organisations can be sponsored and built up.

In this context, the nationalised banks have a significant rôle to play in helping young people to set up and develop their own small-scale industries or business. Such banks, while no doubt keeping in mind the usual financial norms, should also keep in view the ultimate social objective of creating avenues of employment. For this purpose, bank officials have to develop a different outlook altogether. Till recently, the banks have been mainly assisting large-scale industries to take shape and grow, and this no doubt they should continue to do. However, in an under-developed country like India, the small-scale sector is as important as, if not more important than, the large-scale industrial sector, because it is in these small-scale, self-employed units that most people can find a chance to earn their daily

CAPITAL, 10th JUNE, 1971

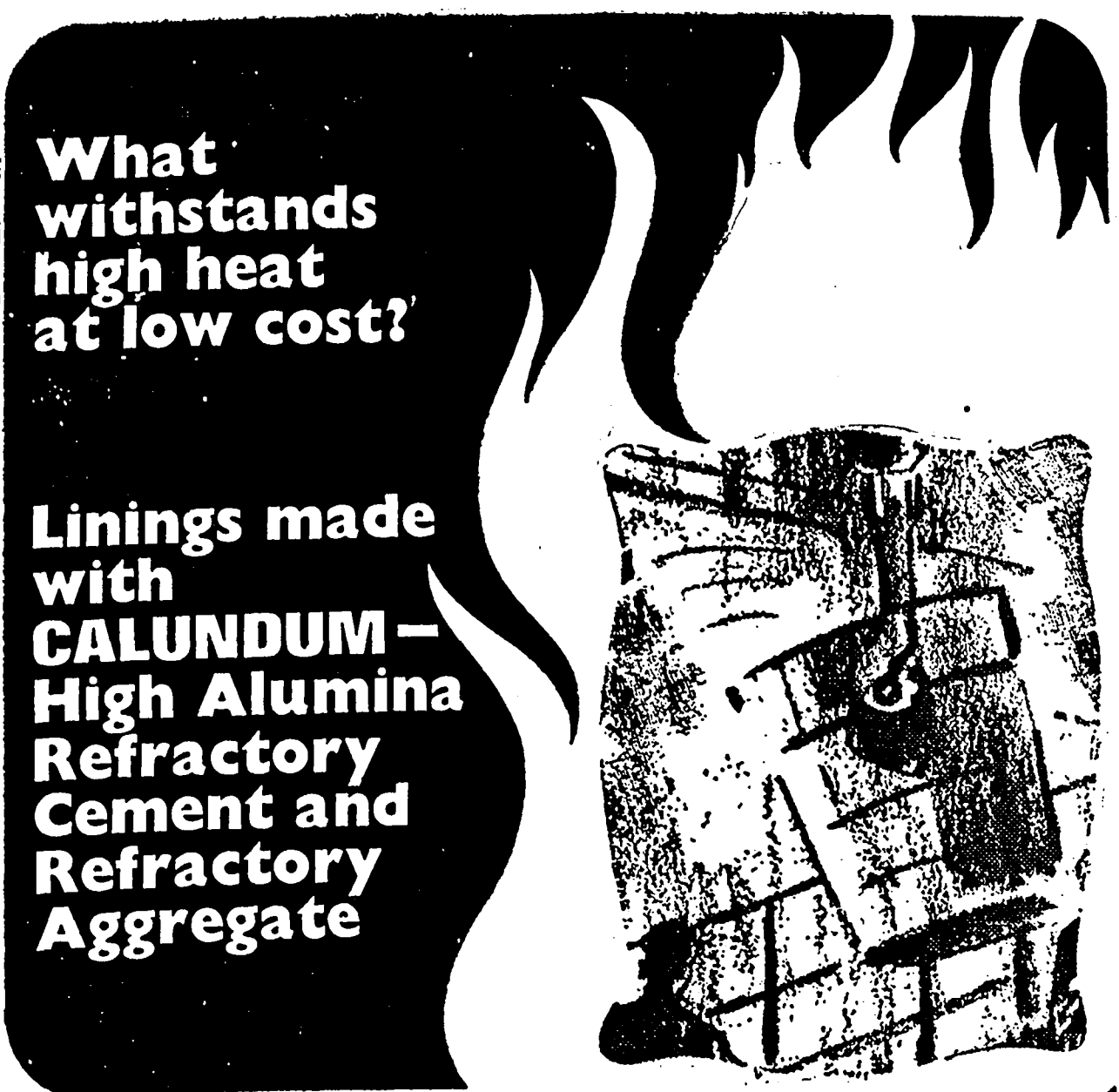
bread. To help such small units, the banks should have their specialised technical staff, as well as research divisions, as the small entrepreneurs cannot afford to employ such highly specialised people. The nationalised banks should act as partners in any organisations, like the Calcutta Youth Self Employment Centre, that may be set up to assist young men to become self-employed small entrepreneurs, and thus reduce the number of job-seekers hanging round the Employment Exchanges.

However, the reorientation of the educational system and the development of the idea of self-employment are long-term solutions, and not likely to bear fruit immediately. What is far more important is to initiate a crash programme of expansion and employment in both the public and private-sector large-scale undertakings. In the private sector, the proposed expansion plans of some of the larger industries are reported to have been held up due to various reasons, like the working of the Monopolies and Restrictive Trade Practices Act. One cannot of course hold a brief for monopoly in any form. However, the objective of controlling monopolies could perhaps be achieved by suitable control measures without holding up the expansion programmes of industries in the private sector. It cannot be denied that the large and well-established industrial undertakings alone can readily and quickly implement large expansion programmes, and not the newer and smaller units which require time to develop. The latter must, of course, be encouraged to grow and expand, but meanwhile, those of the larger undertakings which are prepared to expand should be encouraged and allowed to do so expeditiously, subject to suitable controls, so that more employment opportunities are created with the minimum possible delay.

It is interesting to note that under the new industrial licensing policy, conditions are being incorporated to the effect that expansions of the larger units should, as far as possible, take place in backward areas, and the manufacture of component parts should be passed on to small ancillary units. This is undoubtedly a move in the right direction, but here again, the policy should be implemented in a manner that does not hold up expansions of large industrial units, with the resultant effect on the employment position. In other words, all such well-intentioned policies should be implemented in a pragmatic and flexible

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manner. In the troubled State of West Bengal, as well as in certain other parts of India, there is the problem of "sick units". These units became sick and inoperative due to various reasons, for instance, shortage of finance, inadequate supply of raw materials, inadequacy of orders and weak management. It is not enough simply to inject funds into these sick units, although this is undoubtedly very necessary. The setting up of the Industrial Reconstruction Corporation of India in Calcutta, by the Industrial Development Bank of India, is a welcome move. It is, however, also extremely necessary that availability of orders and raw materials should be ensured and that the managements of such sick units should be thoroughly overhauled. It may be difficult to get first-class management personnel for the sick units, which cannot obviously afford to pay commensurate salaries. However, such projects can be thrown as a challenge to public-minded leaders of industries and commerce as well as to imaginative senior Government administrators. The reopening of "sick units" will no doubt relieve the unemployment position to some extent.

It is a well-known fact that some of the industrial units had to close down, especially in West Bengal, due to industrial unrest and total breakdown of communication between the management and the employees. This situation is a dangerous one, and to deal with this, the management on the one hand has to be encouraged to study the latest management techniques adopted by the economically advanced countries, specially in the spheres of human relations and labour-management, and on the other, the labour leaders have to be invited to the conference table with a view to instilling in them the idea of responsible trade union leadership, the sole motivation of which should be the welfare of workers and not the political advancement of the union leaders. Production has to be accepted both by the management and the trade unions as the prime objective as, without continued and expanded production, neither the unemployment problem nor the problem of inflation can be successfully tackled in this country. It is a good thing that in West Bengal, the Government of India has stepped in to take over the management of the closed unit of Braithwaite and Company, and is also likely to do the same in the case of Gresham and Craven. However, Government takeover by itself is not a magic wand, and unless there is a smooth employer-

employee relationship and unless the tempo of production is kept up, the entire exercise will fail in its objective. And unless this situation is successfully tackled, employment opportunities cannot be multiplied.

It is a pity that most of the Government financial institutions, like the Life Insurance Corporation of India, Unit Trust of India, Industrial Development Bank of India and the Industrial Credit and Investment Corporation of India, have been located in one part of India, instead of being evenly spread out all over the country. Such an even spread-out would have ensured investment support for projects and consequential growth of employment potential in different parts of the country on a more equitable and even basis. This situation calls for reconsideration. These institutions have, of course, done a lot for industrial development in the country, but much more can be done, and has to be done, on a more even basis all over India. Furthermore, besides applying the usual financial norms at the time of investing their funds, they should also be advised to keep the social objective of creation of employment potential prominently before themselves. From this point of view, sick, struggling and new industries should also benefit from these bodies.

The fiscal burden on companies is at present extremely heavy, and is sometimes found to be a disincentive for further expansion which alone can ensure the growth of employment potential. It could perhaps be examined as to whether the corporate sector's fiscal burden could be lightened to some extent, by ensuring that just and due taxes are paid by everybody, and not only by a restricted few. In other words, to my mind, if tax evasion could be successfully checked, and the tax evaders given exemplary punishment, it should not be impossible for the Government to reduce the fiscal burden on the corporate sector. On the other hand, small-scale industries and business as well as the struggling units should be given adequate tax relief. While sufficient technical know-how is available in India in certain fields, there are still many areas of industrial development which are extremely short of technical know-how and personnel. In the latter cases, technical collaboration plans with developed countries could perhaps be examined more leniently, and where the Indian industries can ensure the creation of sufficiently large volumes of employment potential, such collabo-

ration applications should, as a matter of policy, be encouraged, even if these involve some payment of royalty in foreign exchange.

The urban and industrial sectors alone, however, cannot solve the unemployment problem, particularly in a primarily agricultural country like India. Avenues of employment in the rural areas have to be created and made sufficiently attractive for young people. Thus, large agricultural farms, dairy and poultry projects and so on, if run scientifically on the lines of industry, could absorb quite a number of unemployed young people, besides helping in the production of more food for India's teeming population. Agro-based industries could be set up and promoted in rural areas, with the best possible know-how available in this country and abroad, and these again could absorb a lot of unemployed youth. In the implementation of the public works policy of the Government, for example, the proposed second Howrah Bridge and the circular underground railway in Calcutta, more and more co-operatives, partnerships and private limited companies, formed by the technically and semi-technically trained unemployed youth, should be made use of. Also, in the matter of ancillary units set up to cater to such public works projects, the unemployed youth should receive prior attention in preference to large established units.

The thinking members of the public should be brought more and more into the picture and involved in all programmes for solving the unemployment problem of the country. Voluntary pilot projects, like the Calcutta Youth Self Employment Centre, and other similar organisations should be encouraged, and there should not be only one or two such projects but many more in every part of the country, and these should, as far as possible, be encouraged to come up under the leadership of suitable members of the public. In other words, it should not be left only to the Government departments to tackle the national problem of unemployment, but the thinking public should also be invited to take their fair share of responsibility. For this purpose, both at the Central and State levels, there should be standing committees, consisting not only of political leaders and civil servants, but also of suitable members of the public who are prepared to give their time and talent. Such committees should be empowered to cut through red tape, and to have

direct access to the Ministries and Government departments concerned for discussion and having their recommendations implemented. Such committees can also be utilised in implementing the programmes of the Fourth Five Year Plan. They should be in touch not only with the Government and public-sector projects, but also with industries in the private sector. The members of such committees should have continued dialogues with the heads of both public and private-sector industries, and constantly endeavour to impress on the latter that the concept of "enlightened self-interest" demands that employment potential be expanded as soon as possible, not only to redress the human problems of the unemployed, but also to restore peace and stability

in the country which alone can ensure prosperity for all.

While some of the above suggestions could no doubt be made use of, some, on the other hand, may be found unworkable in certain situations. However, given top priority, and with the total co-operation of the Government and the people and the public and private sectors, an impact can certainly be made on the unemployment situation. The ray of hope is the fact that there is an increasing realisation of the seriousness of the problem. Time is running out and the younger generation is not likely to wait patiently much longer. However, if all-out national efforts are made without any further delay, a fair measure of success is bound to result.

Economic Growth in Japan: A Lesson for Developing Countries

By D. Maitra

Japan's success in rapid economic growth has inevitably created many problems. The way she tackles them has considerable relevance for the developing countries.

JAPAN'S economy was completely ruined by the second World War. But in less than one and a half decade, she was able to rebuild it and make it self-sustaining. By 1970, she has become one of the most economically developed nations of the world. Her economic growth rate has averaged 10 per cent a year in real terms for the past ten years; her overseas trade is today 16 times greater than that a decade ago. She occupies fourth place in world exports next to the U.S.A., West Germany and Britain. Japan is now the world's leading manufacturer of ships, motor-cycles, sewing machines and cameras. She is second in the production of automobiles, synthetic fibres, pharmaceuticals, electronics, zinc, pianos and fishing; third in steel, paper, plastics, glass, watches, bearings and cement; and fourth in heavy electrical machinery, machine tools, copper and aluminium. She has the world's fifth largest shipping fleet.

This phenomenal economic transformation was by no means smooth and without sacrifice, although low defence expenditure helped Japan to make greater investment in productive enterprises. She could attain this

spectacular economic development by modernisation of her industrial structure. But certain imbalances in the economy developed in the wake of this rapid change in the 'sixties. These are (i) persistent uptrend in prices, (ii) high labour cost, (iii) heavy concentration of industries in certain areas resulting in air and water pollution and neglect of certain areas, (iv) lack of proper care for the aged and handicapped, (v) growing difficulties in the procurement of abundant raw materials from overseas at cheaper price, and (vi) the lack of proper communication with developing countries which is essential for sustaining her market for raw materials and finished goods.

The rapid industrialisation was brought about mainly by intensive investment by the Government in developing the industrial infra-structure, by large-scale equipment financing by public and private-sector financial institutions and by the ploughing back of savings by industries themselves which was possible due to the comparatively low rate of taxation on the corporate sector. Aggressive export promotion as a part of the Government's economic policy was also a factor. Although this has changed Japan from a country of surplus labour in 1968 to one faced with a labour shortage by 1970 and has improved the standard of living of the people, she has not been able to arrest

the inflationary trend in prices of daily necessities.

Modernisation of large industries led to a fast growth of ancillary and consumer goods industries and this, in turn, caused a further shortage of labour due to a number of people switching on to independent small industries and trade with the finance provided by two specialised public-sector institutions—the Small Business Finance Corporation and the People's Finance Corporation. In spite of the comparatively low rate of salaries and wages, the employees so long did stick on to their employers due to the age-old paternalism of Japanese business ventures. But the opening of foreign companies in Japan and the high salaries offered by them have resulted in large-scale labour migration, causing a serious problem to Japanese employers.

With the growing awareness in the developing countries to develop their own economic base, Japan is facing difficulty in procuring raw materials at a cheap price to feed the growing demand of her industries. Similarly, in marketing their products, she faces tariff barriers and stiff competition from other developed countries. She was able to keep her people insulated from foreign influence by not encouraging the use of any of the link-languages of the world like English or French. This insulation no doubt helped to maintain her trade and technological secrets in the initial stages of progress and gave her an edge over her competitors in international trade. But this has now been proved a handicap for her long-term economic growth.

To overcome these imbalances and gaps in the economy, Japan has fixed new objectives in 1970 giving priority to equitable distribution of gains, international co-operation and promotion of social development. This contrasts with the emphasis on economic growth alone in the 1960s. Easing the fiscal burden of the people through tax reductions, modernisation of low productivity sectors, such as agriculture and small business, and development of backward areas, are some of the steps that the Government has initiated. The minimum taxable income of a standard family (a couple with three children) has been raised from Y 935,093 to Y 1,028,674.

The Government's new economic and social development plan for the fiscal years 1970-75 envisages measures for the dispersal of industries and population to the local districts, construc-

tion of a traffic network, adequate housing and public facilities, assistance to the producers of equipment for preventing air and water pollution, etcetera. Industries in big cities are also forced to adopt anti-pollution measures, and liberal financial assistance is being provided by the term-lending institutions for this purpose. The Government has also allocated sizable funds to social overheads to implement a comprehensive social insurance programme, a public assistance programme, public health services, a social welfare programme and unemployment measures, including re-training the jobless in needed skills, so that all people can enjoy a comfortable life without the fear of disease or poverty.

The present import structure of Japan shows the predominance of primary products. But in future she would be unable to get sufficient supply of raw materials from abroad at a competitive price. The growing consciousness among developing countries to conserve indigenous raw materials for their own nascent industries had its adverse effect on the supply of these items to Japan. The high prices of raw materials, coupled with the rising labour cost, might reduce the competitiveness of her industry. So it has become necessary for her to change her industrial structure with emphasis on the manufacture of high margin, value-added products and promote the development of resources in developing countries by Japanese firms themselves or with the help of Japanese technology.

Simultaneously, Japan has also decided to liberalise the import restrictions, particularly for developing countries. Her economy has all along been foreign trade-oriented. But certain internal and external factors, such as the predominance of low percentage of value-added products in her exports, slow-down of trade with the United States, a persistently rising trend of prices, lower invisible export earnings, growing awareness of developing nations to modernise their economies and protect their infant industries, have forced Japan to give up her earlier negative attitude towards internationalisation of trade and technology and adopt measures which will make a positive contribution to the development of the world economy through international co-operation and economic assistance. Government aid to the Overseas Economic Co-operation Fund (O.E.C.F.) has been increased in 1970 in order to raise the volume of aid to the developing coun-

tries of Asia, Africa and the Latin America on softer terms. International seminars, organised by the Asian Productivity Organisation with financial aid from the Government and other

Higher Defence Budget: Need for Effective Utilisation

(BY A SPECIAL CORRESPONDENT)

The Central Budget has made a higher allocation for defence. But this will not by itself strengthen the country's defence potential; it has to be ensured that the amount allotted is spent effectively.

THE Central Budget's larger provision for defence during the current financial year was expected in view of the deterioration in the Indo-Pakistani relations. The expenditure on defence is estimated at Rs. 1,241.66 crores, amounting to a fifth of the total Budget of about Rs. 5,983 crores. The outlay is nearly Rs. 59 crores higher than in the previous year. Larger provisions have been made for the Army, Navy, and the Air Force, and also for stores. Few will grudge the higher allocation to the country's defence. But Parliament must make sure that the amount allotted is used effectively for strengthening the country's capacity to protect itself against external aggression. There has been a tendency on the part of Parliament and public opinion in general not to be too critical of the administration of the Defence Ministry lest it should weaken the nation's efforts in this vital field. But healthy and constructive criticism of the Defence Department, far from weakening, will actually strengthen it.

A few years ago, Sir J. R. D. Tata said in course of a speech in Bombay that it was possible to effect a saving of Rs. 100 crores in the defence Budget by adopting modern techniques of administration and control. He revealed that the management of the human and material resources of India's defence establishment, the procurement, repair and maintenance of military equipment, and the cost and inventory control procedures in use were hardly any different from the practices adopted during and immediately after the second World War.

Surely, in a defence Budget of over Rs. 1,200 crores, there must be

public and private-sector organisations, are aimed at increasing the field of co-operation and understanding with the Asian countries and winning their goodwill.

substantial scope for avoiding wasteful expenditure. Now that the country's defence has assumed greater urgency and importance, it is necessary for Parliament to satisfy itself that the money allotted to the Army, Navy, and the Air Force as well as for the purchase of stores and equipment is spent in such a manner as to derive the maximum benefit to the country. The Central Defence Ministry should utilise the private sector to a greater extent in manufacturing various types of stores. Many industries in the private sector, especially the engineering industry in West Bengal, have large idle capacities. It will, therefore, be useful to find out whether the capacity of some of these industries cannot be used to meet the increasing requirements of the Defence Department.

The Government of India does not seem to have taken the private sector into confidence in respect of its defence manufacturing programme. At present, large quantities of defence equipment are imported and it will, therefore, be worth while to analyse to what extent such items can be produced in the country by the private sector.

Finally, it should be stressed that the task of strengthening the defence potential cannot be fulfilled merely by providing more money for the Army, the Navy, and the Air Force. It is equally important that the country's industrial economy should function at the highest level of efficiency and there should be discipline in every walk of life. Unfortunately, many key sectors of the country today are in a weak state. For example, the efficiency of the railways, which are of the greatest importance to defence, is now at a low ebb. It has to be ensured that the country's economy revives rapidly and vigorously so that its capacity to defend becomes stronger. It is also essential to give special attention to the needs of West Bengal because of its strategic location and its vital rôle in the country's economy.

BOOKS

Importance of Administrative Strategy in Decision-making

Administrative Strategy and Decision Making. By C. T. Hardwick and B. F. Landuyt. (Published by D. B. Taraporevala Sons and Co. Private Ltd., 210 Dr. Dadabhai Naoroji Road, Bombay 1. Pages 612, price Rs. 13.50.)

This is the first Indian reprint of the book published with the assistance of the Joint Indian-American Textbook Programme. Both the authors belong to the University of Detroit and in this book they have departed from the stereotyped manner of discussion generally applying to management subjects. A lot of research and desk work seems to have gone into the publication as the selected bibliography at the end shows.

For many years now, the word "strategy" has been used in management practices as running of business has often been equated with conducting of campaigns. However, this has also brought in its wake the elements of resistance and enemy camps, i.e., terms normally related to war. This provides sometimes an unhealthy connotation. Nevertheless, the element of strategy in administration is very important. All management is not administration, but most areas of administration involve timely decision-making, which is an essential ingredient of management. The authors' attempts must be viewed in this context. The book comprises 19 chapters involving leadership, mobilising followers, exploitation of opportunity, communication, administrative excesses and irrelevancies, interesting chapters on luck and the anatomy of decision-making. Much of the discussion is against the background of modern concepts and this book itself willy-nilly creates dogmas based on the authors' experience. To that extent some arguments overlap.

While human factors receive consideration throughout the body of the book, certain arguments, although related to reality, tend to give the impression to the reader that, after all, management is not so much of a science as an art or craft, e.g., it is stated that despite the adoption of the best possible measures, an administrator or a manager must, to a

large extent, depend on luck, and a good leader would thus seem to be one who succeeds always. It is also stated that it would appear good judgment not to select individuals, known or seen to be unlucky, for appointment to positions of leadership. One may point out that unless an organisation is so large as to be able to carry indifferent passengers, a logical corollary would be the elimination of those types from the hierarchy who have been more than once unlucky, although this might be due to reasons beyond their control. This will be the antithesis of good management. Elsewhere, it is also stated that a good leader, like a good army commander, should be constantly alert and flexible and, while taking risks, he should provide for avenues of retreat and need not be afraid of making use of any situation which gives him an opportunity or advantage *vis-à-vis* those who oppose him, that is, subordinates and supervisors within the organisation or without and even members of the top hierarchies in one's own company. While each of the above aspects has its own validity, any inexperienced reader would be left with the impression that the management game must be played not according to any scientific principles but according to the personalised whims of the leader. Not a healthy deduction.

The publishers suggest the book for teachers, students and the practitioner. Teachers of management, with the background of American free enterprise, will see the familiar arguments, but students in India are unlikely to benefit from this unless it is through guided reading. Furthermore, the book suffers from the weakness of there being no case studies.

S. B.

Study on Infrastructure

Infrastructure for the Indian Economy. Edited by Vadilal Dagli. (Published by Vora and Co. 3 Round Building, Bombay 2. Price Rs. 40, pages 288.)

Every year Commerce publishes an annual number on a specific sub-

ject. In December 1969, the subject was the title of this reference book. The same material has now been presented in a book form. The articles collected are scholarly and the statistical data are reliable. Apart from India as a whole, the infrastructural profile of Indian States and Union Territories is also presented. Dr. Narottam Shah, Chief of Commerce Research Bureau, presents an overall survey of the infrastructure of the Indian economy. Other authors deal with irrigation and power, transport and communications, public health, education and science, institutional framework and administration. Although most of the essays are of a high quality, special mention has to be made of the one entitled "Technology and Industrial Growth" by A. Rahman of the Council of Scientific and Industrial Research.

Basically, it is a reference work. It would, in fact, be more to the point if every three years new statistical data are added to such a volume and a new edition is brought out so that its usefulness keeps increasing. The supporting articles could also be up-dated.

Management Accountancy

Decisional Phenomena and the Management Account. By P. Chattopadhyay. (Published by the Institute of Cost and Works Accountants of India, 12 Sudder Street, Calcutta 16. Price Rs. 20, pages 207.)

Due to foreign rule and its accompanying backwardness in industry, cost accountancy has not been a familiar subject in the country. The Institute of Cost and Works Accountants of India, therefore, has had the privilege to establish and extend this branch of knowledge which has particular importance in the age of industrialisation. This book—the first research study under the Institute—is a good treatise on management accountancy. It has dealt in a good manner the difficult aspect of management accountancy which is presentation of accounting information to assist management in formulating policy and day-to-day operation. Information involving management accounting goes a long way in enabling the management to fulfil its stupendous task in an era of complications and competitiveness. In this respect, the author has done a commendable job. It seeks to highlight the aspect of decision-making in industry and the rôle that the management accountancy should play.

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INDUSTRY

Factors Determining Demand Forecasting and Use of Fertilisers

By Shyamal Banerjee

The present level of fertiliser prices cannot be considered high. Fertiliser is an industrial input if scientific agriculture is regarded as an industry. An input has no index of cost by itself except by how it is related to the value of the output.

IN economic demand investigations, fertiliser occupies a peculiar position. It is neither a consumer good, nor an industrial intermediary, nor again an industrial product. It is not an outright revenue expenditure, nor is it an investment as it is conventionally understood. On the other hand, a determinate cost-benefit ratio of its usage can be established within a limited matrix. Optimising the usage of fertiliser has got several well-defined scales of values. First, there is a level of usage which optimises the yield. Secondly, the economic optimum is reached at a somewhat lower level. Thirdly, the package optimum settles at a level of growth which is determined by the gross national product of the relevant sector of the economy. And the fourth series of factors which regulate the usage level are the socio-economic and operational considerations.

Although the relation between the usage of fertiliser and the harvest is determinate within limits, it is yet beset with many uncertainties. In industry, the input-output analysis is on more certain parameters. Thus, it is quite predictable that 1.5 tons of steel scrap would give 1 ton of finished steel. This is because the other determinants of the process are well controlled. Not so in agriculture, at least in the present condition. A complex cross-matrix correlates fertiliser with the end-output. The three dimensions are (1) the choice of input *vis-à-vis* the soil response factors, (2) the quantitative mix and (3) the timing. What is more significant is not the independence of the package components in application, but their absolute inter-dependence in the mix-result, jointly related to all the three dimensions. This generates a psychological uncertainty function which pulls down the scientific optimum.

A fallacy of various demand forecasts both at the national planning level and at the level of each unit is the failure to have a composite, simultaneous look at this totality of a multi-variate situation. A mathematical model can be built up by associating values to each of these multiple factors based on experience, judgment and anticipation. The exercise is neither statistical nor econometric nor even socio-economic; but it must reach the level of philosophy which transcend these factors and distil them into a synthesised revelation.

The usual tools of demand forecasting used by the statisticians and econometricians include moving average, exponential smoothing, regression analysis and other models of extrapolating on time-series data of past events. The underlying assumption is one of continuity. The continuum may be linear, geometric or any other form of curve but there is no concept of a break or discontinuity in the series.

Any demand forecast of fertiliser must necessarily include a jump of levels modelised by a discrete function. This is because of three major factors:

(i) The optional nature of the input, as conceived in India's traditional form of agriculture, has got two components—the first is subjective and the other, a valid objective. There is no harvest without seeds or water, but manuring occupies no such unique relationship in the input-output calculation.

(ii) The scale of fertiliser usage is not gradual but jumpy in relation to package availability, dependent especially on assured water supply, good seeds and remedy against plant diseases and insects.

(iii) Change in the cropping pattern.

The customary forecast made by the method of extending the past into the future is bound to fail, not on the score of accuracy, but on the fundamental one of misdirection.

The economics of fertiliser usage has been studied by different investi-

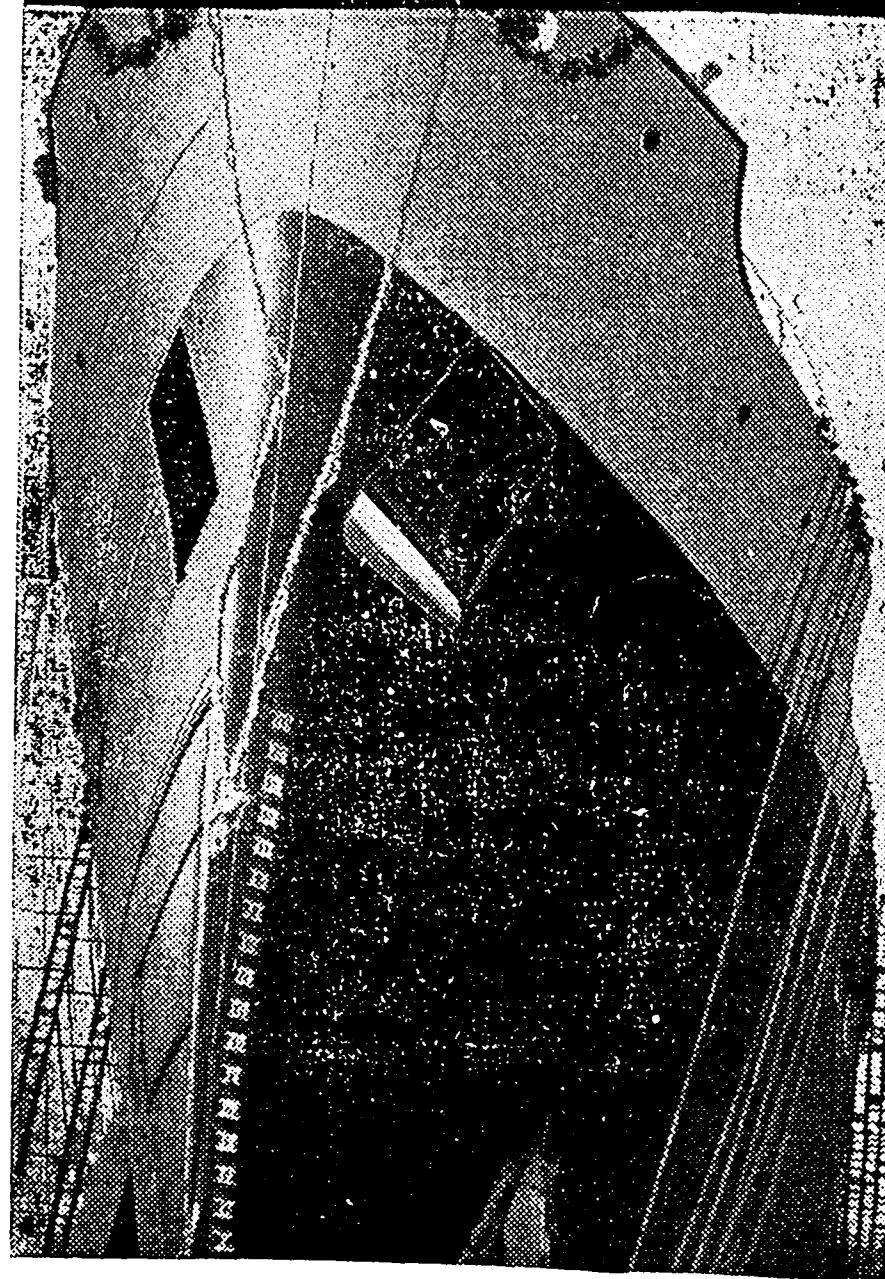
gators. It is generally accepted that Rs. 100 invested in fertiliser fetches an additional net revenue of Rs. 300, assuming average existing practices. The return on investment is, therefore, 200 per cent, which obviously exceeds the ambition of any industrial investor. Going by the simple economic law that a rupee of investment spreads out into different channels till the return on it equalises for different fields, large investments should have been made in fertiliser application. Yet this trend is hardly visible.

Directly from the trend of argument in the preceding section, one can say that the present level of fertiliser prices cannot be considered high. Fertiliser is an industrial input, if scientific agriculture is regarded as an industry. An input has no index of cost by itself except by how it is related to the value of the output.

In a competitive market, the price of an industrial intermediary is determined by its marginal revenue product. By that token, fertiliser as an agricultural input is under-priced. It may be argued that by lowering the price of fertiliser, one can devalue the risk quantum in the calculation of the farmer. This concept is theoretically sound but it fails when one considers the degree to which it reduces such risk and thus tilts the farmer's balance of calculations.

One may now sum up the remedy in terms of a two-pronged approach to the problem: first, persistently to endeavour to minimise the risk content of the investment by progressive assurance of the input package; and secondly, by enlarged inflow of finance into agriculture so as to stabilise the investment-output ratio. This analysis shows the more-than-usual significance of the well-accepted but under-implemented policies. These are, first, to gear up the agricultural development planning to a package approach; and secondly, to provide crop insurance, disregarding—in the early stages—the cost of providing such an insurance. The crop insurance scheme and the objective of the Agriculture Credit Guarantee Corporation have thus to be reoriented to a new cost-benefit calculation. Funds lost in insuring excess risk and uncertainties must be more than made up by the assurance generated in all those who have to do with farming and agriculture. This, in turn, would initiate and accelerate a virtuous cycle of more investment, improved package, less risk, less uncertainty and finally, less insurance costs.

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LABOUR

Is the Demand for a Higher Minimum Bonus Justified?

(BY A SPECIAL CORRESPONDENT)

Trade unions are pressing for an amendment of the Bonus Act in order to provide for a higher minimum bonus. It is difficult to see how the Central Labour Minister will oblige them when their proposal runs counter to his firm opinion that workers' wages should be linked with productivity.

THE Central Minister for Labour, Mr. R. K. Khadilkar, in the course of a statement in the Rajya Sabha on the occasion of a non-official Bill to amend the Bonus Act, stated that the Government would bring forward measures to review the bonus question in the light of the experience of the working of the Act. In a statement to newsmen in Bombay he is reported to have said that the Government would consider suitable amendments to the Bonus Act. The amendments that have been pressed by trade unions are to increase the minimum bonus from 4 per cent of the employee's emoluments to 8 per cent and to increase or abolish the existing maximum limit of 20 per cent. Furthermore, an important amendment recommended by the Maharashtra Government to the Centre is to provide for the payment of bonus by establishments other than factories, engaging less than 20 persons which are not covered by the Bonus Act.

Under the Bonus Act, a minimum bonus of 4 per cent of the employee's emoluments has to be paid irrespective of whether a concern makes profit or loss. Bonus over this is payable according to profits, under the formula laid down in the Bonus Act. Bonus under the Act is unrelated to productivity of workers. The proposal runs counter to the one which, it is understood, Mr. Khadilkar proposes to put up for consideration before an informal conference of trade unions in the country, namely, linking of wages with productivity. The Central Finance Minister, Mr. Y. B. Chavan, also stated in the Rajya Sabha recently that the Government recognised that in the absence of an integrated policy in the absence of prices, wages and incomes, it was difficult to avoid a price spiral and that a major objective of the Government's decision had been to evolve such a policy.

There can be no question that if the spectacle of wages chasing prices and prices chasing wages is to be avoided, there is an urgent need for linking any further rise in wages with productivity. But the proposal to increase the minimum and maximum bonus is directly against such a policy and would add to the inflationary spiral. Again, since bonus payments are allowable as expenditure under the Income Tax Act, an increase in bonus would result in a diminution of income-tax revenues at a time when the Central Exchequer can ill afford to lose existing revenues.

Furthermore, it may be pointed out that the Bonus Act provides that the 4 per cent minimum bonus shall be paid on basic wages and dearness allowances and not on basic wages alone, as was the practice in all industries before the Act was passed. It is common knowledge that there has been a steady rise in dearness allowances of workers, linked to the consumer price index, under awards of tribunals and wage boards. By reason of frequent automatic increases in dearness allowances, the quantum of minimum bonus has risen sharply. Even the 4 per cent minimum, in many cases, amounts to a bonus equivalent to nearly three months' basic wages. Employers have got reconciled to pay a minimum bonus of 4 per cent even when no profit is made. A further increase would have a serious effect on undertakings which have suffered losses or which are in the category of marginal units struggling to subsist. The National Labour Commission is also against the proposal further to increase bonus and has, in fact, stated in its report: "We are of the view that the debate on this issue need not be reopened."

To come now to the proposal of the Maharashtra Government referred to above. The Bonus Act is applicable to undertakings employing 20 or more persons. This is in accordance with the recommendation of the Bonus Commission. A number of other labour enactments are applicable to establishments employing a certain number of persons. The bonus formula is a complicated one with calculation of the available surplus after meeting certain prior

charges, and a set-off and set-on from year to year. Audited accounts have to be kept and even then there are disputes. Small industries, shops and commercial establishments should not be saddled with a complicated formula of bonus, which would involve getting accounts audited and engaging an expert for making calculations under the Act.

Failure to pay bonus is an offence under the Act, whether there is a demand or not from employees or their unions. The Supreme Court in the case of Sanghi Jeevraj Ghewar Chand and others versus Secretary, Madras Chellies, Grains Kirana Merchant Workers' Union and another (Civil Appeal No. 1630 of 1967) observed that the legislature has, as a matter of policy, excluded petty establishments from the Bonus Act in view of the recommendation of the Commission in that regard, namely, that the application of the Act would lead to harassment of petty proprietors and disharmony between them and their employees. Disputes in shops and small establishments engaging, say, two or three persons are not treated as industrial disputes and referred to adjudication.

In any case, an amendment of the Bonus Act extending it to establishments smaller than those engaging 20 employees would have to lay down some figure of minimum employees before the Bonus Act could reasonably be made applicable. For, it would lead to an oppressive effect and an absurd situation if the Bonus Act were to apply to a person employing, say, one or two persons, even on a part-time basis. The result would be that an illiterate hawker or a vendor of sugarcane juice in an open space, or a *pan* or *bidi* shop, or a farmer if he employs one labourer or assistant, would be put on the same footing and have the same liability as a mill employing thousands of persons, and would have to engage an expert to maintain accounts and set-off and set-on calculations from year to year under the bonus formula.

These difficulties underscore the wisdom of the Bonus Commission in excluding small establishments from the purview of the Bonus Act. In any case, no amendment to the Bonus Act extending it to establishments employing less than 20 persons should be made without giving an opportunity to the concerned interests—small establishments—to express their views on the desirability of extending the Act to them.

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MONEY AND BANKING

How Nationalised Banks Are Helping Small Units with Credit Facilities

By Narayan Das

Small-scale units are unlikely to have any difficulty in satisfying their credit requirements, since the nationalised banks have drawn up various schemes to help them. But they should be well aware of the facilities available.

THE need for an all-round development of small-scale industries with a view to reducing unemployment and enhancing the national income was keenly felt after independence. The State Bank of India, being the pioneer in this line of operation, started the liberalised scheme of advances to small units as early as 1957. Of late, the nationalised banks have also drawn up various schemes of extending finances to this sector. There is no denying the fact that many small units have developed so much with the financial backing of banks that they can no longer be considered small. Before approaching a bank for credit facility, entrepreneurs should be well aware of the various facilities available to them. Facilities offered by banks to small-scale industries are discussed in the following paragraphs.

What are the credit needs of a small unit? The primary requirement is working capital. A running unit requires bank assistance by way of working capital for its survival, for it does not have sufficient funds to carry on manufacturing operations when a large amount of money always remains blocked in inventories, receivables, etcetera. Banks give credit against these inventories and receivables. Here the system of financing is so scientific that banks sometimes guide and assist small units in their financial planning. An added advantage is that they continue to get banks' advice on matters relating to finance as long as they remain in the books of the banks.

Banks grant credit facilities against pledge/hypothecation of stocks depen-

ding upon the nature of manufacturing operations and other factors relating to the units. Normally, credits are granted by banks up to 75 per cent of the value of goods, the remaining 25 per cent being provided by the units; this 25 per cent is termed as "margin" money. The justification of banks stipulating such a condition is that the borrower should have a stake in the business by way of his own investment in as much as he will take an active interest in the concern. Advances against stocks are granted on a pledge-basis in different ways—lock and key, factory type and *mandi* type. The first is that type of advance where

goods are stored under lock and key of a bank and are released by it after the deposit of advance value thereof. The type where goods are stored under control of the borrower and remain in his factory compound to enable him to carry on his manufacturing operations, subject to the posting of a godown-watchman at the factory gate, is termed factory type. The manufactured items cannot be taken out of the factory unless the advance amount is deposited with the bank.

The third category, i.e., *mandi* type, allows goods to be handled by the borrower at his sweetwill and is similar in nature to that of hypothecation advances. In all these cases, the borrower is required to submit stock statements at periodic intervals and the bank's inspecting officials make surprise visits to the borrower's factory in order to verify that the quantity and value of stocks submitted earlier on a particular day plus deposits and withdrawals on subse-



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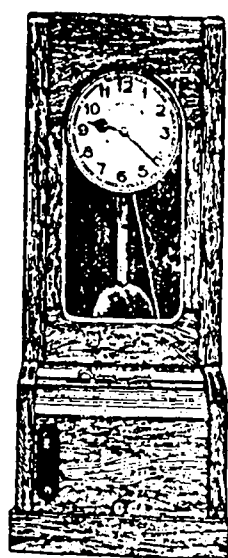
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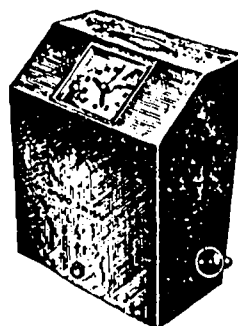
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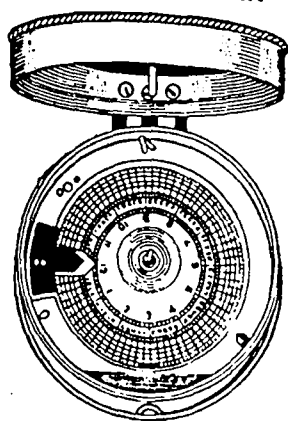
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quent days tally with the stock position as shown in their books on the day of inspection.

Similarly, after despatches of goods, credit facilities are extended by banks against bills lodged with them for collection, provided these are accompanied by documents evidencing despatches. Credit is granted up to 75 per cent of the amount of bills lodged, the remaining 25 per cent being provided by the units themselves. Once an unit is in a position to provide 25 per cent for inventories and finance manufacturing expenses, i.e., the cost of labour and other ancillary expenses, the unit is unlikely to have any financial difficulty at any stage. It is needless to mention that the bill amount mentioned in the bills contains the profit amount involved in a particular deal and the unit is also receiving from the bank 75 per cent of the profit amount which should be sufficient for the unit to provide for its manufacturing expenses and other incidentals. Credits against bills are normally extended for periods up to 90 days and in exceptional cases beyond 90 days depending upon the circumstances.

Apart from credits extended against stocks and bills, small-scale units sometimes feel the need of additional accommodation in respect of working capital. Such advances are also granted either against the pledge of machinery or on a clean basis. The necessity of such finance will only arise if the total working capital requirements cannot be met by granting finance against inventories and receivables. In other words, small-scale industries, after their plants are installed, can carry on with their investment of 25 per cent of their entire working capital requirements. For the purchase of raw materials, banks have also schemes by means of which 25 per cent of the total cost of raw materials if deposited with banks, the said quantum of raw materials could be purchased, the remaining 75 per cent being provided by banks on execution of "trust receipt" in favour of them. In the case of supply of finished goods to different buyers, a small unit may utilise the "trust letter" facility by means of which it can deliver the goods to the indenter provided the bills are lodged with the bank within a reasonable period, say, 48 hours. In short, a small-scale unit can carry on from the stage of purchase of raw materials to the stage of realisation of proceeds on sale of goods, with an investment of 25 per

cent of its entire working capital requirements.

For expansion, modernisation or renovation, small units can also avail themselves of the facilities like instalment credit loan or medium-term loan. Instalment credit loan is granted for the purchase of machinery, the percentage of money to be provided by the unit vary from 25 per cent to 33 per cent. Medium-term loans are granted where a factory compound is to be extended and/or factory shed to be constructed in order to have an effective functioning of the manufacturing operation; such loans are granted up to 50 per cent of the depreciated value of fixed assets plus fixed assets to be added thereon. The maximum period of repayment of loans vary from five years to ten years; five years in the case of instalment credit and ten years in the case of medium-term credit. The repayment of such loans is permitted by banks normally after a period of six months or one year from the date the factory starts working depending upon the quantum of surplus generated out of its working.

For very small units whose total working capital requirements are within Rs. 50,000, a special credit system is available with banks where small units can get finance against hypothecation of inventories and receivables. A partnership/proprietary concern can also derive this hypothecation facility from banks. It will not be out of place to mention that the full particulars of public/private limited companies are known to the public through the office of Registrar of Companies in each State. Banks run the risk of granting hypothecation advances to small units because the same units may also borrow from two or more banks; a bank is in complete darkness whether a particular unit has resorted to borrowing from any other bank.

For an entrepreneur with the requisite technical qualification, banks have schemes of financing his entire credit requirement. As soon as the scheme drawn up by an entrepreneur is approved by the Small Industries Service Institute, he can approach a bank for finance. The entire credit requirement of an entrepreneur could be met by a bank, subject to the limit of Rs. 2 lakhs. It is thus observed that with the various financial facilities available with banks, there is no likelihood of any financial difficulty faced by small-scale units.

INVESTMENT

Shares Rally but Bonus Issue Guidelines Worry Operators

THE stock markets have staged a further retreat this past week under the pressure of light but persistent bull liquidation and modest bear selling induced mainly by the bearish implications of the various tax proposals in Mr. Chavan's Central Budget. Short-covering and selective replacement buying prompted mainly by technical considerations have produced a feeble rally near the weekend. While the markets have wound up the week on a seemingly steadier note, operators have been reluctant to follow the rally as confidence in the short-term outlook has been undermined by the adverse criticism of the budgetary proposals. Leaders of industry and tax experts are of the view that the Budget is not growth-oriented and that it will generate a new round of tax-induced inflation. The argument is that the heavy increase in income-tax and the expropriatory wealth tax rates will drastically reduce savings in the hands of the people and act as a serious deterrent to further investment. Furthermore, the larger burden on the corporate sector, both by way of fresh imposts and the withdrawal of concessions, will vitiate the climate for new investment, adversely affect capital formation and slow down the rate of industrial growth which, in turn, will accentuate inflationary pressures in the economy.

Since it takes a long time for an industrial licence to fructify, the threatened abolition of development rebate after May 1974 is regarded as a current deterrent to economic growth and not only as a future deterrent. It is feared that in the absence of development rebate, the rate of assets formation in the companies through the plough-back of profits will be considerably reduced. The budgetary chill apart, trading sentiment has also been affected by the announcement of more stringent guidelines for the issue of bonus shares, raising the residual reserves left after capitalisation from 20 per cent of the enlarged capital to 33 per cent. Company managements will also be required to indicate the dividend prospects on the enlarged capital whenever they seek the approval of shareholders at the general body meeting for the purpose of bonus issues. The revised procedure and the

new ratio prescribed will have the effect of curtailing the potentiality for substantial bonus issues which have made no small contribution to the revival of the cult of equity over the past few years.

The corporate news during the week has been rather thin and has had little to cheer the market. That the Budget is not bullish may be conceded. But it would be rash to take the panicky view that the increase in personal income-tax and wealth tax would confiscate private savings and destroy investment in the private sector. Equally unwarranted is the fear that the flotation of new companies would become difficult, if not impossible, because individuals would now have to pay wealth tax on investments made in shares of new industrial ventures which had hitherto been exempt from wealth tax for five years. The outlook for equities depends on the prosperity of the corporate sector which is linked closely with the overall growth of the economy, which the Government seems so anxious to promote. The fiscal policy leaves much to be desired, but an expanding and sheltered market should normally provide an adequate incentive for industrial growth and the expansionary impulses in the economy should gather strength from the enhanced outlay in the current fiscal year. The efficient performance of public-sector enterprises in which nearly Rs. 4,000 crores have been sunk holds the key to the economic and industrial tempo. The other major factor is the unpredictable monsoon because of its far-reaching impact on agricultural production. How long the markets will take to recover from the psychological setback they have received from Mr. Chavan's Budget, it is difficult to say. The refugee problem is weighing heavily on the markets' psychology.

Government securities have remained steady this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have received selective support. Turnover has remained restricted.

Share prices have shown an easier trend in the Calcutta stock market

this past week, although there has been a mild rally towards the close. The enthusiasm of operators has been reduced because it is found on a closer analysis that Mr. Chavan's Central Budget is neither growth nor investment-oriented. The amendment made a few days ago in the guidelines governing the issue of bonus shares has created fresh misgivings in the market. Stock market circles think that the new provisions might effect the issue of bonus shares in the future. Among engineering shares, Guest, Keen, Williams, Kumardhubi and Jay Engineering have improved. Among paper shares, Seshasayee, Sirpur and Straw Products have received selective support. Among jute shares, Budget Amalgamated, Chitavalsah and New Central have been transacted. Among miscellaneous shares, English Electric, Reckitt Colman and G.E.C. have received attention. Among

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section:

ACC-Vickers-Babcock

Asher Textiles

Atlas Cycle

Coimbatore Cotton

Digvijay Cement

Elgi Rubber

Fuel Injections

G.I.I.C.

G.S.F.C.

Hindustan Lever

Kohinoor Mills

Lakshmi Machine

New Standard Engineering

Omega Cable

Permanent Magnets

Radhakrishna Mills

Rajalakshmi Mills

Standard and Chartered

Tensile Steel

tea shares, Carron, Baitkhal and Hasimara have changed hands.

After displaying a distinctly weak tendency earlier in the week, Dalal Street has turned steadier and has wound up the week with plus and minus signs almost evenly distributed. The early decline was a continuation of the downward swing induced by a bearish assessment of the budgetary proposals. The week-end rally has been caused by bear-covering and selective replacement buying induced mainly by technical considerations. Offerings have tended to subside at lower levels. Cotton mill shares have made a mixed showing. Bombay Dyeing, Century and Standard have closed with small gains and Kohinoor have also recovered from the early decline. Khatau have been easier. Excepting Indian Rayon, rayon shares have rallied after early easiness and have closed with fair gains over the previous week-end levels. Steel shares have also been steadier on scarcity of fresh offerings and modest replacement buying. Among engineering shares, Associated Bearings, S.L.M.-Maneklal and Sandvik Asia have been marked further down while Tata Engineering, Larsen and Toubro, Zenith Steel and Voltas have finished on a steadier note. Automobile shares have ruled steadier with a limited turnover. Cement shares have held steady and only Digvijay have closed lower. Sugar shares have also maintained a steady tone. Shipping shares have registered a fair rally. Bayer, Colour-Chem, Polychem and Herdillia have been among the soft spots.

Prices in the Madras stock market have remained quietly steady this past week, although business, by and large, has remained restricted. In the planting section, Blue Mountain, Ouchterloney and Consolidated Coffee have improved on better buying enquiries. In the textile section, Madura have shown a weak trend. Anglo-French

Progress of Hindustan Lever: Expansion Plans Being Considered

AT the annual general meeting of the Hindustan Lever Ltd. held recently in Bombay, Mr. V. G. Rajadhyaksha, chairman, said that the Company which started investing in research and development facilities a decade ago had now the finest organisation in the field in India. (A fuller version of the speech was pub-

Textile and Mettur Beardsell have also been transacted. In the miscellaneous section, business has been done in Ashok Leyland at an improved rate while Mettur Chemical have declined. Binny have changed hands at the market rate while sellers have predominated in W.S. Insulators. Among sugar shares, Deccan have received better enquiries while E.I.D.-Parry have declined. Among bank shares, the State Bank of Travancore have received better support.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	22/40—23/05—22/30—22/45—
(19/35)	
Dunlop India	37/30—38/15—37/20—38/10—
(35/90)	
Guest, Keen, Williams	36/90—38/30—36/80—
37/80—(19/10)	
Howrah Jute	7/25—3/37—7/25—7/37—
(6/50)	
Hindustan Motors	12/25—12/30—11/70—
11/75—(15/78)	
Indian Aluminium	37/40—37/85—37/15—
37/40—(32/20)	
Indian Cable	17/65—17/70—17/40—17/40—
(15/65)	
Indian Copper	3/89—3/89—3/80—3/80—
(4/67)	
Indian Iron	11/80—11/80—11/45—11/50—
(16/50)	
J. K. Cotton	10/65—10/65—10/62—10/62—
(13/60)	
Jaipur Udyog	9/05—9/05—9/00—9/00—
(9/55)	
Jayashree Tea & Industries	18/12—18/50—18/50—
18/12—18/50—(13/19)	
Kesoram Industries	16/30—16/30—15/80—
15/90—(17/25)	
Orient Paper	38/15—38/45—35/85—37/00—
(34/20)	
Orissa Cement	18/25—18/25—17/15—17/30—
(15/60)	
Rohitas Industries	6/00—6/05—5/90—5/90—
(7/62)	
Textile Machinery	11/00—11/06—10/55—
10/65—(10/45)	

lished in the issue of *Capital* dated 27th May, 1971.) The Company's attention was mainly confined to vegetable oils—the principal raw material for the products which made up the bulk of its business. One of its major tasks was to discover new techniques for upgrading non-traditional and inedible oils into materials

suitable for making good quality soaps. Its buying department has played a pioneering rôle in promoting the collection of forest seeds, such as *sal*. The joint effort of various departments has led to an eightfold increase in the consumption of non-traditional oils during the past five years. The Company's most notable success in reducing oil imports is in stimulating the mass consumption of synthetic detergent powders and bars which are substitutes for soap. To save foreign exchange, the Company is manufacturing nickel catalyst for its own use as well as for third parties. It is also producing aromatic chemicals. The Company has sponsored research projects in national laboratories and helped its suppliers to cut costs and improve the quality of their products.

Besides discovering substitutes for traditional oils, the Company has succeeded in introducing better seeds and improved agronomic practices for growing groundnuts. Hindustan Lever has helped stimulate milk production in Etah district of Uttar Pradesh by setting up a dairy to provide a steady outlet for the surplus milk in the area and by bringing in good quality buffaloes. In Ghazabad, it has developed a unique process for dehydrating peas. It is devoting much attention to the efficient use of its resources. The chairman is optimistic that once again in the future, the Company will be able to bring another range of quality products. It has been asked by the Government to consider investing in a fertiliser project and, in particular, to participate in a joint sector venture in Punjab in partnership with the Punjab State Industrial Development Corporation to which a letter of intent, it is understood, will be issued shortly. The Company accordingly commissioned a feasibility study by the Mitsui Teatsu Chemical Company of Japan and a market survey by the F.A.C.T. Engineering and Development Organisation. The Company is discussing with the Government a number of other projects which not only seek growth but also conform to the Government's social and economic objectives.

STANDARD AND CHARTERED

Bigger Dividend

THE directors of Standard and Chartered Banking Group Ltd will recommend to shareholders at the annual general meeting to be

held on 3rd August, 1971, payment of a final dividend of 7 per cent, less income-tax, for the 15 months ended March 1971. The total rate of distribution for the period will thus be 15 per cent, representing an increase of 1 per cent over the amount forecast for the first accounting period of the new Company in accordance with the scheme of arrangement for the merger. Net profits of the Group available for dividend after provision for taxation, transfers to inner reserves and minority interests were as follows: Net profits of Standard Bank and Chartered Bank £11,953,409, less transfers to contingency and reserve funds £4,071,694, balance of profit brought forward £10,742,683.

RADHAKRISHNA MILLS

Dividend Raised

THE working results of Radhakrishna Mills for the year ended December 1970 show a marked rise in the profit, when compared with the previous year. The directors have, therefore, stepped up the dividend to 10 per cent from the previous year's 7 per cent. The profit amounts to Rs. 16.78 lakhs, after providing Rs. 3.51 lakhs for depreciation. This compares with the previous year's profit of Rs. 9.57 lakhs, after providing Rs. 4.23 lakhs for depreciation. Sales amounted to Rs. 350.47 lakhs (against Rs. 330.59 lakhs). With Rs. 5,633 brought forward, the total surplus comes to Rs. 16.83 lakhs. Out of this, contingency reserve gets Rs. 10.45 lakhs (against nil). The dividend claims Rs. 6.30 lakhs. The balance of Rs. 7.85 is being carried forward.

RAJALAKSHMI MILLS

A Better Year

THE directors of Rajalakshmi Mills Ltd have recommended a slightly higher dividend of 11 per cent on equity shares for the year ended December 1970, against 10 per cent for the previous year. The profit for the year amounts to Rs. 19.73 lakhs, after providing depreciation of Rs. 8.83 lakhs. This compares with the previous year's profit of Rs. 16.24 lakhs after providing Rs. 9.03 lakhs for depreciation. Total sales amounted to Rs. 315.04 lakhs (against Rs. 279 lakhs). The total surplus available for appropriation comes to Rs. 19.89 lakhs, including Rs. 15,586 being sales tax refund. Out

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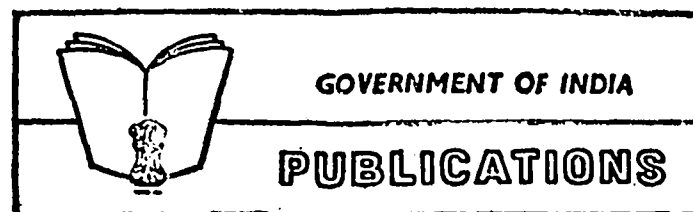
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		Economic and Commercial Reports Compiled by Dte. of Commercial Publicity, Min. of Foreign Trade, New Delhi.		
1.	F.T. 10.68	U.S.A.	Rs. 3/40	Rs. 1/05 (including Regd. charges)
2.	F.T. 32.68	U.S.S.R.	Rs. 2/95	Rs. 1/10 (including Regd. charges)
3.	PDES. 26.69 & 70	Estimates of area and production of principal crops in India 1969-70 (Summary Tables) Compiled by Dte. of Economics & Statistics, Min. of Food, Agriculture, Community Dev., & Co-operation.	Rs. 3/35	Rs. 1/45 (including Regd. charges)
4.	P.C. 161	Evaluation Study of the high yielding varieties programme Report of the Kharif-1967—Compiled by Programme Evaluation Organisation, Planning Commission.	Rs. 7/25	—
5.	ZSI. 17.1	The Fauna of India and the adjacent countries Pisces (Second Edition) Vol. I Elasmobranchii and Holocephali by K. S. Misra, issued by Zoological Survey of India, Calcutta.	Rs. 50/-	—
6.	L.D. 152	Legal Glossary 1970—issued by official language (Legislative Commission), Min. of Law-Diglot.	Rs. 6/-	—
7.	DGO. 77.67.II	Magnetic, Meteorological and atmospheric electric Observations 1967 (1888-1889 Saka) Part II.	Rs. 45/-	—
8.	L.D. 151	Manual of Election Law (Sixth Edn.)—Compiled by Min. of Law.	Rs. 6/45	—
9.	H.D. 260	A.R.C. Report on Posts and Telegraphs, May 1970.	Rs. 2/60	Rs. 1/10 (including Regd. charges)
10.	H.D. 272	Report of the Study Team Redress of Citizens Grievances Aug. 1966—Compiled by Admn. Reforms Commission.	Rs. 1/25	Re. 0/10
11.	H.D. 258	Report on Treasuries Feb. 1970—Compiled by Admn. Reforms Commission.	Re. 0/95	Re. 0/10
12.	D.L. 468	Report on the Second Central Wage Board for the Cotton Textile Industry 1068—Compiled by Min. of Labour, Employment & Rehabilitation.	Rs. 3/70	Rs. 1/25 (including Regd. charges)
13.	L.D. 64.67	Summary of Legislation in India 1967—Compiled by Min. of Law.	Rs. 2/20	Rs. 1/15 (including Regd. charges)
14.	PRS-17.X(N)	WHO'S Who Rajya Sabha—1970—in Hindi.	Rs. 5/-	—
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of this donations amounted to Rs. 44,221 and bonus provision accounted for Rs. 2.26 lakhs. Development rebate reserve gets Rs. 65,000 (against Rs. 1.70 lakhs). Provision for taxation amounts to Rs. 8.50 lakhs (against Rs. 8.50 lakhs). Gratuity reserve gets Rs. 4.50 lakhs. The balance of Rs. 3.54 lakhs is transferred to general reserve. The preference dividend at 8.45 per cent amounting to Rs. 16,900 and the equity dividend absorbing Rs. 3.30 lakhs will be paid out of general reserve.

G.S.F.C.

Performance Improves

THE working of the Gujarat State Financial Corporation has shown a sustained rise in loans disbursed during 1970-71. It went up by 74 per cent rising from Rs. 345 lakhs in the previous year to Rs. 551 lakhs. Loans sanctioned during the year amounted to Rs. 686 lakhs which shows a rise of 31 per cent over the previous year. As many as 1,270 units were provided assistance during a single year, as compared with 797 units assisted in 1969-70 and 1,669 units in the period of earlier nine years. In all 3,736 units have been sanctioned loans of Rs. 2,267 lakhs since the Corporation's inception, of which loans of Rs. 1,729 lakhs have been disbursed to 3,043 units.

The Corporation continued to expand its assistance to an increasing number of small-scale units. During 1970-71, 99.1 per cent (1,259) of the units assisted by the Corporation were in the small-scale sector to whom loans of Rs. 631 lakhs (29.1 per cent) were sanctioned and Rs. 508 lakhs (92.1 per cent) were disbursed. The Corporation endeavoured to provide assistance on an increasing scale to industries set up in backward areas of the State. As a result the relative share of backward districts in disbursement of loans rose from 19.17 per cent in 1969-70 to 22.9 per cent. The amount disbursed in these areas almost doubled during the year 1970-71, rising from Rs. 67.57 lakhs in the previous year to Rs. 126.47 lakhs.

ASHER TEXTILES

Bigger Dividend

ASHER Textiles Ltd has submitted its accounts for the nine months ended December 1970. The directors have recommended a dividend of 10

per cent (against 7½ per cent). The profit for the year amounts to Rs. 6.71 lakhs, after providing Rs. 3.22 lakhs for depreciation. This compares with the previous year's profit of Rs. 9.27 lakhs, after providing Rs. 3.75 lakhs for depreciation. Adding to the year's profit a sum of Rs. 2,532 brought forward and Rs. 90,000 being development rebate reserve withdrawn, there is a total surplus of Rs. 7.63 lakhs. Out of this, provision for taxation amounts to Rs. 3.44 lakhs (against Rs. 6 lakhs). Development rebate reserve gets Rs. 4,150 (against Rs. 46,000). Bonus relating to prior years absorbs Rs. 1 lakh. General reserve gets Rs. 1.90 lakhs (against Rs. 3.24 lakhs). The dividend claims Rs. 1.19 lakhs. The balance of Rs. 4,678 is being carried forward.

COIMBATORE COTTON

Profit Declines

THE directors of Coimbatore Cotton Mills Ltd have recommended a dividend of 11 per cent for the year ended December 1970, against 10 per cent in the previous year. The profit for the year amounts to Rs. 14.95 lakhs, after providing Rs. 10.09 lakhs for depreciation. This compares with the previous year's profit of Rs. 18.90 lakhs, after providing Rs. 10.19 lakhs for depreciation. With Rs. 4,792 brought forward, the total available for appropriation comes to Rs. 15 lakhs. Out of this, a sum of Rs. 1.70 lakhs (against Rs. 1.10 lakhs) is transferred to development rebate reserve. Provision for bonus amounts to Rs. 1.44 lakhs (against nil). Donations account for Rs. 18,541 (against Rs. 33,096). Gratuity reserve gets Rs. 48,522 (against nil) and general reserve Rs. 4 lakhs (against Rs. 7.71 lakhs). Provision for taxation amounts to Rs. 7 lakhs. Sales amounted to Rs. 384.46 lakhs (against Rs. 338.88 lakhs). During the year, a sum of Rs. 10.68 lakhs has been spent towards rehabilitation of machinery.

NEW STANDARD ENGINEERING

All-round Improvement

NEW Standard Engineering Company has reported all-round good improvement in its performance during the year ended March 1971. Production, sales and profit—all are higher than in the previous year and the dividend has been raised from 10 per cent to 11 per cent. Production and sales

during 1970-71 increased by 15.9 per cent and 9.2 per cent, respectively, over the 1969-70 level. Exports are also sharply up from Rs. 27.40 lakhs to Rs. 82.91 lakhs. Income from sales and other sources has increased from Rs. 3.82 crores to Rs. 4.23 crores and the gross profit has risen from Rs. 77.14 lakhs to Rs. 84.59 lakhs. Out of the gross profit, the directors have provided Rs. 15.84 lakhs (against Rs. 77.14 lakhs) for depreciation, Rs. 57,000 (against Rs. 82,000) for development rebate reserve and Rs. 3.50 lakhs (against nil) for taxation. The current year also is said to hold out a promise of satisfactory results. The Company has orders on hand in excess of Rs. 5.40 crores, including export orders worth Rs. 1.12 crores. The Company has received the Government's approval for its proposed collaboration with Sintokogio of Japan for the manufacture of foundry equipment and with B. and S. Massey of the U.K. for the manufacture of higher capacity hammers up to 40 cwt.

KOHINOOR MILLS

Margins Eroded

THE directors of Kohinoor Mills have proposed a final equity dividend of 12 per cent for 1970 which, together with the 5 per cent interim already paid in commemoration of the platinum jubilee year, makes a total of 17 per cent, against 12 per cent paid for 1969. The preliminary figures released by the Company show a substantial decline in profit despite larger sales. While sales are up by 20 per cent from Rs. 11.29 crores to Rs. 13.66 crores, the gross profit, arrived at after providing Rs. 21.75 lakhs (against Rs. 12.85 lakhs) for bonus, including special payment to employees, has declined by 29.6 per cent from Rs. 89.06 lakhs to Rs. 68.90 lakhs. The ratio of profit to sales has come down from around 8 per cent to 5 per cent. After providing Rs. 25.57 lakhs (against Rs. 26.43 lakhs) for depreciation, Rs. 3.66 lakhs (against Rs. 3.98 lakhs) for development rebate reserve and Rs. 22 lakhs (against nil) for taxation, the net profit amounts to Rs. 17.68 lakhs, against Rs. 58.66 lakhs in the preceding year. The interim dividend has claimed Rs. 5 lakhs (against nil). After some adjustments, a sum of Rs. 14 lakhs has been transferred to general reserve out of which the proposed final dividend is to be paid.

The current year is stated to be a difficult one for the cotton textile in-

dustry because of the enormous rise in cotton prices, credit curbs and a tighter control on controlled cloth. However, steps are being taken to improve the Company's profitability and the directors have expressed the hope that the results for 1971 may not be too far from last year's.

PERMANENT MAGNETS

Results Impress

PERMANENT Magnets has done exceedingly well in 1970 and the dividend has been raised from 10 per cent to 12 per cent which is covered three times. Apart from the enhanced dividend, the directors have proposed a three-for-five rights issue at par. Sales at Rs. 131.25 lakhs show a rise of 45.8 per cent over the previous year's figure of Rs. 90.70 lakhs. The gross profit has recorded an impressive rise of 71 per cent from Rs. 14.77 lakhs to Rs. 25.32 lakhs. After providing Rs. 4.14 lakhs (against Rs. 4.42 lakhs) for depreciation, Rs. 20,000 (against Rs. 47,000) for development rebate reserve and Rs. 11.41 lakhs (against Rs. 4.52 lakhs) for taxation, the net profit for 1970 amounts to Rs. 9.57 lakhs, against

Rs. 5.36 lakhs in the previous year. After adjustments, the surplus of Rs. 9.60 (against Rs. 5.70 lakhs) is transferred to general reserve. The proposed dividend absorbing Rs. 3.30 lakhs (against Rs. 2.75 lakhs) is to be paid out of general reserve.

ATLAS CYCLE

Sales Up but Profit Down

DESPITE a rise in production and sales, Atlas Cycle has made a lower gross profit in 1970. The equity dividend payable on the increased capital has been kept unchanged at 12.5 per cent. Production of cycles was higher at 461,000 units, against 426,000 units in 1969. Sales increased from Rs. 7.02 crores to Rs. 7.86 crores. The gross profit, however, declined from Rs. 58.08 lakhs to Rs. 51.55 lakhs. Margins have been squeezed by cost inflation. The Government sanctioned an increase of Rs. 9.50 a bicycle in the selling prices from 5th June, 1970, but by that time the Company had already sold 180,000 bicycles with barely any profit margin. The Company exported bicycles worth Rs. 51.02 lakhs, against Rs. 26.70 lakhs in 1969. After providing Rs. 9.98 lakhs (against Rs. 10.22 lakhs) for depreciation, Rs. 70,000 (against Rs. 96,000) for development rebate reserve and Rs. 26.75 lakhs (against Rs. 32.50 lakhs) for taxation, the net profit for 1970 amounts to Rs. 14.12 lakhs, against Rs. 14.40 lakhs in 1969. The usual preference dividend and the unchanged equity dividend payable on the increased capital will claim Rs. 8.56 lakhs, against Rs. 5.19 lakhs in the previous year. A sum of Rs. 9.29 lakhs received under the tax credit certificate scheme has been credited to general reserve.

ACC-VICKERS-BABCOCK

Boilers for West Bengal

RAW materials, components and spare parts worth more than £1,500,000 for the construction of two 120 megawatt radiant boilers have been ordered from Babcock and Wilcox Ltd by their subsidiary, ACC-Vickers-Babcock Ltd, of Durgapur. The materials include structural steel plates, manifolds, drum slings, soot blowers and valves. They are for the third and fourth boilers to be built for the West Bengal State Electricity Board in Santaldih. The boilers, each producing 866,500 lbs of steam an hour at 1,900 lbs a square inch and 1,005

degrees Fahrenheit, will be fired by pulverised fuel and will double the station's present capacity. The delivery is expected to be completed by November 1972 and work on the first boiler should start in the first half of 1973.

ELGI RUBBER

Share Offer

ELGI Rubber Products Ltd has entered the capital market to raise Rs. 15 lakhs through the issue of 100,000 equity shares of Rs. 10 each and 5,000 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. Out of this issue, 26,500 equity shares are reserved for allotment to the promoters and their friends. The balance of 73,500 equity shares and 5,000 preference shares have been offered for public subscription. The subscription list opened on 31st May and will close on 14th June. The Company is being promoted to establish a reclaimed rubber plant near Madras in order to cater to the increasing demand of reclaimed rubber consumers. The Company has been permitted to manufacture 2,500 tonnes of reclaimed rubber a year on a three-shift basis. The project cost is put at Rs. 43.89 lakhs. Out of this the share capital accounts for Rs. 20 lakhs. The balance is being raised through loans.

LAKSHMI MACHINE

Maiden Dividend

THE working results of Lakshmi Machine Works for the year ended December 1970 are impressive. The total maiden dividend of 10 per cent for the year is considered quite satisfactory. Both profit and sales have recorded a marked improvement over the previous year. Total turnover amounts to Rs. 547.5 lakhs, against Rs. 417.2 lakhs in the previous year. The profit amounts to Rs. 112.78 lakhs, after providing Rs. 40.56 lakhs for depreciation. This compares with the previous year's profit of Rs. 59.66 lakhs, after providing Rs. 34.53 lakhs for depreciation. Adding to the year's profit a sum of Rs. 19,629 brought forward from the previous year and also Rs. 2.08 lakhs being excess provision in royalty, there is a total surplus of Rs. 115.06 lakhs available for appropriation. Out of this, reserve for gratuity gets Rs. 3.50 lakhs (against nil) and Rs. 2.50

lakhs is written off being underwriting expenses. A sum of Rs. 98,340 is written off being brokerage. Debentures issue expenses written off amounts to Rs. 7.38 lakhs. Donations account for Rs. 24,956. The interim dividend of 4 per cent absorbed Rs. 9.83 lakhs. Prior expenses amount to Rs. 2.48 lakhs. The balance of Rs. 88.14 lakhs (against nil) is transferred to general reserve. The final dividend of 6 per cent is to be paid out of general reserve. No provision has been made for taxation as there is no liability for the same in the year under review.

Production during the year was satisfactory. The Company has been working at almost full capacity. The directors state that production would have been higher but for the delay in getting the necessary imported components due to the belated receipt of import licences, and also the shortage of some critical indigenous components and raw materials. As for future prospects, the directors' report says that the Company has been maintaining the quality and performance of the machines despite difficulties in procuring raw materials of the desired quality. The order-book position is satisfactory.

OMEGA CABLE

Raw Material Problem

THE working of Omega Insulated Cable Company (India) Ltd for the year ended December 1970 has resulted in a small profit of Rs. 12,655, after providing Rs. 5.50 lakhs for depreciation. This compares with the previous year's profit of Rs. 11,264. No depreciation was provided last year. Sales turnover amounted to Rs. 184.20 lakhs (against Rs. 160.51 lakhs). Sales of cables amounted to only Rs. 32 lakhs but sales of conductors amounted to Rs. 132 lakhs. Considering the investment on plant and machinery, the plant utilisation for cable production was very low. This was due to the lack of demand for heavy size cables. Most of the orders received were for braided varieties for which the Company's capacity is limited. The Company was not able to increase its production as planned due to the scarcity and high prices of the raw materials, namely, aluminium and steel. The factory was, therefore, obliged to confine itself to two shifts only for most of the months. However, sales and production during the first three months of the current year are quite encouraging. The Company

has touched a sales turnover of about Rs. 52 lakhs. The directors are confident of crossing a turnover of Rs. 2.50 crores during the current year if the shortage of raw materials does not come in the way.

TENSILE STEEL

Maiden Dividend

TENSILE Steel has reported excellent results for the year ended March 1971; production, sales, operational efficiency and profit are substantially better than in the preceding year. Improved results have enabled the management not only to wipe out the outstanding losses but also to declare a maiden 12 per cent dividend, which, while subject to the approval of financial institutions, is likely to be tax-free. Production increased from 5,879 tonnes in 1969-70 to 8,243 tonnes in 1970-71 and sales from 6,330 tonnes to 7,777 tonnes. The plant worked at 83 per cent of its rated capacity, against 58 per cent in the previous year. While income from sales and processing charges has risen by 44.8 per cent from Rs. 140.78 lakhs to Rs. 203.97 lakhs, the gross profit has shot up from Rs. 10.05 lakhs to Rs. 39.43 lakhs. After providing Rs. 6.07 lakhs (against Rs. 3.37 lakhs) for depreciation and 51,000 (against Rs. 57,000) for development rebate reserve, the net profit for 1970-71 amounts to Rs. 32.65 lakhs, against Rs. 6.11 lakhs in 1969-70. After writing off miscellaneous expenditure of Rs. 2.03 lakhs (against nil) and wiping off the loss of Rs. 13.97 lakhs, a sum of Rs. 16.84 lakhs has been transferred to general reserve, leaving a small surplus of Rs. 946 to be carried forward. The proposed 12 per cent maiden dividend absorbing Rs. 5.40 lakhs is to be paid out of general reserve.

The prospects for the current year appear to be even more promising. Orders worth Rs. 4 crores are on hand and more than 80 per cent of these are from electricity boards. The raw materials position which tended to restrict production during the first half of 1970-71 has improved and the Company has an import licence for 3,000 tonnes on hand. The Company is actively pursuing its expansion programme. The first phase aimed at raising the pre-stressed concrete wire capacity from 10,000 tonnes to 12,500 tonnes and installing new capacity of 1,200 tonnes of fine wires is expected to be completed by the end of July.

The second phase, raising the capacity further to 17,500 tonnes of pre-stressed concrete wire and 3,000 tonnes of fine wire, will be implemented by March 1972. The entire expansion programme involving a total capital expenditure of about Rs. 1 crore will be financed from internal resources and borrowings and no addition to the equity capital is proposed. The full impact of expansion, raising sales to around Rs. 6 crores, will be felt in the working for 1972-73.

DIGVIJAY CEMENT

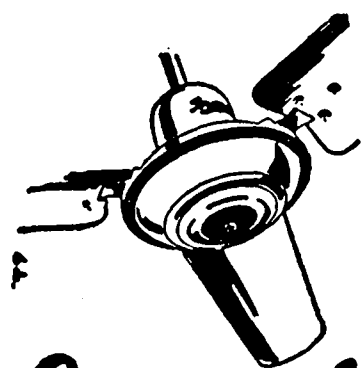
Results Improve

SHREE Digvijay Cement has reported improved results for 1970 and the dividend has been raised from Rs. 9 to Rs. 11 a share. Production of cement rose from 676,000 tonnes in 1969 to 738,000 tonnes in 1970 but the output of asbestos was lower at 29,976 tonnes, against 34,557 tonnes because of the strike in the factory, in Ahmedabad. Net sales of cement increased from Rs. 9.01 crores to Rs. 9.86 crores but those of asbestos were lower at Rs. 2.85 crores (against Rs. 2.98 crores). Aggregate net sales have risen from Rs. 11.99 crores to Rs. 12.71 crores and the gross profit has improved from Rs. 1.30 crores to Rs. 1.64 crores; the profit for 1970 includes a sum of Rs. 7.14 lakhs by way of tax credit certificates. Appropriations of profits include depreciation Rs. 56.13 lakhs (against Rs. 58.04 lakhs), development rebate reserve Rs. 3.50 lakhs (against Rs. 7 lakhs), taxation Rs. 38.69 lakhs (against Rs. 9.47 lakhs), debenture redemption reserve Rs. 25 lakhs (same) and general reserve Rs. 41 lakhs (against Rs. 30.83 lakhs). The proposed dividend is to be paid out of general reserve. The Company exported 84,024 tonnes of cement in 1970 and accounted for 52 per cent of total exports from the country. Exports up to 15th May this year have totalled 44,447 tonnes.

FUEL INJECTIONS

Better Results

DESPITE a small decline in sales from Rs. 54.11 lakhs to Rs. 52.06 lakhs, the gross profit made by Fuel Injections in 1970 has risen by 23.3 per cent from Rs. 10.49 lakhs to Rs. 12.94 lakhs. The dividend has been raised from 7.5 per cent to 8 per cent. After providing Rs. 3.25 lakhs (against



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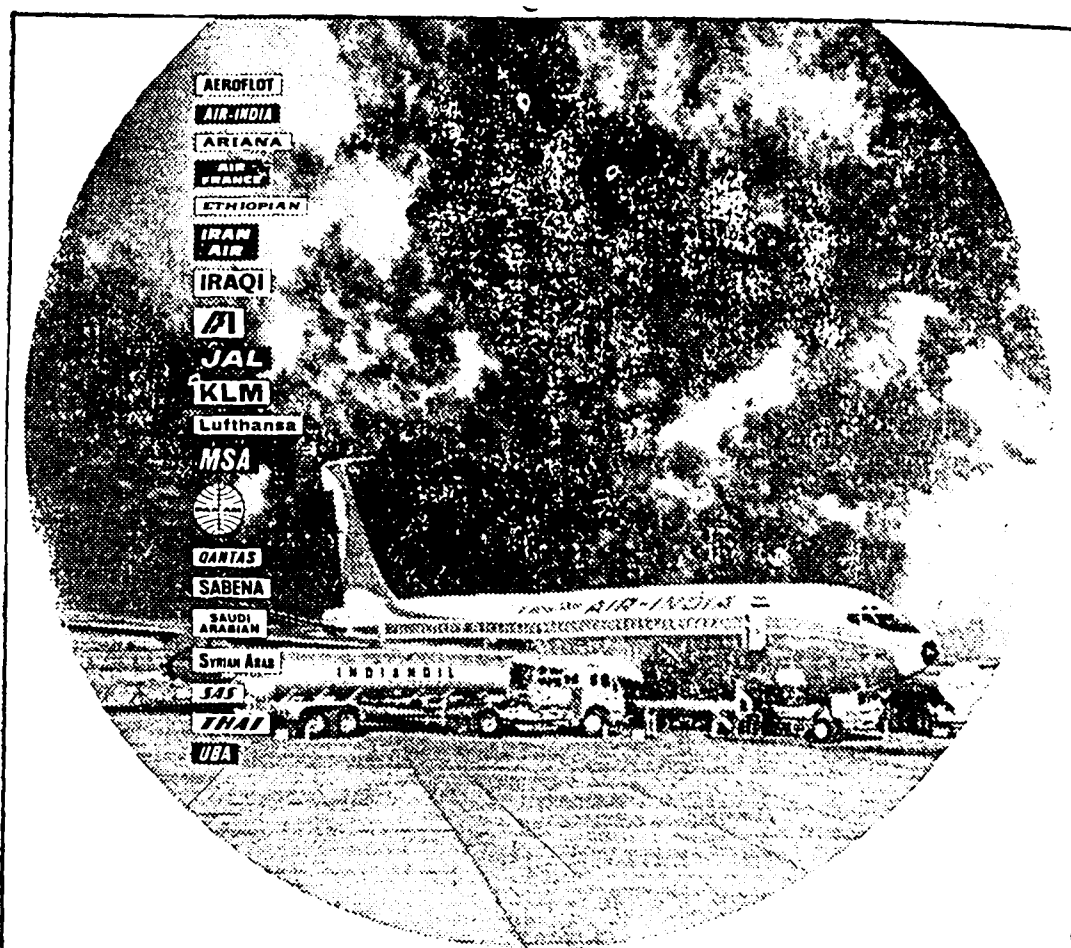
Rs. 3.29 lakhs) for depreciation, Rs. 45,000 (against Rs. 51,000) for development rebate reserve and Rs. 4.40 lakhs (against Rs. 3 lakhs) for taxation, the net profit for 1970 amounts to Rs. 4.84 lakhs, against Rs. 3.69 lakhs in 1969. After adjustments, a sum of Rs. 3.97 lakhs (against Rs. 2.96 lakhs) has been transferred to general reserve and the proposed dividend will absorb Rs. 3.19 lakhs.

G.I.I.C.

Good Progress

DURING the last year, the Gujarat Industrial Investment Corporation Ltd has sanctioned 306 cases under its General Scheme involving a financial commitment of Rs. 11.52 crores. The unique feature of the G.I.I.C.'s invest-

ment operations is the Technicians' Scheme, under which it finances 100 per cent of fixed assets, preliminary and pre-operative expenses and arranges for working capital through banks and other financial institutions like the Gujarat Industrial Co-operative Bank. To date, the G.I.I.C. has sanctioned assistance to 594 units involving a financial commitment of Rs. 4.31 crores.



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COMMODITIES

Congenial Weather Improves the Prospect of a Bumper Jute Crop

THANKS to the early advent of nor'westers, followed by extremely congenial weather conditions and an early outbreak of the monsoon, raw jute prospects have brightened in India for the ensuing jute season to commence from next month. The generous supply of high-yielding seeds, fertilisers and other types of improved farm inputs by the authorities and the alertness shown by the rural forum of the All-India Radio, the State Block Development organisation and the expertise lent by the Indian Jute Development Council at the farmers' door, combined with the maintenance of high fibre prices, have no doubt led to the prospect of harvesting a higher crop of some 8.4 million bales, against the current season's 6.2 million bales. The condition of the plants is reported to be satisfactory and the harvesting of a bumper crop is about to commence soon in the early-sown areas. Since the beginning of this month, the fibre market has reacted somewhat as holders are keen on clearing up their old season residues well before the arrival of the new crop.

Development Programme

Outlining the five-pronged Rs. 3.92-crore raw jute development programme in the Rajya Sabha last week, Mr. A. P. Sinde, Central Minister of State for Agriculture, referred to the various Centrally-sponsored schemes during the remainder of the Fourth Plan period. The special package programme on jute will cover 210,000 acres at a project outlay of Rs. 2.12 crores. The special package programme on mesta will benefit 68,000 acres at a cost of Rs. 77.43 lakhs. The third scheme for the aerial spraying of urea on 40,000 acres under jute and mesta will cost Rs. 27 lakhs, while Rs. 55.15 lakhs have been provided for the subsidised distribution of certified and improved seeds. The last item aims at improving the general quality of jute at a cost of Rs. 20 lakhs by the introduction of scientific retting and extraction facilities.

According to reports from usually well-informed sources, the crop position does not appear to be satisfactory in East Bengal next season. Apart from the Awami League directive to

farmers to sow paddy in place of jute for achieving self-sufficiency in food-grains, the Pakistani army had promulgated a directive under the Martial Law, ordering farmers to desist from sowing cash crops like jute or sugarcane within a periphery of two miles on either side of the trunk, feeder and rail roads in order to arrest sniping by guerillas on the West Pakistani army. Besides, the extremely tender jute plants need sustained attention from stage to stage—inter-culture, weed and pest eradication, and even in retting and fibre extraction. Discounting possibly exaggerated reports by either side, it can safely be said that peaceful farm activities is hardly possible in the present strife-torn East Bengal. When millions of refugees are trekking to the other side of the border for saving themselves and sections of freedom-fighters are snapping the lines of communication of the army of occupation, the general morale of the people has been greatly affected.

Major entrepreneurs and export-import trade magnates—mainly hailing from West Pakistan—had long left the major industrial and trading centres of East Bengal. They do not appear to bear much hope of resuming normal operations in East Bengal. Unconfirmed reports state that some major industrialists have already dismantled their installations. A Press report from Agartala states that heavy machinery and valuable machine parts and components in major industrial establishments in East Bengal are being hurriedly shifted to West Pakistan through water routes. Machinery from the Narayangunge and Chittagong factories of the Adamjee Jute Mills, the Latif Bawani, the Kader Jute Mills, the Ahmed Bawani Textile Mills and several other installations have already been removed. Machinery of some industrial installations, belonging to Bengalis in Dacca and Chittagong and which had been totally closed since the crackdown in Bangladesh is also being sent away to West Pakistan.

The Power Shortage

While the Government of India has been insisting on the jute industry to

take all possible steps to maximise the production of jute goods in an effort to augment foreign exchange earnings and combat the encroachment on its sphere by synthetic substitutes, the Indian jute industry has been haunted by the deepening crisis in the supply of power in the command areas. A Press note issued by the Indian Jute Mills Association says that the majority of mills had already been affected due to drastic load-shedding by the Calcutta Electric Supply Corporation. Following the intervention of the State Minister for Commerce and Industries, the W.B.S.E.B. Engineers' Association withdrew with effect from Saturday their "work-to-rule" movement for securing the redress of their grievances. Industry circles are awaiting the impact of the settlement of the dispute on the power supply position in the State.

Curbing Speculation

The Central Minister for Foreign Trade, Mr. L. N. Mishra, seems to have been rather poorly briefed by his Ministry while answering a labour M.P. in the Lok Sabha last week as to what action the Government proposed to take "against jute industrialists indulging in speculation" and spoiling the overseas prospects of Indian jute goods. Mr. Mishra replied that "the Government regarded speculative activity by jute industrialists as 'an illegal activity'." If there were legal powers to "curb such activity", he assured the House that "the Government would not hesitate to use them".

Instead of asking the M.P. to name some jute industrialists who had been indulging in alleged speculation, he gave a vague reply which has caused a lot of misunderstanding. The statement was rather unfortunate, particularly when great expectations had been aroused in the country on the possibility of regaining the lost traditional markets following the most unexpected developments in Bangladesh.

Gunnies Steady

The Calcutta gunny market ruled steady during the past week, helping prices to advance gradually from the preceding week-end levels. The unsettled conditions across the border had arrested the maintenance of production and exports of jute goods so far. The expected short- and long-term gains from the virtual suspension of production and exports in East Bengal could not be reaped by India so far, mainly due to the unrealistic price trend in Calcutta at the fag-end of the

season which had been further inflated by reports of persistent power shortage, which had impaired the industry's efforts to raise the output of the end-products to optimum levels. Because of this, the U.S. Conference Lines had abandoned the close-out date procedure in respect of end-May loaders by 48 hours. The serious incidence of absenteeism following the prevalent epidemic of conjunctivitis had also caused considerable decline in output. Although overseas and internal consumers resisted the price rise, they had to absorb available offers at quoted prices. Scattered business was reported with the U.S.A. and Russia following the announcement of the 1971-72 Budget proposals. In view of the lean prospect of an early resumption of normal activities in East Bengal and unconfirmed reports of the transfer of machinery and equipment from that province to West Pakistan, industry and trade circles in Calcutta were optimistic of sustained business from overseas. These considerations induced shorts and shippers to cover their open positions in ready and near-delivery goods. Internal consumers made regular purchases while there was a Government tender for some 5,000 bales of heavy goods. These factors helped to maintain the bullish impact in spite of easier advices from the fibre market. The high levels no doubt attracted some profit-taking by cautious bulls. But all offers were well absorbed, helping the market to close pretty firm. The hedge market also ruled steady. But turnover was extremely limited. It was confined to covering against genuine overseas contracts registered with the Export Contracts Registration Committee and real business with official and semi-official agencies. Fluctuations were narrow. The closing undertone was steady.

Latest available quotations (in rupees) were as follows:

	June	July	June-Sept.
40in. 74oz.	76.50	75.00	74.00
40in. 80oz.			
40in. 10oz.	97.50	97.00	96.50
B Twills	265.50	267.50	269.00
Heavy Cees	266.50	267.50	269.00
Cornsacks			
A Twills (U.S.)	324.00	327.00	329.00
Liverpools	313.00	312.00	311.00

Fibre Closes Steady

The raw jute market turned bearish during the past week on keen offerings from the holders of the residue of the current season's fibre, and also of the new crop for July-August deliveries. Mills and mill agents absorbed practi-

cally all offers of selected grades at quoted prices, causing nervousness among holders of sub-standard grades. The absence of mill interest induced them to discount the prices from day to day. As for the new crop, mill interest appeared to be well sustained even at a premium ranging up to Rs. 9.50 over the current season's official support levels. It remained yet to be formally announced for 1971-72. The fibre inventories of mills appeared to be suffering from a gradewise imbalance and they badly needed adequate supplies of better grade fibre. Turnover was, however, moderate, for mills were cautious in abstaining from extending their commitments for heavy lots of the new crop for July-August positions, lest there might ensue a scramble for fibre leading to a sharp rise in prices. The closing undertone was steady.

Latest available quotations (in rupees) were as follows:

	June-August		
	Mid.	Bot.	Bot.
Selected Assam-			
Agartala	158.07	59.00	58.00
Northern Jute	152.72	57.00	56.00
Western Desal			
Jute	144.68	54.00	53.00
Selected			
Daissee	162.09	60.50	—
Assam-Agartala			
Tossa	163.43	61.00	—
Mesta :			
Assam Mesta	146.02	54.50	—
Selected Daissee			
Murshidabad	140.66	52.50	—
Bihar Dist.	133.96	50.00	—

OILSEEDS

Prices Recede

The early onset of the monsoon has imparted a distinctly easier tendency to the oilseeds market. Bulls who had been dominating the futures market—castor and linseed—for a long while are now on the defensive. Castor June and linseed July which had been rigged to Rs. 134.37 and Rs. 168 a quintal, respectively—the highest levels for several weeks—in the last week of May, were sold down to Rs. 128 and Rs. 158.50 on 4th June on persistent bull liquidation and modest bear pressure. Oil prices (spot) also have come down by Rs. 150 to Rs. 250 a tonne within a week or so, the decline being more pronounced in groundnut oil.

Recent rains are considered to be extremely beneficial for sowing of groundnut spreading variety in Saurashtra which is the major groundnut

producing area in the country's largest groundnut growing Gujarat State. Early sowings will help increase the yield. Of course, it would be rash to make any comment on crop prospects at this juncture. Enquiries with knowledgeable market men point to a very satisfactory supply position of edible oils, especially groundnut oil and mustard oil. With the assured supply of imported soyabean oil, the current season is expected to end with a comfortable carryover of groundnut oil which sets the pace for other oils. If the monsoon progresses satisfactorily, oil prices could be expected to display a softer tendency during the fag-end of the season when prices normally are at their season's highest.

Reports from upcountry centres indicate satisfactory flow of supplies of groundnut oil and mustard oil. The *vanaspati* industry, which is the single largest consumer of groundnut oil, has not been experiencing any difficulty in procuring groundnut oil to sustain its production. In view of the financial stringency on the one hand and assured supply of the raw material on the other, the industry has not felt it necessary to build large inventories. This in turn has had a softening effect on prices.

The Central Finance Minister, Mr. Y. B. Chavan, has done well to allow excise concessions to promote the use of minor oils, like neem oil, salsed oil, kusum oil and mahua oil, in the manufacture of soaps. Increased use of indigenous oils will help reduce dependence on imported tallow and oils. Equally welcome is the enhanced rebate in respect of cottonseed oil and rice bran oil used in the manufacture of *vanaspati*.

TEA

Good General Demand

A Special Correspondent writes: At last week's tea auction in Calcutta, the offerings came to a good general demand, although prices on balance were lower than in the previous week. Orthodox teas sold reasonably well and any bright liquoring teas were often dearer. Fannings, however, were still a weak feature. C.T.C. offerings were again lower, particularly fannings grades. Nevertheless, any teas with improved quality witnessed a better demand and sold well. Fannings still continue to be the weakest feature in Calcutta, but the trade feels that as quality shows an improvement so will demand.

INDIAN SUGAR MILLS ASSOCIATION

Problems and Prospects of Sugar Industry

SHRI S. K. SOMAIYA'S REVIEW

Extracts of Presidential address of Shri S. K. Somaiya delivered at the 38th Annual General Meeting of Indian Sugar Mills Association held at New Delhi on 9th June, 1971.

Over the years no other industry on the food front has attracted as much public attention as sugar, leading to a very close and often overcautious administrative attention. A series of regulatory measures have thus emerged. But there have been frequent changes in policies, however, well-conceived adding to the uncertainties in the working of this seasonal industry.

Sugar has been the most rigidly controlled industry even in periods of decontrol or partial decontrol. No flexibility has been left to the industry so essential to meet ever changing situations.

Background

In the mid-fifties when the industry was free from controls, North Indian factories showed remarkable progress and expansion. When controls were imposed in the North around 1958, and the South was left relatively free, the major growth impulse was witnessed in the latter area whereas the North stagnated. In fact, the control price structure was so rigid that the finance of most of the North Indian units suffered a severe set-back.

A fair price structure is essential for the vitality and growth of this or any other industry. In fact, Government accepted this premises, and rightly so, in the resolution adopting the 1959 Tariff Commission Report which, inter alia, stated that the cost of production derived from the schedule and the return on employed capital should be allowed so as to "provide sufficient funds for each unit to meet the commitment under bonus and gratuity, interest on borrowed capital and debentures, dividends on preference shares, managing agents' commission, and income

tax and finally leave a residue to a large majority of units in all the regions to declare reasonable dividends."

Despite the well enunciated Government policy the industry was denied a fair return persistently over a period eroding substantially the financial base of many companies.

Further, in the past decontrol was followed in the wake of increased production and satisfactory stock position, with the result that prices generally ruled around or below the fair levels resulting in losses. When however, prices tended to harden, even by 5 to 10 per cent above the fair price level, controls were hastily reimposed, denying the industry the opportunity to recoup losses.

Enquiry Commissions

The cost schedules evolved by Tariff Commission and other expert bodies in the past left the industry with inadequate funds for servicing the capital, apart from rehabilitation and modernisation. In addition, 1969 Tariff Commission proceeded on an erroneous assumption and artificially froze the gross block of the industry at 1966-67 level for computing depreciation on "written down value method", ignoring completely the substantial investment which had taken place since at considerably higher costs. Consequently the depreciation provided for in the current schedule was in fact only about half of what it should have been, following well accepted accounting principles. The Tariff Commission, as a package deal also allowed Rs. 2/- per quintal as rehabilitation allowance. However, the Government accepted the recommendation of the Tariff Commission only in respect of depreciation and ignored the one relating to rehabilitation allowance. Thus, industry suffered on both the counts. Moreover the implementation of the schedules too left much to be desired to the serious detriment of the industry.

Zonal Pricing

The price structure thus evolved for many zones cannot possibly be economic as established by empirical evidence and as such majority of units have not been even able to cover their costs and have consequently found themselves in the red. To remedy the situation there should be a built-in element of cost which would make the price reasonable for a large majority of units.

Current Scheme

Government makes two price revisions during the year; one at the beginning of the season based on estimate of recovery and duration and the second after the crushing season based on actuals. Unlike previous years, in the 1969-70 season Government did not even announce the final prices taking into account the actual working results and the cost escalations. The entire production was released at the highly uneconomic provisional prices, announced earlier in the season.

A still more distressing situation came to prevail during the current season 1970-71 as the Government did not even determine the provisional rates based on the latest available estimates of sugar recovery for various zones and duration of the season which was expected to be shorter. Besides, the basic costs too had gone up due to various statutory provisions like the implementation of the Second Wage Board Award, higher rates of depreciation under the Income Tax Rules, increased cane freight charges etc.

In certain States, even the local levies had gone up. Debt servicing charges also registered a steep increase due to larger stocks that the industry had to carry for unduly long periods. Prices of consumable stocks and cost of packing too witnessed significant increase.

Government merely continued the provisional rates of the last season

1969-70 during the current season as well and factories were obliged to deliver sugar only on the basis of notional provisional rates regardless of actual costs.

Lower Free Sugar Realisations

On free sugar, realisations were even lower than levy sugar in most regions during the major part of last year. Discriminatory higher excise duty of 37.5% on free sugar, as against 25% on levy sugar was also a contributory factor as for the same selling price it meant lower realisations of at least Rs. 15 per quintal on free sugar. Further, the distress was aggravated due to marked disparities in the stock levels in different regions to the serious detriment of units in the high cost zones.

Stocks & Credit

The Industry was further faced with the problem of finance. Against its estimated peak stocks worth Rs. 450 crores, the Industry secured an advance of only about Rs. 260 crores leaving a resource gap of Rs. 190 crores, with the result that during the months of peak stocks, cane payments could not be maintained despite best efforts. The position was further aggravated due to the imposition of stiffer margins by banks which were later relaxed.

Government spokesmen from time to time indicated that creation of 'Buffer Stocks' as a policy was accepted and details were being worked out. Later Government shelved the idea and the anticipated relief did not materialise.

While facts are so obvious, the industry is almost continuously subjected to uniformed criticism on various counts. The arrears of cane dues has often been cited as an instance, and the case of U.P. and Bihar is often mentioned. While this is a genuine problem, the position is more or less similar in other States as well. The Units managed by Government or those in the cooperative sector are even worst placed. This under-scores the point that a mere mode of management or ownership does not provide a solution.

Mention may also be made here of the impact of the controls on the general well-being of the Industry. Rigorous controls hitherto applied to North Indian factories have since

been extended to other States as well. This has adversely affected the performance of the factories in the Southern States, particularly in Tamil Nadu. In this State, the factories had a disastrous season in 1969-70. Almost every unit incurred a loss.

In this context, the appointment of the Sugar Enquiry Commission which has probably the widest terms of reference ever drawn up for any Commission for the industry, under the distinguished Chairmanship of the Ex-Chief Justice of Calcutta High Court, Shri D. N. Sinha is indeed a welcome step. It is hoped that this Commission will deliberate in depth on the fundamental issues responsible for the present health of the Industry and put forth highly objective and pragmatic recommendations which could put the industry on an enduring basis and thus impart the much needed vitality which it so badly needs.

Sugar Decontrol

Government's recent decision to decontrol sugar, apparently as an alternative to price increase, came, somewhat, as a surprise to the industry because the sugar policy is announced at the beginning of the season. The industry however, is not averse to decontrol. In fact with its abiding faith in the market mechanism it cannot but think in terms of freedom from controls.

Now that decontrol is a reality, the industry is anxious that it should not turn out to be a short term expediency, and that it would be pursued as a long term policy. For, any policy at best can prove efficacious over a period of time and only a long term stable policy can be in the ultimate interest of all concerned.

Price Variations

Price variations are a normal feature in a free economy. This should not be viewed critically. The efficacy of the policy of decontrol should not be judged on price variations of minor nature. Market forces should be permitted sufficient time to correct the imbalances.

As for the immediate situation, with sudden change in the pattern of distribution and the large stocks that we have, it is not unlikely that there may be some frequent price

fluctuations, as markets will take some time to adjust to the new situation.

To impart the much needed stability to the country's sugar economy on a long term basis, it will be necessary for the Government to initiate necessary follow-up measures.

Follow-up Measures

(1) Monthly releases:—This leverage could be effectively employed for maintaining prices at the desired level. The correct criteria for determining the monthly quantum of releases would be the actual off-take during the previous months, with suitable adjustments for festival demands and slack months.

(2) Bank Credit:—After decontrol banks have imposed higher margins of 30% and are valuing sugar at notional rates lower than the market prices. It is necessary that banks revert to the margin of 14% which is the weighted average rate of levy and free sugar as was applicable before decontrol and also value sugar at market rates.

(3) Excise Rebate:—It is essential that suitable incentives are announced well in advance to compensate the factories fully for higher costs on working during the early and latter part of the season during 1971-72. During the current season, some factories are still working at very low recoveries thereby incurring considerable additional costs and they too should be fully compensated through announcement of suitable reliefs.

(4) Cane Freight:—There have been sharp increases in freight rates during the last two years, 35% and 6% respectively. This would render crushing of rail cane uneconomic and thereby affect production. Necessary remedial measures are called for.

(5) Gur Prices:—For ensuring a steady rising trend in sugar production, it is also necessary to stabilise gur prices at economic level. It is only by maintaining gur prices at an economic level through price support that it will be possible to avoid wide variations in the cane acreage which in turn would ensure a steadily rising trend in production of both gur and sugar.

(6) Cane Prices:—With the decontrol of sugar suitable adjustments

in the basis for fixation of minimum cane prices will become imperative to protect the interests of low recovery zones. Further for calculation of individual factories' cane prices, the average recovery for the entire season should be taken into account and the normal statistical method of rounding off should be followed.

(7) Reversal to specific Duty:—With decontrol of sugar, Government may examine the feasibility of reverting to a specific rate of duty as a measure of simplification and stability and for avoiding any speculative tendency in this regard.

(8) Licensing of traders:—In view of decontrol licensing of wholesale dealers has lost its original purpose and therefore should be done away with.

New Capacity

During the Fourth Plan period, Government have provided for a production target of 47 lakh tonnes and have licensed a capacity of 49.65 lakh tonnes. Government have further relaxed the licensing provisions under which no licence would be required so long as the capital investment did not exceed Rs. 1 crore. While such relaxations are generally welcome, it is feared that in the case of sugar, they may tend to distort the planned growth and development of the industry as envisaged by the planners. Government have already excluded half a dozen industries like cotton textiles etc., from the aforesaid relaxation and sugar should also be included therein.

Sugar Exports

With an export of 3.18 lakh tonnes and a foreign exchange earning of over Rs. 25 crores, 1970 was a fruitful year in the export field. During the current year too, it has been decided to export the full quantity available under the ISA and the preferential arrangements. Thus the total exports estimated this year are about 4 lakhs tonnes, with expected foreign exchange earnings of about Rs. 38 crores.

Sugarcane Development

Sugarcane is the life-blood of the Sugar Industry. It is only by accelerating cane development work that

(Continued on the next column)

COMPANY AND PUBLIC NOTICES

DUNCAN BROTHERS & CO., LTD.

Registered Office: Duncan House,
31, Netaji Subhas Road, Calcutta-1.

THE Board of Directors of Duncan Brothers & Co., Ltd. have decided to recommend to the Shareholders that the following dividends be declared at the Seventy-second Annual General Meeting of the Company to be held on Tuesday, the 29th June, 1971 at 11.00 A.M. in respect of the year ended 31st December, 1970:

On Cumulative Preference Shares	Rs. 5.20 per share.
On 'A' Redeemable Preference Shares	Rs. 7.50 per share.
On Ordinary Shares	Rs. 12.00 per share.

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will be closed from 22nd to 29th June, 1971, both days inclusive.

BY ORDER OF THE BOARD,
B. VENKATARATNAM
Secretary.

Calcutta, 4th June, 1971.

(Continued from previous column)

lasting stability in the industry can be achieved. In the Northern region, the cane productivity is comparatively low and thus the development potential there is the largest, but the progress has been rather slow. The main reason for this has been the lack of an effective organisation to channelise cane development activities. Cane development work in Maharashtra as also in the Southern region has made rapid strides because of the sugar factories' direct involvement in cane development. To improve matters, a certain percentage of the area in the factory zone should be earmarked for the purpose of cane development which should be available to such factories who want to undertake cane development work.

EQUITABLE COAL COMPANY, LIMITED

NOTICE is hereby given that the payment of Interest for the period from 1st January 1971 to 30th June 1971 on the 7½% Registered Debenture Stock, 1978 of the Company will be made to those Stockholders whose names appear on the Company's Register on the 30th June 1971 or in accordance with their instructions.

FOR EQUITABLE COAL COMPANY, LIMITED
MACNEILL & BARRY SERVICES LIMITED,
S. C. BHANDARI
Secretary,
Secretaries.

Secretarial Dept.,
2, Fairlie Place,
Calcutta-1, 4th June, 1971.

BRITISH PAINTS (INDIA) LIMITED

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Registered Office, 32 Chowringhee Road, Calcutta-16 on Friday the 25th June, 1971 at 11 a.m. Notice of the Meeting setting out the Agenda etc., are being sent to Members by post.

The Register of Members of the Company will remain closed from the 11th June, 1971 to 25th June, 1971, both days inclusive. The Final Dividend for the year 1970, when declared, will be payable to those Members, whose names would appear in the Register of Members on the 25th June, 1971.

BY ORDER OF THE BOARD,
S. R. SEN
Secretary.

Calcutta, 15th May, 1971.

DIVIDENDS DECLARED OR PROPOSED

National Tobacco Co. of India Ltd—10 p.c. (0), subject to tax
Andrew Yule & Co. Ltd—Nil
Suma Stone And Lime Co. Ltd—5 p.c. (0) (f), subject to tax
Birpara Tea Co. Ltd—11 p.c. (0), subject to tax

RESERVE BANK

ISSUE DEPARTMENT	(In 000's of Rupees)		
	Week Ended		
	28-5-71	21-5-71	29-5-70
Liabilities—			
Notes in Banking Dept.	19,74,16	16,62,25	36,63,34
Notes in Circulation	43,69,66,18	43,97,86,36	40,14,54,08
Total Notes Issued	43,89,40,34	44,14,48,61	40,51,17,42
Asset—			
A. Gold Coin and Bullion	1,82,53,11	1,82,53,11	1,82,53,11
Foreign Securities	3,03,42,00	3,03,42,00	3,96,42,00
Total of A	4,85,95,11	4,85,95,11	5,78,95,11
B. Rupee Coin	40,52,96	40,61,30	54,69,92
Rupee Securities	38,62,92,27	38,87,92,20	34,17,52,39
Total	43,89,40,34	44,14,48,61	40,51,17,42
BANKING DEPARTMENT			
Liabilities—			
Capital Paid-up	5,00,00	5,00,00	5,00,00
Reserve Fund	1,50,00,00	1,50,00,00	1,50,00,00
National Agricultural Credit (Long Term Operations) Fund	1,72,00,00	1,72,00,00	1,55,00,00
National Agricultural Credit (Stabilisation) Fund	37,00,00	37,00,00	35,00,00
National Industrial Credit (Long Term Operations) Fund	95,00,00	95,00,00	75,00,00
Deposits—			
(a) 1. Central Govt.	61,39,69	55,16,46	1,39,84,94
2. State Govts.	3,83,17	4,14,61	4,93,11
(b) Banks—			
(i) Scheduled Banks	2,14,41,19	2,08,43,82	1,82,40,02
(ii) State Co-operative Banks	10,44,79	9,84,90	
(iii) Non Scheduled State Co-operative Banks	80,15	80,15	62,14
(iv) Other Banks	37,59	31,79	29,99
(c) Others	65,65,60	66,26,09	1,04,21,70
Bills Payable	58,88,00	49,56,43	47,01,53
Other Liabilities	2,48,34,76	2,47,19,09	1,57,81,01
Total	11,23,14,94	11,00,73,34	10,65,60,62
Assets—			
Notes	19,74,16	16,62,25	36,63,24
Rupee Coin	3,15	3,33	10,36
Small Coin	4,06	3,89	5,31
Bills Purchased and Discounted:—			
(a) Internal	16,73,29	16,67,92	
(b) External			
(c) Govt. Treasury Bills	30,21,52	27,42,08	7,45,82
Balances held abroad	73,54,64	75,81,78	1,21,20,04
Investments	68,18,02	71,21,54	92,38,43
Loans and Advances to:—			
(i) Central Government	3,71,89,82	3,59,93,43	1,79,63,18
(ii) State Governments			
Loans and Advances to:—			
(i) Scheduled Banks	1,31,30,92	1,25,48,72	2,76,94,15
(ii) State Co-operative Banks	2,32,16,02	2,34,15,70	2,26,48,12
(iii) Others	5,82,95	5,92,73	5,32,59
Loans, Advances and Investments from			
National Agricultural Credit (Long Term Operations) Fund			
(a) Loans and Advances to:—			
(i) State Govts.	42,03,68	41,90,71	33,79,59
(ii) State Co-operative Banks	19,63,83	20,09,31	14,82,11
(iii) Central Land Mortgage Banks			
(b) Investment in Central Land Mortgage Bank Debentures	9,62,09	9,62,09	9,65,70
Loans and Advances to State Co-operative Banks			
Loans, Advances and Investments from	8,30,42	7,44,81	4,50,91
National Industrial Credit (Long Term Operational) Fund	38,25,21	34,41,21	6,26,71
(a) Loans and Advances to the Development Bank			
Other Assets	55,61,16	53,91,84	49,74,36
Total	11,23,14,94	11,00,73,34	10,65,60,62

SCHEDULED BANKS

	(In 000's of Rupees)		
	Week Ended		
	28-5-71	21-5-71	29-5-70
(i) Demand Liabilities—			
(a) Demand Deposits:			
(1) From Banks	1,73,64,00	1,69,67,00	1,42,88,00
(2) From others	27,16,54,00	26,97,62,00	22,93,44,00
(b) Borrowings from Banks	31,23,00	44,56,00	23,39,00
(c) Others	1,72,74,00	1,69,43,00	1,43,01,00
(ii) Time Liabilities—			
(a) Time Deposits:			
(1) From Banks	1,06,44,00	1,02,38,00	97,32,00
(2) From others	34,89,85,00	34,77,88,00	29,41,78,00
(b) Borrowings from Banks	11,64,00	7,82,00	6,36,00
(c) Others	40,08,00	44,63,00	34,62,00
(iii) Borrowing from State Bank—			
(a) Demand Liabilities	30,44,00	24,97,00	47,59,60
(b) Time Liabilities	68,65,00	66,36,00	66,03,00
(iv) Borrowings from Reserve Bank	3,85,78,00	3,86,21,00	5,07,40,00
(v) Cash	1,76,42,00	1,77,43,00	1,51,67,00
(vi) Balances with Reserve Bank	2,17,95,00	2,09,88,00	1,85,84,00
(vii) Balances with other banks in current account	76,34,00	71,46,00	62,78,00
(viii) Money at call and short notice	51,06,00	51,22,00	42,14,00
(ix) Investments in Central and State Govt. Securities	14,19,67,00	14,16,72,00	12,32,26,00
(x) (a) Loans, Cash Credits and Overdrafts	38,76,04,00	38,77,01,00	35,33,29,00
(b) Due from banks	4,32,57,00	4,32,42,00	4,05,93,00
(xi) Inland Bills purchased and discounted	7,28,52,00	7,33,57,00	5,28,47,00
(xii) Foreign bills purchased and discounted	2,05,06,00	2,15,13,00	1,88,98,00
(xiii) Total of X, XI and XII	52,42,19,00	52,58,13,00	46,56,67,00

INDEX OF INDUSTRIAL PRODUCTION

Seasonally unadjusted
(Base year 1960=100)

	1970	1969	1968
January	186.6	179.3	159.4
February	175.3	163.3	162.2
March	187.2	175.4	162.6
April	181.6	169.5	150.8
May	176.7	165.6	153.8
June	179.1	169.6	158.1
July	178.5	175.1	165.0
August	174.3	169.7	162.1
September	178.2	172.0	159.5
October	177.7	171.1	159.4
November	...	171.4	166.7
December	...	187.6	173.3
Annual Average	...	172.5	161.1

EARN

7 1/4%

ON 5-YEAR POST OFFICE TIME DEPOSITS

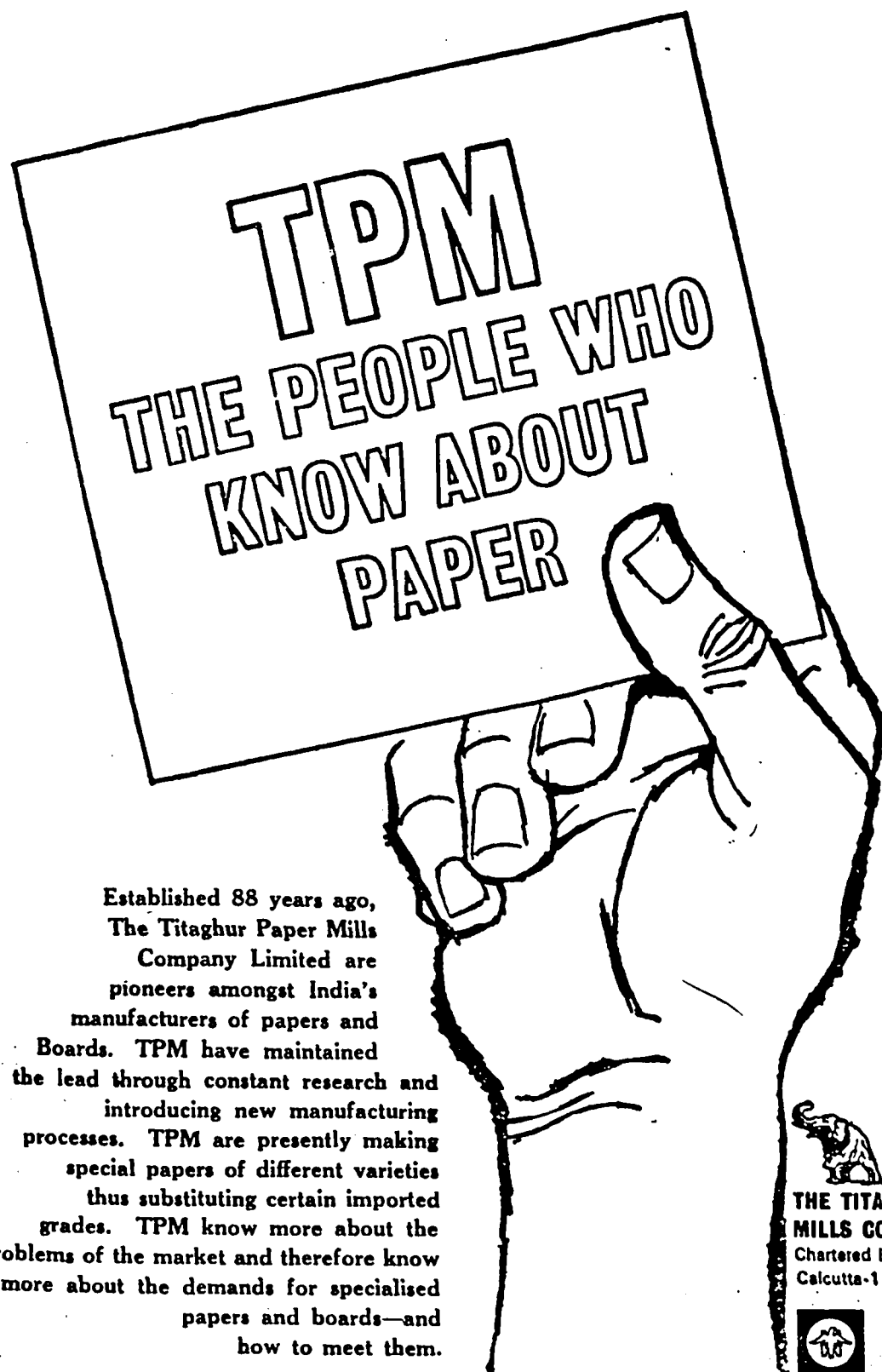
3 YEAR DEPOSITS 7% 1 YEAR DEPOSITS 6%

Interest up to Rs.3000 in a year including interest on other taxable securities and deposits is **FREE OF INCOME-TAX.**

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NATIONAL SAVINGS ORGANIZATION

dayp 70/661



Established 88 years ago, The Titaghur Paper Mills Company Limited are pioneers amongst India's manufacturers of papers and Boards. TPM have maintained the lead through constant research and introducing new manufacturing processes. TPM are presently making special papers of different varieties thus substituting certain imported grades. TPM know more about the problems of the market and therefore know more about the demands for specialised papers and boards—and how to meet them.

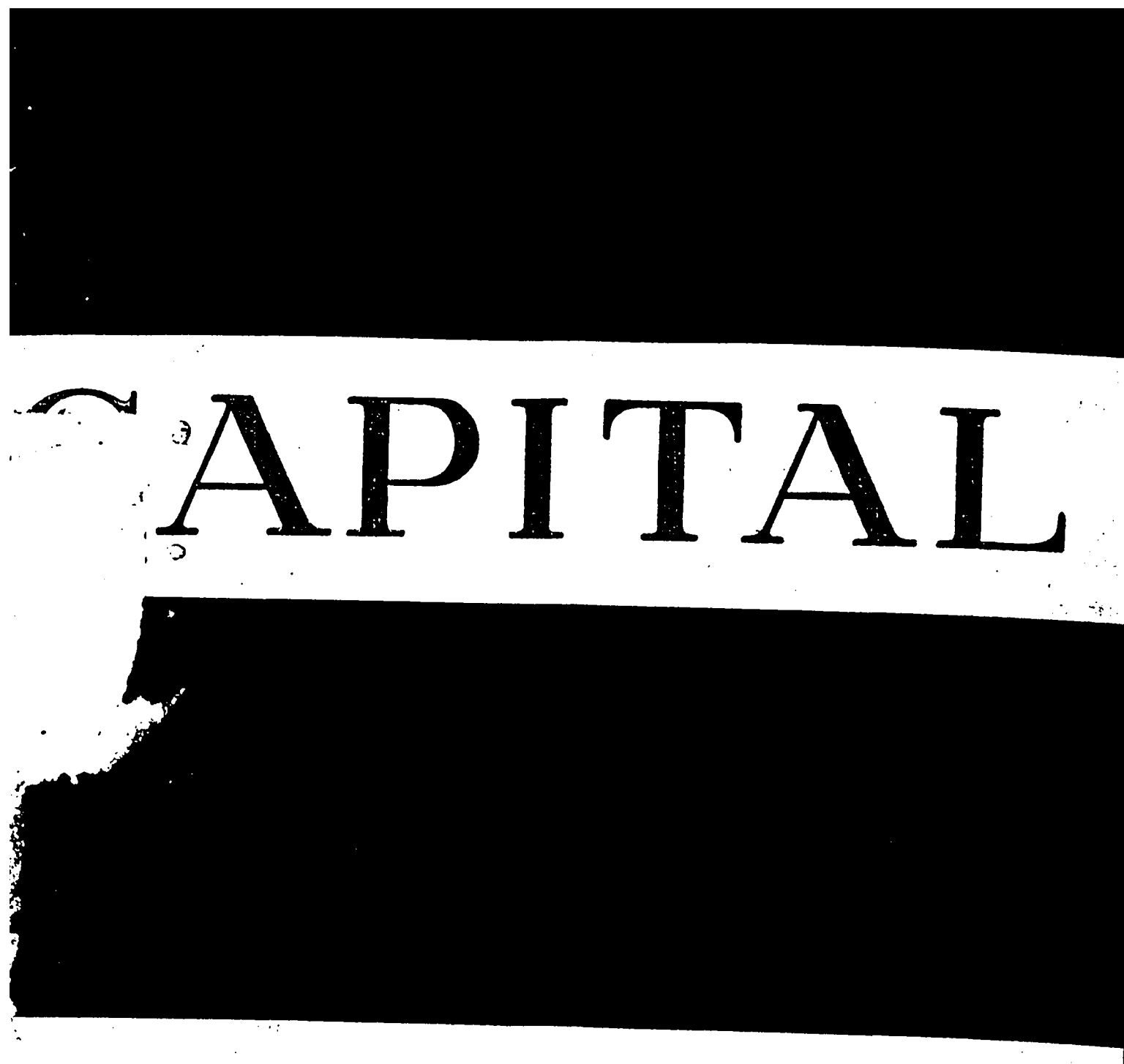


THE TITAGHUR PAPER
MILLS COMPANY LIMITED
Chartered Bank Buildings
Calcutta-1



A BIRD-HEILGERS
ENTERPRISE

SC71133A



ECONOMICS
INDUSTRY
MANAGEMENT
PUBLIC AFFAIRS

Quitting the Commonwealth?
Small Mercy from Mr. Chavan
Need to Reduce Paper-work
Sugar: Decontrol and After
New Central Loans

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stating our policy

In one word—Responsive

To us, responsiveness is extending our resources to meet the needs of industry. For instance we have introduced the application of alloy and special steels where conventional mild steel was used. Made high tensile fasteners and self tapping screws to improve the performance of machinery subjected to vibration stress and strain. Developed aluminium die-cast rotors to assist the manufacture of small and medium size A.C. squirrel cage motors. These are just a few examples of what we have achieved. Of what we are constantly doing. By transforming the quality shape and size of steel, we multiply its functions. Convert it from mere metal to sophisticated components. Anticipating industry's new and changing requirements. To do this we have to be responsive.



Guest Keen Williams Ltd

Quitting the Commonwealth?

THE recent clamour that India should leave the Commonwealth hardly does any credit to this country. Foreign policy should aim at serving a country's national interest but this should not be confused with any narrow interest. The amount involved in the likely loss of India's textile exports to the U.K. due to the levy of a 15 per cent duty on cotton textile imports from India and other Commonwealth countries from January next year is rather small. At its worst, it would mean that India would be exporting Rs. 10 crores worth less of textiles to the U.K. It would hardly enhance India's reputation in the world if she becomes so "business-minded" as to snap the historic tie with the Commonwealth to register her protest against certain periodical changes in the trade policies of some member-countries. Those who make such noises or are encouraged to do so forget that the concept of the Commonwealth has changed over the past two decades. Although the U.K. continues to be its focal point, the Commonwealth is not in essence an association of the former colonies of Britain presided over by Her Majesty. It is now, more than anything else, an association of some like-minded and independent nations. The tangible gains from it are few; but the intangible ones are considerable.

Each time there is some clash of interests between a member-country and the U.K., the former threatens to quit the Commonwealth. There has been strong pressure in this country that India should leave it because of the recent restrictions on coloured immigrants in the U.K. Some African members of the Commonwealth have, likewise, been threatening to leave it because of the projected sale of British arms to South Africa and the U.K. Government's failure to bring down the racist regime of Mr. Ian Smith. There have been similar moves in Malaysia and Singapore

over Britain's policy of gradual withdrawal from the east of Suez. Then, there is the general feeling among all Commonwealth countries that the organisation would cease to exist if and when the U.K. joined the European Common Market.

It would be a pity if the Commonwealth were to disintegrate once Britain joined the E.C.M. It would be equally unfortunate if member-countries started leaving it due to their differences with Britain. This is so because the Commonwealth has over the last two decades or so acquired greater meaning than the fact that its members are supposed to be notionally closer to Britain than their neighbours. What has happened is that over the years, the ties between Britain and its former colonies have weakened while those between the other members have strengthened. It is a multi-racial society which shares certain common values and beliefs, although these are often honoured in their breach. But that would be no more an argument for winding up the Commonwealth than it would be for shutting down the United Nations.

One of the great intangibles that unites the countries of the Commonwealth is their common love of the English language. Excepting the U.S.A.—which was once a British dominion—all the countries which use English as a major language are members of the Commonwealth. The value of this linguistic link between the Commonwealth countries should not be under-estimated. The linguistic affinity should be strengthened. Indications are that it will last since all the developing countries are realising the importance of an international language and almost all the Commonwealth countries have chosen to retain English.

The Commonwealth citizen has also acquired the common idioms of

parliamentary democracy. Not all Commonwealth countries practise democracy but the peoples of all of them aspire at it and have a concrete shape of it in their minds. They are eager to learn from each other's experience in the field. The Malaysians, for example, are more inspired by India's progress in democracy than by the experiments of their neighbours in Indonesia and the Philippines. A large number of African countries are sending more and more students to India despite racial conflicts between Indians and Africans there. When they go back home, these students take with them something of the flavour of the freedom of expression that is possible not merely in advanced western societies but also in the developing ones.

Trouble arises whenever efforts are made to give an economic meaning to the Commonwealth link. It is perhaps true that the Commonwealth has failed to offer much advantage in pure financial terms to its members. They would have been just as well off without it. The Economic Affairs Ministers of these countries do often meet, but beyond passing pious resolutions they achieve nothing. In this field—as in so many

Small Mercy from Mr. Chavan

AS expected, the Central Finance Minister, Mr. Y. B. Chavan, had to yield to pressure from within his own Party and other sections of Parliament to withdraw that unpopular duty of 10 paise a kilogram on *maida*. He has also withdrawn the small increase in the duty on coarse cloth and the net loss in revenue to the Government will be about Rs. 8 crores in the current year. Of this, the duty on *maida* alone was to have fetched Rs. 7.4 crores. The loss is not much considering the Finance Minister's gain in political terms; this will help him to get the Budget through in Parliament without much difficulty. Irked by criticism by his own Partymen, especially by Dr. V. K. R. V. Rao, a former colleague and an eminent economist, Mr. Chavan was at considerable pains to explain that his Budget was growth-oriented, while replying to the general debate in the Lok Sabha. He hotly contested Dr. Rao's view that the Budget proposals were not conducive to industrial growth. But a mere assertion does not change the basic character of the Budget. To contend that because he has provided for an increase of Rs. 155 crores, the

others—the Commonwealth merely performs the function of a debating society. But, is the failure of the Commonwealth to serve the pressing economic needs of its members enough justification to wind it up? The world is now growing in many dimensions—political, scientific, cultural and humanitarian. Is it not true that the Commonwealth link does—in its own small way—serve a useful international purpose in these fields? If so, will it not be wise to retain it, regardless of whether Britain joins the E.C.M. or not?

The question deserves greater attention by India than by any other Commonwealth country because she happens to be the largest member of the group. In many intangible ways, India also happens to be one of its major beneficiaries. There seems no reason why Britain should not continue to play its cultural and psychological rôle in the Commonwealth even after it joins the E.C.M. With or without Britain on its rolls, the Commonwealth can continue to be a useful international association. This point needs to be closely examined—especially by India—before thinking of winding it up or leaving it.

growth needs of the economy have been taken adequate care of, is to close one's eyes to realities. Balanced growth can take place only when investments are stepped up both in the public and private sectors.

The increase in Plan outlays that Mr. Chavan has provided for goes largely to meet the growing needs of programmes in the fields of agriculture, transport, shipping, roads, irrigation, education and social services. It is true that the infra-structure needs to be strengthened and expanded to facilitate growth both in industry and agriculture. And as the Central Finance Minister rightly pointed out, it is wrong to think that infra-structure developed at public cost helps only private industry to grow. For instance, port or rail facilities are required not only by industry but also by agriculture to get its input requirements like seeds, fertilisers and tractors. But what is objectionable in Mr. Chavan's Budget strategy is that it seeks to constrict the saving capacity of individuals and the corporate sector in order to raise larger resources for investment in the public sector. His new tax propo-

sals will yield him more than the sum that he has additionally provided for the Annual Plan. At the same time, his tax proposals will generate inflationary pressures, enough to erode the real value of the new investments. This is not to suggest that there should not have been any taxation at all or that the Plan allocations should not have been raised. What one likes to be assured of is that the resources raised for the Plan will be spent wholly on development programmes and will not be diverted to non-plan uses; secondly, capital requirements of the corporate sector will be met by public financial institutions if there is genuine difficulty in raising resources from the public.

When the corporate sector complains that its capacity to save has been affected by the Budget, it is only making a plea to be allowed to invest its own funds for future expansion and development. The Prime Minister, Mrs. Indira Gandhi, had herself stated some time ago that the private sector must depend more and more on its own internal resources for future expansion. Government policies have also been lately designed to deprive the private sector of different sources of capital and credit. The nationalisation of banks, take-over of the general insurance companies and the introduction of new guidelines for conversion of loans of financial institutions into equity are all intended to restrict the money power of the private sector. No tears will be shed for this if at least accelerated growth is guaranteed as a result. But this remains a big question.

The anomaly of the fiscal policies of the Government is that they are all directed against the urban sector and the corporate sector. The rich in the rural areas and the affluent agriculturists have been let off both by the Centre and the States. While the Centre pleads constitutional difficulties in taxing the agricultural sector, the States are reluctant to tap this source of revenue for fear of losing political support. It remains to be seen how far Mr. Chavan is going to succeed in his resolve to get the States veer round to his view that the rural rich must be taxed on par with the urban rich.

As Mr. N. A. Palkhivala, the noted taxation expert, has stated, the annual national income from agriculture is about Rs. 16,000 crores or about half of the total. But agricultural income-tax levied half-heartedly by some States totals up to only Rs. 13 crores

while direct taxes on the non-agricultural sector amount to Rs. 837 crores. This shows eloquently the vast disparity in the contribution that the agricultural and non-agricultural sectors make to the Exchequer. And yet, the agricultural sector is pampered while the corporate sector is baited day in and day out. Even if one takes into account the land revenue of Rs. 113 crores collected throughout the country, agriculture bears only 13 per cent of the total burden of direct taxes. In levying indirect taxes also, care had always been taken in the past either to exclude the agricultural sector or give relief to it under some pretext or the other. Mr. Chavan has made a symbolic beginning by levying an excise duty on tractors but the revenue from this source is not much. Unless the States muster enough courage and display the will to tax the agricultural sector, the present inequity will remain.

Mr. Chavan cannot be expected to make any more concessions, however legitimate may be the demand. He has made it clear that he will not submit to any more pressure. This is bound to be disappointing to those who might have expected him to lower the stiff duty on petrol or reduce the tax on air travel. To expect that the higher cost of transport and air travel will be absorbed by industry and will not be reflected in the prices of manufactures is to ignore the basic principles of economics. Already, Indian Airlines has reportedly been allowed by the Centre to raise its fares by 15 per cent to cover the rise in operational costs.

In this situation, it is strange that the Central Finance Minister does not expect the general price level to go up as a result of his Budget proposals. Has there been a single year when tax proposals did not lead to a rise in prices? Mr. Chavan's claim that some soap manufacturers have absorbed the rise in the cost of production as a result of the increase in the excise levy is not substantiated by market prices of the brands mentioned by him in Parliament. The fair-price shops and superbazaars opened by the Government invariably put up notices of "no stocks" whenever a particular commodity is in great demand or its price enjoys a premium in the open market. The Budget gave Mrs. Gandhi and her Party an opportunity to do immense good to the country by accelerating growth and relieving un-

employment. That opportunity would appear to have been missed. What will happen between now and the next Budget can, therefore, be anybody's

Sugar : Decontrol and After

THE Central Minister for Food and Agriculture, Mr. Fakhruddin Ali Ahmed, urged the sugar industry to behave at the annual general meeting of the Indian Sugar Mills Association held in New Delhi a few days ago or face the prospect of re-imposition of controls. But the problems will become clear if one keeps in mind the benefits the sugar mills had been pressing for and what the Government actually gave in return because of its commitment to maintain price levels. There is no reason to doubt the authenticity of the report which said that the Central Cabinet was convinced of the unavailability of sugar decontrol because an upward revision of the levy sugar price could in the given circumstances no longer be postponed; the Central Food and Agriculture Ministry promoted the idea. Excepting the mills located in Maharashtra and Tamil Nadu, which due to their low operation costs have everything to gain from a control-free era, the ailing mills in Bihar, Uttar Pradesh and Madhya Pradesh were hoping for a higher price for the 30 per cent levy sugar, a uniform excise duty on free and controlled sugar, higher bank advances at a lower margin, the building up of a buffer stock by the Government to rid the mills of the economic burden of maintaining embarrassingly large stocks, and a reconsideration of the basis of fixing the minimum cane price. The high-cost mills will not be earning any good amount following decontrol because levy sugar now sold in the open market cannot get more than the hitherto free sale sugar prices.

Even now the Government has control over the mechanism of sugar releases and at the time of removing control on price, distribution and movement of sugar, the consumer got the assurance that because of the comfortable stock position and an estimated production of 3.8 million tonnes in the current year, his interest would not be affected. If in spite of all this, prices soar, the consumer will be blaming both the Government and the industry and trade. In any case, it is too early to

guess. But one thing seems certain; the economy will not have moved very much faster than in the past year, thanks to the Budget.

review the success of the decontrol decision as the market should be allowed sufficient time to adjust itself and correct regional price imbalances. The experience of the consumer in India has not been happy when control is removed from essential items like sugar, but for this the industry is not always to blame. It is not at the wholesale level that prices are automatically raised following decontrol, but the consumer often suffers because of the price manipulation by the shopkeeper. The I.S.M.A. should give this problem a close thought as nothing would improve the image of the industry more than when the consumer has the feeling that he is getting a fair deal.

In his presidential address, a fuller version of which was published in last week's issue of *Capital*, Mr. S. K. Somaiya offered the industry's sincere co-operation in the implementation of the Government's decontrol policy. He, however, expressed the hope that decontrol would not turn out to be a short-term expediency but would be pursued as a long-term policy. Adequate follow-up measures are necessary to make the present policy a success. In the context of the current trend of production and consumption, the president emphasised the need for maximising the sugar output in the next season. Suitable incentives should be announced well in advance to compensate the mills for higher working costs during the early and latter part of the 1971-72 season. As a long-term measure for ensuring a steady rise in sugar production, *gur* prices should be maintained at an economic level and the Government should consider a scheme of price support whenever *gur* prices rule lower. The production and capacity targets for the Fourth Plan have been fixed at 4.7 million tonnes and 4.86 million tonnes, respectively. The capacity already installed has exceeded the target by 1 million tonnes and further progress in this direction is expected as a unit with capital investment of less than Rs. 1 crore is no longer required to apply for licences. For the continued growth of the industry, a long-term

policy designed to pull out the sick mills from financial straits is necessary.

The mills cannot maintain the tempo of production and meet their various obligations, including cane payments, unless sufficient bank credit is available to them. Mr. Somaiya said that the nationalised banks should reduce the margin to 14 per cent which was the weighted average rate of levy and free sugar. Mr. Ahmed has, however, assured the industry that the Government is aware of its credit requirements. While the Government will be considering a reduction in the margin on advances, the industry should appreciate that the Reserve Bank and commercial banks have to take into account all aspects of the question, including the risk involved and the need to safeguard the interests of banks. The Minister regretted that while the Government was making every possible effort to increase India's sugar exports, the industry had not played

its part. But a well-defined policy is still lacking concerning sugar exports which involve heavy losses despite an increase in the international price of sugar.

Cane development activities, particularly in north India where there is a vast development potential, should be accelerated. Mr. Somaiya has suggested that direct contact between the mills and growers in the north should be restored and the former given an opportunity to take up cane development work in their reserve areas. The Minister has agreed to the suggestion and asked the mills to get in touch with the State Governments concerned; the Centre will try to give all possible assistance. While the floor price of cane is determined by linking it to a base recovery of 9.4 per cent, there have been regional variations in the recovery rate. Nothing has been done to ensure that the recovery does not go below the minimum of 9.4 per cent.

Rethinking on Refugees

NEARLY three months have passed since the inflow of refugees from East Bengal to India began, and there are no signs that this would end in the near future. Till today, a little over five and a half million refugees have crossed over and official information is that the average daily arrivals are anywhere between 60,000 and 70,000. This is a staggering figure judged by any standards and if the inflow continues at this rate for another two or three months, the re-

fugee figure may well reach the 12-million mark.

This is, therefore, a problem which must concern the entire nation. It goes without saying that unless all the States agree to help in providing shelter for the refugees, the problem cannot be tackled with any reasonable amount of success. From the very nature of things, at present all the refugees are concentrated in the five eastern States, name-

ly, Assam, Meghalaya, West Bengal, Tripura and Bihar. And the pressure seems to be particularly great on West Bengal and Tripura. According to reliable reports, nearly 5 million refugees have crossed over to West Bengal, and in Tripura too their number has exceeded 700,000. Naturally, the Chief Ministers of the two States have been asking the Central Government to do something positive to relieve the pressure on their States.

The refugees are mostly women and children and the care they need is much greater than when one has to deal with adult males. The State Governments also find that they are not equal to the task and they have been insisting that unless a good number of the refugees are shifted to other areas, they will not be able to deal with the situation. Secondly, as a result of the influx, the economy of the border States is being thrown out of gear and this is another reason why the Centre should disperse them to other States. The question that arises is to what extent it is possible for the Centre to send the refugees to such far-flung States as Tamil Nadu, Kerala, Mysore and Andhra. It has also to be considered whether it would be possible for these States to absorb them and, if they are willing to do so, the number they could take in.

The Central Government has proceeded on the assumption so far that the refugee problem was only a temporary one, and so it was not necessary to think in terms of permanent or even quasi-permanent measures to rehabilitate them. It was for this reason that the Central Rehabilitation Minister, Mr. R. K. Khadilkar, stated some time ago that there was no question of dispersing them all over India. He said that what the Government wanted to do was to take them to the interior areas of the State to which they had crossed over so that the pressure on the borders might ease. And when this was not possible, he announced that the Government would shift them to Madhya Pradesh to be temporarily accommodated in the Mana camp. But now Government spokesmen are saying that the refugees would be dispersed to several States, including Uttar Pradesh, Bihar and Orissa. This indicates a shift in the policy brought about by the force of circumstances. But then one has the right to ask whether the Centre could not have anticipated this before

and evolved a phased and co-ordinated policy.

Even more baffling is the assumption that the refugees would get back to East Pakistan within six months. Two months ago, the period mentioned was six months and last week, when the Deputy Minister for Relief and Rehabilitation was answering questions on the subject in the Lok Sabha, he stated that the Government expected normalcy to be restored within six months by which time the refugees

British Levy on Indian Textiles

THE British Government's intention to impose a 15 per cent duty on cotton textile imports from India and other Commonwealth countries from January next year was the subject of a heated debate in both Houses of Parliament last week when members urged that India should leave the Commonwealth to show her displeasure. Although Mr. L. N. Mishra, Central Minister of Foreign Trade, was no less critical of the British attitude, he wisely took the stand that picking up a quarrel with the U.K. on this issue would not solve the problem.

The problem itself has assumed some urgency because there are reports that Britain has decided to scrap the Indo-U.K. Trade Agreement of 1939 which still regulates the trade between the two countries. Under the agreement, Indian cotton textiles are entitled to a duty-free entry and a guaranteed margin of preference in the U.K. market. In discussions held both in Delhi and London, Britain had sought a waiver of the clause to be able to implement her proposal for imposing the duty. If India does not agree to this suggestion—as she seems in no mood to do—and if Britain wants to go ahead with her plan, the latter will have no alternative but to give a six months' notice as prescribed in the agreement. The notice, in fact, should take effect from 1st July—and hence the urgency.

This is not the first time that the British Government has sought a waiver from India. In 1959, when Britain wanted to join the European Free Trade Area (E.F.T.A.), she approached India to release her from the operation of some provisions of the Indo-U.K. Trade Agreement of 1939. At that time, India did agree to give the release, subject, however, to some

would return. Six months from now or from 25th March when the inflow began? The Central Government has started thinking in terms of shifting the refugees to other States since in any case it would not be possible for them to return to East Pakistan in the foreseeable future. If only the Government realised this much earlier, it could have regulated the inflow of refugees in such a manner that it did not prove a problem for only one or two States in the country.

conditions. These were, first, that the elimination of the contractual preferences *vis-à-vis* the E.F.T.A. goods will not involve the levy of any duty on Indian goods at a rate higher than that applicable at that time. Secondly, it was understood that where competing interests were involved, Britain would ensure that Indian goods were not placed at a disadvantage in relation to goods from the E.F.T.A. But now the situation is slightly different. If Britain imposes the duty on cotton textile imports from the Commonwealth countries, what will happen is that, since the E.F.T.A. arrangements will continue, textile imports from the E.F.T.A. countries will still be enjoying a duty-free entry into the U.K. market while goods from the Commonwealth countries will suffer a 15 per cent disadvantage *vis-à-vis* the E.F.T.A. goods. Not only this; in relation to imports from the rest of the world, the Commonwealth countries will enjoy only a 2½ per cent margin of preference in the U.K. market, against 17½ per cent as at present. Hence, India's contention is that the British move will not only be a violation of the understanding reached when Britain joined the E.F.T.A. but will also be contrary to the spirit of the old 1939 agreement.

India is concerned over the British move because the U.K. is the single largest buyer of Indian cotton textiles. The U.K. market accounts for nearly 35 per cent of Indian cotton textile exports, yielding, on average, foreign exchange to the tune of Rs. 21 crores a year. Therefore, the unilateral action proposed by Britain would result in a structural change in this item of trade and would adversely affect the domestic industry in India. It is not that Britain does not realise this fact. There have been suggestions that this factor would be kept in mind while

determining the British aid to India. But India's contention is that aid is no substitute for trade, a contention largely accepted by the advanced countries also, as is obvious from their declared intention to introduce the generalised scheme of preferences in favour of exports from the developing countries.

One of the imponderables standing in the way of an understanding between India and Britain on this vexed issue is the implications of the latter's entry into the European Common Market. Although several rounds of discussions have taken place between Britain and the European Economic Community, the date when Britain will become a part of the Community is still uncertain. Nor is it clear what assurances will be given to the Commonwealth countries, which have been enjoying some preferences in the U.K. market, once Britain joins the E.C.M. When the U.K. becomes a member of the E.C.M., the common external tariff of the E.E.C. will apply to all exports from the developing countries. But if Britain imposes a 15 per cent duty on textile imports from the Commonwealth countries from January next year—and it turns out that her entry into the E.C.M. is delayed indefinitely—India and these countries will find themselves in the unenviable position of having lost the advantages in the U.K. market without any compensation whatsoever. This is what perhaps really worries the Government of India. But, for this problem there is no answer yet, although, as Mr. Mishra stated in Parliament last week, India has been in touch directly with the E.E.C.

From the long-term point of view, neither the assurances which the E.E.C. may give nor leaving the Commonwealth, as suggested by some members of Parliament, can be a good solution. It must be realised that if Britain persists in her move, India will have to protect her interests as best as she can. Retaliatory measures can harm other Indian exports to Britain, like jute, tea and machinery, which are quite sizable. On cotton textile exports, what is needed is increased diversification and modernisation of the domestic industry with a view to improving the quality of products as well as reducing costs. The crutches which Britain or the E.E.C. may provide will not, in the long run, help the industry which must learn to face international competition. India cannot prevent Britain from acting in her self-interest—and this fact must be faced fairly and squarely.

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New Central Loans

THE three new Central loans to be on sale between 1st and 3rd July (unless closed earlier, as they are very likely to be) mark the first instalment of New Delhi's public borrowing programme for the current year. Offering a wide choice from loans of short, medium and long durations, the Government for the time being is raising a sum of Rs. 375 crores (with provisions for over-subscription up to 10 per cent), or Rs. 125 crores short of the Rs. 500-crore Budget estimates of the gross public borrowing during 1971-72. The cash-cum-conversion issue coincides with the maturing of the 4½ per cent loan 1971 now worth Rs. 332.10 crores. The net borrowing will thus be Rs. 167.90 crores, against Rs. 136.29 crores in the previous year. All the varieties of the new loans—the 4½ per cent loan 1978, the 5¼ per cent loan 1986 and the 5¾ per cent loan 2001—carry interest rates slightly higher than in the previous year, reflecting the general mark-up in the interest rate structure following the recent Bank rate hike and the current trend in the call money rates. The loans—all of which are to be sold on par—are certain to have a very favourable response; the short-dated issue maturing in seven years is expected to prove popular with banks, which are required to invest more and more of their funds on Government securities while the medium long-term one, with a maturity period of 15 years, and the long-dated one running up to 2001 are likely to find good buyers among the Life Insurance Corporation, the recently-taken over general insurance companies and provident fund accounts.

By deciding to leave something for a second offer to the market, the Government is evidently not pre-empting its public borrowing potential for 1971-72. Last year also, it made two issues, one in March and the other in October, but was content with raising a gross amount of Rs. 427.59 crores, against the Budget estimate of Rs. 455 crores. Considering the prevailing price situation and the presence of imponderables like the Bangladesh situation, the Government is expected to make full use of the budgetary provisions this year, if not to overrun them to some extent—more so because public borrowing has an edge over both taxation and deficit financing in that it is

generally believed to be less inflationary. By staggering its borrowing programme, the Centre has also tried to ensure that the States get full scope when they decide to have a go at the market. Last year, 15 State Governments offered cash-cum-conversion loans of Rs. 142.50 crores in

mid-July, against Rs. 155 crores in 1969. It is reasonable to expect that the States, in view of their poor revenue position, will not scale down their borrowing targets compared with the previous years, and would also not flinch from offering a slightly higher interest rate. As it is, the fairly easy trends in the money market and the return-flow of funds to banks ensure a fairly easy condition for Government borrowings.

CURRENT COMMENT

ENGINEERING

Record Exports in April

In a statement issued to the Press, Mr. Raunaq Singh, chairman of the Engineering Export Promotion Council, has stated that the export of engineering goods during April 1971 has amounted to Rs. 12.25 crores, against Rs. 8.6 crores in the same month last year, thereby recording an increase of 43 per cent. Among the items which have shown an appreciable increase during April are automobile and auto parts, textile and all kinds of industrial machinery, wires and cables, bicycles and components, electric motors, switch-gears and transformers, iron steel castings, boilers and excavators, radios and components, transmission line towers, hand tools and cutting tools, electric fans, railway track materials, air-conditioners and refrigerators, air compressors, etcetera. Export of items like pipes and tubes has not yet picked up because of an acute shortage of steel. Similarly, although sufficient orders are in hand for wagons, shipments have not yet started.

A memorandum on the problems arising out of the steel shortage has been submitted to the Central Ministry of Steel and Heavy Engineering. Referring to other problems like shipping space and high shipping freight rates, delay in the fixation of drawback rates and settlement of drawback claims, delays in sanction of applications for expansion and diversification, he said that details are being collected and a comprehensive memorandum would be submitted to the Government.

Addressing a Press conference held recently in Calcutta, Mr. Raunaq Singh said that the Budget proposals, particularly the 20 per cent cess on foreign travel, will have serious repercussions on India's export efforts. Rather new in the export business, Indian

manufacturers and exporters were already handicapped in regard to up-to-date market information, lack of useful personal contacts, etcetera. He urged that genuine exporters should be exempted from the cess like scientists and students. The E.E.P.C. has also decided to submit a proposal to the Government to allow individual companies to own and operate tramp ships for export purposes. The scheme is now being drawn up and will be finalised shortly.

COMPANY LAW

Amendment Suggested

Referring to a Press report saying that the Government of India is contemplating to amend the Indian Companies Act, the Merchants' Chamber of Commerce has urged in a memorandum submitted to the Company Law Board that proportional representation of shareholders on the board of directors be made compulsory rather than optional as at present. The boards at present are controlled by the majority shareholders and the option given to companies for adoption of proportional representation has not been followed. Unless the minority shareholders have a right of representation on the board, they remain in complete darkness about the real state of the company's affairs. Referring to the shareholders' right to inspect the books of accounts, the Chamber has stated that this is very vital since by exercising it the shareholders can get a detailed information about the management in the company.

INDIAN ECONOMY

Accelerating Growth

Presiding at the annual general meeting of the Indian Chamber of Commerce, Calcutta, held a few days

ago, Mr. R. P. Goenka said that to provide relief to the weaker sections of society, the major requirement was to step up the growth of the economy in all directions. The rate of growth in India had continued to be one of the lowest in the world. There was no basic conflict between the anxiety to bring about rapid social changes and the growth necessary to sustain the social benefits. Social justice without growth was not possible, and growth without social justice was the anti-thesis of a welfare State.

Inadequate savings for investment and a weak infrastructure continued to be the biggest bottlenecks in the Indian economy. Even basic raw materials, like coal, could not be moved from the production to the consumption centres. The shortage of power and of basic raw materials was also restricting the growth of both industry and agriculture. Among the classes who normally save and invest, the impact of heavy taxation and rising prices was being increasingly felt. The new Budget proposals had led to a much higher tax incidence than before. The corporate sector had also been increasingly burdened. Mr. Goenka pointed out that if the surpluses emerging from the public enterprises were larger, the additional taxation could have been avoided. As against the Fourth Plan target of around Rs. 2,000 crores for taxation, more than Rs. 1,500 crores had already accrued. If the growth potential was to increase, there will have to be a change in the approach to fiscal policies. A lower tax level alone could generate larger economic activities and much larger revenues for the Government.

I.L.O.

The U.S. Stand

Anything that adversely affects the tripartite structure of the International Labour Organisation (I.L.O.) can also adversely affect continued U.S. Government interest in the agency, a high U.S. State Department official has recently said in Geneva. Mr. Samuel Depalma, Assistant Secretary of State for International Organisation Affairs, told a Press conference in Geneva, where he came to attend the opening phase of this year's I.L.O. conference, that his Government strongly wanted to see the basic I.L.O. structure—involving autonomous and independent participation of worker,

employer and Government groups—preserved. As far as the U.S. is concerned, this organisation was created in order to permit this participation on this autonomous basis by these three groups. He said that it is "a fact of life" that the I.L.O. is of interest to the United States primarily and very largely to the extent that it is of interest to the American labour.

The U.S. official did not enlarge on these points. But the United States is known to be concerned over a number of tendencies within the I.L.O. like the misuse of I.L.O. meetings for time-consuming and irrelevant political discussions which have little to do with the I.L.O.'s responsibilities, the opening of I.L.O. publications to the views of certain parties expressed as if they were the views of the organisation itself, the growth of a sort of "double standard" among members whereby some Governments are freely criticised for not applying the I.L.O. labour standards while others escape criticism, and the continuing problem of representation of some members on the I.L.O. committees. These concerns have led the U.S. Congress to withhold payment of half of the U.S. 1970 I.L.O. budget assessment—\$3.4 million—and it is still studying allocation of funds for this year's assessment of \$7.4 million. The United States is assessed 25 per cent of the I.L.O. budget.

FOREIGN TRADE

Diploma from I.I.F.T.

Thirty-three young participants have been awarded diplomas at the annual convocation of the Indian Institute of Foreign Trade, New Delhi after their successful completion of a ten-month diploma programme in international trade. Twenty participants were sponsored by business organisations. Four of them came all the way from the Philippines, Nepal, Ceylon and Iran. Of the rest, five were emergency commission released officers of the armed forces. The Indian Institute of Foreign Trade has been organising the diploma programme since 1966. The one just concluded was the fifth in the series. This is the only full-time diploma programme in international trade in the country, where the participants are thoroughly trained in the principles and practices of export marketing. The objective of the programme is to build up a competent cadre of young export

management personnel for Indian trade and industry.

Prizes have been awarded to the first five participants on the basis of their performance in the examination. Two special cash prizes—a first prize of Rs. 250 and a second of Rs. 150—have been instituted this year by Dr. L. G. Winter, Professor of International Marketing, School of Business and Administrative Sciences, University of New Mexico, U.S.A., who was with the Institute during the year 1968-69 as an U.N. Consultant on Case Studies.

EASTERN REGION

Company Formation Up

During the period January to March 1971, company formation showed a slight upward trend in as much as 74 new companies limited by shares with a total authorised capital of Rs. 521.89 lakhs were floated in the eastern region comprising the States of West Bengal, Bihar, Orissa, Assam and Nagaland and the Union Territories of Tripura, Manipur and the Andaman and Nicobar Islands, against 72 companies registered during the preceding quarter, according to the Company Law Board. One company transferred its registered office from West Bengal to Maharashtra. Fourteen companies with an aggregate paid-up capital of Rs. 84.90 lakhs went into liquidation and seven with an aggregate paid-up capital of Rs. 26.44 lakhs were struck off the register of companies under Section 560(5) of the Companies Act, 1956.

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COPENHAGEN FAIR

Indian Participation

India will participate in the fifth Copenhagen Trade Fair to be held in Copenhagen (Denmark) from 15th to 24th October, 1971. The Central Ministry of Foreign Trade will organise India's participation in the fair. India exported goods worth Rs. 3.73 crores in 1969-70 to Denmark as compared with Rs. 2.65 crores in 1968-69. The main items of exports are tea, spices, leather and leather goods, coir products, cotton textiles and jute manufactures. As an expanding market and as a member of the European Free Trade Association, Denmark offers considerable scope for traditional and non-traditional Indian goods.

FOREIGN COLLABORATION

Revised Application Form

With the constitution of the Foreign Investment Board in December 1968, the Government had prescribed a form in which the prospective entrepreneurs were required to submit their applications for the Government's approval to foreign investment and/or technical collaboration in setting up industries in India. In the light of the experience gained during the last two years, certain modifications have now been made in the *pro forma*, mainly with a view to ensuring that complete information on collaboration proposals is furnished by the applicants in the first instance. The revised form, it is hoped, will obviate the necessity of calling for any additional information from the parties after receipt of the applications for foreign collaboration and will thus help in a quicker disposal of such applications. The revised form will take effect from 1st April, 1971. Applications (with ten spare copies) for foreign collaboration from that date onwards should be submitted in the revised form only. Copies of the revised form are available from the P.R.O., Ministry of Industrial Development and Internal Trade, Udyog Bhavan, New Delhi.

EAST BENGAL

U.S. Wheat Supply

There is enough U.S. wheat stockpiled in strife-torn East Pakistan to satisfy normal needs for four months and the United States is ready to send more if needed. But since American vessels already in East Pakistan ports cannot

unload because of a labour shortage, further shipments have been temporarily suspended. The principal problem is not with supply, according to the U.S. State Department, but with facilities for getting the grain unloaded from ships and distributing it to needy areas. At least 200,000 tons of American grain are "on the water, much of it in East Pakistan ports," according to State Department spokesman, Mr. Robert J. McCloskey. The U.S. Government has stressed to the Government of Pakistan the need for resolving the distribution problems. Railroads have been disrupted, he noted, and there is not a sufficient number of stevedores on the docks to unload ships already in port. "We are ready to support any international effort to provide humanitarian aid to East Pakistan", Mr. McCloskey said.

TOURISM

Developing Professionals

The need for building a cadre of professionals in tourism was stressed by Dr. Karan Singh, Central Minister for Tourism and Civil Aviation, while inaugurating a seminar on tourism management in New Delhi recently. "Tourism is a highly sophisticated and complex consumer-oriented industry requiring careful handling", he said. The Minister announced that a tourist training institute would be set up to train young people in the various aspects of the tourist industry. The seminar was organised by the All India Management Association for working out an integrated plan to manage tourism in the context of its new rôle in the country's economy. The growing affluence in various parts of the world and the revolution in aviation technology, Dr. Karan Singh said, would bring about an unprecedented growth of international tourism in the 'seventies. "We must see that the country takes maximum advantage of this growth by attracting more tourists", he said.

As far as the promotion of foreign tourist traffic is concerned, the "Operation Europe", a joint promotion effort of the Department of Tourism with Air-India, has yielded valuable results in promoting tourist traffic from Europe. The experiment is being extended to North America and other tourist markets. According to Mr. Karan Singh, the promotional campaign was so successful that it had resulted in "over-selling" in foreign markets in the sense that the country did not have adequate infra-

structure to cater to the requirements of the incoming tourist traffic. The country should gain from the experience of other countries, but it must keep in mind the need to give an Indian orientation in presenting tourist attractions. Mr. Karan Singh said that the Fourth Plan allocation of Rs. 34 crores for tourism was not sufficient considering the new awareness in the country about the economic benefits of the industry. He was, however, hopeful of increased allocation in the next Plan.

AGRICULTURAL RESEARCH

New International Group

A new Consultative Group on International Agricultural Research has been formed with the participation of 16 Governments, six international and regional development organisations, three private foundations and the International Development Research Centre (I.D.R.C.). The purpose of the Consultative Group is to encourage a greater research effort aimed at assisting developing countries to increase and improve the quality of their agricultural output and thus raise standards of living. The Group, sponsored jointly by the World Bank, U.N. Food and Agriculture Organisation and the U.N. Development Programme (U.N.D.P.), is unique in that it brings together not only Governments and international institutions but also the Ford, Rockefeller and Kellogg Foundations, which have played pioneering rôles in the whole area of international agricultural research, and the I.D.R.C. The members of the Group, in addition to the three co-sponsors, are: Canada, Denmark, France, West Germany, the Netherlands, Sweden, the United Kingdom and the United States; the African Development Bank; the I.D.R.C.; and the Ford, Kellogg and Rockefeller Foundations. It was agreed that steps would be taken to add representatives of developing countries to the Group.

MONEY MARKET

Call Rate Steady

The short-term money market has been firm during the past week. The call rate has been steady at 4 1/2 per cent, with borrowers over on most occasions. The demand for remittances has been nominal. The supply of tea and gunny bills has been small. The pound-sterling has weakened against most major foreign currencies at the close of the week.

A Ditcher's Diary

THE CONTROVERSY OVER THE DISSOLUTION of the Punjab Assembly is unlikely to end soon. Constitutional hair-splitting over the propriety of Dr. Pavate's action seems a sterile exercise in a country where the substance of democratic rule is being increasingly obscured by sanctimonious rhetoric about the correctness of parliamentary procedure. I do concede that the Governor's action was a bit unorthodox; if he was not sure whether the Badal Ministry had really ceased to command majority support, he could have waited for a day for the Assembly to meet and settle the question. And if he chose to accept the advice of a Chief Minister whom he knew to be in a minority, the constitutional issue becomes even more complex. Finally, there is also the question of whether he should not have given the Akali defectors and their Congress (R) allies a chance to form a Government. But all these are matters of formal relevance; the substantive issue is whether a new Ministry forged by a plainly opportunistic alliance would have been an improvement on the one which had resigned. Only the defectors and their Congress backers would claim that this would have been the case. Mr. S. D. Sharma, the Congress (R) General Secretary, promptly questioned the constitutional propriety of the Governor's action; but much more to the point was the comment by Mr. Sadiq Ali who called attention to the foul atmosphere of intrigue and mutual recrimination in which the Badal Ministry collapsed.

I do not suggest that intrigue has been the exclusive pastime of any particular side in the sordid drama in Punjab, or for that matter anywhere else; but it does seem odd that the Congress (R) should play the game so energetically even after the rout of most of its opponents. It knows that it cannot form stable Governments in States like Punjab, Bihar or Gujarat without fresh elections; and evidently its "toppling" exercise is aimed at early mid-term polls. Assuming that Mrs. Gandhi will remain a symbol of "stable progress" early next year, it may not be a bad idea if elections are held next February or March in as many States as possible. But why then the unseemly anxiety for mid-term elections before this scheduled exercise? There must be no question of any Assembly poll later this year, no matter what happens to the over-exploited "image" during the next seven or eight months. And should any image-based Ministry fall in the meantime with no alternative being found other than President's rule, elections early next year should be in order even if the restoration of the image remains in some doubt.

IT IS WEEKS SINCE THE REFUGEE problem in West Bengal became a topic of national debate. Diverse postures have been struck; expressions of sympathy for these homeless people have been interspersed with outbursts of righteous anger at Pakis-

tani wickedness. But I doubt if there is an excess of genuine concern. The plain fact is that few people outside West Bengal have any idea of the appalling nature of the problem. When people talk of a human tragedy, the ugliness is conceptually transformed by a kind of purgatorial fire. But the reality has no tragic redemption; it is cruel, mean, squalid, and sickening. Not even the most graphic description can really give an adequate impression of the inhuman transformation of a human problem. Even a phrase like "the explosive potential" of the refugee problem is misleading; the reality is a festering sore of gargantuan proportions. Not that explosions can be ruled out; communal and other sectional tensions are building up. But such explosions will not transform the suffering; they will merely add to its ugly persistence. And what is persistent has a habit of being accepted, particularly by those not directly affected. To most people outside West Bengal and the other border States, the refugee problem is an annoying thought; a heavier tax burden may increase the annoyance, but the unpleasantness will be bearable as long as the physical problem remains distant. Whatever may be said in Parliament and the Press, the nation as a whole is not interested in sharing the physical consequences of the problem. To pay more in tax to feed the refugees is bad enough; the idea of being physically pestered by these people is totally unacceptable; let them rot in places like West Bengal and Tripura. Other State Governments may not openly say so; but the feeling is unmistakable among many people I have met in other



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CAPITAL, 17th JUNE, 1971

parts of the country. And the Orissa Government did not hesitate to say so, at least in effect, by refusing to admit some 30,000 refugees whom New Delhi wanted to accommodate in Mayurbhanj district. The Centre was reportedly surprised; I am not. That the refugees are a national problem has always seemed to me to be a source of purely notional comfort.

THE FURORE IN BRITAIN OVER THE Queen's request for a revision of her Civil List looks from this distance a very Ruritanian affair indeed. But Her Majesty is the head of the Commonwealth, of which India is still a member. And anyway it all throws an interesting light on the intriguing, not to say endearing, contradictions of the British character. For instance, it is interesting to note that the personality who has so far made most publicity mileage out of opposing the application, Mr. Richard Crossman, editor of the *New Statesman*, would be unlikely to keep his job for five minutes if he ever had the temerity to criticise those other national institutions, the trade unions, whose outrageous wage demands are causing the inflation from which the Queen is suffering and the entire country stands in the danger of economic extinction. Not a comparable situation, you might say. But when the point is made that Britain's main growth industry is tourism—excluding gambling and abortions—and the Queen is probably its chief attraction, then Her Majesty would seem to have a valid claim for more money on the economically-respectable grounds of increased productivity. More money? And that raises a further intriguing point that nobody seems quite to know exactly how much she is getting now. The royal income comes from three main sources, the Civil List being only one of them. The others are, first, Her Majesty's private fortune, which again is a matter of conjecture because a fair proportion of it is held by virtue of the office and not personally; and second, our old friend, the perquisites. These arise from the fact that most of the royal establishments, entertaining, travel, and so on, are paid for directly by the Exchequer. Just to confuse the issue further, it is not accurately known how much tax the Queen pays on her private income, if any at all. So, altogether, and as might be expected, the Monarchy can be characterised as a typical British institution. It will be interesting to see what comes out of

CAPITAL, 17th JUNE, 1971

the current review of the Queen's income, if only for the light it will shed on just how Ruritanian the British are determined to remain in this modern age.

AH, SO THIS IS THE FIRST RESULT OF the smile on the face of the tiger? That was the immediate thought which ran through my head when I read the recent news that Russia and the United States had broken the year-long deadlock in their talks about strategic arms limitation. How great a man must be Chairman Mao, I reflected, when he can talk about playing with ping-pong balls and thereupon deter others from their propensity to play with nuclear bombs and rockets. Of course, I could well be wrong. But the sudden willingness of the Russians to accommodate American anxiety for some respite in the arms race, and the overtures to western Europe which Mr. Brezhnev made through the Canadian Premier, Mr. Trudeau, must add up to something. And what seems more likely than that Moscow is now in a complete tizzy about the intentions of the inscrutable Chairman Mao? Time, one can almost hear those men in the Kremlin saying, to start making friends and influencing people. It is a familiar enough story. But what makes it saddening rather than amusing is that such a reaction from the Russians always has to wait for a development of this kind. It is my belief that Russia could have had an agreement with the Americans on strategic arms limitation months, if not years, ago, had it wanted one. Washington has been almost pathetically anxious since the dying days of the Johnson regime for some excuse to cut its armament spending and so

silence such political opportunists as Senator Mansfield. But the truth is that even when its own interests are as clear as those of the rest of mankind, Moscow never moves unless it is prodded into doing so.

TO BE AWAY FROM CALCUTTA FOR a while should always be a relief; but after a time I get bored and restless. This nightmare city is highly addictive; only prolonged and painful abstinence can cure one of the desire to be cured; but I enjoy brief spells of undrugged well-being. Unfortunately, one's unplanned travels tend to take one to other big cities where the sense of well-being is not uncomplicated by comparative reflections. The comparisons are doubtless unflattering to Calcutta; but its vigorous rivals are not exactly my cup of tea. Every time I visit Bombay I am impressed by its well-ordered activity; every time I visit New Delhi I am awed by its extravagant expansion. Bombay is modern in a sense New Delhi is not and will never be; almost inevitably, therefore, the commercial metropolis is even more impersonal than the political capital. And however much New Delhi's planners may try to impose an impersonal modernity on the newly-developed suburbs, the scattered ruins of the past must occasionally induce some philosophical reflection in all but the most insensitive. Bombay is not a city without history; but one cannot be blamed if one is not aware of it. Nobody seems aware of anything but the daily routine; the routine is collectively well-managed and individually well-observed but is scarcely calculated to inspire thoughts about

anything other than its material rewards. Nor does Bombay inspire any particular feeling, warm or hostile. I can think of several smaller towns in western India which have distinctive identities evoking distinctive responses; Poona and Baroda, for example: both attractive in different ways. If Delhi, old and new, is losing its distinctive character, it is largely because of the flamboyance of the town planners. Yet, as I suggested before, no amount of ostentatious growth or tawdry embellishment can stop the old monuments and ruins from whispering things that the Congress Ministers, Jana Sangh councillors or indeterminate civil servants do not care to comprehend. Am I being sentimental? But the best compliment I can pay Delhi is to point out that parts of it still retain an evocative quality; the rest is pompous, meretricious, if not plain vulgar. The parts I cherish are being steadily encroached upon; the new colonies are comfortable; but they are neither village nor town, neither traditional nor modern; they have yet to acquire even the assured unconcern of the urban bourgeoisie or the sullen indifference of petit-bourgeois existence. I shall return to the subject later.

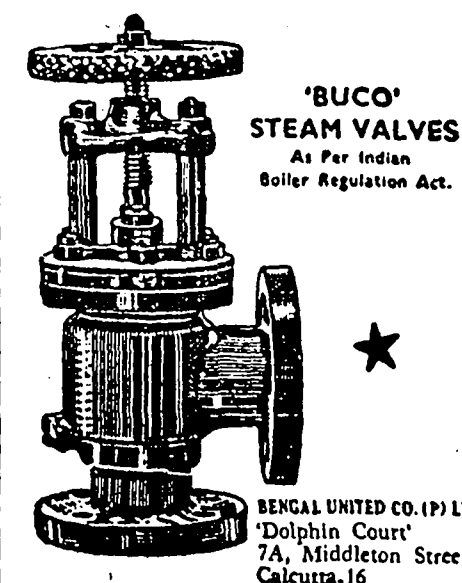
INTELLECTUALS IN PUNJAB HAVE reportedly decided to smoke *bidis* instead of cigarettes in protest against Mr. Chavan's Budget levies. They have also decided that their wives would revert to *dandassa* (bark of certain trees), instead of lipstick. Bravo! Mr. Chavan. Three cheers for your Budget!

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MANAGEMENT

Avoiding Unnecessary Paper-work to Increase Efficiency

By B. Bhowmik

The proliferation of paper-work has retarded the speed and efficiency in offices. The situation would improve a great deal if the numerous forms and statements to be submitted to the Government are cut down.

If you ask any production executive what it costs to manufacture a particular product of his company, he will tell you to the nearest paise the cost a unit. If you ask him again how much it cost to produce the purchase order-forms used for buying the raw materials, he will have no answer. If you ask the office executive about the distribution of workers, wage-rates, etcetera, you will find that all these are on his finger tips. But he will have no idea about the unit cost involved in paying the wages, in submitting the various Government returns, etcetera.

As far back as 1953, the Hoover Commission, after a survey of the

paper-work of the U.S. Government, found that it costs a dollar for each letter. Around the same time, the Dartnell Corporation of Chicago made a study of its paper-work which revealed that the cost of a letter was \$1.65 with an increase of 25 per cent every three years. If it was so in 1953, what would it be in 1971? Although there has not been any such survey in this country, it is but natural that the cost of making office records, e.g., letters, various forms, statutory returns, etcetera, is formidable; and both their cost and volume are on the increase.

Form-filling Operations

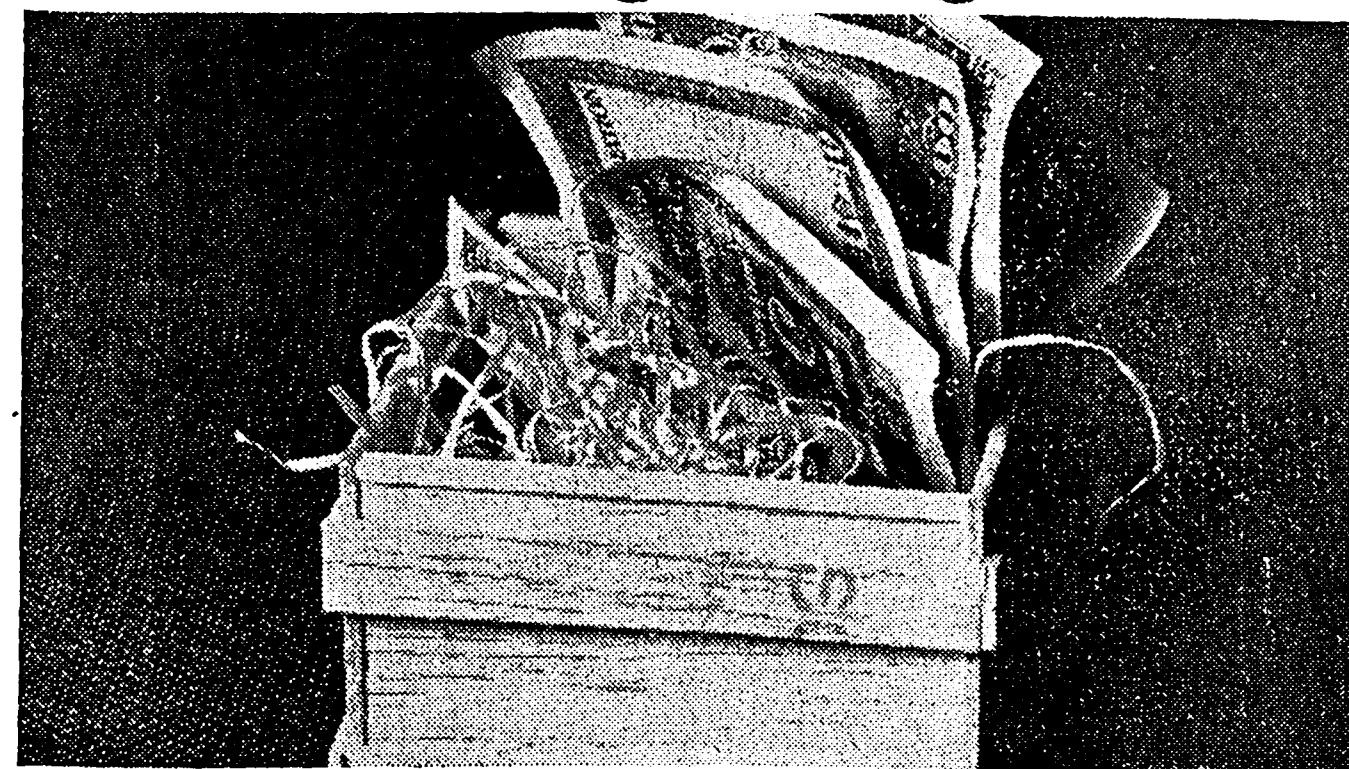
Some of the factors which have increased the load of paper-work, as compared with the past decades, are well known. These are generally the growth of business, the realisation that better information results in better

judgment, increased competition and customer services, complexity in the process of making management decision, and so on. But the single biggest factor is no doubt the tremendous increase in accounting and form-filling operations due to various Government rules and regulations. And with successive doses of "social control" of industry, trade and commerce, these are bound to increase further. As it is, there are many forms and returns which are required to be maintained and filed periodically with various Government authorities for different purposes. Has there been any effort to streamline and rationalise these forms? Probably not, as would be evident from an examination of the two most familiar Government forms.

Under the present procedure, a statement of monthly recoveries is required to be furnished in Form No. 12 by every employer along with the other relevant information. At the close of each year, two more returns are to be submitted in the prescribed forms. Form No. 3 is an individual member's "account card" showing the recoveries for each month and the total for the year; and Form No. 6 is the summary list of the annual totals for all the members. It would be evident that the information in the above three forms, one set against the other, is repetitive and superfluous. If memberwise Form No. 3s are to be submitted showing the recoveries for each month as well as the total for the year, then why cannot the monthly statements in Form No. 12 and the annual summary in Form No. 6 be discarded?

Alternatively, why cannot the annual summary for each member in Form No. 6 supplemented by a declaration every month from the employer as to the total number of members, the total wages and the total recoveries deposited with the State Bank, be adequate for the purpose of maintaining records at the office of the Regional Provident Fund Commissioner? The information furnished in these forms has plenty of scope for rationalisation also. For example, why is it necessary to put a serial number instead of stating the total number of members on the top of the forms? Why the reference number of the establishment has to be used as a prefix for each account number? Why should there be two columns for subscription and contribution even when both are the same? Why should the name of

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Bonus Payments

Rule 4 of the Payment of Bonus Act, 1965, states that "every employer shall prepare and maintain a register" showing details of payments according to Form C given therein. Here, the basic question is: why should there be a separate payment register in the stipulated form and design? Why cannot the bonus continue to be paid along with salaries and wages as a separate item as it was before? After all, the actual payment of bonus, i.e., the distribution among the members, is hardly ever a point of dispute. Form C has as many as 16 columns. But a few of these can be condensed and a few others discarded. For example, the "deduction" columns may be condensed; the serial number, the designation, whether 15 years of age, name of the father—all these are either irrelevant or superfluous and, therefore, may conveniently be discarded.

Furnishing such superfluous information increases the load of office-work considerably and with the data-processing equipment now in use, it invariably retards the speed and efficiency of the whole system. With the introduction of the Family Pension Scheme, the position may indeed be still worse. It is not unlikely that some executives, who are perfectionists and excel in thoroughness (some would term them as "side-issue specialists"), may stretch the requirements of these Government forms to the farthest limit.

Simplifying Paper-work

Many a company has made some attempt at simplifying the paper-work in its own office according to its own requirements. The criterion, however, is bound to vary. After all, who but the manager concerned is to say whether a particular statement or form or design is necessary or not? Nevertheless, these changes may have cut the cost of paper-work by reducing or inte-

grating the various information and the different statements other than the statutory ones.

And here lies the scope for the chambers of commerce and various industrial and trade associations to take the initiative in this matter. They have taken great strides in attending to the various common problems of the member-organisations, including the problems of productivity at the factory level. But it is a pity that hardly any such effort has been made to put pressure on the authorities concerned for reducing the unnecessary burden of maintaining such elaborate office records. Individual approach to the Government authorities can never be that fruitful. While they are no doubt worth while, they seldom lead to any effective programme unless there is some sort of centralised effort which can only come from the chambers and associations. When the forms are properly standardised and information rationalised, these will result in the maintenance of better records.

SPECIAL ARTICLES

Railways on the Right Track : Need for Streamlining the Administration

(BY A SPECIAL CORRESPONDENT)

It may not be easy for the Central Railway Minister to give effect to all the recommendations of the Administrative Reforms Commission. But he has made a good beginning by giving priority to the question of immediately improving the image of the giant public-sector undertaking.

THE Central Railway Minister, Mr. K. Hanumanthaiya, is certainly on the right track when he talks of the urgent need to overhaul the system of administration in the railways. As the chairman of the Administrative Reforms Commission, Mr. Hanumanthaiya had made several far-reaching recommendations for improving efficiency on the railways. That was some 18 months ago. At that time few—not even Mr. Hanumanthaiya himself—would have thought that the author of the report would himself be called upon to implement his own recommendations. The Railway Minister deserves to be commended for accepting the challenge and not finding lame excuses, as is the wont of the run of politicians in this country.

It may not be easy or even possible for the Central Railway Minister to give effect to all the recommendations of the A.R.C. But he has made a good beginning by giving priority attention to improving immediately the image of this largest public undertaking with an investment of over Rs. 3,250 crores and employing 1.37 million workers. Late running of trains, especially those operated on long-distance routes, has become proverbial in the last ten to 15 years, and Mr. Hanumanthaiya has done well to tackle this question first. If his warning to railwaymen that those responsible for late-running of trains would be punished produces the desired results, he will have won the public esteem and support for his subsequent measures. The travelling public is bound to respond with gratitude to any step that he may take to reduce its time of waiting at railway counters, corruption at every stage of travel and delays in reaching a destination.

Simultaneously, Mr. Hanumanthaiya has proposed to decentralise administration in the railways and introduce a system under which promotions would be made on the basis of merit rather than of strict seniority. His idea of doing away with confidential reports and insisting on performance reports for purposes of promotion is indeed sensible and it is to be hoped that the Railway Minister would not allow vested interests to sabotage his plan. Confidential reports have marred the career of many a bright officer with an independence of mind. Actual implementation of this idea may present quite a few difficulties initially but that should be no reason for not introducing this long overdue reform.

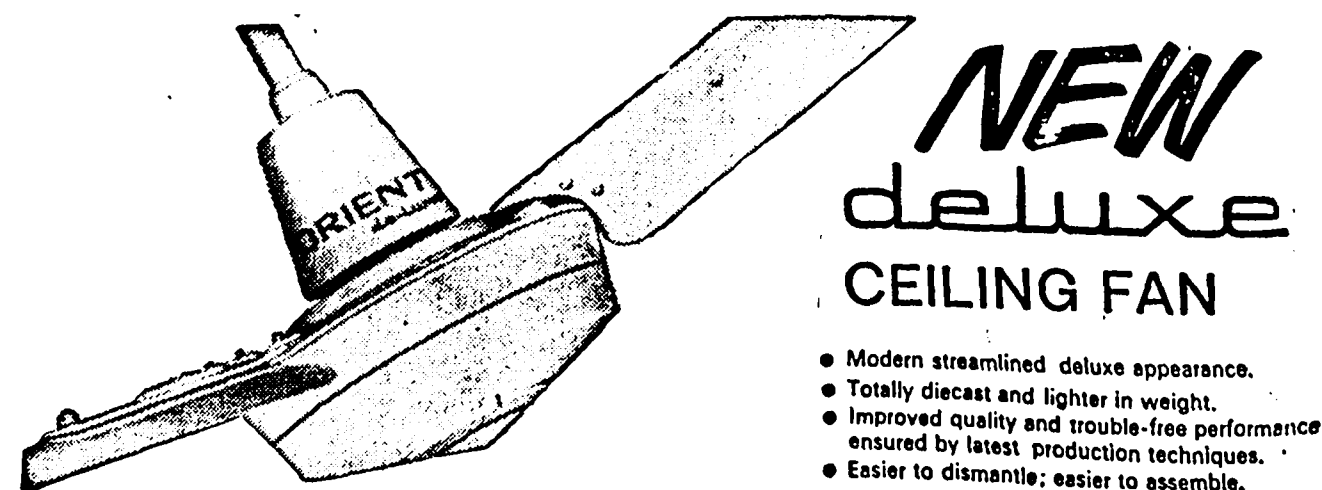
Similarly, Mr. Hanumanthaiya's proposal for fixing the tenure of the chairman and members of the Railway Board at three to five years should be welcomed. Here again, the Railway Minister has made it clear that merit and not seniority would be the criterion for selection to the posts of chairman and members of the Board. He also appears to be earnest about implementing the A.R.C. recommendation for abolition of the posts of additional members. The Commission had suggested that the members could instead have advisers to help them in their work. It is well known that the railway administration has lately become top heavy and any effort to make the Railway Board a compact body would, therefore, be well received by the public.

Yet another matter on which the Railway Minister has spoken with courage is labour relations. He was forthright in his criticism of labour unions for resorting to go-slow methods, strikes and *bandhs*. As he rightly pointed out, these methods hold no ground at the present time when labour participation in management is an accepted fact. The Minister did well to warn the workers that rules might soon be framed to dismiss workers guilty of obstructing normal work on the railways. He also expressed himself in favour of

sacking employees who were persistently inefficient.

Mr. Hanumanthaiya may not, however, find the going all that easy, especially when it comes to the question of dealing with labour. Some of his own colleagues may turn against him and thus provide indirect support to elements opposed to the Railway Minister's ideas. It is, therefore, very important that Mr. Hanumanthaiya must assure himself of the support of the Prime Minister and her senior colleagues before embarking upon the programme of cleaning the Augean stables of the railways. Otherwise, the good work that he may do to improve the performance of the railways may get lost in politics that may be engendered by interested parties. In his report to the Prime Minister in January last year, Mr. Hanumanthaiya had referred to "several deficiencies in the organisation and methods of work adopted as also certain disquieting features in the broad financial picture presented by the railways." He suggested finding ways and means of securing better and more rational use of manpower on the railways and of improving their technical competence. He further wanted the railways not only to modernise their equipment but their management practices as well.

On the question of strikes, the candid views of Mr. Hanumanthaiya are in refreshing contrast to the cautious and non-committal opinions generally expressed by politicians in power. His view that strikes and "go-slow" tactics should have no place in a public enterprise will be widely endorsed, although one would like to question him as to why he should make an exception in the case of public undertakings alone. Such a maxim should be equally applicable to private industry under certain well-defined norms. Of course, Mr. Hanumanthaiya has his explanation for singling out the public sector for this most-favoured treatment. He argues that in a Government undertaking, which feeds, and in its turn feeds upon, the whole economy and its means of production, strikes can be only ruinous and self-defeating. When the means of production are owned by the people, as in public undertakings, strikes must be abjured as a matter of principle. There should, however, be an adequate machinery for redressing grievances and adjudicating disputes. Mr. Hanumanthaiya is right but it remains to be seen how far his Party



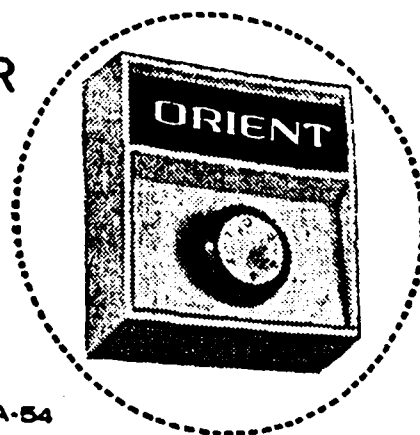
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will go with him in supporting this line of thinking.

As for economic aspects of the working of the railways, the A.R.C. had suggested several measures to ease the strain of unremunerative lines which are maintained in the public interest. The multiplicity of gauges, the report said, was irrational and wasteful. A policy of progressive conversion of narrow and metre gauges into broad gauge must be adopted. Outright conversion of the entire smaller gauge system into broad gauge, as the Minister stated in his Budget speech, is not practicable. It is estimated to cost about Rs. 2,000 crores on line construction and another Rs. 2,000 crores for broad gauge rolling stock. At the same time, Mr. Hanumanthaiya has spoken of the employment potential of a phased programme of conversion of metre and narrow gauges into broad gauge.

Some of the other problems to which the A.R.C. had referred and which Mr. Hanumanthaiya will have to look into are strengthening of the railway research set-up and eradicating corruption in the railways. The recommendations of the Commission in this regard are, by and large, practical. While implementing these recommendations, Mr. Hanumanthaiya will also need to give equal attention to reducing theft and arson and loot on the railways in the eastern region and ensuring normal flow of freight traffic to and from important stations in the Eastern and South-Eastern Railways.

If Mr. Hanumanthaiya takes action on these proposals with the same earnestness with which he had drafted them, he should find the results quite rewarding. There might be some genuine or baseless fears among railwaymen that the Minister's new campaign would not serve their long-term interests. It is for Mr. Hanumanthaiya to dispel that impression and make it clear that his attack is not on labour or management but on inefficiency and waste, wherever they exist. Few will dispute the need to put the railways on the right track and see that they are once again in a position to make handsome profits. This cannot be done by any magic except through a concerted programme of action, supported by railway employees at all levels. The railway unions have a big responsibility to ensure that the well-meaning proposals of Mr.

Hanumanthaiya receive the widest support of labour throughout the country. The prosperity of railway

labour, it should not be forgotten, lies in the profitability of the railways.

Need for a Petrochemical Complex in West Bengal

(BY A SPECIAL CORRESPONDENT)

The discussions the French and the Japanese delegations had with the Government recently, have resulted in a concrete proposal to set up a chemical complex at a port town. In making its decision on location, the Centre should give West Bengal the priority it deserves.

ALTHOUGH to West Bengal goes the credit of having the nation's first chemical factory, the progress of the industry in the State has been far from satisfactory. Cheap fuel and labour, coupled with easy availability of basic raw materials with port facilities, should have put West Bengal right on top in the chemical map of India long ago. The emphasis has hitherto been on the engineering and jute industries but it is clear that these alone cannot keep West Bengal going with its mounting unemployment problem. Steel is scarce and its prices are uneconomical, resulting in the virtual closedown of major engineering units. Jute is gradually losing ground to artificial fibre and, of late, exports of jute goods are also not encouraging.

The chemical industry covers a variety of auxiliary industries, such as fertilisers, paints and varnishes, pigments and dyestuffs, synthetic rubber and plastics. Each of the above provides ample scope for development which will in turn offer immense employment potential. It has now been decisively proved that in spite of being a capital-intensive industry, investments in chemical units pay rich dividends in a very short period. Production and profits have touched new highs the world over during 1970 and the industry in India has also shown remarkable progress. The chemical industry accounts for 7.2 per cent of the national industrial capital.

The advent of petrochemicals in India is of recent origin. Within an unbelievably short period the petrochemical complexes have contri-

buted appreciably in making the country self-sufficient in various chemicals. Although the prices of local products are not competitive when compared with those prevailing in advanced countries, the situation is likely to improve soon when the present units reach their maximum capacities, supplemented by the new complexes some of which are under construction and some in the blueprint stage. At present, there are three petrochemical complexes in India and all of them are based in the western region. Three more complexes are envisaged in the public sector, one each in south India, the eastern region and the western region. Out of these, the Koyali project has made some headway, although it is far behind schedule. In south India, Manali (near Madras) is expected to become a major landmark in Tamil Nadu's industrial history. But what about the one proposed for the eastern region?

The discussions the French and the Japanese delegations had with the Government recently, have resulted in a concrete proposal to set up a chemical complex based on naphtha cracking, at a port town like Haldia, Paradip or Goa. West Bengal's claim should be given due consideration. The immense usefulness of acetylene is now well known. Chlorinated ethylenes, acetaldehyde, and acetic acid, vinyl chloride, vinyl acetate, monovinyl acetylene and acrylonitrile are some of the chemicals which have a wide range of uses. Monovinyl acetylene and acrylonitrile find applications in the production of neoprene rubbers and synthetic fibres, respectively. The artificial fibre industry is poised for a phenomenal growth in the months to come. The number of medium-scale industries, which a petrochemical complex will give rise to, will be quite appreciable. Mention must also be made about export possibilities. South-east Asia is a developing market for a wide range of sophisticated items. Manufacturers of chemicals from the European countries earn high profits

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in spite of higher freight rates and keen competition from Japan. India should be able to carve out a good share if prices can be matched.

Since the project will involve an appreciable initial investment, it is advisable that the complex is set up in the joint sector, so that it can enjoy the benefits of expertise of both the private and public sectors. A large petrochemical complex with an investment of approximately Rs. 25 crores, giving a gross output of Rs. 40 crores, should work to its ultimate capacity within a short time if the end-products are to be sold at competitive prices. The performance of public-sector enterprises does not warrant the setting up of a huge project in that sector. The recent report that one of the important business groups in Calcutta is proposing to put up a petrochemical unit, in collaboration with the West Bengal Government, though heartening, seems to be incorrect.

The deplorable state of affairs in Durgapur Chemicals should be sufficient to show the apathy of public-sector enterprises. Profitability does

not remain the prime objective when ideological considerations are given undue importance. When outside pressures prevail, it becomes difficult to control the cost of production, which directly affects the profit margin. The political climate is, however, considered unfavourable by the Centre to make a heavy investment in West Bengal. But it is seldom realised that sheer neglect of West Bengal on ideological grounds has brought about the present unrest in the State and for this the Centre is largely responsible.

The news that Assam is soon going to have a petrochemical complex in Namrup with Japanese collaboration should not in any way deprive West Bengal of the complex envisaged. Whatever be the advantages of setting up a plant in Assam, considering the cost of freight, shipment facilities and marketing the end-products indigenously, it is necessary that the proposed complex in Haldia should be brought into being without delay. The bold venture to put up a super-complex will act as a shot in the arm and will pave the way for West Bengal to recover from its present economic ailment.

Scope for Resuming Trade Relations with China

By M. B. Lal

In the post-Cultural Revolution days, China has started behaving as a responsible member of the world community. India should examine whether in the changed situation, there is scope for the resumption of trade and cultural relations with that country.

ALL dictatorships are adept in presenting a shining image of themselves. It was so with Adolf Hitler's Germany and Joseph Stalin's Russia. For a time, the military junta of Pakistan played the same ruse on the outside world. Countless examples can be cited of such deception. It is not surprising, therefore, that the first impressions of China given by a few western journalists, who were recently taken on a conducted tour of China in the wake of the Canton Fair, were good. They saw a China that has travelled far from the chaotic days of the Cultural Revolution and was settling down to a new progressive way of life. They hardly noticed signs of

distress anywhere. The essential needs of life appeared to be in abundance. There were no queues even for the rationed commodities. The education system had been revamped and the students were learning the value of work and industry from the primary classes. The communes seemed to have a considerable degree of independence in marketing their produce after paying taxes and giving the contracted amount of goods to State agencies.

China is also stated to have shed many of its doctrinaire attitudes towards foreigners. There are not so many posters of Chairman Mao Tse-tung. A Taiwan endorsement on one's passport no longer denies one the right of entry into China. Foreign businessmen are comparatively free to conduct trade negotiations with the Chinese at various levels. Industry in China is dispersed and a large number of towns seem to be producing sophisticated items, including cars. Furthermore, the Red Guards have found their pro-

per place. They have become adjusted to those whom till recently they denounced and prosecuted; the two groups are now working and living together in harmony for the "great Chinese nation."

There is, of course, the lack of variety in the reading material available at the book shops. Besides the thoughts of Mao and some well known Marxist classics not much else seems to be on display. All bourgeois incentives, such as private kitchen plot and overtime pay, have been done away with. The people look content without these. The communes vary from those that work on the farms round the year to those that are frosted and snow-bound for most of the year. But they all share one thought and one aim: dedication to the common good of the nation. Hard work is the motto and it is given without murmur.

The writers of these laudatory articles have wisely left it to the reader to judge whether they were plainly jotting down what they saw or were writing a satire on conditions in a mass prison, the largest ever conceived by man. Whatever their motive and whatever the reactions of the reader, India needs to take note of the new image that China is trying to project of herself. There are several reasons why the new posture of China towards the outside world is of greater concern to India than to any other country. It should be clear to anyone who cares to see that the kind of good things said about communist China could be said about any country one sees on a guided tour. As these writings will not displease the Chinese to forbid further visits, they serve a useful purpose. And gradually the Indians may know more about their giant neighbour with whom they have to learn to live in peace.

Whether the projected image is right or wrong, it is a welcome change from the days when the country's leaders did not care to know what the world thought of them. It shows that they are now anxious to be considered responsible and respectable members of the world community. A China that wishes to export rice and harvest combines to her neighbours is better than a China that has nothing to export except revolutions. If only India could be reasonably sure that China has become less adventurous in her relations with neighbours and has no territorial ambitions, it would help reduce some of the crippling burden of this country's large military expenditure. The lessening of military ten-



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sions with China and Pakistan has to be relentlessly pursued by India. Any deviation from this goal for short-term gains of dubious value has to be scrupulously avoided.

India should, therefore, explore whether there is room for the resumption of trade and cultural contacts with China. The Chinese are now willing to admit British, American and other nationals on a limited scale. Is it not possible to include Indians in that list? Also, China is willing to trade with the U.S.A. But would she still be averse to a limited trade with India? There is a precedent of India's own making for such thinking. Shortly after the Indo-Pak war of 1965 and the signing of the Tashkent agreement, India went on emphasising the need for resumption of normal relations in communications, trade and cultural

affairs to create the correct atmosphere for the settlement of the more difficult issues between the two countries. There seems no reason why a similar approach to China should not be in the best interest of both the countries. India should make such a move without fearing a rebuff from China, for, if she rejects the offer, her own image would suffer.

Another important implication of the new Chinese diplomacy is that China now wants to become a buyer and seller in the world market. But this need not be entirely to India's disadvantage. In the first place, it will not be a bad thing at all if some losses in trade produce a mellower businesslike China enabling India to reduce some of her military commitments. Secondly, this may lead to a welcome change in the pattern of world trade.

How Not to Develop Hindi as the All-India Language

(BY A NEW DELHI CORRESPONDENT)

The last word on the language controversy, sparked off by the Presidential notification on the use of the Hindi equivalents of Central Ministers' designations, has not yet been said. But the discussions in Parliament so far have been enough to show that the cause of Hindi cannot be served by incorporating Hindi words in the English language.

THE last word has probably not yet been said on the language controversy which had erupted in Parliament from the beginning of the current Budget session. Led by the Dravida Munnetra Kazhagam (D.M.K.), the non-Hindi speaking members protested against a Presidential notification which ushered the era of *mantris* in the Indian landscape for the first time since independence. At first, the notification appeared to be a simple matter—the Government's desire to encourage the use of the Hindi equivalents of the designations of members of the Council of Ministers and of the nomenclatures of the Central Ministries and departments among the Hindi-speaking people themselves. Little did the non-Hindi speaking people realise that this was in effect a subtle move to introduce the Hindi equivalents in the English language itself.

The Presidential notification in English on the allocation of work to the various Ministries merely contained the Hindi names of over 50 Ministries and departments. Subsequently, it turned out that what this meant was that the departments concerned had no option but to use the Hindi terminology. It was only when the Central Home Ministry issued instructions to "popularise" the use of the Hindi names in official correspondence "in keeping with the policy of bilingualism" that it was realised that the Hindi equivalents were meant eventually to replace the English names in day-to-day correspondence.

Members of Parliament from the non-Hindi speaking areas woke up to the matter only when the question lists in English in both Houses of Parliament were printed with the Hindi equivalents. For instance, a question directed to the Defence Minister read: "Will the *Raksha Mantri* be pleased to state, etcetera." On the opening day of Parliament, the non-Hindi speaking members belonging to all Parties—the D.M.K., Communist Party of India, Communist Party of India (Marxists), and even the Ruling Congress—protested against what they called the "intrusion" of Hindi in the English

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lists. However, it was left to the D.M.K. to stage a walk-out and they did it with such a determination that the Government was left with no alternative but to come to terms with them.

What came out of the compromise formula, however, looks ridiculously insignificant. For instance, the parliamentary papers in English will have the English nomenclature followed by their Hindi equivalents in the *Devanagari* script in brackets. The earlier proposal to have them in the Roman script has been rejected outright. The only satisfaction that members from the non-Hindi speaking areas, the D.M.K. in particular, can derive from this compromise formula is that they need not read the Hindi version at all since it is no longer in the Roman script.

But the language battle is not yet over. As Mr. Krishna Manoharan, the D.M.K. leader in Parliament, said, the compromise formula had "stalled" the intention of the Hindi enthusiasts as far as the transaction of business in Parliament was concerned. The non-Hindi speaking members, however, had every reason to be unhappy since their demand had been met "only partly". Mr. Manoharan hoped that the Government would soon make an announcement extending the formula to all its departments. His Party was also looking forward to the setting up of an all-Party committee, as had been agreed to by the Prime Minister, to look into the statutory safeguards for the assurances given by Mr. Nehru on the language question, provide guidelines for the future use of English and Hindi, and suggest a remedy for the present "crisis" arising out of the President's notification.

India is not the only country where bilingualism is officially recognised. The same is the case with several other countries and they never attempt to impose one language on another. Switzerland, Canada, Belgium and the Soviet Union, among others, have successfully tackled the problem of multilingualism. Hindi has first to develop itself as a national language before it can be accepted by the whole country. The way to achieve this is to encourage the non-Hindi speaking people to learn Hindi and not by "polluting" the English language with Hindi words.

CAPITAL, 17th JUNE, 1971

AVIATION AND TOURISM

New Body to Run India's International Airports

(BY A SPECIAL CORRESPONDENT)

The move to create a statutory corporation to run the country's four international airports has got the approval of the Central Cabinet. A Bill for this purpose is likely to be introduced during the present session of Parliament.

THE Central Cabinet has given its approval for the second time to the move of the Ministry of Tourism and Civil Aviation to create a new statutory corporation to run the country's four international airport terminals with their runways and apron space. Air-traffic control and navigational facilities *en route* will continue to be with the Directorate-General of Civil Aviation. The Cabinet endorsed the draft of the legislative Bill prior to the dissolution of the Fourth Lok Sabha. The Bill is likely to be introduced during the present session of Parliament. The airports in Bombay, Calcutta, Delhi and Madras are the aerial gateways of India, and are becoming increasingly important in developing the country's foreign trade and tourism. Due to the rapid growth of traffic and the increasing impact of technological development in the shape of subsonic and supersonic jet aircraft, the organisation and management of these four international airports will be of great importance in the years to come.

International airport management involves huge capital and recurring expenditure. Airport operations are not limited to the landing, parking and despatch of aircraft and the processing of passengers, their baggage, mail and cargo; they also include the maintenance of costly assets consisting of a network of runways, taxiways, aprons and car parks, elaborate terminal and ancillary facilities, and a large inventory of sophisticated mechanical, electrical and electronic equipment. According to the Tata Committee on International Airports, the total investment in all these facilities may ultimately reach Rs. 50 crores or more at one international airport. The investment should earn a return or

at least incur no loss. For this, a modern airport must, in addition to landing fees and user charges, either manage itself or lease out to concessionaires many of the facilities and amenities for the use of passengers and staff. It involves numerous commercial activities requiring special expertise and supervision and, therefore, a business-orientated organisation. The Tata Committee recommended a three-phase development programme of the four international airports for the period 1969-84 costing Rs. 106 crores.

A subcommittee of the Tata Committee headed by Mr. R. C. Dutt, I.C.S., gave careful consideration to the question whether the development and maintenance functions could be best discharged by a Government department as at present or whether they should be undertaken by an authority or a company whose organisation and procedure could be more attuned to such executive functions. The subcommittee came to the conclusion that the task of construction and management of air terminals, including the construction and management of runways and aprons, should be entrusted to a separate airport authority organised on a commercial basis.

Another question was whether the authority should be constituted under an Act of Parliament as was done in Britain, or incorporated as a Government company under the Companies Act. The British example in this respect follows the pattern set in the U.K. for nationalised industries. In view of the pattern followed in India and the fact that an Act of Parliament, however carefully drafted, tends to be rigid and the necessary changes which have to be introduced, with experience and growth, have often to be delayed, if not deferred indefinitely, for want of parliamentary time to introduce them, the subcommittee recommended that the airport authority for the international airports in India should be constituted under the Companies Act.

The Tata Committee endorsed this suggestion but Mr. H. N. Ray, then Additional Secretary to the Central Finance Ministry, submitted a minute of dissent. He was not in favour of setting up a corporation under the Companies Act and instead preferred a statutory body. Finally, it was decided in favour of establishing a statutory corporation. The recommendation of the Tata Committee in respect of the institutional arrangement for the development and management of international airports is more or less in line with the arrangement that has been developed in countries like the U.K. and France. A statutory corporation to construct and manage the new Tokyo international airport has also recently been set up.

M.S.A.

Profit More Than Doubled

Malaysia-Singapore Airlines more than doubled its profit for the year ended March 1971. The profit came to \$ (M) 40 million, compared with \$ (M) 19.4 million the year before. Over 1.5 million passengers were carried last year, an increase of 23 per cent over the previous year's figure. These figures were presented at M.S.A.'s board of directors' recent meeting. Final accounts for the year will not be available until later, and the annual general meeting, at which the audited financial results will be announced, is not scheduled until September.

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MONEY AND BANKING

Was State Take-over of Commercial Banks At All Necessary?

By D. Maitra

The Government of India had taken several measures to persuade the commercial banks to meet the credit needs of small industries and farmers. These measures having failed, it had to come to the conclusion that their nationalisation alone could serve the interests of the weaker sections of society.

DURING the writer's recent visit to Japan and certain other countries in the Far East, the oft-repeated question posed by foreign bankers, business men and industrialists almost everywhere was whether nationalisation of the major Indian commercial banks was at all necessary or whether it was a political expediency. This no doubt reflected the Government of India's failure to project the facts and circumstances behind the momentous decision it took in July 1969 to nationalise 14 major commercial banks. It is, therefore, considered necessary to bring in this article the writer's personal views about the circumstances leading to the nationalisation of the major commercial banks.

Indian commercial banking was, by and large, the outcome of private enterprise as in other countries. Local business potentialities, needs of individual business houses, regional bias and community interests are some of the powerful forces responsible for bringing into existence indigenous banking institutions. The activities of most of these banks were originally confined to the securing of deposits and financing of trade at the upper periphery of society. These banking institutions were managed either by the heirs of the promoters or their kith and kin or by outside professional bankers under the effective control and guidance of the promoters or their family members. The prime objectives of these institutions were profit-making and furthering of business interests of the promoters, their relations, friends and community members. The area of operations of these banks was confined to cities and towns where there are deposit or advance potentialities or both. Thus the origin, growth and structure of Indian banking institutions and their opera-

tional strategy gave rise to certain social and economic problems.

As a result of urbanisation of commercial banking, the major economic activities grew around cities and suburbs having locational and geographical advantages. This led to the evolution of a social structure based on income and ushered in a class consciousness among the big business and small business communities and among the rich and poor sections of the community in general. On the other hand, villages and semi-urban areas, which the young enthusiastic generation left in search of better job opportunities and higher living conditions, were totally neglected and the remaining rural population was left in utter despair, overburdened with indebtedness caused by poor income of their farm land and atrocities of the village money-lenders.

Furthermore, due to the *laissez-fair* policy of the Government of India with regard to commercial banking, the managements of individual banking institutions gradually developed a concept of safety in their lending operations. Adequacy of tangible securities and/or the business status of the prospective borrowers became the *sine qua non* for considering any loan proposal. In so far as a few smaller advances were concerned, the friends, relations and associates of the people in the management were the principal beneficiaries. Most bank managements did not lay down any policy on advances or lending criteria nor did they allow any significant discretionary powers to their officers for making advances to serve the genuine needs of the people. Consequently, granting of worthwhile advances became the prerogative of a limited few in the banks who were guided by two broad principles in decision making, namely, (i) safety and (ii) advantages, institutional or personal. Even in the late 'forties when legislative control was enforced on commercial banks, the liquidity or soundness of an advance used to be judged primarily on the basis of the market value of securities and/or the worth of the

borrowers and their guarantors, if any. The purpose of the advance and utilisation of the loan money by the borrower were not given due importance.

With the implementation of Five Year Plans, the inflationary impact gave a booster to the deposit resources of the commercial banks and created the problem of investment of their surplus funds with safety and profitability. Bank managements, therefore, became anxious to find out new borrowers from among the well-reputed class of business men. This situation, coupled with the rising tempo of business and industrial activities, helped some well-to-do persons in business and industry to reap the maximum advantage with the help of bank finance. Some of them were able to build industrial empires by acquiring control over other companies, starting new ventures, and expanding the capacity of their existing units. In fact, bank finance is one of the most important causes of concentration of economic powers in the hands of a few people.

The effect of this solicitation for good advances on commercial banks had been two-fold. Some sub-standard advances which were subject to the Reserve Bank of India's adverse comments in one bank were shifted to another bank on more liberal terms, thus undermining the soundness of the advances portfolio of the latter bank. Managements of banks, even where not controlled by big business houses, were unable to enforce financial discipline on their big borrowers for fear of losing their valuable business to their competitors.

With the tightening of the Reserve Bank's control on the operations and appointments of chief executives of commercial banks, most of the managements of commercial banks identified themselves with the well-to-do business community who would help them to remain firmly entrenched in the privileged position through their influence on the board of directors of the respective banks, the newspapers they control and their spokesmen in Parliament. In this situation, commercial banks went on accommodating in a big way these influential clients of the business community by relaxing the standard of financial norms in credit appraisal and basing their credit decisions partly on the abstruse quality of market reputation and partly on the extent of their business interests. It was seldom enquired how was the existing business of the

proposed borrower being financed; what was his own stake; what was the extent of his liability (actual and contingent) in the market; what policy was being followed by him in regard to the utilisation of the profits arising out of his business; and whether his needs were genuine.

On the other hand, bigger banks frowned at the loan proposals from small business or industry unless they were backed by an introduction from any rich client or were personally known to the management of the bank. Their unwillingness to finance small business was due to their age-old concept of security in their lending operations and their notion of high risk potentialities in smaller advances. Besides, they had not had a sufficient number of experienced officers for proper handling of large numbers of small advances due to the excessive concentration of loaning powers in the hands of a few officers of the bank. This resulted in the growth of a class of private money-lenders who derived their loanable funds from the undeclared profits of big business or their associates. These money-lenders almost entirely financed the small business at usurious rates of interest varying from 24 per cent to 36 per cent a year.

The operational strategy of large commercial banks also contributed partly to the economic imbalance between the different regions of this vast country. Branches of large commercial banks in semi-urban areas served mainly as deposit collection centres for financing large and medium business and industry in cities and large towns whereas the financial needs of the areas providing the deposit resources of these banks were not taken care of by them. In the agrarian sector, although there was substantial fund generation due to the implementation of the Government's several irrigation and power projects, these resources could not be mopped up by the organised money market. Instead, the income generated in the rural sector gave rise to the problems of inequality of income and concentration of economic power in the hands of a few big landholders and financiers at the village level. Private money-lenders thrived in almost all the semi-urban and rural areas and there a handful of privileged class went on with anti-social activities like hoarding and made profit at the cost of essential commodities of the vast majority of rural population who were obliged to take loans from these money-lenders for their farming operations and to give almost the entire

CAPITAL, 17th JUNE, 1971
produce in repayment of their loans and interest.

Although the Government was committed to the attainment of economic equality and social justice as the basic objective of the national development plan, it had not been possible to achieve economic development of the country on a socialistic line due to the resistance of the "haves" to share the benefits of economic development with the "have-nots" and the lack of proper co-operation and support of the commercial banks to promote socialistic objectives. In fact, at the time when the Government was moving to enforce social control on commercial banks, which, among others, provided that no advance could be granted to any firms or companies in which the bank's directors were interested and that any such existing loans should be repaid within a specified period, it was noticed that several directors who felt that their concerns could not get advances on better terms from any other bank proposed to resign from the board of that bank, and where the continuation of directorship was considered more advantageous, the advance account in which the director was interested was shifted to some other bank. A similar strategy was also adopted to secure special directors of the choice of the bank's management being nominated on the board of the bank.

The Government of India tried its utmost through the Reserve Bank to urge upon the commercial banks to increase their financial assistance to the weaker sectors of the economy and to expand their branches in unbanked areas. In order to cover the risk of financing small industries, the Government also introduced the Small-scale Industries Guarantee Scheme to share the risk of loss, if any, to the commercial bank. The Government also set up the Agricultural Refinance Corporation of India to encourage financial institutions in farm financing. But these persuasive measures did not produce the desired results. In the circumstances, the Government considered it necessary to have effective control on the sources of finance which is the co-efficient of the entire range of economic activities. Nationalisation of the Imperial Bank of India and life insurance companies had convinced the Government that State-owned financial institutions would prove effective instruments in mopping up public savings which could be utilised in financing industries in the priority sector and in developing the weak and neglected sectors.

CAPITAL, 17th JUNE, 1971

LABOUR

Will Workers' Shareholding Improve Industrial Relations ?

(BY A SPECIAL CORRESPONDENT)

If the proposal to give shareholdings to workers in some public undertakings materialises, the private sector may be asked to implement similar schemes. But industrial relations can hardly be improved by promoting co-partnership.

THE Minister of State for Labour, Mr. R. K. Khadilkar, in reply to a question in the Rajya Sabha has stated that a scheme for workers to hold shares in "suitable" public undertakings is under consideration. If this proposal materialises, the private sector may also be asked by the Government to consider introducing similar schemes. It is necessary to examine the full implications of the proposal. The subject of industrial co-partnership (giving workers shareholdings) both in the public and private sectors was on the agenda at one of the sessions of the Indian Labour Conference. In a memorandum submitted to the Conference, presumably by the Central Labour Ministry, it was stated that the principle behind the proposal was that it was increasingly realised that workers were partners in an enterprise, jointly striving with the management for its prosperity, that the proposal would emphasise the common purpose of the management and labour in production efforts, and give workers a sense of belonging and that it might also prove as a deterrent to industrial strife.

There is already a bonus system applicable to the private sector and also to public-sector industries which compete with private enterprises. Under the system, workers get a minimum bonus of 4 per cent of their annual emoluments and a maximum of 20 per cent, according to the profit of an undertaking. The profit sharing bonus system has not created any sense of partnership or of belonging. On the contrary, it has led to routine disputes on claims for bonus. In some industries, unions and workers have been demanding a minimum bonus of 8 per cent

irrespective of the working of a concern. There is no reason to believe that the introduction of another profit sharing scheme by way of giving shares to workers will create any sense of partnership in industry.

The National Labour Commission in its questionnaire asked about the feasibility and desirability of giving shareholdings to workers. The I.N.T.U.C., in reply to the questionnaire, naively replied, "We do not think it feasible to introduce the scheme of workers' participation in management by making the workers shareholders. The question assumes that the existing shareholders are participating in the management. They are not." The report of the Commission is silent on the proposal, showing that there has been no serious support for it from either employers or unions, whether in principle or on account of its supposed advantages.

The scheme of giving shares would not enthrone workers in losing concerns. Shares of the few public-sector concerns which make profits would be acceptable to the more well-to-do workers if offered at lower prices, loans are given to them for purchasing shares and if there are few restrictions on the sale of such shares; but any scheme by which workers are given shares at concessional rates and allowed to sell at a profit would make nonsense of the concept of "industrial copartnership."

The proposal has other drawbacks. A scheme for giving shareholdings to workers by which the idle as well as the efficient worker can get shares is no satisfactory substitute for appropriate incentive schemes for increasing production and would deflect attention from the crying need of linking wages to productivity and the introduction of suitable incentive schemes. Moreover, in public-sector concerns where all shares are held in the name of the President of India

or by the Central or State Government, a special provision would have to be made by law to give workers some shares at an appropriate rate. Is it necessary to go in for such legislation when there are other urgent labour problems which demand immediate attention? There would also be difficulty in fixing the appropriate price for such shares. When the shares are not available to the public, it would be invidious to create a privileged class who already share profits under the Bonus Act and have nothing to do with losses. There has also been no demand by unions and workers for making workers shareholders. Workers are interested in wages, dearness allowance, and other fringe benefits and not in the employee shareholding scheme. Unions in this country are not interested in such schemes as they may tend to lessen the interest of workers in trade union activities. Even in the industrialised countries, employee shareholding schemes have made little progress. An American economist has observed that, "there is no considerable body of evidence that such schemes have any more effect in inducing workers to greater effort than a lottery ticket."

To sum up, the proposal has no real advantages and is open to serious objections. The way of improving industrial relations lies in other directions and not in promoting workers' shareholding in the private or the public sector. In any case, it is desirable to watch the working of the recent arrangement for giving workers representation on the boards of some public-sector undertakings, before launching new experiments.

PEOPLE AND PERSONALITIES

Mr. J. Stevens and Mr. I. M. Malkani have been elected president and vice-president, respectively, of the Indian Paint Association for the year 1971.

The Queen has conferred honours on three people for work in India in the Birthday Honours list published in London a few days ago. The three have all been made O.B.E.S. (Officers of the Order of the British Empire). They are: Mr. James Rutherford Minto, Mr. Michael Graham Satow, and Mr. John Kingdon Guy Webb.



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Bank of Iran and the Middle East.



THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

RONEO VICKERS INDIA LIMITED

(Incorporated as a Public Limited Company on 28th April, 1967 with the Registrar of Companies, Delhi)

REGISTERED OFFICE : 184 Jor Bagh, New Delhi-3.

ANNOUNCEMENT REGARDING THE ISSUE OF 2,07,390 EQUITY SHARES OF Rs. 10/- EACH.

Persons interested in full details may obtain copies of Prospectus and Application Forms from the Company's Registered Office and Underwriters, Brokers and Bankers to the Issue mentioned below. THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY 21ST JUNE, 1971 AND CLOSE AT THE CLOSE OF BANKING HOURS ON THURSDAY 1ST JULY, 1971 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON WEDNESDAY 23RD JUNE, 1971.

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY :

The Company was incorporated in 1967 to manufacture and market duplicating machines, franking machines, addressing machines, various other types of office machines, systems, furniture, partitioning and other allied equipment. The Company has already set up a manufacturing unit in Faridabad near Delhi and necessary steps are being taken to expand the current manufacturing facilities.

Roneo Ltd., U.K. are the holding Company of this Company and have been engaged in the manufacture and marketing of a large variety of business machines, systems and furniture etc. for over fifty years and have a long and distinguished record of developing and marketing its products in India and its business reputation is well known throughout the country.

Roneo Limited, U.K. will provide such technical know-how as may be required by the Company from time to time free of any costs.

The Company presently manufactures and markets a wide range of business systems, postal/insurance franking machines, steel cupboards shelving and a few other furniture items. The Company proposes to expand the production of the existing range of franking machines, business systems and furniture and has plans to undertake the manufacture of the latest "Roneo Vickers" duplicators, photo-copiers, addressing machines and mail room equipments etc.

At present the Company is a wholly-owned subsidiary of Roneo Limited, U.K. This issue is being made with the object of inviting the Indian public to participate in the equity of the Company to the extent of 40% of its capital. For the year ending 30th November, 1970, the Company has declared a dividend of 10% on its Equity Share capital.

Specialised business machines and systems are absolutely necessary for any progressive business or industry. At the moment their use is mostly limited to large industrial and commercial undertakings. The latest type of world-renowned "Roneo Vickers" business machines and systems—when manufactured in India on a large scale—would in quality and performance be at par with the imported products and yet their cost to the consumer would be less than what the imported ones would cost him. This will enable even the smaller units to instal the latest "time and labour" saving machines and systems—thus considerably improving their efficiency and productivity. The Company will be geared to meet the anticipated growing demand through the expansion of its present manufacturing facilities and the setting up of a vast net work of its own sales offices, depots, distributors and stockists etc.

The Company has already established branches in Calcutta, Bombay, New Delhi, Madras, Hyderabad and Bangalore and anticipates no difficulty in marketing its products.

SHARE CAPITAL :

		Rs.
Authorised		
10,00,000	Equity Shares of Rs. 10/- each.	1,00,00,000
Issued, subscribed and fully paid up :		
2,92,500	Equity Shares of Rs. 10/- each have been allotted as fully paid up to Roneo Ltd., U.K., pursuant to a contract without payment being received in cash.	29,25,000
110	Equity Shares of Rs. 10/- each fully paid up have been allotted to the subscribers of the Memorandum of Association of the Company as nominees of Roneo Ltd., U.K.	1,100
		29,26,100

PRESENT ISSUE :

2,07,390	Equity Shares of Rs. 10/- each for cash at par.	20,73,900
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OUT OF THE PRESENT ISSUE :

7,390	Equity Shares of Rs. 10/- each have been reserved for allotment at par for cash to Roneo Ltd., U.K.	73,900
2,00,000	Equity Shares of Rs. 10/- each at par for cash.	20,00,000
		20,73,900

BOARD OF DIRECTORS :

Sharad Mangesh Nabar,
Chairman,
136 Sunder Nagar, New Delhi-11.
Company Executive.
Satya Pal Ahooja,
Managing Director,
159 Jor Bagh, New Delhi-3.
Company Executive.
Prem Nihar Basu,
36/9 Sahitya Parishad Street,
Calcutta-6.
Solicitor.
William Jamieson Scott,
"Cherry Trees", Sunnydale,
Farnborough Park, Farnborough,
Kent, U.K.
Chartered Accountant.
Robert Womfor,
92 Rivermead Court,
London S. W. 6, U.K.
Engineer.

UNDERWRITERS :

The entire issue now offered for public subscription has been fully underwritten as follows:

Name	Amount Rs.
Lewis & Jones , Bank of Baroda Building, Apollo Street, Fort, Bombay-1.	4,50,000
Place, Siddons & Gough (P) Ltd. , 6 Lyons Range, Calcutta-1.	2,50,000
Champaklal Devidas , Bhupen Chambers, Dalal Street, Fort, Bombay-1.	2,00,000
Harbans Singh Mehta & Co. , 33 Regal Buildings, Parliament Street, New Delhi-1.	2,00,000
H. P. Mehta & Co. , Akash Deep, 3rd Floor, Barakhamba Road, New Delhi-1.	2,00,000
Amrit Lal Bajaj & Co. , United India Life Building, "F" Block, Connaught Place, New Delhi-1.	2,00,000
Raja Ram Bhasin & Co. , Jeevan Mansion, 8/4 Desh Bandhu Gupta Road, New Delhi-5.	2,00,000
Paterson & Co. , Vanguard House, 11/12 Second Line Beach, Madras-1.	1,00,000
Behari Lal & Co. , 15 Stock Exchange Building, Asaf Ali Road, New Delhi-1.	1,00,000
M. Nanjappaiah Jahgirdar , 205 Cavalry Road, Bangalore-42.	1,00,000
	20,00,000

BANKERS TO THE ISSUE :

First National City Bank,
3 Parliament Street, New Delhi-1.
or any of their branches at Bombay, Calcutta and Madras.
National & Grindlays Bank Ltd.,
10, Parliament Street, New Delhi-1.
or any of their main offices at Bombay, Bangalore, Calcutta, Hyderabad and Madras.
Punjab National Bank Ltd.,
5 Parliament Street, New Delhi-1.
or any of their main offices at Bombay, Bangalore, Calcutta, Hyderabad, Madras, Ahmedabad and Indore.

BANKERS TO THE COMPANY :

National & Grindlays Bank Ltd.,
10 Parliament Street, New Delhi-1.
Punjab National Bank,
Jor Bagh, New Delhi-3.

SOLICITORS :

Orr Dignam & Company,
National Insurance Building (Ashok Road Entrance),
Parliament Street, New Delhi-1.

AUDITORS :

Ford, Rhodes, Parks & Co.,
Chartered Accountants,
A-28 South Extension, Part II, New Delhi-49.

MANAGERS TO THE ISSUE :

Management Consultation Division,
First National City Bank,
3 Parliament Street, New Delhi-1.

PRINCIPAL BROKERS :

Lewis and Jones,
Bank of Baroda Building,
Apollo Street, Fort, Bombay-1.
Place, Siddons & Gough (P) Ltd.,
6 Lyons Range, Calcutta-1.

BROKERS :

BOMBAY :

Lewis and Jones,
Bank of Baroda Building, Apollo Street, Fort, Bombay-1.
Champaklal Devidas,
Bhupen Chambers, Dalal Street, Fort, Bombay-1.
Dhirajlal Maganlal Purshotamdas,
Stock Exchange Building, Apollo Street, Fort, Bombay-1.
Harkisandass Lukmidass,
Stock Exchange Building, 5th Floor, Apollo Street, Fort, Bombay-1.
P. R. Subramanyam & Sons,
70-A Stock Exchange Building, Apollo Street, Fort, Bombay-1.
Batlivala & Karani,
Union Bank Building, Dalal Street, Fort, Bombay-1.
Merwanjee Bomanjee Dalal,
Allahabad Bank Building, Apollo Street, Fort, Bombay-1.
Chimanlal J. Dalal & Co.,
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Valji Bhimji,
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First National City Bank, New Delhi.

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United India Life Building, "F" Block, Connaught Place, New Delhi-1.
Behari Lal & Co.,
15, Stock Exchange Building, Asaf Ali Road, New Delhi-1.
P. Roy Company,
3/8 M. M. Road, Jn. Panchkuin Road, New Delhi-55.

CALCUTTA :

Place, Siddons & Gough (P) Ltd.,
6, Lyons Range, Calcutta-1.
Stewart & Co.,
14, India Exchange Place, Calcutta-1.
G. M. Pyne,
Allahabad Bank Building, 14, India Exchange Place, Calcutta-1.
N. L. Roy & Co.,
7 Lyons Range, Calcutta-1.
Chunilal T. Mehta,
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317 Indira Nagar, First Avenue, Adyar, Madras-20.
Chitra & Co.,
322/323 Linghi Chetty Street, Madras-1.

BANGALORE :

M. Nanjappaiah Jahgirdar,
205 Cavalry Road, Bangalore-42.
P. R. Subramanyam & Sons,
220/5 First Main Road, Sampangirama Nagar, Bangalore-25.

AHMEDABAD :

Chinubhai Chimanlal Dalal,
Mahurat Pole, Manek Chowk, Ahmedabad-1.

HYDERABAD :

P. B. Afzulpurkar,
Sultan Bazar, Hyderabad (A.P.).

TERMS OF PAYMENT :

On Application Rs. 2.50 per share.
The balance of Rs. 7.50 per share shall be payable in two or more equal instalments on calls which may be made within a period of one year or more from the date of allotment as per discretion of the Board of Directors with a minimum interval of two months between two successive calls.

Failure to pay the amount due on any call will render the shares including the amount already paid thereon liable to forfeiture in accordance with the Company's Articles of Association.

APPLICATION FOR SHARES :

Copies of the Prospectus and Application forms on the basis of which alone the shares will be issued may be obtained from the Underwriters, Bankers and Brokers to the Issue named herein or from the main offices and branches of the Bankers to the Issue mentioned at the above named places and from the Company's Registered Office.

Applications may be made only by residents in India and must be for a minimum of fifty Equity Shares or multiples thereof. Application forms properly completed must be delivered before the close of the subscription list together with the full amount payable on the application to any of the Banks or at their branches at the places mentioned on the application forms.

Issue Managed by: Management Consultation Division

TRANSPORT

Developing a Rural Road Network to Explore New Markets

(BY A SPECIAL CORRESPONDENT)

THE National Council of Applied Economic Research has drawn attention to market towns and spatial development. At present, only one market town exists for every 300 villages with the total of such townships being 2,000 in number. Naturally, the N.C.A.E.R. has recommended the raising of the number to about 14,000 both for economic development and for serving better every group of 45 villages by a market town. Even today, villagers often have to go on foot in the weekly or bi-weekly *hats* or at best can use bullock carts. The lack of modern transport facilities is the main cause of their misery. The development of rural roads has, however, brought about a fundamental change in the rural societies of Punjab, Haryana, Uttar Pradesh and Tamil Nadu by providing new economic and social opportunities. Yet the inadequacy of such roads in U.P. and Maharashtra has not allowed the full exploitation of their agricultural potentials.

According to a study by the Reserve Bank of India, the marketing of agricultural produce in Maharashtra—an industrially developed State—has been "pretty difficult" due to poor development of roads. For instance, of the 34,361 villages covered in a transport survey of Maharashtra, it was found that about 27,000 were off the main road system and half of them had no approach roads linking them to the main road. In the case of larger villages with 2,000 people or more, 30 per cent had no access roads. Maharashtra, a pioneer in regulated marketing, has, therefore, to suffer. Out of 36,000 villages in the State, only 17,943 are served by regulated markets while the rest are "very far away" from the same. In fact, only 2 per cent of the villages under regulated markets in Maharashtra have the approach to market towns by surfaced road.

The Ramnad-Mandapam Road in south India has helped improve agricultural production, increase the output of principal non-agricultural products (like cloth, pottery, fish baskets)

and the value of land. Similarly, a 12-foot tarred road in Wazirpur (Gurgaon district, Haryana) has led to significant changes. For instance, cash is now flowing into the village daily (instead of obtaining the same from outside twice a year) through the sale of vegetables. The R.B.I. study further notes that a five-mile hard-surface link road has changed the whole pattern of living in a village of Rajasthan. For instance, with an increase in tube-well construction, the sugarcane cultivation is now possible, the produce being readily transported to the mill. Other new developments are: a co-operative society to supply fertilisers, a hospital, two new schools and four bus lines connecting Delhi.

It is, therefore, high time to co-ordinate farming and transport programmes in the rural sector to tap the vast market there. In fact, there is a vast scope for raising the level of rural marketing by improving communications through better roads and transport facilities. The farmer has started considering his work as a kind of business. In this context, a N.C.A.E.R. study shows that there are now 1,000 regulated markets being located in cities of 10,000 to 50,000 population. But their distribution all over the country is uneven and one State alone accounts for about 66 per cent of the total. Which is why the study has concluded that for a full coverage of all the States, about 5,000 more agro-centres will be needed. But is that achievable without a developed road transport system connecting each village with an agro-centre? The commercialisation of agriculture presupposes more regulated market towns with a network of surfaced roads that can enable farmers to store their produce at convenient places, besides supplying them the necessary processing plants, consumer items and credits. Unfortunately, however, State and district roads in India are in a very bad shape. They are often waterlogged in monsoon; narrow and bumpy roads severely limit the load carrying capacity or the permissible speed of the trans-

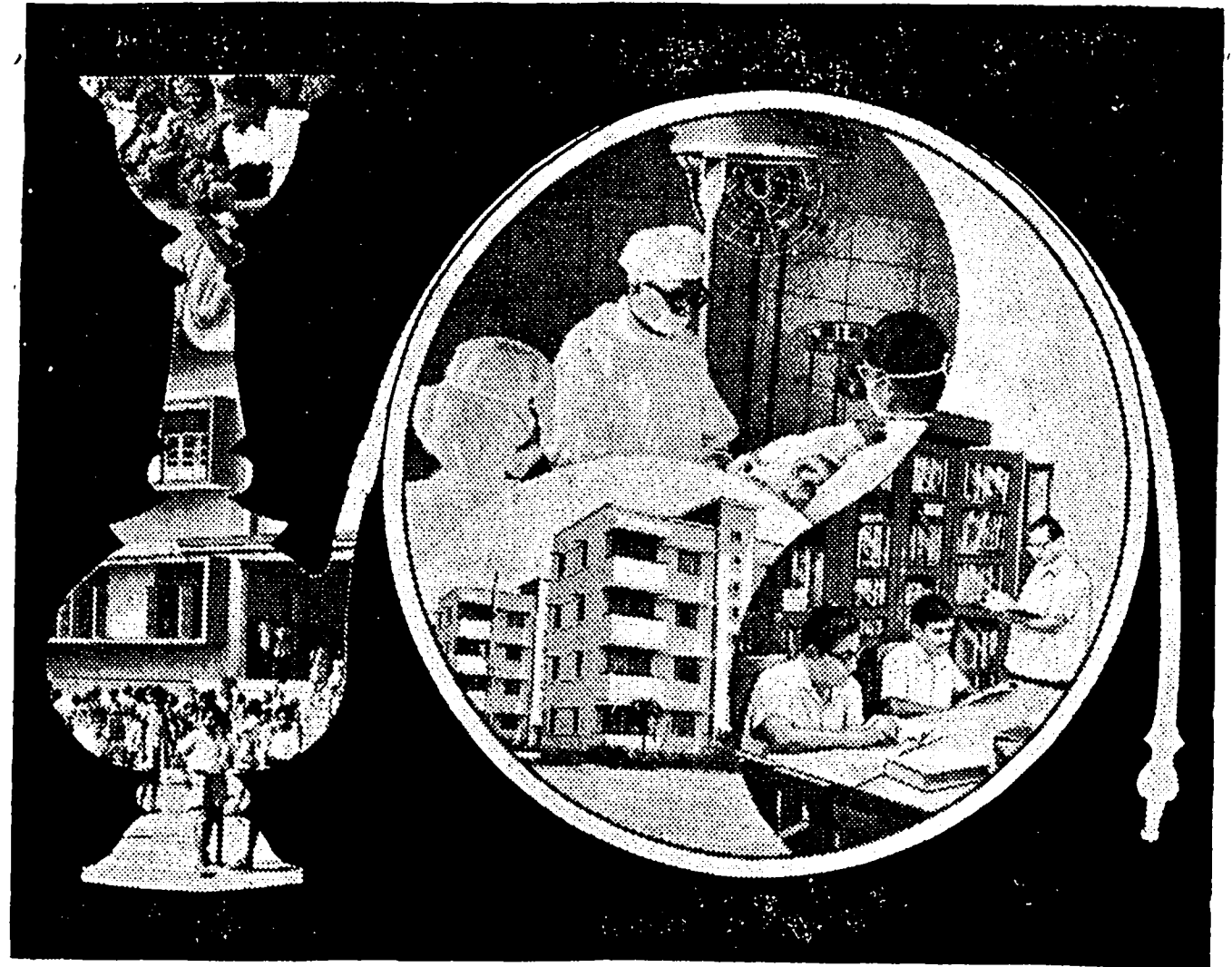
port operator. The condition of village access roads is so poor that motorised traffic is almost impossible.

Mr. S. N. Sinha, Director General of Road Development, Indian Roads Congress, has cautioned the nation in these terms: "For the vastly larger network of village roads, the conditions are worse. . . This would very greatly underline the imperative need and urgency of improving and developing the existing system to proper standards without any further delay if the investment already made has to yield premium and good return". The Government should seriously consider to take up a crash programme for such rural roads especially when they can offer huge employment opportunities. Mr. Sinha has noted that Indian planners are seized of the problem and the Fourth Plan enjoins upon the States to earmark for rural roads at least 25 per cent of their Plan allocation. But he has regretted that due to various reasons, "majority of the States are not able to provide this money for rural roads. In many cases, even the allocated funds are directed to other projects, thereby leaving the problem of rural communications as ignored as before".

The pressing need today is to earmark a specific amount—which is not divertible to any other sectors—for rural roads. This would help explore new markets. A co-ordinated agency in each State should look after rural roads—securing and guaranteeing maintenance funds and selecting projects on predetermined principles. Incidentally, in the opinion of the Sinha Committee, rural roads should form at least 25 per cent of the planned outlay as the "green revolution" presupposes a well-maintained rural road network and diffused road transport services for regular marketing of increased agricultural products from 550,000 villages.

The president of Indian Roads Congress has recommended the constitution of a rural roads corporation, including representatives of the Central and State Governments, local bodies and the public. This would act as the overall supervisory agency for broadly ensuring that road development is really made. The market committee funds scheme, already introduced in the States of Haryana and Punjab, may be extended to provide additional funds for rural roads.

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INVESTMENT

Share Prices Sag as the Budgetary Shock Still Persists

THE stock markets have continued to display a sagging tendency this past week. They have touched a new post-Budget low, although they have lost very little fresh ground. Whatever little setback has occurred has been due mainly to the lack of support. With operators preferring to mark time, the volume of business has shrunk further. The price pattern over the week-end makes a mixed showing and excepting a few counters, net changes either way have been confined within narrow limits. Trading sentiment seems to have improved a little in that not only have offerings tended to dry up, there are also indications of the re-emergence of fresh support for select cash shares. The corporate news has been rather thin and uninspiring and there has been little else in the week's news to cheer the markets. Reports that the British Government is in no mood to relent on the question of 15-per cent levy on the import of Indian textiles after December 1971 have been viewed with concern as this is likely to tell on India's textile exports which are already not doing as well as they should.

The unpopular levies on *maida* and coarse cloth have been withdrawn. But welcome as they are, they are not of much consequence for the stock markets. They are not satisfied with Mr. Chavan's defence of his various tax proposals, but they do not seem to share the eminent tax expert, Mr. N. A. Palkhivala's pessimism that the Budget "will sap the nation's strength, blight confidence and strangle enterprise". The Central Budget leaves much to be desired. While it contains no positive inducements to promote saving, investment and production, the adverse impact of various budgetary measures on the expansionary impulses in the economy can be easily exaggerated. The large flow of industrial licences and increased assistance to industry by the financial institutions point to a pick up in industrial activity. The economy seems to be poised for a real breakthrough but the pace of growth will depend in no small measure on the improved performance of public-sector undertakings and the volume of external assistance. The World Bank has recommended substantial foreign aid to India to main-

tain the economic tempo. Considerable interest centres on the outcome of the Paris meeting of the Aid-India Club on 17th and 18th June. While the stock markets have still to recover from the budgetary chill, it is getting increasingly worried over the unending influx of refugees from East Bengal which is likely to have serious repercussions on the country's economy. The problem is much more than that of finding the resources for rehabilitating these refugees.

Government securities have received selective support this past week, in expectation of the Central loans. The 3 per cent Conversion loan 1986 is quoted at Rs. 60.15. Other Central securities have also received selective support. Turnover has been fair.

Trading in the Calcutta stock market has been dull this past week. Operators have got a further shock because the Central Finance Minister, Mr. Y. B. Chavan, has referred to the possibility of levying fresh taxes in the future. Among engineering shares, Kumardhubi, Sankey Wheels and Bhartia Electric Steel have received selective support. Among paper shares, Orient, Bengal and Titagur have been easier. Among jute shares, New Central, Birla and Rameshwara have changed hands. Among miscellaneous shares, Goodyear India, Brook Bond and National Insulated Cable have been transacted. Among tea shares, Carron, Belgachi and Hasimara have changed hands.

Caution has been the keynote of trading on the Bombay Stock Exchange this past week. Activity has been at a low ebb and interest has been selective. While the more popular, cleared securities have continued to attract tired liquidation on a rally, select cash shares have evoked fresh support and enquiry has been particularly notable in the newly issued unlisted shares. The market has wound up the week with a mixed price pattern and the undertone is subdued to hesitant. Cotton mill shares have made up part of their early losses but have finished on a subdued note. The chairman of the Indian Cotton Mills Federation has painted a rather gloomy picture of the industry's pros-

pects for the current year. This has had a slightly unsettling influence on trading sentiment. Standard Mills have been a steadier spot in an otherwise easy market. Svadeshi also have held fairly steady. Rayon shares have displayed an easier tendency. Gwalior Rayon have been marked down on reports of a likely shortage of pulp supply. Garware Nylon, Shree Synthetics and J. K. Synthetics have recorded fair gains on steady enquiry and scarcity of offerings. Tata Steel have been irregularly steadier on hopes of a rise in retention prices and reports of higher sales during 1970-71. Mukand Iron have recorded an impressive rise on ideas of improved results for 1970-71. Engineering shares have made a mixed showing. S.L.M.-Maneklal and Zenith Steel have been the bright spots. Voltas and Tata Engineering have held steady. Associated Bearing have been subdued. Among automobiles, Hindustan Motors have ruled

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section :

Agfa-Gevaert
Alembic Chemical
Anglo-French Textiles
Bengal Paper Mill
Borax Morarji
Borosil Glass
Gohpur Tea
Indabrador
Investment and Finance
J. L. Morison
John Fowler
Karanpura Development
Kumardhubi Fireclay
Mahindra Ugine Steel
National Machinery
National Tobacco
Ogale Glass
Rayalaseema Mills
Shree Ram Mills
Scindia
Southern Industrial
Surrindra Stein Malt
Tubes and Malleables
Wandleside Conductors
Willcox Buckwell
Williamson Magor

easier while Premier Automobiles have firmed on fresh support. Cement shares have kept steady and Digvijay have recorded a small rise. Among shipping shares, Chowgule have been bid up to a new high level while Great Eastern have held steady and Scindia have eased a little. Sugar shares have been dull but steadier. Bank shares have been dull but steady. New India Assurance have moved down to a new low level on persistent selling. Electric shares have ruled easier. Paper shares have displayed a steadier tone with West Coast receiving good attention. The shares of tyre companies have displayed a quietly steady tone. Dyestuff shares have shown a weak tendency of persistent offerings. Colour-Chem and Tata Chemicals have been subdued. Chemicals and Fibres, Bayer and Polychem have recovered after their early decline. The shares of pharmaceutical companies have kept quietly steady. Among miscellaneous counters, Motor Industries have registered an impressive rise and Escorts have been another firm feature. Hindustan Aluminium and Hindustan Lever have kept steady.

The Madras stock market has shown an easier trend this past week. In the planting section, Kalasa and Blue Mountain have met with selling pressure. In the textile section, Mettur, Beardsell, Vasanta, and Madura have attracted sellers. Among bank shares, Indian Bank and State Bank of Mysore have been easier. Sugar shares have received better support. As a result, Andhra Sugar and Deccan Sugar have been bought higher. In

the miscellaneous section, India Cement have met with selling pressure, but Ashok Leyland have received buying enquiries.

CLEARED SECURITIES IN CALCUTTA

[The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.]

Birla Jute	22/70—22/90—22/40—22/60—(19/80)
Dunlop India	37/95—37/95—37/70—37/70—(36/10)
Guest, Keen, Williams	38/05—40/30—37/75—40/10—(19/15)
Hindustan Motors	11/60—11/75—11/35—11/35—(16/44)
Howrah Jute	7/00—7/12—7/00—7/12—
Indian Aluminium	37/55—37/65—37/30—37/30—(33/55)
Indian Cable	17/50—17/90—17/50—17/70—(15/80)
Indian Copper	3/78—3/81—3/78—3/80—(4/52)
Indian Iron	11/60—11/60—11/25—11/25—(17/30)
Jalpur Udyog	9/00—9/06—9/00—9/06—(9/80)
J. K. Cotton	10/50—10/50—8/75—8/85—(13/45)
Jayashree Tea & Industries	18/19—18/31—18/12—18/19—(13/06)
Kesoram Industries	15/80—16/00—15/75—15/90—(17/70)
National Rubber	8/00—8/31—8/00—8/31—(10/35)
Orient Paper	37/25—37/25—36/75—36/85—(35/30)
Orissa Cement	17/25—17/35—17/00n.d.—17/06—(15/70)
Rohas Industries	6/05—6/05—5/85—5/85—(7/80)
Textile Machinery	10/65—10/70—10/50—10/65—(11/20)

Mahindra Ugin Steel : Capacity Expansion Planned

At the annual general meeting of the Mahindra Ugin Steel Company Ltd, held recently in Bombay, Mr. Harish Mahindra, chairman, said that 1970 was a year of solid achievement for the Company. (A fuller version of the speech is published on a later page in this issue of *Capital*.) Mr. Mahindra said that the satisfactory financial result, which was achieved due to the second complete year of integrated operations, was heartening. He said that the "plant was capable of achieving higher levels of output in terms of ingot as well as rolled steel but for constraints like non-availability of certain critical raw materials and consumable stores".

The Company has finalised the financial plan for the balancing equipment and it is in the process of releasing the orders for plant and equipment required to produce 24,000 tonnes of finished steel on an integrated and sustained basis. The chairman is hopeful about the future of the Company. The Company has submitted a comprehensive plan to the Government for the enlargement of its productive capacity up to 60,000 tonnes of finished tool, alloy and special steels a year. He is happy that the application is being sympathetically considered by the Government. Sales during the first five months of the current year have been

satisfactory and gross sales have amounted to Rs. 429 lakhs, against Rs. 283 lakhs. The Company is interested in making projections of its own growth with the help of macro-projections of the demand for mild, alloy and special steels released by various semi-Government agencies. But due to the lack of a clear perspective, these projections have suffered from certain shortcomings.

Pointing to the success of the end-use methods, the chairman said that it was largely conditioned by the accuracy of the norms that related the steel industry to steel-consuming industries by indicating the input coefficient. He felt that the norms should be kept under review and at the end of every year or so the associations of consumers and producers should ensure that any significant changes in the norms were reflected in the demand figures and necessary adjustments made on the overall demand projections. Referring to the estimates of demand for alloy and special steels, the chairman said that there were as many estimates of demand for alloy and special steels as there were for other steels. As against about 300,000 tonnes for 1973-74 and 430,000 tonnes for 1978-79, estimated by the steering group of the Steel Ministry in 1968 and incorporated in the Fourth Five Year Plan document, the latest study of the Council provides 434,000 tonnes for 1973 and 817,000 tonnes for 1980. The chairman suggested that the estimates needed to be further processed and worked upon. He said that it was high time that a master perspective plan for the speedy expansion of the steel capacity in the country was drawn up and the Government and industry jointly worked for the crystallisation of such plans.

KUMARDHUBI FIRECLAY

Sales and Profit Rise

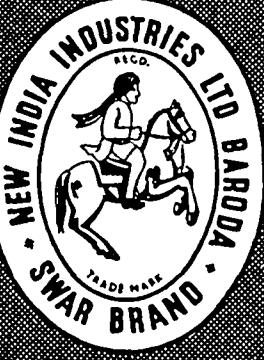
KUMARDHUBI Fireclay And Silica Works Ltd has produced satisfactory working results for 1970. Sales have increased from Rs. 2.35 crores to Rs. 3.25 crores and the net profit has risen sharply from Rs. 8.28 lakhs to Rs. 26.81 lakhs, after providing Rs. 14.16 lakhs (against Rs. 14.58 lakhs) for depreciation, Rs. 16.22 lakhs (against nil) for taxation and Rs. 14.92 lakhs (against nil) for statutory development rebate reserve. In view of the improved performance, a taxable ordinary dividend of 20 per cent has been declared (against nil),



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absorbing Rs. 10 lakhs. This offers a yield of 10.8 per cent at the present price of Rs. 18.45 a share of Rs. 10 each. The preference dividends amounting to Rs. 17,720 were paid. After paying additional taxable dividend on 5½ per cent redeemable preference shares at the rate of 1.07 per cent a year for 1968 and 1969 amounting to Rs. 8,560 and making other adjustments, there remains a balance of Rs. 26.76 lakhs which is transferred to general reserve (against Rs. 7.92 lakhs). Production rose from 65,368 tonnes to 74,370 tonnes. With an increase in despatches of sophisticated refractories, the turnover improved to Rs. 3.25 crores, against Rs. 2.35 crores. With the good order book position and the progressive increase in the manufacture of high grade refractories, the working in 1971 is expected to show further improvement.

SCINDIA

Tea Shipment Starts

SCINDIA'S *m. v. Jalakrishna* has recently sailed from Calcutta after loading a large consignment of tea—about 27,000 chests valued at Rs. 92 lakhs. This is the first shipment of the new tea season and will be followed by shipments of larger tea consignments by several other steamers during the coming months. Mr. N. M. Trivedi, Manager, Scindia, observed on this occasion that Scindia's ships have played a significant rôle in the country's export effort by transporting about 18 per cent of tea shipped to the U.K. and the Continent during the last six years (over 1.9 million tea chests out of a total of 9.8 million chests shipped during this period). During 1970-71, the total value of tea exports was about Rs. 150 crores. The total ocean freight incurred is estimated at about Rs. 14 crores and Scindia's share was over Rs. 1.5 crores, i.e. about 11 per cent. However, as far as the U.K. and the Continent are concerned, Scindia's liftings would be about 17 or 18 per cent.

KARANPURA DEVELOPMENT

Same Dividend

THE working of the Karanpura Development Co. Ltd during 1970 has resulted in a lower net profit of Rs. 38,283, against one of Rs. 3.55 lakhs, after providing Rs. 19,552 (against Rs. 22,538) for depreciation

and Rs. 1.05 lakhs (against Rs. 33,000) for taxation. The ordinary dividend of 5 per cent and the founders' dividend of 15 per cent have been maintained, subject to tax, absorbing Rs. 1.50 lakhs. This offers a yield of 7.1 per cent at the present price of Rs. 7 a share of Rs. 10 each. After transferring a sum of Rs. 13,600 (against Rs. 3,000) from statutory development rebate reserve and making other adjustments, there is a sum of Rs. 52,569 which is transferred to general reserve, against Rs. 3.59 lakhs. Sales rose from Rs. 2.40 lakhs to Rs. 2.74 lakhs. The directors say that the construction of the refractory plant made satisfactory progress during the year and they expect that the level of optimum production of 10,000 tonnes a year will be reached by September or October 1971.

INVESTMENT AND FINANCE

Higher Dividend

THE Investment and Finance Co. Ltd has made a profit of Rs. 92,775 for the year ended February 1971, against one of Rs. 1.04 lakhs in the previous year, after providing Rs. 49,775 (against Rs. 50,554) for taxation. The taxable ordinary dividend has been raised from 15½ per cent to 16 per cent, including an interim of 15 per cent, absorbing Rs. 80,000. After transferring Rs. 16,000 and Rs. 9,681 from excess provision of tax and income-tax refund, respectively, and making other adjustments, a sum of Rs. 57,939 is transferred to general reserve. Dividends on Indian investments (net) amounted to Rs. 1.05 lakhs, against Rs. 1.14 lakhs. The Company's portfolio is representative of investments which are quoted on the Calcutta Stock Exchange and Colombo Stock Exchange with the exception of certain shares costing Rs. 4.13 lakhs for which no quotations are available. The market value of quoted local investments as at 28th February, 1971, was Rs. 4.76 lakhs, against the book value of Rs. 6.47 lakhs.

NATIONAL TOBACCO

Satisfactory Results

NATIONAL Tobacco Co. of India Ltd has shown improved working during 1970. The turnover has increased from Rs. 22.78 crores to Rs. 27.43 crores and the net profit has risen from Rs. 17.69 lakhs to Rs.

21.56 lakhs, after providing Rs. 27.32 lakhs (against Rs. 17 lakhs) for taxation, Rs. 26,687 (against Rs. 1.84 lakhs) for development rebate reserve and Rs. 12.46 lakhs (against Rs. 8.29 lakhs) for depreciation. Because of the satisfactory results, the taxable ordinary dividend has been raised from 9 per cent to 10 per cent, absorbing Rs. 8 lakhs. This offers a yield of 7.8 per cent at the present price of Rs. 12.81 a share of Rs. 10 each. General reserve is allocated Rs. 21.56 lakhs (against Rs. 17.69 lakhs). With the policy of renewal and modernisation in mind, the directors favour the continuance of a conservative policy which will strengthen reserves. These reserves will assist in financing the rising operating costs and future growth and expansion of the Company's business. There was a marked fall in cigarette leaf tobacco production and consequently purchase prices sharply rose.

TUBES AND MALLEABLES

Good Results

FOLLOWING a rise in profit, the directors of Tubes and Malleables Ltd have stepped up the total dividend to 15 per cent for the year ended December 1970, against 10 per cent for the previous year. Sales moved up to Rs. 281.98 lakhs (against Rs. 261.29 lakhs). The profit amounts to Rs. 9.60 lakhs, after providing Rs. 57,903 for depreciation and Rs. 18.93 lakhs for taxation. This compares with the previous year's profit of Rs. 3.43 lakhs, after providing Rs. 61,763 for depreciation and Rs. 5.57 lakhs for taxation. The total surplus available for appropriation comes to Rs. 10.29 lakhs which includes the brought-forward sum of Rs. 23,288 and also excess provisions written back. Out of the available surplus of Rs. 10.29 lakhs, general reserve gets Rs. 5 lakhs (against nil). The interim dividend of 5 per cent accounted for Rs. 1.60 lakhs and the final dividend of 10 per cent claims Rs. 3.21 lakhs. The balance of Rs. 48,090 is being carried forward.

RAYALASEEMA MILLS

Setback Suffered

DUE to a fall in profit, the directors of Rayalaseema Mills Ltd have declared a lower dividend of 10 per cent for the year ended December 1970, against 12 per cent for the pre-

vious year. The profit for the year amounts to Rs. 5.60 lakhs, after providing depreciation of Rs. 3.25 lakhs. This compares with the previous year's profit of Rs. 8.73 lakhs, after providing Rs. 3.40 lakhs for depreciation. The total surplus amounts to Rs. 5.65 lakhs, including a brought-forward sum of Rs. 4,635. Out of this, provision for taxation amounts to Rs. 2.50 lakhs (against Rs. 4.45 lakhs). Donations account for Rs. 750. Development rebate reserve gets Rs. 12,165 (against Rs. 8,637). The dividend absorbs Rs. 2.98 lakhs. The balance of Rs. 3,965 is being carried forward. Sale of yarn for the year amounted to Rs. 233.88 lakhs (against Rs. 206.67 lakhs).

AGFA-GEVAERT

Dividend Raised

AGFA-GEVAERT India has raised the dividend for 1970 from 14 per cent to 16 per cent. This follows improved results during the year. Sales are up from Rs. 3.92 crores to Rs. 4.72 crores—a rise of 20.4 per cent. The increase in gross profit is much smaller—around 8 per cent, from Rs. 27.93 lakhs to Rs. 30.13 lakhs. After providing Rs. 1.52 lakhs (against Rs. 1.37 lakhs) for depreciation and Rs. 20.17 lakhs (against Rs. 18.40 lakhs) for taxation, the net profit for 1970 amounts to Rs. 8.44 lakhs, against Rs. 8.16 lakhs in 1969.

BORAX MORARJI

Sales Up but Profit Down

DESPITE an increase in its turnover from Rs. 1.68 crores to Rs. 2.94 crores, the pre-tax profit made by Borax Morarji for 1970 is lower at Rs. 23.23 lakhs, against Rs. 31.23 lakhs in 1969. After providing Rs. 65,000 (against Rs. 16,000) for development rebate reserve and Rs. 13.60 lakhs (against Rs. 16 lakhs) for taxation, the surplus of Rs. 8.98 lakhs (against Rs. 15.07 lakhs) has been transferred to general reserve. The proposed dividend of 15 per cent absorbing Rs. 6 lakhs is to be paid out of general reserve.

The directors state that the installed capacity of the borax plant has been raised from 12,700 tonnes to 17,000 tonnes and that of the boric acid plant from 1,500 tonnes to 3,000 tonnes. The Company proposes to manufacture anhydrous borax which is required for the manufacture of

special quality glass and is also needed by the ceramic industry. The approval of the Government is awaited.

WILLCOX BUCKWELL

Hungarian Dumper Imports

A NEW Hungarian dumper, the Mogurt Model G-116, was demonstrated recently in Goa. Extensive trials were carried out for about three weeks at a number of mines. The demonstrations proved the usefulness of the Mogurt dumper in handling laterite overburden and iron ore. The versatility of the dumper was brought out during the demonstrations by teaming it with a variety of loading equipment, such as power shovels, wheel loaders and track-type loaders. The working of the Mogurt G-116 dumper is characterised by ample power and excellent manoeuvrability. Powered by a heavy duty 145 horse power diesel engine, it has a rated payload capacity of 11 tonnes.

In the context of development works in the country, there is clearly need for efficient mechanical dumpers. The versatile Mogurt dumper can be imported against rupee payment under the Indo-Hungarian bilateral trade agreement. Willcox Buckwell India Limited, New Delhi, a subsidiary of Larsen and Toubro Ltd, holds the franchise for the dumper.

BENGAL PAPER MILL

Dividend Maintained

THE working of the Bengal Paper Mill Co. Ltd during 1970 has resulted in a net profit of Rs. 40.41 lakhs, against one of Rs. 46.25 lakhs, after providing Rs. 45.79 lakhs, (against Rs. 53.99 lakhs) for depreciation and Rs. 12 lakhs (against nil) for development rebate reserve. The taxable ordinary dividend of 10 per cent has been maintained, absorbing Rs. 12.56 lakhs, which will be paid out of general reserve. This offers a yield of 6.3 per cent at the present price of Rs. 15.87 a share of Rs. 10 each. There is no tax liability. After transferring Rs. 4.36 lakhs (against Rs. 2.69 lakhs) from development rebate reserve and taking into account a credit of Rs. 10,000 (same), being redemption of 100 debentures of the Ukhara Farming Corporation Ltd, and making other adjustments, a sum

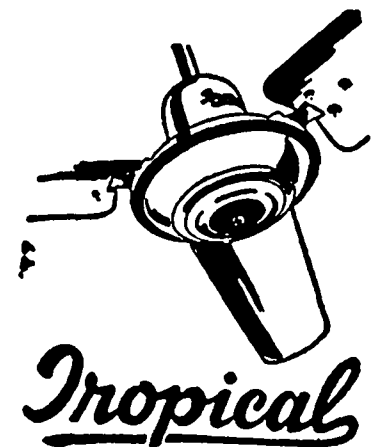
of Rs. 42.63 lakhs (against Rs. 47.66 lakhs) has been transferred to general reserve.

Production declined from 41,092 tonnes to 40,251 tonnes due to general strikes. It was also affected by power load tripping by the Damodar Valley Corporation. The marginal shortfall in earnings was attributed to higher royalty on raw materials. The directors state that they have submitted a scheme to the Government of India under the crash programme for capacity expansion. The import and industrial licence applications are under its consideration. This scheme, when implemented, will further increase production and profitability of the Company.

SOUTHERN INDUSTRIAL

Dividend Maintained

THE directors of Southern Industrial Corporation Ltd have maintained the dividend at 12 per cent for the year ended December 1970. The net profit amounts to Rs. 1.35 lakhs, after providing depreciation of Rs. 1.60 lakhs, development rebate of Rs. 17,000 and taxation of Rs. 1.92



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lakhs. This compares with the previous year's profit of Rs. 1.84 lakhs, after providing depreciation of Rs. 1.80 lakhs, development rebate of Rs. 57,000 and taxation of Rs. 2.24 lakhs. With Rs. 60,687 brought forward from the previous year and Rs. 888 being development rebate reserve no longer required, there is a total of Rs. 1.97 lakhs. Out of this building reserve gets Rs. 10,000 (same). The proposed dividend will absorb Rs. 1.80 lakhs. Short provision for income-tax accounts for Rs. 6,010. The balance of Rs. 968 is being carried forward.

ANGLO-FRENCH TEXTILES

Sharp Fall in Profit

ANGLO-FRENCH Textiles Ltd reports a substantial fall in profit for the year ended December 1970. But the equity dividend has been maintained at 15 per cent. The profit for the year, before taxation, amounts to Rs. 1.32 lakhs, after providing depreciation amounting to Rs. 47.89 lakhs. This compares with the previous year's profit of Rs. 26.40 lakhs, after providing Rs. 36.98 lakhs for depreciation. Adding to the year's profit of Rs. 1.32 lakhs a sum of Rs. 23.60 lakhs transferred from general reserve, there is a total surplus of Rs. 24.93 lakhs. Out of this, a sum of Rs. 23.22 lakhs (against Rs. 22.21 lakhs) is transferred to development rebate reserve. The preference dividend absorbs Rs. 1.71 lakhs. The directors have recommended an equity dividend of 15 per cent on old shares. On the rights issue of 15,000 shares, the dividend is 13.75 per cent. The ordinary dividend is to be paid out of general reserve. Sales and other receipts amounted to Rs. 7.70 crores (against Rs. 6.99 crores). The Company hopes to fare better during the current year.

NATIONAL MACHINERY

Results Disappoint

NATIONAL Machinery Manufacturers has reported disappointing results for 1970 and the dividend has had to be skipped. Sales are down from Rs. 6.06 crores to Rs. 5.44 crores and the gross profit has shrunk from Rs. 37.92 lakhs to Rs. 9.80 lakhs. After providing Rs. 18.64 lakhs (against Rs. 20.49 lakhs) for deprecia-

tion and Rs. 20,000 (against Rs. 1.14 lakhs) for development rebate reserve, the year's working shows a net loss of Rs. 9.04 lakhs, against a net profit of Rs. 16.29 lakhs in the preceding year. After making adjustments, the debit balance of Rs. 3.27 lakhs has been adjusted against general reserve. In the previous year, a sum of Rs. 12.84 lakhs had been transferred to general reserve.

The Company's disappointing results in 1970 have been attributed to labour trouble which led to the suspension of manufacturing activities for 51 days, resulting in an operating loss estimated at around Rs. 30 lakhs. Irregular supplies of spindle inserts and drafting and imported loom components and shortage of materials, such as steel and pig iron, were the other factors contributing to the poor results. However, despite a prolonged closure, the Company produced 382 ring frames and doublers and 894 looms, against 310 ring frames and doublers and 892 looms in 1969. Last year, the Company added the high speed draw-frame to its manufacturing range and the prototype has been working satisfactorily. Regular production of this machine would begin before the end of this year. The Government has approved the Company's collaboration agreement with Barmag of West Germany for the manufacture of machinery required for the production of synthetic fibres. Initial steps towards the manufacture of this range of machinery will be taken during the next year or so. To improve plant productivity, the management has undertaken a programme of replacement of machinery and modernisation of other manufacturing facilities.

In the first quarter of the current year, sales are higher at Rs. 1.96 crores, against Rs. 1.40 crores in the same period last year. The order-book position is satisfactory. The Company appears to be well poised for steady progress during the period ahead and, given good labour relations, looks forward to more satisfactory performance during the current year.

J. L. MORISON

Poor Results

J. L. MORISON, Son and Jones (India) Ltd has turned out disappointing results for 1970. Despite a 15 per cent rise in sales to Rs.

3.23 crores, the gross profit has shrunk from Rs. 11.28 lakhs to a mere Rs. 1.09 lakhs. The directors have, however, proposed to pay an equity dividend of 5 per cent. The Company had skipped the dividend for 1969. After providing Rs. 1.95 lakhs (against Rs. 1.64 lakhs) for depreciation, Rs. 28,000 (against Rs. 9,000) for development rebate reserve and nil (against Rs. 6.50 lakhs) for taxation, there is a net loss of Rs. 1.14 lakhs, against a net profit of Rs. 3.05 lakhs in the preceding year. The entire loss has been set off by drawing a similar amount from general reserve out of which the proposed dividend is to be paid.

The poor results for 1970 are attributed to higher costs in both manu-

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The chief merit of this book is its usefulness from a practical point of view.

The provisions of the sections are explained in a clear and lucid manner. Helpful notes explaining the amendments are given. The author has expressed his views on some provisions on which there has not been adequate judicial or departmental interpretation.

In this edition he has made further thought-provoking comments on matters of frequent reference and explained doubts hitherto not noted seriously.

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facturing and trading divisions and disruption of production following the shift in manufacturing activity from Bombay to the new factory in Bangalore. The shift led to persistent machine breakdowns and while the sales target was fulfilled, the product mix was unsatisfactory. The Company's sales in the first quarter of 1971 have been much below the target and the trading has resulted in a loss. April and May sales have, however, shown considerable improvement and the Company hopes to be able to make good a major part of the deficit. Sales are expected to reach Rs. 4 crores in the current year and the management expects to show improved results. The Company has developed a number of new products and they are expected to be placed on the market later in the year.

SURRINDRA STEIN MALT

Factory in Ghaziabad

SURRINDRA Stein Malt Ltd has started the construction of its factory in Ghaziabad, Uttar Pradesh, to manufacture malt and malt extract and other malt based products thereafter. The capital outlay for the project is estimated at Rs. 40 lakhs. The annual capacity will be approximately 4,500 tonnes. Mr. Movinder Singh, Managing Director of the Company, stated that the factory is expected to go into production early next year. The plant will produce high quality malt based on the latest West German process, which will also be very economical in operation. The Company will shortly issue the prospectus for the public issue.

BOROSIL GLASS

Prospects Improve

BOROSIL Glass Works has turned the corner. The Company has reported substantially improved results for 1970 and for the first time since 1964 it has made a net profit, although a very modest one. Sales have risen from Rs. 1.35 crores in 1969 to Rs. 1.70 crores in 1970 and the year's working has resulted in a gross profit of Rs. 16.47 lakhs, against a loss of Rs. 3.08 lakhs in the preceding year. After providing Rs. 12.21 lakhs (against Rs. 11.90 lakhs) for depreciation, Rs. 4.76 lakhs (against Rs. 2.08 lakhs) for furnace repair and making some adjustments, there is a modest surplus of Rs. 4.995, against a deficit of Rs. 18.96 lakhs in the previous year. This amount is adjusted against the carried-forward loss which stands reduced to Rs. 1.56 crores.

In his statement to the shareholders, the chairman, Mr. Glenn R. Yeakey, has expressed the hope that the Company will show still better results in the current year and in the years ahead. Sales up to 18th April are said to be running 15 per cent higher than in the corresponding period last year. Profitability also has been on the higher side. The Company has applied to the Government for a licence to make glass shells for the lighting industry. To enter the incandescent market, the Company is planning to import a shell blowing machine from Europe and install it early next year.

INDABRATOR

Shareholders Rewarded

INDABRATOR Ltd has raised the dividend for 1970 from 12 per cent to 15 per cent and, what is more, the enhanced dividend is payable on the capital enlarged by a one-for-two bonus issue. The preliminary statement from the Company shows a marked improvement in its performance during the year. Turnover has registered an impressive rise from Rs. 47.04 lakhs to Rs. 70.42 lakhs and the profit, after depreciation and development rebate reserve but before taxation, is appreciably higher at Rs. 14.13 lakhs, against Rs. 9 lakhs in the previous year. After providing Rs. 8.04 lakhs (against Rs. 4.07 lakhs) for taxation, the surplus of Rs. 6.09 lakhs (against Rs. 4.93 lakhs) has been transferred to general reserve out of which the proposed dividend is to

be paid. A portion of the dividend will be tax-free. The Company which manufactures shot blasting and metal cleaning equipment has also been producing several types of special purpose machines and many of these units have been supplied to steel plants. The Company has started direct marketing of its products with a view to offering a more attractive after-sale service.

SHREE RAM MILLS

Big Rise in Profit

THE working results of Shree Ram Mills for 1970 show a marked improvement over the previous year's unsatisfactory performance. While sales have been maintained at the previous year's level—Rs. 9.25 crores, against Rs. 9.22 crores—the gross profit has recorded an impressive rise from Rs. 37.68 lakhs to Rs. 61.13 lakhs, indicating a marked increase in margins. The results look all the more pleasing when viewed against the background of an all-round rise in costs of production. After providing Rs. 45.52 lakhs (against Rs. 45.20 lakhs) for depreciation and Rs. 1.21 lakhs (against Rs. 8.19 lakhs) for development rebate reserve, the year's working shows a net profit of Rs. 14.40 lakhs, against a net loss of Rs. 15.71 lakhs in the preceding year. The recommended 6 per cent equity dividend claims Rs. 12 lakhs.

In the engineering division, the foundry's working was unsatisfactory due to the slackened demand for castings. The current year is expected to be better as efforts to get more work for the foundry are bearing some fruit. The M.T.A. division has been able to achieve much better performance. The working of the distillery and the polystyrene plant was affected by labour trouble for some months and the non-availability of raw materials. The Company has sold off its shareholding in Garment Enterprises to Gold Mohur at face value. The Company's exports during the year were around Rs. 1.35 crores, almost equal to the previous year's level. The Company's chairman, Mr. Bhogilal Leherchand, has expressed his inability to make a forecast about the current year's working in view of various uncertainties relating to cotton prices and the Government's policy in regard to controlled cloth and export incentives.

ALEMBIC CHEMICAL

Sales and Profit Rise

ALEMBIC Chemical Works has reported improved results for 1970. Sales have risen from Rs. 12.38 crores in 1969 to Rs. 13.60 crores in 1970 and the gross profit has increased from Rs. 1.67 crores to Rs. 1.80 crores. The dividend has been maintained at 12 per cent but since it is payable this time on the enlarged capital, the total distribution is larger at Rs. 34.49 lakhs, against Rs. 27.59 lakhs in the previous year. After providing Rs.

69.85 lakhs (against Rs. 47.63 lakhs) for depreciation, Rs. 20.50 lakhs (against Rs. 10.40 lakhs) for development rebate reserve and Rs. 49.60 lakhs (against Rs. 58 lakhs) for taxation, the net profit amounts to Rs. 40.14 lakhs, against Rs. 51.10 lakhs in the preceding year. Together with the profit on sale of investments amounting to Rs. 1.36 lakhs (against Rs. 3.76 lakhs) and tax credit certificates in respect of prior years amounting to Rs. 4.05 lakhs (against Rs. 8.27 lakhs), the disposable surplus is Rs. 45.55 lakhs (against Rs. 63.13 lakhs). Out of this, a sum of Rs.

OPPORTUNITIES FOR OVERSEAS CONTRACTS

THE Directorate of Commercial Publicity in the Central Ministry of Foreign Trade has received many challenging and competitive opportunities for Indian entrepreneurs during the week ended 5th June, 1971. The names of the tender inviting authorities, commodities and closing dates are as follows:

Argentina: Segba, Buenos Aires; unipolar cable; 30th June, 1971. **Burma:** Myanma Bawdwin Corporation, Rangoon; Calcium carbide, tool steel, etcetera, 30th June, 1971; geological survey equipment; 5th July, 1971. **Construction Corporation, Rangoon;** chemical dosing pumps; 23rd June, 1971; pipes, 21st June, 1971. **People's Pearl and Fishery Board, Rangoon;** corrugated card board; 12th July, 1971. **State Timber Board, Rangoon;** electric generating sets; 10th July, 1971; thin planning knives; 14th July, 1971; carpenter pencil and ball bearings, etcetera; 14th July, 1971. **Cambodia:** Sonexim, Phnom Penh; chemicals and pharmaceuticals; 20th June, 1971; instruments and equipment; 25th June, 1971. **Indonesia:** Government of Indonesia, Jakarta; fertilisers; advance intimation. **Iran:** Iran Tobacco Co, Teheran; cardboard; 9th August, 1971. **Kenya:** The East African Posts and Telecommunications Corporation, Nairobi; magneto telephones; 30th June, 1971. **Malaysia:** National Electricity Board of the State of Malaya, Kuala Lumpur; supply and installation of lift; closing date not specified. **Papua and New Guinea:** Papua and New Guinea Electricity Commission, Boroko; hydro-

electric power station; advance intimation. **Singapore:** Department of Civil Aviation, Singapore; supply, installation and commissioning of civil works; 25th August, 1971. **Public Works Department, Singapore;** laying of main and minor sewers; 22nd June, 1971. **Thailand:** Metropolitan Electricity Authority, Bangkok; 69kV control board; 9th July, 1971; aluminium conductors; 26th July, 1971; 115kV sub-station equipment; 2nd August, 1971. **Electricity Generating Authority of Thailand, Nondhaburi;** power circuit breakers; 30th July, 1971. **The State Railway of Thailand, Bangkok;** rubber hose; 28th June, 1971. **Army Sciences Department, Bangkok;** chemicals; 24th June, 1971. **Naval Supply Department, Thonburi;** text-books; 21st July, 1971. **Army Quarter General's Department, Bangkok;** heaters; 25th June, 1971. **United Arab Republic:** Misr Beida Dyers, Alexandria; hot-air pin-clip stenter; 31st July, 1971; jet dyeing machine; 27th July, 1971. **Turkey:** Ataturk Oman Ciftligi, Ankara; bottling plant; 19th July, 1971. **Uganda:** East African Posts and Telecommunications Corporation, Kampala; telecommunication equipment; advance intimation. **Uruguay:** U.T.E., Uruguay; cables; 21st July, 1971; electric meters; 20th July, 1971; Details of these global tenders may be had from the *Indian Export Service Bulletin* dated 12th June, 1971, issued by the Director of Commercial Publicity. The tender documents can be obtained from the respective tender inviting authorities.

GOVERNMENT OF INDIA

4½ PER CENT LOAN 1978 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1978.

5½ PER CENT LOAN 1986 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 1986.

5½ PER CENT LOAN 2001 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 1ST OF JULY 2001.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 375 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the 4½ per cent Loan 1971 which will be accepted for conversion at par. Government reserve the right to retain subscriptions up to ten per cent in excess of the notified amount.

If the total subscriptions received for the new loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

Interest at the rate of 4½ per cent per annum on the securities of 4½ per cent Loan 1971 tendered for conversion will be paid upto and inclusive of 30th June 1971 at the time of issue of the new securities.

The new loans will bear interest from the 1st of July 1971. Interest will be paid half-yearly on the 1st January and 1st July. Interest payable on the securities of all the three loans will be liable to tax under the Income-tax Act, 1961. Interest on Government Securities along with income in the form of interest or dividends on other approved investments will be exempt from income-tax subject to a limit of Rs. 3000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

Subscription lists will open on the 1st of July 1971 and close on 3rd of July 1971 or earlier without notice.

Applications for the new loans will be received at:—

- Offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
- branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at the branch of the State Bank of Hyderabad, Gunfoundry, Hyderabad; and
- branches of the State Bank of India at other places in India.

For full particulars please apply to any of these offices or branches.

45.50 lakhs (against Rs. 63.50 lakhs) has been transferred to general reserve. The equity and preference dividends amounting to Rs. 35.31 lakhs (against Rs. 28.41 lakhs) are to be paid out of general reserve. The management expects the Company to maintain its rate of growth in the current year. Production of streptomycin and erythromycin which was much below the installed capacity last year is to be stepped up. The directors state that the new regulations have created a great deal of uncertainty for the drug industry and affected its profitability. Additions to the Company's gross block during the year amounted to Rs. 1.67 crores.

OGALE GLASS

Good Performance

OGALE Glass Works has raised the dividend for 1970 from 5 per cent to 6 per cent, that is, from 50 paise to 60 paise a share. This follows a marked improvement in the Company's performance during the year. While sales are up by only 9.2 per cent from Rs. 1.51 crores to Rs. 1.65 crores, the gross profit has recorded an impressive rise of 49 per cent from Rs. 6.30 lakhs to Rs. 9.38 lakhs. The performance looks all the more creditable when seen in the light of the "abnormal rise" in prices of all raw materials and stores, and particularly tin plate and black plate. Production at the Pimpri unit suffered due to a strike for 4-1/2 months. The shortfall in production was made up substantially by increasing the melting capacity of the furnace and the workers having put in better effort after the resumption of work.

After providing Rs. 6.65 lakhs (against Rs. 5.88 lakhs) for depreciation, Rs. 5,000 (against Rs. 6,000) for development rebate reserve and Rs. 1.50 lakhs (against Rs. 25,000) for taxation, the net profit for 1970 amounts to Rs. 1.18 lakhs, against Rs. 11,000, in 1969. After adjustments, the disposable surplus amounts to Rs.

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1.63 lakhs. The enhanced dividend claims Rs. 1.55 lakhs (against Rs. 1.29 lakhs).

JOHN FOWLER

Sales Up but Profit Down

DESPITE a rise of 18 per cent in sales from Rs. 1.06 crores to Rs. 1.25 crores, the gross profit made by John Fowler in 1970 has shrunk by nearly 300 per cent from Rs. 17.71 lakhs to Rs. 12.27 lakhs. The dividend, however, has been kept unchanged at 12.5 per cent—Rs. 1.25 a share. After providing Rs. 3.59 lakhs (against Rs. 3.13 lakhs) for depreciation and Rs. 50,000 (against Rs. 32,000) for development rebate reserve, the net profit for 1970 amounts to Rs. 8.38 lakhs, against Rs. 14.26 lakhs in the previous year. After some adjustments, a surplus of Rs. 9.09 lakhs (against Rs. 13.94 lakhs) has been transferred to general reserve. The dividend amounting to Rs. 2.50 lakhs is to be paid out of general reserve. A portion of the dividend is tax-free.

The fall in profits has been attributed to abnormal rise in raw material prices and reduced selling prices of some of the products due to stiff competition. Considering the turnover for the first five months of the current year and barring unforeseen developments, results for 1971 are expected to be better than in 1970.

WANDLESIDE CONDUCTORS

Setback Suffered

SHORTAGE of raw materials, particularly copper, and consequent underutilisation of capacity and the delay in the issue of import licences and release orders through the M.M.T.C. have adversely affected the working of Wandleside National Conductors in 1970. Sales are down from Rs. 1.30 crores to Rs. 1.21 crores and the gross profit has shrunk from Rs. 11.97 lakhs to Rs. 9.81 lakhs. After providing Rs. 4.09 lakhs (against Rs. 4.27 lakhs) for depreciation and Rs. 62,000 (against Rs. 2,000) for development rebate reserve, the net profit amounts to Rs. 5.11 lakhs, against Rs. 7.68 lakhs in the previous year. After bringing in the loss of Rs. 16.25 lakhs and making other adjustments, a deficit of Rs. 12.94 lakhs is carried forward. The prospects for the current year are considered better because of the improved flow of raw materials which will enable more effective utilisation of the balancing

equipment installed last year. The Company has developed necessary technical facilities to manufacture aluminium conductors which would be required in substantial quantities by transformer manufacturers. The Company has also taken steps to rationalise the product-mix.

GOHPUR TEA

Profit Declines

THE working results of the Gohpur Tea Co. Ltd for 1970 have not shown any improvement as the prices of teas sold in Calcutta for export were affected because of the fact that teas had to be diverted to Bombay and Kandla ports for shipment due to the prolonged strike in Calcutta port. After providing Rs. 89,752 (against Rs. 1.10 lakhs) for depreciation and Rs. 60,000 (against Rs. 1.05 lakhs) for taxation, the net profit has declined from Rs. 79,033 to Rs. 64,114. A taxable ordinary dividend of 5 per cent has been maintained, absorbing Rs. 50,700. This offers a yield of 5.2 per cent at the present price of Rs. 9.56 a share of Rs. 10 each. After providing Rs. 19,500 (against nil) for development rebate reserve no longer required and making other adjustments, a sum of Rs. 25,000 (against Rs. 50,000) has been transferred to general reserve. Sales declined from 286,898 kilograms to 235,148 kilograms but the average price was up from Rs. 7.41 to Rs. 8.21 a kilogram. During 1971, a crop of 289,900 kilograms at a cost of Rs. 7.55 a kilogram is expected.

WILLIAMSON MAGOR

Higher Dividend

WILLIAMSON Magor and Co. Ltd has shown satisfactory working results for 1970. Sales are up from Rs. 73.89 lakhs to Rs. 1.40 crores and the profit has increased from Rs. 6.07 lakhs to Rs. 19.80 lakhs, after providing Rs. 10.80 lakhs (against Rs. 9.08 lakhs) for depreciation. In view of the improved performance, the taxable ordinary dividend has been raised from 7.5 per cent to 10 per cent, absorbing Rs. 4.97 lakhs (against Rs. 2.95 lakhs). This offers a yield of 9.3 per cent at the present price of Rs. 10.81 a share of Rs. 10 each. Taxation is allocated Rs. 10.50 lakhs (against Rs. 1.75 lakhs), development rebate reserve Rs. 16,500 (against Rs. 33,000) and general reserve Rs. 4 lakhs (against Rs. 70,000). After making other adjustments, there remains a balance of Rs. 7,331 which is proposed to be carried forward, against Rs. 6,919 brought in.

COMMODITIES

No Immediate Plan to Nationalise Gunny Export Trade, Says Minister

THE Government of India does not want to take over the export trade, particularly jute goods exports, at present because "we do not have the machinery or the agency for the purpose", declared Mr. L. N. Mishra, Central Minister for Foreign Trade, in the Lok Sabha last week. "For some time, we shall allow the private sector to function since we have to build up the machinery to capture the world markets and the State agencies are not prepared for it as yet", he stated frankly.

Earlier, the Minister informed the House that India was trying to capture the world market for jute goods which it had almost lost during recent times. She was making an earnest effort to recapture the U.S. market, in particular, which had been lost to Pakistan and synthetic substitutes due to a number of causes. Mr. Mishra forecast that the next year was going to be particularly bright for jute-goods exports from India as the time was most opportune for her to regain the world markets. But "in spite of the earnest efforts by the Government," he alleged that "the jute industry has not been extending its full co-operation in the modernisation of mills."

ways in ensuring a regular flow of fibre from the upcountry to the mills.

Gunnies Firm

After opening on a steady note on scattered short and shipper-covering in near and ready-delivery goods, gunny prices hardened on a broad front in spite of intermittent profit-taking at the bulges by cautious bulls. The firmness stemmed from a moderate increase in turnover with the emergence of some overseas and internal consumers as keen buyers for covering their immediate requirements in the face of a rapid decline in the stocks of end-products with the mills. Even reports of the demonetisation of high denomination currency and talks of an impending devaluation by Pakistan failed to produce a depressing effect on prices. As the prospects of an appreciable decline in the prices of jute goods appeared to be remote, major internal consumers absorbed their immediate requirements, helping to maintain the firm trend. But in view of the limited inventories held by the mills, they continued to be cautious against extending their forward commitments. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	June	July	July-Sept.	Oct.-Dec.
40in. 74oz.	78.75	78.50	78.00	74.50
40in. 80z.	81.75	—	—	—
40in. 100z.	101.00	102.50	101.00	96.75
B Twills	270.50	273.00	275.50	274.00
Heavy Cees	270.50	273.00	275.50	274.00
Cornsacks	—	—	—	—
A Twills (U.S.)	329.00	332.00	334.00	337.00
Liverpools	317.00	315.00	313.00	310.00

Fibre Steady

Notwithstanding the sustained firmness in the jute goods market, the raw jute market ruled about steady in a moderate turnover during the past week. Industry and trade circles were enthused to hear reports of excellent growth of jute in the early-sown areas all over the jute-growing districts in north-east India. The early advent of quite a number of nor'westers and the provision of irrigation facilities in some dry areas as also the early arrival of the mon-

soon had induced farmers to allot a much larger acreage under fibre. But in spite of this encouraging prospect, the world fibre supply situation during 1971-72 was considered depressing due to the likely poor contribution from Pakistan. The closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	1970-71	1971-72
	June	June
	Rates a quintal	Rates a quintal
	Mid.	Bot.
Selected Assam-		
Agartala	158.07	59.00
Northern Jute	152.72	57.00
Western Desal	—	56.00
Jute	144.68	54.00
Selected	—	53.00
Daissee	162.09	60.50
Assam-Agartala	—	58.50
Tossa	163.43	61.00
Mesta :		
Assam Mesta	146.02	54.50
Selected Daissee	—	53.00
Murshidabad	146.66	52.50
Bihar Dist.	133.96	50.00

TEA

Budget Belies Hope

The Consultative Committee of Plantation Associations was disappointed to note that the Central Budget did not include any concessions to the tea industry in respect of the following matters: (a) A reduction in the rates of garden excise duty and a full instead of partial rebate of this duty at the time of export; (b) extension for the current financial year of the concessional rate of excise duty, which was introduced in the 1970 Budget, whereby estates which sold not less than 50 per cent of their production by auction and realised an average price of less than Rs. 5 a kilogram during the period 1st April, 1967 to 31st March, 1970 were exempted from the payment of excise duty in excess of 70 paise a kilogram; (c) the revalidation of the provisions relating to development allowance for replanting with effect from 1st April, 1970, on a permanent basis to stimulate replanting at the rate essential to boost the production of high-yielding quality teas which is so vital if India is to maintain her position as the premier exporter of quality teas and the industry is to continue to play its part as a major earner of foreign exchange in the future; and (d) amendment of Section 35C of the Income Tax Act to make the concessions available under this section applicable in respect of expenditure by tea estates on fertilisers, etcetera.

THE CHARTERED BANK ORGANISATION

CHAIRMAN, MR. W. G. PULLEN'S STATEMENT

The following are extracts from the Statement and Overseas Survey by the Chairman, Mr. William George Pullen, to be presented at the Annual General Meeting of the Chartered Bank on 30th June, 1971, at 38 Bishopsgate, London, E.C. 2.

Our merger with our friends The Standard Bank Limited was effective from 1st January 1970 and in the ensuing year most satisfying progress has been made towards our final goal of the closest possible collaboration compatible with the interests of the respective banks and thereby those of the shareholders in our joint fortunes. In particular, plans are well advanced for a joint international division which in size and diversity will have greater scope for handling the large and widespread demands of international companies and yet will still give that personal service which our customers, no matter how small or in what part of the world, have come to expect.

Although, as usual, the year did not pass without one or two political setbacks, the most important of which was the nationalisation of our business in Libya, 1970 was a successful year in which we were able to take full advantage of steady conditions in most of our territories and of increasing world trade. Once again too the relative stability of all the major currencies enable us to give exchange cover to our large trading customers without undue risk to ourselves, and in this connection it is reassuring that H.M. Government has agreed to renew the guarantees against the effects of devaluation for those countries of the sterling area maintaining the greater portion of their overseas balances in London. Furthermore, in spite of some underlying weakness in the United States Dollar, and a reluctance of some of the more powerful countries to regard Special Drawing Rights as desirable alternatives to gold and currency holdings, there has been an obvious concerted effort by central bankers to play down, and eradicate if possible, any disparities arising from pressures in the foreign exchange market. Whilst changes in

the parities of any of the world's leading currencies might therefore appear unlikely in the near term future we cannot overlook the extraordinary power generated in free Euro currency markets which could exert sufficient pressures from the flow of hot money to over-ride the monetary policies and interests of individual countries. The United States dollar will, however, continue to suffer all the stresses, which we know so well, of being a reserve currency. There is too, in spite of more inclination to write and talk of a world central bank, very little likelihood of a fundamental change in the present system for a long time to come.

Mention has been made of the nationalisation of the Commercial Bank S.A.L. in Libya, the first joint Libyan bank founded and in which we held forty-nine per cent of the capital. It is not easy to understand either the political or economic reasons for this action but Libya, a rich country, has promised to pay full compensation. Last year I referred to our expectation that India would reimburse us in full for the nationalisation of the Allahabad Bank Limited, and I am pleased to say that we have received the first of the three compensation instalments. Only Burma still shows no intention of honouring its promises and obligations and so assumedly can still have no plans for enlisting overseas aid to underpin its ailing economy.

This Year's Accounts

The consolidated balance sheet figures have again increased and this year total £1,010 millions, an increase of £75 millions over the figure for 1969. Current, Deposit and Other Accounts have increased by £60 millions and Advances to Customers and Other Accounts by £50 millions. In The Chartered Bank's own accounts £4,400,000 has been transferred from inner reserves to the Reserve Fund which now stands at £22 millions. In the Group accounts, capital and consolidated published reserves together with the balance on profit and loss account now total £34,210,908, an increase of £5,046,998

over the corresponding figure for 1969.

Dividends are now payable in their entirety to our parent, Standard and Chartered Banking Group Limited, whose first accounts to 31st March 1971 cover a period of 15 months. In consequence the dividends, paid and proposed, totalling £2,950,000, which appear in the profit and loss account exceed by £590,000 the amount which would be required on a twelve months' basis. To accommodate the excess payment The Chartered Bank's own transfer to Reserve Funds from published profits has been reduced from a figure of £1,000,000 in 1969 to £600,000 and there is a reduction in the carried forward balance on profit and loss account from £1,045,622 to £948,790.

Introduction to Overseas Survey

In order to adjust more nearly to the yearly report of our friends The Standard Bank Limited this survey covers a period of fifteen months to the end of March 1971, which is perhaps useful for the last three months of the period saw some unusual and unexpected political twists and changes affecting some of the countries in which we operate.

Generally speaking the Vietnam war has been going on so long that as such it no longer commands overriding interest and it is significant that newspapers both in the United States and in this country think that the only events worth stressing are so called reverses for the United States and South Vietnam forces. Full credit is seldom given for the steady progress achieved, particularly in restoring large areas of South Vietnam to near normal conditions and to the building up of that country's armed forces to a strength that will prevent the country falling into communist hands as United States forces are withdrawn. There is still some concern in neighbouring countries that political pressure in the United States is dangerously accelerating the running down of both personnel and effort but President Nixon and his Chiefs of Staff are

hardly likely to countenance any precipitate moves in negation of the principles involved in the intervention: nor could they for one moment allow it to be thought that all the effort and loss of life had been in vain.

Reference is often made to the problem of the developing countries with particular emphasis on the extent to which their agricultural produce, and hence often their economies, are at the mercy of world prices but for many years now in even the more developed as well as the underdeveloped countries of Asia another problem has been increasing and now coming on top of the population explosion bids to outweigh all others. This is the ever growing trek of the country people to the large cities in the area and many governments are at their wits end to find solutions for the traffic congestion, pollution and squalid living conditions that arise from the overcrowding in the vast conurbations of the countries' capitals. Plans to assist agriculture and stop the denuding of the country-side are seldom effective and even with increased budget allocations for welfare few countries have sufficient resources to arrest let alone eradicate these social evils. Perhaps this should now be the main area for international assistance, be it soft loans or technical aid.

India

At the opening of the year the situation in India was, to say the least, confused as there was complete indecision at the centre and a total lack of leadership while in many States, especially in West Bengal, the outlook was indeed cheerless. The Congress Party had been torn asunder and Mrs. Gandhi found herself the head of a minority government whose sole objective was to remain in power with a view to strengthening its position until fresh elections could be held which her party could hope to win. To accomplish this Mrs. Gandhi sought the support of minority parties and as was inevitable, insecurity led to indecision so that the major problems which faced this great sub-continent remained unresolved and the country, to an extent, was allowed to drift without guidance or leadership.

Although the general elections were not due to be held until 1972 it is a measure of the political ac-

men of the Prime Minister that she accurately assessed the mood of the country by calling an early election in 1971 almost a year before it was due and her judgement was vindicated by her Party obtaining an overwhelming majority in the lower house. By discarding many of the stalwarts in the old Congress Party she portrayed a new image, which was reflected in her own approach to the public and helped the swing in her favour. The second largest party, which hardly constitutes opposition, is the divided communist party and it is interesting to note that of the twenty-five members of the C.P.M., no fewer than twenty were elected from West Bengal. This suggests that the communist party, despite all the vicissitudes through which the country has passed, has not gained in stature since the last election.

With the necessary two-thirds majority the Prime Minister will now have full powers to promote her policies and will have a continuing degree of stability in the administration. However, there will not now be the excuse of a divided government for failing to honour election pledges and the voters will now expect Mrs. Gandhi not only to implement her policies but also to show that they are beneficial to the country in order to prove she is worthy of support. The destiny of a vast population, estimated to be 570 million persons, depends on democracy in India under her leadership moving forward peacefully and above all with stability. The greatest test is likely to come in the effectiveness of the steps which must be taken to restore law and order. Whatever the basic causes of unrest, political, economic or straightforward discontent at living conditions, no country can hope to make progress until a modicum of discipline is installed into its labour force. For too long the authorities have been sitting on the fence and allowing employers to bear the brunt of violent and other labour disruptions, which threaten the whole structure of the economy. Over the past year or so there has been a divergence of opinion in the thinking of the government in power and that of the country's industrialists on future development as there has been an apparent preference for government to give scope and assistance to a new group of entrepreneurs to the detriment of expansion by the already existing inter-

nationally-known business houses. Whether this policy will, in the course of time, bear fruit is a matter for conjecture but at this crucial period in the country's fortunes it may have been wiser for established entrepreneurs to be given more scope to utilise advantageously their expertise and resources. In many ways 1970 was a year of disappointments and while there have been gains in certain sectors there were serious setbacks in others. The most rewarding achievement was in agriculture, where for the fourth year in succession there was an excellent harvest, and it was possibly because of this good fortune and the sufficiency in food grains that Mrs. Gandhi's party decided to hold the elections at a time when conditions otherwise were far from propitious. At last the government's rather belated official recognition of the importance of agriculture is reaping its reward. Unfortunately any increase in the output of food grains is to some extent nullified by the continued substantial rise in the population figures, and this seems an insoluble problem.

The satisfaction which may have been engendered by the welcome increase in foodgrains must be, to an extent, tempered by a lack of progress by industry, which is still hampered by an inadequate utilisation of capacity. Consumer goods industries probably suffered least from the recession but the position of the manufacturers of intermediate and capital goods, particularly the latter, remains most unsatisfactory and until the resources of these two sectors are better utilised there is little chance of improving the country's overall rate of growth or of attracting substantial overseas investment.

The nationalisation of the fourteen largest commercial banks caused no undue local concern for, as far as can be ascertained, this move has enabled the government to fulfil its aspirations and policies of diverting funds to the farmers and to small scale industries. What is more in doubt is whether the tenets of prudent banking are being applied in the provision of such finance and there could well be a build up of large, uncovered debts, with considerable embarrassment in the future. It is to be hoped that any cumulative effect will not be too serious for the reputation of any particular bank even though government will assure

(Continued on page 1133)

THE CHARTERED BANK AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET 31ST DECEMBER, 1970

[illegible]

W. G. PULLEN *Chairman*

C. WAITE
HUGH MACKAY-TALLACK } *Directors*

STAFFORD NORTHCOTE *Chief General Manager*

R. A. S. LANE *General Manager*

W. BOWDEN *Chief Accountant*

W. BOWDEN *Chief Accountant*

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1970

	£	£	1969 £
Profit after providing for taxation and after making allocations to inner reserves out of which reserves full provision has been made for diminution in value of assets ...		3,704,780	2,975,487
<i>Deduct:</i> Amount attributable to minority interests in subsidiary companies		12,782	15,277
		3,691,998	2,960,210
Add: Balance brought forward from previous year—			
The Chartered Bank ...	496,821		
Subsidiary Companies ...	548,801		
		1,045,622	989,776
<i>Deduct: Appropriations—</i>		4,737,620	3,949,986
Reserve Funds ...	743,830		
Reserves for Contingencies ...	95,000		1,082,364
Dividends, gross—	£		370,000
1st Interim paid 29th July, 1970	782,000		
2nd Interim paid 21st January 1971	783,000		726,000
Final payable	1,385,000		726,000
		2,950,000	
		3,788,830	2,904,364
Balance carried forward—			
The Chartered Bank	264,507		
Subsidiary Companies	684,283		
		£948,790	£1,045,622

REPORT OF THE AUDITORS
TO THE STOCKHOLDERS OF
THE CHARTERED BANK

We have examined the annexed balance sheet of the Bank with the books of the Bank and with the returns from branches overseas, none of which has been visited by us.

We have also examined the annexed consolidated accounts of the Group, consisting of the Bank and its subsidiaries, the accounts of certain subsidiaries have been audited by other auditors.

In our opinion the balance sheet of the Bank and the Group accounts comply with the provisions of the Companies Acts 1948 and 1967 applicable to banking companies.

MOORE, STEPHENS & CO.

DELOITTE & CO.

Chartered Accountants

London 19th May 1971.

(Continued from page 1131)

edly have to bale out any institutions in trouble.

The expansion of credit over the year was larger than expected and it became necessary for the Reserve Bank of India to caution banks on the need for greater credit restraint. Lending restrictions were placed on the banking system through an increase in statutory liquidity requirements and by an increase in the bank rate from five to six per cent. the first increase since 1968.

From the foregoing it would seem that India's problems are entirely internal ones, but externally too India encounters all the difficulties of avowed neutralists without becoming seriously involved, except recently with Pakistan. Feelings ran high after the hi-jacking of an Indian plane but in aligning herself with the plight, if not with the aspirations, of the East Pakistanis in their troubles with the Pakistan government, the Indian government seems to have taken a line, rightly or not, that must delay the return of the peaceful relations so necessary for

the prosperity and progress of both countries.

Conclusion to Overseas Survey

Once again in studying the relative progress of countries of South East Asia and the Indian sub-continent over a year, or in this case fifteen months, there is confirmation that irrespective of the type of constitution those countries with the liberal policies are the most successful. Even adverse movements in world commodity prices seem to have less undermining effect than the narrow often nationalistic orientated restrictions which eliminate competition and stultify growth and perhaps the most regrettable sign of this at the moment is the increasing popularity of state trading organisations. This type of trading concern formed by the state taking away profitable business from private hands is the socialists' dream and the civil servants' delight and once started, as in India where it was designed to handle the barter trade with communist countries, it spreads with the ambitions of the socialists and bureaucrats in all directions where

profit is envied and control is desired for controls' sake. The final outcome is nearly always the same, efficiency decreases, performance becomes erratic and prices rise. In this context it is noteworthy that in those countries with liberal minded statesmen, politically mature and at home on the international scene, there is a realisation that trading is best left to the lifelong experts and that the state reaps its rewards in the more efficient running of its country and from the taxes levied on the profits earned from economic and competitive trading.

Banks are no exception to this general rule and again those experienced Finance Ministers and Governors of central banks who realise the very full part that large and secure banks can play in competition in promoting savings and encouraging industrial expansion and agricultural efficiency are not disappointed, we are sure, at the whole hearted manner in which The Chartered Bank and others, traditionally associated with the area, ally themselves with the aspirations of the countries in which they are operating.

**FOR MORE
EXPORTS
TO
FOREIGN
MARKETS**

The comprehensive banking facilities offered by the CHARTERED BANK ORGANISATION in more than 30 major trading centres all over the World open to the exporter a wider range of export opportunities.

We are always abreast of local financial conditions in these trading centres and are, therefore, in a position to give expert advice on selling or investment, export finance, market intelligence or potential business prospects. We can make all arrangements for business travel abroad and provide foreign currency in the form of notes or travellers cheques.

To export more to foreign markets take advantage of our vast knowledge and experience that enable us to get things done quickly and efficiently.



The Chartered Bank

Incorporated in England with limited liability
by ROYAL CHARTER 1853.

AMRITSAR, BOMBAY, CALCUTTA, CALICUT, COCHIN, DELHI, KANPUR,
MADRAS, NEW DELHI, SAMBHAJI (VASCO DA GAMA)

London 19th May 1971.

MAHINDRA UGINE STEEL COMPANY LIMITED

STATEMENT OF THE CHAIRMAN, MR. HARISH MAHINDRA

Following is the statement of the Chairman, Mr. Harish Mahindra to the Members on the occasion of the 8th Annual General Meeting of the Company held in Bombay on 11th June, 1971.

The Directors' Report and the Accounts for the year ended 31st December 1970 have already been circulated. My statements in the past used to dwell on the economic and political issues providing the background to your Company's operations. But this year I am making a departure by concentrating on topics of direct interest to you. Nevertheless we have been so close to the presentation of the Union Budget for 1971-72 that it would be desirable and appropriate if at the outset it is briefly referred to and its impact on industrial growth assessed.

Budget Proposals

The Government has come out with a Budget having the avowed objective of narrowing down economic disparities. Some of the measures introduced have a distinct veneer of socialism. Reading between the lines, one would find that there is a positive attempt to mould the pattern of consumption as also to further discourage conspicuous consumption. The Budget, therefore, appears to be motivated more by a desire to project a radical stance rather than to trigger off an accelerated pace of industrial investment. As far as the corporate sector is concerned, the measures to increase the rate of capital gains tax and the rate of surtax on company profits where they are in excess of 15% of the capital as also the abolition of Development Rebate after 31st May 1974, coupled with the reduction in the amount allowed to be deducted from 8% to 5% of profits in respect of priority industries whose list has also been slashed will undoubtedly hinder capital formation.

The Development Rebate Reserve, introduced in 1955, is intended to be discontinued from the end of 1973-74 for several reasons. Firstly, with such a threat of abolition of DR it is hoped that the tempo of investment between now and 1974 would be quickened. Secondly, it is presumed that the country has already built

up a 'wide enough' industrial base and therefore there is no need to perpetuate DR. And, finally this step is also for the purpose of 'preventing accumulation of surplus resources and growth of larger houses'. These arguments do not carry conviction and sound rather specious. There are several better ways to stimulate investment activity such as expediting issue of industrial licences for both new units and expansion than through the abolition of Development Rebate. The second argument that the country has already built up a wide enough industrial base is open to question as the prime need of the hour is to accelerate the growth of all industries for the sake of which it is essential to offer positive incentives for investment. It is also a moot point whether there is such a wide base as is presumed. If there is one, why should we be planning for expansion of capacities in Steel, machine-building industries, heavy chemicals and such other basic industries? As regards the third argument, we should bear in mind that while there are examples of a few companies who have been able to amortise an amount in excess of the capital invested in a brief period, this does not mean that all companies can do so. Much depends on the nature of the industry. Steel or Alloy Steel Industry as such, is a capital-intensive one and it takes a fairly long time before the break-even point is reached and before an organisation gets into the profitability stride.

The need to build up reserves equal to the replacement value of plant and machinery is such that depreciation by itself however much liberal it be, cannot be adequate, especially in these days of mounting prices steadily eroding the value of the Rupee. Secondly, when the time comes for replacement of Plant and Equipment, it is seldom that Industry buys the same type of equipment, which due to efflux of time would have become obsolete in view of the technological advancements. Consequently, replacement equipment would constitute more sophisticated equipment and also would be in the form of improved designs, with streamlined features incorporating the latest technical innovations. Replacement by such a modern equipment entails a higher capital expen-

diture than the cost of the original plant or machinery.

It is therefore urged that the commendable and progressive views with which it was introduced should not be lost sight of and the decision in regard to abolition of Development Rebate be reconsidered. Alternatively, the Government may consider a proposal put forward in 1967 by Dr. R. K. Hazari that such major tax concessions should be "(a) selective matched with plan priorities and graded accordingly with a larger differential than given at present and (b) related directly to larger output, lower cost and higher profits instead of conferring a bounty on the amount of investment per se."

The agricultural sector has continued to be a tax heaven. If the necessary processes had been set in motion to prompt and enable State Governments to tax agricultural incomes in areas of assured water supply, above an exemption limit of Rs. 15,000/-, if not less, it would have helped the achievement of the crucial objective of imparting a measure of equity to our income taxation and would have made our taxation income-elastic, responsive to movements in national income. It may also be stated that taxation of the prosperous pockets in the rural areas would have had to a certain extent, a distinct disinflationary effect on the price spiral by siphoning a part of the (excess) money in circulation into Government coffers.

Working of Your Company

Let us now turn our attention to the operations of the Company during 1970 and the first five months of 1971. It must be extremely heartening to all of you to learn that the second complete year of integrated operations of your Plant resulted in satisfactory financial results. Indeed 1970 was a year of solid achievement for your Company. We produced more ingot tonnes during the year under review—we rolled and finished larger quantities of bars and our net sales increased by nearly 67% as compared to the preceding year. So far as production was concerned, your Plant was capable of achieving higher levels of output in terms of Ingots as well as Rolled Steel but for constraints like non-availability

of certain critical raw materials and consumable stores.

Outlook

As mentioned in the Directors' Report, the Company has finalised the financial plan for the Balancing Equipment and it is in the process of releasing the orders for plant and equipment required to produce 24,000 tonnes of Finished Steel on an integrated and sustained basis. The fact that in 1970 we had produced more than 26,000 tonnes should not make us oblivious to the necessity of forging ahead with the Balancing Scheme inasmuch as last year we re-rolled about 1,500 tonnes of Blooms into finished products in order to augment production.

I am happy to advise you that in furtherance of our plans to expand the capacity of your Plant and to achieve maximum economies of scale your Company has been able to submit a comprehensive plan to the Government for enlargement of the productive capacity upto 60,000 tonnes of finished Tool, Alloy and Special Steels per annum. I am also happy to advise you that our application is being sympathetically considered by the Government in the context of the widening gap between demand and production of Alloy and Special Steels in the country and we expect to receive a favourable decision shortly. In planning the expanded capacity of our Plant we shall strive to achieve maximum diversification of the end-products consistent with a favourable capital-output ratio.

Sales during the first five months of the current year continue to be satisfactory and the gross sales have amounted to Rs. 429 lacs as against Rs 283 lacs during the corresponding period in 1970.

Your Company's present position and its outlook for the future, I believe, is fairly promising—promising in people, technological ability, product line and in dedication. However, the strength built up over the past few years will not, by itself enable us to meet the growth goals we have set for ourselves in the coming years. For this, we have to constantly strive to expand our operations and diversify our product-mix so that the goals are met or even exceeded.

Perspective Planning

The observations about our sales and the outlook for our Company

prompts me to discuss briefly the developments and trends in our own industry and share some thoughts on perspective planning. Planning today is a universally accepted exercise for one and all. It involves looking as far ahead as the data on our hands and our vision permit. In the life of a corporation this means a close study of all the factors that shape its progress and influence it decisively. There are several such factors and one such all-important factor, external to the organisation that could provide the guidelines for future growth is the assessment of the potential market. I attach overriding importance to a sincere, honest and realistic attempt to size up the approximate if not the exact requirements of a given product for a given year in the planning and creation of manufacturing capacity.

Your Company is vitally interested in making projections of its own growth with the help of macro-projections of the demand for Mild, Alloy and Special Steels released by various Government and semi-Government agencies. During the last decade there have been several such macro-projections and I have had occasion in my earlier Statements to refer to these. The latest estimates of demand for Steel have come from NCAER. Most of the studies work out the potential demand with the help of the end-use method which is a simple but down to earth technique to assess the short term as well as long term demand in developing countries. The recent estimates of NCAER also utilise the same method. But I have always felt that on account of the lack of a clear perspective, both forward as well as backward, these projections have suffered from certain limitations and shortcomings. One particular fact that strikes me is that the latest macro-projections have not paid adequate attention to the question of backward perspective by which I mean that the wrong assumptions, paradoxes and other factors which have vitiated the earlier demand studies have not been listed nor have any lessons been drawn from the previous exercises.

In the latest study of the demand for Steel, the NCAER has taken full account of (a) all the major steel-consuming sectors (b) requirements of such consumers (c) increase in demand due to export of Steel (d) Steel content of machinery and engineering goods to be exported (e) possible reduction in demand due to substitution of Steel by items such as

plastics, asbestos, cement, aluminium etc. in such products as motor cars, railway rolling stock, ship-building, pipes and tubes (f) price elasticity of steel demand and (g) Steel content of imported products and so on.

The main assumption underlying the end-use method is firstly that the targets for various industries obtained from research organisations like the Planning Commission or those of NCAER itself, would be achieved. Experience tells us that this has not always been a correct assumption and plan targets for even the major steel-consuming sectors get elasticized. Also in several industries there have been shortfalls in respect of the attainment of targets. As you can see for yourselves, such shortfalls may result in over-estimation of the requirements. Conversely, where targets are exceeded, which is not often the case, the forecast of requirements for a particular industry turn out to be under-estimates.

Secondly, the success of the end-use method is largely conditioned by the accuracy of the norms that relate the Steel Industry to the Steel consuming industry by indicating the input co-efficient. Such norms are known to change with technological progress and innovations and there have been several occasions in the past when estimates have gone haywire on account of unrealistic norms having been adopted. For instance, the norms employed by the Perspective Planning Division in its 1965 estimate of the requirements of Alloy and Special Steels have been replaced by the NCAER which has employed its own norms for various industries. The end-use method thus assumes that the impact of technological changes would be minimal, if not nil on the norms of consumption of Steel. Naturally to obtain more accurate figures at the end of such an exercise, the final estimates are adjusted upwards to provide for such findings of changes in various consuming sectors. In order to make the macro-projections meaningful for the producers to plan and expand their capacity, it is essential that norms are kept under review and at the end of every year or so the Associations of Consumers and Producers should get together and see that any significant changes in the norms are reflected in the demand figures and necessary adjustments and or corrections are made on the overall demand projections. By such an exercise, the year to year projection of demand would be rendered more realistic and would provide a work-

able basis to determine the gap between demand and availability.

Estimates of Demand for Alloy and Special Steels

With these considerations regarding the merits and demerits of the end-use technique in mind, let us consider the recent studies in demand estimates with special reference to the products of our own industry viz. Alloy and Special Steels. There have been as many estimates of demand for Alloy and Special Steels as there are for other Steels also. As against about 300,000 tonnes for 1973-74 and 430,000 tonnes for 1978-79, estimated by the Steering Group of the Steel Ministry in 1968 and incorporated in the Fourth Five Year Plan document, the latest study of the Council provides for 434,000 tonnes for 1975 and 817,000 tonnes for 1980.

The estimates of the Steering Committee as revised by the Technical Wing of the Steel Ministry have now become available. Accordingly the demand for Alloy and Special Steels has been revised upwards from 300,000 tonnes to 400,000 tonnes for 1973-74 and from 430,000 tonnes to 590,000 tonnes for 1978-79. What is of interest to your Company as a producer of Alloy Constructional Steel in these varying estimates is that for 1973-74 the estimates of both the Technical Wing and the NCAER arrive at almost the same figure, but for a difference of only about 2,000 tonnes. The marginal divergence however, turns out to be sizable in the estimates for the end of the Seventies. As against the Technical Wing's estimate of 178,700 tonnes for 1978-79, the Council places the demand for Alloy Constructional Steel at 239,906 tonnes for 1980.

It is now accepted that the assessment of the Technical Wing has been rather conservative and that the Council's studies despite certain limitations, are more realistic. A message that emerges loud and clear from these studies is that even after the schemes for expansion or setting up of new units on green sites which are now under consideration are successfully implemented by the end of the decade, there would still be a gap, probably substantial rather than marginal between requirements and actual production.

All said and done, the numerous estimates referred to above need to be further processed and worked upon for purposes of drawing mean-

ingful conclusions that guide us in deciding about future investments in the creation of new Alloy Steel capacity and in determining the ideal product-mix for your or other plants. The breakdown of such broad aggregates into categories, grade, shapes, surface finish i.e. black or bright etc. is a pre-condition for successful corporate planning. Quite a few snap judgements, I am afraid, have already been made based on broad aggregate demand resulting in duplication of capacity of the same size ranges. And circumstances may force us to amend them, if not reverse such decisions. In this context I would emphasise that before a final sanction is issued for creation of fresh capacity, adequate thought is given to the point whether such fresh capacity should come about through new units on green sites or through expansion of existing units or both. Three considerations weigh very heavily in favour of the second proposition. Expansion would firstly help creation of new capacity faster; it would involve lower capital investment; and finally what is important, it would help the existing units to achieve economies of scale.

Demand Estimates and MUSCO'S Growth

The necessity of a precise assessment of the demand for Alloy Steel acquires special significance for MUSCO in view of the fact that, as indicated in the Directors' Report, so far the inflow of orders for our products for the current year has not been upto our expectations. In their anxiety to mitigate the steel shortage in the country, the Government liberalised the import policy and in the process large licences had also been issued for Tool, Alloy and Special Steels. With the liberalisation of imports coupled with the fact that recessionary trends continued to prevail in the offtake of Diesel Engines, Machine Tools, Spring Steels, Railway Wagons etc. the inflow of orders dropped considerably with the result that planning of economic rolling tonnages for different size ranges posed considerable problems to the producers. Pursuant to the representations made to the Government in this respect, I am happy to say that Import Licensing Policy has been reoriented, aiming at imports of only such of those categories and types of steels as are not available in adequate quantities in the country.

The impact of recent restrictions on imports will not be fully felt until the end of this year. At the moment,

however, the order inflow appears to be looking up and it is hoped this trend will grow more distinct.

Taking the long range aspect into account, it may be stated that the growth potentials of the Automobile Industry which accounts for a large part of the offtake of our products have not been fully realised owing to various reasons. Automobile production, inclusive of Jeeps, Cars and Commercial Vehicles put together in about half a dozen plants, does not exceed 90,000. This is a highly anomalous situation insofar as it is an accepted fact that there must be a minimum production of at least 50,000 units per plant if the economies of scale have to be realised. It should therefore, be hoped that the Government will come to certain positive conclusions about the small car project without further delay as this has kept a number of related considerations in suspense. The slow growth of the transport sector in general and the automobile industry in particular does not bode well for our industry and the tolls for quickening the rate of growth. In this context the recent reports about the likely establishment of a private sector small car plant with a capacity of about 50,000 cars per annum and the licensing of additional capacity for manufacture of commercial vehicles are doubly welcome.

Mini Steel Plants

In my Statement last year I had occasion to refer to the fact that the establishment of Electric Arc Furnaces with continuous casting facilities has received the imprimatur of essentiality from the Government. Thereafter a lively interest has come to be evinced in this matter. In fact even the Ministry of Foreign Trade also has been credited with suggesting the setting up of Mini Steel Plants either on a captive basis to cater to the needs of particular engineering industries or on a decentralised basis, so that export production is not hampered due to steel shortage. The capacity of each mini steel plant has been placed at about 50,000 tonnes of billets a year using the concast process. They may have either sponge iron or scrap or pre-reduced pellets as the feed stock. Recently the Minister for Steel made it known that six mini steel plants had been licensed, four in the private sector, one in the joint sector and yet another in the public sector. And six more similar projects may get final sanction by 1974. All in all, the dozen or so new mini plants would

augment the country's steel capacity by 600,000 tonnes by the beginning of the Fifth Plan.

Although a decision to permit establishment of mini steel plant is a step in the right direction, I think that before new projects are sanctioned the pros and cons of producing the mild steel and special steel in these plants with particular reference to the production cost aspect should be thoroughly looked into, so that they can meet squarely the competition from the integrated steel plants.

In the final analysis, it is high time that a master perspective plan for the speedy expansion of Steel capacity in the country is drawn up and Government and Industry jointly and single-mindedly work for the crystallisation of such plans. This exercise has to be preceded by clearer thinking about the future needs. Fortunately, there is not much of a dispute in regard to the rapid development of the Steel Industry. The Prime Minister herself has acknowledged the fact that "the capacity for Steel making would have to be doubled every 10 years". In Japan the crude steel output itself is being doubled every 4/5 years from 7.6 million tonnes in 1953 to 10 million tonnes in 1956, to 23 million tonnes in 1960, 41.3 million tonnes in 1965 and 82.2 million tonnes in 1969. This year it may cross the 100 million tonne mark.

Earlier there has been a reference to the need for forward and backward perspective in Steel planning. Steel planning in our country is now about 15 to 20 years old and the country has had considerable experience. Such experience is most invaluable at a time when the country is likely to be short of Steel during the entire decade of the Seventies. The time is now opportune for the numerous plans and estimates to be placed side by side, compared and our experience in this field consolidated so that the future exercises are spared of any past mistakes.

Feeder Industries

A corporate or industrywise perspective plan considers not only the market potential for a product but also the derivative demand for essential inputs to be supplied by the feeder and ancillary industries. Only such an assessment of the requirements and availability of raw materials would give meaning and content to the perspective plan. For instance one cannot plan the growth

of Electric Furnaces without a careful and painstaking study of the supplies of raw materials that would be forthcoming from the feeder industries. The appreciable growth of the Electric Furnace Industry cannot be maintained even in the future unless supplies of the inputs match the growing needs. As of now, it is estimated that there are about 170 Electric Arc Furnaces with a hot metal capacity of about 2.03 million tonnes. Capacity utilisation has been estimated at about 70%. This is likely to improve by another 10% in the current year. The installation of Steel Furnaces could grow at a more vigorous rate but for the constraints in the form of raw material shortages. They are not unique to our industry but happen to be almost world-wide phenomena though there could be differences from country to country in regard to the magnitude of such shortages. Attention must therefore be paid to the feeder industries as also to their growth. These problems and constraints in regard to ferrous scrap, graphite electrodes, refractories, nickel, ferro-alloys etc. are not an easy matter to come to grips with. They make the task of planning the future growth of furnaces rather difficult.

Power Tariff

In these columns, during the earlier years I have been urging the Government of Maharashtra to restructure the power tariff in the State in a way which will give certain tangible benefits to power intensive industries. Electric power is one of the basic inputs for producing Steel in Electric Furnaces. It is therefore necessary to revise the power tariff applicable to metallurgical industries in particular, with a view to giving a competitive edge to steel produced within the State. With the same objective, States like Haryana, Kerala, M.P., Mysore, Punjab and Rajasthan offer different kinds of concessions or rebates to electro-chemical and electro-metallurgical industries. It should be hoped that the Committee appointed by the Government of Maharashtra headed by the Industries Commissioner to enquire into this question would keep these facts in mind in as much as power costs will largely determine the growth prospects of metallurgical industry in Maharashtra. The State should aspire to have at least 25% of the liquid metal capacity and this can only be achieved if the disincentive in the form of a high power tariff is removed.

Import Canalisation

A passing reference is also called for in regard to the canalisation of import of essential raw materials of our industry and its possible impact. According to the latest import policy, imports of graphite electrodes have been canalised through the STC, refractories and refractory materials through MMTC/HSL, ferro-molybdenum, ferro tungsten, ferro vanadium and ferro silicon, stainless steel sheets, plates and strips, heavy melting scrap, sponge iron and nickel through the MMTC. It is provided that the import control authority would issue the necessary release orders to bulk importers.

I have had occasion to refer in the past to the increased faith the Government has been putting in State Trading. Ever since they were set up, State Trading agencies have not fared well in their effort to import in bulk several items including sulphur, rock phosphate, chemicals, copra, betelnuts, soyabean oil etc. It is doubtful, looking at their past record, whether such agencies would literally deliver the goods of the right quality, at the right time and at the right price. There are enormous complexities attending upon such business especially in relation to the hundreds of specifications regarding quality, sizes, delivery periods, sources of supply and in short the dynamics of the world market. It should, therefore, be hoped that the normal production and growth of the Alloy Steel Industry is not jeopardised on account of the inconveniences that may be caused in the supply of indispensable raw materials.

Cordial Relations

Your Company has been able to maintain the most cordial and happy relations with its employees in the Plant as well as Head Office during the year under review and I would like to record my sincere appreciation of the hard and conscientious work put in by the employees. I would also like to express my gratitude to the colleagues on the Board whose wise counsel and advice has largely helped me to discharge my responsibilities. We continue to receive valuable technical assistance and co-operation from our Collaborators and Partners, Uguine Kuhlmann.

Note : THIS DOES NOT PURPORT TO BE THE RECORD OF THE PROCEEDINGS OF THE EIGHTH ANNUAL GENERAL MEETING OF THE COMPANY.

NOTICE

Offer for Sale of 40,000 Fully Paid Equity Shares of Rs. 10/- each at Par
of

WILLIAMSON MAGOR & COMPANY LIMITED

(This is not the Prospectus of the Company)

In order to comply with the listing requirements of the Calcutta Stock Exchange with a view to obtaining the relative permission to deal in and for an official quotation of 1,02,520 Equity Shares of the Company, PLACE, SIDDONS & GOUGH (PRIVATE) LIMITED, Stock & Share Brokers of 6, Lyons Range, Calcutta-1, appointed for the purpose :—

OFFER FOR SALE TO THE PUBLIC :

40,000 Equity Shares of Rs. 10 each at Par (Payable in full on application) Rs. 4,00,000

The issued subscribed and paid up equity capital of the Company comprises of 4,96,508 Equity Shares of Rs. 10/- each. Out of these shares, 3,93,988 Equity Shares are listed on the Calcutta Stock Exchange and an application has been submitted to the Calcutta Stock Exchange for permission to deal in and for an official quotation of the remaining 1,02,520 Equity Shares.

5,000 9.3% Cumulative Preference Shares of Rs. 100/- each comprising the entire preference capital of the Company are already listed on the Calcutta Stock Exchange.

In order to comply with the listing requirements of the Calcutta Stock Exchange with a view to obtaining the relative permission to deal in and for an official quotation of the said 1,02,520 Equity Shares of the Company, Place Siddons & Gough (Pvt.) Ltd., Stock & Share Brokers of 6, Lyons Range, Calcutta-1, appointed for the purpose.

OFFER FOR SALE TO THE PUBLIC :—

40,000 Equity Shares of Rs. 10/- each at Par ... Rs. 4,00,000
(Payable in full on application)

The sellers on whose behalf the Offer for Sale is made collectively and individually accept full responsibility for the accuracy of the information given in this offer for sale and confirm that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the offer for sale misleading. They further confirm that they have made all reasonable enquiries to ascertain such facts.

The sellers on whose behalf this offer for sale is being made hereby declare that it must be distinctly understood that the Calcutta Stock Exchange Association Limited does not accept any responsibility for the financial soundness of this offer or for the price at which the Offer for Sale is made or for the correctness of the statements made or opinions expressed in this Offer for sale of shares.

The application list for the shares now offered will open at the commencement of Banking hours on the 26th June 1971, and will remain open till the close of Banking hours on the 5th July 1971. The offeror, however, has the right to close the application list earlier, but in any case not earlier than the close of Banking hours on the 29th June 1971.

The shares hereby offered for sale are subject to the Memorandum and Articles of Association of Williamson Magor & Co., Ltd. A copy of the Memorandum and Articles of Association of the Company and copies of the Directors' Report and Audited Accounts of the Company for the last five years upto 31st December, 1970, will be available for inspection at the office of Place, Siddons & Gough (Pvt.) Ltd., at 6, Lyons Range, Calcutta-1.

NOTE :—Attention of the Applicants is invited to Sub-Section (1) of Sec. 68-A of the Companies Act, 1956, which is reproduced below:—

"Any person who (a) makes in a fictitious name an application to a Company for acquiring or subscribing for any shares therein, or (b) otherwise induces a Company to allot or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years".

AUTHORISED:

5,00,000 Equity Shares of Rs. 10/- each	Rs. 50,00,000
5,000 9.3% Cumulative Preference Shares of Rs. 100/- each	Rs. 5,00,000
	Rs. 55,00,000

ISSUED SUBSCRIBED AND CALLED UP:

4,96,508 Equity Shares of Rs. 10/- each	
5,000 9.3% Cumulative Preference Shares of Rs. 100/- each	Rs. 49,65,080
	Rs. 5,00,000
	Rs. 54,65,080

DIRECTORS

Name	Address
1. Mr. B. M. KHATTAN	5, Queen's Park, Calcutta-19.
2. Mr. O. J. ROY	65K, Eaton Square, London, S.W.1
3. Mr. R. B. MAGOR	The Lodge, Wadhurst, Sussex, (U.K.)
4. The Maharajahdhiraja Bahadur Sir UDAY CHAND MAHA-TAB, K.C.I.E., of Burdwan.	2, Judges Court Road, Alipore, Calcutta-27
5. Mr. E. J. H. HANNAY, O.B.E.	7, Kings Road, Richmond, Surrey, (U.K.)
6. Mr. H. P. BAROOAH	Club Road, Jorhat, Assam.
7. Mr. J. G. OLIVER	Pettabghur Tea Estate, P.O. Soota, Darrang, Assam.

REGISTERED OFFICE

4, Mangoe Lane, Calcutta-1.

SECRETARY

Mr. T. R. SWAMINATHAN,
4, Mangoe Lane, Calcutta-1.

AUDITORS

LOVELOCK AND LEWES,
Chartered Accountants,
4, Lyons Range, Calcutta-1.

BANKERS TO THE COMPANY

NATIONAL & GRINDLAYS BANK LTD.	19, Netaji Subhas Rd., Calcutta-1.
STATE BANK OF INDIA	1 & 2, Strand Road, Calcutta-1.
MERCANTILE BANK LIMITED	8, Netaji Subhas Rd., Calcutta-1.
THE CHARTERED BANK	4, Netaji Subhas Rd., Calcutta-1.

BANKERS TO THE OFFER

NATIONAL & GRINDLAYS BANK LTD.	19, Netaji Subhas Rd., Calcutta-1.
UNITED COMMERCIAL BANK	10, Brabourne Road, Calcutta-1.

BROKERS TO THE OFFER

PLACE, SIDDONS & GOUGH (PVT.) LTD.
6, Lyons Range, Calcutta-1.

MAIN OBJECTS AND HISTORY OF THE COMPANY

The main objects of the Company may be summarised as the carrying on the business as tea garden owners, planters, cultivators, producers and sellers of tea and tea seeds, Secretaries, agents including buying and selling agents, traders, exporters, buyers, sellers and general merchants.

FINANCIAL POSITION

Year ended 31st December

	1966 Rs.	1967 Rs.	1968 Rs.	1969 Rs.	1970 Rs.
Income	52,40,153	58,62,227	58,48,937	1,30,46,605	2,29,94,223
Expenditure	44,74,992	50,06,888	51,91,969	1,15,17,997	1,98,61,866
Profit before Depreciation, Taxation, Development Rebate Reserve and Development Allowance Reserve	7,65,161	8,55,339	8,56,968	15,28,608	31,32,357
Depreciation charged in the Accounts	75,780	67,529	1,75,737	9,08,394	10,79,937
Profit before Taxation, Development Rebate Reserve and Development Allowance Reserve	6,89,381	7,87,810	1,81,231	6,20,214	20,52,420
Taxation	4,25,000	4,80,000	1,00,000	1,75,000	10,50,000
Profit before Development Rebate Reserve and Development Allowance Reserve	2,64,381	3,07,810	81,231	4,45,214	10,02,420
Development Rebate Reserve as per Account	—	—	—	33,000	16,500
Profit before Development Allowance Reserve	2,64,381	3,07,810	81,231	4,12,214	9,85,920
Development Rebate Allowance Reserve as per Account	—	—	—	17,700	42,500
Net Profit	2,64,381	3,07,810	81,231	3,94,514	9,43,420

The financial position of the Company as on 31st December 1970 is as follows:—

Fixed Assets	Rs. 1,91,78,412
Investments at Book Value	Rs. 69,92,069
Current Assets, Loans and Advances	Rs. 1,38,93,877
Total Assets	Rs. 4,00,64,358

Less Liabilities:

Secured Loans	Rs. 1,23,91,262
Unsecured Loans	Rs. 24,20,114
Current Liabilities and Provisions	Rs. 1,33,50,024
	Rs. 2,81,61,400
Net Assets	Rs. 1,19,02,958

Represented by:

Share Capital	Rs. 44,39,880
Capital Suspense	Rs. 10,25,200
Reserves and Surplus	Rs. 64,37,878
	Rs. 1,19,02,958

NOTE :—Pursuant to resolutions passed by the members at the Extraordinary General Meeting held on 7th August, 1970, and as confirmed by the High Court, Calcutta. The Dufflaghur Tea Co. Ltd. was amalgamated with Williamson Magor & Co. Ltd. with effect from 1st January, 1970. The Shareholders in Dufflaghur Tea Co. Ltd., other than Williamson Magor & Co. Ltd. were allotted shares in Williamson Magor & Co. Ltd. at the rate of 7 Shares for every 5 Shares held in Dufflaghur Tea Co. Ltd. Since the formal approval for this Issue from the Controller of Capital Issues was received after the close of the year 1970, these Shares were allotted in February, 1971. The Paid Up Value of these Shares is shown as Capital Suspense in the accounts of 1970. These Shares are entitled for the dividend declared for 1970.

The following dividends were declared by the Company for the last five Accounting Years:—

Accounting Year Ended	Rate of Dividend per cent
31-12-66	6
31-12-67	7
31-12-68	2½
31-12-69	7½
31-12-70	10

Application for the Equity Shares now being offered for sale to the Public must be for a minimum of fifty shares or multiples thereof. Payment has to be made in full on application at the rate of Rs. 10/- per share.

The Company which was incorporated on the 8th March, 1954 was promoted by the partners of Williamson Magor & Company, a partnership firm, and the business of the said firm was taken over by the Company.

Williamson Magor & Company came into existence sometime in the year 1869. The partnership firm was set up in Calcutta to look after the distribution, sale and export of teas which arrived in the city from plantations jointly owned by the partners.

In 1969, three tea companies, namely, East India Tea Company Limited, Seajuli Tea Company Limited and Lingia Tea Company Limited, and in 1970 the Dufflaghur Tea Company Limited were amalgamated with the Company with the result that the Company now owns five good Tea Estates namely, Soraipani, Seajuli and Dufflaghur in Assam and Lingia and Glenburn in Darjeeling with a total tea bearing area of 1315.81 Hectares producing nearly 14,30,000 Kgs. of tea per year.

The Company has the following subsidiaries, namely Bishmath Tea Company Limited, Nagri Farm Tea Company Limited, Soom Tea Company Limited, Dimakusi Tea Company Limited and Gohpur Tea Company Limited. The Company also acts as Agents in India for fifteen tea companies incorporated in the United Kingdom and having tea gardens in India.

The Company is the Sole Selling Agent for tea chest linings produced by India Foils Limited and for timber products of Andamans Timber Industries Limited. The Company has also a number of other agencies.

The sellers have agreed to pay the necessary stamp duty on the transfer deed for the shares now being offered for sale. No fee shall be charged by the Company for the registration of the transfers.

Applications should be made only in the prescribed form accompanying this offer for sale, copies of which may be obtained from Place, Siddons & Gough (Private) Limited of 6, Lyons Range, Calcutta-1 or from any of the Bankers to the offer or from their respective main branches mentioned below:—

National & Grindlays Bank or their Main Branches at: Limited 19, Netaji Subhas Road, Calcutta-1	Bombay, Delhi and Madras.
United Commercial Bank, Or their Main Branches at: 10, Brabourne Road, Calcutta-1.	Bombay, Ahmedabad, Bangalore, Hyderabad and Indore.

The Application form should be completed in accordance with the instructions given on the reverse of the Application Form and should be delivered, before the closing of the Application List, to the Bankers to the Offer or to any of their main branches mentioned above or to Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1, together with the full amount payable on application at the rate of Rs. 10/- for each share applied for. Payment may be in cash or by cheque or draft drawn on a scheduled bank which is situated in the town in which the application is submitted. Cheques or drafts drawn on banks elsewhere will not be accepted and applications accompanying such cheques or drafts will be liable to be rejected. Cheques or drafts should be made payable to "National & Grindlays Bank Ltd. A/c. Williamson Magor 'Share Offer'" or "United Commercial Bank A/c. Williamson Magor 'Share Offer'" and crossed "A/c Payee only".

(Continued on next page)

COMPANY AND PUBLIC NOTICES

THE BRITANNIA BISCUIT COMPANY LIMITED

NOTICE

NOTICE is hereby given that the fifty-third Annual General Meeting of the shareholders of The Britannia Biscuit Company Limited will be held at the Committee Room No. 2 of the Bengal Chamber of Commerce and Industry, 6, Netaji Subhas Road, Calcutta-1, on Friday the 9th July, 1971, at 10.00 a.m. to transact the following business:

1. To receive and consider the report of the Directors together with the Profit & Loss Account for the year ended 31st March, 1971, and the Balance Sheet as at that date and the report of the Auditors thereon.
2. To declare dividends.
3. To appoint a Director in place of the Director retiring.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modifications the following resolution:—

(i) As an ordinary resolution:

RESOLVED that pursuant to Section 294 of the Companies Act, 1956 the Company hereby approves of the appointment of The Exchange Stores of 13, Alipur Road, Delhi-6 as

the Sole Selling Agents and Distributors in the Delhi area in respect of bread and cakes made by the Delhi factory for a period of three years with effect from 1st April, 1971, on the terms and conditions set out in the draft letter of appointment laid before this Meeting and initialled by the Chairman thereof for the purpose of identification.

The registers of the members of the Company will be closed from 24th June to 9th July, 1971, both days inclusive and warrants for such dividends as may be declared will be issued directly to the registered shareholders or their mandatees whose names appear in the Company's books on 9th July, 1971, on or after 21st July, 1971.

BY ORDER OF THE BOARD
N. C. CHAUDHURI
Director & Secretary

Registered Office:
15, Taratola Road,
Calcutta-53.
11th June, 1971.

- Note: (1) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and the proxy need not be a member of the Company.
- (2) The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out above is annexed to the Notice of the Annual General Meeting posted to the members.

WILLIAMSON MAGOR & COMPANY LIMITED

(Continued from previous page)

A separate cheque or draft must accompany each application. Applications must be in the names of individuals or limited companies and not in the names of firms, minors, trusts, non-residents or their nominees. Application Forms must be completed legibly in English. Thumb impressions and signatures in a language other than English, Hindi, Bengali, Marathi or Gujarathi shall have to be attested by a Magistrate or a Justice of the Peace under his official seal.

The offerer shall not be bound to accept any application but shall be free to accept it wholly or in part or to refuse it altogether at its discretion.

Applications may be made in single names or in the joint names of not more than four persons.

Applicants are advised in their own interest not to make Multiple applications but to submit only one application each for the number of shares required. Multiple applications are liable to be rejected.

Where applications are signed under Powers of Attorney the relevant Powers must be lodged for registration, together with the applications.

On accepting an application wholly or partly, one share transfer form duly signed by the sellers as the transferor for the number of shares in respect of which the application is accepted and bearing the certificate of the Company to the effect that the

relative Share Certificate/s has/have been lodged with it will be forwarded to the application by post at the applicant's risk. The applicant shall complete the transfer form as the transferee and forward it to the Company at its Registered Office at 4 Mangoe Lane, Calcutta-1, for registration of the transfer in its books so as to reach it within two months of the date stamped on it by the Registrar of Companies.

Where an application is rejected or not accepted in full, the whole or any balance of the application money received will be refunded to the applicant without interest through the post at the applicant's risk within two months of the last date for receiving application. Refund Orders shall be payable at par at those branches of the Bankers to the Offer mentioned hereinbefore. In the case of joint applicants (not being more than four applicants) refund orders, if any, will be made out in the names of all the joint applicants but the endorsement of any one of them thereon will be acceptable to the Banks. All communications will be addressed to the applicant whose name appears first and to his address specified in the application form.

For PLACE, SIDDSONS & GOUGH (PRIVATE) LTD.
M. I. WADSLEY,
MANAGING DIRECTOR

CAPITAL, 17th JUNE, 1971

DUNLOP INDIA LIMITED

GENERAL Notice is hereby given to the public under Rule 4A of the Monopolies and Restrictive Trade Practices Rules 1970 that the Company intends to give notice to the Central Government under Sec. 21(1) of the Monopolies and Restrictive Trade Practices Act 1969 of the proposal for expansion of the Company's capacity for manufacture of automotive tyres and tubes to the extent of 300,000 in each case.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs within 14 days from the date of publication of this notice, his views with regard to the above proposal for expansion and also the nature of his interest therein.

BY ORDER OF THE BOARD
S. K. ROY
Secretary

Dunlop House
57B, Mirza Ghalib Street,
Calcutta.
14th June, 1971.

DIVIDENDS DECLARED OR PROPOSED

Duncan Brothers & Co. Ltd.—12 p.c. (0), subject to tax

Hattikhira Tea Co. Ltd.—5 p.c. (0), subject to tax

Octavius Steel & Co. Ltd.—8½ p.c. (0), subject to tax

Karanpura Development Co. Ltd.—5 p.c. (0), and 15 p.c. (founders), subject to tax

CAPITAL, 17th JUNE, 1971

CAPITAL

(Founded in 1888 : Published every Thursday)

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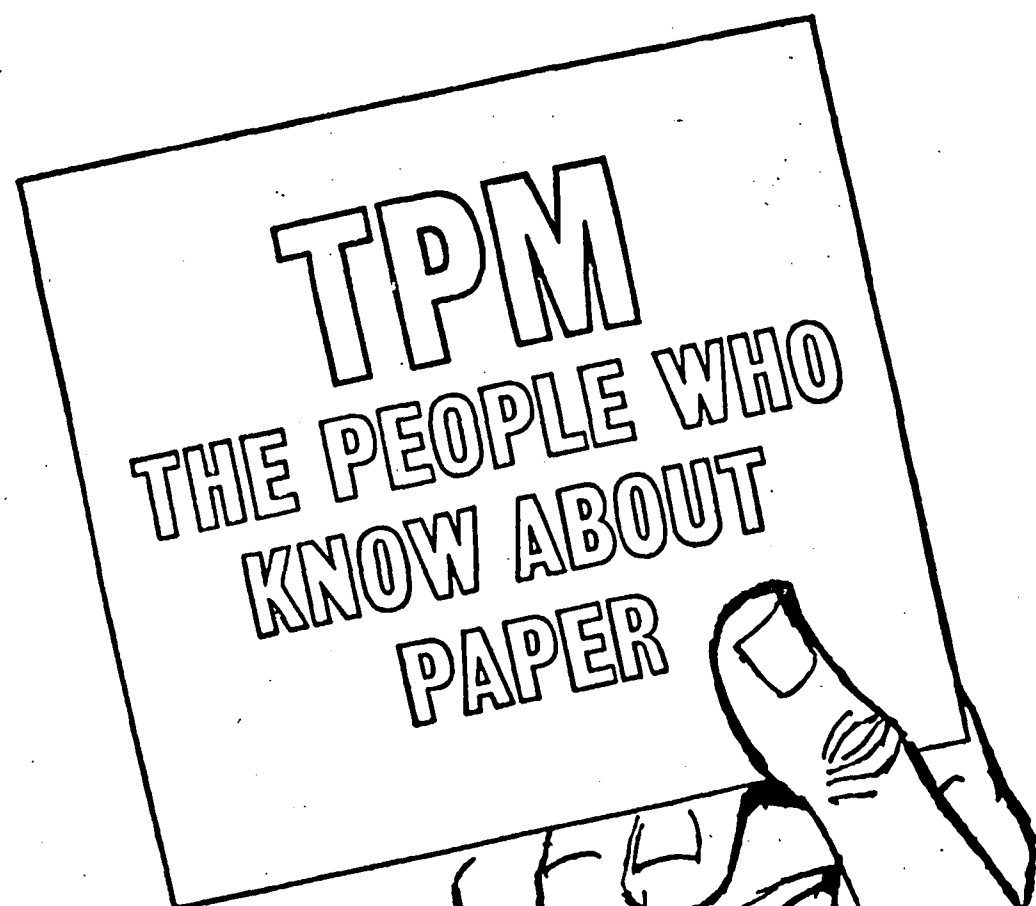
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B3/120, Rajawadi, Bombay-77.

Madras Representative—Mr. P. R. Vasudeva Naidu,
23, Gurusvappa Chetty Street, Chintadripet, Madras-2.

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CAPITAL

Incorporating the Indian Financial Review
Established 1888

Calcutta, 24th June, 1971
Vol. CLXVI-4169

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Discord on Differential Rates

WHEN the Central Finance Minister, Mr. Y. B. Chavan, proposed—perhaps in all innocence—differential rates of interest for bank advances, soon after he assumed charge of the Finance portfolio nearly a year ago, he was not taken too seriously by the custodians of the nationalised banks. They knew even at that time that the proposal was politically motivated and was not economically practicable. But any opposition by them at that time would have earned them public ill-will and the so-called radicals in the ruling Party would not have had even a moment's hesitation to calling them as the custodians not of nationalised banks but of the conscience of capitalists. So they let the issue to be studied in depth by an expert committee, headed by Dr. R. K. Hazari, Deputy Governor of the Reserve Bank, and no friend of big business.

The report of the Hazari Committee has not yet been officially released, but the sum and substance of its findings is that the proposal is not feasible. The main argument of the Committee against differential rates of interest seems to be that it would push up the already rising operational costs of the nationalised banks and would tell further on their declining profits. The Committee is stated to have estimated the average cost of funds to the banking system at about 8 per cent, distributed equally between the average interest cost of deposits and establishment charges. Hence, the majority view in the Committee is that concessional rates of interest cannot be lower than 8.5 per cent and not higher than 10 per cent. The categories of borrowers who will be eligible for loans at these concessional rates are small farmers, small-scale industrialists and self-employed entrepreneurs.

The majority view has, however, been criticised by one of the mem-

bers of the Committee, Dr. Ashok Mitra, Chief Economic Adviser to the Central Government, and who as such, was perhaps the first to moot the proposal in the Central Finance Ministry. His contention is that the present system of preferential rates of interest, given mainly to exporters and small industries, is not adequate and does not meet the requirements of the economically weaker sections of society. His plea, therefore, is that differential rates should be so wide ranging that the lowest is a nominal 1 per cent while the highest is as much as 20 per cent. He has also proposed the classification of borrowers into five broad categories and charging them interests at 1 per cent, 5 per cent, 10 per cent, 15 per cent and 20 per cent, respectively. Dr. Mitra is of the view that the concessional rates should not be linked to the size of the loans sought but to the "smallness" of the borrower himself. If the smallness of the size of a loan is to be the criterion for giving concessional interest rates, he fears, the genuinely needy parties will often be crowded out by those who have the organisational acumen and ingenuity to set themselves as small industrialists, small farmers or traders. He favours the evolution of more objective criteria for judging the economic position of the parties seeking loans.

As Dr. Mitra himself admits in his dissenting note, the problem is not one of lack of objective criteria for identifying the economically underprivileged. It is administrative: whether branch managers could be trusted to apply these criteria without fear or favour. He, however, argues that "in view of the wide ranging discretionary powers already enjoyed by the branch agents, it is difficult to see why one should cavil at burdening them with the further responsibility of identifying the economically weaker parties". Theoretically, Dr. Mitra is

right but he ought to know well that in practice it will be extremely difficult to make the thousands of bank managers conform to such criteria as those the Government may have in mind.

Neither Dr. Hazari nor Dr. Mitra seems to have attempted to answer some of the basic questions that arise in the wake of this proposal. The first question is whether concessional rates are the best solution to the problem of ensuring more equitable distribution of bank credit. The answer would appear to be in the negative, for it is the availability of funds rather than the interest rates that constitutes an inhibiting factor to the expansion of credit. Of course, it is argued that small farmers and traders are often compelled to borrow at usurious rates of interest because credit at concessional rates of interest is not readily available. This may be so in many cases, but what guarantee is there that credit at concessional rates will not be lent by the borrowers at higher rates of interest to the more needy industrialist or agriculturist?

Again, if one accepts Dr. Mitra's contention that eligibility for concessional rates should not be on the basis of the "smallness" of a loan, then how on earth can the nationalised banks even hope to improve their profitability? Already, there are reports that an uncontrolled increase in costs is eroding the profits of the nationalised banks. The profits were lower in 1970 than in 1969 and are stated to have gone down further in 1971. This is largely because of the indiscriminate opening of branches in rural areas and liberal advancing of loans to all and sundry without taking care, at the same time, to attract more deposits from the rural rich. This cannot go on if the nationalised banks are to function on sound principles. As Dr. Mitra has stated in his dissenting note, the question of whom to lend and at what rates should be left to the discretion of branch managers. The Reserve Bank or the Central Finance Ministry could confine itself to laying down the broad guidelines and see that there is no undue political interference in the day-to-day working of the nationalised banks. What is necessary is a change in the attitude of the banking sector to the needs of the weaker sections of society. This change cannot, however, be imposed upon the banks; it must come about

in a natural way, without dislocating the normal functioning of banks.

Addressing a meeting of the chief executives of banks in the public sector, the Central Finance Minister, Mr. Chavan, had stated in April that whatever might be the genuine needs of the small and weaker sectors of the economy, no rigid allocation of bank funds was possible. Once this is realised, then the whole talk of introducing a multi-tier schedule of interest rates becomes rather meaningless. If there is a surge in demand for loans at 1 per cent and 5 per cent, as it is bound to be if ever Dr. Mitra's ideas are accepted, how are the nationalised banks to meet the situation? Are they to say one fine morning that no more credit at concessional rates will be available because their kitties are empty or are they to ration out the avail-

able funds among competing claimants?

Unless the deposits with the banks are allowed to go up, through a deliberate policy of promoting savings, the nationalised banks may soon find that they cannot meet the demands for credit even to the same extent as at present. Politicians who cry hoarse on the need to make bank advances more easily available to the common man would do well to give some thought to this aspect of the problem and help the nationalised banks, more particularly their rural branches, in attracting deposits from small farmers and cultivators. To forget this more important aspect of a bank's rôle and harp only on credit liberalisation will do more harm than good to the country's banking system in the long run.

Exports: Ambitions and Constraints

THE Central Foreign Trade Ministry is not usually in the habit of sticking its neck out. When it does, one presumes it has valid reasons. When the export growth rate declined to 4.1 per cent in 1969-70—the first year of the Fourth Plan—from the 13 per cent rise achieved in the previous year, the morale in the Ministry also declined a bit. However, in 1970-71, the rate of growth improved and stood at 8.3 per cent. This, in turn, has encouraged the Ministry to "set a still more ambitious target for the growth of exports" in 1971-72. The "ambitious target" is 9.1 per cent, equivalent to a rise in exports from Rs. 1,530 crores in 1970-71 to Rs. 1,670 crores in the current year—an increase of Rs. 140 crores. There is nothing wrong in fixing a target. It helps to assess the country's achievement, or the lack of it. But a yearly target for the export growth rate is something new. An average annual growth rate of 7 per cent during the entire Plan period was what the Ministry has been emphasising—at least this was the stress laid in 1969-70 and the first half of 1970-71. Suddenly, however, the Ministry appears to have developed a fondness for a yearly target. The reason apparently for fixing "a still more ambitious target" is the "extremely satisfactory export performance" in 1970-71, according to a recent note prepared by the Ministry.

If one takes the average growth rate in exports in the first two years

of the current Plan period, it works out to 6.2 per cent, which is less than the average of 7 per cent envisaged in the Plan. Still the Central Foreign Trade Ministry is "extremely satisfied" with the export performance. No one would belittle the country's export achievement last year, but the point one wishes to emphasise is that undue optimism can soon degenerate into complacency. Only a week before the note was prepared, Mr. H. Lal, Secretary to the Ministry, gave some telling facts when he addressed the annual general meeting of the Trade Development Authority (T.D.A.). While Hongkong registered a growth rate of 16.8 per cent in 1969-70 in exports of manufactures to the developed world, Taiwan and South Korea did even better with 32.7 per cent and 65.1 per cent, respectively. India's growth rate for exports of manufactures as a whole for 1970-71 is not readily available; but judging from the commodity composition of exports during April-December last year, the best performance was that of engineering goods, which showed an 18 per cent increase over exports in the corresponding period in 1969. The gap between India's performance and that of small countries like South Korea and Taiwan can, therefore, be imagined.

In the light of the growth rate achieved by South Korea and Taiwan, the "ambitious target" of 9.1 per cent fixed for the current year is

really not ambitious at all. However, one has to see what is possible in India's current situation. From this point of view, one can appreciate the Government's difficulties, because as long as the Bangladesh issue remains unsettled, one cannot say anything certain about the political development in the coming months. If it worsens, essential raw materials—required by export-oriented units—particularly those in the engineering sector—will become scarcer. This can upset the Ministry's well-intentioned target for the current year. But short-term difficulties affecting exports can presumably be overcome by short-term measures. It is to long-term measures that the Government has to pay serious attention now. What the industry and trading circles may say, the Government might ignore, but not what an authority set up by the Government itself—the T.D.A.—says about meeting export targets from the end of the current Plan period. To quote from a paper prepared by the T.D.A.—which was of course strictly in relation to the operation of the generalised scheme of preferences to be introduced by the European Economic Community and Japan—"capacity will pose a major constraint towards export efforts from India during 1973-74. Accordingly, existing schemes for capacity expansion—particularly in the field of bolts, nuts, screws, cutlery, sewing machines, certain electrical equipment and components, automotive ancillaries, toys and sporting goods—must be expedited so that the required capacity matured by 1972-73. It must be mentioned that all the actions must start now."

The T.D.A. was talking only about products for whose exports it is providing a package service. But still, the point it has made about capacity restraints is equally true of a host of other industries. But when it comes to allowing capacity expansion, the Government becomes a prisoner of its own socialistic policies. Of course, the Government has gone on record as saying that in respect of export-oriented units, applications for industrial licences and other clearances would be accorded the highest priority. If this policy is implemented faithfully, it would be easy to achieve an export growth target more ambitious than the one of 9.1 per cent envisaged this year.

Another point emphasised by the T.D.A. study is product development. This is of utmost importance, the study says, because the majority of

products with a potential in the E.E.C. market would require product adaptation prior to being accepted in large quantities. For instance, radio broadcasting receivers with a modified circuitry and design would be more acceptable in the E.E.C. market. In the area of iron castings, product development is necessary for automotive castings, pump and diesel engine castings and castings for

machine tools. In the area of steel castings, product development appears essential for railway equipment castings. The T.D.A. adds that the need for product development is thus universal and, if necessary, the Government should get engineers from abroad in respective product areas to help Indian manufacturers draw up a product development programme along proper and meaningful lines.

I.R.C.I.: Nursing the Sick Units

THE Industrial Reconstruction Corporation of India, which has recently opened its doors for business at its Calcutta headquarters, cannot expect to have an easy time, particularly in view of the high hopes it has aroused in different quarters. With a fairly flexible budget and a competent staff, now being organised, the Corporation is not expected to face much initial difficulty in extending financial help and managerial advice to sick or closed units. And as long as the going is good—that is, the aided units manage to get back to their health and pay back the loans or assistance—it is all right. No agency can indefinitely finance industrial units—and more so those in difficulty—unless the funds are kept rolling. And here the initiative of the I.R.C.I. needs to be matched by the earnestness of the aid-takers. The Corporation, on its part, has to arrange strict follow-up measures to prevent any possible diversion of funds from their intended course. Side by side, it has to take steps to improve the managerial standard and to sort out the labour-management problems on which many units often flounder.

The need for industrial reconstruction is now being felt in varying degrees nearly all over the country. But it is in West Bengal that the problem has been particularly acute. About 280 units, with a labour force of 53,000, are now lying closed in the State. Of these, 185 units are believed to have been closed down for good in the past few years affecting 17,900 workers. Although the political situation has aggravated the economic difficulties of many of these West Bengal units, the condition in a number of industries elsewhere is not much better either. As many as 55 textile mills, many of them in the western region, remained closed in last April. New Delhi has also to extend financial help to Kerala's

Cashew Development Corporation to take over ten cashew factories closed down recently. In fact, as reports of more and more closures came in, the Government first thought of taking them over, but permanent locking of funds in this way soon created financial difficulties. And it was then that the idea of having a body like the I.R.C.I. was mooted. With its headquarters in Calcutta, the Corporation is expected to pay particular attention to West Bengal's problem units. Already it has received 60 applications for financial assistance, mostly from within the State, involving a total amount of Rs. 5.38 crores. Investments by public financial institutions in West Bengal have lately been coming down; the Life Insurance Corporation's investment thus declined from Rs. 11.95 crores in 1969-70 to Rs. 6.86 crores in 1970-71 (up to February 1971) and the Industrial Development Bank of India's loan disbursements from Rs. 7.14 crores to Rs. 3.40 crores in the corresponding period. With the inauguration of the I.R.C.I., which happens to be the first Central financial agency to be based in the eastern region, this painful tendency may be set right.

West Bengal, having borne the full brunt of extensive economic dislocation during the past few years, has already taken some initiatives in restoring its industry to its feet. By a recent Act, sick or distressed units can now secure assistance from banks or the Government. The State has also taken a step to make firms give 60 days' notice before declaration of closures. The relevant draft ordinance is now with the Centre, but New Delhi is believed to be thinking of having such a legislation on an all-India basis and not just for one State. Indeed, the efficacy of such a blanket legal step can only be limited, for closures are resorted to in circumstances differing from case

to case. Sometimes it is trade union activities, sometimes it is the inherent weakness of an industrial unit, sometimes it is the liquidation of working capital. The important thing is the determination on the part of the management and labour alike to put in their joint effort to face the contingencies. Unfortunately, this has not always been in evidence, and

more so in West Bengal which still gives India its two leading foreign exchange earners, nearly 20 per cent of the total textile output and about 11 per cent of paper production. And it is for the I.R.C.I. to prove that, given the necessary will and help, it is possible for the sick or closed units not only to survive but to prosper in the years to come.

No Fuss Over Foreign Aid

SUBJECT to ratification by the respective member-countries, external assistance to the tune of \$1,150 million—\$650 million in non-project aid and \$500 million in project aid—has been assured by the Aid-India Club for the current financial year. This has been the outcome of discussions held in Paris recently. Representing India, Dr. I. G. Patel, Economic Affairs Secretary, made it amply clear that unless conditions in Bangladesh reached normalcy, the heavy burden placed on India by the inflow of millions of refugees from that country would seriously impair her economy. It was also stressed that this single factor would result in a severe setback to her planning for economic growth. It is gratifying to note that the member-countries also accepted this viewpoint and agreed that relief for the refugees from Bangladesh was an international responsibility. They promised to help within their means which they emphasised would be "distinct" from the normal developmental assistance. The U.S. administration is expected to approach the Congress for non-project aid to India of about \$220 million out of the \$650 million. It is not yet clear what the United States would give as project aid out of the \$500 million, but it is expected that the administration would be approached for \$150 million more of non-project aid under concessional sales of food.

The ground for the meeting was prepared much earlier when the World Bank completed a survey of the Indian economy last December. The Bank had then attested to the improvement in the Indian economy during the last three years. National income rose by 5 per cent in real terms in 1969-70. Food production has increased, the foundation for an effective population control programme has been laid and industrial production and exports have moved up. The report said that, in fact,

India concluded the decade with a favourable and extended period of economic improvement. In view of what the World Bank had said, there was, therefore, no difficulty for the member-countries to accept India's plea. While the Netherlands made a firm commitment of 50 million guilders, which is 10 million more than last year, Japan has indicated to commit project aid of \$45 million. As for Britain, the total aid this year is expected to be £54.5 million, including £7.5 million towards debt relief. Last year, Britain's contribution was £45 million which did not include debt relief. The total non-project aid of \$650 million this year includes a provision of about \$90 million for debt relief arrangements.

All this will have to be viewed in the context of the declining trend in the volume of external assistance. Fresh aid commitments, including debt relief and unutilised aid commitments of earlier years, amounted to Rs. 2,484 crores in 1970-71, which was Rs. 257 crores less than in the previous year. New commitments, which had risen to Rs. 831 crores in 1969-70 after declining in the two previous years, amounted to only Rs. 612 crores in 1970-71. The availability of external credit has been affected adversely over the past few years because fresh commitments have lagged behind even the declining levels of utilisation of assistance. As a result, the quantum of unutilised aid has been shrinking steadily. During recent years, as has been made amply clear by the *Economic Survey* presented to Parliament on the eve of the Central Budget, the net inflow of foreign credit has been falling even faster than utilisation of external assistance, for, along with lower rates of credit utilisation, debt service payments have been steadily increasing. Interest payments on external debt and its amortisation, which together amounted to only Rs.

143 crores in post-devaluation rupees during 1961-62, had more than doubled in 1967-68. Debt service charges too have been rising. It was Rs. 333 crores in 1967-68 while it rose to Rs. 435 crores by 1970-71.

In effect, the actual contribution of external assistance to the financing of development is steadily going down and is tending to become a "marginal adjunct" to the domestic savings effort. This can be understood from the fact that while during the Second and Third Plan periods, the net inflow of external finance was about one-fifth of the investment outlays, during the Fourth Plan period, the net inflow of external resources is estimated to meet only 8 per cent of aggregate investment expenditures in the economy. It should also be noted that in the coming years, debt servicing will continue to absorb a good part of foreign exchange resources. During 1971-72, debt service charges are estimated to reach the high level of \$610 million. This substantial burden is due to the comparatively hard terms of both interest rates and maturity periods attaching to a considerable part of the foreign debt contracted during the Second Plan and earlier years of the Third Plan. It is also a fact that already debt servicing absorbs nearly 30 per cent of the country's export earnings. It is estimated that in the Fourth Plan period, debt servicing will claim 27.5 per cent of export earnings. What will, therefore, happen when exports fall short of the Plan targets can easily be imagined. There is thus a strong case for debt relief and the softening of aid terms.

It is hardly necessary to overemphasise the fact that ultimately the usefulness of foreign credits is governed as much by the forms under which they are extended as by the terms and conditions attaching to them. During the last 20 years, there has been a diversification of industrial capacity in India. The country is now importing more of raw materials, components and spares rather than machinery and equipment. Much larger imports of such inputs have now become essential in order to secure a greater degree of competition in the industrial sector. It is for this reason that the Government of India is keen that external assistance should be forthcoming in an increasing proportion in the form of non-project assistance for effective growth and development. This is not

to say that project assistance is not needed, but optimum use could be made if the share of the non-project lending in foreign aid increases. The tragedy is that fresh non-project lending has been on the decline while new project credit authorisations, which are no doubt at a low level, are slowly rising. The need for a balance between the two can scarcely be overemphasised.

Another point to be remembered is that in 1970-71, firm aid commitments of the consortium countries amounted to only \$815 million against the original indication of

Inflation and Interest Rates

NOT all the countries that have reduced their Bank rate have meekly followed the American trend: some have used this monetary instrument for the same purpose as the United States has used it—to reanimate their economy. The conspicuous exceptions are West Germany, whose economy has required no stimulation, and Britain, whose economy has been allowed to languish while the Government has grappled with inflation. These countries have tried to establish interest rates that they deem suitable for their conditions, against an American-led trend towards much lower levels. The conflict of policies has produced bewildering results, but it has clarified the problems involved in using interest rates for economic regulation. Criticism has been focussed on the United States and Britain, and each has blamed the other. The essential criticism is the same in both cases: that they have ignored the international consequences of policies that suit their own purposes. Inflation and slow growth (or non-growth) were problems of both countries. In Britain, credit policy was aimed against inflation; in the U.S.A.—despite the additional problem of a heavy payments deficit—it was used to stimulate growth. The American policy made inflation-control in the United Kingdom more difficult; the British policy weakened the dollar. Acting in harmony, they might have established a compromise that would have been more comfortable for both countries—and certainly for others. But their political circumstances were different. The Nixon administration, with a presidential election in prospect, wanted quick results; the Heath administration, with more

\$1,100 million. Debt servicing took away \$580 million, leaving just \$235 million of net aid during the year. It would, therefore, be desirable to ensure that there is no gap in the current year between assurance and actual disbursement. Unless the entire \$1,150 million offered at the Paris meeting is forthcoming, the net aid in the current financial year may turn out to be even smaller because debt servicing in 1971-72 is expected to be several million dollars more than last year. The terms also must be made much easier to prevent an aggravation of the cost of debt servicing.

time at its disposal, could defer growth.

National deviations from the world trend of interest rates are not unusual, and British rates, in particular, have often moved independently because Britain has been prone to weakness in the balance of payments and the pound has needed support. But the deviation of 1970-71 has been unusual in that the balance of payments has been strong (last year's was the biggest on record) and high interest rates have been maintained only for domestic reasons. While relaxation of monetary restraints in the U.S.A.—likewise for domestic reasons—has been duly reflected in Eurodollar rates (which are specially significant in differentials with sterling rates), the British authorities have maintained tight controls on credit and high interest rates to make them effective. Weeks, or months, before the last Budget, it was obvious that the practice of this policy had become too complex, and that the policy needed adjustment. While relatively low Eurodollar rates attracted a mass of foreign borrowing by British companies—so that, early this year, the authorities had to prohibit foreign borrowing for terms of less than five years—relatively high sterling rates attracted a mass of foreign money into Britain. Thus, control of the money supply was complicated by the high interest rates that were supposed to facilitate it.

A few months ago, there was anxious talk of "a liquidity crisis" in Britain in the first quarter of this year, when tax payments would reach

their seasonal peak in conditions of severely restricted credit. In the event, because foreign money flowed into the banking system at a rate of hundreds of millions of pounds a month, the banks' liquidity ratios rose far above the permitted minimum of 28 per cent, to figures in the mid-thirties. In the first half of the financial year (April-September 1970) the banks used nearly all of the permitted facility for increasing lending—by 5 per cent in the whole financial year; but in the last months of this financial year, they had a comfortable reserve of this facility. There was no general "liquidity crisis" (although the liquidity of particular companies was critical); the controls on bank credit were virtually inoperative. The authorities absorbed "surplus" liquid resources by massive operations in the gilt-edged market. The market was able and willing to accept a huge aggregate of new Government stock: able because foreign funds provided abundant resources, willing because it believed that the authorities would reduce inflation to a level where "historically" high fixed-interest yields would be rewarding in real terms. From the authorities' viewpoint, the sales of stock served a dual purpose: controlling the money supply and preventing interest rates from declining.

But such a policy produces, eventually, a precarious situation. Britain's balance of payments and, therefore, the world's faith in sterling are notoriously variable. Basic trends indicate a deterioration in the payments account this year, and if confidence in sterling weakened to the point where the benefits of interest-rate differentials were offset by the cost of forward covering of commitments, the mass of foreign funds might flow in the reverse direction. The belief that inflation will "decelerate" is based not on confidence in the monetary policy on which the authorities have relied but on the idea that the rise in personal incomes will be effectively restrained—which is, by no means proved. So it is easy to imagine circumstances in which Government stock would be offered on a huge scale, not by the authorities but by private and institutional investors who had bought it. The authorities would then be confronted with embarrassing alternatives: to pour money into the private sector in the process of supporting a market that had been the main element in its control system or to be passive while that market

became demoralised. They could not retain control of both interest rates and the money supply, and they might lose control of both.

Britain's Chancellor of the Exchequer, Mr. Anthony Barber, stated early this year: "We should seek to avoid any substantial encashment of gilt-edged stock by the public as a whole". He might be more lenient if

an outflow of foreign funds made a material difference to the money supply while interest rates moved yet higher, but in any event he could not claim that interest rates had proved satisfactory as an instrument for controlling inflation. The American authorities, in turn, may recognise this year that they have used this instrument unwisely for stimulating growth.

CURRENT COMMENT

INDIAN AIRLINES

Rise in Fares

Indian Airlines has announced an upward revision in its fares on domestic routes from 1st July. The fares will go up by 15 per cent on all routes excepting the eastern region where the rise will be 7 per cent. The increase in fares, according to I.A., has become inescapable in view of the mounting cost of operations. Following the hijack, the insurance rates went up steeply and on account of the cost of such increased rates as well as the desirability of taking insurance cover against hijack risks, the premium payable has increased by approximately Rs. 1 crore a year. Over the last two years, costs of both indigenous and imported items have generally gone up by about 20 per cent. In the case of imported items, mainly aircraft, spares and engineering equipment, along with the increase in prices abroad, the quantum of Customs duty and insurance rates automatically go up.

The fresh levies announced in the recent Budget proposals and the increase in the price of aviation fuel are estimated to cost the Corporation another Rs. 1.25 crores a year. Indian Airlines recently concluded an agreement with one of the unions which is expected to cost it Rs. 1.07 crores in 1969-70, Rs. 1.12 crores in 1970-71 and Rs. 1.54 crores in 1971-72. Although agreements with other categories of employees have not yet been finalised, they are expected to contribute to the increase in wage bill to the tune of about Rs. 2.5 crores or Rs. 3.0 crores. Indian Airlines is further affected by the rerouting of flights in the eastern region to avoid flying over Bangladesh following the hijack. The flight from Calcutta to Agartala and back, for instance, now takes 7½ hours instead of two hours as in the past. In view of the

longer time taken on this sector, the airlines has been obliged to curtail its normal three services to one, thus losing a good deal of revenue. On the other hand, longer flights result in increased fuel and other direct operating costs while revenue from the flight remains the same as before. This has resulted in an additional loss at a rate of over Rs. 2 crores a year. All this has led Indian Airlines to revise its fares which will yield an extra revenue of about Rs. 6 crores in the current year. In spite of this rise, I.A. claims that the new tariff compares very favourably with the domestic fare structure in other countries.

INDIA-NEPAL

Results of Talks

The Prime Minister, Mrs. Indira Gandhi's talks with King Mahendra have paved the way for a fresh Indo-Nepal treaty on trade and transit replacing the one that lapsed in October last. Although several rounds of talks were held before and after the lapse of the agreement, a stalemate was reached when Nepal insisted on a separate transit treaty. Kathmandu was also demanding a direct overland access to Pakistan through Radhikapur. The talks between Mrs. Gandhi and King Mahendra, carried on in a "spirit of friendship and mutual accommodation", virtually ended the stalemate. Even though the old treaty had lapsed in October last, India continued to give Nepal certain facilities. The absence of a full-fledged trade treaty has harmed Nepal more than India. Almost all facilities Kathmandu asked for at Calcutta port for the import and export of goods, India has been willing to extend. But Nepal insisted on unhampered transit of goods between herself and third countries through Radhikapur on the West

Bengal-East Bengal border. This India could not accept as she rightly feared that third countries might utilise the free border to export their commodities to this country without paying customs duties.

Nepal this time did not persist in its demand for a direct overland access to Pakistan through Radhikapur. This has become irrelevant in view of the disturbed conditions there. India has reiterated her assurance to Nepal to give increased facilities to carry on trade with third countries through Calcutta port. Now that the ice has been broken, clear indications are there that a fresh treaty is likely to be signed soon. Talks for this purpose will be held in Kathmandu next month. Another issue of dispute is the deflection of Nepal's imported goods to the Indian market, including stainless steel utensil. In the new spirit of accommodation, Kathmandu, it appears, has come round to accept the view that none of its demands advanced the kingdom's national interest in any vital respect. The industries based on imported raw materials or deflection of Nepal's imports to the Indian market did not help the kingdom financially or in making a breakthrough in industry.

PUNJAB

President's Rule Again

Yet another State Government has fallen and this time in Punjab where the Governor, Mr. D. C. Pavate, took the extreme step of dissolving the Assembly without giving a chance to any other political party to form an alternative Government. The Akali Party, under the leadership of Mr. P. S. Badal, was at the helm of affairs but in the last few weeks dissensions took place within the ranks of the Party which made it obvious that Mr. Badal would not be able to run the Government any longer. The State Assembly was to meet on 14th June and since Mr. Badal was quite certain that he had lost the support of a sizable section of his own Party, he met the Governor and advised him to dissolve the Assembly. The Governor did not give any indication to any other political leader as to what he was proposing to do. He too was certain that Mr. Badal would not be able to secure the confidence of the Assembly. He quietly announced the acceptance of the advice of the Chief Minister and dissolved the Assembly. He, however, requested

Mr. Badal to continue as the Chief Minister of a caretaker Government till alternative arrangements were not made. Soon after, in his report to the President he said that there was a constitutional breakdown in the State and recommended that it should come under President's rule.

While the decision of the Governor was hailed by a number of political parties in the State, including the Jana Sangh, the C.P.I. and the P.S.P., it was bitterly criticised by the Requisitionist Congress. The Central Parliamentary Board of the ruling Congress had one week earlier met in Delhi and decided that every effort should be made to pull down the Badal Ministry and form a new Government either by itself or with the support of any other political group which was willing to lend its co-operation. The General Secretary of the Party, Dr. S. D. Sharma, made an air-dash to Chandigarh obviously to implement the plan of the Parliamentary Board. Naturally, when the Governor took a drastic step which closed all doors for the formation of an alternative Government, the most aggrieved Party was the ruling Congress. Dr. Sharma questioned the constitutional propriety of the Governor in dissolving the Assembly on two counts. His first contention was that when a party in power lost its majority, the Governor should explore the possibility of installing another popular Ministry. This was not done in this case. His second argument was that the Governor was not bound to accept the advice of a Chief Minister who was known to have lost his majority in the Assembly. Mr. Pavate, on the other hand, obliged Mr. Badal with the full knowledge that the Chief Minister had lost the confidence of the House.

Both arguments look plausible, but a deeper study of the political situation clearly shows that what the Governor had done was unassailable. As Mr. Pavate has said in his report to the President, the ruling Congress was only trying to encourage defections from the Akali Dal in an unprincipled manner and such defections would have an adverse impact on the political situation in the State. It is difficult to disagree with the Governor's reading of the situation. There could have been no better alternative than the imposition of President's rule in Punjab in the existing political circumstances.

E.E.P.C.

Cell for Small Exporters

With a view to utilising the capacity, talent and resources of small-scale units in the field of export, the Engineering Export Promotion Council has created a separate cell. This was stated by Mr. Raunaq Singh, chairman of the Engineering Export Promotion Council, in the course of his recent visit to Calcutta. The cell, headed by a senior officer with necessary secretarial assistance, will be charged with the responsibility of servicing the manufacturers and exporters in the small-scale sector. The representatives of small-scale units headed by Mr. S. K. Chowdhary of the Federation of Association of Small-Scale Industries, who met the chairman, welcomed the decision taken by him and assured him of fullest support in identifying the products and the units in the sector. They hoped that the cell would help in promoting the export of the small-scale units.

FREIGHT HIKE

E.I.S.A.'s Worry

Mr. G. V. Swaika, president of the Eastern India Shippers Association, has expressed grave concern over the 15 per cent freight increase effected by the India/U.K. Conferences from 1st June, 1971. Certain agreements in principle had been reached at the last meeting which the All India Shippers' Council had had with representatives of the India/Pakistan/U.K./Continental Conferences in New Delhi in April last but it now appears that the Conferences have gone back on their promises. The decision of the Conferences unilaterally to increase shipping freight on certain important trade routes would severely affect exports from eastern India. In the opinion of Mr. Swaika, the concessions so far announced by the Conferences are meagre and will benefit only a fraction of India's exports to the U.K. and the Continent. The delegation of the Government of India, which is now in London, should make every effort to persuade the Conferences to defer the freight increase till discussions on the subject are not concluded and an agreement not arrived at. It is, however, a difficult task since the Conferences' attitude hitherto has been far from co-operative. In that event, Mr. Swaika feels, the Government should take suitable

steps to safeguard the country's interests.

ACCOUNTANCY

Seminar Proceedings

At a seminar on management accounting held recently in Calcutta, Mr. N. K. Roy, director of Britannia Biscuit Co. Ltd, stressed the importance of accounting in management for taking correct decisions. India was poised for rapid industrial growth which could not be possible unless entrepreneurs minimised unit cost of products and services and maximised total profits. Dr. P. Chattopadhyaya, Director of Research, Institute of Cost and Works Accountants of India, described the difficulties experienced by management accountants in implementing decisions because of inter-disciplinary conflict. Mr. N. K. Bose, Management Accounting Adviser, Macneill and Barry Ltd, and Mr. Shyamal Banerjee, Chief Marketing Manager, Fertiliser Corporation of India, emphasised the need for management accountancy services to industry in a developing country like India.

FOOD

Another British Aid

By an agreement signed recently in New Delhi, Britain is giving India a grant of £500,000 (Rs. 90 lakhs) for the purchase of wheat, grain or flour during the harvest year 1970-71. Sir Terence Garvey, British High Commissioner, and Mr. A. T. Bambawale, Joint Secretary, Central Ministry of Finance, signed the agreement. This is the third year in which such grants have been made by Britain to India. The present grant fulfils part of the obligation which the U.K. accepted under the terms of the Food Aid Convention which came into effect in 1968. Under this convention, it agreed to provide 225,000 tonnes of grain or the cash equivalent each year for three years as assistance to developing countries. This is in addition to the financial aid and technical assistance which the U.K. makes available to India every year.

WAGON BUILDERS

Need for Diversification

Addressing the annual meeting of the Railway Wagons and Components Division of the Indian Engineering Association held in Calcutta last week, Mr. R. Subramaniam, the outgoing

chairman, indicated that despite the present limitations, there was scope for product diversification in the wagon-building industry. Freight containers, pallets and Lash barges, among others, could be manufactured by the wagon builders. Palletisation would result in (a) increased cargo handling productivity and (b) reduction in a ship's unproductive time at the port; containerisation would exploit the ultimate principles of the unitised load system to provide faster, safer and more economic transport and delivery of goods. In his opinion, the ultimate long-term solution to the industry's problem lay in its freeing itself from its present dependence on the Railway Board's orders for wagons.

Mr. S. S. Sidhu, Iron and Steel Controller, thought it unfortunate that production of steel in India had not kept pace with the rapid growth of the steel industry all over the world and at the moment, there was a widening gap between its availability and demand. Referring to the steel shortage facing the wagon-building industry, he stated that the Government was aware of the scarcity of matching sections. It would facilitate matters if requirements of the whole year could be reasonably foreseen to enable the distributing machinery to chalk out a properly phased programme. Stan-

dardisation in respect of design of various items would also be helpful.

STEEL

Prospects of Mini Plants

While the optimum plant size in the steel industry today is regarded as being above, rather than below, 6 million tons of crude steel a year, steel producers of substantially smaller capacity (200,000 tons to 300,000 tons) are still capable of competing successfully in the steel market, according to a newsletter of the Press Bureau of German Industry. The secret of success of the mini steelworks is that they skillfully select their location and operate on modern lines. They must be situated so as to ensure low freight rates for the incoming raw materials and the outgoing products and be close enough to a power plant.

These small and medium-sized steelworks mainly use electric arc furnaces. The tap-to-tap times have been considerably reduced and today are less than three hours a heat. In addition, process control can be automatically performed with high accuracy and matched to the supply capacities of the electric steelworks. However, the continuously rising price of scrap in the world market is a problem for

these steelworks. Should this upward trend continue, they would have to use sponge iron to an increasing extent as an alternative. In the long run, the conversion of sponge iron will not cost more than the conversion of scrap into steel. And India is in an extremely advantageous position to introduce sponge iron plants because of its large deposits of high quality iron ore.

CENTRAL BUDGET

Inflationary Potential

In a memorandum submitted to the Central Ministry of Finance on the Budget proposals, the committee of the Indian Merchants' Chamber observes that instead of maintaining vigilance on the implementation of developmental projects and pruning the mounting non-development expenditure, which has reached the staggering figure of Rs. 3,037 crores, the Government has succumbed to the temptation of resorting to excessive deficit financing. This step, together with Rs. 260 crores of States' overdrafts, will unleash further inflationary pressures. Addition to excise imposts, which have shot from Rs. 416 crores in 1960-61 to Rs. 1,805 crores in 1970-71, will result in a cost-push inflation. This will erode the existing standards of living, accelerate the wage-price spiral and render development efforts infructuous and the goal of social justice elusive. The euthanasia of the middle and poor classes through price rise and increased taxation does not augur well for the country's economic development.

MONEY MARKET

Call Rate Steady

The short-term money market has been steady this past week. The call rate has been quoted at 4½ per cent. The demand for remittances has been moderate. The supply of gunny bills has been nominal while that of tea bills has been fair. The pound-sterling has been steady against most major foreign currencies during the week.

The latest statement of scheduled commercial banks for the week ended 4th June, 1971, shows a rise of Rs. 21.28 crores to Rs. 4,757.59 crores in advances, compared with the previous week. Deposits have increased by Rs. 51.74 crores to Rs. 6,570.89 crores. Banks have raised their borrowings from the Reserve Bank by Rs. 7.97 crores to Rs. 139.28 crores and their investments by Rs. 1.52 crores to Rs. 1,366.25 crores.

A Ditcher's Diary

AN INVITATION FROM THE P.I.B. TO attend last week's Economic Editors' Conference in New Delhi created a sneaking suspicion in my mind initially that the capital's committed bureaucracy would leave no stone unturned to utilise the occasion for a brain-washing of the not-so-committed financial journalists who had gulped New Delhi's bait. But why on earth is the annual jamboree called the "Economic Editors' Conference"? Is it because New Delhi feels that we are much too economic to our proprietors or is it because we are economical in habits? Or was it that the P.I.B. was unable to make up its mind in calling it an "Economics Editors' Conference" because many belonging to the same fraternity as mine may or may not have an Economics background? That the programme would be both tough and tight was only to be expected, and I had an unavoidable feeling that Mrs. Gandhi's Cabinet colleagues were willy-nilly bent on extorting our economic wisdom on various issues affecting Government policies. I dare say Mr. Chavan had more than a fair share of our suggestions, and he did politely say that some of them would be kept in mind while preparing future policies. The new Central Minister for Industrial Development, Mr. Moinul Haque Chowdhury, appeared to be equally dynamic as his predecessor but chose to be discreet in view of the confusion concerning definitions created by the Dutt Committee in the matter of industrial licensing. Isn't a revision of

the Industrial Policy Resolution overdue when the country's industrial landscape had undergone a remarkable change in the last 15 years or so? The Minister agreed, but he was not so sure when his secretariat would be able to produce the revised document. The Minister for Company Affairs, Mr. Raghunath Reddy, on the other hand, gave the impression of perpetually fighting the phantoms of monopoly and concentration of economic power under Party dictates and humorously compared himself with an inadequately armed *chowkidar* in the Chambal valley. After its recent devaluation, the Planning Commission seems to have been revalued on ministerial whims because of the notification issued a few days ago to include it in the Prime Minister's secretariat. But how come that the Planning Ministry is still groping in the dark in many matters? The Central Labour Minister delivered a sermon to editors to be committed to the cause of labour, but he was not so sure when it was pointed out that the Government's labour legislation itself left a lot of loopholes which allowed the unscrupulous entrepreneurs to exploit poor workers. I am far from convinced that New Delhi is a paradise while Calcutta is in a shambles. How is it that the coin shortage continues right in the heart of the capital? Or is it that new capitalists in New Delhi do not care much for change these days? Or could it be that because of the steady erosion in their values, people in Delhi are reluctant to handle small coins? I,

for one, was not amazed to hear, therefore, of the demand for the demonetisation of currency at last week's Economic (sic) Editors' Conference. Incidentally, is the P.I.B. thinking of issuing a report on the conference proceedings as it readily does in covering ministerial speeches?

IS THERE GOING TO BE ANOTHER Tashkent? The Prime Minister has not said so; but she did say at Srinagar on Sunday that the butchery in Bangladesh must be stopped before a summit conference on the issues arising from the East Bengal events was convened. This seemed a broad enough hint that the idea of a summit had at least been mentioned, possibly by one of the Governments sounded personally by Mr. Swaran Singh. None of the Big Powers would like India to go to war with Pakistan; and if a war did break out both the U.S.A. and Russia would put pressure on New Delhi and Islamabad to stop the hostilities and seek a political settlement. A summit now would be different from Tashkent in one important respect: it would be designed to remove the potential for an armed conflict instead of being held after the outbreak of hostilities. Also, a settlement now would have to be primarily between West Pakistan and East Bengal and only consequentially between New Delhi and Islamabad. If any of the Big Powers has begun actively to work for such a settlement, it is some advance on their strange indifference for weeks after the military crackdown on the restive millions of East Bengal three months

RAISING NEW TAXES

A CORRESPONDENT writes in Current Coin: *The Times* of 29th May has an article on the proposed reduction of military expenditure in India. The question put by Mr. Gokhale in Council and replied to reservedly by Sir Guy Fleetwood Wilson appears to have drawn from Lord Morley an utterance favouring the former suggestion. While dissenting from any proposal to weaken the Government or lessen the security of India, *The Times* seems to attribute the call for greater economy to the prospect of a vanishing opium revenue and the difficulty of raising new taxes or increasing old ones in substitution. No allowance appears to have been made

by anyone for the increased revenue which the income-tax receipts should be bringing in, if they are being honestly paid and collected. Judging from the increasing imports of gold, wealth must be increasing rapidly in India, and it may be questioned whether those who can best afford to contribute their proportion to the revenue of the country actually do so. I think that the commercial community's attitude towards a proposal to reduce the military expenditure should be very wakeful to see that security is not strained in favour of economy, for security is credit, and India cannot afford to lose any of its credit.

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ago. At least a little change is unmistakable; both Washington and Moscow seem to have made it clear that they would like Islamabad to seek a settlement. Moscow is reportedly also anxious to see that the settlement is genuine and not a shady deal with a few puppets in Dacca; the Canadians have explicitly stated that the settlement must be one "in which those individuals who have been elected during the recent elections in Pakistan are allowed to govern Pakistan, particularly East Pakistan". This is important; the strife can end only if Sheikh Mujibur Rahman and his colleagues are allowed to work out the destiny of their land. Whether the Awami League will want to ensure wider popular participation in this exercise by forming a more broad-based Government is not a question for any external force to decide; the first step in the restoration of popular rule must be to give the Sheikh and his followers what is clearly their due on the basis of the electoral verdict. But can Islamabad, even at this late stage, be made to see reason? It may already be too late, even though the economic pressures have increased. What kind of political settlement can be reached after nearly all the recognised political leaders of East Bengal have been killed or driven out? And the pogrom, claiming the lives of at least the freedom of all people in a position to assume leadership, continues with unabated savagery.

THERE HAS SCARCELY BEEN a sornier political group in this country than the assorted socialists; and I have never been able to make up my mind on whether this melancholy state has something to do with the vagueness, and hence the inherent vulnerability, of the concept of democratic socialism. My memory is not good enough for me to recall the exact sequence of the divisions, unions and further divisions of various socialist factions; but the developments I recall merely confirm my suspicion, that the socialists—whatever their party label—have almost always been in search of a political purpose. Except, of course, when all their time and energy have been expended on the promotion of individual and factional ends. From time to time common political misfortunes have induced chastened reflection on the need for unity; but the bitterness of defeat can also divide. Think of the post-electoral scene in 1952. The Socialist Party, which had inherited

CAPITAL, 24th JUNE, 1971

most of Congress socialism, was routed; seeking a refuge in Acharya Kripalani's K.M.P.P., it became the Praja Socialist Party; but only to be taken apart by Dr. Lohia who re-established the Socialist Party. Ten years later was born the S.S.P., again with Dr. Lohia's blessings; but fairly soon this Party too came apart. In relatively recent years, we have been familiar with the anti-Congress S.S.P. and the not-so-anti-Congress P.S.P., neither of which crowned itself with glory in the elections last March. So there is again a move for unity, which seems already to have had a promising measure of success; indeed, it was reported on Monday that even the Indian Socialist Party would join in and that, more important, Mr. Raj Narain, who remains a redoubtable force in U.P. in spite of Rae Bareilly, was not opposed to the merger on any basic issue. I welcome this union and sincerely wish it well. But I hope I shall be forgiven if I remain a little sceptical nonetheless. If political parties in this part of the world go on proliferating by division and sub-division, it is not because policy differences are irreconcilable. Parties split and new parties are born because of competing, and hence contending, personal ambitions; for the larger the number of parties, the larger the number of "leaders". Think of the blackmailing power that the leader of even a small splinter group can wield when the major parties are more or less evenly balanced in strength.

ONE OF THE MORE PUZZLING FACTS about the academic scene in Britain

during the past decade has been the overwhelming preference of aspiring students for the newer universities. More opportunities to be permissive you may say. Broadly, that probably is the explanation, although using the word in its wider sense to include the approach to academic studies as well as personal morals. But that Oxbridge still represents the "establishment" among British universities comes through clearly in a survey of academics, their lives and background, published recently by an Oxford professor and one from the University of California. More than half the overall sample used were found to have come from grammar schools and only 21 from public schools. Among Oxbridge dons, however, the proportion from public schools was as high as 45 per cent, and their outlook and tastes were accordingly more traditional and conservative. Interestingly enough, although Britain's students no longer yearn for Oxbridge, their academics most certainly do, whether they are from grammar schools or otherwise.

THANK GOD, NOT MUCH HAS BEEN heard about progress in the formation of armed resistance groups in West Bengal since news of the brain-wave was communicated to the Press by a State Government spokesman about a week ago. I was glad to see that a leading newspaper immediately commented that a Government capable of thinking on such lines had no business to be in office. No sane Government could have seriously considered introducing such a plan as initially reported; but West

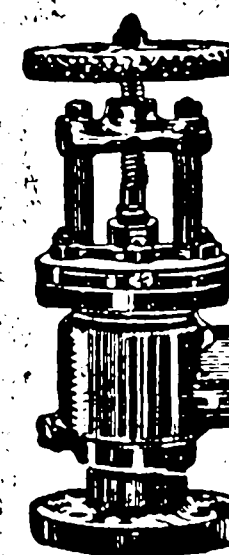
Bengal's Democratic Coalition may have lost some of its sanity after its dismal failure to improve the state of law and order. It cannot plead an insufficiency of legislative provisions to deal with lawlessness; and its plea for more funds to strengthen the police force would have been viewed by the public with greater sympathy if it had been able to demonstrate that the existing resources had been utilised as effectively as possible. I am not questioning the Government's intentions; for its own reputation, and consequently for its own political survival, it must be anxious to bring the situation under control. But one cannot but doubt its ability to do so; and now it is reportedly planning to compound its incompetence by schemes which would be administratively messy and politically dubious. It is difficult to expect any improvement when the political cohesion of the coalition is itself under a fairly serious threat. But what is the alternative? President's rule? That could be imposed only if the Government fell or resigned and no viable political alternative was in sight. This is not impossible; but the past record of President's rule does not immediately inspire much hope. Things could be better next time; but there will be no magical solution. There is talk of an emergency; but the declaration of an emergency would not automatically change either the administration or the problems it must contend with. What will make a difference is a more purposeful and efficient administration, irrespective of whether an emergency is formally declared or not.

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MANAGEMENT

Cost-consciousness: A Key to Higher Profitability

By P. Chattopadhyay

Director of Research,
Institute of Cost and Works
Accountants of India

Cost-consciousness holds the key to whether economic development will prove to be ultimately beneficial to those for whom it is intended. But awareness about cost to the required degree is yet to develop in most units.

IN the context of a rapid transition from the state of an under-developed economy to a developed one, massive investments, large-scale employment, continuous inflow of different types of goods into the market and a wider distribution of purchasing power are some of the concomitants that one notices in India. The cost of economic development, however, has a tendency to out-reach the legitimate limits un-

less it is consciously kept low. Indeed, cost-consciousness holds the key to whether economic development will be ultimately beneficial to those for whom it is intended and whether wastes and leakages of different kinds are kept to a minimum by deliberate efforts. Many critics hold that the cost of economic development in India has been higher than what it should have been had the national "cost centres" been more conscious about it all.

At the level of enterprises where goods of different kinds are produced, corresponding to different scales of priority given to them, cost-consciousness has got to be a sensitive tool for purposeful direction of pro-

ductive effort towards the maximum utilisation of the scarce resources available. During the period covered by the Five Year Plans, large-scale investments have poured into the organised sector in different forms. Critics have made the point that if utilisation of the resources could be made more efficient, the country could have done with much less doses of investment than what have really gone into the economy. What is more, cost-consciousness has remained at a low ebb in conditions where the industrial sector has shown signs of mushroom growth. This is true of both the private and public sectors and of different forms of organisations.

The Corporate Sector

Even in the corporate sector in India, which is generally supposed to be much more organised, the picture is generally no different from what is noticed in the non-corporate organisations. Generally speaking, the average per unit capital in the corporate sector has been small, indicating that the sector has not been able to reap the economies of scale to any considerable extent. That the per unit capital is small is borne out by the fact that the Reserve Bank of India's sample of 1,501 companies covers more than 70 per cent of the paid-up capital of non-financial, non-banking public limited companies numbering over 6,000. In the case of private limited companies, the Reserve Bank sample of 501 companies covers more than 30 per cent of the total paid-up capital of such companies in industrial and commercial fields. And there are more than 22,000 private limited companies in this country. In this context, Mr. N. Dandekar's pointer in Parliament that only about 15 per cent of Indian companies have some sort of costing system in vogue has much more than superficial significance.

A practical manifestation of the degree of cost-consciousness is the costing system in operation in enterprises engaged in different lines of activities. In this country, the organised opposition to the introduction of cost audit under Section 233B of the Indian Companies Act attests to the prevailing indifference to cost reduction and cost control. The idea perhaps is that, since during a period of rapid economic transition, the major emphasis is on production, the economies attending to such production can be ignored as long as



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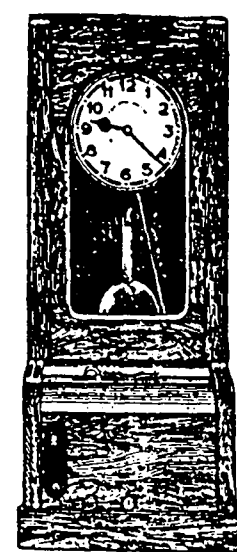
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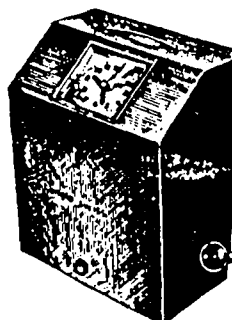
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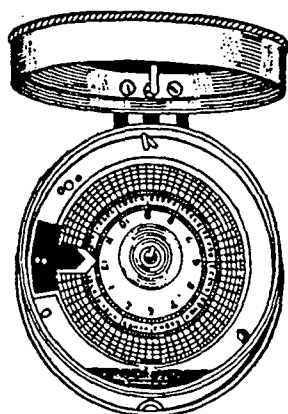
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the market bears whatever price the sellers demand. That this, as a philosophy, is sustainable only in the very short run has been proved by the history of economic development in the industrially advanced countries.

Particularly in the case of the U.K., a recent survey has revealed that the switch-over from insulated conditions to those of keen competition has been very sudden and without any previous warning. In India, it is widely believed in industrial circles that the economy still operates in insulated conditions. That this condition has changed substantially during the recent years is borne out by the competitiveness that one notices in textiles and other consumer industries, such as soaps and detergents, electrical goods and appliances, ready-made garments, chemicals, machine tools, bicycles and automobile ancillaries.

Cost Reduction

In a competitive economy, cost reduction and cost control are of prime importance. Every avenue is explored to effect such a reduction, on the one hand, by raising the productivity of factor inputs, controlling wastes and reducing spoilage and, on the other, by introducing modern management techniques like budgetary control, standard costing, operation research and value analysis. However, while modern management techniques are in a position to indicate sensitively the direction of costs over a period of time and at a point of time, the uncontrollable items are also required to be highlighted, so that it is possible nationally to adopt policies to help enterprises to reduce costs. This is important in the context of both domestic sales and exports.

Among the uncontrollable items which require a mention here are the different indirect taxes levied at different stages of production and distribution by different authorities, from the village organisations or municipal bodies to the Central Government. Betterment levies, cesses, octroi, road taxes, tolls, sales tax, excise duty and customs duty levied by the Centre and the States together make a big list when one considers that the same tax may be imposed at different rates in different areas within the same States or in different States. The rates apart, the variety of indirect taxes is a matter to be reckoned with.

This scribe had an occasion to study privately the approximate incidence of such taxes, as they existed in 1966 after the rupee devaluation, on some 11 manufactured items. It was found that among the traditional manufactured items, such as jute goods, cotton textiles and tea, the incidence ranged from 21 per cent to 33 per cent of the total cost, excluding export duty. In the case of sugar, it was between 25 per cent and 31 per cent. In the case of bicycles and electrical motors of some descriptions, the incidence varied from 30 per cent to 40 per cent depending on whether the parts and components were manufactured within the enterprise or bought from outside, whether such purchases were from other States, and whether the concerned imported materials were attracting Customs duty on the main items as well as on auxiliary materials. In this context, one may also refer to a study made by the National Council of Applied Economic Research on the cost structure of automobiles. It found that in the case of a certain description of trucks ex-Jamshedpur, the incidence of indirect taxes came to no less than 45 per cent of the total cost of production.

Policy Motivations

Such taxes were imposed under different policy motivations. Some were to restrain internal consumption and some others to collect money from the "upper" sector. In the case of export products, drawback of Customs duty and refund of excise and Central sales tax were allowed under the export incentive schemes. Cost-consciousness on the part of enterprises would have made them calculate the incidence of such taxes. In the absence of such knowledge, unnecessary lobbying with the authorities and the multiplication of official agencies have taken the place of a legitimate demand for governmental action on the price-push of export goods as a result of the Government's own policies. The prices have also shot up, not always with good reasons.

Thus, in the context of both controllable and uncontrollable items of costs, consciousness to the required degree is yet to develop. The benefits of such consciousness are, however, demonstrable by way of less investment for more output, higher profit and greater economies of production and marketing in competitive conditions, both in the domestic and international markets.

SPECIAL ARTICLES

Asian Regional Project for Employment Offers Good Scope to India

(BY A SPECIAL CORRESPONDENT)

Since India's unemployment problem is becoming increasingly acute, she has done well in agreeing to participate in the Asian regional project for employment promotion. She should fully utilise the opportunities which the project will offer in dealing with the problem.

THE International Labour Organisation launched its world employment programme in 1969 in an effort to ensure concerted action to deal with the problem of unemployment. The Asian manpower plan, which is one of the components of the world employment programme, aims at assisting the participating countries in the adoption of increasing employment as a major goal on par with the growth of national output and advising how this goal could be attained by national policies supplemented by international action. A plan of operations for the project known as the Asian regional project for employment promotion has now been prepared with the financial support of the U.N.D.P. which has agreed to provide funds to the extent of \$2 million over a period of three years. India is one of the 17 countries which have agreed to participate in the project. The Government of India has also agreed to the counterpart contribution of \$65,000 to the project.

The brief purpose of the project is to assist participating countries of Asia to draw up and implement policies, programmes and projects to provide increasing opportunities for productive employment. It is for this purpose that an inter-disciplinary team of experts is being set up with its headquarters in Bangkok and with a wide spectrum of employment-oriented functions. Within the framework of U.N.D.P. country programming, the work of the team will also be to assist the Governments of the participating countries to define areas requiring international assistance in the form of technical aid, grants, loans, etcetera, in so far as work in these areas has a direct bearing on employment problems. Each participating country is also expected to set up a focal point as

national counterpart in the appropriate department of the Government to co-ordinate the activities of the various departments dealing with employment problems and to serve as the channel of communication between the team of experts and the various departments.

A pioneer project under the world employment programme, the first of its kind, was carried out by the I.L.O. in Columbia in 1970. The visit of the team of experts which covered a broad spectrum of specialisations was preceded by intensive preparatory work in the country. A number of Ministries under the direction of the President's Economic Adviser collected and analysed all available information on the main characteristics of the employment situation and trends and on the effects on employment of major measures of current economic and social policies. The mission which had extensive consultations with Government agencies and non-official organisations took as a target the achievement of full employment in Columbia by 1985. From this starting point it defined in broad terms an overall strategy showing what proportion of new jobs would have to be created in each major economic sector by traditional and modern activities, respectively, under what assumptions of growth of output and labour productivity.

Its next step was to study in greater depth for each sector the conditions to be fulfilled to reach these targets, the problems and difficulties likely to be met and the measures required to overcome them. In addition to sectoral measures, the mission gave considerable attention to the possibility of reorienting some basic policies so as to enhance their positive contribution to the growth of employment, namely, education and training, wages and incomes policy, trade, fiscal, monetary and labour policies. The need for improving the planning machinery and statistical bases required for planning an employment policy was also considered. Finally, recommendations were made concerning possible contribu-

tions through the technical co-operation and aid programmes with a view to implementing the strategy defined.

The plan of operation for the Asian regional project for employment promotion provides that three comprehensive employment strategy missions of the type recently carried out in Columbia will be undertaken during the three-year period. The first such mission will operate in Ceylon. Although India has agreed, in principle, to participate in the project by making its contribution to the fund, a final request has not yet been made to the U.N.D.P. for launching the mission. Obviously, such a request can be made only after a decision has been taken as to the number of and the specific fields in which the experts are to be invited.

In the absence of precise estimates of unemployment in the country, the Planning Commission had appointed a committee of experts under the chairmanship of Professor M. L. Dantwala to examine the estimates of unemployment made in the earlier Plans and suggest suitable methodology for making more reliable estimates of unemployment and employment generation in the context of the Fourth Plan. The recommendations of the committee were examined at various levels and the Planning Commission is now taking steps to constitute a central committee of direction for assisting, directing and co-ordinating studies concerning employment and employment orientation of the Plan.

Since the assistance to be offered by the Asian regional project is to be tailored to the needs of each individual country, the Government will have to take a decision on the requirement of experts in the light of the steps for employment generation already undertaken. While it may be that there is no need to have experts to vet India's plans, the country is certainly in need of the services of experts to assist in giving more employment orientation to the various schemes in such fields as agriculture and industry which are under execution or are still in the formulation stage. Right now another expert committee on unemployment has been set up and it should be able to derive a good measure of help from the team of experts in as much as there is a good deal of common ground between the objectives and functions of the team of experts to

be provided under the project and the terms of reference of the expert committee on unemployment.

Some of the problems that need examination and where the team of experts could assist India are: evolving a suitable strategy for developing further employment opportunities in the rural areas, both in the agricultural and non-agricultural sectors, with emphasis on rapid increase and wider dispersal of non-farm employment. It could suggest necessary measures for developing industrial growth centres in the rural areas which would act as focal points for furthering the growth of industry in less developed areas for absorbing the rural youth. The implications of recent trends in mechanisation of agriculture should also have to be taken note of. It could evolve methodology and techniques for determining the size and characteristics of manpower surpluses with a view to laying down the criteria for selection of areas which are in immediate need of employment creation.

Financing Farm Activities : More Co-ordination Needed

By Asoke Mohan Roy

The successful introduction of high-yielding varieties of seeds has created the problem of financing expanded agricultural activities. Things will become easier if there is effective co-ordination between Government departments connected with agriculture and farm financing institutions.

IN spite of many odds and the dilemma in policy making, there has been a shift of emphasis at the end of the Third Plan from traditional agriculture to "technologically dynamic agriculture with low capital technology". The introduction of high-yielding varieties of paddy, wheat, jowar, and bajra of short duration type has revolutionised farming and induced cultivators in general to resort to double cropping, multiple cropping and intensive agriculture with better supply of irrigation. More irrigation facilities are being created to sustain the tempo. The new strategy has created the problem of financing expanded production. Although small cultivators generally and in some cases big cultivators and middle cultivators in certain areas

Another important requirement is the provision of guidelines for identifying avenues for promoting self-employment among the educated. The experts could also suggest ways and means of evaluating the efforts of development programmes on the rural employment situation with particular attention being given to the rôle that the employment service could play in such evaluation. It could also examine the possibility of reorienting wages and labour policies with a view to accelerating the growth of employment consistent with the increase in output. These are some of the more urgent problems in which the co-operation and assistance of experts under the Asian regional project for employment promotion could be utilised. Some other fields of assistance could also be identified. The problems fall within the jurisdiction of a number of ministries and it is, therefore, necessary that there should be a inter-departmental meeting of representatives of all these ministries to discuss the entire issue.

would require some amount of consumption credit, a majority of them would require production and investment credits. The total production credit requirement of agriculturists in 1973-74, according to the Venkatappiah Committee, would be about Rs. 2,000 crores. The All-India Rural Debt and Investment Survey, 1961-62, has said that the average capital expenditure on agriculture a cultivating household was Rs. 124 in 1961-62, compared with Rs. 181 in 1951-52. About 33 per cent of the total capital expenditure of farm business was financed through borrowing. The medium-term credit is estimated at Rs. 500 crores and long-term credit at Rs. 1,500 crores during the Fourth Plan period.

Against this projection of demand, one has to analyse the credit requirements of different agencies and the problems faced by them and the workability of various suggestions to tackle these problems. According to the Rural Credit Survey, 1951-52, and the Rural Debt and Investment Survey, 1961-62, money-lenders were the most important source of agricultur-

al credit, supplying 36 per cent of the borrowings in 1961-62, as against 24.9 per cent in 1951-52. The professional money-lender accounted for only 13.2 per cent of the borrowings in 1961-62, as against 44.3 per cent in 1951-52. The co-operative agency's contribution was 15.5 per cent in 1961-62, as against 3.1 per cent in 1951-52. Between the two surveys, there was a rise in the proportion of institutional credit (borrowings from co-operatives, commercial banks and Governments) from 7.3 per cent to 18.7 per cent and a decline of non-institutional credit from 92.7 per cent to 81.3 per cent. The aim of the planners is to continue this trend:

As for co-operative credit, it may be mentioned that for the country as a whole, the quantum of co-operative credit for agricultural purposes (short-term and medium-term) has increased from Rs. 24 crores in 1951-52 to Rs. 405 crores in 1967-68. Notable advance has also been made in respect of long-term credit. But the proportion of cultivators borrowing from co-operatives has remained around 20 per cent. It is seen from recent surveys that the share of cultivators belonging to the smaller asset group in the total borrowings from co-operatives was 5.7 per cent. The comparative neglect of small cultivators by the co-operatives results from various factors like the exclusion from membership on grounds of caste, faction, economic group, insistence on landed security, restriction of the size of loan due to poor repaying capacity and subsistence farming. It is true that there has been a continuous effort at the policy-makers level to ensure that co-operatives bring the weaker section within its fold. For the introduction of the crop loan system, various measures have been taken to relax the insistence on landed security, to raise the ceiling of loan which may be made on surety, and to encourage financing of tenants. Incentives have been offered in the form of outright grants to build up special reserve for bad and doubtful debts. Despite all this, the co-operative leadership has remained complacent.

Nationalised banks and the State Bank of India and its subsidiaries, although geared to serve cultivators in a big way, have failed to cover ground in the matter of large financial accommodation to small cultivators. The suggestion of the Venkatappiah Committee for the formation of small farmers development agencies which is to be implemented in some States this year is one effective pilot experi-



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SPOTLIGHT ON STATES

Punjab : A Test Case of President's Rule

(BY A SPECIAL CORRESPONDENT)

The Punjab Governor, Dr. D. C. Pavate's argument that by dissolving the Assembly, he has stopped horse-trading and defections sounds thin. His rôle is to follow the Constitution and not to act as a social reformer.

ONE of the curious paradoxes of Indian life today is that while intellectuals, by and large, swear by democracy, they heave a sigh of relief whenever a popular Government is replaced by President's rule. This has just happened in Punjab where a large number of "thinking" people are feeling relieved over the exit of the Badal Ministry and the imposition of President's rule. What happened in Punjab on 13th June, when the Assembly was dissolved, provides a test case not only of the efficacy of President's rule but also of his powers. Seldom has a Governor acted with such a surprising haste to dissolve a State Assembly. And predictably, the action of the Governor, Dr. D. C. Pavate, has been bitterly criticised on several grounds.

In the first place, Dr. Pavate dissolved the Assembly on the advice of a Chief Minister who had lost his majority, or, to say the least, whose majority was in doubt. Secondly, Dr. Pavate dissolved the House barely 24 hours before it was due to meet. He thus deprived the contenders to prove their strength on the floor of the House which was there before them. Thirdly, the Governor kept his decision a secret when Opposition leaders rushed to the Raj Bhavan to challenge the move for the dissolution of the Assembly. This exposes him to the charge that he signed the dissolution order after the defectors had reached the Raj Bhavan gates and informed him through his Secretary that the Chief Minister had lost his majority and was no longer competent to advise him.

From these allegations proceeds the charge that the Governor acted

in league with the Chief Minister and that the two entered into a "conspiracy" to confront the President with a *fait accompli*. The Centre was left with no option but to accept the Governor's report. If the President had refused to accept the Governor's advice, there would have been an unprecedented constitutional crisis since the State Budget had to be passed and only Parliament could do it after the dissolution of the Assembly. This was possible only after the President had taken over the administration.

Should the Governor have taken such a precipitate step without consulting the President? Should he have committed the President to the responsibility of directly ruling Punjab without first ascertaining his views about it? Who orders whom? Does the President direct the Governor or does he take instructions from him? In the process, the Governor is also accused of having been guilty of another impropriety. He refused Mr. Gurnam Singh, who has twice been the Chief Minister of Punjab and was confident of becoming one again, admission to the premises of the Raj Bhavan when he went to inform the Governor that he was in a position to form a Government. Mr. Gurnam Singh and 16 other defectors from the Akali Dal were kept waiting at the Raj Bhavan gates in the heat of the mid-day sun. They were told that the Governor was having his lunch. But within half-an-hour there emerged from the same gates a small car with Mr. P. S. Badal, the Chief Minister, sitting next to the driver's seat, presumably to conceal his movements.

Mr. Gurnam Singh and his followers had left by that time, but reporters were still hanging about and they stopped Mr. Badal. The Chief Minister announced that the Governor had accepted his advice to dissolve the Assembly and that he (Mr. Badal) was now a free man. All this seems to make the Governor a party to concealing Mr. Badal's presence

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in the Raj Bhavan at the time Mr. Gurnam Singh arrived at its gates. Whatever might have been Mr. Badal's feelings, the Governor had no reason to compromise his position by concealing the presence of Mr. Badal with him at the moment. His doing so has given edge to the charge of "conspiracy" between him and the former Chief Minister.

In view of the furious controversy surrounding the Governor's action, there are many who seriously doubt whether he could have taken it entirely on his own. The suspicion persists in many minds that the Governor acted under inspiration from some one in high office in Delhi. There may have been "promptings", "soundings" or informal consultations at some high level before Dr. Pavate acted. It is possible that although Dr. Pavate may not have consulted New Delhi immediately before dissolving the Assembly, he may have been doing so from time to time over a period and may have formed the impression that the Centre would prefer a fresh election to end the prevailing uncertainty and horse-trading in the State. Confirmed in this belief, he acted when the opportunity offered itself, assuming that his action was in tune with the Centre's thinking and would, therefore, be approved.

Certain statements of Central leaders tend to confirm this impression. While the rank and file of the Congress (R) Party expressed itself bitterly against the Governor's action, the Prime Minister, who also happens to be the Central Minister for Home Affairs, was mild in her comments. This could also be because she had no option but to advise the President to take over the administration of the State and accept the Governor's report. She would not have been justified in doing so had she expressed herself bitterly against the Governor.

But the proof of the pudding is in the eating. Although the Governor is getting all the brickbats for his decision, the main beneficiary of his action will be the ruling Congress (R) and the main victims, its chief ally, Mr. Gurnam Singh and his band of 17 defectors from the Akali Dal. The Governor's decision is embarrassing for the Congress (R), for, should it be proved that it was taken with the Centre's approval, it would amount

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to the Congress High Command stabbing Mr. Gurnam Singh in the back for the second time. It did so last year when it allowed his Ministry to be toppled after giving him full assurance of support. If Mr. Gurnam Singh and his supporters knew that their defection would be used merely to dissolve the Assembly, they would never have defected. And unless they had done so, the Congress (R) would never have succeeded in its game of toppling the Akali Ministry.

In a fresh election, the Congress (R) stands a good chance of emerging as the largest Party and may even obtain a majority. Mr. Gurnam Singh would then be at the mercy of the Congress (R) and there would be little chance of his becoming the Chief Minister. He can at best seek a place in a coalition headed by a Congressman. Alternatively, he may be rewarded with the post of a Governor or ambassador for his help to the ruling Party. The inside story of why and how the Governor took this "hasty" step will not be known for a long time, if at all it will ever be known. Here is a strong case for

believing that there is more in it than meets the eye. The least that the Governor would have done in normal circumstances is to explore the possibilities of forming an alternative Government before accepting the advice of a Chief Minister whose majority was in doubt barely 24 hours before the Assembly was due to meet.

Dr. Pavate's argument that by dissolving the Assembly, he has stopped horse-trading and defections sounds thin. His rôle is to follow the Constitution and not to act as a social reformer. If there are lacunae in the Constitution, it is not his job to remove them. As long as defections are permissible, he cannot allow the observance of constitutional proprieties to be impaired by his prejudice against defections. Was it not he who only a year ago swore in a Ministry of defectors from Mr. Gurnam Singh's Ministry? Also, was it not he who swore in another Ministry of defectors headed by Mr. Lachhman Singh Gill?

The Governor's declared objective in wresting power from the politi-

cians and giving it to himself is to fight corruption and give Punjab a clean administration. But will he succeed? In the first place, his is a stop-gap regime of about six to eight months and not many will be inclined to take it seriously. Secondly, it is now widely known that corruption cannot be fought by merely removing "corrupt" politicians. What about the bureaucrats who help and abet their crimes and offer them expert tips on how to exploit their office? Unless Dr. Pavate can deal firmly with what are believed to be well-entrenched "cells" of corruption at the official level in the Punjab Government, his regime may have all the vices of the earlier popular Governments without their virtue of being accessible and responsive to public pressure.

PEOPLE AND PERSONALITIES

Mr. Bhaskar Menon, chairman of the Gramophone Company of India Ltd, has been appointed president of Capitol Records and Industries, U.S.A.

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THE BANK OF TOKYO, LIMITED

(Incorporated in Japan—Liability of Members Limited)

2, BRABOURNE ROAD, CALCUTTA-1.

CONSOLIDATED BALANCE SHEET OF INDIAN BRANCHES AS ON 31ST DECEMBER, 1970

CAPITAL AND LIABILITIES				PROPERTY AND ASSETS			
Previous Year		Rs.	P.	Previous Year		Rs.	P.
Rupees				Rupees			
42,75,000	1. Capital :	42,75,000	00	57,01,904	1. Cash :		
	Investments Deposited with the Reserve Bank of India under Sec. 11(2) of the Banking Regulation Act, 1949			9,49,257	In hand and with Reserve Bank and State Bank of India (including foreign currency notes)		41,18,848 67
							4,04,536 30
7,53,28,416	2. Reserve Fund and Other Reserves :			9,49,257	2. Balances with other Banks on Current Account :	4,04,536 30	
				Nil	(i) In India		
3,93,32,108	3. Deposits and Other Accounts :		9,36,95,774 88	2,60,16,583	(ii) Outside India		Nil
92,91,333	Fixed Deposits	4,90,57,788 28		2,51,32,308	3. Money at Call and Short Notice :		3,00,10,857 50
2,67,04,975	Savings Bank Deposits	1,14,45,597 60			4. Investments (at cost)	2,51,61,672 50	
	Current Accounts and Contingency Accounts, etc.	3,31,92,388 94			(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments		
2,23,00,000	4. Borrowings from Other Banking Companies, Agents, etc.		40,41,425 77		Face value	2,53,50,100	
2,23,00,000	(i) In India	40,44,425 77		3,63,685	Market value	2,52,10,927	
	(ii) Outside India			2,20,500	(ii) Shares (classifying into preference, ordinary, deferred and other classes of shares and showing separately shares fully paid up and partly paid up)		
	Particulars :—				Face value	3,75,000	
25,00,000	(i) Secured (stating the nature of security)	40,44,425 77			Fully paid Ordinary Shares	4,61,250	
1,98,00,000	(ii) Unsecured				Market value	21,85,500 00	
7,20,300	5. Bills Payable :		10,76,611 33		(iii) Debentures or Bonds		
38,49,008	6. Bills for Collection being Bills Receivable as per contra		45,29,106 33	7,53,84,919	Face value	22,15,000	
17,97,550	(i) Payable in India	21,14,456 41		5,84,42,474	Market value	21,85,500	
20,51,449	(ii) Payable outside India	21,14,649 89			(iv) Other investments (Balance with other Banks on Fixed Deposits)		
1,32,38,509	7. Other Liabilities :		60,82,995 76	85,60,102	(v) Gold		
6,26,916	Suspense	3,63,380 66		83,82,373	Note: Investments of the face value of Rs. 1,15,50,100 are lodged with Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949 and Bank Guarantee Scheme.		6,46,91,796 30
38,192	Income-Tax payable on staff and other salaries	53,918 56		38,49,008	5. Advances :		
74,19,216	Inter-Office Balance	10,04,339 55			(Other than bad and doubtful debts for which provision has been made to the satisfaction of the auditors)		
11,33,034	Interest and other liabilities	5,26,960 78		5,84,42,474	I. Loans, Cash Credits, Overdrafts, etc.	5,00,53,617 94	
13,08,929	Reserve for Income Tax	3,08,403 51			(i) In India		
91,019	Rebate on Bills Discounted, etc.	1,76,740 65			(ii) Outside India		
90,681	Due to Foreign Bank	4,81,671 38			II. Bills Discounted and Purchased:		
1,63,180	F. C. Draft Sold	300 00		2,94,16,100	(Excluding Treasury Bills of the Central and State Governments)		
6,02,765	H. C. Bills Sold	5,18,529 00			(i) Payable in India	66,37,429 84	
17,62,577	Accrued Expenses	26,49,655 67			(ii) Payable outside India	80,00,748 52	
	Interest Suspense						45,29,106 33
2,94,16,100	8. Acceptances, Endorsements and Other Obligations per contra		2,82,82,523 04	4,89,023	6. Bills Receivable being Bills		
9,82,024	9. Profit and Loss :		7,77,938 41	9,34,721	For collection as per contra :		
8,10,359	Profit as per last Balance Sheet	9,82,024 04		50,416	(i) Payable in India	21,14,456 44	
8,10,359	Less: Adjustment with Head Office Account	9,82,024 04		9,85,137	(ii) Payable outside India	21,14,649 89	
		Nil		14,047	7. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations per contra		2,82,82,523 04
(-) 1,59,554	Add: Profit for the year brought from the Profit and Loss Account	2,52,489 79		9,71,090	8. Premises Less Depreciation :		
11,41,578	Add: Adjustment with Head Office Account	5,25,449 62		5,11,467	9. Furniture and Fixtures : Less Depreciation :		
	10. Contingent Liabilities :			40,56,933	At cost upto 31-12-69	8,83,560 07	
	(1) Claim against the Banking Company not acknowledged as debt			53,608	(Including Rs. 2,59,160 40 for Calcutta Office at written down value)	4,349 73	
	(2) On investment in shares of Joint Stock Company and Bank			5,16,427	Additions at cost during the year	8,87,909 80	
	(3) On letter of guarantee on behalf of Constituents	6,85,23,491 53		34,00,202	Less: Sold during the year	29,925 65	
	(4) On account of Outstanding Forward Exchange Contracts	40,72,447 39		86,696	Less: Depreciation written off to date	8,57,984 15	
						4,92,618 15	
14,58,34,357			13,84,89,375 32	14,58,34,357	10. Other Assets Including Silver :		60,86,341 33
					Inter-office Balance	10,86,532 40	
					Security Deposit with others	23,570 00	
					Suspense Payments	6,51,739 71	
					Accrued Interest and others to be reserved	42,59,711 27	
					Treasury Expenses	64,788 00	
					11. Non-Banking Assets Acquired		
					In Satisfaction of Claims (stating mode of valuation)		
					12. Profit and Loss :		13,84,89,375 52

K. MANDA
AccountantK. KOGISO
Manager & Chief Executive Officer.

THE BANK OF TOKYO, LIMITED—Cont'd.

Particulars of Advances

Previous Year Rupees		Rs.	P.
3,72,41,514	(i) Debts considered good in respect of which the banking company is fully secured	4,31,02,117	51
3,32,49,519	(ii) Debts considered good for which the banking company holds no other security than the debtors personal security	1,34,75,742	54
48,78,358	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	14,02,563	84
15,529	(iv) Debts considered doubtful or bad not provided for	67,11,372	41
		6,46,91,796	30
—	(v) Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	3,500	00
—	(vi) Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in case of private companies, as members	—	—
—	(vii) Maximum total amount of advances including temporary advances made at any time during the year to the directors or managers or officers of the banking company or any of them either severally or jointly with any other person	3,500	00
—	(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firm in which the directors of the banking company are interested as directors, partners or managing agents or, in case of private companies, as members	—	—
—	(ix) Due from banking companies	—	—

Consolidated Profit and Loss Account for the year ended 31st December, 1970

Previous Year Rupees	EXPENDITURE	Rs.	P.	Previous Year Rupees	INCOME (Less Provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Rs.	P.
53,30,077	1. Interest paid on Deposits, Borrowings, etc. (Including Rs. 12,03,070/- for Inter-Office Advances)	44,64,248	58	50,76,227	1. Interest and Discount	60,17,325	52
26,14,974	2. Salaries and Allowances and Provident Funds (Including Salaries and Allowances of Manager of Principal Office in India, Rs. 81,055)	26,18,335	21	31,24,314	2. Commission, Exchange and Brokerage	22,45,965	70
1,300	3. Directors' and Local Committee Members' Fees and Allowances	1,300	00	4,215	3. Rents	4,245	00
24,57,126	4. Rent, Taxes, Insurances, Lighting, etc.	9,85,166	61	—	4. Net profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	51,919	20
80,978	5. Law Charges	17,961	45	39,365	5. Net profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—	—
1,62,607	6. Postage, Telegram and Stamps	2,01,048	11	—	6. Income from non-banking assets, and profit from sale of or dealing with such Assets	—	—
9,701	7. Auditors' Fees	13,254	00	46,681	7. Other Receipts	92,070	81
2,24,552	8. Depreciation on and Repairs to the Banking Company's Property	1,77,996	86	1,50,554	8. Loss (if any)	—	—
1,45,404	9. Stationery, Printing, Advertisement, etc.	1,60,863	84	—			
4,23,667	10. Loss from sale of or dealing with Non-Banking Assets	4,09,861	93	—			
—	11. Other Expenditure	2,52,489	79	—			
1,14,50,386	12. Balance of Profit	93,11,526	38	1,14,50,386		93,11,526	38
	Notes: (1) Remuneration Relating to Manager of Calcutta (Principal) Office:						
	1. Salaries and Allowances	81,085	00				
	2. Sitting Fees	—	—				
	3. Bonus	—	—				
	4. Employer's Contribution to Provident Fund, Pension Fund or any other Superannuation Fund	—	—				
	5. Monetary value of any other benefit or perquisites	8,762	00				
		89,847	00				
	(2) Gratuity to Staff is charged in the account as and when paid.						

AUDITORS' REPORT

We have audited the above Balance Sheet of THE BANK OF TOKYO, LTD., as at 31st December, 1970 and also the annexed Profit and Loss Account of the Bank for the year ended upon that date in which are incorporated the Returns from the Bombay Branch and the New Delhi Branch audited under Section 228 of the Companies Act, 1956 by other Auditors.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the proviso to sub-sections (1) and (2) of Section 211 and to sub-section (5) of Section 211 and Section 227 (5) of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with the Sixth Schedule to the Companies Act 1956. The Accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949. We report that: No provision has been made in the accounts against debts considered doubtful or bad amounting to Rs. 71,06,381.90 including Rs. 3,95,009.49 on suspense payment. It is stated that necessary provision has been made or will be made at Head Office in Tokyo for such doubtful or bad debts.

Subject to foregoing observation, we report that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- The transactions of the Bank which have come to our notice, have been within the powers of the Bank;
- In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank;
- The reports on the accounts of the Bombay and New Delhi Branches of the Bank audited by respective Branch Auditors were received and properly dealt with by us while preparing our report;
- The Bank's Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and the returns;
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for banking companies and on such basis the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1970 and the Profit and Loss Account gives a true and fair view of the Profit for the year ended upon that date.

6, Church Lane, Calcutta-1.
Dated the 18th June, 1971.

RAY & RAY
Chartered Accountants.

MONEY AND BANKING

Can Credit Squeeze Stabilise Prices?

By P. K. Bhargava

If prices are to be stabilised, selective credit control and not credit squeeze would seem to be a better strategy. This will ensure the utilisation of bank credit for productive purposes.

WHEN the 14 leading commercial banks were nationalised two years ago, one of the major policy changes was the extension of credit facilities to those sectors that did not receive such accommodation in the past. This has been helpful to the persons who received credit and, to a limited extent, it has even fostered economic growth. But two problems have arisen now. The first is that having already fulfilled the targets for such loans, the banks do not have sufficient funds to continue to give such credit on the scale expected of them. This is due to the fact that deposit mobilisation has not kept pace with the rising demand for credit. The other problem is that of rising prices, brought about by liberalised bank credit. The latter problem is closely related to the former, but the Central Finance Minister, Mr. Y. B. Chavan, feels that credit squeeze will be the proper instrument to stabilise prices. Accordingly, the one concrete measure spelt out by him to stabilise prices is credit squeeze on speculative and non-productive activities.

On the other hand, the Finance Minister announced in Parliament in August last year that the Government proposed to set up a committee shortly to work out details of the new policy decision to make available bank credit at a cheaper rate to the weaker sections of society, as against progressively higher rates to be charged from the relatively affluent sections. Thus, while on the one hand Mr. Chavan favours credit squeeze, on the other, he advocates "cheap bank credit" to the weaker sections of society. This appears to be inconsistent. If the policy of credit squeeze is to be pursued, this should be for all sections of society and credit should be given on the basis of credit-worthiness rather than on considera-

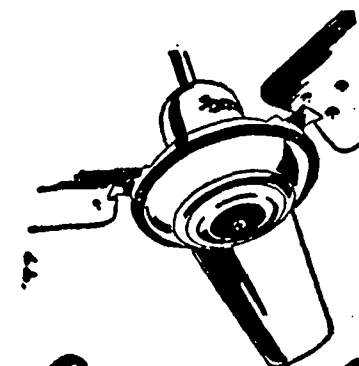
tions which discriminate between the weaker and affluent sections of society. In the absence of such a uniform policy, it will be difficult to achieve the desired results from the credit squeeze, because it is quite possible that the weaker sections of society will utilise cheap bank credit for unproductive and speculative activities. The result that Mr. Chavan wants to achieve through credit squeeze can more effectively be achieved through the policy of selective credit control as has been done in the past. Under this policy, different lending rates can be prescribed for different purposes. It is possible through this policy to ensure that credit is given only for productive purposes.

There is another aspect. If deposit mobilisation had kept pace with the rising demand for credit, it would have been possible for the banks to satisfy credit needs without recourse to the Reserve Bank of India. Had this been possible, excessive purchasing power from the hands of the people could be mopped up for investment in productive channels. The nationalised banks have failed in their attempt to mobilise deposits on the scale expected of them and they have been able to expand credit by heavier borrowings from the Reserve Bank. Aggregate deposits rose by Rs. 595 crores to Rs. 5,264 crores between 18th July, 1969 and 3rd July, 1970. In the corresponding period of the previous year, the rise was of the order of Rs. 645 crores. The annual growth in deposits declined from 16 per cent to 13 per cent. There was a fall in the growth rate of demand and time deposits also. Demand deposits rose by Rs. 237 crores (11 per cent) in the post-nationalisation period, as against a rise of Rs. 247 crores (14 per cent) in the preceding period. Time deposits rose by Rs. 358 crores (14 per cent), as against a rise of Rs. 398 crores (19 per cent) in the preceding period. Bank credit, on the other hand, expanded by Rs. 701 crores during the same period. The credit expansion was achieved by borrowing

Rs. 190 crores from the Reserve Bank.

It is suggested that the nationalised banks should undertake a vigorous programme of branch expansion to mobilise deposits. For 1970, the Reserve Bank chalked out a big programme of branch expansion with particular emphasis on unbanked centres. Banks in the public sector were to open 1,300 new offices, of which 1,139 were to be in unbanked centres, mostly rural. In a country like India which is dotted mainly with villages and where 62 per cent of the villages have a population of less than 500, a rigorous branch expansion programme does not appear to be a promising means of mobilising deposits. Opening of new branches in such small villages would be very much uneconomical.

A considerable amount of money is wasted by villagers in meeting certain social obligations and on litigation and drinking. Whatever savings remain with them are usually converted into gold or silver. Unproductive expenditure must be discouraged to step up the savings ratio. All this requires a radical change in the outlook



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of villagers. They should be convinced that to the extent they waste their resources in performing certain social obligations, the country is deprived of investment in productive ventures. To spread such an outlook among the villagers, services of agricultural graduates and of the officers and staff of community development projects may be utilised.

In villages where new bank branches are opened, bank employees should propagate among the villagers the advantages and the need for savings. They should try to inculcate among them the banking habit. In those villages where it is not economical to open bank branches, this task should be entrusted to the local post offices. This scheme, if properly organised and managed, will ensure deposit mobilisation. It has also an added advantage of being economical. It may be emphasised that once the villagers are convinced that the savings they make are for their

own use and advantage, there will be no difficulty in mobilising savings from the village community.

The money-lender is by far the most important source of agricultural finance and continues to be a dangerous necessity. He still enjoys a reputation in the villages because he tries to meet all the credit requirements of the farmer. Moreover, money-lenders are familiar with the village environment. They know the local dialect, they can well mix with the peasant community and understand their difficulties. In order to mobilise the savings of villagers, the nationalised banks should utilise the services of money-lenders, especially in those areas where it is not economical to open new bank branches. The nationalised banks should appoint them as their agents and give them a commission on the basis of the volume of business done, as happens in the case of life insurance. If this is done, these money-lenders would encourage villagers to deposit their

savings in banks or post offices. Villagers should approach for loans through them. In order to ensure the safety of funds, repayment of loans should be the responsibility of the money-lender. For this purpose, the banks may give them some extra commission.

All this leads to the conclusion that, together with the policy of selective credit control (credit squeeze on unproductive activities), an effective scheme of deposit mobilisation will have a favourable impact on the price level. None would dispute the fact that the problem of rising prices is a complex one and that prices rise on account of a large number of factors. It, therefore, goes without saying that various restrictive and regulatory measures will have to be enforced. What is equally important is that the Central and State Governments would have to reduce deficit financing as also unproductive expenditure to the absolute minimum.



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LABOUR

Eliminating Information Gap in Labour Matters through a Research Institute

(BY A SPECIAL CORRESPONDENT)

The existing information gap in labour matters stands in the way of formulating a scientific industrial relations policy. When the proposed National Institute of Labour Research is set up, it would be a clearing house of information on vital labour matters.

THE Central Minister for Labour, Employment and Rehabilitation, Mr. R. K. Khadilkar, is reported to have stated that the Government has decided to set up a National Institute of Labour Research and that the proposed organisation would soon start functioning. He also added that it would be an autonomous body and would be located in New Delhi. The idea of an apex research institute for labour research has been in the air for quite some time now. In fact, as early as 1962 a Central Institute of Labour Research was registered. Because of various factors, particularly the lack of resources, the institute remained good on paper. Subsequently in 1964, the Central Institute of Labour for Training in Industrial Relations was set up. The name was changed to Indian Institute of Labour Studies in 1968.

The Institute was intended to promote and undertake studies of labour subjects. Its main area of operation is so far confined to in-service training of middle level personnel drawn from the State and Central Labour Relations Departments. It is neither equipped to conduct courses for top level personnel nor does it have the competent and adequate number of staff to undertake or sponsor regular research projects.

The National Commission on Labour went into the entire gamut of the problems of labour research in the country and pointed out in unmistakable terms that "at present there are no effective arrangements for broad-based co-ordination in the field of labour research". The Commission commended the idea mooted by the Central Labour Ministry for a Central Institute of Labour Research and laid down certain major functions which could be assigned to the Institute when set up. The Commission outlined the

functions of the Institute as follows: (i) to undertake, aid and promote research in the field of labour, particularly on problems having a bearing on (a) the development of harmonious relations between employers and employees; (b) the creation of an atmosphere suitable for an improvement in productivity; (c) the promotion of better working and living conditions for labour; and (d) evolution of national wage and benefit policies; (ii) to identify and define labour problems that call for research with a view to discovering possible lines of solution to these problems; (iii) to undertake training programmes for the benefit of research workers in fields related to the objects of the Institute, and for those who may be expected to carry on research outside the Institute; (iv) to disseminate the results of the research studies; (v) to encourage and stimulate research on topics with a bearing on labour through organisations engaged in labour research and to give grants-in-aid, where necessary, to such organisations and others interested in labour research; (vi) to co-operate with national and international agencies engaged in labour research, in carrying out comparative studies and in the exchange of ideas and information; (vii) to establish and maintain research centres; and (viii) to undertake, organise and facilitate study courses, conferences, lectures, seminars and the like to promote the objects of the Institute.

The question was slated for discussion at the 29th session of the Standing Labour Committee held in New Delhi in July 1970. The proposal to set up a National Institute of Labour was agreed to. The Central Labour Ministry had circulated a comprehensive note delineating the functions of the proposed Institute. The Ministry also suggested an administrative set-up for the Institute. According to the proposal of the Central Labour Ministry and as agreed to by the Standing Labour Committee, the National Institute of Labour would be an autonomous body registered under the Societies Registration Act, 1860, with the following three wings: (i) training and education wing; (ii) research and evaluation wing; and (iii) consultancy and publica-

tion wing. The functions of each wing were broadly outlined.

The training and education wing, besides conducting the training course for intermediate level personnel now handled by the Institute of Labour Studies, would provide training and orientation courses for key personnel at higher levels, both in the Central and State administration. Job training, whether pre-service, in-service or refresher, and the connected follow-up programmes, would also be undertaken for appropriate categories and groups of public servants. The second wing, as the name suggests, would be mainly concerned with research and evaluation studies. The research undertaken would be essentially applied and action-orientated. It is expected to evaluate current programmes with a view to obtaining an appraisal and assessment of progress, and identifying problems and their solution. The Institute would suggest action leads for policy making, whether by the Government or by industrial managements and workers' organisations in the field of labour.

In the field of fundamental research, the Institute would work in collaboration with universities and other organisations. It would provide grants-in-aid and fellowships for research work. It would also accept and undertake research projects sponsored by other institutions in India and abroad. In order to carry out these functions, a competent research faculty would be constituted. Facilities would be created for a regular exchange of ideas between the faculty members and others engaged in labour research. The Institute would also undertake consultancy assignments. It would be equipped to function in the normal course as a clearing house of information on labour subjects. It would not only build up a library, assimilate current literature, and correlate it with its own research studies and training programmes but also bring out suitable publications.

That there is a wide gap in the existing knowledge of various aspects of labour and industrial relations in the country is widely recognised. It is equally true that no scientific industrial relations policy can be framed and implemented without comprehensive information. Such information can be built up only through regular and systematic research conducted by independent institutions. Considered in this perspective, the proposed Institute can be expected to play an effective rôle in the field of labour research in the country.

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INSURANCE

L.I.C.'s Role in Promoting House-building Activities

(BY A SPECIAL CORRESPONDENT)

The Life Insurance Corporation has been promoting house-building activities through its loaning system. The social benefits of the L.I.C.'s rôle in this direction will be substantial considering the acute housing shortage in the country.

WHILE explaining the investment policy of the Life Insurance Corporation of India, the chairman, Mr. T. A. Pai, has said that the Corporation is investing in house-building activities, townships, rural electrification, civic amenities, etcetera, besides employing funds in share and debentures or loans to industries, provided the projects are viable and formulated on performance-based demands. Indeed, to help the policyholder, the L.I.C. introduced its "Own Your Home" scheme in January 1964. The social advantages of this particular type of L.I.C. investment hardly need any emphasis; more so, when about ten million people in the cities have no homes worth living in and 72 million in rural areas suffer from the lack of suitable accommodation. According to the Working Group on housing for the Fourth Plan, the housing shortage at the beginning of the current Plan was approximately 8.37 million units (based on the assumption that every family should have a habitable dwelling unit of a reasonably permanent character). An investment of Rs. 33,000 crores will be required to overcome the gap in housing. But the working group had noted that "funds of this order are not likely to be available in the near future."

The resources of the L.I.C. are limited. Which is why the Corporation has to consider the priority and growth aspects of projects while advancing its funds. Yet, more money of the Corporation was directed to public welfare schemes in 1970-71. For instance, it recorded a hundred per cent increase in 1970-71 over the 1969-70 figures in its loan advances to water supply and sewage schemes

(Rs. 11 crores in 1970-71, against Rs. 5.5 crores in 1969-70). Its total contribution to housing activities amounted to Rs. 286 crores till December 1970. It is relevant to note here that under the "Own Your Home" scheme, loans are advanced to the policyholder on the mortgage of property. Furthermore, the policyholder can use such a loan to extend his existing premises or purchase a recently constructed house in good condition. The number of L.I.C. centres dealing with "Own Your Home" schemes has been increased from 161 to over 400 all over the country. Again, the Corporation has already made advances to various State Governments for financing the low income group housing scheme, plantation labour housing scheme, land acquisition and development scheme, rental housing scheme, middle-income group housing scheme and the rural housing project. In addition, the Corporation often grants loans to co-operative housing finance societies. Of its other schemes to finance housing projects, (a) loans to co-operative housing societies of employees of public limited companies and (b) loans to public limited companies for providing housing for their employees are important. Similarly, the L.I.C. has a plan to offer necessary finance for the construction of 50,000 houses in the next three years.

The desirability of increasing L.I.C. investments in the problem State of West Bengal has been appreciated by its chairman. In fact, the L.I.C. has agreed in principle to grant substantial loans to the Calcutta Metropolitan Development Authority (C.M.D.A.) and the Calcutta Corporation for a facelift of the city. However, Mr. Pai feels that the availability of resources alone will not help unless the capacity for effective utilisation of the same is there. In retrospect, West Bengal had failed fully to utilise the resources allocated to it. Moreover, no municipality in the State, according to informed sources, has yet approached

the Corporation with workable schemes for granting loans. The State Government has not set up any housing board that can come forward to guarantee loans to be granted to apex co-operative societies. Fortunately, however, the L.I.C. seems to be very sympathetic about the problems of the State and is willing to consider any suitable scheme from the private sector. In this context, Mr. Pai has stated that as far as house-building activities are concerned, the Corporation is willing to participate in a joint venture with the State Government or suitable agencies like the Improvement Trust.

The "Own Your House" scheme or its extension to the purchase of flats has been introduced to protect the policyholder from the depreciation of money value. Steps have been taken to ensure a suitable reduction in the mortgage redemption rates for such policies. Yet, according to some circles, the present prices of real estates in urban regions only help the rich to derive benefits from such a scheme. Similarly, the chairman of a co-operative housing federation has failed to appreciate why co-operative housing loans—aimed at helping the weaker sections of the community and guaranteed by State Governments—should be charged higher rates of interest. He suggests that the previous rate of interest, namely, 6½ per cent a year, for L.I.C. loans to co-operative housing societies be maintained and that if the rate is increased at all, it should not exceed 7 per cent.

The present mode of getting loans from the L.I.C. is not really conducive to the growth of co-operative societies, especially the primary ones. No wonder, they are pressing for a loan amount of 30 times the owned funds, against ten times at present, for State-level co-operatives.

Some observers suggest that before effecting any change in policies, the L.I.C. should consult with representatives of co-operative housing societies or their agencies. They further believe that a nationalised institution can hardly fulfil its social objectives by charging commercial rates of interest on co-operative finances. The Chief Minister of a State is of the view that the investment policy of the L.I.C. should be such as to better the conditions of life of the weaker sections of society.

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INDUSTRY

Scope for Raising Exports of Defence Undertaking

(BY A SPECIAL CORRESPONDENT)

THE major preoccupation of the defence units and the Department of Defence Supplies in the earlier years was to substitute costly imports; but the time has come when the attention should be on the possibilities of using the vast manufacturing potential in various defence undertakings for mounting exports of all sorts of goods. Let it be stated here that the selling of fire-arms only is not being advocated, although to a limited extent this should also be possible. In fact, the defence units produce aircraft, electronic gadgets, textiles, shoes, heavy transport vehicles and a host of other items that could be sold in the overseas markets if the quality and price were right. There are several units under the Department of Defence Production where sizable spare capacities exist for increasing production without resorting to any fresh capital investments. It is the use of these capacities that is in mind when one suggests a substantial export potential of the defence units.

Till March 1970 the capital outlay on defence was as much as Rs. 1,320 crores. Out of this sum, about Rs. 750 crores represent investment in buildings, structures, barracks and similar civic constructions. The balance of nearly Rs. 600 crores represents outlay on the manufacturing facilities in the defence sector, which currently produces goods worth Rs. 200 crores a year. Factories under defence are such that the capital-output ratio could hardly go up to 100:75. Even so, there must be production of goods worth Rs. 450 crores a year in India's defence factories, which include the ordnance units. Taking into account the rising internal defence requirements as there is a constant endeavour to increase the fire power of the army personnel, the defence units should be able to export goods worth at least Rs. 50 crores a year from their existing facilities for the whole period of the Fourth Plan provided a thorough market research study is undertaken by the State Trading Corporation or some other organisation and orders secured.

What had been happening so far? Exports of small arms and ammuni-

tion have started on a small scale. These did not increase obviously for political considerations. For instance, had India exported heavy military transport vehicles to the United Arab Republic, her imports from the West of some sophisticated defence items could have been adversely affected. But even a cursory survey of sports gun business in the U.S.A. will show that there is a good market for sporting shotguns and ammunition from India. Nobody will object to such exports on political grounds and in the end foreign exchange earnings could be substantial. Japan is now the biggest exporter of sporting guns to the U.S.A. These exports run into several million dollars a year. India's ordnance factories are eminently suited to produce quality sport guns.

Some defence units produce textiles, shoes and many other consumer goods. Their capacities are larger than the armed forces' requirements. Already, some orders from east European countries have been obtained. But these are rather small orders. Why should India not get orders for army boots from the N.A.T.O. member countries? There cannot be an export ban on army shoes. The same argument holds good for similar orders from Egypt, Sudan, Kenya, Tanzania and many other underdeveloped countries, which do not produce fine army boots like India. Hungary has purchased some army footwear and feels satisfied. The same should apply to other countries irrespective of their political complexions. India's marine craft manufacturing units like Mazagaon Docks Ltd and Garden Reach Workshops Ltd and their ancillaries can turn out deep-sea fishing vessels apart from naval vessels. In fact, after securing orders for deep-sea fishing vessels they could farm them out to the civilian shipbuilding firms both in Calcutta and in Bombay for subcontract work. Garden Reach Workshops is putting up a marine engine factory, which is likely to have excess capacity. When Indian ocean-going ships are ordered from foreign yards, they should be persuaded to install G.R.W. marine engines, which would range from 400 horse power to 12,000 horse power.

There is Praga Tools for producing machine tools. Bharat Earth Movers Ltd produces heavy excavation equipment, including trawler tractors. Bharat Electronics Ltd manufacturers not only components like semi-conductors but also fully assembled implements for aircraft, walkie-talkie sets (including U.H.F. equipment) and some control instruments. All these units have started exporting in a small way. The point is that they should be exporting in a bigger way. All of these are well working units; they can even increase their manufacturing capacities purely from their internal resources. Their potential is immense, especially of B.E.L. The Hindustan Aeronautics Ltd, which has already exported some engine and aircraft spares, can also export commercial transport aircraft. Even HS-748 has been in some limited demand in foreign countries. But the thing is that the H.A.L. should develop a medium-route jet aircraft, something like Fokker-29, which will have a low-payload factor and will use shorter runways. In the 'seventies and 'eighties, this type of aircraft will be in demand in many countries. One could expect a steady overseas demand for such an aircraft. Similarly, in executive aircraft, aircraft for aerial spraying and helicopters India could build a good foreign market. These exports need to be planned both in the long and short-term bases.

Thus, there is a good export potential for goods produced in India's defence factories. By the end of the Fourth Plan, the annual foreign exchange requirements of the defence units would come down to Rs. 50 crores. If by that time their exports are raised to that level, then there need not be any allocation of foreign exchange from the national pool. This sort of self-reliance in foreign exchange is worth working for.

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A new truck tyre, which will considerably help the Indian road transport industry, has just been introduced by Dunlop India. Manufactured in India, the "Highway 105" is a product of the international Dunlop tyre technology. A spokesman of the Company said that this new rayon truck tyre was being launched in the market after being road-tested over 80 million kilometres in India. No other tyre has ever been so extensively tested and developed in this country before commercial introduction.

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INVESTMENT

Shares Quietly Steady : Massive Influx of Refugees Causes Concern

THE stock markets have continued to present a dull appearance this past week. Although the undertone has been somewhat steadier, the markets' overall behaviour remains indecisive. The announcement of three new Central loans for a gross amount of Rs. 375 crores has had no impact on the markets. The slightly higher yield is in line with the general market expectations and the first instalment of the borrowing programme is essentially a conversion operation, the net borrowing being only Rs. 43 crores. The slightly improved tone displayed by the markets this past week has been due more to the scarcity of fresh offerings at lower levels than to any significant revival of support, although selected cash counters have attracted renewed attention and have scored fair gains. The markets have wound up the week with a mixed price pattern. Plus and minus signs have been almost evenly spread out, but net changes either way have generally been confined within narrow limits, reflecting mainly the lack of interest.

Although providing a mixed fare, the corporate news has been fairly encouraging on the whole. Quite a large number of companies, such as Tata Iron and Steel, S.L.M.-Maneklal, Baroda Rayon, English Electric, Phaskowa Tea, Gokak and Alembic Glass have had a message of cheer for their respective shareholders. The Aid-India Club's assurance about an aid of \$1,150 million for economic development has been welcomed. The Iron and Steel Controller has held out the assurance of considerably improved supply of steel, the shortage of which has been hampering production in certain industrial units. These favourable factors have imparted a measure of steadiness to the markets. The stock markets could not perhaps have given a better account of themselves. In a memorandum submitted to the Central Finance Minister, the stock exchange chiefs have re-echoed the concern expressed by the leading spokesmen of industry that high taxation on both profits and income will further inhibit savings and investment alike which, in turn, will retard the growth and development of joint-stock enterprises. But the Central Finance Minister has indicated that the Government might resort to additional taxation

in a supplementary Budget if resources were not up to the desired levels.

The stock markets might have reconciled to the tax proposals and recovered from the budgetary chill by now if they had not been increasingly concerned about the likely economic and political repercussions of the massive influx of refugees from East Bengal. Despite the Prime Minister, Mrs. Indira Gandhi's repeated assertions that the international community will not be allowed to get away with its responsibility, no worthwhile assistance has yet been rendered to help solve the refugee problem. The strain of giving asylum to Pakistani refugees is more than the Indian economy can bear. The outlook for the economy is becoming gloomy with every day that passes. The prolonged dry spell is also being viewed with considerable concern. Agricultural production, which holds the key to the overall growth of the economy, is still dependent on the unpredictable monsoon. Besides, the stock markets cannot be expected to take kindly to the impending draft Bill to restore to Parliament the right to amend the fundamental rights and abridge the right to property. The Bill is due to be introduced in the current session of Parliament. In the prevailing circumstances, the stock markets will not find it easy to push their way up.

Government securities have remained steady this past week because of the announcement of Central loans. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have also remained steady. Turnover has been fair.

The Calcutta stock market has remained sluggish, although the undertone, by and large, has remained quietly steady. Turnover has tended to shrink in view of the various political and economic uncertainties. Operators are concerned over the heavy influx of East Pakistan refugees which will willy-nilly strain the finances of the Government of India. Among engineering shares, Guest, Keen, Williams have been a smart feature on hopes of a bonus share issue. Other engineering shares have remained subdued. Paper shares have met with support with the result

that Orient and Straw Products have hardened. Jute shares have been neglected in spite of a rise in the prices of gunnies. Coal shares have been dull. Among tea shares, Carron, Assam Brook and Rydak have been transacted. Miscellaneous shares have come into the limelight. Brooke Bond, J.K. Synthetics and Associated Battery have been prominent.

Dalal Street has displayed a slightly steadier tendency this past week. Turnover has, however, been restricted and interest has been selective. Net changes over the week show a mixed pattern with gains far outnumbering the losses. Except for select cash shares, which have evoked fresh support, improvement elsewhere has been due mainly to the absence of offerings. There is a general disinclination to press sales at lower levels, but bulls remain reserved. Steel shares have held firm. Tata Steel have evoked support following the release of preliminary results for 1970-71. Although the dividend has been kept unchanged at the previous year's level, sales and profit have set new records and margins too have improved. Reports from New Delhi indicating that there would be no increase in steel prices in the near future have not had any unsettling influence on sentiment. Mukand Iron have been marked up on sustained support. Among engineering shares, Tata Engineering and S.L.M.-Maneklal have been the outstanding bright spots. Associated Bearing, Voltas, Sandvik Asia and Zenith Steel have maintained a steady tone. Automobile shares have ruled easier with Hindustan Motors touching a new low after a long while. Cotton mill shares have steadied after an early hesitancy. Century have been marked up on reports that the Company's application to set up a pulp-cum-paper plant has been cleared by the Monopolies Commission. Kohinoor have remained subdued. Rayon shares have ruled quiet-

COMPANY REPORTS

Reports relating to the following companies appear on later pages of this section :

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ly steady and wound up the week with only minor variations from the previous week-end levels. Only Indian Rayon have eased on some selling. Among cement shares, Digvijay have been a firm feature while Associated Cements and Orissa have kept steady. Sugar shares have been dull but a little steadier because of the firmer tendency in the sugar market. Great Eastern Shipping have been subdued by profit-taking while Scindia have held steady. Chemical and pharmaceutical shares have displayed a steady tone with a small turnover. The shares of tyre companies have ruled steady with Ceat Tyres a firm feature. Bank and electric shares have maintained a steady tone with a meagre turnover. Paper shares have kept steady. Among miscellaneous shares, Food Specialities and United Carbon have been marked lower. Most of the other counters have closed steady or higher than the previous week-end levels.

Prices in the Madras stock market have remained largely irregular and the volume of business has shrunk further. In the planting section, Blue Mountain, Ouchterlony Valley and United Nilgiri Tea have received enquiries. In the textile section, Madura have receded while South India Viscose have been wanted at the market rate. Among textile shares, Loyal Textile and Anglo-French have met with support. In the miscellaneous section, Mettur Chemical and Dalmia Cement have received some enquiries. In the sugar

section, E.I.D. have hardened while Aruna Sugars have been wanted at the market rate. Among banks, business has been done in Indian Overseas.

CLEARED SECURITIES IN CALCUTTA

(The following list shows the range of price fluctuations in clearing shares in the Calcutta stock market during the past week. The figures indicate Opening Quotations, Highest for the week, Lowest for the week, Closing Quotations and Quotations for the corresponding Closing date a year ago. The last named is shown in parentheses. All quotations are in rupees.)

Birla Jute	22/65—22/90—22/40—22/65—(20/25)
Dunlop India	37/50—38/95—37/50—38/85—(36/20)
Guest, Keen, Williams	40/60—40/90—39/90—40/05—(21/05)
Hindustan Motors	11/30—11/70—11/00—11/10—(16/60)
Howrah Jute	7/06—7/12—7/06—7/12—(5/75)
Indian Aluminium	37/30—38/60—37/30—38/25—(33/05)
Indian Cable	17/70—18/20—17/45—17/90—(16/10)
Indian Iron	11/25—11/70—11/00—11/15—(16/30)
Indian Copper	3/76—3/80—3/74—3/74—(4/66)
J. K. Cotton	8/80—8/80—8/70—8/70—(13/50)
Jaipur Udyog	9/00—9/10—9/00—9/05—(9/85)
Jayashree Tea & Industries	17/00 x.d.—17/25—17/00 x.d.—17/19—(15/37)
Keseram Industries	15/80—15/85—15/40—15/60—(17/00)
Orient Paper	36/65—37/45—36/50—36/85—(35/35)
Orissa Cement	17/15—17/20—17/10—17/20—(16/00)
Rohtas Industries	5/85—5/85—5/50—5/60—(7/66)
Textile Machinery	10/55—10/70—10/55—10/60—(11/15)

three tea Companies, namely, East India Tea Co. Ltd, Seajuli Tea Co. Ltd and Lingia Tea Co. Ltd and in 1970, the Dullaghur Tea Co. Ltd were amalgamated with the Company with the result that it now owns five good tea estates with a total tea bearing area of 1,315.81 hectares producing nearly 1.43 million kilograms a year. The Company has a number of subsidiaries and acts as agents in India for 15 tea companies incorporated in the United Kingdom having gardens in this country. It is the sole selling agent for tea chest linings produced by India Foils and for timber products of the Andamans Timber Industries Ltd.

Williamson Magor has shown satisfactory working results for 1970. Sales are up from Rs. 73.89 lakhs to Rs. 1.40 crores and the profit has increased from Rs. 6.07 lakhs to Rs. 19.80 lakhs, after providing Rs. 10.80 lakhs (against Rs. 9.08 lakhs) for depreciation. In view of the improved performance, the taxable ordinary dividend has been raised from 7.5 per cent to 10 per cent, absorbing Rs. 4.97 lakhs (against Rs. 2.95 lakhs). This offers a yield of 9.3 per cent at the present price of Rs. 10.81 a share of Rs. 10 each. Taxation is allocated Rs. 10.50 lakhs (against Rs. 1.75 lakhs), development rebate reserve Rs. 16,500 (against Rs. 33,000) and general reserve Rs. 4 lakhs (against Rs. 70,000). After making other adjustments, there remains a balance of Rs. 7,331 which is proposed to be carried forward, against Rs. 6,919 brought in.

CHARTERED BANK

Deposits Rise

THE profit of the Chartered Bank and its subsidiaries has risen from £2,975,487 to £3,704,780, after providing for taxation and making other allocations as revealed in the consolidated profit and loss account for 1970. The gross dividends paid and proposed have amounted to £2,950,000 (against £1,452,000). Allocations include £743,830 (against £1,082,364) for the reserve fund and £95,000 (against £370,000) for reserves for contingencies. After making other necessary adjustments, there remain balances in the Chartered Bank and its subsidiaries totalling £948,790 which are carried forward, against £1,045,622 brought in. In the consolidated balance-sheet, it is shown that current, deposit and other accounts have improved from

£709,676,569 to £769,120,277 and advances to customers and other accounts from £376,425,328 to £426,318,740.

Addressing the annual general meeting of the Chartered Bank Organisation held recently in London, Mr. W. G. Pullen, chairman, said that 1970 was a successful year for the bank. (A fuller version of the speech was published in last week's issue of *Capital*.) The bank was able to take full advantage of the steady conditions in most of its territories and of increasing world trade. The relative stability of all the major currencies have enabled it to give exchange cover to its large trading customers without difficulty. The chairman said that "it is reassuring that H. M. Government has agreed to renew the guarantees against the effects of devaluation for those countries of the sterling area maintaining the greater portion of their overseas balance in London". The most striking event of the year was the nationalisation of the bank's business in Libya in which it held 49 per cent of the capital. The chairman is pleased to say that the bank has received the first of the three compensation instalments of the Allahabad Bank Ltd. of India towards reimbursement for the nationalisation. Its merger with the Standard Bank Ltd was effective from 1st January, 1970, and in the ensuing year satisfactory progress has been made towards the closest possible collaboration. In his overseas survey, the chairman pointed to many problems of the developing countries. A new problem is the rapid overcrowding of capitals and big cities by the country people. As for India, he felt that bank nationalisation had caused no undue concern, for the move had enabled the Government to divert funds to the priority sectors.

T.I.S.C.O.

Record Sales and Profit

THE preliminary statement from Tata Iron and Steel Company shows a marked improvement in its working results for the year ended March 1971. Not only have sales and the gross profit set new records but there has also been a welcome improvement in margins. Despite the decline in production of salable steel from 1.44 million tonnes to 1.37 million tonnes, sales have gone up by 4.4 per cent from Rs. 144.37 crores to Rs. 150.75 crores, reflecting

the benefit of a price rise of Rs. 71 a tonne for a full year. With the gross profit up by 23.5 per cent from Rs. 24.52 crores to Rs. 30.27 crores, the ratio of profit to sales has improved from around 17 per cent to 20 per cent. The improvement in margins, achieved despite an escalation in costs, is attributable mainly to higher retention prices. In spite of improved results, the equity dividend, maintained at Rs. 8.60 a share for the fourth year in succession, is short-earned. The draft on reserves is, however, smaller at Rs. 89.92 lakhs, against Rs. 1.38 crores in the preceding year.

The provision for depreciation has been stepped up from Rs. 13.19 crores to Rs. 16.10 crores. The increase is partly due to larger additions to completed plant and machinery during the year and partly due to a revision in the rates of depreciation and reclassification of assets in accordance with the amendment to the income-tax rules with effect from April 1970. After providing Rs. 3.10 crores (against Rs. 2.25 crores) for development rebate reserve and Rs. 6.70 crores (against Rs. 5.20 crores) for

taxation, the entire surplus of Rs. 4.37 crores (against Rs. 3.88 crores) has been transferred to general reserve. The preference dividend amounting to Rs. 84.39 lakhs (same) and the equity dividend absorbing Rs. 4.42 crores (same) are to be paid out of general reserve.

According to a spokesman of the Company, there was a substantial increase in wages and in the prices of certain raw materials like refractories. When steel prices were last raised by Rs. 71 a tonne—effective from the beginning of 1970—only Rs. 8 were provided for the increase in wages. As a sequel to the revised wage scales—effective from 1st September, 1970—the increase in the cost of production of steel works out to Rs. 36 a tonne. Thus, the benefit of the last price increase has to a considerable extent been neutralised by the enhanced wage cost. The last wage hike is estimated to cost an additional Rs. 5.40 crores in a full year. The Company has applied to the Government for a further rise to cover uncompensated increases in costs. The Government's decision is still awaited.

SHARE OFFER FROM POLYSTEELS

POLYSTEELS (India) Ltd, which is setting up a mini-steel plant in Bhavnagar (Gujarat) with an annual capacity of 50,000 tonnes of mild steel, special steel, alloy steel and carbon steel ingots/billets, proposes to enter the capital market on 5th July to raise Rs. 32.50 lakhs in equity shares of Rs. 10 each to meet part of the finance required for the project. The public issue will be fully underwritten. The project is estimated to cost Rs. 1.20 crores which will be met by the share capital of Rs. 60 lakhs and loans from bank and financial institutions amounting to Rs. 60 lakhs. Out of the total cost of Rs. 1.20 crores, Rs. 81.50 lakhs will be spent on arc furnaces, continuous casting plant, cranes, electrical equipment and other utilities and Rs. 17 lakhs will be required for working capital.

The Company's chairman, Mr. V. J. Shah, told newsmen the other day that the first electric arc furnace would go into production by the end of July and the second one by end-October. The Com-

pany is expected to have an output of 35,000 tonnes and a turnover of about Rs. 1.60 crores for 1971-72. Full capacity production is expected to be achieved during the year ended June 1973. The Company hopes to be able to earn an annual pre-tax profit (after depreciation) of about Rs. 85 a tonne on the basis of an annual production of 40,000 tonnes of ingots/billets. The shareholders can look forward to a maiden dividend for 1972-73.

The Company envisages no problem in procuring sufficient quantities of scrap for the project. Bhavnagar is favourably situated as far as the availability of scrap is concerned. Besides the Company's project, there is no other similar project in Gujarat. The Company expects a ready market for its output because of the continuing shortage of billets. Out of the total equity capital of Rs. 60 lakhs, shares worth Rs. 27.50 lakhs have already been taken up by the directors and their friends.

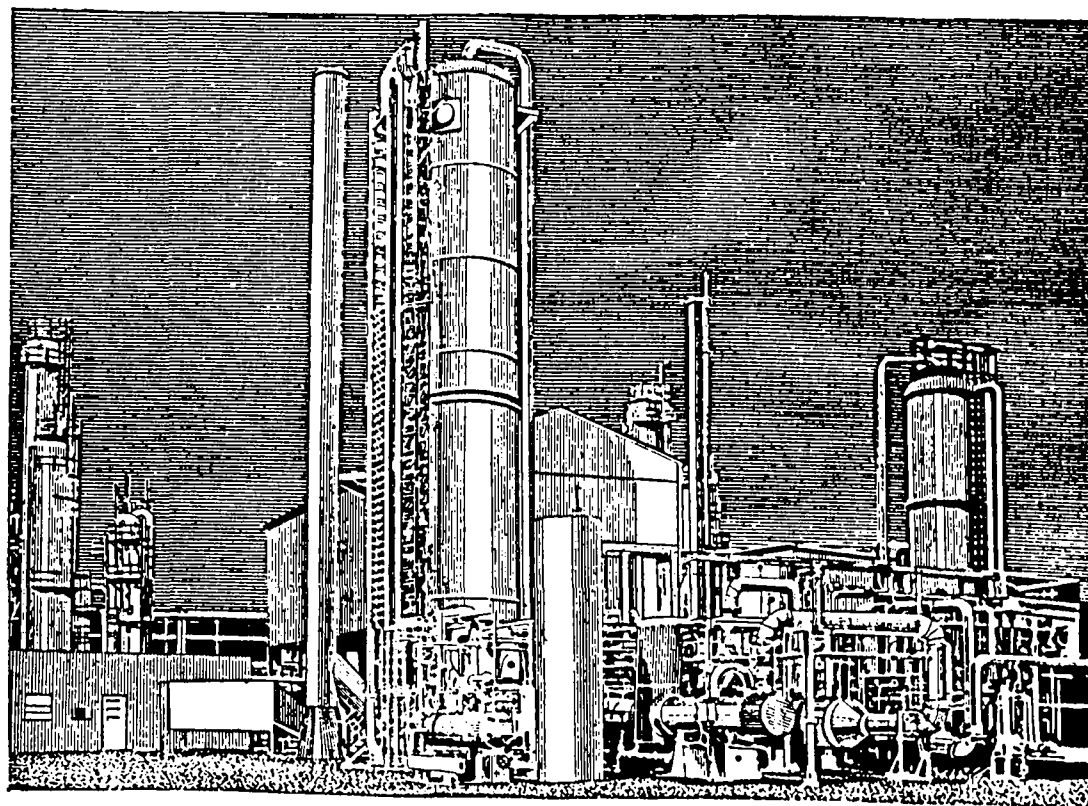
Attractive Share Offer from Williamson Magor

WILLIAMSON Magor and Co. Ltd is offering for public subscription 40,000 equity shares of Rs. 10 each at par payable in full on application. Applications must be for a minimum of 50 shares or multiples thereof. The list to be opened on 26th June, 1971, will not close before 29th June. The issued, subscribed and paid-up equity capital of the Company comprises 496,508 equity shares of Rs. 10 each. Out of these, 393,988 shares are listed on the Calcutta Stock Exchange. An application has been submitted to the Stock Exchange for permission to deal in and for an official quotation of the remaining shares. The entire preference capital of the Company is already listed on the Calcutta Stock Exchange. The Company

carries on business as tea garden owners, planters, cultivators, producers and sellers of tea and tea seeds, secretaries, agents, traders, exporters, buyers, sellers and general merchants. (Details of the offer appeared in last week's issue of *Capital*.)

The Company, which was incorporated on 8th March, 1954, was promoted by the partners of Williamson Magor and Company. The business of the latter was taken over by the former. Williamson Magor and Co. was set up in Calcutta to look after the distribution, sale and export of teas which arrived in the city from plantations jointly owned by the partners of the Company. In 1969,

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THE FERTILIZER CORPORATION OF INDIA LIMITED

HINDUSTAN FERODO

Bonus Shares

AS a consequence of the revised guidelines recently issued by the Government, the directors of Hindustan Ferodo Ltd have announced that it has become necessary to change the terms of the proposal to issue bonus shares. They now propose that bonus shares be issued in the proportion of one equity share for every five equity shares held (instead of one share for every four shares held). For this purpose, a sum of Rs. 69,63,410, out of the amount of Rs. 49,93,580 standing to the credit of the share premium account in the books of the Company, would be capitalised. The issued and paid-up share capital of the Company amounts to Rs. 2,48,17,030 and after allotment of the bonus shares now proposed this would be increased to Rs. 2,97,80,440, divided into 2,978,044 shares of Rs. 10 each. The bonus issue proposal that will be placed before the shareholders at an extraordinary general meeting will be subject to the consent of the Central Government.

E.I.D. PARRY

A Bad Year

THE directors of E.I.D. Parry Ltd in their report for the year ended September 1970 say that the Company's results show a substantial loss. They add that the sharp drop in the price of sugar in the free market and the fall in the quality of sugarcane, with a drop in recovery, were responsible for the adverse results. The directors also cite the steep increase in excise duty on free sugar and the fixation of tariff values for calculation of excise duty at a level much higher than actual sales realisation on free sugar, as yet another factor contributing to the loss in working. The other reasons given by the directors for the poor results are the high interest charges on larger holdings of sugar stocks and a strike at the Nellikuppam factory for 61 days. Although overall quantitative sales of fertilisers were higher than in the previous year, profitability declined.

During the year 466,642 tonnes of cane were crushed and 35,705 tonnes of sugar produced at a recovery of 7.65 per cent. This compares with 608,861 tonnes of cane crushed and 48,056 tonnes of sugar produced at a recovery of 7.89 per cent, in the pre-

vious year. The recovery was lower due to adverse climatic conditions and the extension of the crushing season into the hot months. Sales of spirit and CO₂ were maintained at a satisfactory level. Sales of chemicals were satisfactory, although the nitric acid plant could not be worked for want of the basic raw material, sodium nitrate. In the ceramics division, production and sales recorded a significant improvement. The directors say that customer preference to the Company's range of products within the country and a repetitive demand from several foreign markets were encouraging features of the Company's pottery trade during the year.

The year's working of the Company has resulted in a loss of £931,002 (Rs. 1,70,08,965). This compares with the previous year's profit of £159,428. After taking into consideration the surplus balance of £3,010 brought forward, there is a deficit of £927,992. A sum of £47,250 is transferred from development rebate reserve from which is deducted £18,000 towards the preference dividend, leaving a balance of £29,250. Deducting this balance of £29,250 from the deficit of £927,992, there is a balance of £898,742. Adding to this a sum of £21,333 transferred to development rebate reserve, there is a total deficit of £920,075 which is being carried forward.

SHARE OFFER FROM GUJARAT POLYAMIDES

GUJARAT Polyamides is offering for public subscription at par 1,286,300 equity shares of Rs. 10 each and 110,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each to raise a part of the funds required for its project for the manufacture of nylon-6. The list will open on 28th June and will close on 8th July or earlier but not before 1st July. The plant which will be located in Udhana, near Surat, will have a daily capacity of 5 tonnes. The Company, in which Baroda Rayon Corporation has a substantial interest, has secured collaboration from Italtiscosa Eastern Trading S.P.A., Milano, which is the associate of Snia Viscosa S.P.A., one of the biggest manufacturers of man-made fibres and plants in Europe. If all goes well, the plant will commence commercial production by the second half of 1973.

The project is estimated to cost Rs. 11 crores of which Rs. 8.04 crores will be spent on plant and machinery; imported machinery is estimated to cost Rs. 5.74 crores. The sources of finance are: equity capital Rs. 3.30 crores, preference capital Rs. 1.10 crores, foreign exchange loans from the I.C.I.C.I. and the I.F.C.I. Rs. 3.12 crores, Italian credit Rs. 70 lakhs and rupee loans and debentures Rs. 2.78 crores from various financial institutions like the I.D.B.I., I.F.C.I., Unit Trust and the L.I.C.

The Company has an authorised capital of Rs. 10 crores of which

Rs. 2.50 crores are in preference shares and the rest in equity shares. The issued and subscribed capital is Rs. 82.82 lakhs—all in equity shares—and it has been taken up by the promoters and Baroda Rayon Corporation. The present issue consists of Rs. 2.20 crores in equity shares and Rs. 1.10 crores in preference shares. Equity shares worth Rs. 23.90 lakhs have been reserved for subscription in cash at par by the shareholders of Baroda Rayon in the ratio of one share for every 20 shares held. Equity shares worth Rs. 67.50 lakhs have been reserved for allotment as fully paid shares to the foreign collaborators. Out of the 1,286,300 equity shares offered for public subscription, shares worth Rs. 42.81 lakhs have been underwritten by various institutions. In respect of the balance of equity shares, Baroda Rayon has given an undertaking to take up all the shares not subscribed by the public. The preference issue is fully underwritten.

Mr. Vinay K. Shah, managing director of the Company, told newsmen the other day that when in full production, the Company will have a turnover of about Rs. 15 crores and the gross profit would be between Rs. 4 crores and Rs. 5 crores. The management expects to be able to pay a maiden dividend of 8 per cent or 10 per cent for 1975-76. The Company has applied to the Government to expand its production to 12 tonnes a day in order to meet the growing demand for nylon.

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COMMODITIES

More Bank Credit Needed to Lift Fibre, Says I.J.M.A.

IN the present state of finances of the Indian jute industry, it is impossible for it to undertake, unaided by the Government, any effective price-support operation, says the Indian Jute Mills Association in a *communiqué* issued during the past week. If bank credit is not arranged for the industry well in advance, or if the Government fails to set in motion an alternative agency to undertake the operations, the I.J.M.A. apprehends that the offtake of jute will lag behind the expected arrivals, leading to an inevitable depression of fibre prices. The *communiqué* says that the "jute mill industry's endeavour to increase production for exports to offset the present non-availability of jute goods from Pakistan is being seriously undermined because of an acute stringency of finance. The capital base of the jute mill companies has been dangerously eroded by the heavy trading losses incurred by them between 1966-67 and 1968-69, besides the heavy investments made during the period for the installation of broadlooms for the manufacture of carpet-backing cloth."

Rising Production Costs

Simultaneously, there has ensued a sharp rise in the industry's production

costs, especially since 1969, under every single head—raw jute, wages, electricity, stores and transport, among other items. In fact, the bare costs of conversion of raw jute into fabrics have increased by Rs. 375 a tonne over the past two years. The cost inflation has brought in its wake a commensurate increase in the industry's working capital needs. The *communiqué* further says that the pressure on working funds has increased, following the commencement of higher production since May to make good the shortfall in export-availability of jute goods due to the recent developments in Bangladesh. The industry has repeatedly represented to the Government concerning the industry's need for additional funds to finance the extra purchases of jute, payment of additional wages, stores and power which will be needed for augmenting production from the average levels.

The Association deplors that the Government has not so far taken any step to remove the difficulties being encountered by the mills in getting financial accommodation from commercial banks. Meanwhile, a big jute crop is about to "press on the market. If the primary producers are to get a fair price, it is essential that the mills should be placed in a position to lift

raw jute in quantities adequate to match the rate of offerings."

Fibre Output in Assam

The development of an extraordinary situation in East Bengal has affected the production of all crops, including raw jute. As a result, foreign buyers of raw jute and jute goods have to tap alternative sources of supply for these products. With a view to availing itself of this unusual facility, the Government of Assam has been devoting special attention to the expansion of fibre output in the State. The State Government has decided to increase the output by resorting to the aerial spraying of urea and pesticides over some 10,000 acres. The acreage under soil dressing with urea has also been raised to 15,000. The Rs. 10 lakhs or so spent on urea spraying and dressing is being borne by the Central Government.

Setting up New Mills

The Central Government would take a decision on the setting up of new jute mills in States other than West Bengal within the next three months, said Mr. L. N. Mishra, Central Foreign Trade Minister, in Parliament recently. The Government is still examining the report submitted by the three-man S. P. Mookerjee Committee on the subject. While setting up new jute mills in Orissa, Bihar, Assam, and Andhra Pradesh, he said, "the first preference will be extended to the co-operative sector.

MIDDLE CLASS COST OF LIVING INDEX NUMBER FOR CALCUTTA

(Base : August 1939)

THE Middle Class Cost of Living Indices, by groups, have now been brought up to May 1971. As compared with April, the May index for Food shows a rise of 8 points,

while those for Fuel and Lighting, Clothing and Miscellaneous remain unchanged at 412, 693 and 400 points, respectively.

Combining all the factors, the Middle Class Cost of Living Index for Calcutta shows that the cost of living increased by 4 points during May 1971.

Middle Class Cost of Living Index Number for Calcutta. Prices in August 1939=100

Groups	Weights	GROUP INDICES												
		May 1970	June 1970	July 1970	Aug. 1970	Sept. 1970	Oct. 1970	Nov. 1970	Dec. 1970	Jan. 1971	Feb. 1971	Mar. 1971	Apr. 1971	May 1971
Food ...	53.6	865	864	874	881	891	900	911	906	894	883	883	883	891
Fuel and Lighting	4.4	412	412	412	412	412	412	412	412	412	412	412	412	412
Clothing	12.4	682	682	682	693	693	693	693	693	693	693	693	693	693
Miscellaneous	29.6	391	391	391	392	392	392	392	392	392	392	400	400	400
Combined Index ...	100.0	682	682	687	692	697	702	708	705	699	693	696	696	700

Compiled and constructed by the Statistical Department of "Capital".

Where it is unable to set up the mills, the public sector will be asked to take up the job. But when either of these sectors fails to do it, he would not rule out the entry of the private sector into the sphere.

Repudiating a member's allegation that the Government had lost interest in setting up new mills, he reminded the House of the Shrivastava Committee's recommendation that before any new mill was set up, the uneconomic ones should be upgraded to economic units and the running mills should be modernised. "We have a number of mills," continued Mr. Mishra, "which are outdated and uneconomic. We have allocated Rs. 8 crores for the modernisation of the mills". He alleged that millowners were not coming forward with their schemes for development. The Government, he added, had still been trying to persuade the industry to modernise their productive techniques.

Referring to new mills, Mr. Mishra said, it was wrong to assume that there was no longer any sense of urgency in Government thinking on the subject. "I will see to it that Orissa, Assam, Bihar and Andhra Pradesh get new mills, each costing between Rs. 2.5 crores and Rs. 3 crores," he declared. If it was decided to set up the new mills during the Fourth Plan period, he added, the Planning Commission had to be approached, for there had been no

provision for new mills in the current Plan.

Gunnies Firm

After touching the seasonal peak levels on scattered short and shipper-covering in ready and near-delivery goods, as also on speculative support, jute goods prices suffered a mild reaction around the close on profit-taking at the bulges by bulls and also on the manifestation of a stiff buyers' resistance to the exorbitant rates. The buoyancy stemmed from a moderate increase in turnover with the entry of some overseas and internal buyers for ready and near-delivery goods which happened to be in short supplies. Further shipments of end-products from East Bengal were reportedly suspended due to the virtual breakdown of rail and river communications between the ports and the major hubs of the jute goods industry in the Narayanganj-Nursingdi and the Daulatpur-Serajgunj sectors due to brisk guerilla activities all along the routes. The export trade had reportedly failed to keep contact with the industry and take timely steps to arrange the shipment of about 100,000 tonnes of finished goods which were awaiting shipment from the warehouses since the crackdown during the last week of March. These factors induced overseas consumers to turn to India for meeting their immediate needs. The Indian Jute Mills Association's statement of production and stocks for May showed that despite a decline of 6,400 tonnes in output over the

April level to 88,400 tonnes in May, the end-May inventories with the mills slumped by 12,400 tonnes from the preceding month's figure to 83,100 tonnes, indicating a further increase in overall despatches by 4,800 tonnes to 100,800 tonnes. The handsome increase in sacking despatches to the season's peak level from 42,100 tonnes in April to 46,100 tonnes in May was attributed to the brisk internal off-take in addition to routine absorptions by regular overseas consumers. While the hessian output dropped by 2,300 tonnes to 25,200 tonnes and stocks by 5,800 tonnes to 30,200 tonnes, despatches showed an increase of 1,000 tonnes to 31,000 tonnes. The sacking output dropped by 3,200 tonnes to 39,900 tonnes and stocks by 6,200 tonnes to 34,100 tonnes. As for carpet-backing cloth, the output was lower over the April level by 1,500 tonnes 15,400 tonnes, stocks by 200 tonnes to 11,900 tonnes and despatches by 500 tonnes to 15,600 tonnes while the production of other goods rose by 600 tonnes to 7,900 tonnes and despatches by 300 tonnes to 8,100 tonnes and stocks dropped marginally by 200 tonnes to 6,900 tonnes. Operators ignored the reports of a sharp decline in the consumption of burlap in the U.S.A. from 48.5 million yards in March to 42 million yards in April on the hope that the dwindling inventories of the product with U.S. bagmakers would induce them to enter the Indian market soon to replenish their stocks. The sharp increase in the price of heavy duty, 40in. 10oz. hessian, spot and afloat, in the New York market from 17.85

cents to 18.10 cents a yard, sellers, and in June deliveries from 17.35 cents to 17.60 cents over the week accentuated the bullishness. The possibility of yet another long-drawn longshoremen's strike stalling all activities on the Pacific and Atlantic coasts of the U.S.A. by early September was yet another stimulant. Jute mills in India had still been facing a host of problems, apart from power shortage and of adequate lots of batching grade fibre which had caused an inevitable shrinkage in output around the optimum levels. The wagon shortage had also restricted the arrival of jute held in the upcountry mill agencies. These consisted mostly of selected grade fibre arriving from the other side of the East Bengal border and were urgently needed by mills for batching purposes. There was a report of a 12,000-bale heavy goods tender from Burma, while Turkey, the U.S.A., and Russia absorbed routine lots of ready and near-delivery goods. Both mills and holders of pucca delivery orders were cautious and reserved, declining to extend their commitments in view of the tight technical position. The Fertiliser Corporation of India also issued a long-term open tender for polythene-lined hessian bags, helping

to reinforce the sharp rise in goods prices. Around the close, there were quite a few enquiries from other countries, mainly for ready delivery goods. In the hedge market, transactions were more or less of a routine nature, confined to covering against genuine contracts with overseas buyers and duly registered with the Export Contracts Registration Committee. Both fluctuations and turnover were maintained around rigid limits prescribed by the Forward Markets Commission. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	June	July	July-Aug.	Oct.-Dec.
40in. 74oz.	77.50	77.50	77.00	74.50
40in. 8oz.	84.00			
40in. 10oz.	105.00	102.50	101.00	97.00
B Twills	268.75	272.50	275.25	275.00
Heavy Cees	269.75	272.50	275.25	275.00
Corn sacks				
A Twills (U.S.)	329.00	332.00	335.00	339.00
Liverpools	316.00	314.00	313.00	311.00

Fibre Steady

The raw jute market ruled about steady earlier in the week but improved sharply since the publication of the I.J.M.A. stock and despatch statistics for May and also the statement urging the railway administration to arrange the immediate movement of fibre held in the upcountry mill agencies. Although industry circles were cheered over the reports of the congenial climatic conditions, stimulating a bumper growth of fibre on a more extensive area, the immediate shortage of fibre, especially of batching grades, was being keenly felt. Reports about the high spate of floods in the upper reaches of the Subansiri in Assam and in the Teesta tributaries in Jalpaiguri created concern. Apprehending a dislocation in the regular supply of wagons for the movement of a bumper fibre crop during the next season from the upcountry centres, the I.J.M.A. estimated that more than 105,000 wagons would be required by the industry during 1971-72 for the movement of jute from West Bengal, Bihar, Orissa, and Andhra Pradesh. While 30,000 wagons would be needed for the movement from the State, 27,460 would be required for Bihar, 3,750 for Tripura, 29,950 for Assam, 6,670 for Orissa and 7,340 for Andhra Pradesh. Although West Bengal was the single largest jute-producing State, only about 24 per cent of the fibre arriving in Calcutta and mill stations annually was moved by rail and the balance by road, river and other

means of transport. September to February were the peak months when about 69 per cent of the total jute transported by rail in a season was offered at the despatching stations. So the I.J.M.A. estimated that the railways would be required to arrange the allocation and movement of 72,110 wagons during the September to February period—20,550 for West Bengal, 18,840 for Bihar, 2,570 for Tripura, 20,550 for Assam, 4,570 for Orissa, and 5,030 for Andhra Pradesh. It was also reported that the prevailing high prices in Bangkok had foiled the Government of India's move for the import of 300,000 bales of current season's mesta from Thailand. The jute crop in Pakistan was now estimated to sag further from the previous forecasts due to brisk military action by either side and persistent neglect of farmers. All these factors led to the inescapable conclusion of a serious shortage in the world fibre supply situation. The *Morning News* report that the Martial Law Administration had raised the minimum procurement price to Rs. 33 a maund in the Northern Areas, and Rs. 34 in the District and Jat areas for the lowest or X-bottom grade of jute at the growers' premises failed to produce any wholesome impact on sentiment in Clive Row. Earlier in the week, holders of the residue of the current season's fibre showed a lot of keenness in clearing up their stocks well before the arrival of the new crop in the course of the next few weeks. But mills were selective in their purchases and absorbed suitable offers at quoted prices, paving the way for the elimination of some holders and in the emergence of a firmer trend. Prices hardened by a rupee thereafter and the market ruled firm. Turnover was moderate for this time of year. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	1970-71 June	1971-72 June
	Rates a quintal Bot.	Rates a Md. Bot.
Selected Assam- Agartala	160.75	60.00
Northern Jute Western Desal	153.40	58.00
Jute Selected	148.70	55.60
Daissee	167.45	62.50
Assam-Agartala Tossa	168.79	63.00
Mesta: Assam Mesta	148.70	55.50
Selected Daissee	143.34	53.50
Murshidabad	136.64	51.00
Bihar Dist.		50.00

I.J.M.A. STOCK FIGURES FOR MAY

The Indian Jute Mills Association reports the total stocks of jute goods at the end of May as follows:

Description	31st May, 1971		30th April, 1971		Increase over (+) or decrease from (-) last month		31st May, 1970	
	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)
Hessian cloth and bag	10,13.17 (11.08)	30.2 (29.7)	12,04.82 (13.18)	36.0 (35.4)	-1,91.65 (-2.10)	-5.8 (-5.7)	9,65.67 (10.56)	29.9 (29.5)
Sacking cloth and bag	7,66.36 (8.38)	34.1 (33.6)	9,11.34 (9.97)	40.3 (39.7)	-1,44.98 (-1.59)	-6.2 (-6.1)	5,78.31 (6.32)	25.7 (25.3)
Carpet-backing	1,07.97 (1.18)	11.9 (11.7)	1,05.28 (1.15)	12.1 (11.9)	+2.69 (+3)	-0.2 (-0.2)	2,74.66 (3.00)	30.8 (30.3)
Others		6.9 (6.8)		7.1 (7.0)		-0.2 (-0.2)		10.4 (10.2)
Grand Total (000 Tonnes/Tons)		83.1 (81.8)		95.5 (94.0)		-12.4 (-12.2)		96.8 (95.3)

Note: All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, National, New Central, Shree Hanuman, General Industrial, Hooghly, Premchand and Bird group of mills. The figures in brackets are in British measures.

I.J.M.A. PRODUCTION FIGURES FOR MAY

The Indian Jute Mills Association reports the total production of jute goods at the end of May as follows:

(000 metres and 00,000 yds.)
May '71 Apl. '71 May '70

Hessian	8,23.38 (9.00)	8,86.74 (9.70)	10,15.49 (11.11)
Sacking	8,97.04 (9.81)	9,50.46 (10.39)	7,70.35 (8.42)
Carpet-backing	1,44.43 (1.58)	1,53.67 (1.68)	67.96 (74)

(000 tonnes and tons)
May '71 Apl. '71 May '70

Hessian	25.2 (24.8)	27.5 (27.1)	31.5 (31.0)
Sacking	39.9 (39.3)	43.1 (42.4)	35.8 (35.2)
Carpet-backing	15.4 (15.1)	16.9 (16.6)	7.7 (7.6)
Others	7.9 (7.8)	7.3 (7.2)	7.3 (7.2)
Grand Total	88.4 (87.0)	94.8 (93.3)	82.3 (81.0)
Hours worked:	200.0	208.0	200.0

Note: All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, National, New Central, Shree Hanuman, General Industrial, Hooghly, Premchand and the Bird group of mills. The figures in brackets are in British measures.

TRIBENI TISSUES LIMITED

CHAIRMAN, MR. A. K. SEN'S STATEMENT

The following is the text of the speech delivered by Mr. A. K. Sen, Chairman, Tribeni Tissues Ltd., at the Annual General Meeting of the Company held on 18th June, 1971, at Calcutta.

I extend a hearty welcome to you all who have found time to attend this twentyfifth Annual General Meeting of your Company. It will be of interest to you to know that this meeting takes place in the Silver Jubilee year of your Company which was formed in the year 1946. An event like this constitutes a milestone in the history of an organisation. As we look back we see the long distance we have covered and as we look forward, the future beckons us with promise of further progress.

To review developments over the last year, a Leftist United Front Government which assumed power in the State, as a result of mid-term elections in February 1969, vacated office with the resignation of the Chief Minister in March 1970; this was followed by declaration of President's Rule over the State and dissolution of the Assembly. However, unsettled conditions still continued and economic growth and progress of industry in the State were adversely affected by the deteriorating law and order situation and labour unrest. Let us hope that with restoration of the Parliamentary form of government in the State, as a result of mid-term elections held in March 1971, all political parties will endeavour to bring about a climate of stability and orderliness so that West Bengal may also participate in and derive benefit from the economic and industrial revival in the country, of which there are now unmistakable signs.

The decisive victory which the party led by the Prime Minister won in mid-term election to the Lok Sabha held in March 1971 should facilitate implementation of the Government's programme for urgent economic development and social reform. This should also lead to increasingly favourable conditions for greater investments so that there may be accelerated growth in industrial activities and employment. How-

ever, I should mention that our expectations in this regard have suffered some set-back from the recently announced budget proposals for 1971/72; later in this statement I shall deal with certain main features which are likely to affect your Company.

Just when industry and commerce in the country as a whole, and West Bengal in particular, were beginning to look forward to a period of stability after the recent elections, the events in Bangala Desh across the border have cast their shadows over the entire country. Millions of evacuees are pouring into the country. West Bengal and some of the neighbouring States are confronted, as a result, with an enormous task of providing food and shelter to these terror-stricken people. This has added a new dimension to our problems and our economy and society are under great strain.

It is against this background that the performance of your Company during the year 1970 and its future outlook should be considered.

Sales

In 1970 the benefit of the third paper making machine installed at Tribeni Mill towards the end of 1969 began to be felt and sales for the year, at Rs. 5.44 crores, were 26.15% higher than in 1969. Demand for the Company's products continued at a very high level but unfortunately the full potential of the additional machinery could not be achieved during the year. In my statement last year I mentioned that unfavourable labour conditions had resulted in a complete shut-down of the newly installed machine until March 1970 and that production on the two older machines had also been affected. While, initially, production improved quite steadily after the settlement with the Union in March, further progress was impeded by State-wide hartals and the go-slow tactics adopted by certain sections of workers. At the end of the year output was also restricted by an unfortunate breakdown of the main drive motor of the third machine, but in this case the resultant loss was

met by a claim for about Rs. 6 lakhs, under a loss of profits insurance policy.

I am pleased to say that 1970 was another good year for exports, and, in spite of shipping difficulties during the year arising from labour problems and strikes at Calcutta docks export sales, at Rs. 95.48 lakhs, showed a substantial improvement over the 1969 figures, rising by Rs. 12.40 lakhs.

Profit, Taxation and Dividend

The profit before taxation for the year amounted to Rs. 1,15,16,193 against Rs. 1,07,73,940 for the previous year. Although, as already mentioned, sales were higher in 1970, the increase was not sufficient to make any significant contribution to the profits of the Company because of a number of interruptions in production.

Provision for taxation for the year, 1970 amounted to Rs. 50,15,000 compared to Rs. 14,20,000 for the year 1969. The lower tax liability in 1969 was, as you will recall, due to a substantial claim for development rebate because of the installation of the third machine.

Transfer to Development Rebate Reserve during the year under review was Rs. 3,01,257 (previous year Rs. 47,28,842) and transfer from Development Rebate Reserve amounted to Rs. 1,58,222 (previous year Rs. 5,30,224). After adding a small surplus brought forward from the previous year, the profit available for appropriations amounted to Rs. 63,58,695 against Rs. 79,97,291 in the previous year. During the year 1970 the Company paid an interim dividend of 7% which absorbs a sum of Rs. 26,68,148. Of the balance a sum of Rs. 947 has been transferred to Capital Reserve and Rs. 36,89,600 to General Reserve.

On 27th October 1970 the first and final call of Rs. 7 per share was made on 11,39,120 equity shares issued to the public at the end of 1969. Your Directors, after a careful

consideration of the Company's present and future resources, decided to recommend the payment, out of General Reserve, of a final dividend of 8% subject to tax, on the paid-up value of 43,81,200 equity shares, making a total of 15% for the year. If this recommendation is accepted, the final dividend will absorb a maximum sum of Rs. 35,05,000.

You may have noted that this year we have changed over to the vertical form of Balance Sheet which I hope you will find more useful and meaningful.

I would also take this opportunity to mention that following the change in the accounting year of our parent Company in the U. K. we have decided that in future our own accounting period will run from October to September and our next accounts will be made up for a nine-month period, from January to September 1971.

Research and Development

Since the inception of the Tribeni Mill we have laid considerable stress on research and development, and this has contributed greatly to the operational efficiency of the mill by enabling us to adapt our manufacturing methods to local conditions. I shall give you a recent example of our development efforts in the vital field of raw materials.

For a number of years your Board has watched with concern the diminishing supply of Sann hemp and old hemp materials which have in the past been our main raw materials for cigarette paper and our other speciality tissues. When the Tribeni Mill first started production in 1950 Sann hemp and old hemp rope cuttings were in plentiful supply in Uttar Pradesh, but over the years there has been a drastic fall in hemp cultivation. This has been due to the fact that despite the increased requirements of the paper industry, various other economic factors have influenced the cultivator to reduce the acreage under hemp. Until recently Sann hemp was being used extensively for well ropes and other domestic purposes. Green hemp was used as a manure and large quantities were also exported for papermaking and ropemaking. Now with the rising

standard of living and the spread of power irrigation, there is less demand for rope and since the introduction of fertilizers less hemp is used as green manure. Similarly, because of rising prices overseas papermakers have switched to the cheaper flax tow from Russia, China and a number of European countries. Exports have therefore fallen also. Further, the increased profitability of other cash crops has led to the diversion of the acreage under hemp to these crops. As a result of these various factors, the Sann hemp crop has fallen from about 150,000 bales in 1956/57 to about 25,000 bales in 1969/70. Apart from our own increased requirements, other papermaking concerns have also entered the field and the scramble for supplies has led to a steep rise in prices.

In view of the difficult supply position and the growing demand for cigarette tissue, your Company has been investigating other possible fibrous raw materials for use in cigarette tissue, particularly jute, which is more abundantly and more readily available than Sann hemp. After much laboratory work in our Development Section and machine trials to ensure that the new quality met the specifications in all respects, sample bobbins were sent to our cigarette customers for testing. The new furnish passed the exhaustive tests which such papers have to undergo and with customer's approval, jute became a regular component of cigarette tissue from 1st July 1970. This development work, representing a break-through in the technology of cigarette tissue manufacture, has thus broken the Company's dependence on the uncertain Sann hemp crop, and since jute and mesta are available in much larger quantities in various parts of the country, our customer's future supplies are ensured. In addition, the Company is giving active support to the U.P. Government in its schemes to promote better methods of Sann hemp cultivation and higher yields. It is also encouraging the growth of Sann hemp in other parts of the country.

In carrying out its research and development work, your Company pays special attention to the question of import substitution and a deliberate policy in this regard is followed. For example, as a result of our own efforts a plant was set up in

Tribeni in 1960 to manufacture Precipitated Calcium Carbonate a vital raw material for cigarette tissue. Since the plant came into operation it has saved the country over Rs. 2 crores of valuable foreign exchange.

Having regard to the important contribution which research and development makes to the progress and prosperity of the Company, your Board has decided to enlarge its activities in this field. As a member of the Wiggins Teape Group, the Company also benefits from regular technical assistance received from the Group's Central Research and Development Organisation in the U.K. This assistance continues to be of great value and will be particularly so when we start on our next phase of diversification and expansion to which I shall be referring later. However, there are already indications that as our research establishment grows, it will not only undertake development work of a local nature, but also make a more positive contribution to the total development effort of the Wiggins Teape Group.

In order to put the arrangements for technical collaboration with Wiggins Teape Limited on a proper basis, we propose to enter into a Technical Aid Agreement with them and active steps in this direction have already been taken.

Expansion

In my statement last year I mentioned that the Company had under consideration plans to diversify its production further and to manufacture an additional range of industrial speciality papers which were at present being imported. These plans have now become firm and an application has been made to the Government for an industrial licence for a new paper mill in the South of India to manufacture a number of speciality papers for the electrical industry, as well as our existing lines. The exact site has still to be chosen, but the area being considered has a number of advantages. It is central to existing customers and to other potential customers for the new grades, ample water is available and the site is well served by road and rail. Raw materials are available from the neighbouring states. Electricity is cheap and plentiful and

ample unskilled labour is available in the area.

There is a growing demand for our products, both at home and overseas, and in order to meet this it is essential that we bring new capacity into production in the next few years. We hope therefore that the Government will consider our proposal favourably and issue the necessary licences as early as possible.

Personnel

Your Company has always followed a progressive personnel policy and we believe it provides service conditions which are comparable with the best in the country. It is a matter of regret that despite this enlightened policy, agitations and go-slows affected our industrial relations during the year. In 1971 also production has been lost due to a strike which commenced on the 20th January and ended on 2nd March 1971, when an agreement was reached with the Union after protracted negotiations. It is my sincere hope that the employees will now avoid the agitational approach and make every effort to achieve higher productivity, as their well-being is ultimately linked with the continuing prosperity of the Company.

I reported last year that your Company was conscious of the need for management development, and steps have been taken during the year to build up a sound team for the next phase of expansion.

Since the last Annual General Meeting, Mr. C. M. Broadbent and Mr. B. F. Coupland, Directors, relinquished their respective offices to take senior appointments with the Wiggins Teape Group outside India. Mr. J. C. Basu, Finance Director, also retires from the Company with effect from 1st June 1971. All of them played a significant role in the development of the Company, and I would like to place on record the Board's appreciation of the valuable services they have rendered. I would also like to welcome, on your behalf, Mr. S. B. Sengupta, who has been appointed to join the Board as Finance Director with effect from 1st June 1971, subject to your approval at this meeting.

I should also like to thank all those employees who by their efforts

have helped towards the progress of the Company in 1970, and in particular Mr. R. A. Traill, Managing Director, and my other colleagues on the Board.

Future Outlook

I have already explained that the Company has not derived the full benefit of the expansion in 1970 due mainly to loss of production in the first quarter. It is unfortunate that the results for 1971 will again be affected in a similar fashion because of the strike at the beginning of the year.

I have already referred to the recently announced budget proposals for 1971/72. While the full implications of these proposals still remain to be examined and assessed, certain main features which are likely to affect your Company may be noted. Although the paper industry continues to remain on the list of priority industries which has been curtailed, the special tax concession is reduced from 8% of the profits to 5%. The benefit of development rebate will be withdrawn in respect of investment after May 1974. In calculating the limit of 6% of the capital for purpose of tax exemption for new industrial undertakings, debentures and long-term borrowings will no longer form constituents of the capital. A ceiling of Rs. 5000 per month is imposed on the remuneration of Company employees which would be deductible in the computation of Company profits.

Nevertheless, given a reasonably satisfactory political and economic situation in the country, especially West Bengal, prospects beyond 1971 are on the whole promising. I am also fairly optimistic about the longer term outlook. As I have already mentioned, an application has been submitted to the Government for an industrial licence for a new paper mill in the South of India to manufacture a number of speciality papers for the electrical industry, as well as our existing lines. Assuming the Government issues the necessary licences at an early date, we can look forward to an era of further progress for the Company.

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

COMPANY AND PUBLIC NOTICES

NEW INDIA INVESTMENT CORPORATION LIMITED

NOTICE is hereby given that the Thirty Fourth Annual General Meeting of the Company will be held at the Registered Office of the Company at 9, Brabourne Road, Calcutta, on Monday the 12th July 1971 at 3-00 p.m. to transact the following business:—

- (1) To Receive and adopt the Director's Report and the Audited Accounts for the year ended 31st December, 1970.
- (2) To declare a Dividend.
- (3) To elect Directors.
- (4) To appoint Auditors for the Current year and to fix their remuneration.

The Register of Members & Share Transfer Register Books of the Company will be closed from 9th to 12th July 1971 both days inclusive.

By Order of the Board
B. P. GOENKA
Director.

Calcutta,
June 24, 1971

Note: A member entitled to attend and vote at the meeting may appoint a Proxy to attend and vote instead of himself. A Proxy need not be a member.

The dividends, if declared, will be paid on or after 30-7-71 to those Shareholders whose names appear on Company's Book on 12-7-1971.

DIVIDENDS DECLARED OR PROPOSED

- General Investment & Trust Co. Ltd—
7½ p.c. (0), subject to tax
Metal Box Co. of India Ltd—5 p.c. (0)
(0), subject to tax
Kettlewell Bullen & Co. Ltd—5 p.c.
(0), subject to tax
Bridge And Roof Co. (India) Ltd—2½
p.c. (0), subject to tax
Basanti Cotton Mills Ltd—Nil
Nuddea Mills Co. Ltd—Nil
Bhartia Electric Steel Co. Ltd—4 p.c.
(0), subject to tax

Attention Contractors!!

Are you intimating details of your building contracts to the Income-tax Deptt.?

Under Section 285-A of the Income-tax Act, 1961, you must furnish details of a contract entered into by you for construction of a building or for supply of goods or services for construction of a building if the value of such a contract exceeds Rs. 50,000. These details must be furnished to your Income-tax Officer in the prescribed form (Form No. 52) within one month from the date of the contract. This requirement must be fulfilled even if the contract is entered into with Central or a State Government, local bodies or semi-Government organizations.

BEWARE! Failure to comply with this requirement, can lead to a penalty of upto Rs. 50 for every day of default subject to a maximum of 25% of the value of contract.

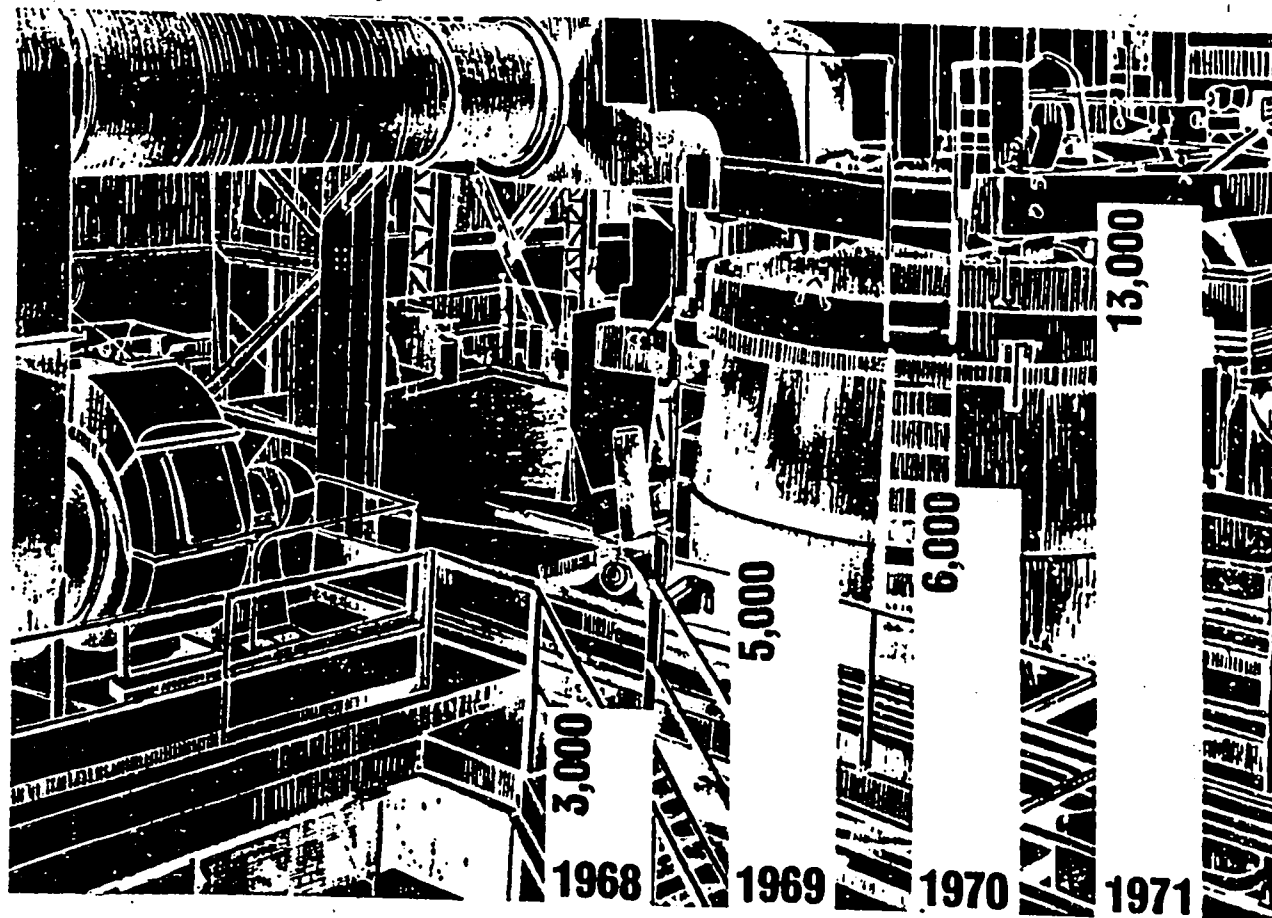
If you need guidance, please contact the Income-tax Officer

CENTRAL BOARD OF DIRECT TAXES

(Department of Revenue & Insurance)
Ministry of Finance, Government of India.

THE SHORTAGE OF FREE CUTTING STEELS IS OVER

GKW alone
will make 13,000 tonnes
this year



Shortage of free cutting steels is now a myth. Our production of En-1A and other free cutting steels has increased spectacularly. In the first quarter of this year we have produced over 2300 tonnes and current production exceeds 1000 tonnes a month. This goes to meet the major part of the demand for free cutting steels. GKW free cutting steels are available as rolled bars, coils and special sections to all users of free cutting steels including manufacturers of bright bars. We also offer these steels in cold drawn, turned or ground condition. We can meet delivery schedules in weeks, not in months. Where is the shortage?



Guest Keen Williams Ltd
Steel Division
97 Andul Road Howrah 3