

Industrial Economics

A FORTNIGHTLY ON INDUSTRY & FINANCE MADRAS

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BLESSED ARE THE PEACE-MAKERS...

In the dull and the drab world of politics, a touch of drama with high suspense is only welcome indeed. The long awaited summit meeting between Indira Gandhi and Zulfikar Ali Bhutto, from its very start, abounded in such suspense-packed scenes. If Bhutto had already made his mark for histrionics in the U.N. and almost everywhere, Indiraji, like Alfred Hitchcock, has specialised in flinging surprises at you, only at the end, appropriate-ly in a midnight announcement.

act, the whisper in Delhi has it, that enever a reshuffle in the Cabinet as in the offing, the ministers over e heads the sword of Damocles was dangling, would shiver in their shoes when they heard the clock chiming at midnight, for PM's car was very likely to carry their "execution" order to the President only then.

That is why *Walrus* was not very much surprised at the dramatic signing of the historic Indo-Pakistan agreement at 12-40 A.M. on June 3. There is no doubt that it adds another feather to the cap of Indira, for her persuasive diplomacy and Bhutto, for all his seeming intransigence, has proved reasonable at last. The agreement mentions several important decisions, like adhering to the spirit of the U.N. Charter, the "Panch-sheel" principles of mutual respect for territorial integrity and sovereignty, non-interference in internal affairs, etc. If all these are put in practice in the immediate future, the people of the subcontinent will really heave a sigh of relief and the agreement itself will be a fitting memento of the silver jubilee year of independence for both India and Pakistan.

Walrus



The Mysterious Fine Art of Politics

The only two-man game in which both participants win is the diplomatic game and *Platipus* has now sufficiently aged not to take the word of politicians at face value, when two of them seem to be at each other's throat or when they seem to have a bear-hug with tears of love running down the cheeks. For them both postures come naturally and the outbursts of affection or animosity can be exhibited in a short notice, and most often one emotion may be following the other in a remarkably short interval of time. Without even a tinge of professional jealousy, *Platipus* wishes to doff his hat in reverence to that veteran humorist—cartoonist Emery Kelen, who summed up the situation so accurately at Lake Success in 1940 with three brilliant cartoons. In the first, one diplomat shouts at another, cursing him as "Kidnap-

per! Conspirator! Spy! Church Robber" and the other pays him back with the compliments of "Warmonger! Plutocrat! Dollar Imperialist! Fascist!" In the next picture both are clinging to their glasses and smilingly assert that "we hope to continue our efforts to strengthen the good relations that exist between our two countries". Surprisingly, this analysis of diplomats' somersault in their policy statements, public utterances and private opinions still holds good and likely to be included in the list of eternal truths! The journalist may predict such things with experience but he can never peep into the minds of the politicians for their reasons and mechanics of thought processes. Mr. Kelen, we journalists perhaps do not know the fine art of politics, as Mr. Bhutto said so sagely! We must live more and learn more!

—Platipus



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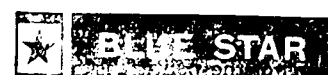
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Why Not Unit Trusts at the Regional Level?

The performance of the Unit Trust of India (UTI) during the year ended June 30, 1972 was quite impressive. There was an increase in the capital from Rs. 92.25 crores as on June 30, 1971 to Rs. 104.65 crores at the end of the next year. There was also an increase in the number of shareholders from 3.80 lakhs to 4.25 lakhs. UTI has announced an increase in the dividend on the units to 8.25 per cent for the year 1971-72 against 8 per cent for the previous year.

There is no doubt that UTI has evoked a good deal of interest among the investing public and has thrown open fresh areas of investment. But, to what extent it has contributed to the spread of the investment habit? The answer is not very encouraging. Units are popular in areas of habitual investment—concentrated in the Western India, followed by an average interest in the North and the East and very poor response in the South. Of course, this is directly in proportion to the stock market activity in the respective zones. The stock market had rarely been active in the South. Companies here are still, by and large, family holdings. In the absence of any great enthusiasm on the part of the proprietors of these concerns to expand the base of their operations by undertaking large expansion, there is little that is offered to the public for subscription. There are not also many industrial houses of the stature of those seen in Bombay or Calcutta coming out with frequent expansion programmes. The result is a dormant stock market in whose activities there is no widespread interest, which again explains the fact that for a comparable set of shares the prices offered are much lower in Madras than elsewhere.

The pattern of the unit sales, highlights the vast distortions in shareholding interest in the different regions. For 1970-71, it is gathered that the percentage of regionwise distribution of the units were as under:

Region	Percentage
Bombay	.. 52
Calcutta	.. 20
Delhi	.. 22
Madras	.. 6

Out of a total of 3057 agents for selling units all over India, there are only 124 in the South!

The knowledge and interest in shareholding has been widespread for a number of years in the Western region thanks to the location of a large number of industries; in the Eastern region also this was sustained by the big companies. Of late there has been a tremendous increase in this in the North also. There is a very keen desire to float medium- and large-sized companies with the help of institutional finance supplemented by public subscription. Unfortunately, there has been no such desire on the part of the entrepreneurs in the Southern States. The result is the continuation of a large number of medium sized companies trying to finance expansion schemes through internal

generation alone or be content with what they have on hand.

Tamil Nadu and Mysore are now desirous of breaking through this almost dead stock market and are trying to industrialise through State or joint ventures. Hence the formulation of a number of schemes by the Tamil Nadu Government to activate investments through numerous small scale industries and also to take on itself, through the Tamil Nadu Industrial Development Corporation, the acquisition of a number of letters of intent and licences for medium- and large-sized industries, and finance these through their own revenues.

With the capability of Governments such as Tamil Nadu to raise large additional resources through intelligent mobilisation efforts, it might be considered whether it cannot canalise these towards stimulating the interest of the public in investment. It can even think of formulating a plan for a State level unit trust. After all, the State has been highly successful in schemes such as lotteries which are proving to be unprofitable in most other States. Instead of offering the public a chance to gamble, it can try to give it a participation in large companies that are being floated. If a start is made in this direction, at least within the next decade interest towards investment will spread.

It is up to the Government and people connected with the stock market in this region to work on a short term as well as long term plan to activate the interest in investment. After all, the record of highly successful companies in countries such as Japan are largely due to the widespread interest in investment. Can't we take a lesson from these?

It is the duty of institutions like the UTI to try to spread the interest in investment habit. An institution of this type has the responsibility, besides ensuring a steady return to the unit-holders, to promote shareholding among a wider cross-section of people. It is a familiar sight in India to come across investment habits confined to habitual investors. Rather than concerning only with return and profitability of operations by taking up the line of least resistance such as confining its operations largely in areas where shareholding habit is familiar, the UTI must move out either by the formation of regional trusts or by more intense activity in areas not familiar with units or investment in shares. In these years since UTI has been formed there has been little that has been discernible in the form of increasing awareness on the part of the public of this region towards units or the UTI. It is not sufficient to merely select a few large companies for investment purposes, put the money in them and show bright balance sheets: its object lies deeper, in spreading a certain consciousness towards industrial investment through more active and positive roles in areas hitherto unexplored. The dismally low figure of 6 per cent sales in the Southern region during the last year is a pointer to the poor performance of the UTI in regard to its efforts towards the spread of investment habit in such areas.

Britain Floats the Pound

There has in recent months been considerable speculation in British monetary circles about how Mr. Heath will be tackling the domestic economic situation. His decision to float the pound is an indication of his recognition of the intensity of the economic malaise and of his inability to do any thing spectacular beyond indulging in kiteflying in the international exchange markets. The basic disability is the serious inflation which has been consistently fed by the Government's inability to arrest wage inflation and consequently to improve the industrial growth rate. For lack of such improvement it has become more and more difficult to control the deterioration in employment.

Formidable Cost of Inflation

According to a recent Cambridge study, "each time a group of trade unions push up the going rate of wage inflation by 1 per cent, they may, in the absence of yet further demand—reflationary action by the Government, be arranging for employment to drop by over 300,000." And, according to the self-computation, the wage rise awarded to the railwaymen means a 3 per cent push to the wage inflation. Combining it with what the coalminers have contributed and the dockers are likely to contribute, the picture of cost inflation in the British economy looks formidable indeed.

This situation is intensified by many British manufacturers delaying their investment decisions. The excuses offered are diverse—reduced profits resulting from oppressive taxation, high cost of industrial inputs and large unused capacity. At present the outlook for industry is not bright. While the machine tool sector is shedding labour, steel is building stocks. As the *London Economist* points out, there can be a massive jump in industrial investment in the middle of next year because the ending of the Selective Employment Tax and the change to value-added Tax will inject a once-and-for-all £485 million into the corporate purse in the second quarter

of next year, "apart from the benefit of the tax change itself contributing another £60 million a quarter." This is an increase in investment which the British capital goods sector will be unable to meet. The consequence for the import bill does not need any special description. What has to be described is the curious spectacle of British firms looking for custom in the European Common Market overlooking the consumer boom building up at home. If British industry continues to be uncompetitive and production levels do not rise as envisaged or wished for, the economy will be in the unenviable position of not being able to sell vigorously abroad or at home in the dimension necessary to keep above water.

Decline in Competitiveness

The trade deficit confronting the country should be sufficient warning about decline in the competitiveness of British industry. On present sights, this year will end with a trade deficit of £560 million (annual average) against the £200 million forecast by National Institute of Economic and Social Research. The year's figure will be closer to £562 million recorded in 1967, the year when Wilson devalued sterling. The is proof of Britain having lost the price advantage flowing from such devaluation.

To set the record straight, it should be stated that the balance of payments

is likely to show a small surplus because of the performance of invisibles. But, for a trading nation the deterioration in trade figures is a great concern. Exports in May were 4 per cent lower in value than in last autumn while imports were higher by 10 per cent. If consumer boom materialises as fast as it should, imports will be larger and the trade deficit *ipso facto* wider. Already imports of cars and trucks have risen by 15 per cent over the past few months alone. Exports, on the contrary, to most sterling areas have been at reduced rates. With a cost inflation and snags in exports, the immediate task is to eliminate bottlenecks in trade expansion.

Testing Sterling's Strength

The country is entering the ECM against this background. The Government is right in seeking to ensure that sterling's strength is adequately tested for the purpose. There is no better way of doing it than by floating this currency. From orthodox standpoint, this may be monetary kite flying. The alternative, however, is straight devaluation. Who is to decide the percentage? Already there is the criticism that, under the Smithsonian realignment of parities implemented in December last, the gold parity of the pound was not adjusted downward as it should have been causing a sure degree of overvaluation which was a damper to exports. By floating the pound, it should be possible to arrive at the right degree of devaluation. This seems to be the logic behind the British decision to float the pound. (Certain quarters of British monetary opinion contend that devaluation now to be adjusted by floating the pound later will have been a better remedy because devaluation encourages exports, discourages imports and introduces some cost discipline industry). So far as India is concerned, the 2.5 per cent margin now available for exchange rate fluctuations should provide sufficient elbow room in spot deals against sterling.

Prospects of Substantial Economic Aid

While a conscious effort has to be made to narrow the trade gap and increase at the same time the volume of imports and exports by boosting internal production, it should be said that the outlook for aid in 1972-73 is not so discouraging as it is made out to be in certain quarters. World Bank has taken a constructive view of the needs of India and is appreciative of its efforts to hasten economic growth by continuing to lay emphasis on the improvement of agricultural production and stepping up plan outlay.

The institution's recommendation that there should be gross aid of \$1250 million for the current financial year has been accepted by members of the Aid India Consortium which met in Paris recently. This level of aid is the highest for any year though there may not be any big increase in net aid due to heavy repayments. The Press communique issued after the meeting of the consortium has actually stated that a smaller quantum of aid will result in a reduction in a net transfer of resources to India. This has obviously reference to the heavy repayment obligations by way of loan instalments and interest charges in the current year and the next. The question of rescheduling debt repayments has to be examined at length and the members will probably arrive at specific decisions when the consortium meets again in Paris after one month.

Liberalising Imports in Strategic Directions

Out of the gross aid of \$1250 million \$700 million will be in the form of non-project aid including debt relief of \$200 million. The balance of \$550 million will be in the form of project aid. The commitments of individual members have not been indicated but there are reports that most of the members will be prepared to increase their quotas. There should not be really any difficulty in securing this gross aid because the net outflow of funds so far as the donor countries are concerned will not be more than in earlier years and no new balance of payments problems will be

created. However, many countries like Japan, West Germany, Holland, France and others are in a position to increase their net aid and if the non-project element can be raised substantially, the Central Government can think of liberalising further imports in strategic directions and hasten the pace of development. The large amount of project aid however can be absorbed only if the implementation of the projects concerned was quickly done. It should also be found out whether project aid can be reduced or made available in a manner which will facilitate its utilisation.

There is no uncertainty about the availability of aid from all members except USA and the International Development Association. The member representing USA is reported to have observed that the question of resuming aid to India is under the consideration of his administration while interest has been shown in the deliberations of the consortium in the efforts made by India to strike out a new path for raising the rate of economic growth. Between IDA and USA nearly \$500 million is involved and the higher level of gross aid has really no meaning if this amount was not forthcoming.

USA's Contribution to IDA

There are however recent suggestions to the effect that USA might resume its contribution to IDA and assistance from the latter will be forthcoming to India. As for the share of USA, it is too much to believe that aid from this source will remain suspended when Mr. Connolly is expected to visit New Delhi for improving ties between the two countries. There is bound to be resumption of US aid in the next few months and India can carry on its work on plan schemes by utilising aid from other sources and using also foreign exchange reserves if need be. Indeed the view has been put forward by some donor country that India's foreign exchange reserves are quite comfortable and there is no need for a drastic rescheduling of debt repayments as

has been asked for. This is perhaps due to a feeling that net aid has been in excess of actual requirements in the past few years. This was however due to shortfalls in plan outlay and some favourable developments in the international economic situation.

Larger Aid from East European Block

These factors will not be exerting their influence to the same extent in the last two years of the plan and there may be temporarily an increase in foreign exchange expenditure before it comes down significantly in the Fifth Plan. There is of course the possibility of larger aid being received from the East European block which might result in a distortion of the pattern of the foreign trade. The USA is well aware of the capability of India to get over a difficult situation and also the importance of normalising relations on the economic front in view of India's new importance in the world map. There is really no justification for continued bitterness as the Peking and Moscow summits have gone off well and the summit between India and Pakistan will also be successful. Since Bangla Desh too has been recovering rapidly from the devastating effects of the recent conflict, the US administration will have no excuse for continuing to suspend aid to India. The uncertainties in this regard can be expected to be removed in the next two or three months. In this sense, the prospects for net aid are quite good though the usefulness of such aid will depend on how India avoids unwanted imports and succeeds in boosting substantially industrial production and maintaining the growth in agricultural production.

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Precarious Power Position in the South

The imposition of a cut in the consumption of electricity by the Tamil Nadu Electricity Board effective from June 19 in respect of high tension consumers and of 10 per cent for news paper establishment came as a complete surprise in industrial circles. Though there was worry over the delay in the onset of the south-west monsoon, it was not anticipated that the Electricity Board would be compelled to restrict power consumption even selectively. It has no doubt been experiencing difficulty for some time past in meeting the demand fully as daily generation had to be maintained at the high level of 21 million units.

So long as Kerala was supplying 3½ million units daily the needs of all consumers could be met without difficulty even though hydel generation of over 9 million units would not have been possible but for an earlier comfortable position. The Kerala Electricity Board, however, could not continue supplies on the former scale because of a dwindling storage in the hydel reservoirs.

Failure of Neyveli

The difficulties of Tamil Nadu are due to the growth in consumption being far in excess of the additions to generating capacity. The inefficient functioning of the Neyveli Thermal Station has also been a contributory factor as with a full use of its capacity the daily export could be easily 8 million units instead of the present daily average of 5 million units. There is, therefore, continued dependence on import of power from Kerala and Mysore. The latter had not been able to help Tamil Nadu because of its own problems and its commitment to Goa and Maharashtra.

The power cut has come after 6 years when due to inadequate capacity and a disappointing south-west monsoon there was curtailment of consumption for nearly 9 months. In 1970 also there was a cut temporarily due to the Neyveli Thermal Station going out of commission following a labour strike. The cut on the present occasion may not cause any serious interruption to production—agricultural

and industrial—as the monsoon has broken out vigorously in Kerala and Mysore and the catchment areas in the Nilgiris are receiving copious rains. But difficulties may be experienced in the next summer if all the four sets at the Ennore thermal station did not function fully and there was also no improvement in the working of the Neyveli thermal station. It will not be justifiable to depend on continued supplies from Kerala and Mysore as with a further increase in consumption in its own region Mysore may not be able to export at all any quantity of power.

Kerala for its part will be reducing its export by over 100 million units to 200 million units in 1972-73 besides charging more for its limited supplies. In the meantime daily consumption in Tamil Nadu may increase to even 23.5 million units, requiring additionally 150 MW. of capacity net or an additional generating capacity of 200 MW.

Completion of Fourth Unit at Ennore

Having regard to the difficulties experienced in running thermal and hydel plants and the need to have some reserve capacity, the greatest attention has to be paid to the quick completion of the erection of the fourth unit in Ennore. There must also be an attempt to conserve hydel storage by utilising fully the existing three units in Ennore. The Neyveli thermal station too should be helped to operate at a higher level with expeditious arrangements for securing mining machinery and raising lignite to over 4.5 million tonnes.

All these efforts will enable to the Electricity Board to stave off a power cut only for one year and in 1974-75 a truly difficult situation will arise if the fifth unit in Ennore with a bigger capacity of even 200 MW. cannot be erected and power from the Idikki project also was not available. The first unit in the latter project is scheduled to be commissioned by the end of the current plan period. But it may not be surprising if there was some unexpected delay. The fourth stage of the Kundah project may be helpful to some extent though full

benefit can be derived only if there was satisfactory storage in the reservoir. As the Kalpakkam Atomic Power Station may not go stream until 1976 or 1977 it has to be decided without delay that a conventional thermal station should be established at Tuticorin.

In spite of the Neyveli Lignite Corporation incurring huge losses every year and even in 1972-73 the net loss will be over Rs. 10 crores, the Central Government has indicated no sense of urgency for acquiring mining machinery. The amount involved for purchasing machinery which will be helpful in increasing lignite output to 4.5 million tonnes from 3.7 million tonnes will not be more than Rs. 8 crores which is less than one year's loss. There has to be immediate arrangement for purchasing additional mining machinery and raising lignite output to over 4½ million tonnes.

In so far as it has been accepted that open cast mining is ideally suited for mining lignite and the pressure of acquifiers below the lignite has been successfully controlled when removing the over burden, the Central Government will not only be salvaging its huge investment of Rs. 180 crores in this project by eliminating losses with a fresh outlay of Rs. 16 crores but also making available power for an additional 200 MW daily and making available also an extra 60,000 tonnes of urea having a value of Rs. 5 crores and saving foreign expenditure for a corresponding amount.

Only when these defects in this huge complex are rectified, it will be possible to think of opening a second mine-cut in the same area for supporting a super thermal station with the capacity of 1,000 MW. If possible it should be the objective to have the mine-cut in operation midway through the Fifth Plan and the second thermal station with a capacity of at least 600 MW by 1978-79. Kalpakkam will be accounting for 400 MW, Ennors for 200 MW and hydel projects for 300 MW, in all new capacity for 1,500 MW would have been created against the target of 2,000 MW. The gap of 500 MW can be easily filled by the Tuticorin thermal station.

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Glimpses

By P. R. SRINIVAS

Similar Strains in Mysore and Andhra Budgets

Despite differences in detail, the Mysore and Andhra Pradesh Budgets for the current year reveal some common features, which are of a disquieting kind. In both these budgets, a good sized surplus on revenue account has been turned into a vastly bigger overall deficit. Both the States have had the benefit of a large advance from the Centre to enable repayment or reduction of the overdraft with the Centre. Both Governments are faced with inadequacy of resources for the outlay on their respective plans. And both alike plan to have further talks with the Centre and expect to have their burdens lightened by the Sixth Finance Commission. If one remembers that Mysore and A.P. are not exceptional in any of these respects, the picture of States' finances and of Centre-States relations in the years ahead or of the Finance Commission's efforts to improve that picture is highly disheartening.

Turning Revenue Surplus into Overall Deficit

In the case of Mysore, the Centre provides a ways and means advance of Rs. 62 crores to enable the State Government to reduce its overdraft of Rs. 72 crores with the Reserve Bank. It has also agreed to finance the Kalinadi project and to give the State Rs. 1.40 crores a year for a special employment programme. New tax proposals designed to bring in an additional revenue of Rs. 2.65 crores in the current year and Rs. 3.9 crores in a full year have also been put forward. But with additional D.A. and some new benefits to Government employees, the revenue surplus of Rs. 7.30 crores has been reduced and turned into an overall deficit. Almost identically similar conditions and developments are noticeable in Andhra Pradesh. A surplus of Rs. 9.81 crores in the revenue budget has been turned into an overall deficit of

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Rs. 40.15 crores. The A.P. Government has had an advance from the Centre of Rs. 70 crores to facilitate the reduction of overdrafts with the Reserve Bank. Plan expenditure has been reduced from Rs. 105 crores, the estimate at the time of the vote on account, to Rs. 96.34 crores. The Finance Minister claims to have made a revision of priorities which has led to a cut of Rs. 9 crores in the allocation for power and irrigation. As elsewhere, the talk is in the main about additional resources, though Mr. Bhagwanth Rao, the A.P. Finance Minister, has adopted the strange course of mentioning the additional tax proposals to come, without specifying them in his budget speech. The facile way of reducing States' overdrafts by Central advances to the States is only an instance of what may be called digging holes to fill them in, particularly because more than once in the past such advances and repayments were followed all too soon by the rise of the overdrafts to their former levels. The Centre's offer to finance the Kalinadi project calls in question the wisdom and the practicability of the State's endeavours to reduce the role of the Centre in the implementation of plan projects.

West Bengal's Break with the Past

The West Bengal budget for the current year presented by Mr. Shankar Ghosh, the Finance Minister is an exception to the general rule of State budgets today in as much as it is a case of a large revenue deficit of Rs. 22.78 crores being reduced to an overall deficit of Rs. 13.55 crores through a surplus of Rs. 9.43 crores outside the revenue account. The deficit in the revenue budget may perhaps be considered in view of what the State has suffered in recent years through political unsettlement, civil disorder and the efflux of capital and industry. To these have to be added the recent drought which, according to the Finance Minister, has caused a

loss of agricultural production to the extent of Rs. 80 crores. With the return of the Congress Party to power, there has been a marked improvement in general conditions which will take time to be reflected in revenue realisations. For the present, the State has the advantage that it will get Central assistance for the current plan of Rs. 221 crores out of a total outlay of Rs. 322 crores, with the State having to raise in the next two years Rs. 41 crores out of its targetted quota of Rs. 70 crores. West Bengal has now made a break with its long tradition of getting more and more from the Centre and less from its own territory. The new taxation measures for the current year are assessed at getting Rs. 10 crores, through higher levies on entertainment, motor vehicles and a number of luxury articles. But the exceptionally low land revenue rates are yet to be raised. The Congress Government may be expected to tackle this before long.

No Departure from Looking to the Centre

The Gujarat budget for 1972-73 is in some respects a contrast to Bengal's and a few others' as well. A biggish revenue surplus of Rs. 20.37 crores, additional taxation of Rs. 3.43 crores for reducing an overall deficit of Rs. 8.95 crores to Rs. 5.52 crores, which Mr. Kantilal Ghia, the Finance Minister hopes to reduce substantially by more vigorous collection of taxes and small savings are the salient features of the present financial position of Gujarat. The new tax proposals are worthy of special notice. An increase of 23 to 25 per cent in passenger tax designed to produce a revenue of Rs. 80 lakhs in a full year is not to be passed on to the travelling public but is to be absorbed by the State Road Transport Corporation. Withdrawal of exemptions and concessions of sales tax in respect of chemical fertilizers, loose tea, hardware articles and a few others are expected to yield Rs. 1.64 crores in a full year. But Gujarat, however, signifies no departure from the present vogue of looking to the centre for more concession.

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Paucity of Resources Affect A.P.'s Plan Schemes

The Budget Estimates for 1972-73 represented to the Legislature by the Andhra Pradesh Finance Minister, Mr. A. Bhagwanth Rao, still reveal signs of extreme strain on account of a paucity of resources for implementing Plan schemes. The Budget of Andhra Pradesh is probably an exception from the point of view of presentation in the sense that even though the Finance Minister has observed that there is need for heavy taxation and he would deal with this aspect "presently," the proposals for taxation have not been made and it has not been clarified how the big gap of over Rs. 40 crores is proposed to be filled. The Revenue Budget presents of course a comfortable position because there will be an increase in revenues to Rs. 354.66 crores from the interim budget figure of Rs. 344.70 crores. There will be also an increase in expenditure to Rs. 344.85 crores from Rs. 331.76 crores and the Revenue surplus will be Rs. 9.81 crores against Rs. 12.94 crores previously. There was of course a deficit of Rs. 3.42 crores in the revised budget estimates for 1971-72. The Central Government extended a special loan of Rs. 70.86 crores for wiping out unauthorised overdrafts, there being a minus cash balance of Rs. 79.76 crores.

However, instead of there being a nominal overall deficit at the end of the year, there is a big gap of Rs. 40.15 crores which it is hoped as stated above to be adjusted by getting special assistance from the Centre and new taxes. The whole difficulty has risen because Plan outlay has had to be fixed at Rs. 96.34 crores against Rs. 77.95 crores permissible on the basis of resources available but much lower than the figure of Rs. 105 crores assumed in the interim budget.

Anticipated Central Assistance

It is perhaps assumed that some Central assistance would be forthcoming in any case for Plan schemes over and above what has been already promised because even the increase of Rs. 20 crores in Plan outlay over the figures adjusted by the

Planning Commission cannot explain the overall gap of over Rs. 40 crores.

This clearly indicates that the Plan expenditure in the past two years has been financed to a great extent by unauthorised overdrafts and with the absence of deficit financing it will not be possible to find even 50 per cent of the postulated plan outlay even with normal Central assistance.



MR. A. BHAGWANTH RAO

Andhra Pradesh is in a fortunate position of being able to implement big irrigation schemes which can bring under cultivation vast areas for boosting the output of cash and food crops. But even though the Nagarjunasagar dam has been constructed, the canals and distribution facilities have still to be completed and the progress of work has been held up due to a shortage of funds. Likewise, work on the Pochampad dam and the distribution system is proceeding simultaneously and already the benefits of the new irrigation facilities are being felt in Telengana.

There is then the Vamsadhara Project which has similar potentiality. The drainage and barrage schemes have been implemented in the coastal districts while Rayalaseema will be helped if some vital projects are implemented quickly. Unlike in other States where too regional development has to be given special attention but where there is no compulsion to do so, Andhra Pradesh has to earmark its resources

on a regional basis as there will be discontent if there was disparate development and the backward areas did not progress to the desired extent.

Acute Power Shortage

As regards power there is an acute shortage and consumption has to be restricted holding up the progress of industries and agriculture.

The Srisailem and Lower Sileru Hydel Projects have to be implemented on an emergency basis while thermal capacity has to be expanded ambitiously in order to use to advantage the coal resources at Kothagudem and Ramagundem. The Kothagudem thermal station will probably be the biggest in the southern region after the new schemes have been completed as the aggregate capacity will exceed 800 MW. It is also proposed to establish a new thermal station at Vijayawada. However, even if all the new schemes were executed, the aggregate capacity may still be far short of the capacity of Tamil Nadu even at the present moment. The Andhra Pradesh Electricity Board does not have even 50 per cent of the required resources for these vital projects.

Some intelligent solution has to be found for the peculiar problems of this State. There will of course have to be fresh taxation. But this may not fetch more than Rs. 10 crores in a year immediately which means that there will have to be special central assistance of Rs. 30 crores or larger amounts will have to be raised through open market loans or credits if the Centre is to give less. In any case, it will be difficult to avoid complete central assistance to projects like Pochampad and Srisailem. Also, there will have to be a rescheduling of the debt repayments and interest charges especially as they relate to Nagarjunasagar, since the delayed implementation of this project has added to capital costs. Good succour to the State can be given if fresh expenditure on the distribution facilities was wholly on Centre's account.

Mysore's Plea for Liberal Rescheduling of Debt Repayment

The final budget of the Mysore Government for 1972-73 has been presented and it is possible to understand from the budget speech as well as the connected documents how the State's own efforts and liberal assistance from the Centre have been helpful in giving good shape to the budget. As has been indicated by Mr. M. Y. Ghorpade, the State's Finance Minister, additional resources on revenue account have been found for Rs. 10.50 crores and capital account for Rs. 12 crores as compared to the interim budget presented to the Legislature when seeking a vote on account earlier in the year. The Centre of course has been magnanimous as it has granted to the State Government a special loan of Rs. 62 lakhs in order to enable the latter to wipe out its overdraft from the Reserve Bank which stood at Rs. 71 crores on April 29, 1972. Special assistance for Rs. 11.50 crores has also been given for meeting the gap in the resources budget for the plan besides meeting fully expenditure on the Kalinadi project. This gesture has been useful to Mysore for reallocating about Rs. 7 crores that had been earmarked for the Kalinadi project for other purposes.

The receipts on revenue account have thus increased to Rs. 307 crores from Rs. 292.05 crores in the interim budget with the expenditure rising to Rs. 299.70 crores from Rs. 292.05 crores. The revenue surplus has thus increased to Rs. 7.30 crores from 1.21 crores. On the capital side there was a deficit of Rs. 31.73 crores resulting in an overall deficit of Rs. 30.52 crores. The deficit on the capital budget will now be only Rs. 11.80 crores and the overall deficit Rs. 4.50 crores. Plan outlay will be slightly higher at Rs. 76.28 crores against Rs. 74 crores though a sizable amount will be spent by the Centre on the Kalinadi project. The total cost of the project which is expected to be completed by 1980-81 will be Rs. 160 crores. There will also be expenditure on some irrigation project on the Cauveri outside the plan.

The overall deficit of Rs. 4.50 crores is proposed to be partly covered by adjustments in irrigation charges,

higher taxes on commercial vehicles and upward revisions in the multi point and single point sales taxes. The revised irrigation charges will fetch in a full year Rs. 1.75 crores and the current year is 1.00 crores. The higher rates of taxation on commercial vehicles will yield Rs. 65 lakhs in a full year and Rs. 40 lakhs in the remaining months of 1972-73. Sale tax charges will yield Rs. 1.50 crores and Rs. 1.25 crores respectively. The total new levies will thus be Rs. 3.90 crores in a full year and Rs. 2.65 crores in 1972-73. The overall deficits will increase to Rs. 6.10 crores consequent on the decision of the Government to pay higher dearness allowances to State Government employees. The amount payable to pensioners is also being slightly increased. There will thus be an eventual deficit of Rs. 3.45 crores which too may be wiped out with the larger revenue and capital receipts. It has also been pointed out by Mr. Ghorpade that a fresh effort may be made to increase the tax burden on agricultural incomes after the recommendations of the Raj Committee have been announced and the Centre had taken decision on how to implement these recommendations with the help of the State Governments.

The budgetary position thus presents a neat appearance that it should not be overlooked that out of the aggregate plan outlay of nearly Rs. 100 crores including the expenditure on the Kalinadi project and that on some irrigation project outside the plan the Centre alone would be financing many schemes for an aggregate of Rs. 56 crores. While there is every justification for claiming that the Kalinadi project should be assisted fully with funds from the centre, the State Government can hope to raise the tempo of plan expenditure out of its own resources only if it could secure additional assistance from institutions and if its own tax and non tax revenues were buoyant. The Centre as well as the State Government probably expect that the finance of the latter will improve after the recommendations of the Sixth Finance Commission have been made known. But special arrangements, however, have to be

made for the next year, the last year of the Fourth Plan if even the current level of expenditure is to be maintained.

Centre to Finance Kalinadi

It has, of course, been indicated that the Kalinadi project will require Rs. 25 crores in the next year and the total outlay in respect of the first and second stages will be Rs. 164 crores. The ultimate generating capacity will be 640 MW and the project may be completed by 1980-81. Since the Centre has taken over the responsibility for meeting the expenditure on the Kalinadi project, it can be expected that power from the first stage will become available by 1976 or 1977. It cannot be said, however, that the implementation of plan schemes with the State's own resources and normal central assistance can be stepped up significantly unless new techniques were adopted to finance rural electrification and energisation of pumpsets. It has, therefore, been suggested by Mr. Ghorpade that there will have to be a liberal rescheduling of debt repayment to the Centre and that the latter should also consider the special claims of Mysore sympathetically. Much larger amount will have to be spent on irrigation and power schemes and for the development of agriculture and industry. Mysore has immense natural resources which are just beginning to be fruitfully tapped.

NEW PRESIDENT FOR HINDUSTAN CHAMBER



MR. MAMMAN MAPPILLAI
Managing Director, Madras Rubber Factory Ltd., who has been elected President of the Hindustan Chamber of Commerce

Fascinating Growth of the Cosmetics Industry

India has experienced virtually a boom in the realm of cosmetics in recent years. The toiletries (soaps, tooth pastes, hair oils and shampoos) and cosmetics (creams, lipsticks, eye shadows, kajals and maskara) industry is the second largest user of advertising space next only to textiles. Firms in the business also account for the largest advertisement budget.

Huge Retail Sales

A rough estimate of the available data reveal that total sales of leading cosmetic companies such as Lakme, Ponds, Nivea and others amount to Rs. 15 crores per annum. Total sales of toiletries in 1970 was roughly of the order of Rs. 60 crores. Taking into account a large number of small ventures which have had a mushroom growth in the last few years, total retail sales of cosmetics and toiletry industry are nothing less than Rs. 80-90 crores. The urban sector constitutes roughly 66 per cent of the total market.

Soaps occupy the pride of place among toiletry materials. The first soap unit was set up in 1887 in Meerut. Modern production commenced only after the First World War, when the Mysore Government Soap Factory and Kerala Government Soap Factory were established. Another pioneer unit was Godrej, whose unit commenced production in 1920.

... Dates Back to 1909

The beginning of the cosmetics industry can be traced with the setting up of a small unit in 1909 by Patanwala. There are 12 major units in the organised sector. The dividing line between manufacturers of toiletries and cosmetics goes overboard as most units manufacture both. Most of the units of the cosmetics industry are either foreign owned or controlled by one of the leading industrial groups.

Patanwala's Afghan beauty aids and the substantially foreign owned Hindustan Lever are the most promi-

nent catering to the mass market. Pantanwala manufacture a complete range of inexpensive cosmetics. Sales turnover in 1970-71 was around Rs. 3.5 crores. Hindustan Lever who mainly manufacture soaps, toothpaste, shampoos and shaving materials also manufacture a talcum powder and a snow.

Tata Oil Mills Co. (TOMCO) which manufacture soaps, shampoos, hair oils controls a substantial portion of the market. The sales turnover in respect of soaps and toiletry preparations amounted to Rs. 50 crores in 1970-71. Though the share of toiletries is not known, it has been disclosed that the sales of these items recorded a 38 per cent increase in that year.

Foreign Owned Business

Most of the units catering to elites are foreign-owned like CIBA, manufacturers of Binaca Products, Max Factor, Ponds, Colgate Palmolive and Johnson & Jhonson. Among the prominent indigenous units are Bengal Chemicals (Perfumes), Nivea, Talbro and Lure.

J. K. Helene Curtis, a joint collaboration venture between J. K. Group and Helene Curtis of Chicago are the most important manufacturers who make a complete range of cosmetics for men. Sales turnover in 1971 was around Rs. 57 lakhs. Their main brand names are Tiara, Monarch and Tru Tone.

Lakme, which is a Tata group enterprise is the only wholly Indian-owned unit manufacturing cosmetics for the premium market. They manufacture 260 cosmetic products and have 48 different kinds of lipsticks alone. Sales turnover in 1970-71 was around Rs. 1.6 crores. Their sales have been growing at an annual rate of 15 per cent.

Sizeable Export Trade

India is not only self-sufficient in cosmetics but has also built an export market next only to Japan throughout the East. Exports cover the West

Asian and North African regions on the Mediterranean coastline, to Fiji and other island nations in the South Pacific. Malaysia, Nepal and Singapore are among the important bulk buyers. Even countries like Britain, U.S.A. and West Germany have started importing Indian cosmetics in a small way with distinct possibilities of better business to come. Lakme lipstick has found a small market in France and United States.

The exports of various products covered by the Basic Chemicals, Pharmaceuticals and Soap Export Promotion Council which amounted to Rs. 23.7 crores during 1970-71 have been the highest ever in export history, surpassing even the target fixed at Rs. 19.25 crores for the year.

The cosmetics industry achieved a rise of about 15 to 20 per cent growth in 1970 over the 1969 level. The market in cosmetics as well as their applications in various beauty parlours is growing on a vast scale. The industry intends to hit a production target of 4 lakh tonnes soon. On an average it has been estimated that the working girl spends Rs. 50 on cosmetics. Even the poorest of middleclass housewives spend on an average Rs. 15 to Rs. 20 per month on beauty aids, while men belonging to this group incur at least Rs. 7 to Rs. 10 on haircreams and after-shave lotions.

Smuggled and Spurious Goods

Though imports of cosmetics have been kept to an absolute minimum for quite some years now, about Rs. 15 to 20 crores of cosmetics and toilets are smuggled into the country every year. One of the impediments to the growth of industry is the mushroom growth of spurious varieties. Afghan Beauty aids claim that Rs. 1 crore worth of spurious Afghan products alone are made annually. Although the Drug Control Authorities have been entrusted with the task of conducting raids and bringing into light the activities of fake companies their work has not yielded satisfactory results.

Central Directive to Tamil Nadu to Raise Additional Resources

Inaugurating the 62nd Annual Meeting of the Southern India Chamber of Commerce, Tamil Nadu Chief Minister Karunanidhi explained at length the steps taken by the Government to improve the living conditions of the masses. In particular he referred to the Housing Schemes, the Beggar Rehabilitation Scheme and the Eye Camp. He took the occasion to thank the business and industrial community for the wholehearted co-operation that they gave him in all these welfare activities.

He was a little pained to note that there was no reference in the welcome address of the outgoing President of the Chamber, Mr. M. A. M. Ramaswami, to the farmers' agitation in the State. The Chief Minister said that the agitation was taking place here and there and not at all places as reported by certain sections of the press. He reiterated his assurance to the farmers that the new rate of 12 paise per unit would apply only to the first 200 units of energy consumed by them and not to all the units. On this basis he felt that there would be no hardship to the farmers. He affirmed that he had categorically stated this position to them already. As such, the agitation carried on by the farmers was only induced by certain vested interests who are bent upon wrecking the cordiality that prevailed in the State in the farm sector. He stressed the concern that his Government felt for the farm sector and the various



Tamil Nadu Chief Minister M. Karunanidhi is seen speaking at the inauguration of the annual meeting of the Southern India Chamber of Commerce and Industry

measures taken to ameliorate their conditions.

At a time when there is such a hue and cry for the rise of one paise in the power rates to the agricultural sector, he mentioned that he had received a communication from the Government of India to find additional resources to the extent of Rs. 16 crores to implement the various projects designed to banish poverty and ushering in welfare measures in the Fifth Plan. The suggested taxes are as under:

- Rs. 3 crores to be raised by the re-introduction of the once abolished land revenue.
- Rs. 1.5 crores by way of surcharge on land revenue.
- Rs. 3.5 crores in the form of surcharge on irrigated lands.
- Rs. 7.2 crores in the form of surcharge on "consumers" electricity bills".
- Rs. 0.6 crores by way of municipal property taxes.

The Chief Minister did not contest the propriety of these measures. Nor did he say that he would not consider them. He was fully aware that additional resources had to be found to



Mr. S. Narayanaswami who has been elected President of the Southern India Chamber of Commerce and Industry for 1972-73

review the situation with a view to improving the conditions.

Earlier, welcoming the Chief Minister, Mr. M. A. M. Ramaswamy, the outgoing President of the Chamber, traced the growth of agriculture and industry during 1971. He said the country had produced during the year under review 107.8 million tonnes of foodgrains. There had been a slight increase in the rate of growth. While the plan target was fixed at 5 per cent increase, actual production amounted to 5.2 per cent.

Disappointment is felt only in regard to the performance of industrial production. In the calendar year 1971, the average index of industrial production was 186.1; this means there was a mere 3 per cent increase over that of 1970 against an increase of 4.6 per cent in 1970 over that of 1969.

Departing from the printed text, the President pointedly referred to the deteriorating situation in the realm of industrial relations and emphasised the need to restore peace in this area not only to enable the existing units to func-

tion properly but also to attract further investments in this State. Incidentally he also drew attention to the sluggishness in investment and explained that it was primarily due to governmental policies.

The President also hoped that the Government of Tamil Nadu would have a realistic approach to the question of urban ceiling and that it would not link it up with money value at a time when the value of the Rupee was depreciating.

Fee Unification Issue in Kerala Colleges

Kerala is faced with a confrontation between the Government and private managements of educational institutions which, if unresolved, may build up another *vimochana samaram* like the one organised successfully by the late Mannoth Padmanabhan. The issues now are a little different though the confrontation is one between private managements and the rulers, as of old. The State Government, in the opinion of these managements, has thrown a spanner into the works by asking for a reduction of tuition fees in colleges to the levels obtaining in Government colleges. This is what is referred to as the 'fee unification' issue in current discussions on this subject. The Government's case for such unification is based on suspicions of unconscionable profits earned by private managements which have partly been vindicated by the findings of the Padmakumar Commission that enquired into this question at the behest of the State Government.

Government Retracts from Earlier Stand

The Commission says that private colleges charge anything between Rs. 100 and Rs. 5,000 for admission besides donations ranging from Rs. 3,000 to Rs. 12,000 for appointment of teachers. This was in addition to other types of fees and levies intended for campus amenities and augmentation of development funds. Clearly many of these levies were unjustified especially when the University Grants Commission had been providing liberal grants to private colleges for hostels, libraries, auditoria and playgrounds—the end uses of such development funds. The Managements claim that reduction of fee income will make it impossible for them to meet even expenditure on staff. The Government felt that a compromise could be that fees in Government colleges should be raised to more reasonable levels and the high fees in private colleges should then be brought down to that level. But in Kerala this is a matter which cannot be decided by the Government and college managements

alone. The student organisations are also a power to reckon with. These organisations have induced the Government to retract from its earlier willingness to provide some increase in grants to compensate private colleges for their loss of fee income.

The managements believe that this is not going to help at all. They have suggested that the Government had better see whether it can make ends meet by taking over the entire fee collection from managements and by undertaking to foot the entire expenditure. The Government would soon realise, say the managements, that the latter are not making any unconscionable profits. The response of the Government to this suggestion is to tell the managements that the Government cannot take over their deficits and the deficits should be met through economies in expenditure, through endowment and donations. This is a tacit confession that managements cannot run the establishment with fee income alone. If endowments and donations become inescapable, the only remedy against malpractices here is to ensure that such collections are not unseemly. As the Government is aware, there are practical problems in guaranteeing this.

Education Will be Paralysed

The managements are determined not to open colleges unless their losses under the fee unification scheme were recompensed. But the teachers in these colleges as well as the students are ready to start work if the Government can help them do so. They have requested the Government to set a date for reopening colleges with the sanction that those managements that failed to open their institutions on that date will not get any grants whatsoever. Obviously the Government cannot act in a huff. All but 23 out of the 143 colleges in Kerala are in private management and without the latter's co-operation, education in the State will be paralysed.

At the same time, these managements cannot overdo their case. Before the

Vimochana samaram was launched at the time of the Nambudiripad Ministry, there was unanimity among political parties in the State to uphold the decision of the Supreme Court to the effect that the provision in the Kerala University Act for control over private colleges was *ultra vires* of the Constitution because it infringed minority rights under Article 30(1) of the Constitution. On the strength of this verdict, private managements, especially churches, are raising a hue and cry about infringement of minority rights, perhaps in the expectation that it will shake the coalition where there are representatives of minority interests. But members of the ruling alliance have come to realise that they have a stake in not succumbing to such pressure. That explains why managements are getting more and more unsure and frantically soliciting the interventions of the Prime Minister and the President. But the Prime Minister has already made clear of course in a different context, that "no government could permit undesirable practices in the appointment of teachers and admission of students."

Is Nationalisation the Remedy?

No one denies that education in Kerala owes a lot to private enterprise. Possibly because there had not been a close watch on its operations in the past, a situation had developed in which the quest for donations against felt needs had deteriorated into a continuous quest for larger donations despite the absence of commensurate needs. It cannot also be contended that nationalisation of education would, in these circumstances, be the best solution. As Mr. Achuta Menon, Chief Minister of Kerala, has stressed, nationalisation will have to wait until college education is restricted to those who would benefit by it and job oriented courses at the school level are organised to stem the mad rush into colleges. Tamil Nadu which has introduced free education upto the P.U.C. level has realised to its chagrin that, for lack of such restriction, it has bitten off more than it can chew.

Increasing Trade Link with Australia

The six-member Indian trade delegation—consisting of Lala Charat Ram, Mr. D. C. Kothari, Mr. J. H. Doshi, Mr. K. N. Modi, Mr. S. S. Kanoria and Mr. G. L. Bansal—which visited Australia to explore the possibilities of increasing the trade between the two countries returned with the optimism of substantially improving it from the present level of about \$75 million to at least \$200 million within the next four years. As a result of this delegation's visit, Australia is now contemplating to send out a high power study team next year to consider the question of Indo-Australian joint ventures. Australia is making a reappraisal of its trade relations and conscious of its own location is seriously engaged in improving its own trade and cultural relations with countries in South East Asia.

Surprisingly the Indian exports to Australia have declined from Rs. 476 million in 1951-52 to Rs. 245 million in 1970-71, while there have been a more than doubling of our imports from that country, from Rs. 176 million to Rs. 366 million. The principal items of our imports have been non-ferrous metals, wheat, wool, dairy products, ores ... Our exports consist of jute manufactures tea, fabrics, cashew, marine products and, of late, iron and steel products and some engineering items.

Japan's Substantial Share of Australian Market

Giving his impressions of the delegation's visit, Mr. D. C. Kothari, who was a co-leader of the delegation, cited the experience of Japan which has systematically exploited the growing Australian market in the last 15 years. Today, approximately 40 per cent of the total trade of Australia is with Japan. This has been brought about by a deliberate policy to develop the vast export outlets of this sophisticated market. Mr. Kothari said that demand for labour and capital in that country has been huge. Illustrating this he said that of every five Aus-

tralians, one is a post-war immigrant and in the last 20 years private overseas investment in that country amounted to 7634 million Australian dollars.

Mr. Kothari referred to the brighter prospects for Australia setting up in this country a plant to process greasy wool to wool tops or woollen goods and reexporting these. Australian capital is now in a position to take care of overseas investment and if such project materialises, India can benefit from the value added to these exports.

High Tariff Pattern

One difficulty of increasing the exports of engineering goods, Mr. Kothari pointed out, was the pattern of tariff on these. Australia is a high tariff country and the duty that is levied is not on the export prices, but on



Mr. D. C. KOTHARI

the prices prevailing in the domestic markets concerned of the countries. In the light of the wide disparity in prices normally noticed between export and internal prices in India, difficulties are experienced in the matter of increasing our exports to Australia.

However, the delegation has suggested an increase in the list of items for which preferential tariffs are extended to less developed countries. Our handloom goods can fare well in these, taking advantage of the boom that is presently prevailing there.

Our traditional exports such as jute manufactures suffer because of our high tariff structure. With Bangla Desh also coming in, the competition is bound to be keener in future. In the matter of tea, Indonesia has made good headway in recent years at the cost of India and Ceylon. But the population catered to is relatively a small one—13 million—and as such there is not much large scope for increase in consumption. However, a higher share of the total market can be attempted by concentrating on the exports of medium grown tea.

Mr. Kothari felt that because of high cotton prices, our textiles could not achieve much of an increase. Now with the prices ruling lower for cotton this year, a higher share of the market could be obtained.

Australia can offer large scope for the export of machine tools and a wide range of electrical equipments, apart from consumer items. As a country with a very high per capita income—it is in the region of Rs. 4000 per month—we can achieve large-scale increase in our exports.

Likewise with Australia remaining as one of the large producers of cane sugar, with our vast capabilities for the manufacture of sugar plants, India can think in terms of setting up sugar plants in Australia. The delegation felt: "Our know-how and technology can form an excellent partnership in Australia with its counterpart and also in other parts of the world. We can also undertake after due exploration suitable turn-key operations."

The delegation attended the Fourth Conference of the Asian Chambers of Commerce and Industry (CACCI) at Perth in West Australia. The Conference, among other things, discussed the questions affecting the future development of shipping and investment in the CACCI region. The governing council of this body elected Mr. D. C. Kothari as one of the Vice-Presidents.

Bangalore Chapter of PRSI Inaugurated

The Bangalore Chapter of the Public Relations Society of India was inaugurated recently by Mr. Devraj Urs, Chief Minister of Mysore. Though he said that he did not know much about the theoretical aspects of Public Relations, the Chief Minister emphasised the need for healthy, educative public relations.

Mr. S. H. Moharkar, Public Relations Officer of Bharat Electronics Limited, Bangalore, who had been elected as Chairman of the Bangalore Chapter, earlier welcomed the

lic relations, Mr. Ghorphade said that public relations had a legitimate role in all walks of life. But he pleaded for right attitudes on the part of management. He said that if the management possessed wrong attitudes, no amount of public relations could help it possess a good public image. Mr. Ghorphade said that PR men must have an aptitude for work and should be imbued with social commitments.

The Industries Minister S. M. Krishna said that there was no basic difference bet-

proaches to problems, the social and cultural position of managers, etc. Mr. Haksar said that the new trend in management training should be to create new managerial approaches for the decade ahead.

Referring to the PR men, Mr. Haksar said that they should possess no inferiority complex. They should fully recognise their pivotal role in management functions. As a skilled communication and interpreter of information, the public relations man is sure to make "substantial contributions with intelligence, enthusiasm, sensitivity and professional expertise". The PR man may not be indispensable, Mr. Haksar said, but things could be a lot different without him.

An interesting discussion ensued in which Mr. M. Gopalkrishnan, Mr. V. Balu, Mr. A. P. Chowdappa, Mr. R. K. Baratan and others participated.

The symposium was preceded by a closed session of National Council of PRSI in which the election of the following office bearers for the all-India PRSI for the year 1972-73 was ratified: Mr. Gyan Haksar, President, Mr. Sanat Lahiri, Vice-President, Mr. R. K. Baratan, Secretary-General, and Mr. H. T. Raja, Treasurer.



Mr. Devraj Urs, Chief Minister of Mysore, inaugurated the Bangalore Chapter of PRSI. Picture shows Mr. Gyan Haksar, President, Public Relations Society of India proposing a vote of thanks

gathering. He said that the response to the formation of the Chapter was quite good from the PR men of Bangalore.

To synchronise with the inauguration of the Bangalore Chapter, the Public Relations Society of India also arranged a symposium on Management and Public Relations. The symposium was addressed by Mr. M. Y. Ghorphade, Minister for Finance and Mr. S. M. Krishna, Minister for Industries, Government of Mysore. Himself being an industrialist and an assiduous practitioner of pub-

ween the private and public sectors. He admitted however that the public sector must go a long way in improving its efficiency.

Mr. Gyan Haksar, President of the Public Relations Society of India, earlier welcomed the gathering.

He said that the concept of management was bound to change and old managerial practices would be replaced by scientific ones. This was due to various reasons, such as the introduction of the automation, increased application of mathematical ap-



Mr. M. Y. Ghorphade, Finance Minister, Mysore Government, speaking at the Symposium on Management and Public Relations

Hopes of a Boom in Capital Market

After a lapse of many years, the capital market has been active and large amounts are being raised by established and new companies for implementing expansion schemes and promoting new industries. It cannot be said that the new flotations are indicative of a revival in industrial activity and that there is the likelihood of a repetition of the happenings of the last boom witnessed in 1958-62.

In order to hasten the phase of growth of the industrial sector, there should be an increase in Plan outlay to nearly Rs. 4,000 crores in the public sector. In the first plan there was a helpful and natural increase in agricultural production but the absence of massive expenditure on new schemes could not bring about a spectacular improvement in the health of the economy. In the Second and Third Plan periods there was over emphasis on the development of the industrial sector without the necessary support from the agricultural economy. This

led to a galloping rise in prices involving also a slowing down the plan process until the Fourth Plan was formally inaugurated.

Thanks to a succession of bumper food crops and also a gratifying increase in the output of some commercial crops, the upward trend in prices has been slowed down to a certain extent and there has also been a revival in industrial activity, the recession of 1966-68 giving place to greater activity.

There will also have to be a modification of the rigid stances adopted in some directions, as in a vast country like India the existing facilities should be utilised effectively and there should be a proper allocation of responsibility among the various sectors, subject to the overall control of the Government. In this kind of thinking the joint sector is bound to assume importance while there will strategic expansion of the capacity of the existing industrial units where it is found that quick results can be achieved at no great cost. The medium-

sized industries also will grow in numbers and importance

The Government is aware of the limitations of a given situation and is now prepared to recognise the importance of granting permission for expansion schemes of established units. That is why the foreign-owned companies, which are mainly in the core sector are being allowed to expand their activities. This permission will not be disadvantageous from the point of view of balance of payment position as the remittance of profits will not increase because of the dilution of foreign equity holdings. This is the reason why numerous floatations of equity issues at a premium have been made by foreign-owned companies and these issues have been avidly oversubscribed. There is no reason why the same approach cannot be adopted for industrial units of the larger houses especially as there is successful example of Indian Explosives which besides being a company in which there is foreign collaboration has also a large element of Government ownership.

The Bane of Multiplicity of Unions

Trade Unions should mainly stand for betterment of emoluments for the workers in relation to the economic situation in the country as a whole, improvement in their working conditions, protect them against sacrifice of their interests by the whims and fancies of the employers and should aim at continuously improving the socio economic living conditions of the worker so that one day except for the functions he performs he will become an equal to the rest of the society.

Conflicting Objectives

One section of Trade Union Leadership professes faith in democratic socialism and economic planning in the country and provision of safeguards for the working classes while another section of leadership stands for liquidation of capitalism, wage slavery and exploitation. With these conflicting objectives and traditional supply of Trade Union Leadership from politicians, rivalry among the Unions became inevitable though the professed main objectives of all Unions are the betterment of the working class. The methods adopted to achieve this end varied from Union to Union. In every place, the adherents and subscribers to these different ideologies still came from the camps of workmen.

This led to the division among the workmen, and the formation of groups, each group swearing allegiance to their own leaders. It is in this background the subject of multiplicity of trade unions and collective bargaining assumes importance.

Trade Union Law as we all know lays only simple formalities for registration. Any seven persons can form a Union. The provision for a political fund by a Trade Union is also a recognised factor. The constitution also confers the rights to form independent Trade Associations. The law of the land is so simple and therefore, it is no wonder that a handful of disgruntled employees join together against another Union and form a rival Union and threaten the fabric of industrial peace. Sometimes it goes on from one to two or even ten. The sufferers are no doubt the management and equally the workmen. They have to deal with sets of employees ideologically different with no uniform demands for themselves.

Intolerance of the Majority

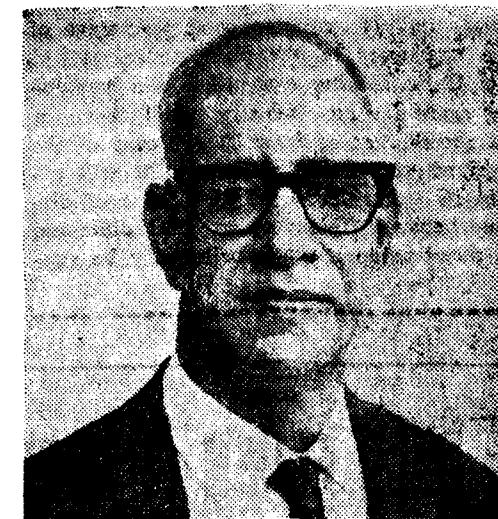
We find that usually a majority of workmen in a unit form themselves into a Union, while a minority of employees calling themselves neutrals or non-members, find themselves as a neglected lot. At the same time, the intolerance of the majority to the views of the minority and the incapability of the minority to adjust to the caprices of the majority leads to formation of rival unions.

Managements in earlier days were revelling in the circumstances when Trade Union leaders started in the same plant number of Unions. They erroneously thought that this was one of the securities for them to deal with labour economically. It may not be totally untrue to say that they may have even succeeded in some instances.

From there came the competition of labour leaders or those aspirant labour leaders themselves who, seeing the clue for multiplicity of unions projected themselves in creating more unions in the same plant purely with the object of being a leader of a power centre.

United They Stand ...

Unless this vicious attitude of multiplicity of unions is totally broken, there is no hope for prosperity for labour itself. The more united the labour stand in a particular plant, the greater are the chances of their achieving their legitimate objectives and without delay.



Mr. K. ESWARAN

If this attitude were adopted by labour they could have had by now pressed both the Management and the Government towards not only an improvement in their wage and working conditions as well as their security, but would have compelled the Management to take advantage of and participate in socio-economic measures of a total housing programme for the industrial labour which would in turn have elevated the social living conditions of the worker and his family with the result he would definitely live as a more responsible citizen today than we find in general.

The Labour Laws and the so-called laws enacted by the Centre in the interest of labour have all been on a short-term conception with no long-term objective in view.

Let us take the case of the Bonus Act. The Bonus Act was possibly envisaged by

those who have had only the Cotton Trade in view where the speculative price of cotton needed a result-oriented deferred wage. How does that situation arise in an Industrial Engineering oriented industry where the purchase price of material they may sell etc. are pre-determinable and where the quantum of profit is also forecast to near accuracy.

This situation was also taken advantage of in the proliferation and the multiplicity of unions—one saying that they would get more than the other by way of bonus etc. with the result none of these has really done any good for the working class themselves.

Many may not realise that strikes and lockouts are one of the causes of demand in increased wages in future years because the worker is in continuous debts and what he gets in future is only enough to pay interest on his borrowings.

In Tamil Nadu, there is a Management which is carrying on with more than 50 unions. They may be catering to various categories or no categories but to have to deal with more than 50 unions in a plant is something which no one in the World will envy the Management nor any worker in the World will envy the lot of the worker. This is a permanent incurable disease.

Inter-Union Rivalry

The result is that excessive and extravagant demands are made on the Management by one Union in an attempt to outwit its rival and sustain a hold on the workmen. Further, we find that much of the Union energy is consumed in overcoming the tension created by all pervasive insecurity and instability in such a manner that the basic task of strengthening the organisation is totally neglected. The vital issue of workers' interest comes to a stand still.

This problem has been there from the 'twenties. As a solution, in 1958 an inter Union Code of Conduct was evolved at a meeting of the representatives of the four Central Organisations of workers with the Central Minister as Chairman. This code while recognising employees' rights to form different Unions, sought to regulate their relations on the basis of mutual understanding. It recognises the right of any employee to join any Union. But it forbids coercion, intimidation and violence in inter-Union dealings. This Code was probably on the lines of the Trade Union regulations in U.K. and U.S.A. During implementation, the Code was found to be ineffective and the Unions also grew a little suspicious of the Code. The Code failed to deliver the goods.

What is clear from the above legislation and similar legislation is that the Government of the land is tinkering with labour legislation and has not got the courage to put down and say what is the right thing for speed economic growth of the Country and which is in the best national interest notwithstanding what the present labour leaders or the present Managements feel.

Multiplicity of Membership Too...

It is common knowledge that workers in an industry fear violence from some of their militant co-workers and leaders and prefer to join a new Union while they are already members of some other Union of their own partonage. This results in dual membership. Therefore, the multiplicity of unions and multiplicity of membership have become a common feature.

Another important cause of formation of rival Unions is that a few self-seekers hold out impractical promises to the workmen and form a Union of their own with a few or nominal membership. They try to serve their own ends rather than those of workers. This fact could be eliminated with more education and training to the workmen and an effort to build up healthy internal leadership. Trade Union leaders do not desist from stating that the cause for Multiplicity of Unions rests with the Management. They avow that the Managements in an effort to play one Union against another, help the formation of rival unions taking advantage of the law which prescribes only simple formalities for formation of Trade Unions. There is no justification for this accusation. Splitting up of Trade Unions and formation of unions having sympathies with political parties have permeated unions, operating at different levels, even from independence. Multiplicity does not confine to numbers. Its incidence extends to all cases of multiplicity in leadership over a period and multiplicity in political ideologies of leaders and followers. Differences in the concept of service have resulted in rivalries among Trade Unions.

If multiplicity of unions is unavoidable, a

mutual relation between the unions should be brought about to safeguard the interest of the workers, the industry and national interest. Quantitative expansion in Union membership may be brought about, but this will create instability and flabbiness in the Trade union movement as a whole.

Eliminating Party Politics

The National Commission on labour while expressing itself against multiplicity of unions has suggested the following cures for this ill:

1. Eliminating party politics and outsiders and building up healthy, educated internal leadership in Trade Unions.
2. Promotion of collective bargaining through sole bargaining agents of Trade Unions.
3. Improving the system of union recognition.
4. Deciding the majority union.
5. Encouraging union security.
6. Empowering Labour Courts to settle inter-union disputes.

In regard to disputes in Union Elections, the Registrar of Trade Unions shall be made an Adjudicator instead of the Civil Courts that delay justice. Justice delayed is justice denied. The minimum number fixed for starting of unions shall be raised substantially to cover a good percentage of the employees in the plant.

A Union seeking recognition as a bargaining agent for an industry shall have a membership of at least 30 per cent of the workmen in the establishment. It will retain its status for 2 years. In case of dispute between Unions on marginal difference in membership a secret ballot may be sug-

gested to solve the problems or any other acceptable method.

Statutory Status for Recognised Unions

A recognised union shall be given a statutory status as a representative body and rights to raise issues and enter into collective agreements; while the minority unions may be allowed only the right to represent the cases of dismissal and discharge of their members before the Labour Court.

The recommendations of the National Labour Commission to formulate a Central Law and appoint an Industrial Relations Commission to help the maintenance of industrial peace seems practical and very useful. The Commission may, in its turn, lay down details of unfair labour practices by unions and employers and propose penalties for violation, if any. A Code of Conduct for union and employers may be evolved and enforced in the light of experience. The Government of India is expected to act on similar lines shortly and we may await this and then offer our reactions, if any.

Industrial peace and the Country's economy rest on the axis of employer-employee relation. There is need for a correct understanding of each other by both sides and for discouraging multiplicity of unions. The concept of divide and rule has gone with the British Rule and has no place in free India.

Excerpts from the speech delivered at the seminar on "Multiplicity of Trade Unions and its Effects on Industrial Relations and Productivity" held recently in Bangalore.

More than Sweet Talk....

By VASANTHA RAMAKRISHNAN

Sugar industry in our country is the second largest manufacturing industry, the first being cotton textiles. There are about 215 sugar factories and the total capital investment is more than Rs. 500 crores. Its production value exclusive of excise duty was about Rs. 550 crores in 1969-70. The industry provides Rs. 180 crores to the Centre and the States as excise duty, cane cess, income tax, surtax etc. Nearly 25 million agriculturists are supported by the sugar industry and in a good season, they receive over Rs. 360 crores. It provides employment to about 230 thousand skilled and unskilled workers whose annual salary and allowances total up to about Rs. 45 crores.

A Seasonal Industry

Sugar is a seasonal industry. On an average it works 150 days a year at the rate of 22 hours a day. In the South and in Maharashtra, the season is longer. In Tamil Nadu, for example, factories worked 244 days in 1968-69, whereas in the same year in Uttar Pradesh they worked 139 days. Production of one season has to be used until fresh arrivals become available the next season. At times it might take 14 to 15 months. If enough sugar is available in stock to cater to the demand, the situation would be comfortable. This will get disturbed if (i) production is less, (ii) the distribution system is inadequate or (iii) exports are more than what were planned.

Sugar cannot be marketed immediately because of the seasonal nature of the industry. Otherwise it would result in glut in the market. Sugar factories which are forced to stock sugar, cannot do so unless they get favourable credit from the Reserve Bank, in whose overall credit policy this is insignificant. During surplus years, paradoxi-

cally, the economy of the sugar factories becomes precarious. R.B.I.'s credit policy being hardly flexible, the cane growers are ultimately affected.

Recurring Cycle in Production

In sugar production, one can easily notice a recurring cycle. After a bumper production in any year, there is decline, at times very sharp in the next two years. This cycle is mainly due to the behaviour of U.P. Sugar industry. Upto 1955-56, nearly 60 per cent of sugar and about 75 per cent of gur came from U.P., the home of the sweeteners. Though there is little increase in U.P.'s contribution over the years, 33 per cent of sugar is presently coming out of U.P., in addition to 50 percent of gur.

When price of gur, which is uncontrolled, goes up, the gur manufacturer is prepared to pay higher for sugarcane. In such an year, the availability of cane for sugar factories comes down. Because of the increase in price, the growers will increase the acreage under cane, thus increasing the availability of cane to sugar factories. Sugar factories are obliged to crush all cane. This would mean more days and more cost, apart from a lower recovery. Since the same seed can give two crops—plant crop one year and Ratoon crop the next year, the availability of cane varies from year to year. If there is a shift of sugar production centres from Gur areas to non-Gur sensitivity areas, there would be no more of cycles. It is luckily happening. After two more cycles, one can reasonably expect steady supply.

Near Famine

In 1967-68, sugarcane per quintal was selling at Rs. 13 to Rs. 15 when the statutory minimum was (as at is) Rs. 7.37 p. The cane

growers, therefore, brought more acreage under sugarcane cultivation. In 1968-69 they got from Rs. 10 to Rs. 12 per quintal. In 1969-70 when the all-India sugar production touched a new high at 42.6 lakh tonnes, thanks to the Ratoon of 1967-68 and the plant of 1968-69, they got only the statutory minimum. Production in 1970-71 was 37.4 lakh tonnes and in 1971-72, it is 31 lakh tonnes, making the total available supply 45.05 lakh tonnes. Of this, 39 lakh tonnes will be necessary for internal consumption and nearly a lakh for exports. Thus, closing stocks on 39-9-1972 would be about 5 lakh tonnes. To avert a near famine situation, it would be necessary to follow a very discrete and judicious use of what is available. And not before December can we expect fresh arrivals at the markets.

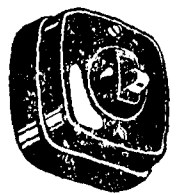
Pricing Based on Recovery Percentage

Of the price of sugar, almost 70 per cent is for sugarcane. Thus, price depends on recovery percentage to some extent. In Tamil Nadu, it is 8.99 percent, in Maha-

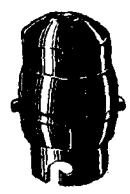
TABLE A
SUGAR PRODUCTION AND OFFTAKE IN INDIA

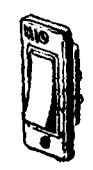
Year	Production (lakh tonnes)	Offtake (lakh tonnes)
1960-61	30.13	23.04
1961-62	27.32	29.27
1962-63	21.57	30.76
1963-64	25.65	25.56
1964-65	32.29	27.26
1965-66	35.55	31.95
1966-67	21.60	28.21
1967-68	22.48	23.40
1968-69	35.59	26.89
1969-70	42.60	34.76
1970-71	37.40	44.20
1971-72	31.00	40.00

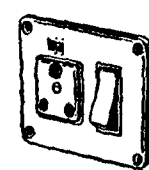
Offtake includes internal consumption and exports.

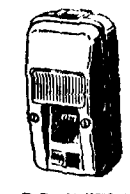


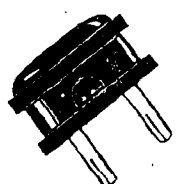
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 PENDENT HOLDER


 DELUXE FLUSH SWITCH


 SWITCH SOCKET COMBINED


 D.P. SWITCH



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Carts loaded with sugarcane waiting to be unloaded at the Pandarpur Co-operative Sugar Factory, Mysore State.



Into the bag at Assam Co-operative Sugar Mill, Dergaon

TABLE B
SUGARCANE PRODUCTION IN INDIA

Year	(thousand metric tons)
1959-60	7,787
1960-61	10,627
1961-62	10,787
1962-63	9,393
1963-64	10,596
1964-65	12,031
1965-66	11,830
1966-67	9,283
1967-68	9,550
1968-69	12,826
1969-70	13,783
1970-71	13,194

ashtra 11.25 percent, in Mysore 10.56 percent, and in U.P. 9.16 per cent. But, in Tamil Nadu, cane yield is high, almost 40 tonnes per hectare. In U.P. it is about 17 tonnes in Maharashtra 28 to 30 tonnes and in Mysore, 40 tonnes. Mysore therefore is considered ideally suited for sugar manufacture.

The price for sugarcane varies. In U.P. Rs. 12 to 13 has to be given per quintal normally, whereas in Tamil Nadu the maximum is Rs. 8.50. And Tamil Nadu factories last year made huge profits. This year also they are set for the same. However, one cannot forget how they suffered huge losses in 1969-70 when U.P. factories made huge profits. The current controversy between the Northern and Southern sections of the Indian Sugar Mills' Association over the levy price of sugar has to be viewed in this context.

Increase in Crushing Capacity

In 1932 when protection was first given to

sugar industry, the crushing capacity of a factory was 400 tonnes per day of 22 hours. In 1942-43 it was 800 tonnes. In the 'fifties it went upto 1,000 tonnes. In 1964, the Sen Commission found it to be, 1,250 and in some factories 1,500 tonnes per day. An investment of Rs. 2.8 crores would be necessary for a plant of 1,250 tonne capacity.

According to the preliminary estimates of the Planning Commission, sugar demand in 1973-74 would be about 42 lakh tonnes for internal consumption and 5 lakh tonnes for exports and buffer stocks. It may have to

TABLE C
STATEWISE SUGARCANE ACREAGE
(1970-71)

Name of the States	(in thousand tonnes)
Andhra	335
Assam	81
Bihar	400
Maharashtra	537
Gujarat	92
M.P.	153
Tamil Nadu	334
Orissa	91
Punjab	316
Haryana	383
U.P.	3,382
West Bengal	79
Jammu & Kashmir	5
Mysore	239
Rajasthan	92
Delhi	5
Himachal Pradesh	10
Tripura	7
Kerala	19
Pondicherry	4

TABLE D
PRODUCTION OF SUGAR IN SOME
STATES (1969-70)

Name of the States	(in thousand tonnes)
U.P.	1,624
Bihar	333
Maharashtra	1,042
Andhra Pradesh	335
Tamil Nadu	287
Mysore	243
Gujarat	99
Haryana	97
Punjab	69
Other States	134
All India	4,263

be revised. Towards the end of the Fourth Plan, internal consumption might be 47 lakh tonnes and 5 lakhs for exports etc. Total installed capacity in March 1972 was 39 lakhs tonnes. Upto March 1972 licenses for a total of 52 lakh tonnes (additional 13 lakhs) capacity were issued. However plant manufactures might not be able to supply the machinery due to various reasons.

Per Capita Consumption

The rate of increase in per capita consumption of sugar has been more than what was expected. It was expected to be 7 kg. by 1973-74, the last year of the Fourth Plan. It has already been reached in 1971-72. In 1973-74, it is likely to reach 8 kg. per capita consumption would grow faster, if the supply is adequate and at reasonable rates of price. In U.S.A. the per capita consumption is more than 50 kg.

the South and South East Asia—Afghanistan, Bhutan, Burma, Ceylon, India, Indonesia, Iran, the Khmer Republic, the Republic of Korea, Laos, Malaysia, Republic of Maldives, Nepal, Pakistan, Philippines, Singapore, Thailand and the Republic of Vietnam—has amounted to over U.S. \$ 35.6 billion. The expenditure on technical assistance has been \$ 1369 million, 18 per cent of which has been spent on students, 49 per cent on experts, 33 per cent on technical and research purposes.

The year finds India, Afghanistan, Indonesia, Iran, Pakistan, the Philippines and Ceylon facing the problems of external debt servicing, repayment of maturing debts, short-term suppliers credits and the difficulty of securing long-term assistance on easier terms.

Undoubtedly this question of debt repayment will figure in the discussions of the Consultative Committee meeting of Ministers of Member Governments which will meet in New Delhi in October-November this year. The Committee will survey the development of the region and examine how international cooperation—capital aid or technical assistance—can help fill in the gaps of national resources.

Maintaining Communication Through Coaxial Cable

With the large increase in the telephone and telegraph trunk traffic and in the requirements of telecommunication facilities of users like the newspapers for their facsimile and teleprinter services, All India Radio for their broadcasting and television circuits and other agencies for their point to point circuits, it becomes necessary to provide large blocks of circuits between various stations in the country. The two stabilised media used for providing such large blocks of circuits used by the Telecommunication administration of the world are the Microwave and Coaxial cable systems.

A coaxial system essentially consists of a coaxial cable laid between various stations with a large number of intermediate repeaters. To ensure ease of maintenance and easy accessibility, these coaxial cables are necessarily laid along National or State Highways and maintenance staff provided with mechanised transport to enable their reaching the trouble spot, if any, with the minimum delay. The maintenance staff are located at distances of about 150 KM.

Coordination with Highways

Authorities

The planning of a coaxial cable route is done in close consultation with the highways authorities both at the Centre and States so that the projects contemplated by them are taken into account while deciding the route of the cable. Before the actual execution of the coaxial cable project, detailed route surveys are carried out to select a route which is dependable and reliable under all conditions of weather. Provision is also made wherever possible to cover the requirements of any likely expansion or widening of the National Highways. Where the cable is laid in areas having very congested underground installations like water pipes, power cables, sewage and storm water drains, fire hydrants, oil pipe lines, local telephone cables, coordination with all the authorities concerned is made. The coaxial cable has to be protected against natural hazards like floods, erosion, land slides, etc. The problem becomes specially difficult when one remembers that in a cross-country route, one is bound to come across different kinds of situations like highlands rocky areas submergible areas in proximity to lakes and rivers and a very large number of culverts and cause-ways, railway tracks and aqueducts.

Impact of Lightning

The coaxial cable carries 1000 volts AC between its centre conductor and the outer tube. This is about the safe maximum voltage that could be used with the existing spacing between the centre conductor and the outer tube which again is determined by transmission considerations. If by any change this spacing is reduced, say by a deformation of the tube, the cable cannot carry 1000 volts. The power cannot be fed over the cable and consequently the transmission would fail. It has been found that lightning strokes in the vicinity of a coaxial route can

produce a dent on the cable in some situations which would result in the failure of the power-feeding and consequent interruption to communication. Some measures recognised as palliative for the problems created by lightning have already been implemented. These have reduced the incidence

HAZARDS TO COAXIAL CABLES

Mr. K. Swaminathan, Regional Director of Tele-Communications, Southern Region recently took a party of pressmen to Tindivanam and showed them the hazards to which coaxial cables are exposed on the highways. According to Mr. Swaminathan, for a working route length of 2,044 km. in the southern region, the total hours of interruption to the working of the telecommunication system was 662 for 1971 and 415 till the end of May 1972. The interruptions due to cable faults came to 297 hours last year and 282 till the end of May this year, while equipment faults accounted for 162 and 84 hours respectively. The hours of interruption for 100 km. of route length were 32 last year and 20 this year. The loss to the P & T Department due to any fault is as much as Rs. 40,000 to Rs. 50,000 per hour, as calls put through during that period will not mature.

of faults to the coaxial cable due to lightning though have not fully eliminated them.

After the commissioning of a coaxial cable route, sometimes even after a few years, the Highways department undertakes works for major alterations in the arrangements of the road like straightening, widening, levelling,

construction of new culverts, redesigning bridges, provision of fly overs, over bridges etc. This necessarily would involve work by Highways' parties in the vicinity of the coaxial cable. Many times, the coaxial cable remains exposed over long lengths and for long periods. The supporting and protecting arrangements of the exposed cable cannot be very satisfactory and secure by the very nature of things like largeness of the span of the exposed cable; continuous construction work in the site, the difficulties in providing secure and at least semi-permanent supports for the cable due to the disturbed conditions of the soil at the work site, etc.

In some cases it would be possible to reroute the cable and avoid likely damage by the working parties but in most of the cases it is unavoidable to retain the cable in its existing location and take appropriate measures to see that no damage, not even accidental, occurs to it during the operations on the road. By the very need to keep open both the roadway and telecommunication facilities at the time road-works are in progress, the coaxial cable is exposed to special hazards like land slides at the construction site or a lorry rolling over on to the cable at the narrowed portion of the road, flood in the rivulets distorting the exposed coaxial cable, etc.

Apart from this, the likelihood of accidental damage to the cable by working parties of the highways, electricity or irrigation departments, railways, municipal bodies, etc. is not small. It may take anywhere from 6 to 12 hours for restoring communications in such cases. In some difficult situations this interruption will be much longer. To ensure that such accidental damage is kept down to the absolute minimum, the cable routes are regularly foot patrolled. When one realises the magnitude of the road construction works in progress vis a vis the number of occasions of failure of the coaxial cable, likely and actual, perhaps one would accept that a good deal is being done by the P & T Department.

The Colombo Plan Comes of Age

The Colombo Plan has completed 21 years of service to the developing nations of South and South East Asia in bringing about a better standard of living commensurate with their hopes and aspirations. The plan is essentially one of mutual help. Originally conceived as a multilateral venture, it has come to acquire a bilateral complexion.

Under the Plan, India has emerged as the leading regional donor contributing 59 per cent of the total aid forthcoming from developing nations. In the scheme of things, her immediate neighbours like Nepal and Bhutan naturally occupy a special position.

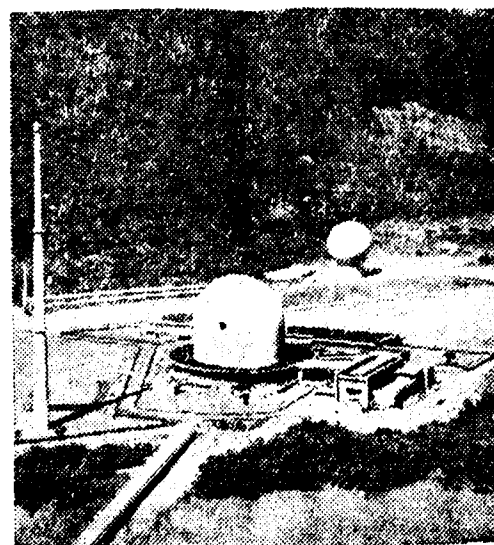
Economic assistance to Nepal up to March amounts to Rs. 82 crores. Of this, Rs. 40 crores have been spent on roads and airports and Rs. 27 crores on irrigation, power and water supply.

Indian aid to Nepal's Fourth Five Year Plan is likely to be in the neighbourhood of Rs. 46 crores or roughly half of the total foreign aid anticipated by that country.

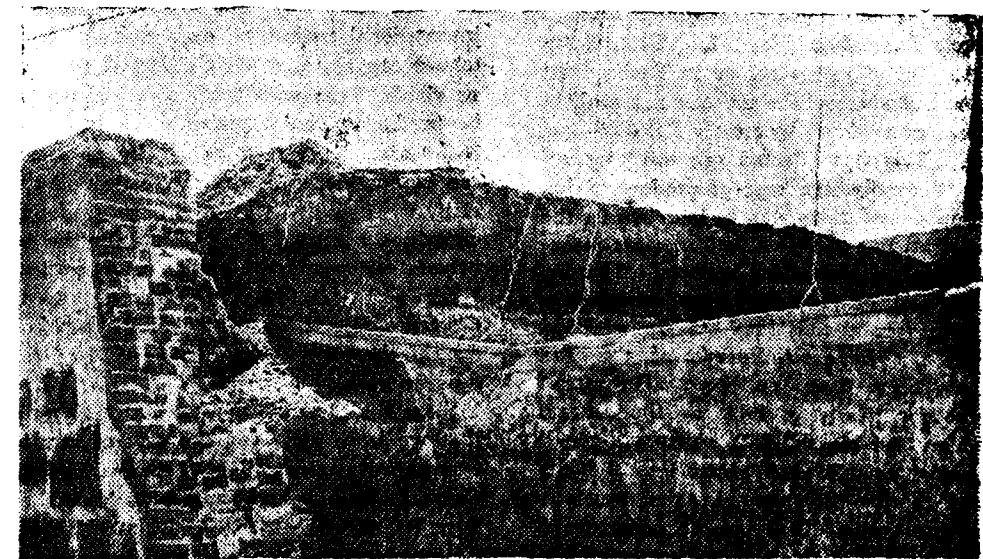
India has been providing financial assistance to Bhutan for implementation of its Second Five Year Plan. A sum of Rs. 20

crores has been earmarked for expenditure on mutually agreed projects.

This year the cumulative total of aid to



A view of the Canada-India Reactor, Trombay—one of the projects built with aid under the Colombo Plan



Close-up view of one end of a demolished bridge. Seen in the picture is the coaxial cable, protected by G.I. troughs and held in position by steel wires

Company Meeting :

THE MADRAS ALUMINIUM COMPANY LIMITED

'JAYALAKSHMI'

RACE COURSE

COIMBATORE-18

The following is the address to the Members of the Company delivered by Shri R. Venkataswamy Naidu, Managing Director, at the 12th Annual General Meeting of the Madras Aluminium Company Limited held at the Registered Office at 'Jayalakshmi', Race Course, Coimbatore-18 on Wednesday, the 28th June, 1972.

I have great pleasure in welcoming you all to the 12th Annual General Meeting of the Company.

Before discussing the affairs of the Company, I would like to dwell on the eventful period through which the country has passed recently. Nearly 10 million refugees poured into the country from the former East Pakistan. India had to bear the heavy burden of caring for the refugees. This caused a very heavy strain on the economy of the country. International Organisations had only lip sympathy for India's predicament and they were either unwilling or were unable to create conditions for the return of refugees. India had no alternative but to take necessary steps to solve this issue. The people stood united under the dynamic leadership of the Prime Minister. India's successful military operation in the former East Pakistan took only 14 days and the refugees were able to return back to their homelands. This successful operation has enhanced the image of the country internationally as a military power of consequence.

Fall in Gross Profit

Your Board of Directors' Annual Report, Balance Sheet as on 31st December, '71 with the Profit and Loss Account and Auditors' Report have been with you for sometime. You would have noted that our turnover and gross profit have come down when compared to the previous year. You will recall that this was anticipated in the last Annual Meeting itself. The Government of India notified the prices of Aluminium and its products from 25th May '71. Though the Government offered a rebate in Excise Duty to small producers like us, our net realisation has come down by nearly Rs. 400/- per tonne. This has affected our working results. Secondly, the cost of production has gone up considerably due to increases in the costs of all raw materials and services mainly due to governmental imposts. The increased cost of production has eroded into our gross profit considerably. In addition, we did not have the benefit of the Tax Credit (Excise Duty on Excess Clearance) Scheme for the year 1971, as the scheme lapsed on 31st March, 1970. You will recall that under this Scheme about Rs. 22 lakhs accrued to the Company in the previous accounting year. It is most unfortunate that the benefit of this scheme was available to the Aluminium Industry for only three years.

It has been the policy of this Company to plough back its profits after paying reasonable dividends to the shareholders. The profits have not been frittered away in any manner. The ploughed back profits have been utilised to bring the industry to international standards and to increase its productive capacity, resulting in the manufacture of industrial raw materials required by the nation and in creating remunerative employment potential.

Extending Excise Rebate Benefit

We have made strong representations to the Government of India that they should reconsider their decision on the pricing and allow us more remunerative prices. Though the Government order stipulated that any increase in the prices of Synthetic Cryolite and Aluminium Fluoride would be neutralised by sanctioning increase in the price of Aluminium and its products, so far, the Government of India have not deemed fit to sanction the increase in spite of the prices of these chemicals having gone up. In addition, the prices of all raw materials like Calcined Petroleum Coke, Pitch, Caustic Soda etc., have gone up considerably. Moreover, the cost of raising steam is higher for us when compared to the other Aluminium Producers, as we use a costly fuel like furnace oil unlike other producers, who use coal for steam raising. We are also operating under a handicap of having a small plant producing less than 13,500 tonnes per year without the advantage of fabrication facilities. As I have indicated on an earlier occasion, in international parlance, even units of 50,000 tonnes capacity are not considered economic or viable. Even with our expansion, we will be producing only, probably, a little over 25,000 tonnes per year which, by no means, can be considered a very economic unit specially when compared to the huge production capacities executed and planned for the two private sector and the public sector projects. I request you to join me to appeal to the Government of India to extend the benefit of excise rebate upto a production of 30,000 tonnes per year.

From the working results, you will notice that we have increased the sale of our intermediary products like Alumina Hydrate, Calcined Alumina and Carbon Electrode Paste from Rs. 49 lakhs to Rs. 61 lakhs. This is a matter of gratification to us and I am hopeful that we would maintain the sales during this year also.

Based on the working results, I am quite sure that you will agree with me that only technical innovation and increased production with the diversification alone can improve the working of your Company in the years to come. Conscious of this objective, your Board of Directors have been pushing ahead with the expansion programme and in spite of various difficulties, we are trying to complete the expansion programme as per schedule. Due to the delay in the financial institutions' making available the term loans, the Company has been put to severe financial strain in its efforts to complete the expansion project. The physical progress is quite satisfactory and I am confident that additional production in the first phase will start in the course of the next month or two and that the entire expansion of metal production will be completed by early 1973.

In this connection, I wish to place on record the help rendered by our Collaborators M/s. Montecatini Edison, who have been assisting us with the relevant data, drawings and engineering services, even without receiving in advance the fees that have been sanctioned to them.

Maximising Bauxite Utilisation

As indicated earlier, the electrolytic pots of our expansion will operate at more than 100,000 Amps. Moreover, the Alumina Plant of the expanded capacity will be so designed that it will be able to process even Bauxite with low alumina content—literally the rejects from the Bauxite Mines. This will enable us to maximise the utilisation of our Bauxite, thereby, providing for the longevity of our Mines.

I may be pardoned, if I once again take pride in the fact, that as on date, we are the most technically advanced Aluminium unit in the country, as we operate our present electrolytic pot room at higher amperage. Moreover, we produce the largest proportion of E.C. grade metal in the country.

As a matter of policy, at the initial stage, we decided not to employ engineers from other Companies. We decided to recruit young engineers and develop them to take positions of responsibility. Our Collaborators have assisted us in training several of our technical personnel. This policy has paid rich dividends in that our young engineers under the leadership of the technically qualified management have been able to reduce the imports for expansion to barely 5 per cent as against the local fabrication and utilisation of local

machinery upto 95 per cent. The reverse was the case when the original plant was erected and commissioned. I believe that India cannot afford to go on importing machinery for developing her industries. But she must develop her indigenous talent for designing and fabricating machinery. Only by such a policy, the country can progress without the burden of foreign exchange loans. We, in this Company, being alive fully to our responsibility in this direction, have utilised the services of our young engineers in designing and fabricating of our indigenous equipments for our expansion. We are also willing to share our knowledge and experience with the Public Sector units also in the manufacture of specialised equipments to avoid imports.

As mentioned earlier, only technical innovation, increased production and diversification can help your Company to maintain its working against stagnating prices at uneconomic levels and against rising cost of production. With this objective, we have continuously given our attention for developmental work, apart from striving to complete the expansion project expeditiously. I am glad to inform you that from July onwards, we expect to market aluminium circles, which will come into production out of equipments designed, fabricated and commissioned by us. We are also in the process of producing Aluminium Alloy Rods

for eventual manufacture of alloy conductors for use in specialised fields.

We have also undertaken necessary steps for manufacturing sheets and extrusions. I expect that we will be marketing sheets of larger dimensions in 1973 and possibly extrusions by end of 1973 or early 1974.

I am glad to inform you that labour relations during 1971 were smooth and cordial, though there has been labour unrest for the last two months due to inter-union rivalry unconnected with relations between management and labour. I wish to take this opportunity to assure our workers and staff that their welfare is of paramount importance to us. We are conscious of our social responsibility to our workers. I hope that our workers will identify themselves with the interests of the Company and share in its progress.

I am confident that your Company has a great future in view of its expansion and diversification programme. Moreover, the demand for Aluminium in the country is continuously growing. The production is not keeping pace with the growing demand. Your Company, being conscious of its responsibility to the Nation, is willing to extend its co-operation to the public sector units in sharing its experience in fabricating equipments indigenously. However, I wish to utter a word of caution that the Government should be

very careful in allowing imports of Aluminium in order to avoid a situation like 1967/68 being repeated in the country, when due to depressed demand, Aluminium was exported from the country at low prices, while importing Aluminium at higher prices—the country losing foreign exchange both ways.

I also wish to appeal to the Government of India to reconsider the decision to abolish tax relief to the priority industries, the increase in the surcharge on the company profits and the withdrawal of development rebate concession after 1974.

I wish to thank Government of Tamilnadu, M/s. Mediobanca of Italy, Industrial Finance Corporation of India, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Limited, Unit Trust of India, Life Insurance Corporation of India, Punjab National Bank and Indian Bank and my colleagues on the Board and all our Senior Executives for their help and co-operation.

In conclusion, I request you to join me in paying tribute to our employees at all levels for their unstinted co-operation and loyal service.

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

Company Meeting :

SOUTH INDIA VISCOSE LIMITED

COIMBATORE

Speech of the Chairman, Sri R. Venkataswamy Naidu delivered at the Fourteenth Annual General Meeting of the Shareholders held on the 28th June, 1972 at 10-30 A.M. at the Registered Office of the Company, "Shanmuga Manram", Race Course, Coimbatore-18

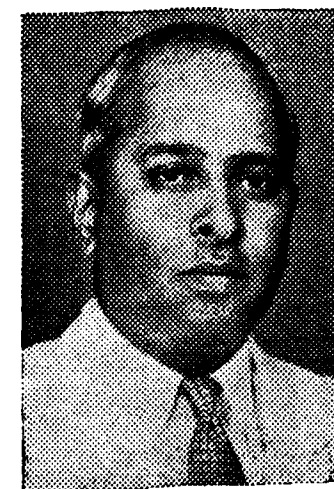
Ladies & Gentlemen,

I have great pleasure in welcoming you to this Fourteenth Annual General Meeting of the Company and presenting to you the Annual Accounts of the Company and Report of the Board of Directors for the year ended 31-12-1971. The printed copies of the Accounts and the Directors' Report have been circulated to all the shareholders and with your permission I shall take them as read.

On this occasion, I would like to refer to the significant event of the year viz., the influx of millions of refugees from the former East Pakistan followed by a 15 days' war with Pakistan; India emerging out of the war victoriously, birth of Bangladesh and the return of the refugees to their Homeland. I am sure that you will join with me in congratulating our Prime Minister, Mrs. Indira Gandhi for steering the country to victory in the crucial period.

The refugee problem and the war with Pakistan placed heavy strain on our economy and still we have the impact of war as some of the levies imposed during the emergency have still not been withdrawn. It is of utmost importance that the economy in the country

should be stable and the production accelerated to the maximum extent possible to create greater potential for remunerative employment.



Sri R. Venkataswamy Naidu

The present policy of taxation is not conducive for the development of industries but

on the other hand it retards savings and capital formation. In order to help the development of Industry, I hope that the Government of India will reconsider their decision to abolish tax relief to the priority industries, the increase in the surcharge on company profits and the withdrawal of development rebate concession after 1974.

Review on the Working of the Company

Coming to the affairs of the Company, I am happy to say that the performance of the Company during the year has been very satisfactory and the working results noteworthy. There is a marked rise in the sales and profit of the Company. The sales have totalled to Rs. 13.63 crores as against Rs. 9.77 crores for 1970. The profit amounts to Rs. 2.89 crores as against 1.13 crores for 1970, after providing Rs. 1.59 crores for depreciation. After transferring a sum of Rs. 90 lakhs each to the Development Rebate Reserve and General Reserve, your Directors are pleased to recommend a dividend of 16 per cent on the Equity Shares absorbing Rs. 78.40 lakhs. A sum of Rs. 2.2 crores is still to be provided

towards development rebate. I am hopeful that with the continued trend of good profits, it would be possible to provide this sum before 1974. In this context of good working results of the Company, I also wish to remind you that this is a very highly capital intensive industry. Our sales turnover is of the order of 13.53 crores of Rupees for a total capital investment of 25.53 crores of Rupees.

Raw Materials

The production of the Company is satisfactory but the shortage of raw materials especially Caustic Soda required for the production of Staple Fibre, Rayon Yarn and Pulp still continues. Our regular suppliers of Caustic Soda have reduced the quota considerably due to the shortage of raw materials for the production of caustic soda. The price of Caustic Soda in the open market is very high and even at the enhanced rate the requisite quantity is not available. In this connection, I wish to mention that our Staple Fibre Plant was stopped for a period of about two months during the year under review due to short supply of caustic soda.

The availability of pulp wood—the basic raw material—allotted to us by the Government of Tamil Nadu viz. 1,000 acres of Bluegum and 2,500 acres of Wattle are far too short of our demands. We are, therefore, in correspondence with the Government:—

(1) for the increase in allotment of bluegum areas to the maximum extent possible as also to allot to us areas for growing pulp wood either on lease or as a joint venture with the Government.

(2) to allot Eucalyptus Grandis areas in addition to the bluegum areas.

In view of the shortfall in supplies from the Government forests, we are also taking pulp wood from private parties to tide over the shortages.

Negotiations have already been started with the private parties for the acquisition of lands for growing bluegum and other pulp wood to ensure adequate supplies for all time.

In view of the proposal for the expansion of the Pulp Plant from the present 60 tonnes to 120 tonnes a day capacity, the question of utilising other species of wood viz. Eucalyptus Grandis, Acacia Arabica (Karuvellam) etc., apart from the bluegum and wattle is under the active consideration and examination by our Collaborators.

Expansion

I am happy to inform you that we have taken up the expansion of Staple Fibre Plant for increasing the production of Staple Fibre from 10 tonnes to 30 tonnes per day. In this context, I wish to recall to you that our Company was promoted by a Consortium of Cotton Textile Units in this area with a view to produce staple fibre to relieve the shortage of cotton. Hence, with a view to stabilise the cotton textile industry, we have undertaken substantial expansion of the Staple Fibre Plant. Almost the entire machinery will be fabricated indigenously

and the contract for the supply of machinery and equipment has been awarded to Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., and for erection and commissioning of the plant to M/s. Birla Consultants Private Ltd., on turn key basis. The capital outlay for this expansion is estimated to be Rs. 6 crores which will be met from the internal resources of the Company. It is expected that all the machinery will be erected and commissioned before the end of 1973.

We have also obtained a Letter of intent for installing a Polynosic Staple Fibre Plant for the production of 20 tons per day. We deputed two of our Engineers to study the working of the Polynosic Staple Fibre Plant in our Collaborators' Factory in Italy and the orders for the plant and machinery required for this expansion are expected to be placed shortly. Most of the Plant will be indigenously procured or fabricated with the drawings provided by our Collaborators; only highly sophisticated and specialised equipments which cannot be fabricated in India will be imported. The Polynosic Staple Fibre Plant will replace substantially the import of Egyptian cotton which is required for the production of finer varieties of yarn and cloth.

In the past, Rayon grade pulp was imported under U.S. AID Scheme. After the hostilities with Pakistan, America has suspended the aid with the result the import of pulp from America has been stopped. In view of this development, the production of indigenous pulp has to be increased by greater utilisation of existing capacity and also expanding the existing capacity. The capacity of our Pulp Plant is only 60 tons per day which is not an economic unit in the international parlance. The Management is discussing with the Government of Tamil Nadu the need to increase the area of cultivation of bluegum so as to enable the Company to increase the capacity from 60 to 120 tons per day. In this context, I wish to inform you that we have applied to the Government of India for sanction to increase the capacity accordingly. The Letter of Intent is awaited. It is needless to say that with the implementation of the expansion of the Pulp Plant, not only the production of our Rayon yarn and Staple fibre will be uninterrupted but also a considerable amount of foreign exchange will be saved in the sale of pulp to other spinners in the country.

Labour Welfare

We are anxious not only to increase the growth of the Company but are also keen on providing amenities to workers and staff. It is our earnest desire to provide most modern living conditions to our workers and staff.

We have introduced, in collaboration with the Life Insurance Corporation of India, One-Year Renewable Group Term Insurance Scheme for the benefit of our employees. Under this Scheme, if anything untoward happens to an employee, his dependants will

receive 20 times his monthly salary from the L.I.C. The premium is fully borne by the Company. The minimum benefit to the dependant of a worker in the company under this policy would exceed Rs. 6,000/-.

For providing accommodation to our workers, we have taken up the construction of 120 modern flats in the first instance under L.I.C. Housing Scheme. In course of time, more flats will be constructed.

The relation between the labour and management continued to be cordial during the year, though there were some disturbances due to inter-union rivalry.

Conclusion

Textile consumption in the world has increased very much over the years. The supply of natural fibre is not adequate to meet the demand of the modern market. So, the gap has to be filled up by the Man-Made fibres either alone or in blends. The Man-Made fibre Industry needs due encouragement and necessary assistance from the Government and a liberal policy of the Government will stimulate the growth of the industry.

At one stage, it was feared that the Viscose fibre and filament yarn would lose popularity and that this industry would not have a bright future. However, today, the world over we see the rayon industry making steady growth while synthetics have been affected by glut in the market with heavily depressed prices. I am confident that the rayon industry will maintain its popularity in India in spite of the growth of the synthetic fibre industry, because, the rayon fabrics are more suited for the climatic conditions of the country.

I am confident that the working results will continue to be good in future years and that the expansion programmes will be carried out by maximising utilisation of indigenous equipments and with minimum borrowings.

The policy of the Company has always been to plough back the profits in the business, after declaring a reasonable dividend to the Shareholders. This will provide increased employment opportunities in the Factory and in the forests and also contribute to the supply of additional raw materials viz., Pulp, Staple Fibre and Rayon Yarn, which again go a long way to increase the employment opportunities in the textile mills and among the spinners and weavers.

I request you to join me in expressing our thanks to our Collaborators, in agreeing to assist us in fabricating the equipments for our expansion project indigenously.

I conclude by expressing, on your behalf and on behalf of the Directors, my appreciation to the employees of all cadres for their devoted service to the Company's progress.

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

Generating power is not enough

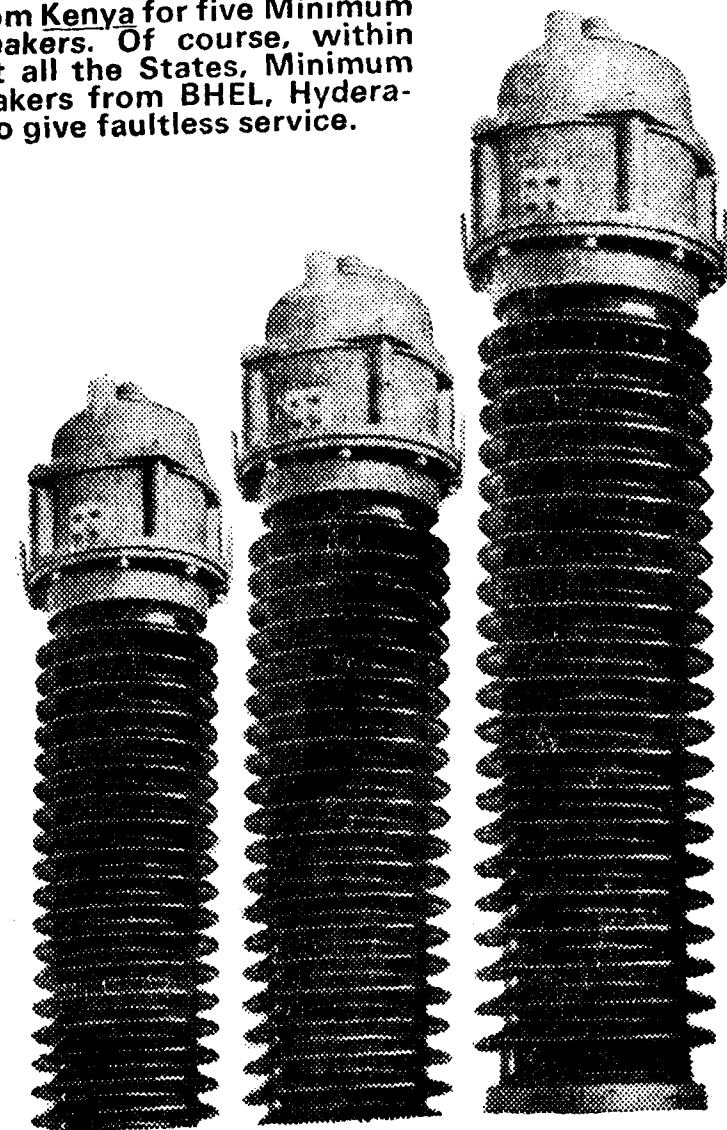
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SPECIAL FEATURES:

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Company Meeting :

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 9th Annual General Meeting of the Company held in Bombay on 26th June, 1972.

POLITICAL AND ECONOMIC OUTLOOK

The year 1971 was a difficult and eventful one for our country. It was the most tumultuous year in certain respects after we attained independence. Under the inspiring leadership of our Prime Minister Smt. Indira Gandhi, in our hostilities with Pakistan, we were able to register a victory for truth, liberty and democracy, the ideals which we cherish so dearly. It was a Dharmayuddha in the real sense of the term and it was a unique kind of a war, which resulted in the creation of an entirely new nation.

PERSPECTS OF POLITICAL STABILITY

It is more than two months ago that we have had the fifth general elections to the State Assemblies. In almost all the states stable Governments have been formed by one and the same party, which is in power at the Centre. This should herald a period of political stability in the country and also a certain measure of uniformity, coherence and consistency in various economic policies. This is also the right occasion to concentrate on the foremost problems before the country and for implementation of various programmes for solving the overriding issues of poverty and unemployment.

The ruling party is engaged in discussing certain far-reaching radical reforms. Many of us here at the moment have little doubt as to which way we are heading in the realisation of our desire for a socially and economically more egalitarian society. Most of our economic policies which decisively set the pace and pattern of economic development still suffer from ambiguity, nebulousness and anomalies.

BASIC LESSONS IN ECONOMIC DEVELOPMENT

Certain basic lessons in economic development which we learnt from the past are

being ignored in the rush and tumble of events. While it is true that growth in GNP does not necessarily mean an improvement in the living standards of the masses, we cannot afford to go to the other extreme and decry rapid growth which we must have at all costs. While it is essential that we introduce equalisation measures, as one of the solutions to the contentious problems of poverty and unemployment, such a solution however, does not necessitate the slackening of our development efforts for one reason or the other. On the contrary, an accelerated rate of development will in fact reduce the intensity of the problem. While, I for one, welcome the radical measures initiated or contemplated by the powers that be, I feel that this should not become an obsession with the planners to the detriment of the growth of the economy as a whole. Although it is a truism and platitude, I would like to reiterate that only through implementation of massive labour intensive schemes such as construction of national highways, bridges, interlinking of inland water ways etc., the seemingly intractable problem of unemployment can be overcome.

BUDGET 1972-73

The Budget for 1972-73 has been rather disappointing for the corporate sector which had looked forward to certain development-oriented taxation measures. Contrary to the expectations of the corporate sector, the Government has withdrawn the allowance of a special deduction of an amount equal to 5 per cent of profits of domestic companies engaged in the priority industries. Conversely, the surcharge on corporate tax has been enhanced from 2½ per cent during 1971-72 to 5 per cent in the current year's Budget.

REVIVAL OF DEVELOPMENT REBATE

It is not these imposts that are causing concern. It is on the other hand what the Budget has failed to offer to enliven the in-

vestment climate has been a source of anxiety. I refer here to my previous statement to you wherein I had taken the position that the abolition of Development Rebate after 31st May 1974 would positively hinder capital formation. The same view has been continued to be echoed and stressed by various other persons and organisations. The Finance Minister has reiterated on several occasions that there is no possibility of revival of Development Rebate in its original form. However, it now appears that the Government is searching for a suitable substitute so that the withdrawal of the Development Rebate does not have a negative impact on investment policy and an inhibiting effect on the growth of industrial activity in India. I would plead for the reconsideration of the question of withdrawal of Development Rebate because I do not share the view that the Development Rebate contributed in any way to over-capitalisation as argued by its detractors. No management worth its name, while planning the capital structure of a Company, would deliberately over-capitalise only for the sake of availing itself of the benefits of Development Rebate. If Government feels that the Development Rebate cannot be reinstated, I would suggest that either accelerated development rates should be allowed or grant of initial investment allowance as prevailing in other countries should be given as a corrective factor to counteract the rise in replacement costs of plant and equipment. If the Government is serious in directing industrial investments into so called backward areas, it would be well advised to retain the incentive of Development Rebate at least for projects located in such areas. In the context of all these tax reforms and measures, the most important factor to be kept in mind is that what is at stake is not the growth, expansion, prosperity or adversity of a few organisations, but the very industrial development of the country itself.

WORKING RESULTS

Coming to the affairs of our own organisation, I am sure you would have observed

the very satisfactory and marked increase in the sales of your Company and the consequent surplus position obtaining therefrom from the Directors' Report and Accounts for the year ended 31st December 1971. We were able to achieve an increase of more than 26 per cent in the income from sale of products and other income which is gratifying by any standard. The increase was of the order of about Rs. 2,188 crores from Rs. 8,265 crores. In terms of quality, the output of saleable finished products increased to 31,836 tonnes—an increase of approximately 22 per cent over the previous year's output.

The turnover during the first five months of the current year has worked out to Rs. 427 lakhs as against Rs. 429 lakhs in the corresponding period of 1971. The order load at the moment is quite satisfactory and we expect that the inflow of fresh orders would be at the same levels as in the past.

EXPANSION

You are aware that we had received some time back an expansion licence permitting us to produce tool, alloy and special steels of all types, grades and categories (with the exception of sheets and plates) upto 36,000 tonnes per annum of finished steel. After a detailed study, your Company had come to the conclusion that additional capital outlay for implementing the expansion of the existing capacity of 24,000 tonnes to 36,000 tonnes per annum would be disproportionate to the incremental return on the extra output of 12,000 tonnes, particularly as the prices for arc furnaces, blooming mill, etc. had registered a phenomenal increase since 1968. After considerable deliberations and advice received from our collaborators proposals for expansion of the productive capacity of the plant from 24,000 tonnes to 60,000 tonnes per annum in terms of finished steel were initially submitted to the Government on 8th June 1970. Our expansion scheme is more in the nature of quantitative expansion inasmuch as product diversification is covered by the licence already held by us.

PLANNING ADDITIONAL CAPACITIES

So far as the overall position of Alloy and Special Steel is concerned, the recent projections of NCAER and market surveys of different Agencies have proved beyond doubt that by 1980-81 there would be a substantial gap between the estimated demand and availability and especially in respect of Alloy and Constructional Steel, the gap would be quite appreciable. To ensure a balance between the demand and availability by 1980-81, additional capacities would have to

be necessarily planned and action initiated as expeditiously as possible having due regard to long gestation period.

Basically, there is an acceptance by the Government that priority should be accorded to the expansion of the existing Steel Plants over the establishment of new Plants for three principal reasons viz. (1) The cost of expansion would be appreciably lower than construction of a new Plant, (2) Expansion would be comparatively less time-consuming and (3) Economies stemming from larger scale of production would render some of the existing Units more viable.

For instance, it has been reported that the Steel Ministry now admits that the investment costs per tonne of steel ingots for the proposed Vijaynagar and Vizag Steel Plants in the South would be almost double that of the cost involved for expansion of Bokaro or Bhilai. Whereas investment per ingot tonne for plants located on green-field site is expected to vary between Rs. 3,750 and Rs. 4,000, the corresponding capital cost on identical basis for expansion of the capacity of Bhilai (from 2.6 million to 4.0 million tonnes) has been estimated at Rs. 2,500 and, in the case of Bokaro, about Rs. 2,160 (for expansion from 1.7 million to 4.0 million tonnes). The capital outlay on our project based on an annual capacity of 60,000 tonnes would work out considerably less than the corresponding capital outlay on new projects recently sanctioned by the Government.

AVOIDABLE INCREASE IN CAPITAL OUTLAY

If we had received the approval of the Government to our Expansion Scheme within a reasonable period we could have taken advantage of the prices of plant and equipment prevailing in 1971 thereby saving a considerable amount of foreign exchange expenditure. Increase in the price of the plant and equipment in the Continent has been anywhere from 10 per cent to 15 per cent per year and the delay in going ahead with the Expansion Scheme will result in avoidable increase in the capital outlay, particularly in terms of foreign exchange.

Another factor which is in favour of expansion of a plant like ours is the shorter gestation period resulting in quicker displacement of imports and consequential savings in foreign exchange as well as larger earnings of foreign exchange through exports of alloy-steel-based engineering products.

Moreover, in respect of royalties, MUSCO's expansion would yield a distinct and recurring advantage from the point of view of National Exchequer in terms of smaller outflow of foreign exchange. Our Collaborators have agreed graciously not to charge addi-

tional royalty on any quantity beyond 36,000 tonnes. This advantage alone should weigh heavily in the minds of the Authorities in favour of our proposal for expansion of plant capacity upto 60,000 tonnes.

Summing up I feel that our Expansion Scheme is basically in consonance with the Government's thinking on the expansion of Mild Steel Plants. The social cost benefit of our scheme from a macro perspective is also too obvious to be emphasised. In spite of these advantages, the fact that our expansion scheme has been virtually kept in cold storage by the Government for nearly two years is rather inexplicable in the face of the avowed policy of the Government that units in the Private Sector are expected to augment the production of Alloy and Special Steels in the country. In these days when self-reliance, import displacement and rapid growth of economy are the cornerstones of our economic planning, we cannot afford to let industrial applications, based on sound techno-economic reasons, shrivel up in delays like this. I therefore fervently hope that the Government will accord its approval to our Expansion proposals without any further loss of time.

SCRAP

Over the year under review, the capacity utilisation of Alloy Steel Industry has not been upto the mark. We have, as in the past, met with snags in the supplies of several of our most essential raw materials. In the case of scrap, the severity of shortage is fully manifest in the relentless surge in prices. It is desirable that scrap dealers voluntarily agree to exercise some restraint in the matter of scrap price increases. A recent study indicates that the requirements of scrap in 1976-77 would be double that of 1972-73, being of the order of 1.37 million tonnes. The supplies, however, are not growing at the same rate. From a nominal surplus position in 1970-71, we have today reached a stage when we have to start importing heavy melting scrap.

Even after measures are taken to improve scrap collection and scrap processing, there would still be a wide gap between scrap requirements and availability. It is, therefore, necessary to plan ahead, foresee gaps in supplies and attempt to bridge them by setting up sponge iron plants/metallised iron pellet plants.

POWER

In respect of power, here are mainly two points which are of immediate relevance to the operations of your Company. The first relates to the apprehended serious shortage

of power which is an essential input for melting operations, in the coming years. As you know, the present power situation in Maharashtra is not that comfortable and this situation is likely to continue unless immediate steps are taken to augment power generation. If I may say so, the Electric Furnace Industry, which is a power intensive one, has a share in the total generation capacity of only about 0.2 million K.Ws or about 1.5 per cent of the generation capacity or 2 per cent of the peak demand. We would, therefore, urge the authorities concerned to ensure adequate supplies of this essential input round-the-clock and all through-the-year. I would also suggest the creation of regional grids, which will help any Power Authority to take advantage of the ups and downs in the daily and seasonal peak demands, so that temporary shortages in one State may be made good by the temporary surplus in another State. Attention has also to be paid to the question of reducing energy losses in transmission and distribution. Hand in hand with these measures, there should be no slackening in the creation of fresh capacity for power generation.

A second and more urgent issue relates to the power tariff. At the moment the power cost for electric steel production in Maharashtra is almost prohibitive. I had referred in my previous statement that a Committee headed by the Industries Commissioner had been appointed by the Government of Maharashtra to inquire into this question. We learn that this Committee has recommended granting of exemption from Electricity duty to power intensive industries and bringing the tariff for power intensive units on par with those prevailing in States such as Mysore, Tamil Nadu, Gujarat and Madhya Pradesh.

ENCOURAGING INDIGENOUS TECHNOLOGY

Of late the union Government is said to be advocating a concessional tariff of about 4.5 paise per KWH for purposes of encouraging Mini Steel plants in order to stimulate the growth of indigenous technology for sponge iron. Needless to say this is a move in the right direction and I only hope that the Maharashtra Government will act quickly in the matter of restructuring the MSEB tariff for electro-metallurgical industries.

EXPORTS

Although the indigenous output of Alloy and Special Steels is not sufficient to meet the requirements of the country, which position is likely to continue for a few years to come, there is, in my opinion, scope for direct export of certain types of Alloy and

Special Steels. Of course, indirect exports of Alloy and Special Steels are taking place at the moment in the form of sophisticated engineering products. My submission to the Government is that those Alloy Steel Plants which have been able to establish reputation for consistency in quality should be offered adequate incentives for export of Alloy and Special Steels. Although initially the quantity which could be spared for export market would not be substantial, the efforts to find markets for such sophisticated products will pay dividends from a longterm perspective when the country's output of Alloy Steel will be sufficient to meet the entire domestic demand, leaving some exportable surplus.

IMPORTS OF CANALISED ITEMS

As I had mentioned in my previous statement, the imports of Graphite Electrodes, Refractories, Ferro Alloys, Heavy Melting Scrap, Sponge Iron and Nickel were canalised through Government Trading organisations. On this matter we have had an open mind despite our misgivings. Nevertheless, I am now constrained to say that our experience so far in the matter of our obtaining these imported materials has not been happy. Nor are we satisfied with the manner in which imports are arranged, the lead time for physical receipt of the material and finally the actual cost we have to incur for their supplies. The commission of the order of 5 to 7½ per cent of the CIF value charged by the Canalising Agencies is definitely on the higher side and by any measure, out of proportion to the actual costs involved in the import of such materials. A better way to calculate commission would be to work out the actual cost of imports and to charge about 1 per cent extra over and above such actual costs.

There is not much of a business-like approach in arranging imports. The time taken for finalising firm orders is nearly 6 to 7 months, whereas it never ought to take more than 2 to 3 months. Secondly, to curtail such delays, regular live-wire contacts with the consumers for purposes of consulting them regarding the most desirable source of supply, prices, quality, specifications and so forth are lacking. I suggest that the Canalising Agencies permit the consumers to scrutinise the offers received by them so that they could identify the best offer without any undue loss of time. Such a procedure will also ensure that specification-wise the material ordered by the Canalising Agencies is strictly in accordance with their requirements. The time lag involved between the date of the application for release order and the physical receipt of the canalised material is such that the expressed intention of the Government that the consumers could get their

half-yearly requirements on a replenishment basis is defeated. Timely receipt of the materials is a sine qua non for keeping the wheels of production running. Clubbing all release orders for small values entails a certain amount of delay in placing the final orders with the foreign suppliers, completely upsetting the delivery requirements of the consumers. There is, therefore, a prima facie case for Canalising Agencies issuing letters of authority in favour of consumers to import on their own wherever the value of each individual release order is less than Rs. 50,000.

COLLABORATORS

The shareholders will be glad to know that there has been a merger effective from 1st January, 1972 between our Collaborators—Ugine Kuhlmann and Pechiney Group in France. This merger has resulted in the creation of a super conglomerate with an annual turnover of 2.7 billion dollars—according to various rankings, this new undertaking shall be number one in France and will be one of the top ten companies outside the United States. As a result of the merger, the assets and industrial activities of various companies belonging to Pechiney and Ugine Kuhlmann Group have been regrouped within the seven divisions viz. Aluminium, Copper, Special Steel, Ferro Alloys, Chemicals, Special Products and Nuclear Products.

Our association with Pechiney Ugine Kuhlmann opens up new vistas for close cooperation and collaboration in several fields whereby we can make fuller use of our financial and manpower resources and the expertise we have been able to build up within our own organisation. With a view to selecting some of the products within the gamut of activities of Pechiney Ugine Kuhlmann for eventual manufacture in the country, it is proposed to establish a Merchandising Division to acquire the necessary skill and experience in marketing PUK's products and sale of their techniques to third parties in India wherever considered necessary.

Before I conclude, I would like to express my sincere appreciation of the unstinted efforts put in by your officers, staff and workers in setting new records. I am also grateful to my colleagues on the Board for their sound advice and counsel. We are also indebted to Ugine Aciers for providing technical assistance in solving some of the production problems and in establishing new grades of steel.

NOTE: This does not purport to be the record of the proceedings of the ninth annual general meeting of the company.

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HAS LIFE-LONG STRENGTH IN EVERY LINK!

When even one weak link can ruin the whole Chain, wouldn't you rather go for the Chain with quality & strength in every link? That's DIAMOND.

DIAMOND is the only chain in India with formed rollers. And that ensures resistance to impact, greater endurance and longer life.

What makes DIAMOND CHAIN unique?

- Bevelled link plates
 - Side-mashed pins
 - Special hot-bath lubrication to let lubricant penetrate every part of the chain
 - 'Proof-loading' to ensure there's no initial stretch
- A DIAMOND CHAIN, TOO, IS FOR EVER!

® Both the Word & Device of Diamond are Registered Trade Marks of Diamond Chain Co., U.S.A. Made in India by TI Diamond Chain Ltd., Madras-1, Assignees of the Registered Trade Marks

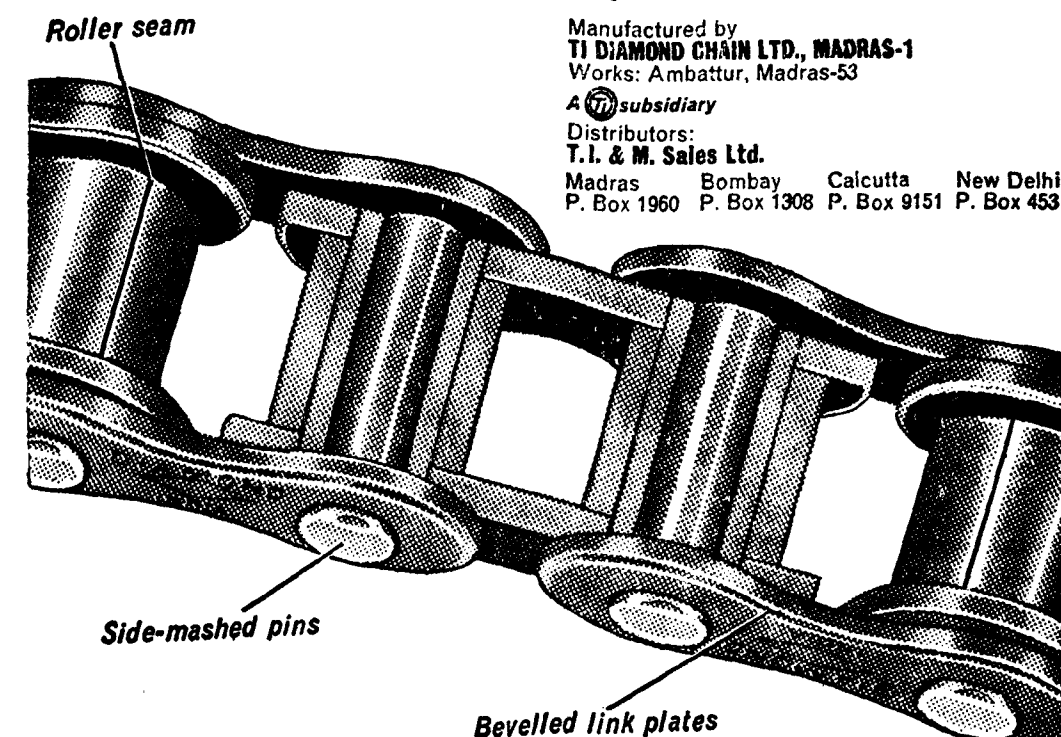
Manufactured by
TI DIAMOND CHAIN LTD., MADRAS-1
Works: Ambattur, Madras-53

A subsidiary

Distributors:

T. I. & M. Sales Ltd.

Madras Bombay Calcutta New Delhi
P. Box 1960 P. Box 1308 P. Box 9151 P. Box 453



FDSTID-1633

Transfer of Working Plants Worthwhile

The agreement signed recently with Innocenti of Italy, manufacturers of Lambretta scooters, by the Union Government for acquisition of the entire plant of the former at Milano is the first instance of the transfer of a working plant from abroad under a liberalised policy of the Government to create fresh additional capacity on a cheaper and less time-consuming basis with a view to relieving acute shortages in some products. There are five other proposals involving transfer of working plants from Britain, Netherlands, Italy and West Germany sponsored by the Trade Development Authority. Under these, Indian firms will acquire plants for the manufacture of L.T. switchgears, super shapers (machine tools), components and sub-assemblies of internal combustion engines, and motor cycles, hydraulic jacks and shock absorbers and electric adding machines.

Though the Union Government was at first against import of second-hand plants, it would appear to have taken a less rigid stand to meet the present exigencies. The foreign interests which have no need for these plants in view of the switch over to more sophisticated machinery are also perhaps eager to take advantage of the expanding Indian market for their products. It is however not clear whether the Government would insist on having such new ventures in the joint sector with minority participation by the Indian firm and the foreign interests. If the concept of transfer of complete plants catches on and it can be ensured that the machinery and equipment are in good condition and provided the offers are attractive, this can be a quick method of augmenting capacity in many of the consumer durables for which there is an unsatisfied and growing demand.

Deal with Innocenti

In the case of the deal with Innocenti, a separate company is being formed with the Union Government holding 51 per cent of the shares, Innocenti about 20 per cent and Automobile Products of India (the Indian firm now making Lambretta scooters under licence) and the public together taking up the balance of 29 per cent. The plant is to be set up at Lucknow and will have an annual capacity of one lakh scooters when it is erected in two years. It is expected that after meeting the internal demand it would be possible to export part of the production. Under the agreement, the Italian firm will be paid Rs. 1.5 crores for the machinery as also the drawings, designs and

technical data for the manufacture of the latest models of Lambretta scooters as well.

Britannia Biscuit

Britannia Biscuit Company Limited could not derive any significant benefit out of a larger output and turnover of biscuits, breads and other products in the year ended March 31, 1972 in the face of increased costs of raw materials and other working expenses. Sales rose appreciably to Rs. 19.82 crores from Rs. 17.38 crores in 1970-71 but the net profit before depreciation and taxation, increased only slightly to Rs. 217.15 lakhs from Rs. 211.59 lakhs. The equity dividend has been maintained at 16 per cent, taxable, with the declaration of a final payment of 12 per cent, taxable. The interim distribution of 4 per cent has already been made. After providing Rs. 26.95 lakhs (Rs. 24.41 lakhs) for depreciation, Rs. 2.69 lakhs (Rs. 75,000) for development rebate, the allocation for taxation is much larger at Rs. 119 lakhs (Rs. 73 lakhs). On the previous occasion, there was a tax credit for Rs. 43 lakhs. General reserve gets only Rs. 65.65 lakhs (Rs. 102.78 lakhs) after transferring Rs. 7.28 lakhs from development rebate reserve. The final dividend is to be paid out of general reserve. The total dividend amount will be Rs. 42.50 lakhs (same).

Indian Organic Repeats

Indian Organic Chemicals Limited suffered a sharp setback in the year ended March 31, 1972 as its production and sales were affected by stiff competition from imported plasticizers and shortage of PVC resins required for phthalic plasticizers. Sales declined steeply to Rs. 2.20 crores from Rs. 3 crores in 1970-71, while the net profit, before depreciation and taxation, halved to Rs. 44.50 lakhs from Rs. 86.44 lakhs. The directors have, however, maintained the dividend on equity capital at 12 per cent, taxable and about 40 per cent of this will be exempt from tax deduction at source, being payable out of tax-exempt profits. The new shares however do not rank for the latest dividend. The provision for depreciation is Rs. 14.29 lakhs (Rs. 16.21 lakhs) and development rebate Rs. 3.20 lakhs (Rs. 3.75 lakhs) while taxation claims only Rs. 1 lakh (Rs. 33 lakhs). After some adjustments, a sum of Rs. 31.27 lakhs (Rs. 33.35 lakhs) has been taken to general reserve. The equity dividend requiring Rs. 8.40 lakhs (same) and preference dividend Rs. 8.63 lakhs (same) will be paid out

of this reserve. The outlook for the current year is much better with the virtual ban on imports of plasticizers though the shortage of PVC resins persists. Production and sales are expected to improve in the latter half of this year. Production of acetic acid and esters has been maintained while that of benzyl products has increased. There has been some delay in commissioning the polyester fibre plant now under construction in the Manali petrochemical complex near Madras due to late receipt of locally fabricated equipment. Trial production is expected to commence in August this year. Meanwhile a licence has been received to import raw materials though it is subject to certain difficult export conditions.

New India Assurance

It has been a pleasant surprise for shareholders of New India Assurance Company Limited and indeed of other general insurance companies to learn that the Directors have announced a dividend of 40 per cent taxable (same) for 1971. It was earlier felt that there might be no payment out of the earnings for last year as the ownership of all general insurance companies is being taken over by the Government. This would be in addition to the compensation payable. New India earned a higher profit of Rs. 6.75 crores, before taxation, for 1971 against Rs. 6.20 crores for 1970 with a further rise in net premium income to Rs. 32.50 crores from Rs. 27.10 crores. After providing Rs. 3.38 crores (Rs. 3.36 crores) for taxation, the balance of Rs. 3.37 crores (Rs. 2.84 crores) has been transferred to general reserve. The dividend will be paid out of this reserve and will absorb Rs. 1.18 crores (same). The Directors have stated that the first payment of the management compensation for the period May 14, 1971 to February 29, 1972 amounting to Rs. 72.77 lakhs has been received while the management compensation that accrued upto December 31, 1971 was Rs. 57.58 lakhs which has been taken to a separate reserve created for the purpose.

Motor Industries (MICO)

Motor Industries Company Limited increased its sales substantially during 1971 to Rs. 20.02 crores from Rs. 16.26 crores in 1970 while the net profit, before depreciation and taxation, jumped to Rs. 5.34 crores from Rs. 3.81 crores in the previous year. The provision for depreciation is Rs. 1.70 crores (Rs. 1.24 crores) and development re-

bate Rs. 43 lakhs (Rs. 47 lakhs). The claim in respect of taxation has been more than doubled to Rs. 2.15 crores (Rs. 1.05 crores) while general reserve gets Rs. 72.47 lakhs (Rs. 58.83 lakhs). An interim dividend of 10 per cent, taxable, has already been paid claiming Rs. 37.50 lakhs (same) while the final payment of 7.5 per cent gets an allocation of Rs. 28.12 lakhs (same). The total distribution thus comes to 17½ per cent, taxable. The appropriations have been helped by tax refunds for Rs. 14.52 lakhs (Rs. 2.20 lakhs), excess tax and other provision written back for Rs. 12.33 lakhs (Rs. 1.44 lakhs) and transfer from development rebate reserve for Rs. 5.27 lakhs (Rs. 15.37 lakhs). The financial position of the company is quite comfortable as against the net fixed assets of Rs. 7.29 crores, the paid-up capital amounts to Rs. 3.75 crores and reserves as much as Rs. 7.88 crores. It has been stated by the directors that an industrial licence for expanding the capacity of the Bangalore unit and setting up a new factory at Nasik in Maharashtra has been received. Good progress has been made in respect of a foreign exchange loan from a West German Development Bank which has agreed to give DM 21.36 millions (about Rs. 4.4 crores). Negotiations on the rupee finance are also in an advanced stage. The directors have added that only after all aspects of financing are completed will they be able to take active steps for the issue of bonus and right shares. MICO's exports rose in 1971 to Rs. 1.22 crores from Rs. 80 lakhs in 1970 excluding the value of its parts going into exported engines and vehicles.

Mettur Chemical

Mettur Chemical and Industrial Corporation Limited could maintain its production of caustic soda and chlorine products at a high level during the year ended March 31, 1972. The output of caustic soda could however be raised only slightly to 38,522 tonnes from 38,426 tonnes in 1970-71 due to difficult availability of graphite anodes and fluctuations in power voltage. But there was better utilisation of chlorine from 86 to 88 per cent and as a result production of bleaching powder improved to 5,062 tonnes from 4,444 tonnes and chloromethanes to 4428 tonnes from 3294 tonnes. Vanaspathi output however dropped to 2553 tonnes from 2756 tonnes. The increased output of chlorine products and higher selling prices helped the company to establish a new record in sales and earnings for the year while there was also benefit from the refunds by the State Electricity Board following an agreement on power charges. The turnover improved further to Rs. 7.99 crores from Rs. 7.59 crores in 1970-71 while the net profit, before depreciation and taxation, rose sharply to Rs. 157.50 lakhs from Rs. 112.77 lakhs. The sum set aside for depreciation is Rs. 60.75 lakhs (Rs. 61 lakhs) while develop-

ment rebate claims as much as Rs. 45.50 lakhs (Rs. 25 lakhs) and gratuity reserve Rs. 5 lakhs (same). There is however a substantial tax liability of Rs. 25 lakhs (nil) after a number of years as the tax holiday in respect of the heavy capital expenditure, incurred on expansion schemes has ended, and the burden under taxation will be larger hereafter. After transferring Rs. 10 lakhs (Rs. 14 lakhs) from development rebate reserve and taking credit for tax refund of Rs. 7.15 lakhs (nil), the dividend on equity capital has been marginally raised to 12½ per cent, taxable, from 12 per cent, taxable, previously requiring Rs. 31.25 lakhs (Rs. 30 lakhs).

The company is making good progress with its scheme to raise the caustic soda capacity by 20 tonnes daily and the expanded facilities will be available for use from August this year. There can be a further rise in production and sales of various products in the current year if power availability is adequate (the 25 per cent cut on high tension supplies is expected to be temporary) and there is no difficulty in getting enough graphite anodes.

Mafatlal Repeats

Mafatlal Fine Spinning and Manufacturing Company Limited has been able to maintain its equity dividend for the year ended March 31, 1972 at 17 per cent, taxable. About 5.5 per cent, of this will be tax free at source, being paid out of tax-exempt profits. In spite of difficult conditions in the trade, the company increased its sales during the year to Rs. 33.48 crores from Rs. 30.32 crores in 1970-71 but with higher cost of cotton and increased working expenses there was only a modest improvement in the net profit, before depreciation and taxation, to Rs. 2.90 crores from Rs. 2.67 crores. Depreciation claims Rs. 151.04 lakhs (Rs. 143.25 lakhs) and development rebate Rs. 16.53 lakhs (Rs. 13.74 lakhs). At the same time there is a tax provision of Rs. 65.50 lakhs (nil) while taxation relating to earlier years claims an additional Rs. 15.40 lakhs (nil). The allocation to tax exempt profits reserve is Rs. 15.60 lakhs (nil) while general reserve gets a smaller sum of Rs. 25.92 lakhs (Rs. 52.26 lakhs).

Shaw Wallace Does Well

Shaw Wallace & Company Limited has had a successful year of working during 1971 thanks to the good results shown by the parent company as well as all the subsidiaries and associate companies except Shaw Leiner Limited which continued to face difficulties. It has been stated by the Chairman Mr. A. W. B. Hayward, that over 91 per cent of the groups turnover was accounted for by manufactures or purchases wholly or partially from within the group and only a small portion came from sale of products of Madras Fertilizers Limited under a marketing agreement. Total sales

rose to Rs. 29.44 crores from Rs. 26.29 crores while the net profit before depreciation and taxation, increased substantially to Rs. 119.26 lakhs from Rs. 95.14 lakhs in 1970. The dividend on equity capital has been sharply raised to 27.5 per cent taxable, from 18 per cent taxable. The provision for depreciation is Rs. 10.26 lakhs (Rs. 10.76 lakhs) while taxation claims Rs. 67.73 lakhs (Rs. 46.32 lakhs). The transfer to general reserve is as much as Rs. 1.10 crores (Rs. 10.62 lakhs) after taking into account a net profit of Rs. 78.56 lakhs on sale of investments. Development rebate reserve gets Rs. 67,000 (Rs. 21,000), and debenture stock redemption reserve Rs. 6 lakhs (same). The equity dividend will be paid out of general reserve.

The Chairman has taken an optimistic view of the outlook for the company in the current and future years. Sales and profits so far this year have been quite good while it is hoped that there will be a further rise in profitability with the completion of various new schemes. More projects are also under consideration. The unit of Skol Breweries is scheduled to go into production in the first half of 1973 while there are also investments in Sandoz India, Indian Potash and Matheson, Bosanquet and Company.

Century's New Schemes

Century Spinning and Manufacturing Company Limited has a number of schemes to diversify into new lines which when implemented will increase the overall profitability. There is already a big 6 lakh tonne cement plant under construction which will go on stream by the last quarter of 1973. There is also a huge project to be taken up in the joint sector for setting up a pulp and paper plant in Uttar Pradesh. A new company is however to be formed for implementing this scheme for which an industrial licence is awaited. Century will be interested in the company to the extent of 40 per cent of the equity capital while the statutory financial corporations and other government owned institutions will have a similar share. The balance will be offered for public subscription. Century has besides plans to set up a soda ash plant at Jamnagar in Saurashtra and a fibreglass plant at Mathura in U.P. for which Government permission has been sought. The company is now completing the arrangements for establishing a textile mill in Indonesia. Mr. S. K. Birla, Director, told the annual meeting recently that the outlook for the current year had improved considerably, particularly due to better working of the cotton textile division. Overall sales in the first five months have been 18 per cent higher as compared to the same period last year. It is expected that there may be an improved offtake of rayon tyre cord this year though rayon yarn sales may be less remunerative owing to the larger quota for concessional sales to weaving and exporters. The company is awaiting sanction for its one-for-one bonus issue which was revived recently.

Advertising in the March

By "NIRAJ"

General Electric

General Electric Company of India Limited has reported impressive results for the year ended March 31, 1972. There was an appreciable increase in the net profit, before taxation and after depreciation, by 30.5 per cent to Rs. 299.57 lakhs. The provision for taxation is as much as Rs. 211.28 lakhs (Rs. 140.30 lakhs). After adding a net profit on sale of assets of 1.65 lakhs the transfer to development rebate reserve is Rs. 74,284 (Rs. 35,533) while general reserve gets Rs. 70.56 lakhs (Rs. 61.46 lakhs). An interim dividend of 3.5 per cent has already been paid on a higher capital as raised by a two-for-one bonus issue, while a final payment of 10.5 per cent, making a total of 14 per cent, taxable, is to be paid out of general reserve. The company paid a total dividend of 31.5 per cent taxable for 1970-71 on the old capital or the equivalent of 10.5 per cent on the enhanced capital. The latest distribution thus works out to 42 per cent, taxable, on the old capital. The interim dividend required Rs. 18.61 lakhs and the final will absorb Rs. 55.92 lakhs. The company will be shortly issuing right shares besides offering new equity shares to the Indian investing public at a premium of Rs. 6.50 per share.

English Electric

English Electric Company of India Limited is another foreign controlled company in the electrical equipment field which has been highly successful in increasing and diversifying its range of output in a short period. Ever since it came out of a difficult

period when it had to pass over the dividend for three years 1966-67 to 1968-69, the company has increased the payment on equity capital in successive years. There was a further sharp improvement in working results for the year ended March 31, 1972 and the directors have raised the equity dividend to 18 per cent, taxable, from 15 per cent, taxable for 1970-71 and 10 per cent, taxable, for 1969-70. The company has also received the consent of the Controller of Capital Issues for making a right issue to the Indian shareholders for Rs. 25 lakhs at a premium of Rs. 3 per share in the ratio of one share for every two shares held. This is to increase the Indian participation from 25 per cent to 33 1/4 per cent. The company has earned a much higher profit of Rs. 148.55 lakhs during 1971-72, before taxation and depreciation against Rs. 106.30 lakhs in 1970-71. After providing Rs. 89 lakhs (Rs. 53 lakhs) for depreciation, the transfer to development rebate reserve is Rs. 1.32 lakhs (Rs. 77,000) while general reserve gets Rs. 58.23 lakhs (Rs. 48.03 lakhs). The enhanced dividend is to be paid out of the latter reserve but will absorb only Rs. 36 lakhs (Rs. 30 lakhs). There should be no great difficulty in maintaining the dividend on the increased capital for the current year, particularly as there may be a further rise in sales and earnings.

Blue Star Wins Export Award

Blue Star Limited has won, for the second successive year, the Engineering Export Promotion Council's Award for 'Outstanding Export Performance' during 1970-71 for air conditioning and refrigeration equipment.

Blue Star's Export Director, Mr. G. T. Advani disclosed at Bombay that his Company was stepping up its aggressive export drive in 1972 in the markets of Africa, the Middle East and South-East Asia, where Blue Star products traditionally face fierce competition from those manufactured in the USA, Japan and Europe.

This year, up to the first week of June, nearly 500 Blue Star water coolers have already been shipped against orders received from Singapore, Penang, Kuwait, Dubai, Qatar and Lebanon. About another 150 Blue Star water coolers are about to be shipped.

The bulk of these shipments are to Kuwait, where Blue Star's Distributors are M/s Y. A. Alghanim & Sons (WLL), and to Singapore and Malaysia, where M/s R. Jumabhoy & Sons are the Distributors.

Mr. Advani also indicated that Blue Star expected more orders from these as well as other countries during the second half of 1972.

Zenith Steel's Pipe Plant in Indonesia

With the approval of the Governments of India and Indonesia, Zenith Steel Pipes will be setting up a pipe manufacturing plant under the name and style of "P.T. Zenith Steel Indonesia" in that country.

The authorised capital of the company will be Rs. 60 lakhs (332,000,000 Indonesian Rupiah). The Indian company will be offered equity shares worth Rs. 20.05 lakhs (110,605,000 Rupiah).

The project will function with complete technical know-how from the Indian company, besides getting technical assistance for a period of ten years.

planning era is the proneness of the politicians to play on the weaknesses of the common people by whipping up their animus against the rich and raising false hopes of improvement in their living standards without doing anything to create a genuine economic consciousness in them or to strengthen their normal fibre as it concerns the nation's economic progress. In place of an earnest attempt to pinpoint weaknesses and correct them, there is only a search for scape goats for pretexts for failures and a fresh stimulus to popular antipathies. The industrial workers have been pampered to the point at which not only costs are high, but production too, is far below capacity due to industrial disputes that drag on interminably.

The first break in these regrettable tendencies falls to the credit of Mr. Mohan Kumaramangalam, the Union Minister for Steel, who has issued a call for honesty among politicians, the honesty which will enable them to tell the workers, "Thus far and no further", to tell the rural population that ceilings, however low will leave a large mass landless, to tell the nation as a whole that nationalisation is not an answer to everything. May this courage prove contagious.

SOFTNESS IS ALL

The foot-wear industry is carrying on intensive promotion work through press ads. Bata, Flex and Swastik (to a less extent) are wooing the market in their own way. And, Bata, still the unrivalled monarch, no wonder, steals the show easily. Their sales-approach is manifold. Their target is both the young and the grown-ups; the tiny-tots and the gay working-girl. Style, fashion, comfort, durability are all rolled into one



in Bata. The trend today is to strengthen the press ad with a variety of media and Bata is doing it quite effectively with stickers at the show-room entrances in an eye-catching manner.

"Now Microlon! Another Bata First", reads the Bata copy. A pair of sandals underneath. A girl is sitting pretty with the chappals on. Softness (the wonder material Microlon accounts for this), comfort, luxury, fashion all find fine expression in a crisp body copy. Softness being the USP of the product, the forefinger is illustrated as feeling the smoothness. The name is striking too—GOPI.

Well, shall we take a march with Bata? The appeal is mainly for women. But gents need not knit their eye-brows. Bata cares and caters to them in a wider measure and wider variety too.

A NEW WAVE IN ADVERTISING

The well-known cartoonist Gopulu, formerly art-director of F. D. Stewart, has started his own advertising agency, Advave.

A CUP-FUL OF COFFEE-TOFFEES

In the world of sweets, to have the courage and conviction to compete with a top name is something to take legitimate pride in. And Nutrine Confectionary is doing it with rare zeal and steadfastness. Their press ad 'Home, Sweet Home' is still vivid in one's memory. To their infinite variety, Nutrine has added one more in, "Coffee Toffee", with wide promotion. The press ad reads:

"It's more than just coffee...."

"It's more than just a toffee...."

A cup and saucer, the cup full to the brim with toffees, with a teenage girl tasting one is the visual. Quite a nice treat to the eye: the toffee a nice treat for the palate. The copy in the sticker is a slight variation, with the same accent on 'Coffee Toffee'. Well done, Clarion.

AN EXCELLENT IMPACT OF LINE DRAWING

Toffee and biscuits seem to long for the company of coffee. While Nutrine Coffee Toffee is both coffee and toffee, new Parle Marie biscuits, "with exclusive taste", are said to go ideally with coffee. From the professional point of view, this is an excellent effort by Everest. In these days of poor reproduction in newspapers, this advertisement cannot be printed badly in any newsprint. The illustrations have been done on scraper board, paying attention even to the minutest details of the products. The biscuits, jugs and tumblers look real—an effect which half-tones might not have created, as in the case of the Nutrine ad. One, however, wishes the half-tone biscuit picket had been better positioned.

what's with coffee?
new parle marie!



PARLE MARIE BISCUITS

VIP VERSUS THE COMMON MAN

You cannot imagine Churchill minus his cigar, Hitler minus his bee-moustache. You cannot in the same way visualise a sales representative without a brief-case. If a sales representative or an office executive can have one, why not I—this is the attitude everybody has come to develop these days. An age of equality. From the sales point of view, is this not a welcome trend? It is not uncommon today to watch many a passer-by well attired swinging his brief-case with a non-chalance and a certain amount of pride, leaving you gazing and guessing 'Who's he?'. Yet Blow Plast's appeal for their suit-cases and brief-cases is only towards the VIP's.

Keeping the copy intact, Blow Plast changes the visuals alone in the press ads. This time a busy film star, next time a busy executive and the third time an 'eccentric millionaire, having a stormy love affair with an Italian opera singer.' The whole range of the VIP Products—suit-cases, brief cases, vanity cases and executive twins—is presented in mini-illustrations. VIP products are made of high impact polymer with aluminium frames. This is the product speciality.

A chain of ads. of this type is bound to attract attention. But today everybody aspires to possess goods, though costlier. The ego and love of possession are so great in an individual, that no one, be it he or she, wants to be ignored. Next time let us hope Blow Plast takes note of this and comes out with an all-embracing ad.

A. N. HAKSAR CHOSEN CHAIRMAN OF I.S.A.

Mr. A. N. Haksar, Chairman of India Tobacco Co. Ltd., has been unanimously chosen Chairman of the Indian Society of Advertisers at the recent annual meeting of the Society. Mr. S. P. Godrej, Chairman, Godrej Group of Industries, has been re-elected vice-chairman of the Society.

ASIAN ADVERTISING CONGRESS

Mr. Sanat Lahiri, Publicity Manager, Dunlop India Limited, has been appointed a member on the executive committee of the Eighth Asian Advertising Congress, Thailand. Mr. Lahiri is also the representative of the Congress in India.

The Congress is scheduled to be held in Bangkok from November 6 to 9.

Non-Utilisation of Funds

Non-utilisation of funds allocated for schemes of benefit to individuals as well as the national economy may be held to point to serious defects both in the formulation and implementation of this part of our Five-Year Plans. Such non-utilisation, which is very common and by no means a new development, is also suggestive of the inertia of the intended beneficiaries which raises an altogether different set of problems. It is not unusual for spending departments to wake up to unspent grants and hasten their expenditure during the last month of the financial year for fear of their lapsing altogether.

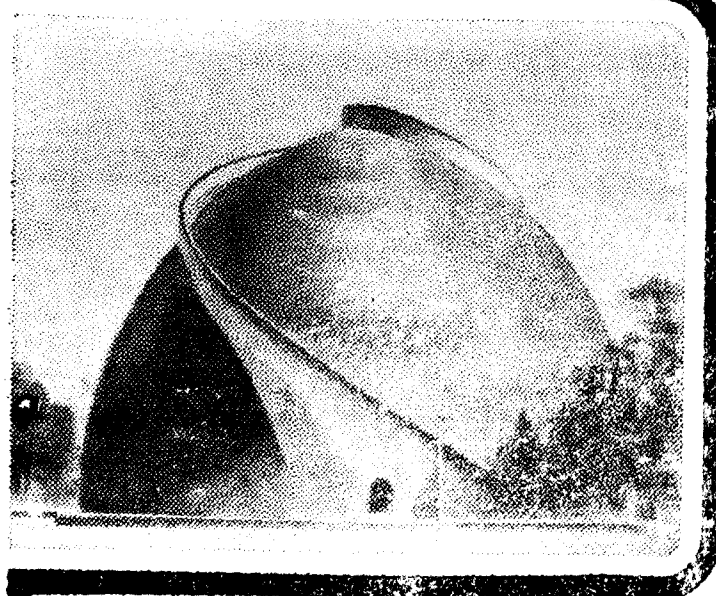
A similar course is not possible in the case of allocations for schemes intended to benefit drought-prone areas, small farmers, marginal farmers and agricultural labour, dry farming and the unemployed in the rural areas. Against an allocation of over Rs. 72 crores for drought prone areas, expenditure in 11 states during the last two years amounted to hardly Rs. 7 crores. Expenditure for the benefit of small farmers is only a third of the allocation. In most cases utilisation

is in lakhs against grants running into crores. The crash programmes for rural employment affords no better experience. The reasons for the sluggishness have not been authentically adduced. But one may presume that the slow progress is the cumulative effect of a number of defects and short comings. The schemes of the official agencies concerned may not be ship-shape. The executives may be lacking in vigour or enthusiasm or both. The ground may not be well prepared so far as the supply of the essential producer's goods is concerned.

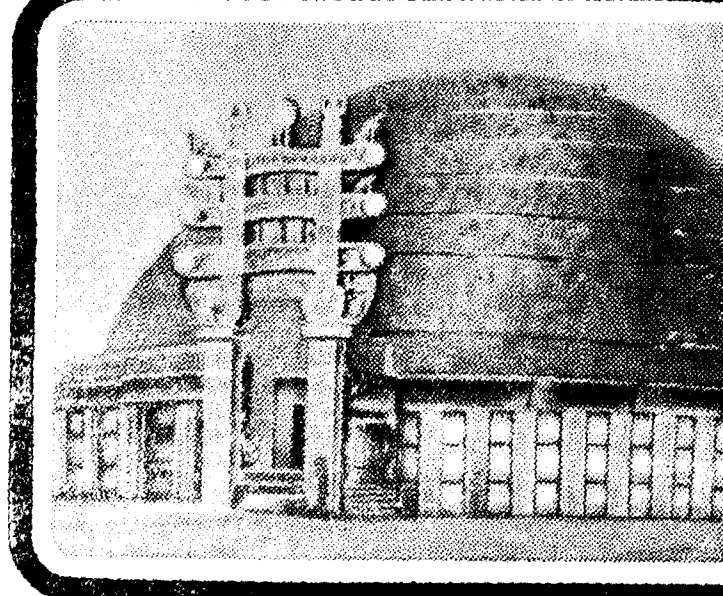
Politicians Play on Weaknesses

But far more important is the avidity with which the facilities are availed of by the people. It would be interesting to have a factual account of the experience of the nationalised banks in their advances to weak borrowers under their new policies, since it would show the capacity of the ordinary man to respond to offers of help. The most deplorable feature of public policy in the

State Bank opens new LOCAL HEAD OFFICES in PATNA and BHOPAL



Originally erected as a granary in 1786, the Golghar is a prominent feature of Patna even today.



Work on the Great Stupa at Sanchi, near Bhopal, was begun by Emperor Ashoka but completed by his successors in the 2nd Century B.C.

To serve the people better, State Bank has been progressively decentralising its administration. Two new Local Head Offices come into existence today, one in Patna and the other in Bhopal.

The formal inauguration by Shri Kedar Pandey, Chief Minister of Bihar, at Patna on 1st July, and by Shri P.C. Sethi,

Chief Minister of Madhya Pradesh, at Bhopal **later in July**, will mark the importance of the change for the respective States.

The new Local Head Offices will devote closer attention to the economic problems of these States and help to quicken their pace of progress.



STATE BANK

AIYARS.S.301

Industrial Economist

WEDNESDAY ON INDUSTRY & FINANCE MADRAS

VOL. V, NO. 9

JULY 15, 1972

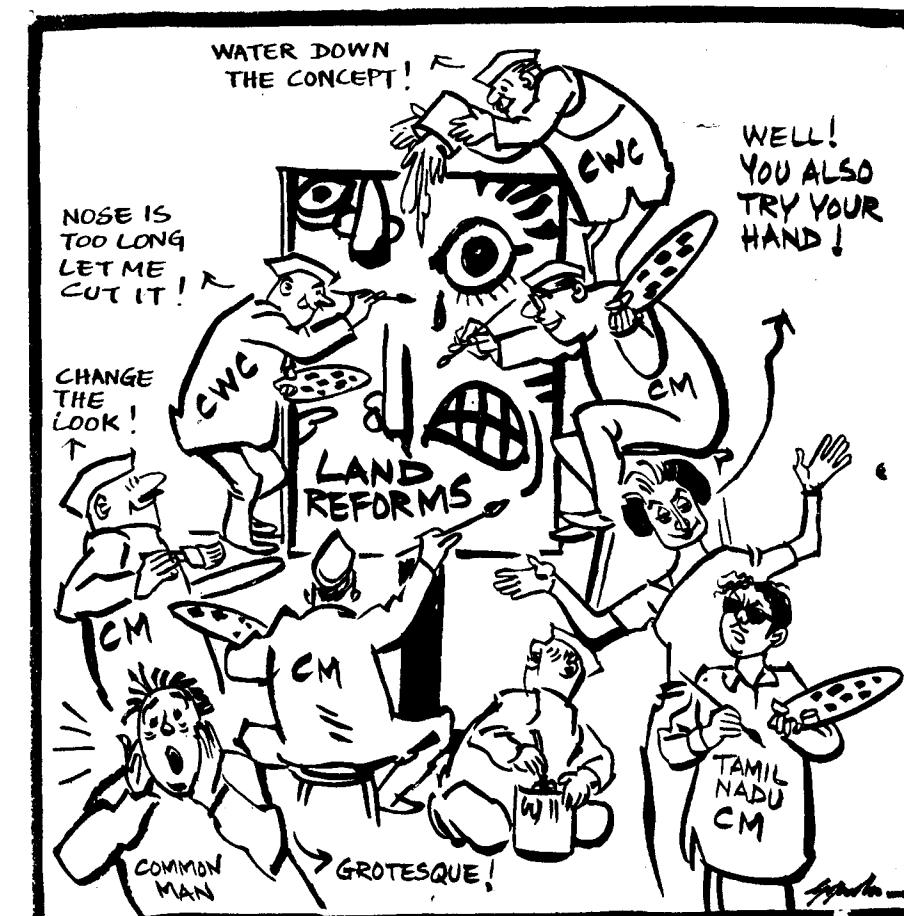
Price: 75 Paise

THE TALK KILLED THE PARROT

Platipus has always appreciated the adage which asserted that a frog invited its own doom by croaking aloud. Here is a piece of news from Austin, Texas, USA to confirm the inefficacy of incessant talk, especially from a person of political office. Mr. Mike Mckool, a Texas Senator plunged his 5 ft. 4 in. frame into the huge chair at his desk in the austere chambers of the Senate, on June 28th morning with sheer exhaustion. He leaned back, rubbed his three day beard and sipped milk from a soda pop bottle, so the report goes.

This exhaustion was the result of a physical feat executed by him through 42 hours of non-stop talking. "The first afternoon and night were the worst" he said, "your stomach growls and your feet hurts but after that first night, you get numb and pains go away." He spent a total time of 42 hours and 33 minutes, arguing that the State Spending Bill for the next fiscal year should provide more funds for the schemes to treat the mentally ill. A laudable cause, one would say. Alas, when Mckool's longest filibuster ended, the other senators appeared more cool, took just about four minutes for a debate and.. voted against the proposal.

Here is a friendly clue to Vajpayee who is fighting the Simla pact tooth and nail for its reopening the Kashmir issue. Don't you know, Vajpayeeji, that it was the longest speech of V. K. Krishna Menon in the United Nations which clinched the matter against us? Take out a silent "padayathra" to all nations, which is bound to have more appeal, if there are enough "sevikas" in it! —Platipus



STURDY BASE FOR INDUSTRIAL PAGE ...



SANKAR CEMENT

FOR QUALITY, STRENGTH AND DURABILITY



INDIA CEMENTS LTD.

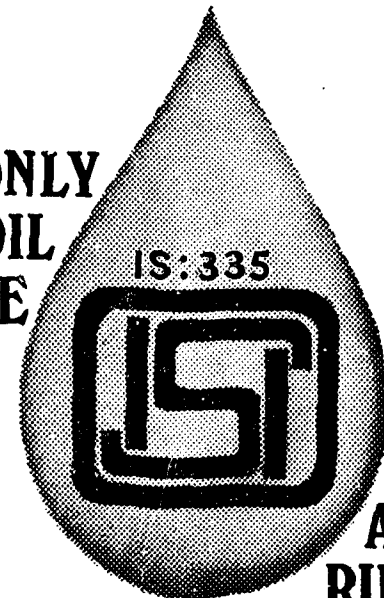
Dhun Building, Madras-2

Factories
Sankarnagar &
Sankari

hallmark

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The Summit at Simla

The whirling blades of the Indian Air Force helicopter grind to a stop as the copter gently alights on the helipad set in the scenic landscape of Anandale, Simla. The immaculately dressed man who emerges from within shades his eyes and scans the horizon. The dark clouds which caused a heavy downpour only yesterday have receded and on this morning of June 28, there is a sudden, bright sunshine in Simla. The weather gods have been truly kind to Zulfikar Ali Bhutto, who has come to the soil of India to seek an honourable peace.

Courteous, but not Exuberant

The modest, prim and very proper reception accorded at the landing sight reflected the mood of the nation—courteous but not exuberant. The two national anthems were played, with a contingent of the Himachal Pradesh standing by without arms, but there was no red carpet, no guard of honour, no salute of the guns, no special speech of welcome but only a smile and a handshake of Prime Minister Indira Gandhi. Nevertheless, the traditionally hospitable Indian crowds lined both sides of the road to have a *darshan* of the visitors. This spontaneous interest surprised Bhutto so much that he asked Indira Gandhi: "Do all these people welcome my visit?" Mrs. Gandhi told him: "The majority of our people welcome your visit. There are a few who may be opposed to it." In the latter category was a Bombay man, Pratap Rawal, carrying a black flag and shouting slogans against any Tashkent type of agreement at the Indo-Pakistan summit talk; he was promptly bundled off by the Simla police. This was perhaps symbolic of the national mood, the majority greeting Bhutto with open arms and an open mind with a silent prayer at the heart, that a quarter century of irrational hatred, mutual distrust with occasional thrusts and counter-thrusts into each other's territory spilling blood may end, marking the beginning of an era of durable peace. On the other hand, there were quite a few individuals and parties, notably Jan Sangh, who cautioned against complacency on the part of India when dealing with a man who, for all the melodramatic stances and public utterances, was at heart a shrewd politician more prone to wrest concessions from India than yield to its wooing for peace. Such people argued that India must take this opportunity by horns and using the issues arising out of our victory in the war, such as the prisoners of war as a lever, must force Pakistan for a final solution in Kashmir. They also insisted that India must not be influenced by the big powers in any way during the long awaited summit. With such an anxiety, the Jan Sangh President Atal Behari Vajpayee even visited Simla on his own, to feel the pulse of the proceedings. Another notable non-official figure who privately talked with Bhutto for six and a half hours was Piloo Mody, the

Swatantra leader and "an old friend" of Bhutto. They had to reckon with a politician who could out-smart the Village School Master of Oliver Goldsmith, who "though vanquished, could argue still", in this case, Bhutto, literally after a defeat in the battlefield.

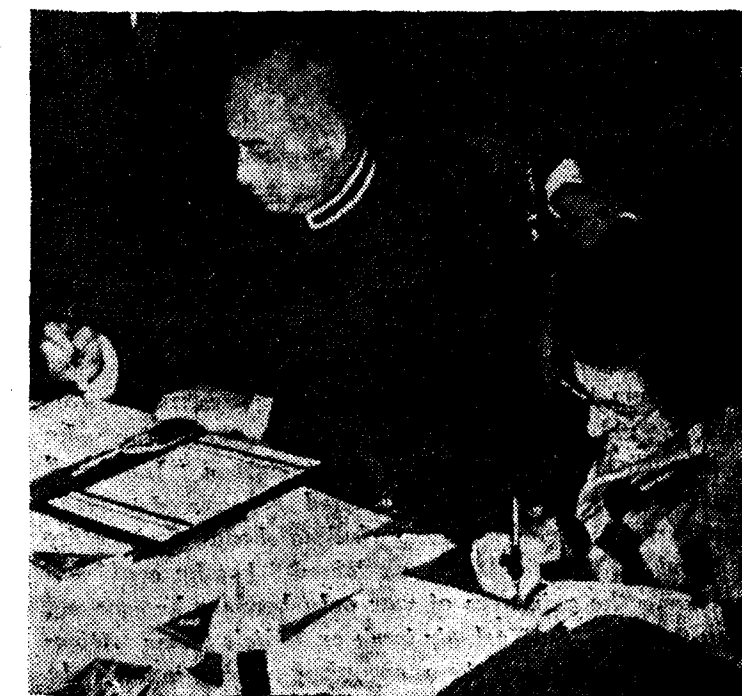
Skilful Bhutto made an impact

Bhutto with the consummate skill of an artist, made a big impact on the proceedings of the summit right from the start. He brought a big retinue of ministers, officials, television cameramen and journalists totalling about ninety—the composition of his advisory panel accommodating hawks and doves. Bhutto remained remarkably unperturbed during the four day summit extended by one day till July 2 and could even cut jokes in the press conference.

On the whole Bhutto behaved with restraint to his credit—for a man who vowed a thousand years' war with India.

Element of Drama

The element of drama was not lacking in the proceedings of the summit which appeared foredoomed for failure from the start. It was evident that India wanted to settle the big, basic differences first and having a package deal for



"The Simla Agreement: Was it a sell-out?
Or a correct first step to solve old and
obsolete animosities?"

Indira Gandhi and Bhutto signing the
historic agreement



Bhutto being received by External Affairs Minister Swaran Singh

the minor problems but the hard core of the Pakistan delegation fought this tooth and nail, sitting only on the periphery of the problems, prepared only for a step-by-step approach. Rigid stands were taken alternatively, Indira and Bhutto went into private discussions with a smile and emerged with grim faces. The tension, physical and mental, was so great that Mr. D. P. Dhar, the leader of the Indian official delegation took ill with palpitation of the heart and

had to be hospitalised. When it appeared as if the summit was going to end in a stalemate, with leaders satisfied by just releasing a formal communique expressing pious sentiments, the final scene was enacted, just after the dinner given by Bhutto in honour of Indira. At 0-40 a.m. on July 3, Bhutto affixed his signature to the agreement signed by Mrs. Gandhi. Interestingly, Bhutto had to borrow a pen from a journalist, standing nearly to sign the agreement and when told of it, he said "Is it so? It augurs well!"

Will it really augur well? That is a million dollar question troubling some minds. Already the Jan Sangh President castigated the agreement as a "sell out" and promptly ordered the units of his party for a mass agitation. The veteran politician C.R. expressed his fear that "the summit was not a success," as it did not lead to a reduction in armament expenditure. On the other hand, there has been a general approval of the drafted agreement from the public forum of the press both Indian and foreign; many political parties in India have welcomed this as a correct first step to be taken in the direction of resolving old and obsolete animosities based on a historic blunder of the previous generation. The youth of both countries would naturally envisage a future when both will join hands in working for the common prosperity, fighting against the common enemy, grinding poverty and superstition.

Bhutto Explains to his People

According to a report from Radio Pakistan on July 14, President Bhutto declared in the National Assembly specially convened to ratify the Simla agreement, that it was for the people of Pakistan to decide what type of relationship they wanted with India. He claimed that during the summit, he had not compromised on principles and stuck to his pledge not to discuss Bangla Desh on Indian soil. For the first time after Tashkent agreement, the Kashmir issue had been activated and if the bilateral talks failed, there was nothing to prevent them from taking the issue to the U.N., though Bhutto implied by his remarks, scant respect for the world organisation that had kept the item idly on the agenda for 25 years. According to him, the only way to free Kashmir from the Indian yoke was that Kashmiris themselves must start a "freedom" struggle and as soon as it is launched, he assured it of an all-out support from Pakistan including shedding of Pakistani blood in the field. He explained that he could not bring home the prisoners of war only because he was not willing to settle the Kashmir issue on India's terms. However India, cannot keep them, according to him, indefinitely as he would mobilise world opinion against this.

Countering the charge of his continuation of membership in CENTO in spite of his party's electoral pledge to

the contrary, he pleaded that the situation had now changed completely with half of his country gone and India entering into a defence pact with U.S.S.R. In spite of the veiled threat of instigating trouble in Kashmir and contemptuous references to Sheik Mujib as a "sessionist" from the start colluding with India, Bhutto seemed to be quietly planning for the freezing of Kashmir issue and the recognition of Bangla Desh soon.

Later in the night of July 16, Bhutto concluded the forty hour debate with a marathon speech of about four hours, defending the Simla agreement spiritedly. He clarified that war with India was out of question for the next five, ten or even fifteen years. It was for the future generation to decide whether to have peace or revenge. His mandate was to build Pakistan and not destroy it. He wanted the vicious circle of mutual distrust to be broken so that "peace denied to us for centuries may be within the grasp of our children."

The Assembly gave its consent to the Simla agreement by a voice vote, the roar of "ayes" drowning the feeble murmur of "nays" from a few.

Sharavathi Suffers from Serious Damages

Hardly five years after the mammoth Sharavathi Valley Hydroelectric Power Project started feeding power into the Mysore State grid, extensive damage is reported to have been suffered by the Water Conductor System. The damage is so serious that suitable remedial measures might involve prolonged shut-down of at least five generators later in the year upsetting industrial production and causing hardship to non-industrial users. Engineers expect that the duration of the shut-down might be anything upto 25 days. The Mysore State Power Corporation and the State Electricity Board who are taking concerted steps to get the repairs completed as quickly as possible believe that the hardship to electricity consumers could be minimised by borrowing power from neighbouring States to tide over the power generation gap in the State.

Faulty Construction

The Government has ordered an enquiry into how such a serious damage could have developed so soon after the construction of the power complex. Engineers are of the view that this is ascribable to faulty construction and use of sub-standard materials. The Opposition in the State Assembly is pressing for a judicial enquiry to fix the responsibility on those involved in the construction work. The Public Works Minister Mr. Channabasappa, who incidentally was associated with the initial work on the project at the time of Mr. Jatti's Chief Ministership, is actually thinking of a judicial probe. He has, however, refused to oblige the opposition which demanded his being away from office during the probe as a person connected with the construction of the power system at least in the beginning.

Eight of the proposed ten generators of the Rs. 120-crore Sharavathi Valley Hydroelectric Project, incidentally

Asia's biggest have been so far commissioned, each with a capacity of 89,100 Kw. The last two are in the process of erection. The giant power system is the life-line of the State's economy.

Piecemeal Solutions...

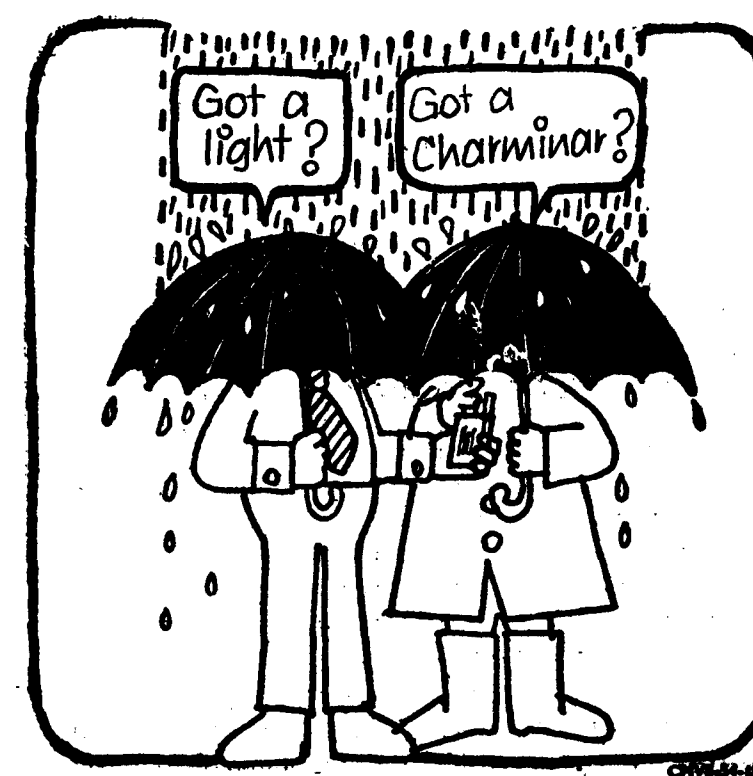
The Sharavathi "scandal" is perhaps as old as the project itself. What is shocking is that the Government did not feel concerned about the defects, faults and other constructional irregularities which have been coming to light from time to time almost since 1963 when a major damage was first noticed in the bed of the duct in the power tunnel. That was even before the duct was actually commissioned. It is strange that the Government should have been indifferent to unofficial and even formal opinions of technically qualified people about some fault here and some defect there, and should have roused itself only when a damage of such huge magnitude was uncovered threatening the whole working of the project. The

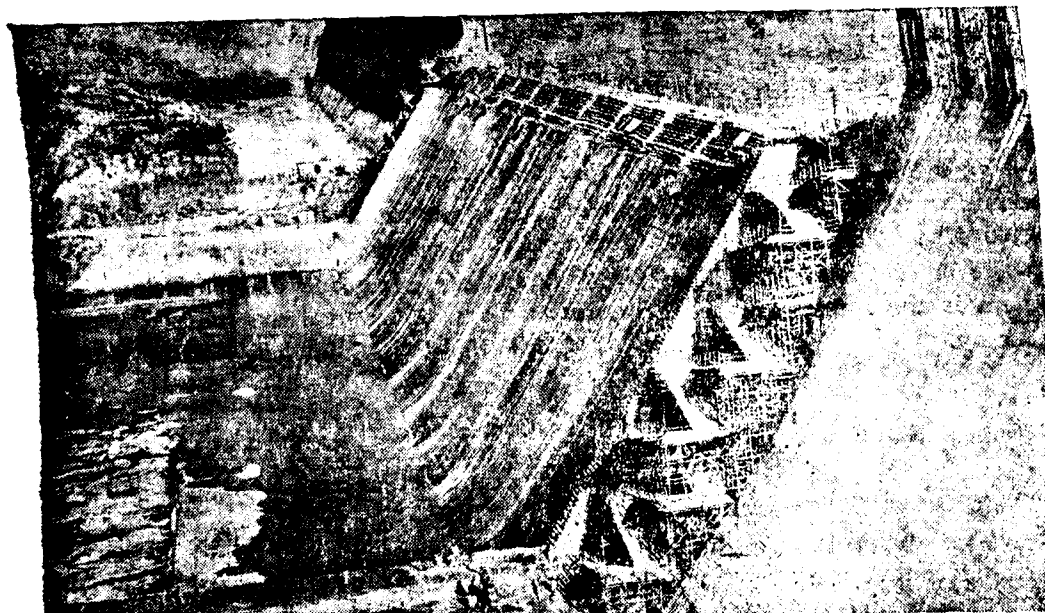
Government's explanation is that the project authorities had been treating the serious defects and lapses as rather a routine affair and had been trying to attend to them piecemeal without the knowledge of the Government.

Construction and Repair Go Hand in Hand

As early as 1964, the Accountant-General expressed strong disapproval of the expenditure on repairs so soon after the commissioning of the tunnel. The project authorities seem to have given the answer that the damage was not due to bad work by the contractors. However, a perusal of the various letters and reports from competent engineers who had opportunities to inspect the whole construction, clearly suggests use of sub-standard materials and gross violation of instructions given by officers to the contractors.

Already, a sum of over Rs. one crore has been spent on repairs.





THE IMPORTANCE OF SHARAVATHI

Prior to the advent of Sharavathi, Mysore had very little capacity for power generation. Even today, the State has only hydel power generation stations. Power generation schemes completed in Mysore since 1950 have resulted in a total capacity of 917 MW. Of this, Sharavathi accounts for 712.8 MW or 77.7 per cent of the total power generated in the State. It should thus be evident from this the total dependence of the State on this project, which for the first time lifted the State from stagnation in development due to low levels of power generation.

Nor merely Mysore, the adjoining States of Maharashtra and Tamil Nadu have been drawing large quantities of power from Mysore because of the surplus power available, thanks to Sharavathi. In fact, Goa is almost dependent on Mysore for its power requirements. Thus any shutdown of Sharavathi generators can very much affect Mysore and the States dependent on Mysore.

undertaken on the advice of the Hydro-electric Construction Projects (HECP) Board and the Central Water and Power Commission. The damages noticed since 1964 may be listed *ad seriatim* thus:

An upheaval of the bed slabs of the duct in the power channel and 140 feet of longitudinal crack of one-eighth to one-fourth inch thickness were the earliest in the series. The entire four-component water conductor system of the project has suffered grievous damage. The water conductor system is made up of the Linganamakki Dam, power channel, the Talakalale balancing reservoir and the two Vodenbyle pressure tunnels. The water required for generating power is drawn from the Linganamakki storage to the Talakalale reservoir through the power channel and the Malali Tunnel and is further conducted from this reservoir to the generating units through the two Vodenbyle pressure tunnels, surge

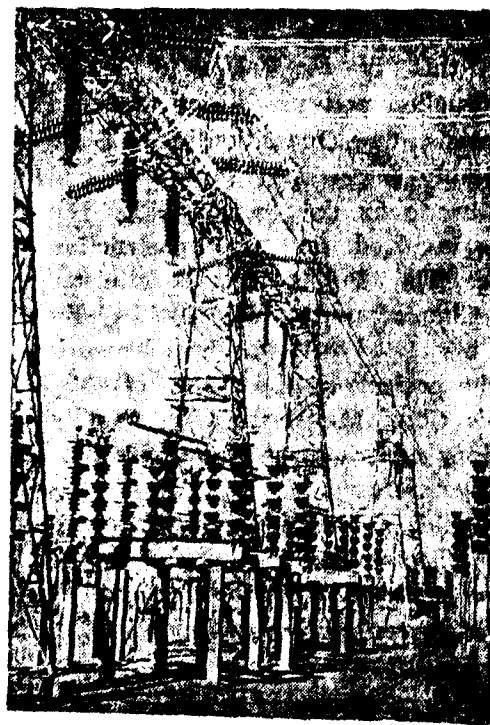
tanks and penstocks. The seepage in 1964, continues to this day in spite of the Talakalale dam, first noticed in the expensive repairs completed since then. The damage, termed by the Electricity Minister as "alarming" in the Lingananakki sluice gates (commissioned in 1964), started in 1970 when cut-stones drifted off and went down to the stilling basin below the sluices. The side masonry work suffered grievously in consequence. With the help of the Mysore Engineering Research Station and the CHPC, the Mysore Power Corporation is still looking into the matter. It wants to locate the causes of the damage and devise suitable remedial measures. It is not known how long it will be looking into the matter though it says it is imbued with "a sense of urgency". Foreign materials were seen on a number of occasions entering the penstock connected to No. 1 tunnel causing incalculable damage to the turbines.

Stoppage of Power

The damage to the four components of the water conductor system and other parts of the system is a matter of great concern to everybody and calls for immediate attention and adoption of remedial action irrespective of costs. It is quite possible the full nature and extent of the damage has not been properly assessed yet. Unless the channels are completely closed and water drained, it would be difficult to say to what extent the bed of the duct has been damaged. Such draining of the water would involve substantial curtailment of the power generation.

There is a widespread feeling that a "national fraud" has been perpetrated by "a combination of people" and it is therefore a fit case for asking the Vigilance Commission to conduct a detailed investigation for fixing the responsibility for the failure of duty on the part of the contractors and the supervisory officers from the lowest to the highest level, to get the work done according to specification. The sooner this is done the better.

—V.M.



A view of the Sharavathi receiving station

Tasks Ahead of the Sixth Finance Commission

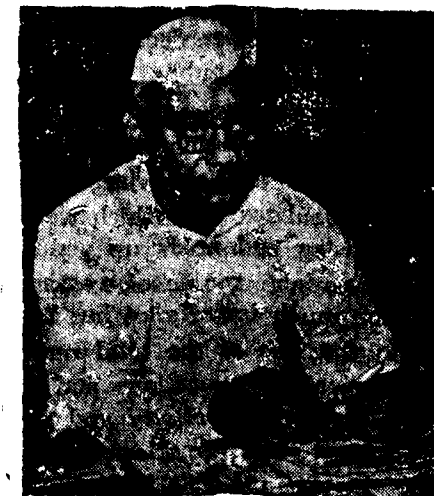
The Sixth Finance Commission will have as its Chairman Mr. K. Brahmananda Reddi, former Chief Minister of Andhra Pradesh who has also considerable experience of the finance portfolio. The team consists of experienced men and there is also a representative from the Planning Commission who will ensure that there was no divergence between resources available for plan purposes and those devolving from the Centre to the States. The Finance Commission's job is not technically concerned with the provision of resources for plan purposes as outside funds also have to be secured and the problems of individual States differ in character widely. But the Commission has to take an overall view about the availability of resources for various purposes. The objective is to ensure that there was coordinated and fairly uniform regional development and the backwardness of certain regions was eliminated as quickly as possible. In the ultimate analysis the object of periodical reviews of Centre-State relations by Finance Commissions is to make sure that there was a transfer of resources from the opulent to the indigent and the latter were not left far behind the former in the matter of economic development.

Terms of Reference

The terms of reference of the new Commission have been widely conceived and Mr. Brahmananda Reddy can be expected to make far-reaching recommendations which will enable the weaker States to secure larger net Central assistance without bringing about a permanent dent in the sources of revenue in a big way. The examination of the sources of revenue for the divisible pool will of course be confined to Excise Duties, Special Excise Duties, Additional Excise Duties, Income Tax on personal incomes, health Tax and Estate Duties. There may not be any attempt to include in the pool the receipts from customs revenue and corporate taxes

and this will not also be possible as these are outside the terms of reference.

Some State Governments like Kerala have however raised this question on earlier occasions and it has also been demanded that the revenues from additional excise duties and Passenger Tax should be as elastic as those from other excise duties and adjustments in passenger fares and freight rates. This demand has inflationary implications. But the Centre cannot try to augment its own resources to the detriment of States in fields where the latter can legitimately hope to derive larger revenues if they had autonomous powers. There



Mr. K. BRAHMANANDA REDDI

will certainly be novel recommendations by the Commission and these may increase the divisible pool of resources in a manner which will not hurt the Centre seriously though it has always happened that any effort on the part of the States to get a larger share of revenues has been sought to be neutralised by imposing heavier Central taxation subsequently.

Rescheduling of Debt Repayment

The Centre, however, will be affected by the Commission's suggestions for a re-scheduling of debt repayments and interest charges. It has been pointed out that the investment of funds in Plan schemes in the State

sector is less productive in character immediately as the expenditure is on education, irrigation, rural electrification and other schemes which are highly remunerative but which are also with long gestation periods. Where deficit financing is concerned the Centre can probably agree to a reduction in interest rates though its own ability to neutralise the ill effects of earlier deficit financing will be circumscribed if the repayments from the States were reduced considerably.

The Centre can probably overcome the difficulties of these states by deciding to take up new projects in the affected regions in the Central sector or, as has been done in the case of Mysore, finance completely some vital schemes. The Commission can adopt a helpful approach and satisfy also the needs of weaker States by evolving a suitable formula which will take care of non-Plan gaps arising out of factors beyond their control even after it has been proved that satisfactory measures have been adopted to mobilise additional resources. Any exercise at a diversion of funds from the Centre to the States will mean only a different apportionment of available resources and not their augmentation.

The States should therefore closely examine the working of irrigation and power projects and find out how the returns are coming in. Except where limited subsidies had to be given the objective should be to secure a return which will service the debts concerned without difficulty. The taxation on farm incomes will also have to be carried out scientifically as there is now a view that the States have more elastic sources of revenues than the Centre as a saturation point has been reached in many directions and there can be a buoyancy of revenues only with a higher level of economic activity.

National Fund for Relief Work

The suggestion for formulating a policy for carrying out relief work in areas affected by natural calamities is

intended only to establish proper procedures while the attempt to create a National Fund for this purpose to which the Centre and States will contribute on a specified basis may not succeed to any great extent as the contributions from the States in their

present mood, are not likely to be large. The idea however is worth trying. But what is more important is how the new recommendations of the Commission will be useful in bringing about a correct application of available resources and help also

the generation of additional resources. Mr. Brahmananda Reddi and his colleagues have therefore a special responsibility and it is only to be hoped that their report will satisfy the aspirations of the States and at the same time not weaken the Centre.

Tamil Nadu's Efforts to Double Per Capita Income

By P. R. SRINIVAS

The Tamil Nadu State Planning Commission is drawing up an apparently ambitious plan aimed at doubling the State per capita income in a period of 12 years. There is reason to think that it will prove well within the capacity of the Government, if the resources necessary for financing the plan and the care and energy required for execution of the various projects and programmes are forthcoming. Some uncertainty is bound to attach to these conditions of success. To raise the State income to Rs. 4141 crores from the present estimated level of Rs. 1645 crores, an outlay of as much as Rs. 9347 crores (at 1970-71 prices) is deemed necessary.

Of this, the State's quota is put at Rs. 706 crores and Rs. 1412 crores in the Fifth and Sixth Plan periods respectively, while it is assumed that in these two periods the Union Government's share will be respectively Rs. 442 crores and Rs. 822 crores, that of the private sector, Rs. 528 crores and Rs. 1056 crores and that of the co-operative sector, Rs. 8j crores and Rs. 176 crores. In considering the prospects of successful working of a perspective plan stretched over a period of 12 years, these figures can have neither certainty nor sanctity. One must be prepared for disappointments in some respects, but must also be resolved that disappointments here and there will not precipitate failure. If disappointments are not to lead to failure there will have to be vigorous efforts to make up for them by making the most of the pleasant surprises which are also bound to occur as much as the unwelcome

ones. In any case, the resources necessary for the success of the plan can be found without any serious shortage, only if the outlay in the first half of the perspective plan is effective in adding to the resources available for the second half. The almost fatal weakness of Indian planning during the last decades is that investment in the public sector has not added to the resources as well as it should have. Additions to resources have been found in too large scale from additional taxation which weighs down industry and holds up genuine growth. Another source of weakness is that too much importance has been given to the size of the total outlay and the specific allocations and too little to their productivity and profitability or to the important task of putting the average able bodied individual to gainful work on his own instead of his waiting to benefit from some official scheme or other.

Individuals Should Put in More Work

There are signs that Tamil Nadu's perspective plan gives sufficient importance to schemes which will provide the conditions in which individuals will feel impelled to engage in profitable work and thus add directly to per capita instead of its being raised as a dividend of the total national income of the State. The latter, too, is important whether by way of providing the overheads of industry and agriculture or of inaugurating big industries to develop new industrial complexes and knit the State economy into an integral whole. But to remove poverty or to mitigate the hardships

of the lower classes, there must be more man hours of work for each individual. And it is in this respect that the programmes for extension of cultivation of cotton, pulses and oilseeds and of dry farming and dairy farming are most noteworthy. If the people concerned in the rural areas continue in their idleness even when the necessary expert guidance and the inputs of improved seeds and liberal credit are taken to their doorstep, it will be for the Government to display an evangelical zeal in spreading the gospel of work.

This however does not mean a lower stress on big industrial and other projects. The plan postulates an investment Rs. 1370 crores in large and medium industries and Rs. 230 crores in village and small industries. The more important projects are the Salem Steel Plant, an ammonium chloride plant, a soda ash plant and similar others. Besides the expansion of the big industries like sugar, cement, aluminium and automobiles, there will be the development of the petrochemical industries and the development of new industries in and around Tuticorin. Power deficit which is estimated at 19739 million units at the end of the Sixth Plan will have to be met by a second atomic power station at Madurai, additional capacity of Kalpakkam and Neyveli, a new thermal station at Tuticorin and a few more hydel schemes. There is of course the usual lack of linking education to vocation. But in the conditions that will prevail in the years ahead, this linking may well be more pointed and fruitful. Altogether, the plan has features which are both ambitious and practical.

Changing Concepts in Consumer Marketing

I. Fertilizer

By S. VISWANATHAN

It is common knowledge that marketing assumes importance mostly in cases of surplus production. As the level of competition increases, more and more ingenious methods of selling are devised. These proceed mostly through conventional degrees of perfection: Cultivation of consumers and dealers through contacts, imaginative advertising programmes through the press, radio and the cinema; premium-merchandising through the offer of attractive gifts, tag sales—tagging a fast-moving product with a slow-moving one... Countries which have a booming consumer market are also imaginative promoters. In these countries market research has become the first prerequisite for any merchandising organisation.

What has been the position in regard to marketing in India? At least through the major portion of the first two decades after Independence most of the products were in the sellers' market. Even today quite a substantial portion of these still enjoys almost ready markets. The major pre-occupation of entrepreneurs had thus for long been one of production. Selling, even at a premium, was more or less assured. Many companies in the initial years of production concentrated on having collaboration with producers of branded items which were already well-known so that they could continue to benefit out of the familiarity, of these brand names.

Recession Stimulates Thoughts on Marketing

After the recession of 1966-68, selling really became a problem for many consumer organisations. As a consequence one witnessed, for the first time in many cases, attention paid to marketing. A whole tribe of marketing personnel—many with MBA, both of the US and Indian varieties—found themselves in the sellers' market. Workshops on marketing, tools and techniques of marketing, promotional parlours, seminars on sales are the cliches and terms that gained cur-

rency. For once the complacency over selling anything produced received the first shock.

Many producers felt, for the first time in so many years, the need to do some real imaginative selling. This can be illustrated with the experience of sales promotion for many of the consumer products. Take bicycles for example. For nearly 16 years since the commencement of production of bicycles on large scale, no efforts were needed to sell these, particularly the branded varieties. This, was mainly due to a large market receiving little supplies. This was a boon for producers of branded goods. Their main concern was one of carefully adjusting supplies to the different areas of high demand. Dealers naturally had a field day with effortless and easy selling. The position changed substantially subsequent to 1967, when at current prices, a sort of saturation seemed to have been reached in respect of demand. The cycle industry is still struggling to stimulate the demand for bicycles with Produc-

tion stagnating around two million numbers per annum for almost 4 years now.

Imaginative Marketing Techniques of Fertilizer Companies

An interesting example of adapting scientific techniques in marketing to suit Indian conditions is seen in the case of fertilizer sales. In the initial stages of production of fertilizers in the country, selling gimmicks proceeded on familiar lines. The major pre-occupation then was one of popularising the importance of nitrogen as a valuable nutrient. There were many direct promotions to affluent farmers. Then came the offer to run demonstration fields in a portion of the farm of a prominent landlord of a village. Fertilizer companies helped grow the crop with liberal supplies of fertilizers at highly subsidized prices and proved, at the end of the season, the large benefits that had accrued to the farmer through the application of nutrients. The next stage was the offer of a more comprehensive range of services,



Fertilizer companies offer a variety of services to the farmers—offering to run demonstration fields, providing facilities for soil testing, advising on the type of nutrients, crops rotation... — short of actually ploughing the field for the farmer! With a number of new units going on stream in quick succession, fertilizer marketing concepts are also undergoing imaginative changes.

Picture shows a demonstration farm using MF complex fertilizers and urea

such as soil-testing, advice on the right type of nutrients for the soil, advice on the quantum and periodicity of application, information on allied services such as use of pesticides...

I have taken up the example of fertilizer marketing for the main reason that this is a product whose consumer is the vast rural population. For most consumer products, including bicycles, the distribution point has not gone beyond the medium-sized towns. For fertilizer sales, by needs, the sales point must penetrate to the village level. Marketing in the case of rural population makes the most exacting demand on skills and approach, necessitated by the large percentage of illiteracy in the population coupled with vast variation in the languages even within the marketing zone of a single company. While in the case of many consumer items the specifications can be listed out and the dealer can be expected to familiarise the consumers, for fertilizers this has got to be done directly to the farmers. No wonder some fertilizer producers have appointed dealers even at taluk level.

The Fertilizer Corporation of India through its Planning and Development Division at Sindri has been conducting elaborate research on many of these aspects, including water management. It advises farmers in the Eastern region on farm practices incorporating the fruits of such research. Many of the large fertilizer companies today offer such comprehensive range of services to the farmers.

Breaking the Initial Resistance

Pioneers such as the Fertilisers and Chemicals, (Travancore) Ltd. and the Sindri unit of the FCI, had to break the initial resistance of the farmers accustomed to centuries-old farm practices. The Governments—both at the Centre and in the States—have also come out with substantial help in the popularisation of fertilizers. Understandably, in the initial years, the major effort was to popularise the easy-to-understand urea, and with competition setting in gradually, the fertilizer companies started introducing a number of mixed fertilizers; each had its own mixture of N, P and K and started marketing these complex fertilizers with imaginative promotions.

Selling of fertilizers had not been much of a problem almost till close of the 'sixties. Hence, promotional work was concentrated on familiar lines. But, with many major fertilizer units going on stream in quick succession—some of the FCI units commenced production and some of the older ones undertook expansion; large private sector companies such as Shriram Fertilizers, Indian Explosives, Madras Fertilizers...began large-scale production in this period—the problem of marketing assumed great significance. New companies such as the Cochin Fertilizers, the FCI unit at Durgapur, Zuari Agro-Chemicals will also commence full production soon.



When you are in 'Krishi Melas' do as the farmers do!

Zuari Agro-Chemicals' American Technical Consultant R. L. Jokl (right) and Sales Manager T. K. Raghavan (left) seen with Manikrao Jachak, a progressive farmer of Maharashtra.

With all these simultaneously competing for their share of the market, the need to take to modern methods of marketing has come to be increasingly felt. Particularly those companies set up with American collaboration have been attempting to derive the benefits from the tremendous advances made in the US in marketing consumer products. They are active in perfecting the techniques to suit the local conditions.

Thus American marketing experts at the Madras Fertilizers Limited, after touring its prospective zone, have formulated imaginative promotional measures that appeal to the local farmers. Their selection of the *Bomma* as their brand image has captured the farmers' imagination. The use of the cinema medium—through animated cartoon shorts—was indeed very effective.

The 'Service Centres' of ZAC

Zuari Agro-Chemicals set up in Goa in collaboration with the giant US Steel has, likewise, taken to such imaginative sales promotion methods. The active participation of the American consultant at village level promotions has enthused the rural agriculturists. A more interesting feature of this is their service centre at strategic towns. Modelled on the lines of petrol stations (petrol bunks), these centres offer fertilizers in convenient packings—even to suit kitchen gardens; they also sell good quality seeds and pesticides. ZAC is also planning to sell agricultural implements through these service centres besides offering for hire spraying apparatus for pest control. A qualified agronomist assisted by a salesman, mans these centres; they are able to advise the farmers on a wide range of farming practices. Such centres are understandably very popular with the rural folks. During the short time the writer spent at the service centre at Panjim, he could see a large number of people swarming into the shop with widely varying requirements.

All these developments are planned and implemented well ahead of the commencement of the production at the plant. Madras Fertilizers and ZAC, apart from a few earlier plants, have taken to a large seeding programme. By this way, they have familiarised their products well before they are produced in their respective plants.

Understandably such fast selling methods keep the products in demand even in conditions of keen competition. Except in the case of a few consumer products, such aggressive selling is not very much known in India. This means that production levels of various goods still remain within easy selling capabilities. But, there are encouraging signs of the familiar complacency giving place to an increasing awareness on the part of the manufactures of many consumer products to take to scientific methods of selling, not merely to improve their capacity to withstand competition but also to stay alive in business at the time when the sellers' market gives place to a buyers' one.

Silent Revolution in Banking

The most significant feature of the working of the 14 major nationalised banks in two full years after they were taken over by the Government is improving profitability despite a big increase in working expenses due to higher emoluments to bank employees, the opening of new branches and the losses suffered in running them in the earlier stages. It is indeed a matter for gratification that even without any subsidy for opening new branches, as was done in the case of the State Bank of India, a massive programme of bank expansion has been implemented without difficulty and as indicated elsewhere in this issue the bottleneck at the present moment is not due to any paucity of financial resources but the lack of adequate trained personnel. These problems are sought to be overcome by creating training schools and

instituting regular arrangements for imparting the necessary education and background for tackling new problems in running urban and rural branches.

It is perhaps incorrect to take too narrow a view of the losses suffered by the new branches as it has been indicated in the Directors' Reports of the different banks that the rural branches have been helpful in mobilising deposits which could be used locally. There has, of course, been difficulty in lending to the desired extent in unbanked areas because of the unfamiliarity of the facilities provided by the institutions and the unwillingness of small borrowers in particular cases to take advantage of these facilities. It has, however, been pointed out that nearly 50 per cent of fresh additions to deposits in rural centres have been lent locally and this pro-

portion is much higher in individual cases where there has been a more vigorous approach to outstanding problems.

Imaginative Planning for Branch Expansion

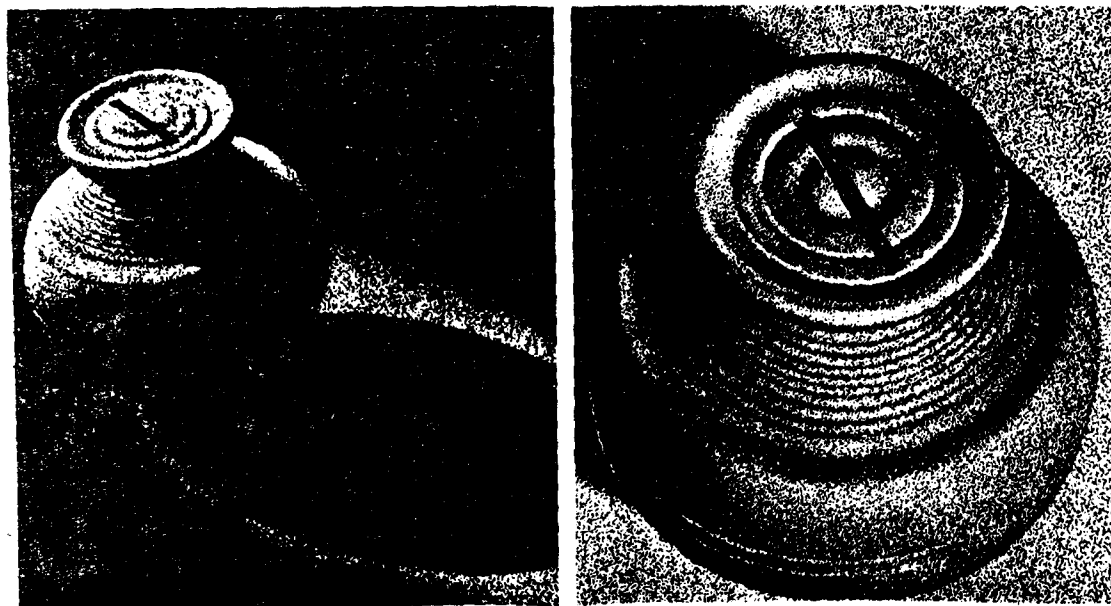
Encouraged by the favourable experience of the past two years in regard to the mobilisation of deposits many institutions are drawing up blueprints on the basis of perspective planning for opening new branches and preparing also schemes for recruiting required personnel. There is no doubt that the expansion of banking activity has been responsible for the generation of additional employment directly and also increasing the emoluments of the existing employees. With proposals for opening additionally 1500 branches in different parts of the country and the compulsion also to recruit more personnel for handling a larger volume of business at the existing branches, the scheduled commercial banks alone are in a position to provide direct employment to at least 25,000 persons annually. The expan-

WORKING RESULTS OF MAJOR NATIONALISED BANKS IN 1970 AND 1971

(Rs. in crores)

Name	Gross Income		Interest Paid		Salaries, etc.		Net Profit		Government Share of Profits	
	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970
Central Bank	53.66	43.78	25.21	20.48	19.19	15.96	2.89	2.08	0.34	0.32
Bank of India	40.08	31.71	23.78	18.05	11.80	10.07	2.35	1.99	0.84	0.81
Bank of Baroda	39.62	31.75	20.94	16.67	11.66	9.83	2.19	1.43	0.54	0.47
Punjab National Bank	39.06	32.19	20.19	15.65	13.19	11.61	2.45	2.14	0.61	0.61
United Commercial Bank	26.66	21.67	13.11	10.27	8.54	7.13	1.80	1.42	0.53	0.47
Canara Bank	22.61	18.17	10.45	7.88	7.62	5.93	1.93	1.03	0.54	0.28
United Bank of India	17.41	13.77	8.25	6.29	6.90	5.88	0.42	0.29	0.26	0.23
Syndicate Bank	16.89	13.52	8.01	6.41	5.74	4.69	0.90	0.65	0.23	0.22
Union Bank	15.79	12.47	6.22	4.74	6.40	5.21	0.74	0.49	0.19	0.17
Dena Bank	14.31	11.90	6.34	5.50	5.30	4.20	0.85	0.51	0.20	0.18
Allahabad Bank	13.29	11.18	6.40	5.33	4.37	3.88	0.55	0.43	0.21	0.13
Indian Overseas Bank	9.93	7.97	4.75	3.62	3.34	2.81	0.39	0.37	0.08	0.08
Indian Bank	9.72	8.27	4.76	3.92	3.55	3.10	0.24	0.23	0.02	0.05

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Many more people to serve.
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Consider Canara Bank's growth in deposits from December '68 to December '71. A steady and systematic rise. Doubled, in fact, from Rs. 146 crores to Rs. 294 crores. A record amongst Nationalised Banks.

And branch spread? Once again, doubled! From 302 branches in December '68 to 601 in December '71.

With more branches have come more people. Canara Bank now deals with over 2 million diverse people all over the country — entrepreneurs, small-scale businessmen, farmers, and the significant body of overwhelmingly small depositors.

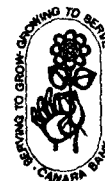
Canara Bank's phenomenal growth has meant much to the country. In money terms, in 1971 alone it has meant unstinted advance worth

Rs. 1,709 lakhs to Agriculture spread over 1,28,393 accounts. Rs. 2,548 lakhs to small-scale industry spread over 11,977 accounts. Rs. 1,053 lakhs towards export efforts spread over 488 accounts. Rs. 406 lakhs to road transport

operators spread over 2,675 accounts. Rs. 469 lakhs to other small borrowers spread over 18,407 accounts.

In real terms, it has meant much more. Loans, training schemes, educational assistance, relief measures, staff and community welfare. Plus the bank's all-out efforts to help enterprising young people get started on their own.

In short, the bank has grown both in size and significance. Could this not mean that Canara Bank's interests have been with people as much as it has been with money? **You be the judge.**



CANARA BANK

Head Office: Bangalore 2

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SISTA'S CB-648B

sion of credit for new purposes for about Rs. 200 crores annually should also be useful in providing more gainful employment for farmers, small entrepreneurs, traders, road transport operators and others.

Lending Rates at Higher Levels

It should indeed be said that a silent revolution is taking place in the banking world and if only the resources of the major banks can be fully utilised the rate of economic growth can be much faster than it is now. The Government has acquired the business of the major banks on a cheap basis as the return on investment even in the first two years has been satisfactory. It will be found from an analysis of the working results of the nationalised banks for 1970 and 1971, that except in one or two cases, the Government share of profits has increased substantially and in 1972 the return on investment might be much more than the interest paid on compensation bonds. It is also necessary to point out that the increase in net earnings after taxation and before payment of bonus to staff has taken place in spite of a higher level of working

Progress of Branch Expansion

In 1970 the commercial banks opened as many as 2,137 offices followed by another 1,805 in 1971. In this two-year period, the State Bank also increased the net work of its offices by 814, or by almost half as many as were in existence at the end of 1969. The Bank and also its subsidiaries are now drawing up plans for expansion in the three-year period 1972 to 1974, for which the Reserve Bank of India has compiled a perspective plan envisaging the opening of 5,000 new offices by all commercial banks. This means opening 139 new offices a month as against the average of 149 a month from June 1969 to October 1971. The perspective plan emphasises the need for priority to the relatively under-developed or under-banked States like Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal.

PENETRATION INTO RURAL AREAS

Commercial banks have in recent years started extending their operations deep into rural areas and providing credit in a big way to the hitherto neglected sectors of the economy, which have now been accorded high priority. The growth of their branch network and of their credit to priority sectors since nationalisation has been phenomenal. The number of offices of scheduled commercial banks increased by 4,723 to 12,985 between June 1969 and December 1971. Scheduled commercial banks' outstanding credit to agriculture rose from Rs. 188.4 crores in June 1969 to Rs. 382.8 crores in September 1971. Of the commercial banks' offices existing at the end of Decem-

ber 1971, 4,889 are located at rural centres, i.e., with population below 10,000.

Commercial banks are emerging as an important wing of rural finance and quantitatively their progress in extending rural credit in the very short period, which has elapsed since nationalisation, has been quite impressive. An assessment of their qualitative achievement is not yet available.

According to the 1971 census, total rural population in India was 43.8 crores. On the basis of the formula recommended by the Banking Commission, viz., one rural bank for 5,000-20,000 rural population, between 22,000 and 88,000 rural banks will be required in the country.

expenses and outlay on development schemes which will prove to be highly remunerative over a period. The Government should not, therefore, be unduly anxious to secure for itself additional profits by maintaining lending rates at needlessly high levels. It has been legitimately complained that lending rates have been raised at frequent intervals after nationalisation without any regard for the cost of procurement of deposits or in pursuance of a definite credit policy. There was no doubt need for discouraging borrowing in the early stages when there was heavy pressure on the banking system and there was paucity of resources. The position, however, has vastly changed in the past year and with an increasing rate of deposits, a higher average amount of deposits for account and a definite easing of pressure on the banking system, the objective should be to reduce the spread between the average rate paid on deposits and the average of lending rates. In view of a rapidly expanding turnover the Reserve Bank can issue a directive to member banks asking them to reduce interest rates on advances in pursuance of the new philosophy that is now being propounded for lending on a cheaper basis to the weaker sections of the Society. Small loans on a very low interest basis can always be given to

deserving borrowers without penalising large borrowers. It has to be remembered that the ultimate burden of higher interest rates is borne by the community and if interest charges as an item of cost resulted in an inflation of aggregate costs in a period of inflation, the desired purpose will not be achieved. The Government and the Reserve Bank should therefore give careful consideration to this question and initiate before long a retreat from dear money policy which is now being pursued not for discouraging lending but for securing more income from banks and incidentally to the Government. This policy will be harmful over a long period if it was not suitably revised and available resources were not fruitfully employed.

The banking system has grown greatly in stature in the late sixties and in the past two years particularly. It is bound to reach new heights which are not thought possible now and the new opportunities should be utilised for activating the economy on correct lines. The bank managements too must strive to streamline the methods of working and achieve economies wherever possible without sacrificing productivity so that the benefits of accelerated growth will become available to borrowers in different sectors of the economy.

Surging Trend in Deposit Continuous

The latest trends indicate that the growth in deposits of scheduled commercial banks in 1972 may be even Rs. 1,500 crores against about Rs. 1,350 crores in the past twelve months. Even in the first half of the year deposits rose by Rs. 668 crores against only Rs. 452 crores in the corresponding period in 1971 and there was a slightly better use for funds only because of intensive procurement, the increase in advances being Rs. 411 crores against Rs. 353 crores. Usually there is a faster rise in deposits in the latter half of every year and with a larger number of branches functioning and satisfactory prospects for the current kharif season the additions to deposits in the latter half of the year can be easily Rs. 850 crores.

Remunerative Use for Available Funds

Banks are naturally worried about achieving a remunerative use for avail-

able funds as the demand for assistance from industry and trade has not picked up. Actually banks should have been greatly disappointed if there had not been brisk expansion of credit for procurement purposes and also buffer stock operations in respect of cotton. Procurement finance is now regarded as a helpful factor for employing profitably fresh additions to deposits as it is quite likely that the increase in advance by over Rs. 550 crores in the past twelve months was accounted for to the extent of at least Rs. 200 crores by addition to buffer stocks. Aggregate procurement credit could have been Rs. 600 crores. In 1972-73, procurement operations may have to be on a much larger scale than those recently witnessed. The commercial banks will certainly welcome this prospect as they have financed buffer stocks without any borrowing from the central banking institution and fresh addition to

deposits will be well in excess of the requirements of all classes of borrowers in the coming months.

Thus procurement credit is now a welcome feature of lending while not long ago it was feared that excessive expansion of credit for procurement purposes would have an inhibiting effect on the availability of funds for other purposes. Why the present situation is in complete contrast to the situation that obtained in the middle of 1970 has not been satisfactorily explained. While an accelerated growth of deposits is a welcome sign of increasing monetisation of the economy a deceleration in the growth of advances is not exactly a healthy sign in an economy which must be developing all the time. Are the recent trends any indication that there has been slower economic growth? If so why and what should be done to reverse it? The bankers are in a position to aid a faster rate of economic growth but the policymakers should help them in this constructive task.

—(FOC)

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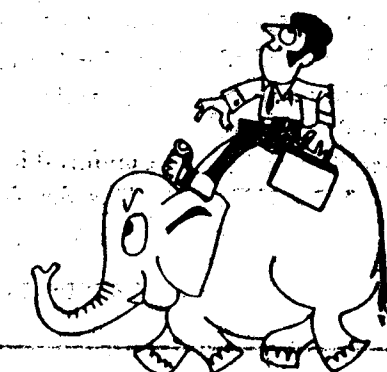
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Developments in Banking Surpass Optimistic Forecasts

The developments in the banking world after the nationalisation of fourteen major banks on July 19, 1969 have come about in a manner which the authors of the nationalisation scheme would not have visualised even in the most optimistic frame of mind. Whether the big spurt in deposits and the growth in stature of the nationalised and other banks have taken place on account of Government actions and whether this stupendous progress could not have been achieved even without effective Governmental control is a debatable point. But the fact remains that in a period of three years the additions to the resources of scheduled commercial banks have been well over Rs. 2,900 crores, while this amount of addition was possible only in an eight year period prior to nationalisation. The addition in itself does not convey the full meaning of the recent developments as the monthly growth in deposits of the scheduled commercial banks is now of the order of Rs. 120 crores and the net increase in the whole of 1972 may well be over Rs. 1,400 crores. What is, however, highly significant from the point of view of rapid monetisation of the economy is the great emphasis that is now being laid on the opening of new branches in banked and unbanked areas and in undeveloped and undeveloped areas. The lead bank scheme, the anxiety to provide banking facilities in backward areas in M.P., U.P.,

Bihar, Orissa, Andhra Pradesh ... and above all a big increase in the national income on account of the green revolution have resulted in the mobilisation of resources on an unprecedented scale in a manner which does not cost heavily the community.

Immediately after nationalisation there was a feeling that there would be a period of unrelieved strain on the banking system and bank officers would be compelled to ration available resources and expand credit only in a limited way in some directions and pay greater attention to the requirements of borrowers in the priority sectors. In 1969-70 with the extension of new types of credit to small borrowers and for novel purposes and to meet the need of established clientele it became necessary to borrow heavily from the Reserve Bank and make full use of the refinancing facilities especially as large amounts had also become immobilised in the creation of buffer stocks. This position obtained till March 1971 when borrowing from the Reserve Bank by new commercial banks touched an all time high of nearly Rs. 450 crores. Only earlier in the year the Reserve Bank thought it advisable to raise its lending rates to 6 per cent and discourage also lending for less urgent purposes by increasing the statutory liquidity ratio.

Comfortable Portion

The developments after March 1971

have however been in an unexpected manner and against the earlier fears of an unrelieved squeeze in the money market the position at the end of the third year of nationalisation of major banks is extremely comfortable and banks are even worried about finding a proper outlay for their surplus resources. This will be clear from the facts that in the first year of nationalisation the increase in advances of the scheduled commercial banks was nearly equal to the increase in deposits and borrowings from the Reserve Bank had to be maintained at high levels. Thus against a rise in deposits to Rs. 5,265 crores on July 3, 1970 from Rs. 4,656 crores on July 18, 1969, advances increased to Rs. 4,229 crores from Rs. 3,551 crores. Borrowings from the central banking institutions jumped to Rs. 284 crores from Rs. 93 crores in order to maintain a satisfactory cash balance and increase also to some extent investments. Cash balances thus improved to Rs. 360 crores from Rs. 308 crores. Investments recorded only a small rise to Rs. 1,189 crores from Rs. 1,158 crores. In the subsequent two year period, however, the position has vastly changed. Though a tight situation prevailed till March last year, the squeeze has completely disappeared subsequently and money is now going abegging. This will be borne out by the fact that against an increase in deposits by Rs. 2,260 crores, advances have risen by only Rs. 1,150 crores or

roughly 50 per cent of fresh additions to deposits. This is in strong contrast to the developments in 1969-70. Investments have, therefore, jumped to Rs. 1,564 crores from Rs. 1,189 crores. There was also a sharp rise in cash balances to Rs. 447 crores from Rs. 360 crores even with a big decline in borrowings from the Reserve Bank to Rs. 42.11 crores from Rs. 283.96 crores. The easing of pressure on the banking system has come about even with a fairly big rise in procurement credit to Rs. 530 crores from Rs. 288 crores in May last year. If there had been no substantial increase in buffer stocks the additions to surplus resources would have been on a scale which would truly embarrassing to the credit institutions.

Banking Machinery to be Tightened

There is naturally confusion over recent trends in utilisation of available resources of the banking system as it was expected that there would not be any difficulty in extending credit for productive purposes and the needs of

small borrowers would be easily met without restricting credit for industry and trade in the organised sector. After the earlier rush for increasing lending to borrowers in the agricultural and small industries sectors, it was felt that the process of lending by itself would lead to the promotion of new activities and demands. These expectations have not, however, materialised. In fact, it would appear that there would have been some amount of self-financing in the agricultural sector and the slow adoption of new techniques of cultivation in some areas and by small farmers has not generated that additional demand for credit which was expected. This kind of reasoning may not fit in with the reports that there has been considerable default in repayments of loans for agricultural and other priority purposes in some areas and in some sectors. This may be due either to special difficulties or misapplication of resources of fraudulent practices. It will not be correct, however, to adopt a condemnatory attitude and say that malpractices have crept in and corruption is

rampant. The banking machinery has, of course, to be tightened and as the Chairman of the State Bank of India remarked recently banking personnel has to gain the necessary experience and there was also to be special training facilities for recruiting personnel.

Branch Expansion Slowing Down?

The difficulties in this regard have been responsible for a slowing down of the pace of branch expansion in 1972 which is not quite desirable. Except for the bottlenecks arising out of trained personnel suitable facilities for opening new offices, there should be no let up in the pace of branch expansion as even now the banking habit has spread unevenly and bank credit is not available on the required scale even in urban areas all over the country. It is actually revealed in an analysis of advance of 14 major nationalised banks that 74 per cent of their advances are accounted for by four States, Maharashtra, Punjab, Tamil Nadu and West Bengal and even out of this 74 per cent only 3 per cent is

TRENDS IN COMMERCIAL BANKING

(Rs. in crores)

Item	1966-67	1967-68	1968-69	1969-70	July 18, 1969	July 3, 1970	June 30, 1972
Aggregate deposits	3425.51	3925.98	4922.18	5920.19	4622.22	5221.71	7523.47
Borrowings from Reserve Bank	139.72	199.91	195.05	299.99	99.45	299.94	42.11
Cash Balance	215.62	221.34	274.85	321.88	308.24	362.94	447.36
Investment in Government securities	892.80	967.03	1054.61	1166.83	1158.48	1188.60	1664.05
Bank Credit	2693.55	3032.99	3396.32	3971.03	3551.22	4228.77	5377.13

N.B. Except in respect of 1969-70, 1970-71 and 1971-72 where the dates have been indicated the figures relate in all other cases to the last Friday in March of every year.

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on account of the rural population in the same areas.

Unevenness in Credit Expansion

The unevenness in bank credit and the concentration of lending may be due to the absence of suitable adjustments for errors arising out of computation and attributing the whole credit to a unit which has its registered office in a particular area. However, even if there was a suitable reallocation of credits as between different areas there will still be unevenness and the need to eliminate disparities will be forcefully brought out. With continued branch expansion and a constructive approach to the problems of borrowers the present opportunity for more remunerative use of available resources should be availed of vigorously.

Higher Profits Despite Heavy Expenses

The Central Government and the Reserve Bank have no reason to adopt a cautious approach as the nationalisation of major banks has been done on a cheap basis. Besides, the larger amounts

realised by way of direct taxes and the profits of the concerned banks, higher emoluments are being paid to bank personnel along with a swelling of their ranks. The larger salaries have necessarily resulted in larger tax payments. The net earnings for 1971 also are quite encouraging as the Government has been more or less successful in getting reimbursed the interest charges on compensation as its share of the profits of the major banks. It is also to be pointed out that the profits have risen even after incurring heavy expenditure on the opening of new branches and providing for the losses of many rural branches.

These exercises have of course been successful partly due to impressive additions to resources and partly to the levy of higher interest charges even on secured advances. The dearer credit is the result of the new experiments in nationalisation, but, it will be unwise to persist in this course when the situation is fast changing and it would be possible to stimulate activity with easier and cheaper credit.

New Experiments can be made to Activise Economy

In the fourth year of nationalisation banks can attempt new experiments, with the introduction of credit cards and tie up arrangements for ensuring that loans made available for specific purposes were properly used. The credit mechanism can be made to fill the gaps in availability in many directions. It will of course be necessary to ensure that credit inflation does not accentuate the existing inflationary pressures. This can be done only if side by side with a helpful credit policy there was also a helpful official policy besides promoting agricultural efforts and industrial production through appropriate fiscal reliefs and incentives. The new challenges can be easily met as there will be no shortage of financial resources for viable schemes and the banking system is in a position to play an even more important development than before in activising the economy on right lines.

—Meenam

The Third World and Environment

By R. MAHADEVAN

The Third World with a contingent of over 70 delegations out of about 120 countries represented at the Stockholm Conference, was undeniably in a strong position to steer the course of deliberations in a constructive direction. As Pope Paul has said in his message, the western way of life and their application of science and technology have proved the undoing of man's environment; the younger nations are trying to build a better future by assimilating the positive gains of technological civilisation but rejecting its excesses and deviations. It was hoped that these representatives of the developing countries will show some seriousness in facing up to this challenge and prevent the mess before it is created and pioneer a new style of life that will take man more in harmony with his environment.

the third world accused the west for its over-exploitation of environment leading to the present crisis; and the west pointed out the bulging population particulars of the developing countries. Amongst all this overwhelming desire to label someone as culprit for the present crisis, it was a surprise that the Conference did in some measure achieve what it set out to achieve. A draft declaration; a UN Commission and an action plan; all were approved in the last minute and would go to the Assembly for final ratification.

The Third World's Stand

The stand taken by the developing countries was based on the following convictions: (a) poverty is a much

Technology can only Postpone....

* Improved Technology can only postpone the onset of diminishing returns but cannot avert it.

—Ehrlich and Holdren.

more urgent problem than pollution; (b) the developed countries should bear the brunt of the cost of clearing up the mess largely of their own making, and (c) no anti-pollution measures should be allowed to upset the trade and development plans of the developing countries.

If the only objectives of these countries were to obtain a guarantee that there will be no cut in aid because of environmental control and that their development plans will not become more expensive on account of anti-pollution measures by the west, they had ably accomplished their objectives. Principle 11 of the declaration states that the environmental policies of all states should enhance and not adversely affect the present or

Who call for a Slowdown?

* It is surprising that those who called for a slow down or halt of economic growth to save the environment were those who were already amply provided with the advantages which that very growth had made possible.

—Robert McNamara.

future development potential of developing countries nor should they hamper the attainment of better living conditions.

Principle 22 outlines the scope for compensation in case of pollution of the environment beyond the jurisdiction of a member state. These are only apparent victories for the third world countries; the real victory will be in chalking out for themselves a

Basic Cause of the Crisis....

* The profit motive, individual or collective, seems to overshadow all else. This overriding concern with self and individual is the basic cause of the ecological crisis....

How can we speak to those who live in villages or slums in conditions of submarginal living about keeping the oceans, rivers and the air clean when their own lives are contaminated at the source?

—Mrs. Gandhi at Stockholm.

path of development other than that of the western society which alienates man from his nature, at the same time assimilating the good aspects of modern technology.

Basic Parameters

There are two basic parameters of which pollution is a direct function, (i) population, (ii) per capita income. It is simple logic that the greater the population, the greater is the strain on the natural resources, and correspondingly greater is the residual waste

Nine-tenths Politics....

"Environment is one tenth science and nine tenths politics."

—A British delegate's reported comment.

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Politics the Pollutant

Contrary to this hope, however, politics seems to have been allowed to pollute the climate at the conference, right from the start. The Soviet Russia and its satellites boycotted the Conference because East Germany was not represented, the Chinese were insistent that the US should be censured for its continued bombing in Vietnam. New Zealand was interested in restraining France from its nuclear blasts in the Pacific; most of

Mutually Supporting Life....

* Ecology is simply the way living things including man, interrelate to each other and to the earth, air and water in order to mutually support life on this earth.

* Human beings may not be the Centre of the global ecosystem. Human beings depend on a variety of species in order to survive while almost no species depends on man for survival.

—Alan Bock in "Ecology Action Guide".

left beyond any recycling capacity of nature and man. Once this break-even is crossed, the inevitable law of diminishing returns will set in to catch up with man's survival in this planet. The break-even can, however, be postponed by either restricting the population growth or by artificially augmenting nature's recycling processes. There are severe limitations for the latter, as it would call for highly sophisticated technology and even if available only a percentage of the wastes can often be recycled. Restraining population growth is doubly effective; it relieves the stress on environment, and more important it gives us time; time to develop more recycling processes; time for attitudes to change, time for inculcating ecology consciousness, and time for Governmental measures to bear some fruit.

Per capita income indicates the level of economic activity. A greater economic activity implies a larger

Import Substitution—AIR's Efforts

Import substitution and indigenous electronic fabrication by All India Radio has resulted in the saving of Rs. 12 lakhs in foreign exchange for the year 1970-71. The Research Department develops the indigenous equipment and makes the findings available to the industries for production. It also has a Prototype Unit which produces and perfects the equipment. To raise the developed products to the required stage of sophistication, the Research Department tests these products, offers suggestions for improvement and re-examines improved versions. As a result, Bharat Electronics Ltd. is producing major sophisticated items exclusively for broadcasting. Production of indigenous spare parts has resulted in the saving of Rs. 2.3 lakhs in foreign exchange. The Prototype Unit of AIR has already produced and perfected equipment such as the First Solid State TV Receiver. Transistorised Medium Wave Receivers and the digital slave clocks are under production. Other equipment being developed are a 250 watt V.H.F. power amplified and peak clipper modulating units.

quantum of flow of materials through society resulting in larger waste production. But higher standard of living also depends on economic growth. As our Prime Minister proclaimed at the Conference, the developing countries should set out to prove that a higher standard of living through the application of modern science and technology need not necessarily spell doom to man's environment. If the methods adapted by the developing countries for their development plans is any indication such a hope may not be fulfilled. These countries still largely look up to Western methods of mass production, with emphasis on synthetic products and plastics, dependence on chemical fertilizers and pesticides and preference to urban living.

It is perhaps time, that the Governments and planners do some rethinking on their approach to their plans of development.

A Letter to the Editor

Sir,
 Congratulations for the very smart get up of 'Handloom Industry Supplement' of Industrial Economist. I was delighted to read that our handloom industry has made phenomenal progress in the export market and almost all exporters have increased their exports by about 200 per cent in last 2 years.

This is really a very commendable achievement.

While going through the article "Need to contain construction costs" in your issue, dated 15th May, 1972, I find that the facts regarding the increase in cost of building materials is a bit confusing. Although it

may be true that cement price might have increased by 60 per cent, this was mostly due to factors beyond the control of manufacturers, such as increase in excise duty, packing materials, railway freight, sales tax, etc. I therefore feel that this aspect should have been highlighted and emphasis be laid on the Government to reduce the cost by curtailing these levies. I give below comparison of the increase in various costs from 1956 to 1972:

You will therefore see that while manufacturers got only 30 per cent increase to meet the increased manufacturing costs on account of increases in the cost of fuel, electricity, salaries/wages on account of introduction of two Wage Boards and increase in cost of living index, the increase of other levies by Government ranged from 160 per cent to 595 per cent averaging 316 per cent. Thus I feel it is not proper to blame the cement industry for the increase in the cost of cement.

Yours sincerely,
 N. L. HAMRWASIA
 President, Mysore Cements Ltd.

	As in 1956	As on today	% increase
Price of naked cement	Rs. 69.31	Rs. 100.00	30%
Railway freight	15.00	39.00	160%
Packing charges	13.19	38.95	195%
Excise duty	5.00	34.75	595%
Sales tax	—	14.18	—
	102.50	226.88	123%

Control of Industrial Pollution

Industrial pollution is already a serious factor in many areas, fouling the air, polluting the waters, and burdening the land with wastes. It may appear immediately to be of less consequence in some areas. Nonetheless, there are potential dangers, unless corrective measures are taken in advance.

From a long range point of view, it will be necessary to examine the problem in depth and to introduce appropriate planning methods and procedures, devise the legislation and administrative framework for operation of the necessary laws and promote scientific and technical institutions needed to support the required effort. The formulation of appropriate standards of air and water quality and of emission and effluent discharge is an important area of activity. Innovative ideas will be required for introducing economic incentives and disincentives to reinforce the purposes of regulatory measures when suitable. A comprehensive legislation will have to be enacted and adequate machinery for enforcement will have to be provided. All this effort will have to be supported by continuing research and investigation. An integrated approach will comprise all the elements. A programme of this nature is bound to take time before it could be adopted and brought into force.

Measures to Meet the Problem

Meanwhile, it is possible, within the existing regulatory framework to take a number of effective measures to substantially meet the problem. Environmental pollution from the 'industrial side' arises mainly in the motor transport, electric power and certain manufacturing industries.

In the transport sector, the problem is largely confined to the metropolitan centres arising from the noxious gases and smoke emitted by the city buses. By strictly adhering to proper standards of maintenance of the fleet, it should be possible to substantially alleviate the pollution problems generated by the city transport service.

Power stations are largely owned and controlled by the State Electricity Boards or other public authorities. Problems of waste disposal and pollution arise in the case of thermal stations. The principal fuel used is high ash (30-40 per cent) coal and/or middlings from coal washeries. For each kW capacity the average annual consumption of coal is expected to be about 2.5 tonnes in future. Fortunately the sulphur content of the coal is low, about 0.5 per cent (except for Assam coals for which it is 4-10 per

cent). Some stations also use fuel oil which has sulphur content of 1-4 per cent. On the whole, the pollution problem is mainly of high concentration of particulate matter in the atmosphere due to fly ash going out of the chimney. As there are no commercial methods for treating flue gases for removal of sulphur oxides, reliance has to be placed on tall chimneys to disperse the sulphur gases in the atmosphere to a harmless degree.

The problem of pollution arises largely because adequate measures to prevent the generation or for the disposal of harmful industrial wastes are not included at the time of the design of the project. Thus, for example, it is possible, at the time of the designing of the chemical factories, paper mills, sugar factories, steel plants etc. to provide facilities for the reduction and disposal of waste products or for the treatment of effluents. By expressly providing for such facilities at the time of designing the project, it is possible to minimise the further pollution of the environment. One of the measures that may immediately be taken is to ensure that adequate safeguards in this regard are provided with respect to the new projects yet to be established.

There is some considerable advantage in adopting this course. Firstly, since the new projects are yet to be taken up for implementation, it is easier to take into account environmental considerations in the selection of site itself and to provide that the necessary facilities are included in the designs of the projects and further to ensure that when the plant is built, they are provided. Secondly, preventive action taken in this manner, namely, by incorporating pollution abatement measures at the time of initiating and designing the project, the cost to the project and to society would be substantially less than would be the case, if the necessary safeguards for pollution control should be introduced at a later stage. This is so because once a project is designed and installed, it may call for major modifications or substantial additions involving large investments to set right the initial design deficiencies. Thirdly, it will also ensure closer conformity with law and greater respect for it as the technical conditions will be conducive for it.

Pollution from Existing Projects

Pollution from existing projects may have to be dealt with somewhat differently as it may call for more detailed study in regard to costs and feasibility. At any rate, by

tackling the problem of new projects we would at least be able to substantially prevent the accentuation of the problem arising from future industrial and economic growth.

From this point of view it would be necessary to stipulate, at the time of the issue of a letter of intent/licence, for new projects or expansions a condition that necessary facilities would be provided or measures taken for the safe disposal of industrial wastes to the satisfaction of the authorities. For this purpose, an appropriate agency will have to be designated which can broadly scrutinise and certify that the industrial undertaking has, in fact, included in the design of the project sufficient safeguards to prevent the pollution in accordance with certain minimum standards laid down by it. Letters of intent even now carry a number of stipulations such as regarding capital imports, foreign collaboration, and the like. An additional condition conforming to the pollution aspect need not present any problem.

Insistence of Minimum Standards

The more important problem is with regard to what the minimum standards of pollution control which each industrial undertaking should conform to. Although the public sector projects may not require licence under the Industries Act, it could be stipulated that all new public sector industrial undertakings should obtain a general clearance on the adequacies of facilities provided by them for pollution control.

While the problem of pollution may not appear to have assumed serious proportions, there are potential dangers and it is time to take measures to prevent the situation from getting worse. By ensuring that the new projects set up in the industrial and power sectors provide adequate safeguards, at the time of design of the projects to prevent or minimise pollution, a significant impact to the control of pollution can be achieved. In all these sectors public authorities play the most predominant role.

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STC Takes Remarkable Strides

There is considerable justification for the optimism exuded by Mr. P. L. Tandon, Chairman of the State Trading Corporation, about the future of that organisation. Its record in recent years has been very unlike that of many public sector companies. Over the last four year period, it has emerged out of the red, replacing an overdraft of Rs. 18 crores into a surplus of Rs. 10 crores. Four years ago, the STC's turnover was Rs. 141 crores. It is now Rs. 350 crores and is expected to rise further in the year to Rs. 400 crores. The value of exports handled by it has gone up during this period to Rs. 91 crores from Rs. 74 crores and over the full four year period, there has been a four fold use in value of exports canalised through the Corporation. For 1972-73, the export target is Rs. 128 crores against orders for Rs. 107 crores have already been booked.

More Export Lines

What is more significant is that the STC, as an exporter, has been going into new lines. Some of these have been highlighted by Mr. Tandon in his chat with the press. The new lines comprise Rs. 3 crores of army software, Rs. 20 lakhs of pharmaceuticals, Rs. 4 crores of finished leather, Rs. 1.25 crores of mango and mango juice to the Soviet Union (in the wake of a sample shipment of 150 tons which has enthused Russia now to buy 10,000 tonnes) and Rs. 1.70 crores worth of departmental store trade business (which is a maiden effort of great promise). The STC has airfreight to the States 300 pairs of leather shoes made by the Madras wig unit. The Corporation is also exploring the feasibility of setting up warehouses at importing points and of chartering or buying vessels or barges for transport of cement to Persian Gulf imports. At the instance of the STC, a Paris firm, which wishes to import Indian flavours, will be sending a team to locate proper flavours on the spot and buy them. A food technologist from Bangalore is now busy in Paris studying vegetable growing, packing and marketing to enable sale of Indian beans, capsicum and brinjals in Western markets. The projects and Equipment Ltd., a STC subsidiary, has plans to export auto-parts worth Rs. 2 crores besides expanding its sales of heavy machines to Rs. 10 crores in 1972-73 against Rs. 6 crores last year.

The import business of the STC has also expanded but not as fast as its export business. Much of the slack is blamed on uncertainties arriving out of the stoppage of PL 480 aid which has affected shipments of soyabean oil, certain items of industrial equipment and industrial raw materials, beside tallow and newsprint. Of course the STC cannot have escaped the further uncertainties posed by currency rate fluctuations and the development of block trade in

place of open trade in the teeth of assurances to the contrary of the developed nations. Marginally the import lag is also a reflection of the temporary shortages witnessed in the capital goods market in the last three years. (Some of these shortages are reported to have been engineered by certain vested interests in international trade though no proof has so far been forthcoming about the actual existence of this practice. There is considerable credibility gap here which cannot be wished away in any manner).

Prices of Imported Items Too High

Coming back to the question of the STC's surplus, the question is how far it is real and how far it is the result of higher import prices. For the moment, no cognisance need be taken of the advantage that the STC has as a monopolist buyer or seller of certain items in the import and export list. The suggestion has been made from time to time that the STC prices of imported items are far too high. May be they are charged on the basis of what the traffic will bear. But has the STC satisfied itself that these are prices that Indian buyers deserve in the light of the best advantages that the Corporation has had as a bulk purchaser of these goods from abroad. Time and again it has been contended that the prices quoted by the STC for imported nylon, staple fibre, drug intermediates and arecanut have been very much on the high side. If so, it is high time they

are brought down to justifiable levels. It can also be that the Corporation has not been able to get optimal prices in its bulk sales of export goods and bulk buying of import goods. Mr. Tandon has stated that management experts will soon be enquiring into the nature of such bulk purchase prices and will be advising the Corporation on how best these can be rationalised. This is a confusion that something is wrong somewhere about these bulk purchases. It is hoped that any deficiencies reported about by experts will be corrected expeditiously.

An interesting point made by Mr. Tandon is that he is seeking the consent of the Government of India for allowing small shareholders and his own employees to participate in the STC's equity investment. The enlistment of people's capital is quite in accordance with socialistic ideas and nothing can be more satisfying to a State company than its stature for inviting such public subscription. But it will be better to watch the performance of the STC for some more years before the general public is asked to risk its small saving with this Corporation. In the meanwhile, the surpluses earned by the STC can be utilised to operate lines of credit to exporters and importers. Mr. Tandon has plans for associating the STC in the equity investment of regional Small Industries Development Corporations, using them as STC agencies for collection of exports and distribution of imports, so as to allow the STC management to devote keener attention to its trading strategy. This is a good idea. How far will the State Governments help in this scheme?

80 Per Cent Employees Contribute to Savings Scheme

A public sector plant located in Madhya Pradesh has qualified to become a Bachat factory. A few months earlier Mrs. Sushila Rohatgi, the Union Deputy Minister for Finance, had declared the Bhilai Steel Plant as the first Bachat plant of Asia. Now, it is the turn of Heavy Electricals Limited, Bhopal, which has earned the distinction of enrolling more than 80 per cent of its regular staff as members of the Pay Rolls Savings Scheme.

The Scheme was introduced in the factory in 1960 to promote and foster thrift among the workers and to channelise the savings into investments in small savings securities. Initially the Scheme did not gather momentum and till 1965 its membership could go up to only 582 with an annual contribution of Rs. 20,000.

The idea of thrift was then brought home to the employees through various publicity media and appeals. This showed results and the membership rose to 3,400 and the annual collection to over Rs. one lakh a year later.

Since then there has been no looking back. As a result of a vigorous drive the

membership went up to 10,280 and the annual collections crossed the Rs. 11 lakh mark.

At the beginning of this year, it became clear that the number of employees enrolled for the Savings Scheme still fell short of the requisite 80 per cent to be designated as a Bachat Factory. Another drive for membership was launched and the employees responded generously. Now more than 82 per cent of the regular staff employees of Heavy Electricals are participating in the Pay Rolls Savings Scheme. The total membership of the Scheme at present stands at 13,700 as against its permanent strength of 16,226. On an average an employee is now contributing Rs. 11 per month to the Pay Rolls Savings Scheme. The monthly collections amount to Rs. 1,51,000. This totalled Rs. 50,95,039 at the end of the last financial year.

It is an achievement of which any establishment and its set of workers can legitimately be proud of, particularly when just about six per cent of the country's population is covered by the Savings movement.

The Coin Shortage

By C. VEERARAGHAVAN

From about the end of 1970 an acute coin shortage has been felt all over the country. Coins command a premium of Rs. 10 to Rs. 12 per one hundred rupees.

Whenever the Reserve Bank of India was approached the Bank authorities were assuring at intervals that the shortage was a temporary one. In September 1971, a spokesman of the Bank maintained that the coin shortage was artificial, the RBI had nothing to do with the present coin shortage as the mints were owned by the Government. The RBI was only a distributing agency.

The actual position is different. The mints at Bombay, Alipore and Hyderabad are under the charge of the Union Finance Ministry. But the RBI is responsible for the supply of coins to the public. The production of coins is determined by the mints on the basis of advice received from the Chief Accountant, RBI.

Wrong Assessment

The main reasons for scarcity are less

production, preoccupation with fulfilling certain export orders, wrong assessment of requirements and failure of Government's economic policy over the years. In 1956, the small coins in circulation were in all Rs. 66 crores. By January 1972 the small coins in circulation came upto Rs. 134 crores.

In 1956, out of the total stock of currency which was Rs. 1,684 crores, the coin supply was 3.9 per cent. In 1971, it came down to 3 per cent of the total stock of currency which was Rs. 4,708 crores. The peak production of coins was touched in 1967-68, when 1845.4 million pieces of coins were produced which came down to 1365 million pieces in 1968-69, 386 million pieces in 1969-70 and 577 million pieces in 1970-71. Assuming that the tempo of economic activity in 1972 is the same as in 1956, the coin requirements would have been about Rs. 183 crores and not Rs. 134 crores in January 1972. There is a serious shortfall of Rs. 50 crores.

Because of the failure of Government's economic policies, prices have spiralled up. The increase is so big that the value of metal-

lic content of many coins today is much more than their face value. Unscrupulous persons started hoarding and melting coins for the sale of the metal. It is estimated that the total value of coins hoarded and melted so far is about Rs. 10 crores.

Copper, nickel or copper-nickel alloy have been used in India for coinage purposes. It is estimated that nearly 800 tonnes of nickel have been imported annually for use as coinage metal. Copper is in short supply and nickel is so far not available in the country. The National Metallurgical Laboratory, Jamshedpur in collaboration with the Government Mint, Bombay, developed the coinage material based on aluminium-magnesium alloy containing only 3.5 per cent magnesium.

Though the Parliamentary Estimates Committee recommended as early as 1959 use of cheaper metals in our coins, this recommendation does not seem to have been implemented by the authorities. Only when the coin crisis has reached alarming proportions, new coins are being minted in the light aluminium-magnesium alloy.

To check hoarding Government issued an ordinance in 1971 indicating strong measures against hoarding or coin melting. But the measure has not improved the situation.

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A Question of Numbers

In the array of problems that confronts mankind and presages future doom, the exponential growth of population is indisputably the foremost and most basic. Because it is the problem that underlies all other problems, trying to attack areas like environmental pollution, housing, food and education while population expands uninhibited is nothing but nibbling at the fringes while leaving the core of the problem untouched. In tune with the growing world concern, the United Nations has declared 1974 as the World Population Year, and its various special agencies will gear their efforts to coordinate international action aimed at population control.

Better Late than Never

The dangers of the population menace were brought to light on previous occasions by the UN-Population Division's statistical inferences when WHO'S programmes met with unprecedented success in developing countries with a steep fall in death rate. But the UN has been rather lukewarm to the urgency of the problem, presumably due to pressures from predominantly Catholic countries with their traditional concern for the unborn at the expense of the welfare of the living. The UN's present decision to formulate an attack plan and integrate international efforts with national action is indicative of a change—a change in the attitude of the Catholic Governments and a willingness on the part of the developing countries to adopt national policies favouring population control. This is surely a welcome step—that at last, the population problem will go, from the forum of economists and demographers, to the area of coordinated international action.

The Enormity of the Problem

World population stands (?) today at over 3600 million and is increasing at an alarming rate of 100 million every year. Mankind is adding 8000 to its present number by the hour, or an equivalent of Japan's population every year, more than 60 per cent of

which are born to a life of submarginal living. At its present rate, the population is expected to double itself every 30 years. This doubling time has been continuously decreasing in the past and will, in all probability, do so in future. According to experts, the year 2059 AD will be the dead end, when mankind growing at its present rate will, by sheer numbers, overflow the environment's capacity to support it. Even granting miraculous increase in food production and air purification, it will take less than 325 years for man to multiply himself and completely fill all available space on earth.

The problem is more compounded by two factors. (i) It is the poor countries, (with low literacy, lack of communication and transportation facilities, technological backwardness and low urbanisation), that face alarming birth rates. The factors mentioned hinder rapid advances in birth control measures (ii) The predominantly Catholic countries with a religious belief that frowns on all types of birth control measures, experience catastrophic birth rates.

For instance, compared to a birth rate of 19 per 1000 per year of Western Europe, 20 per thousand of USSR, 16 of USA and 14 of Japan, India and China border on 40 per thousand, Latin American countries around 45, Pakistan and 12 other Afro-Asian countries experience over 50 per thousand. There surely exists a limit to the number that environment can support, though we may not know it with any accuracy. If our understanding of the biology of other species is any guidance, natural force will step in to make further growth impossible. There is of course an alternative—the only alternative—man, by his intelligent action, will evolve a plan to restrict his number to less than the breakeven point—hopefully soon enough. We have learnt enough modern economic theory to dismiss Malthus with a "he-should've-known-better-than-that" smile. But if man fails to avert the disastrous trend by concerted action, Malthus, in his grave, may yet have the last laugh.

Attitudes of Governments

The attitudes of Governments to the problem of population control have been widely varying. At one end of the scale we have total involvement at a national level with action oriented plans as in Japan; and at the other end are the Latin American countries with a predominantly Catholic population who abhor any kind of birth control measures. In between the extremes are countries like India, who have national commitment at policy level; but in implementation follow a hesitant approach with half-hearted family planning programmes. Japan is a shining example of what individual efforts coupled with the Government's policy measures can achieve; from

an alarming birth rate of 34 per thousand just after the war, it dropped to 13.7 births per thousand per year in 1970 and still continues to fall. Indonesia in Dr. Sukarno's presidency, wanted to grow to a population of 400 million from their present 100 million. Chairman Mao, was reported some time back as having said, that 'in the event of a nuclear holocaust surely the left over of 800 million Chinese will come on top'. Many Catholic countries of the world still ban all birth control measures except the rhythm method, and even the US till recently, had been influenced by the Catholic way of thinking despite considerable expenditure on population research. India can take some pride in having been the first country to have adopted family planning as a national policy in 1951, though pretty little was done till 1965. The attitudes of these countries have now undergone considerable change and the UN decisions to declare 1974 as World Population Year may have come at an opportune time when these countries are in a mood to throw in their wholehearted efforts at population control.

The Indian Scene

India's population, according to the 1971 census, was 547 millions, an increase of 108 millions over the 439 millions at 1961. The growth rate has increased to 24.8 per cent in 1961-71 as against 21.50 per cent 1951-61. The population density has gone up from 138 per sq. km in 1961 to 172 per sq. km in 1971, an increase of 24 per cent. Maharashtra, U.P., West Bengal, Kerala, Assam, Rajasthan and most of the Union Territories have shown higher growth rates than the national average; compared to this phenomenal growth in population; the increase in literacy rate, (from 24.03 per cent to 29.3 per cent in 1971), degree of industrialisation (less than 20 per cent of the population is urban) and degree of employment (figures are unavailable but it is bound to be appalling) seem most inadequate. The only silver lining seems to be the increase in foodgrains production from 82 million tonnes in 1961 to 108 million tonnes in 1971.

It was only in 1965 that the Government of India adopted a target-oriented and time bound action plan, though it adopted an official policy favouring family planning even

TABLE 2
NATIONAL EXPENDITURE ON FAMILY PLANNING PROGRAMME

Plan period	Expenditure Million Rs.
I Plan	6.5
II Plan	49.7
III Plan	270
1966-67	150
1967-68	310
1968-69	370
IVth Plan allocation	3150



The teeming millions .. We can't go on like this for long .. "It is not enough we aim at a marginal reduction in growth rate; we must eventually stop it."

as early as 1951. In the twenty year period from 1951-71, Rs. 1690 million have been spent on the family planning programme (Table 2). The target set by the Central Family Planning Council calls for averting 18 million births and the birth rate to be brought down from 41 per 1000 per year to 25 per 1000 per year by 1980-81. The immediate target was to reduce the birth rate from 41 to 32 by 1973. Over 95 per cent of the expenditure towards family planning is borne by the Central Govern-

ment. It is estimated that only 8 per cent of the population is served by the sterilisation units and it is claimed that so far 7.4 million births have been averted. On research into birth control methods, Rs. 1.47 crores have been spent in the period 1966-71.

It is clear from the Census Commissioner's report on the population avalanche that all this family planning endeavour has made no dent on the minority religious groups and has had very little effect even on the larger sections. A UN survey recently concluded

shows that an individual submitting for sterilisation has an average of 4.5 children in India. 90 million persons in our present population are believed to be in the child-bearing group, and the family planning effort seems to have left this group largely untouched; The ones submitting to sterilisation, seem to be even otherwise disinterested in enlarging their family. This perhaps is the reason why the efforts of the Government and non-Government agencies in the family planning campaign have not been revealed in census figures.

Balancing Birth Rate and Death Rate

It becomes then necessary that there is a need for reorientation of the policies and programmes. It is not enough we aim at a marginal reduction in growth rate; We must eventually stop it. We must aim at balancing birth rate and death rate. Family planning should receive top priority over every other social activity. Research on demographic studies and contraception should be intensified and training activity in family planning, enlarged.

The UN has plans to give technical assistance and finance; extend overseas training facilities and sponsor research, aid manufacturing contraceptive devices and participate in massive education campaigns. It is imperative that the Government and non-Governmental agencies in our country, should formulate their own plans and coordinate with the UN agencies. We owe a responsibility to the rest of mankind inhabiting this planet and to ourselves. The growing concern particularly of the developed countries, should be matched by concerted action at all levels in the developing countries. We are definitely capable of marshalling the effort and resources necessary; the question is whether we will.

Fair Weather for Government Borrowing

The strategy for the first stage of the borrowing programme of the Central Government for the current year has been indicated with the announcement of the terms of three new loans by the Reserve Bank of India on June 29. No surprise changes in the terms were expected as the Bank Rate has remained unchanged and only last year the interest rate on loans was raised by a quarter per cent in order to conform to the new basis. An effort has, however, been made on the present occasion to reduce the cost of borrowing by offering a short-medium dated loan in place of a medium dated loan. Otherwise, the terms are unchanged.

The money market was never so comfortable in the past few years as now and banks have a problem of investing funds remuneratively. The borrowing from the Reserve Bank is at a low level, and deposits are growing impressively. There could have been even bolder borrowing as Life

Insurance Corporation also is adding to its assets on a large scale while there are regular accretions to provident funds and trusts. The Government however, has preferred to borrow on a staggered basis as its ways and means position is comfortable and additional amounts can be conveniently borrowed after the State loans, due by September, were out of the way.

The target for net borrowing which has been fixed at Rs. 215 crores against Rs. 295 crores in 1971-72 can be easily raised to Rs. 300 crores even after helping the States to raise at least a net amount of Rs. 125 crores, against the target of Rs. 109 crores. There are two other maturing Central loans in October and November amounting to Rs. 46 crores; the total of all maturing loans in the current year being Rs. 300 crores, the gross amount borrowed can thus be Rs. 600 crores.

As in the first instance the amount mobilised will be of the order of Rs. 385 crores,

only a balance of Rs. 215 crores will be left. The balance will be about Rs. 170 crores allowing for two more small maturing loans. As only about Rs. 250 crores will be freshly involved in these loans, Central and State and fresh additions to deposits in July/September are likely to exceed Rs. 450 crores. The money market will still be in comfortable position after the States had completed their borrowing programmes. The Centre can thus raise its loans in October for Rs. 200 crores without difficulty.

The State Electricity Boards and Financial Corporations also can issue bond at suitable intervals. Already the Industrial Credit and Investment Corporation has issued bonds for Rs. 7 crores. The outlook for government borrowing was never so encouraging in recent years. In fact, it can even be said that the declining trend in the credit-deposit ratio is not so much a good symptom as is generally thought to be, though it must be admitted that conditions in the organised credit sectors are very different from those in the mid 'fifties.

Desirability of Electrification and Uniform Broad Gauge

It is now realised that the electrification of the Indian Railways over large sections is a compelling necessity for operational and economic reasons. There was never any doubt about the feasibility or desirability of electric traction. Somehow a conventional approach to this problem was adopted and it was felt that there should be a switch over first, to diesel traction and then to electric traction. This policy has been pursued in the North-Eastern region and it has taken more than a decade and a half to have electric traction over 1,500 kilometers.

The limitation of financial and physical resources was inhibiting ambitious planning and priority had necessarily to be accorded to the relieving of pressure in congested areas. The situation, however, has vastly changed in recent years. There is no longer any difficulty in finding the required physical resources or the expertise. There is also the compulsion arising out of costly diesel oil involving heavy expenditure in foreign exchange and the strain on the existing system due to the hauling of coal over long distances.

The Southern Railway merited greater attention a long time back on the plea that the zone was operating at a loss. Hence its claim for further development was ignored. The high cost of fuel alone has been contributing dearly to the losses sustained by this

zone. Though the earlier foresight revealed in the electrification of suburban route in the Madras area has paid good dividends, the persistent demand for electrification of the whole region or at least of important sections has not been conceded until recently. There was an earlier proposal of electrification of the Madras-Bangalore route, the Madras-Tiruchi section and so on.

A good beginning is now being made with the electrification of the Madras-Vijayawada section, and with the doubling of the track between the two centres, having been accomplished, full advantage can now be derived of the new facilities. The Union Railway Minister, Mr. K. Hanumanthaiya had inaugurated work on this scheme and the job is to be completed in five years at a cost of Rs. 52 crores. The work will be taken up simultaneously in three sections and it should not be difficult to achieve the goal even within a shorter period of four years. Mr. Hanumanthaiya has expressed the hope that before the end of the century, a good portion of the railway system would be under electric traction and diesel traction will be used only for absorbing quantities of high diesel oil which will be part of crude oil processing, in this country.

At a press conference in Madras, Mr. Hanumanthaiya also stated that it was the intention of the Railway Ministry to

have a uniform gauge throughout the country facilitating standardisation and elimination of bottlenecks.

Tamil Nadu particularly has the handicap of the break of gauge at many points. There has been needless delay in implementing the broadgauge route between Karur and Tuticorin and, only the conversion of the metre gauge track between Ernakulam and Trivandrum has been taken up. There is of course the proposal to construct a new broad gauge line between Trivandrum and Tirunelveli via Nagercoil linking also Kanyakumari in the process. But pockets of metre gauge system will be left in the inconvenient places which will have a retarding effect on economic development. There should be anticipatory speeding which will be highly remunerative over a period not only for the railways but also for the region. Unless quick decision about the conversion of metre gauge into broadgauge on a defined basis is taken up, the desired dispersal in industrial development cannot take place. Immediately, the electrification of the broadgauge system between Madras and Ernakulam should be taken up as there is already heavy traffic and the track has been doubled over large sections. The conversion of Tiruchi-Madras section has to be accorded high priority with doubling. ●

Capital Market Decapitated by Financial Institutions

A series of resounding raps on the fiscal policies of the Union Government was administered by Mr. M. Sankaran, outgoing President of the Madras Stock Exchange, in his address at its annual general meeting of MSE on June 2.

"Every one of us", observed M. Sankaran, "warmly welcomed the experiment when the Government set up a number of financial institutions to help industries, but it did not occur to many of us then that the very same institutions would in the long run decapitate capital formation and dampen public investments in industrial securities, compelling more and more industries to become solely dependent on these institutions for providing the financial resources. In fact, the capital market has received a setback and capital formation by way of public subscription has become secondary. The individual investor has slowly receded to the background."

Government's taking over of only the managements of individual companies instead of the undertakings as well, came under fire, from Mr. Sankaran. He held that Government did so to avoid direct nationalisation against payment of compensation, "without bothering in the least about the adverse effect of such a course of action on the share-

holders of the companies concerned driving them to a state of utter despondency."

Mr. Sankaran made some positive and concrete suggestions to Government. One such was that, to mobilise savings and attract further investments, a total tax exemption be given on income upto 20 per cent of personal individual income, if that



Mr. J. V. SOMAYAJULU
President of the Madras Stock
Exchange for 1972-73

portion of the income is invested in approved shares of any company, existing or new, and in National Savings Certificates.

Another was that trusts similar to the Unit Trust of India should be permitted to be set up in the private sector with all necessary safeguards and enjoying the same concessions as the Unit Trust.

This year's annual general meeting of the Madras Stock Exchange Association was notable in that it was held for the first time in its own premises—at the new Rs. 20-lakh four-storeyed building. The Madras Stock Exchange, established in 1937, purchased its present site, with an old building on it, in 1961. The old building was pulled down and the new one, put up in its place, was declared open on October 10, 1971.

Mr. J. V. Somayajulu was elected President of the Madras Stock Exchange for the year 1972-73. Other office-bearers elected were: Messrs. K. Venkataraman (Vice-President), V. K. Padmanabhan (Treasurer), and S. Sankaran, E. V. Rajagopalan and Arunachalam, Council Members. Messrs. C. R. Pattabhiraman, Public Representative; S. C. Bafna and P. Dobe, Government Nominees; and Mr. E. R. Krishnamurti, Executive Director, are on the Council of Management.

Hard Realities about Tourism

The World Bank's analysis of trends in tourism in its latest sectoral working paper deserves to be noticed by developing countries like India which lay great store by the potential foreign exchange earning capacity of this source. It was only after 1960 that international tourism, which was till then limited to neighbouring countries spread to other areas including the developing countries. In the two decades upto the end of 1970, it grew by an annual 10 per cent while tourism receipts grew by 11 per cent per year. The well-known tourism generating areas are the United States, Canada, the United Kingdom, France, Germany, Sweden, Denmark, Belgium, Netherlands, Switzerland, Austria and Italy. Japan entered the field only after 1967 with the easing of domestic restrictions on foreign travel.

Statistical data compiled indicate that the relation between per capita GNP and foreign travel is not close. The proportion of US tourists to US population is considerably lower than similar proportions in European countries with comparatively lower per capita GNP than the US. Britain and the Scandinavian countries have 60 per cent and more of their population (adults) travelling abroad while the percentage is now 40 in the US, West Germany and France which are ranked as major tourism generating countries. In the former set of countries, the numbers going on vacation are unlikely to increase, but in the latter set there is considerable potential.

The point to be noted, however, is that the bulk of the vacation travel is over short distances within and between the developed countries. The US and Canada account no doubt for substantial numbers of vacation travellers proceeding to longer distances visiting Mexico and the Caribbean. As a proportion of all vacation travel, inter-regional travel is small and within the absolute total of such travel, the share of the US is almost 60 per cent. About 52 per cent US tourists leaving North America visit Western Europe. Analysis of the European travel market indicates that, over the next decade, a 45 per cent increase in vacationers can be expected accounting for an additional 40 million persons. A similar rise can be postulated for Japan and the U.S. But only a part of these will undertake foreign travel and only a very small proportion of these will take to really long distance travelling.

Cost is the Deciding Factor

The volume of tourism, among other things, is decided by cost of transport. In almost all tourism generating countries, ac-

cording to the world Bank study, the private car ranks first as a means of transport and is likely to gain further ground. Rail travel, once the most important mode of transport in tourism, is declining in importance, its share in U.S. tourism being much less than 30 per cent, the figure for Europe. Over 6 to 10 per cent of vacationers go by air. The growth of air, charters has made possible rapid increases in traffic between America and Europe, between northern Europe and the Mediterranean and to a limited extent between Europe at the one end to Kenya, Thailand, Ceylon and the Caribbean on the other. So far as developing countries are concerned, sizable increases in influx of Western tourists depend on their providing cheaper air travel. This is one reason why it is difficult to be over enthusiastic about the tourism incentive of ECAFE schemes like the Asian Highway and the Asian Railway.

Multi-Destination Circuits

Subject to the constraints of distance, the World Bank assessment of growth of tourism towards developing countries makes clear the following details: For the developing nations in the Mediterranean region, there will be a doubling of the number of tourists over that for 1968 representing an additional 10 million while for the Caribbean countries, the increase may be by another 1 million only. For long distance travel, East Africa comprising Kenya, Tanzania, Uganda and Ethiopia and regions

SBI's Decentralisation Programme

State Bank will be serving the people of Bihar and Madhya Pradesh better by meeting their growing banking needs more promptly.

Two new Local Head Offices are being brought into existence, one in Patna, the other in Bhopal.

This is part of the Bank's programme to decentralise its administration progressively, and thus be able to give closer attention to local economic problems.

Under the direct authority of each Local Head Office, all types of banking services will be made available to the people of the region served by it. This, it is hoped, will contribute towards quickening the pace of progress of the region, especially by encouraging and promoting the growth of small scale industries, agriculture and small business.

in South Asia comprising Iran, Afghanistan, India, Ceylon, Nepal, Thailand, Indonesia and Singapore will be important. In these countries multi-destination circuits have developed through East Africa, South and East Asia and the Pacific. With appropriate air facilities, similar circuits might also be developed in Western Africa and South America.

India should note the observation made in the World Bank study in this connection that, these being competing destinations, the success of each to attract more visitors than any other will hinge on the provision of tourist facilities of the right type at the right price. The growth of long distance tourism is likely to be fast in the years ahead but the number of persons involved may not be more than two to three million, which itself is double the figure for recent years. So far as regional tourism is concerned the biggest growth is likely to be from Japan to Korea, China, Thailand, Singapore and Indonesia. Other areas of regional tourism will continue to be in South America, between Argentina and Brazil and from these countries to Paraguay, Uruguay and Chile; in southern Africa from South Africa to Lesotho, Swaziland, Malawi, Malgasy and Mauritius and in South Pacific from Australia and New Zealand to Fiji, New Caledonia and Tahiti. These countries may also attract visitors from more distant destinations.

Timely Decision to Construct Motels

So far as developing countries are concerned, their main disability is that they are unable to provide accommodation and facilities which are attractive enough for the middle income tourists. Apart from the seasonal nature of the tourist traffic, tourist expenditure of middle income tourists is strongly price-elastic and hence the export effect of tourist purchases is conditioned by the reasonableness of price. Tour operators especially in Europe exercise a price leadership and they regard a daily expenditure of \$9 for full board as ceiling price. The individual tourist often compares total holiday packages (including transportation) offered by tour operators and therefore will not easily spend more. With long distance travel, the expenses mount and the number of tourists gets limited thereby. Since more than 60 to 70 per cent of tourists expenditure goes on food and accommodation, developing countries have got to ensure that their facilities in this regard are optimal. Since most tourists are accustomed to drive by themselves and stay in inexpensive hotels, the recent decision of the Department of Tourism in our country to construct motels near tourist spots and provide tourist cars has been quite timely. The fact cannot be missed that, though the potential of exchange earnings through tourism cannot bear exaggeration, we are yet to do the minimum for getting a decent share in world income from this source. ●

Industrial Units' Interest in Hotel Business

The reported proposals of some of the big established industrial units to enter the hotel industry must be welcomed in the present context of an acute shortage of hotel accommodation particularly to cater to the growing foreign tourist traffic. It has been stated by the Chairman of Indian Hotels Limited, Mr. J. R. D. Tata, that the demand in the next few years will rise to 50,000 rooms when a million tourists will be visiting the country per annum. Against this magnitude, the present availability in first class hotels is only around 10,000. The Government would also seem to be aware of the need to reduce the widening gap in this regard as it has arranged for liberal loans through the Hotel Development Fund which has already been extending assistance to a number of expansion and new projects by hoteliers. But there is an understandable anxiety to keep foreign financial participation in new projects to the minimum and even reduce technical collaboration wherever possible. Indigenous technical services for renovation of existing hotels and building of new ones and for improved catering are also being made available by leading companies in the industry like Indian Hotels, Oberoi group and others. There are also reports of the World Bank showing interest in financing more tourist promotion programmes in underdeveloped countries, particularly in hotel projects. The Bank (IDA and IFC along with the Bank itself) has already directly financed 13 projects with funds totalling \$80 million in the past five years besides providing through intermediary institutions a further \$32 million for 79 tourism projects. It is now proposed to more than treble the number of projects in 1972-76 with a four-fold increase in outlay. India can hope to get a significant share of these additional funds and hence must get ready a number of worthwhile projects which can be easily cleared by the group. But the study appreciates the reservations of most governments on promoting tourism on the basis of private foreign ownership and feels that if such foreign ownership is linked with interests promoting and organising the flow of visitors from the main market countries, it can contribute significantly to the success of a project. Hence the Bank group has decided to promote various forms of joint ventures in which the developing countries will retain majority ownership of the facilities while the foreign investors would have big enough commitments to ensure their interest in the success of the joint venture.

While these developments are encouraging by themselves, there is need for more attractive incentives in view of the heavy capital outlays involved in the form of easier loans on extended terms related to the economic life of assets and with adequate grace

periods, facility to claim accelerated depreciation and some substitute for development rebate which is to be withdrawn from 1974. The industry no more enjoys the tax rebate allowed to priority industries. But even with all these hurdles, a number of new proposals have come up from industrial units which plan diversifying into new lines. While the renovation Taj Mahal and the adjacent Taj International and Oberoi-Sheraton will be adding sizably to the existing rooms in Bombay shortly, Indian Hotels has been helping in the renovation of some of the old hotels of other parties as in Udaipur and Jaipur (Rajasthan). Similar technical services are also to be provided for new hotels in Hyderabad and Madras, which will be owned by other parties. The company has also decided to add a beach hotel at Goa to the chain of hotels to be run by it. A new company is being formed to build the hotel at a cost of Rs. 1.50 to 1.75 crores. The proposal for a large hotel in Delhi, however, has not made much progress and the negotiations between the companies, the intended collaborators and the Government are continuing. Meanwhile, there has been some unexpected entrants to the field, the foremost being India Tobacco Company, which has a sizable portion of the Indian cigarette market. The company is said to have sought permission to set up three hotels at a cost of Rs. 7.5 crores in Delhi, Madras and Agra in collaboration with leading Indian hotels. There may be no hitch in getting the projects cleared as ITC is reported to be agreeable to issue the entire new capital to Indians. The DCM group also in planning to build a hotel in Delhi and Alok Udyog a chain of hotels, but a major problem for these projects is the availability of suitable land sites. Another proposal for a hotel in Bombay in collaboration with Hiltons is yet to take concrete shape in view of the difficulty in acquiring the proposed site. Another leading industrialist-cum-newspaper owner has submitted a proposal for building a Five Star hotel in Madras with all modern amenities. While all these new hotels, can be expected to take care of the needs of the well-to-do foreign tourist, a vigorous scheme to promote a large number of smaller-sized hotels and motels spread throughout the country will be necessary if the tourists of average means, who will form the bulk of future inflows, are to be attracted to visit the remote corners of various States. Something of a crash plan is needed in this regard before the Jumbos bring the foreigners in their thousands.

Indian Hotels

Indian Hotels Company Limited could

increase its gross income during the year ended March 31, 1972 to Rs. 308.11 lakhs from Rs. 271.33 lakhs in 1970-71 in spite of loss of business of over Rs. 10 lakhs on account of the Indo-Pak conflict and the non-availability of a number of rooms because of the renovation at Taj Hotel. But the net profit, before depreciation, and taxation, was marginally lower at Rs. 30 lakhs against Rs. 30.42 lakhs due to higher working expenses. Interest charges alone were higher by Rs. 7 lakhs at Rs. 19.52 lakhs owing to the renovation programme. Depreciation claims Rs. 20.54 lakhs (Rs. 18.13 lakhs) and development rebate Rs. 2.92 lakhs (Rs. 3.11 lakhs) while the provision for taxation is Rs. 2.80 lakhs (Rs. 4.33 lakhs). In 1970-71 there was an additional provision of Rs. 16,851 for tax relating to earlier years. The transfer to general reserve is Rs. 3.74 lakhs (Rs. 4.70 lakhs). The preference and equity dividends have been omitted. The outlook for the current and coming years is quite encouraging with the additional capacity being useful in improving profitability.

Binny's Slow Recovery

It is heartening to be told by the Chairman of Binny Limited, Mr. N. S. Bhat, that the company is now on the road to recovery and no longer in the red. Binny's main problem was the cotton textile mill at Madras, which had been responsible for the sizable losses in 1970 and 1971. This was because of unprecedented rise in cotton prices, constraints imposed by old machinery, uneconomic realisations on cloth due to strong consumer resistance, collapse of major markets due to natural calamities and the Indo-Pak war. There was besides a prolonged strike in the Bangalore mills. While vigorous efforts are being made to reduce manufacturing costs in the Madras and Bangalore mills with the help of SITRA, the pattern of production is also being suitably changed in favour of more profitable cloths. Changes are also being made on the organisational and marketing fronts to boost productivity and sales. All these have helped the company to report significantly better results for the second half of 1971 by bringing down the loss to Rs. 63 lakhs from Rs. 144 lakhs in the first half. Against this, the first half of 1972 is expected to show a small profit, after providing for depreciation and statutory minimum bonus. In the absence any adverse developments and cotton prices remaining low, the progress so far made is likely to be maintained in the second half of 1972 also, though it may not be possible for the company to resume payment of dividend soon. It is also felt that modernisation and rehabilitation of the pre-weaving machinery should be taken up on an urgent basis to improve overall efficiency. The Bangalore mill is ex-

pected to show better results in spite of the stiff duty on Cotswool. The engineering and other divisions are working satisfactorily, while the subsidiary, Giovanola-Binny Limited has a good order book and will be working on a profitable basis with an easy stock supply position.

Madras Aluminium

The Managing Director of Madras Aluminium Company Limited, Mr. R. Venkataswamy Naidu, has referred to the problem of small aluminium producers like Malco in meeting the ever rising costs of various raw materials. Even after its expansion to 25,000 tonnes, Malco's plant cannot be considered big when compared to the plants of the major producers in the private sector and the proposed public sector units and the excise rebate will have to be allowed upto a production of 30,000 tonnes. The cut in selling prices has also affected profit margins of Malco which has no fabricating facility while the excise rebate on excess production has been discontinued. Mr. Venkataswamy Naidu feels that any further improvement in profitability will have to come from expansion of metal capacity and diversification. The physical progress on the expansion has been quite impressive though the delay in assistance from financial institutions has imposed severe strain on the company's resources. It is now expected that production from the first phase will start by next month and the entire expansion will be completed by early 1973. The operation of the electrolytic pot room at higher amperage will also help production of quality metal while the alumina plant of the expanded capacity will be able to process even low-grade bauxite and thus help better and longer utilisation of mineral resources. The company will also be marketing aluminium circles while aluminium alloy rods and later alloy conductors will be taken up for manufacture. Steps have also been taken to manufacture sheets and extrusions, which will fetch better prices, in the next two years.

TELCO's Good Show

Tata Engineering and Locomotive Company Limited has had a good year of working during the period ended March 31, 1972 and the directors have slightly raised the dividend on equity capital to 15 per cent, taxable, from 14-1/2 per cent, taxable, for 1970-71. Barring 1969-70, when there was a cut of one percent, the distribution had been consistently maintained at 14-1/2 per cent, for a number of years. The enhanced dividend for the latest year is also payable on a larger capital as the shares allotted to the shareholders of Central Bank of India Limited under the merger scheme are eligible for the full dividend. There was a rise of over 16 per cent in sales during the year to Rs. 156.49 crores from Rs. 136.24 crores in 1970-71, with a high level of output and sales of commercial vehicles as also an increased production of spare parts and higher selling prices. The

net profit, before depreciation and taxation, also rose by nearly 16 per cent to Rs. 16.43 crores from Rs. 14.22 crores. The charge in respect of depreciation is Rs. 8.87 crores (Rs. 7.49 crores) and taxation claims Rs. 3 crores (Rs. 2.70 crores). The transfer to development rebate reserve is Rs. 1.22 crores (Rs. 1.15 crores) and to debenture redemption reserve Rs. 20 lakhs (nil). General reserve gets Rs. 314.11 lakhs (Rs. 288.20 lakhs). The enhanced equity dividend will be paid out of this reserve and will require Rs. 226.64 lakhs against Rs. 213.57 lakhs in 1970-71, when the new shares claimed a sum of Rs. 5.51 lakhs for the second half year. The company is proceeding with its expansion programme to raise its capacity by 50 per cent to 36,000 commercial vehicles per annum.

Calico Mills Gesture

Ahmedabad Manufacturing and Calico Printing Company Limited (Calico Mills) has announced a bonus issue in the proportion of one share for every four shares held besides maintain the equity dividend for the year ended March 31, 1972 at Rs. 18 per share (or 14.4 per cent) taxable on a higher capital in spite of a slight setback in working results as compared to 1970-71. The equity shares allotted to the shareholders of Bank of India Limited under the merger scheme will get full dividend besides being entitled to the bonus shares. The bonds and equity shares were allotted to the shareholders of Bank of India recently. The bonus issue is however subject to the consent of the Controller of Capital Issues. A year ago the company proposed a more attractive one-for-two bonus issue but this had to be revised under the new guidelines and due to the amalgamation scheme. Calico's sales improved to Rs. 39.25 crores from Rs. 35.64 crores in 1970-71 but the net profit before depreciation and taxation and interests charges, was only marginally better at Rs. 5.35 crores against Rs. 5.34 crores.

Interest charges alone increased sharply to Rs. 2.21 crores from Rs. 1.70 crores as these included Rs. 91 lakhs in respect of the sums taken over from Bank of India while working expenses also rose steeply. With the result, the profit, before depreciation and taxation, declined to Rs. 3.14 crores from Rs. 3.64 crores. Depreciation claims Rs. 1.50 crores (Rs. 1.15 crores) while there is no provision for taxation against Rs. 60 lakhs previously. The transfer to development rebate reserve is Rs. 31 lakhs (Rs. 49 lakhs) and general reserve Rs. 103.97 lakhs (Rs. 90.04 lakhs).

The dividend will require a larger sum of Rs. 80.72 lakhs (Rs. 72 lakhs) and will be paid out of general reserve. The company's PVC polymerisation compounding and processing plants at Bombay are expected to commence production shortly while good progress has been made on the polyester fibre project which is scheduled to go on stream in 1973. Calico's exports in 1971-72

amounted to Rs. 3.92 crores against Rs. 3.75 crores in 1970-71:

S. I. Viscose

South India Viscose Limited has undertaken the expansion of its staple fibre capacity from 10 tonnes to 30 tonnes per day. The Chairman of the company, Mr. R. Venkataswamy Naidu, has stated at the recent annual meeting that all the machinery will be erected before the end of 1973. The expansion is estimated to cost Rs. 6 crores which will be found from internal resources. Almost the entire equipment will be fabricated indigenously by Gwalior Rayons, Birla Consultants Private Limited will be overseeing the erection and commissioning of the plant on a turn-key basis. S.I. Viscose also proposes to set up capacity for producing 20 tonnes of polynosic staple fibre daily. A letter of intent has been obtained for the purpose and, orders for plant and machinery are expected to be placed shortly. Most of the equipment will be procured indigenously or fabricated with the drawings provided by the Italian collaborators and only highly sophisticated and specialised equipment will be imported. The company has also sought permission to double the rayon grade pulp capacity to 120 tonnes a day to take care of the additional requirements of the expanded staple fibre plant and the polynosic fibre plant and also meet outside consumers' needs. A letter of intent is expected shortly. Negotiations are going on with the Tamil Nadu Government on increasing the area under bluegum and other softwoods. Even now, because of the shortfall in supplies from Government forests, the company is taking pulp wood from private parties and is trying to acquire private lands for growing bluegum and other pulp wood.

Lakshmi Mills Pays Less

Lakshmi Mills Company Limited could not avoid a modest setback in its working results for the year ended March 31, 1972 due to the difficult conditions in the cloth trade and high cost of cotton for most of the accounting period. The company has earned a lower net profit of Rs. 75.57 lakhs, before depreciation and taxation, against Rs. 83.78 lakhs in 1970-71. The equity dividend has been reduced to 10 per cent, taxable, from 12 per cent, taxable. The provision for depreciation is higher at Rs. 40.16 lakhs (Rs. 30.31 lakhs) and development rebate Rs. 10.45 lakhs (Rs. 8.92 lakhs) while taxation claims only Rs. 11 lakhs (Rs. 21 lakhs). The transfer to debenture redemption reserve is Rs. 5 lakhs (same) while general reserve gets a slightly reduced sum of Rs. 11.27 lakhs (Rs. 13.70 lakhs). The dividend is to be paid out of general reserve.

Premier Mills (CBE)

Premier Mills (Coimbatore) Limited has been able to prevent a sharp fall in sales in the year ended March 31, 1972 in spite of the

sluggish market but it could not avoid a sizable drop in earnings due to the high cost of cotton. Sales were thus only slightly lower at Rs. 6.04 crores against Rs. 6.11 crores but the net profit, before depreciation and taxation, declined to Rs. 44.84 lakhs from Rs. 62.84 lakhs in 1970-71. The dividend on equity capital has been cut to 12 per cent, taxable, from 15 per cent earlier. The provisions include Rs. 15.76 lakhs (Rs. 15.69 lakhs) for depreciation, Rs. 1.32 lakhs (Rs. 4.32 lakhs) for development rebate and Rs. 11.30 lakhs (Rs. 18.75 lakhs) for taxation. General reserve gets Rs. 17.48 lakhs (Rs. 22.21 lakhs).

Zuari Agro-Chemicals

Zuari Agro-chemicals Limited is confident of achieving mechanical completion of the erection work of its new plant at Goa with the help of the Japanese contractors shortly on schedule, inspite of delayed deliveries of vital equipment from US and labour trouble. The Chairman, Mr. K.K. Birla, has told the annual meeting that trial operations would last till the end of this year after which commercial production of urea and compound fertilizers will start flowing from the sophisticated plants. The management has been successful in keeping the project costs within the original estimates despite substantial new levies and in the absence of any major upsets during the start-up period, the total cost will be within the estimate of Rs. 56.55 crores. Meanwhile, the marketing network is being strengthened and the objective is to serve the ultimate consumer through dealers directly though this may involve additional credit and other administrative problems.

Escorts' Confident Outlook

Escorts Limited hopes to fare much better this year as sales of tractors, motor-cycles, scooters and auto ancillaries will be higher. The Chairman, Mr. H. P. Nanda, has stated that demand for motor-cycles has gone up sharply while the offtake of tractors has been quite satisfactory. A new type of tractor was recently introduced and it is proposed to increase the output of pistons and rings. Ford Escorts is also raising its production of tractors with 50 per cent indigenous content. Sales of all products in the first five months of 1972 were appreciably higher at Rs. 21.50 crores against Rs. 18.50 crores in the corresponding period of 1971 and total sales for the year are expected to be a new record. There will also be a distinct improvement in profitability following the increase in tractor prices allowed from February this year.

TOMCO Sets New Records

Tata Oil Mills Company has maintained its steady progress over the years in respect of sales and earnings. In the last three years alone there has been a more than doubling of its turnover and in the year ended March 31, 1972 alone, the increase in sales and other income was 19.5 per cent to Rs. 60.74 crores from Rs. 50.84 crores in 1970-71. Even

with lower prices for detergents, sales of powder and cakes rose by as much as 64 per cent over the previous year, while aggregate sales of toilet and washing soaps and detergents improved by 23 per cent. At the same time, the company has been highly successful in finding substitute inedible oils for edible oils and consumption of such inedible oils was raised by 21 per cent as compared to the previous year, while indigenous know-how and machines have been developed to reduce dependence on imports. Export sales also were quite encouraging at Rs. 3 crores an increase of 48 per cent over 1970-71, shipments of shrimps accounting for as much as Rs. 1.16 crores against Rs. 63 lakhs. (The company got the export award for 1970-71 for soaps and toiletries group).

The profitability of working has improved substantially as the net profit, before depreciation and taxation, jumped to Rs. 356.72 lakhs from Rs. 252.18 lakhs or by over 41 per cent. The directors have naturally decided to maintain the dividend on equity capital at 18 per cent, taxable, on a capital increased by a one-for-two right issue and the amount required will therefore be much higher at Rs. 52.98 lakhs against Rs. 35.32 lakhs in 1970-71. The disposable profit after providing Rs. 83 lakhs (Rs. 82 lakhs) for depreciation, Rs. 151 lakhs (Rs. 74 lakhs) for taxation and Rs. 7.50 lakhs (Rs. 12.80 lakhs) for development rebate is larger at Rs. 115.22 lakhs against Rs. 83.49 lakhs which has been credited to general reserve. The enhanced dividend is to be paid out of this reserve.

Award for Tata Exports

Tata Exports has won the national award for outstanding export performance for the second successive year for 1969-70. The export house doubled its turnover in that year to Rs. 23.14 crores as compared to the previous year and accounted for 1.62 per cent of the country's total exports that year. It



Mr. B. S. Bhatnagar of Tata Exports Ltd., receiving the Award for outstanding export performance from Mr. A. C. George, Deputy Minister of Foreign Trade.

had a share of 11.53 per cent of the total engineering exports and 8.2 per cent of total non-traditional exports of the country. The company's range included ready-made gar-

ments, chemicals, sea foods, consumer products, mango juice and engineering goods. Mr. B. S. Bhatnagar received the award on behalf of the company from Mr. A. C. George, Union Deputy Minister of Foreign Trade. It may be recalled that Tata Exports recently received the FICCI award for 1971 from the Prime Minister. The company has recorded the fastest growth in exports and has been specialising in non-traditional exports to non-traditional markets.

MRF Wins Export Award

Madras Rubber Factory Limited, has won a certificate of merit for its outstanding export performance in 1968-69. Mr. K. M. Mammen—Mappillai, Managing Director of the company, received the award from Mr. A. C. George, Union Deputy Minister of Foreign Trade, at function held in Delhi on June 20. MRF's exports, which were only Rs. 12 lakhs



Mr. A. C. George is seen presenting an award for outstanding exports to MRF Managing Director K. M. Mammen Mappillai.

in 1966-67, rose sharply to Rs. 58 lakhs in 1968-69. The company has also made a break-through into the highly competitive American market by supplying special tyres for racing cars. It had already won an award from the Chemicals and Allied Products Export Promotion Council in June 1971 for its significant contribution in the field of export publicity, market research and exploration of new markets for 1968-69.

Everest Advertising

Everest Advertising Private Limited has registered a 27 per cent growth in its turnover for 1971 thanks to the efforts made for new business acquisition. The Chairman of the company expressed his confidence at the recent annual meeting held in Bombay about the future outlook. The earnings also have been quite satisfactory, enabling the distribution of an equity dividend of 30 per cent and a preference dividend of 10 per cent. With the new policy emphasis on sound financial management linked with growth and improved service to clients, it is hoped that the company will continue to forge ahead in the coming years.

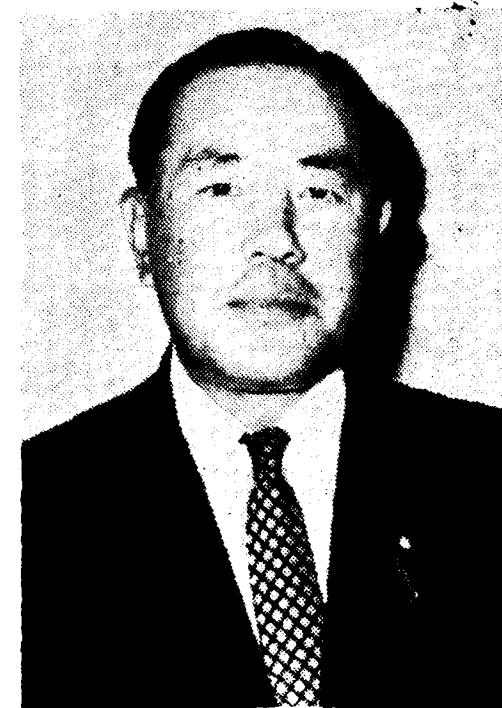
Tanaka—New Premier for Japan

While Prime Minister of Japan, Mr. Kakuei Sato, had to lay down office because of sudden unpopularity in the wake of President Nixon's Peking visit having taken place without consulting America's chief ally in the area, Japan. The omission was sufficient to obliterate whatever support Mr. Sato got by wresting Okinawa from the Americans. Mr. Sato blamed it all on a biased press and went about organising the choice of his own man as successor. In the event, Mr. Fukuda who was close to him and one of the four contenders to the post could not get in. Mr. Kakuei Tanaka has now been elected Premier.

Wooing the Delegates

Incidentally, the US press has furnished some information about the role of money in the election. It says that Mr. Fukuda went into the contest with £3,077,000 in his war chest, Mr. Tanaka with \$2,154,000 Mr. Ohira with \$1,720,000 and Mr. Miki with \$1,200,000. Wooing the 478 delegates seems to be a costly affair and rumours have it that a delegate can receive \$1500 for attending one of the persuasion sessions and that the reward on promise of support may go up to \$15,000 for an ordinary delegate and to \$30,000 for a leader of a faction. It is said that "in some cases, the faction leader will make special payments of perhaps \$3,300 known as a *bodan chokki* or bullet-proof vest to his followers, thereby enabling him to deliver their votes in a bloc to the candidate of his choice! The whole thing seems to be a well-organised business.

Mr. Tanaka has made the expected promises about mending fences with China and concluding a peace treaty with the Soviet Union. Chinese have stated expressly that establishment of diplomatic relations with China depends on Japan repudiating its defence treaty with Taiwan.



Prime Minister of Japan Mr. Kakuei Tanaka

Ambivalence in US Policy

This may not pose a big problem but its delicateness consists in the ambivalence in US policy towards Taiwan which had till recently been deemed to be a fortress against China. There will be difficulty in normalising relations with the Soviet Union because it is not clear how willing the latter will be to return the Kurile islands to the Japanese and how soon. So far as the US is concerned, there is really no problem. But the US expects Japan to pay a more significant role in the economic development of the South-East Asian region. Mr. Tanaka has reaffirmed the avowed policy of Japan to abjure war and to desist from sending Japanese soldiers for combat operations anywhere. This should allay Asian fears about a resurgence of Japanese militarism under the now defunct doctrine of co-prosperity sphere. But confidence in Japanese friendship will, for the developing countries of the region, depend on how soon and how best terms of external aid offered are made more attractive. —R.S.

Advertising in the March

A 'CHALLENGE' STORY INTERESTINGLY TOLD

A top-grade ad uses the visual to catch the eye of the most casual reader, but then it is only its well written copy which sustains his interest for a read-through. The Communicative-IBM joins the ranks of such successful ads with its "Meeting the Challenge of the Stormy Spectre." A beautiful radar photograph of cyclone, taken by the Japan Meteorological Agency, showing clearly the eye and the spiral rain bands is bound to appeal to the most fastidious eye. The copy reels off several impressive, authentic scientific data including the fact that India was one of the first to introduce computer in meteorology—to forecast storms, cyclones and floods. One learns that a nano-second is to a second what a second is to 30 years. A system 360 Model 44, the latest in computers working in such nano-seconds is to be installed in New Delhi soon at the Regional Meteorological Centre, established as part of WWW (World Weather Watch). This will serve as weather forecasting centre of the International Civil Aviation Organisation, providing weather service for aircraft. These measures will help pilots, mariners, flood control engineers, farmers, city com-



muters-everybody. The absence of an attempt to sell its product explicitly enhances the charm of this subtle ad. MCM, which has produced such beautiful ads for IBM in the past, has done it again. Keep it up, MCM! —(FOC)

Industrial X-Ray films: non-destructive testing for fool-proof safety.

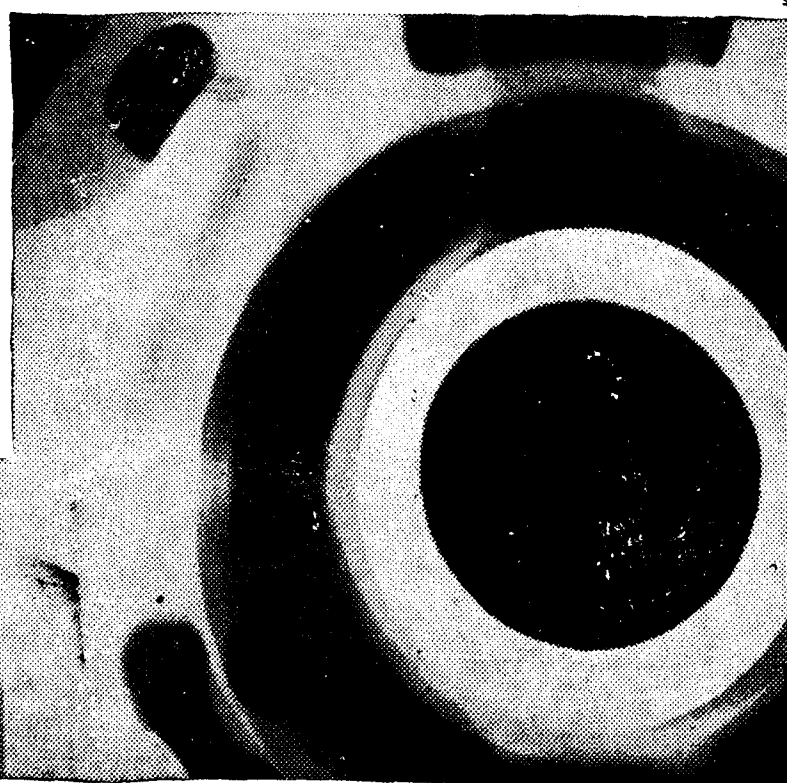
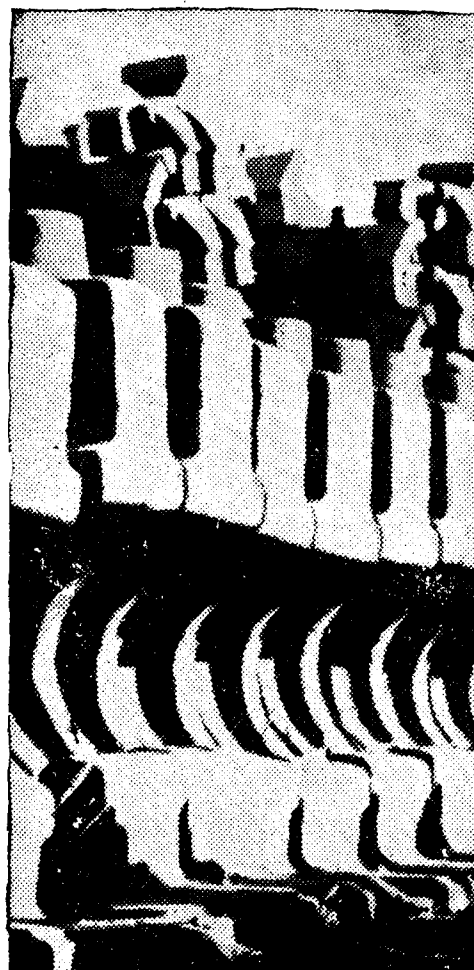
Photographs can reveal failures in equipment due to a flaw in its design or material. This not only safeguards you and those using your equipment, Industrial X-rays also safeguard the machine during the actual inspection. There are no harmful chemicals used for the testing, which is entirely safe, and non-destructive.

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VOL. V, NO. 10

AUGUST 1, 1972

Price: 75 Paise

Why Water A Problem?

Due to increase in population and various industries coming up in Bombay, it is a problem for the authorities to cope up with the situation and at one time they had asked non-essential people to leave Bombay.

Due to meagre supply of water at odd hours, many had to get up in the mid of the night to store water, thereby disturbing their sleep.

The salvation comes only when the rains come and the lakes overflow. As a result of the rains the water is usually muddy. After drinking the muddy water, all sorts of diseases like cholera, typhoid, dysentery, jaundice, etc., crop up.

Is there any remedy to avoid drinking muddy water? The answer is 'Yes'. After years of research M/s. Balsara & Co. have put in the market PURITAS WATER FILTER, with a 100% guarantee of pure water. PURITAS not only filters water but removes all germs and is available in various sizes for homes, offices schools and factories.

Why not avail of this opportunity? See this unit at Balsara's show room or write for literature to:

BALSARA & Co. P. Ltd.,
43, Meadows St.,
BOMBAY-1.



Smile it Away...

Walrus has observed, with distaste the artificiality and the dullness associated with some of the film strips shown to promote the sale of various cosmetics, toothpastes, etc. Here comes a buxom "girl" with the elegant gait of a medium-sized hippopotamus, pursued by an elephantine lover with a gift in his hand and lo! She flashes all her thirty-two pearly white teeth protected by the Oxo-carbo-buffalo-chloride of the tooth paste x, in a big "smile" at you, sparing her lover the shock. Why, it is rather the grin of the Cheshire cat! Where is the charm of a real, subdued smile of a Mona Lisa?

A smile is not a joking matter now, but has the respectable scientific tag of "a non-verbal communication," but still it is enigmatic. Prof. Ray, L. Birdwhistell of the University of Pennsylvania, a well-known body-language lexicographer, himself cannot be sure of the meaning of a smile which may reveal a friendly spirit in one society,

may be a sign of embarrassment in another society and in still another may actually mean that hostility and attack are imminent

Dr. Henry Wade Seaford, Jr. of Dickinson College in Carlisle, Pennsylvania went one step further in studying "the facial dialects" expressed in 7440 student face gathered from 47 States of U.S.A. He has classified them under eight headings.

Even as Walrus admires this very much he is afraid that one or two more type have escaped the notice of Dr. Seaford. How do you classify the smiles of two politicians, physically shaking hands but mentally grappling each other's throat, after a big bloody fight between their men; for example, Nixon and Kosygin smiling after the escalation in Vietnam, Indira and Bhutto beaming at each other after the fourteen-day war and for that matter, Karunanidhi and C. Subramaniam snatched at Delhi, bathed smiles after the Emergency...



560,000,000 PROBLEMS?

Yes...as many as there are people

Each individual is a problem. His food, health, education, employment...all become the concern of a welfare state.

Of course, problems do exist the world over. But efforts to solve them reveal the potential....leading to progress.

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INDUSTRIAL ECONOMIST
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TRAC I.E.S



Low-Cost Nationalisation

Mr. Mohan Kumaramangalam, Union Minister for Steel and Mines mentioned a few months ago that he considered it a mistake not to have nationalised the Indian steel industry immediately in the wake of Independence. Such a step, had it been taken, would have made available the immense managerial talent to the public sector. With the help of this, it could have been possible to build up the Indian steel industry much faster during the 'fifties and 'sixties than had been achieved, he felt.

One advantage that might have flown from such nationalisation, would have been the clearance of these old plants from the disabilities inherent in dealing with the bureaucracy which very often thwarted their attempts at rationalisation and expansion. Tata Steel and Indian Iron had very good schemes of expansion which failed—largely as a result of the reluctance to permit private sector expansion.

The Steel Minister is now attempting to revitalise the steel industry through a multi-pronged drive. The first of these appears to be to take some of the top management personnel from the private sector and put them in charge of major units. It may be remembered that the chief executives for some of the large corporations coming under his Ministry—for example, Heavy Engineering Corporation and the Neyveli Lignite Corporation—are manned by professional managers who were taken from the private sector. For quite some months there were rumours of the attempt of the Minister to take some of the senior executives from Tata Steel. The recent selection of Mr. Wadud Khan, Managing Director of the Tata Oil Mills Co. Ltd., as the chairman of the holding company for steel, appears to fall very much in line with the Minister's thinking. After all if there is one thing that has been afflicting the growth of many of our public sector enterprises it is the want of sufficient managerial talent. Some of the experiments attempted in putting the private sector professional managers as chiefs of public sector undertakings did pay very good dividends. The tenure Mr. P. L. Tandon as the chairman of the STC is vindictive of the wisdom of such selections. We can reasonably expect the choice of Mr. Wadud Khan to be similarly successful.

The second line of approach of the Minister appears to be a varied version of the same practice: Taking over some of the privately managed companies on grounds of inadequate management or mismanagement. The nationalisation of the coking coal industry last year was the major attempt in this regard.

The more recent approach of the Steel Minister consists in the nationalisation of the management portion of large private sector companies. It may be recalled that the Government took over the management of the Indian

Copper Corporation a few months ago for a limited period of two years at the first instance. On July 14, the Steel Ministry announced the taking over of the management of the Indian Iron and Steel Company Ltd., for a period of two years. The take-over was effected with a promulgation of an ordinance. Indian Iron incidentally is the second largest private sector corporation. The main reason for the take-over has been the low productivity of the company due to mismanagement and the large scale involvement of the government finances in it. It is stated that approximately 53 per cent of the shares of the company was held by the Government financial institutions and it was explained that with such a heavy stake the Government was naturally anxious to get a fair return on its investment.

Indian Iron, which has a capacity to produce 1-million tonnes of steel ingots, was for a long time one of the very profitable steel units in the country. In 1966-67 it recorded a peak production of 9-lakh tonnes. But subsequently the output steadily declined largely as a result of poor industrial relations which was characteristic of many West Bengal units torn under political rivalries leading to a break-down of managerial enterprise.

At one stage, IISCO had the reputation of being the most profitable among steel units. Its earnings in relation to turnover were the highest among major steel plants in the country. The record of earnings was so satisfactory that it was possible to capitalise reserves and also issue bonus shares in the ratio of 1:1. The company also had an unbroken record of dividend payments until recently when dividend was skipped for one year. Even in 1970-71, the earnings were adequate to pay a small dividend on the equity capital in spite of a set-back in production.

Obviously poor operating performance in itself cannot be the basis for backdoor nationalisation. One can always point to the very poor performance of the Durgapur Steel Plant which has been ailing for quite a number of years now, with its production averaging around 40 per cent of its capacity. One of the basic considerations might be the possibility of clearing the expansion programme of IISCO, which has been hanging fire for a number of years now, on grounds of the company being in the private sector. Only when the Minister of Steel and his aides started working out the cost of creating fresh capacity through new units, did it dawn on them that at the present prices it is prohibitively costly to do this and that it was far cheaper to expand the capacity of existing steel plants.

As we had occasion to point out a few weeks ago, it has been estimated that the cost of creating one tonne of steel capacity through a new plant will be in the region of Rs. 3500-Rs. 4000. Which means a new steel plant with a 2-million tonne capacity would cost above Rs. 750 crores.

"You don't look as if you've spent a long hard day at the office," said my wife.



(Suspicious, that's what women are!)

Why doesn't somebody tell her about Blue Star Packaged Climate Systems?

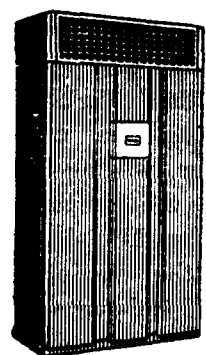
Understandable. A working woman would know better but the housewife seems to take it for granted that a day in the office ought to make a wreck of any man. Obviously, nobody's told her about highly productive modern offices and Blue Star Packaged Climate Systems!

The result of 30 years' experience and know-how these Packaged Climate Systems are designed to give you perfect working climate throughout the year. So that you work better... harder. And still have energy left to confuse your wife after a long hard day at work!

India's first and finest:

Blue Star Packaged Climate Systems

- Ideal for Banks, Offices, Showrooms, Department Stores, Restaurants, Hotels, Clubs, Canteens, Hospitals, Beauty Parlours.
- Reasonably priced and quality-built to work with amazing efficiency, economy, flexibility.
- Available in 3 capacities—5, 7.5 and 10 H.P.
- Choice of water or air cooled models.
- Dependable and trouble-free in performance; backed by Blue Star's warranty and free service for one year, and a countrywide network of service centres.



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This capacity can be achieved at less than 50 per cent cost in the case of many of the existing steel plants. It is indeed a sad reflection on the state of ideology-oriented thinking on the part of our planners, and above all the powers that be, that we should have realised this axiom that in most cases it is profitable to produce goods on a mass scale rather than try to make do with a number of smaller and newer units. Particularly for basic goods produced through conventional processes there are numerous advantages in scalar production.

IISCO submitted to the World Bank, about five years ago, a plan to increase its capacity by 3-lakh tonnes. The Bank was impressed with the viability of this scheme and sanctioned a loan for importing plant and machinery not available from indigenous sources. But, unfortunately the Government would not clear the proposals of the company and grant an import licence to secure these by utilising the loan. The subsequent deterioration in the political situation in West Bengal contributed to long delays in implementing the colliery development scheme. This resulted in a decline in the production of steel; this combined with the sharp increase in the capitalisation costs originally envisaged contributed to the World Bank having second thoughts on granting its loan. Eventually the loan facility was withdrawn and IISCO was asked to reappraise the viability of the whole project and submit fresh proposals. It was found that the cost of the scheme had increased by nearly four times in the interim period, as some modernisation was also required for renewing certain worn out plant and machinery.

There has been a similar delay in regard to modernisation schemes of Tata Steel. The difficulty arose out of the terms of the debenture issue that was recently floated; the Government insisting on the right for converting these into equity and the company understandably resisting. Ultimately the Government agreed to the suggestion of TISCO and waived the conversion clause; but this has resulted in a large delay in the company going ahead with its programme of modernisation.

With all the raw materials available in profuse quantities, steel production around 6-million tonnes per annum is a pathetically low figure for a country of our dimensions. As we have pointed out earlier, a 30-year programme to increase the capacity for steel production to 100-million tonnes should be planned right now. With this objective in view, every effort should be made to achieve substantial additions to capacity both by expanding the capacity of the existing units and by quick implementation of new schemes. It is well-known that the cost of steel plant and equipment, as in the case of so many other capital equipment, has been escalating continuously. Any delay in deciding on new schemes is bound to make the capitalisation costs unbearably heavy. The phenomenal growth of the Japanese steel industry in recent years, even with its total dependence on other countries for raw material, should give us the confidence to plan ambitiously ahead.

A Mania for 'ad hoc' Solutions....

By S. VISWANATHAN

Though Prime Minister Indira Gandhi is becoming more and more of a dynamic leader and appears in many respects the one large hope of the country to take it towards progress with stability, as an administrator one desires a more resolute and more imaginative leadership on her part. What appears to be a propensity to postpone taking decisions seems to be the weakest link in her leadership. The unseemly embarrassment she caused early this year through the delayed announcement of extension of term of Gen. Manekshaw and shelving the issue of appointing one of the service chiefs as the Supreme Commander of our Defence Services and the more recent announcement of the extension of the term of Air Marshal by a limited period without outlining the future action in this regard are only a couple of instances among the many that may be cited.

There have been for a long time speculations about the changes in the central cabinet, especially after the appointment of a number of capable Central Ministers such as P. C. Sethi, Siddhartha Sankar Ray, Ganshyamdas Oza and Nandini Sathpathy as State Chief Ministers which rendered a number of important portfolios in the Central Ministries vacant. It has been expected that the Prime Minister will make a full use of the opportunity to induct new blood as also to rationalise the distribution of the portfolios.

Hanumanthaiya Dropped Prematurely

The belated announcement on July 20 of the appointment of Mr. T. A. Pai and Mr. D. P. Dhar as Ministers in charge of the Railways and Planning respectively and the earlier resignations of Mr. K. Hanumanthaiya and Mr. Moinul Haque Choudhury appears just as another *ad hoc*, makeshift arrangements. While it may be conceded that the Industrial Development Ministry needed to be reinforced because of the very poor rate of growth witnessed in recent years, one certainly wished Mr. Hanumanthaiya had

been given a little more time to carry out some of his programmes of improving the utility of the Railways. It must be conceded that for the first time in recent years, Mr. Hanumanthaiya lifted the Railways from the quagmire of stagnation and lack of efficiency in which it has been caught up. The punctuality rate of the railways improved considerably though one felt that unduly long duration was provided for many of the train services. One heard perhaps for the first time in the recent years, ideas on long term planning involving the evolution towards a unigauge system. With all his past experience as the Chief Minister of a State and subsequently as the Chairman of Administrative Reforms Commission, Mr. Hanumanthaiya was certainly one of our very well-experienced and able administrators. It is a pity that he should have been dropped rather prematurely.

The appointment of Mr. T. A. Pai as the Minister of Railways appears to be full of promises. With his successful tenure of service in banking, Food Corporation of India and the Life Insurance Corporation of India, he

has emerged as one of our ablest administrators. There is every hope of his making rich contribution to the streamlining of the largest public sector undertaking, viz., the railways. But one feels that his services could better have been utilised either in a new ministry of Public Sector undertakings consisting of all the manufacturing and trading organisations in the public sector or perhaps in industry or finance. If this is only a temporary appointment before restructuring the cabinet, then this new minister cannot do very little in the interim period in his present assignment.

C. S. Leaving Planning at Crucial Time

Mr. Subramaniam certainly tried to give a lot of meaning and purpose to the content of planning. His stature as an administrator with proven record certainly lent a lot of importance to the concept of planning, particularly at this juncture when the draft outline for the Fifth Plan is being finalised. One feels that he could have perhaps been allowed to continue as Planning Minister till this work is finalised. Perhaps the induction of Mr. T. A. Pai in the Industries portfolio would have served this two-fold objective of permitting Mr. Subramaniam to continue in Planning as also in utilising the expertise of Mr. T. A. Pai into a field with which he has been familiar.

One has seen and heard a good deal about the ability of Mr. D. P. Dhar as an ace negotiator and diplomat. With the series of diplomatic confabulations he has been successfully concluding, he appears in many respects the Indian counterpart of Dr. Henry Kissinger though after the Peking escapade, such a comparison would be unpalatable to Mr. Dhar. Particularly after the recent heart attack of Mr. Dhar, perhaps the Prime Minister wanted him to take charge of a portfolio which will not be too taxing. But for such sinecure jobs will not the governorship come in more handy?



All in smiles...

Planning Minister D. P. Dhar and
Railway Minister T. A. Pai

Talking of Governorships, one is aware that this is an area where the Prime Minister has to take a decision with regard to the appointment in a number of States, as a number of Governors are to be replaced during

this year. Likewise the tenure of a number of civil servants both in Delhi and in the foreign service would be retiring during this year and the vacancies have to be filled up. One hopes that the Prime Minister will

come out with some imaginative appointments, taking the long term needs in mind rather than coming out with some *ad hoc* solutions to placate a few here and place a few there.

A Grand, Grand 'Tamasha'...

Indian Oil Corporation, along with Automobile Association of Eastern India, is planning to organize a 6900-km rally through the major cities of India. The rally will commence simultaneously from Bombay, Calcutta, Delhi and Madras on December 17 and finish on December 24.

In a chat with pressmen Indianoil's Managing Director Kamaljit Singh has said recently in Madras that the event has a two-fold objective: (1) to create road consciousness among the thousands of motorists and other users in India and (2) to promote tourism. He also hoped that the rally would provide an endurance test for the men and machines participating in the event and help find out the quality of the Indian cars.

One has certain doubts in regard to the realisation of the objectives outlined by Mr. Kamaljit Singh; car manufacture in the country being at a very low level, restricted to three manufacturers, there has been no worthwhile competition among these; the demand for automobiles is far in excess of the supplies and a prospective buyer, in the absence of any choice worth mentioning, has to wait for a long time and accept whichever is available at his point of requirement.

The following table indicates car production in the country in 1971:

CAR PRODUCTION IN INDIA — 1971		
Manufacturer	Brand	Number produced
Hindustan Motors	Ambassador	24,665
Premier Automobiles	Fiat	12,821
Standard Motors	Herald	827

At these low levels of production and in the absence of any competition, one cannot expect a great degree of enthusiasm on the part of these manufacturers to participate in a full measure and utilise the benefits of the experience gained to the production of better cars. In the advanced countries, the various car manufacturers participate eagerly in such rallies. When one takes into consideration the development of automobile industry in major automobile producing countries such as the US., West Germany, Japan, Italy or Britain, motor races or rallies provided the opportunities to perfect their machines and to compete in the event. This naturally presupposes a high degree of competition among the manufacturers, which will make it necessary for them to constantly improve the quality.

Lukewarm Attitude...

On the contrary, participation of automobile manufacturers in India in the rallies has been, to describe it at its best, lukewarm. In the Sholavaram races, for example, the three manufacturers offer handsome prizes to winners of particular events; but as companies they do not often sponsor any participants.

A second lacuna, which follows the first as a matter of course, is that in such events one finds a large number of foreign cars participating. It is better the sponsors give some thought and try to give certain weightage to brands which cannot stand competition with well established ones.

The claim that the rally will attempt to create road consciousness among the thousands of motorists is again a bit vague. It has been stated that the total participants would be restricted to around 200. Obviously the class of participants who will partake in this will be from the leisured class who can afford to spend the time and of course the money involved in such rallies. Naturally they must belong by and large to that class of travellers who must already have a better road consciousness than most other motorists.

1000 km Per Day...

Again rushing through the different centres and finishing the rally in seven days would mean an average driving of 1000 km per day. This will leave very little time for anybody to have a look at any city, leave alone appreciating the tourist spots *en route*. Assuming that one drives for about 16 hours in a day he has to cover a minimum of 60 km on an average per hour, which is quite a lot of distance, it will leave little inclination to admire or even enquire about tourist spots.

Motor sports by every means needs to be encouraged. But organising such rallies at this stage of automobile manufacture in the country with little competition would serve little purpose other than perhaps selling some gasoline by the IOC. Mr. Kamaljit Singh has, of course emphatically denied that this was not the purpose.

—S. V.

The Academic Battle From Non-academic Trenches

(From a Special Correspondent)

The battle of nerves fought between the Kerala Government and the managements of private colleges over the fee unification issue has not yet ended. On the contrary it is now assuming communal and political overtones which are bound to create more complications and place impediments on the path towards a solution satisfactory to all concerned. The controversy was sparked off by the ordinance of the Kerala Government promulgated in the last week of June, ordering a uniform fee structure for all colleges in the State irrespective of their ownership by government or private educational societies. Starting as a debate on the economics of running such institutions, it has now acquired new dimensions with the injection of communal politics—always a dominant influence to reckon with in Kerala.

Private Volunteer Forces

It is fortunate that so far the tussle in Kerala has not led to any violent clash but one must keep one's fingers crossed, what with the managements of private colleges trying to enlist a "volunteer force" to "protect" their colleges from a physical take-over by the State Government and with the Government equally firm; in the words of Home Minister Karunakaran, who addressed the Congress workers, "to resist any move to create anarchy" in the field of education. Significantly religious leaders of some sections of the public, have not only taken a pro-management and anti-government stance in the matter but have also started making impassioned appeals against incursion into "minority rights." On July 16, the streets of Cochin were reported to have worn an appearance reminiscent of 1959 "liberation struggle" which ousted the then communist government, with lakhs of Catholics—priests, nuns and laity, students, nurses and teachers—taking out a protest march to hear the Archbishop of Ernakulam, Cardinal Parecattil exhort them to be ready for any sacrifice to "defend the sacred minority rights." He

also said that the Christians would not countenance any "inroads" into their minority rights and hoped that the "martyrdom" by many during the 1959 "liberation struggle" would not go in vain. Even though less vocal, some other managements run by certain other communities, notably Nair Service Society and perhaps a few Moslem institutions have equally strong feelings against the government measures. The ebullient student wings, especially of Congress shade, are equally determined that the progressive policies of the government must be implemented at any cost, come what may, as the vested interests will fight such moves tooth and

nail anyway. While it is amusing to observe that what started as a storm in a tea cup has now spread over other delicate regions as "minority rights", a careful analyst must take into account the peculiar cross currents of corruption intermingled with communal politics dominating the Kerala scene from the beginning, to understand the demand of quick remedies, some even unthinkable drastic.

'Sledgehammer to Swat a Fly?'

Indications of the rumbling storm were available even from mid-June. There were quite a few who could foresee the turn of events that would take place; there



Defying the rain-God in an attempt to defy the Government directive on fee unification. Will 1959 repeat itself when organised opposition dethroned the Communist government? Perhaps not, with the Ruling Congress also a constituent of the present coalition.

Photos: Courtesy: 'Malayala Manorama'

were many who could see the malaise afflicting the system of collegiate education in Kerala: What with the extent of corruption that was rampant in many institutions which have been collecting money by dubious devices like capitation fees for getting into the college and compulsory 'donations' from prospective candidates applying for the posts of lecturership.

'The Hindustan Times' for example, has given a graphic description of the state of affairs as early as June 20. Taking sides with the management, the daily observed. "It is obvious that the KPCC: is viewing the problem in purely local terms and ignoring the wider implication of the remedies it canvasses. In seeking to swat a local fly in the form of a dubious educational system in Kerala, it is wielding a sledgehammer that will put an end once for all to a valuable national guarantee." It feels that there are far less drastic remedies for curing the ills of most of the wholly private managed colleges.

What kind of "less drastic" remedies for this malaise of extorting money for admission from students and for employment from teachers could be prescribed? This shameful practice has almost been accepted as a "natural" levy in the case of many of the private colleges. A correspondent in the "Letters to the Editor" column of a city daily indignantly complains about the "price list" for admissions and appointments in some of these institutions: Rs. 500 for pre-degree course, Rs. 1000 for B.A., Rs. 2000 for B.Sc., Rs. 3000 for M.A. and Rs. 5000 for M.Sc. and according to him, an auctioned lecturer's post fetches as much as Rs. 15000! A sordid picture indeed, about which any government, worth its salt, ought to do something.

The Controversial Ordinance

The first lightning move of the government on June 26, was to promulgate the controversial ordinance on the unification of fee structure in all the colleges in the State. It prescribed the tuition fee of Rs. 124 per annum for pre-degree course, Rs. 144 for B.A., B.Sc. and B. Com. courses, and Rs. 160 for M.A., M.Sc. and M. Com. courses, of course, allowing for other legitimate fees such as library fee,

laboratory fee and the admission fee. The University itself forwarded communications to all the managements to reopen the colleges before July 3 (which was subsequently changed in another ultimatum, to July 10) and it warned that "appropriate action" under the statutes will be taken, if the managements did not comply with its order for reopening and also if they failed to collect fees, strictly as laid down by the government. The government orders fixing the above fees can themselves be criticised on some counts. If the fees levied by a few managements were exorbitant, these fees fixed by the government were really too meagre. There are many who question the wisdom of perpetuating the fee structure at a low level for such a long time and even now according to them, the existing difference in the annual fee for, say, the pre-degree course in a government college and a private college may not exceed forty rupees. The fact of the matter is, that even the Padmakumar Commission appointed by the government earlier, while remarking that corrupt practices do obtain in some institutions, also observed that the managements of the private colleges could not afford to lower their fees to the level of those in the government colleges. It suggested a compromise of increasing the fee in government



Another view of the procession organized by the Church and the Nair Service Society in Kerala against fee unification.

Photos: Courtesy: 'Malayala Manorama'

colleges slightly and lowering the fees collected by private managements to that level. This was dropped by the government obviously under the vociferous pressure of the students' organisations.

Management Association Rejects 'Varsity Directive

There was a sharp reaction to the fee unification move from the Private College Managements Association which met in Changanachery on July 1 in a joint assembly with representatives also from the Churches and Nair Service Society which dominate the association. The participation of leaders from a political party-Kerala Congress lent also a political colour to the situation. A decision was taken, not only to reject the University directive for reopening the colleges before July 10 but even to raise a "volunteer Corps" to defend the colleges physically from forcible take over by the Government and to try to "paralyze" the working of the Government colleges and such of the private colleges which were to be reopened. The Government sources interpreted this as a counter-move against the University proposal to introduce shift system in the reopened colleges to admit more students and promptly warned of stern action against it. There was a split in the stand taken by the managements, since Sree Marayana Trust of Ezhava Community announced that it will reopen all the 12 colleges under its control while the Muslim educational institutions also decided to do the same from July 3. They were satisfied with the reported move of the Government to appoint lecturers in private colleges on a communal reservation principle bound to benefit them, while the Christian and Nair associations were afraid such a move will affect them unfavourably. The Government, on other hand was assured of solid support by the Private College Teachers Association and most of the student organisations in its tussle with the managements of private colleges.

A Rs. 100 Crore Business

July 10 came and in spite of this deadline set by the University in grim terms, only 34 of the private colleges were found to have resumed working while the remaining colleges numbering 70 under Christian and Nair Service Society managements were

still kept closed in defiance of the orders of the University and the Government. Cardinal Parecatil, on behalf of the Church and Mr. Kidangoor Gopala Krishna Pillai, General Secretary of N. S. S. and the President of the Private College Managements Association sent a memorandum to Prime Minister Indira Gandhi, requesting for her intervention in the dispute. They alleged that some parties and groups were trying to take over the private educational

agencies, which catered to 89 per cent of college students and had invested Rs. 100 crores for their establishment and maintenance. As to the propaganda that the public exchequer was drained by the grants to those institutions, they pointed out that the Government was spending only Rs. 200 per student in a private college, as against Rs. 600 spent on a student of a State-run institution. While declaring their incapacity to even pay their staff with

the proposed levy of the fees, they welcomed the Government to pay their staff directly as in the case of secondary schools. The Prime Minister, of course declined to intervene in the matter leaving it to the good sense of the parties concerned to settle the differences.

Control Over Admissions

The Liaison Committee appointed by the government placed two clear alter-



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natives for the managements. The first was to accept the fee unification without any extra grant from the State (already the government is bearing 80 per cent of the expenditure on staff through the usual grants). The second alternative provided for the government paying the teachers directly from the exchequer, in return for a control over the admission of students and appointment of teachers through appointing a government nominee and as university nominee on the selection committee. The first has been rejected outright, while the second is acceptable to the managements only with a modification. The government is welcome to pay the teachers directly but the managements would not accept any government and University nominees to the selection committee for the approval of admissions of students and appointment of teachers even though they are willing to permit "some control" by the University and the govern-

The Theory of Relativity...

"Any group is a minority or majority depending on its location. The Tamils are a majority only in Tamil Nadu and can claim minority rights in other parts of the country. If educational institutions run by minorities at a place also serve the majority of the majority community in that locality, why should they be accorded special privileges?" asks a renowned jurist.

Perhaps in a democracy any organized resistance can effectively torpedo even perfectly constitutional and sensible directives complains a prologonist of the unification issue.

ment which may send "observers." The sub-committee of the liaison committee met on July, 20 to review the talk the Ministers had with the representatives of the management, taking note of this slight shift on the part of the managements to accept "observers" from the University and the government in to the selection committees. However the sub-committee felt it cannot compromise on the united stand of offering the two clear-cut alternatives without the mandate from the Liaison Committee which was to meet on July 28.

Threat to Alliance

It is interesting to note that, the Muslim League leader, Syed Abdur Rahiman

Bafaki Thangal who also took part in the deliberations, later expressed a feeling that the fee unification decision was taken by the Liaison Committee "without careful thought and this has embittered the minorities who had built up their 87 colleges with their blood and toil." He thought that the Liaison Committee has, therefore, to make "some adjustments" as in his words "the people want peace, not anarchy."

Understandably, this has come as a shock to the KPCC. All the while the Muslim League, a constituent of the Kerala coalition government, had been silent over the issue. In fact, Education Minister Mohammed Koya has been vitally connected with all the decisions that the government had taken and the sudden decision of the Muslim League President to criticise the government sharply has been resented by the KPCC leadership.

Mr. A. K. Antony, K.P.C.C. General Secretary, immediately refuted this statement, saying that the fee unification was a unanimous decision of the Alliance parties after careful considerations of all issues involved and according to him, the Congress party was determined to stand by the pledge to the people in this matter and face any difficult situation, come what may.

An Adviser to the Selection Panels...

Dr. George Jacob, Vice-chancellor of Kerala University tried his hand as a mediator in the dispute to no avail. He proposed the sending of an "adviser" instead of a "member" to the selection panels, representing the University, for in his view such an adviser can more efficiently serve the purpose of controlling the admissions and appointments. Whatever the adviser approved of would be endorsed by the University while if he sends an adverse comment, the University may take its own decision about the matter. While this may be acceptable to the managements, it has met with strong disapproval from the Congress youth and student wings. In fact, Mr. M. M. Hasan, Congress student member of the Kerala University Senate came out with a statement criticising the Vice-Chancellor for his attempt "to save the face of private managements." Nothing less than "an effective control" over the managements is acceptable to such a faction, since it argues

that with the introduction of new fees, the managements will be on a more detestable rampage to collect "donations" from the staff and the students.

More Pronounced Religious Involvement

While little sympathy seems to be forthcoming from the general public, press and youth wings to the managements, it is significant that "religious" involvement is becoming more pronounced every day. The Kerala Bishops' Council for Higher Education at its meeting on July 22 at Trivandrum insisted on "absolute freedom" in the matter of appointments and ruled out any "surrender" by the Christian managements on the issue of minority educational rights. As a great chunk of the public exchequer goes to the support of all educational institutions, such rights must naturally be well-defined and geared to the general social welfare of the nation. Fr. Joseph Vallamattom, the Secretary of the Managements Association at Quilon, is reported to have said that the catholic institutions must comprise of teachers of their own community and if any syllabus is against their faith, it will not be taught. He cited the example of a lesson on Lenin found in a school book and said that they issued orders to their schools not to teach that particular lesson.

This emotional involvement of Church with the managements has surprised quite a few. According to a Christian professor interviewed by the author of this article, the Christian managements were always above board so far as the "capitation fees" and "donations" were concerned. They never collected them and only a few institutions belonging to some other denominations were the guilty lot. He felt that perhaps the Christian managements wanted to show a kind of "class solidarity" with other managements, being drawn into the vortex of unpopularity as a result.

With such strong, emotional undercurrents, a happy solution for the confrontation problem is nowhere in sight, unless a miracle on the minor scale happens to the murky politico-religio-social tangle to resolve itself. During the Puthenpura episode, one may remember that Air-India came out with a brilliant, witty and biting ad "Kerala scandal: Nun of my business!" muttered by the Maharaja. Possibly the Maharaja is busy coining a new one to depict the present.

Glimpses

By P. R. SRINIVAS

Price Trends Disquieting

Current trends of prices have been such as to cause serious disquiet. The reversal of the steep rise at an annual rate of 12 per cent in the two years ending 1969-70 proved short-lived, followed, as it was, by a rise of 5 per cent. The decline to 4 per cent thereafter again suffered a reversal, during the first quarter of the current year. A rise of 7 per cent over a year with a spurt of as much as 3.1 per cent in one month shows the strength of the inflationary forces now at work in the national economy. What is more, there is the threat of further reinforcement of the inflationary forces. The Pay Commission's report is due shortly and such increases as may be granted might well prove inadequate to offset the rise in prices. The selective credit policy falls between the two stools of inadequate advances for industry and innocuousness in the restriction of money supply. Whatever that may be, the nationalised banks are being prodded to lend freely to what have come to be called "the weaker borrowers" and at lower rates. More money in the hands of people, who have not learned to use it without harm to themselves or to the national economy is by no means an aid to stabilising prices. The Fifth Plan has an ambitious social welfare programme which is estimated to cost Rs. 11,000 crores. Its implementation is bound to worsen the price situation both by the means adopted for raising the funds and by the choice of channels for their expenditure. Additional taxes, which will be necessary for augmenting the resources, will put up costs and impede the rise in output, while the outflow of funds on account of social service will add to the purchasing power.

Let Go the Reins and Tug at Tail

All the talk that there has been in recent months about the economy being poised for a big leap forward would prove to be a vain boast, if the

price situation gets out of hand. But you can't control prices if, as a Tamil saying has it, you let go the reins and tug at the tail. Economic policies are by no means framed or implemented with an eye on the stability of prices. If on the one side, policies have to be followed which call for high taxes, large scale deficit financing and liberal advances to certain classes of borrowers and expenditure and investments which will only add to purchasing power, the least that the Government can do is to break the shackles of industry and encourage it to maximise production. Normally, an inflationary situation should be tackled from the goods as well as the monetary side. But in a country in which government and people have set their hearts on planned development, the monetary approach is virtually barred. Money must be laid out on projects which have a slender chance of success, whether the money is derived from genuine savings or taxation or creation of new currency. The other approach alone is open to the authorities. And they must be keen to exploit every means of increasing production in all walks of life. The tragedy of the situation in India is that official policies are calculated to hinder production, not only by grudging credit to industry, but also by denying organised industry the right to give of its best to the country.

Personnel Policy in the Public Sector

Considering the irritatingly repetitive character of the discussions on the personnel and other problems of the public sector units, it is strange

that the Government goes on convening these conferences without proceeding to make definite decisions whenever possible. A Cabinet sub-committee is said to be examining the report of a committee of secretaries on the subject while the then Minister for Industrial Development, Mr. Moinul Haque Choudhury convened a two-day conference of chief executives of public enterprises for discussion and consultation on these problems. The personnel problem has apparently been pushed to the fore by the intense dissatisfaction of the executives with the present method of recruitment. A system of recruitment by the Bureau of Public Enterprises acting through two or three secretaries with no pretensions to expertise on the questions involved may be said to stand self-condemned. But no clear-cut conclusions would appear to have been reached on this matter. On the other hand, the Minister shifted the focus of attention away from the subject by pointing out that shortage of raw materials, particularly iron and steel, had hamstrung industry. There is nothing new in this. Nor in the complaint that sufficient powers have not been delegated to the heads of public enterprises who have to await approval from Olympus even on minor matters. But this is probably the first time that one hears of a ministerial complaint that labour problems are not brought to the notice of the Government because of the fear of the executives that such reference would be construed as a reflection on them.

Mr. Choudhury had, however, expressed his confidence that the undertakings under the administrative control of his ministry, where current losses amount to Rs. 3 crores, would soon move out of the red. What a consolation in the face of losses running into tens of crores in many bigger public sector units?

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Sugar: Again in the Melting Pot

The affairs of the sugar industry are in the melting pot. For the first time in several years the differences among the members of the Indian Sugar Mills Association have come up to the surface. The Uttar Pradesh and Bihar sugar mills have been insisting that there should be differential prices for cane and differential levy prices for sugar so that their special difficulties can be overcome. This idea was not accepted by the Government. To avert a difficult situation and to ensure continuity in the availability of sugar at fixed prices, levy prices were fixed for the different States on the basis of the formula recommended by the Tariff Commission.

It was hoped that Government would listen to the representations of the Uttar Pradesh and Bihar Governments for higher levy prices especially when the Maharashtra and Andhra Pradesh Governments had also submitted to the Centre that the new sugar policy would have a discouraging effect on production in the next season. The Union Minister for Agriculture Mr. Fakhruddin Ali Ahmed, however, rejected the plea for higher levy prices on the score that the higher cane prices paid by the industry had been taken into account when fixing prices for levy sugar and there was even a case for reducing open market prices for the sweet commodity. Lala Balsidar, President of the Indian Sugar Mills Association while approving the stand taken by the U.P. and Bihar Governments stated that there should be a uniform price for the levy sugar all over the country by making suitable adjustments in excise duties. This suggestion did not find favour with the Government as it meant a needless disability on the more efficient units in Maharashtra, Andhra Pradesh, Tamil Nadu and Mysore. Mr. Ahmed could only state that a long term policy was being evolved, without giving any clue as to the shape of the new policy.

There is need for a pragmatic approach to the whole question as the output of sugar has to be raised, by nearly 21 lakh of tonnes from the level of 1971-72, to 52 lakh tonnes by 1973-74. On the basis of earlier re-

ports, it was estimated that the production of sugar would increase to 42 lakh tonnes. It is now expected that the target would be difficult to achieve because of the disability imposed on the industry to pay higher cane prices. The production figures for the first eight months of the current season indicate that total production for 1971-72 will not be exceed 31.50 lakh tonnes and that the carry-over to the next season will be barely around 5 lakh tonnes if the monthly releases were unchanged at 3.1 lakh tonnes. Though higher open market prices for sugar have been responsible for a lesser consumption, the off-take in the home market and for export would be atleast 45 lakh tonnes. If the production in the next season should come to only 40 lakh tonnes, there will develop an acute shortage by May-June next year.

The Dilemma

The Union Ministry of Agriculture is really in the horns of a dilemma. It does not want to increase the levy price for sugar unduly, and yet is anxious to placate the cane lobby. What is, however, difficult to understand is that price for levy sugar can be based on a notional minimum price for cane when a higher price has to be paid for all cane supplied to a factory including the quantity involved in the manufacture of sugar for controlled distribution. Mr. Ahmed has, of course, said that this factor has been taken into consideration. He is probably thinking of a higher price realised on sales of sugar in the open market and the sizeable profits in the aggregate made by mills which have been successful in raising production and working for a longer season. The units in U.P. and Bihar which have been responsible mainly for the drop in production by over 6 lakh tonnes in the current season have of course been unfavourably affected by the new prices for levy sugar as they are below those available under the voluntary agreement and it has been contended that the quantity for free sale has been affected by a lower level of production in the current season. Many writ petitions have, therefore,

been filed in the Supreme Court challenging the validity of the Government's decision. This is likely to be nullified if there was an aggregate loss though it might be contended that payment of higher cane price was voluntary and not mandatory and the producer did so in the full knowledge that a higher cane price will inflate costs and reduce profit margin in the absence of higher average ceiling prices for sugar. In the face of the many legal wrangles the decision of the Supreme Court on the pending writ petitions is eagerly awaited.

Impractical Pricing Norms

However, while the U.P. and Bihar mills are entitled to a fair deal, it will be wrong to introduce norms for fixing prices and quotas which have been discarded a long time back as being unpracticable and inequitable. The sugar mills in Maharashtra, Andhra Pradesh, Tamil Nadu and Mysore have fared better because of the greater assistance given by them to the cultivation of cane and to the use of modern machinery. The duration of the season is not less than two hundred days in a year against 120/130 days in U.P. and Bihar. Apart from inadequate cane supplies, in the latter regions because of the more remunerative character of competing crops, sugar machinery is outdated in many factories; the capacities also are low. By contrast, the average capacity of any sugar mill in the southern region is around 1,500 tonnes daily and almost all units in the private sector have been implementing expansion schemes. The South Indian Sugar Mills Association is naturally sore over the fact that the demand for differential prices for levy sugar and differential cane prices are being repeated and there should be a uniform price for sugar all over the country with suitable adjustments in excise duties. The proper course would be to rehabilitate the sugar mills in U.P. and Bihar through rationalisation and modernisation.

Not long ago it was argued that sugar mills in Tamil Nadu and Andhra Pradesh were inefficient because of lower recovery. It is true that in Tamil Nadu particularly, the

average recovery is lower than in U.P. But the sugar yield per acre is more than 2½ times than that secured in U.P. Tamil Nadu is naturally better suited for sugar production than U.P. or Bihar; as the same acreage can yield even three times the quantity of sugar and because of planned cultivation of cane sugar machinery can be utilised for even 300 days in a year. What has really been responsible for pushing up the cost of sugar is the formula for payment of

cane based on a recovery of 9.4 per cent. If the new formula suggested by the Agricultural Prices Commission is accepted the existing anomalies in pricing of sugar will be removed. The South Indian Sugar Mills Association is naturally upset over the partisan attitude adopted by the Indian Sugar Mills Association and it has been recently decided that it should have its own liaison organisation in New Delhi for promoting its interests. It is time ISMA

realises that it has a responsibility for promoting policies which are good for the country as a whole and not for any particular section of the industry. The basic recovery should be fixed at 9 per cent for payment of cane prices and there should also be attractive rebates in excise duty for early and late crushing. It is up to the Government to formulate a policy in the best interest of the industry and see that a sugar famine is averted. —(FOC)

Declining Trends in Food Production

Expectations can still Materialise

Latest reports indicate a decline in production of foodgrains by 2 million tonnes, from 108 million tonnes in 1970-71 to 106 million tonnes in 1971-72 as against the target of 112 million tonnes. With the widespread adoption of new techniques of cultivation and an increase in the area under high yielding varieties, even a new record of output of 120 million tonnes was anticipated by 1973-74. The expectations in this regard can still materialise if there is no shortage of seeds, fertilizers and other inputs.

The purchases effected by the Food Corporation and other agencies in 1971-72 marketing season were quite satisfactory and buffer stocks increased to nearly 8 million tonnes by the middle of the last year. The subsequent growth in these stocks could not be spectacular because of the need to feed millions of refugees and the later despatches to Bangla Desh. Even so, with successful procurement operations in the past three months buffer stocks have risen to over 9 million tonnes in spite of sales effected earlier in the year to bring down prices.

The output of wheat has probably been satisfactory and there might have been a decline in the yield of coarse cereals though it is hard to believe that the output of these cereals would have been affected seriously when bigger groundnuts and cotton crops have been grown. Unless it can be argued that there was a diversion from food to commercial crops in the rainfed areas

there can be no rational explanation for the lower output of foodgrains. If this view is accepted, experts should not have been taken by surprise unless the estimates were faulty or there were exaggerations in the 1970-71 estimate.

While it may take some time for the actual truth to be found, the food situation is not in any sense difficult even taking into account the complete suspension of concessional imports. The Union Minister of State for Agriculture, A. P. Shinde, has stated that the proposal to start export of food products has been abandoned in view of the lower output and the need to supply large quantities to Bangla Desh. There has probably been also smuggling across the borders into Tibet and elsewhere besides clandestine supplies to Bangla Desh in its serious deficit pockets. These developments must have been responsible for the upward trend in prices for wheat and rice in particular regions and the anxiety created by the prolonged dry spell in many North Indian States.

Shortage of Fertilizers

As in the case of steel the Government has made serious miscalculations and the restrictions on imports in the absence of a corresponding improvement in indigenous production of fertilizers has created a difficult situation which if not got over in time, may have serious adverse consequences. In earlier years there were excessive imports and the large sums in foreign exchange were tied up in unwanted stocks. Hence expecting a rising level of production,

the imports staggered steadily. The base stocks, however, are now at a level which is not adequate for meeting the needs of all regions and their uneven distribution has given rise to serious shortages in particular areas. In recent months, unexpected delays in commissioning new plants and a hold-up of imports even against firm contracts have for the first time created a sense of scarcity.

The developments in the khariff season have, therefore, great significance and a high level of production of food and commercial crops can be achieved only if available fertilizer stocks had been properly used and fresh supplies were rushed to the different areas either by augmenting imports or maximising internal production. Fortunately there is no shortage of raw materials like sulphur or rock phosphate. But the delay in commissioning the Cochin and Durgapur plants, the pronounced strike in the Alwaye unit of Fertilisers and Chemicals Travancore Ltd., power shortage and other factors have had a disastrous effect on the operations of many units and indigenous production in 1972-73 may not be much higher than that in 1971-72 and unless imports were doubled the stock position cannot be normalised and the demands of all farmers met. If the commercial banks and cooperative credit societies made serious efforts to extend their credit to small farmers and marketing facilities also improved, there may be a faster growth in consumption of fertilizers reflecting in a continual upward trend in foodgrains production.

Discouraging Trends in Export

The low level of industrial production within the country, confusion in the international monetary situation and worldwide recession in the steel industry have been responsible for our miserable performance on the foreign trade front in 1971-72. Against the earlier expectations that a new peak would be touched in respect of exports, with a growth rate of over 8 per cent, the actual increase was a mere Rs. 32 crores to Rs. 1567 crores. How this small rise of 2.1 per cent came about when there was a growth of 8.5 per cent in 1970-71 and 4.5 per cent in 1969-70 is hard to explain. In the past year exports of gunnies alone have risen by Rs. 110 crores while there were larger earnings through tea, cashew and hides and skins. But a decline in the quantum and value of exports of iron ore, manganese ore, ferro-manganese and various other items have offset the gains in staple exports. This is hard to believe as the set-back in some directions has not been of the dimensions indicated. The depressed figures for 1971-72 may be partly due to the bloating of the data for 1970-72 and it may be recalled that there was a controversy sometime back over the data provided by the Union Ministry of Foreign Trade as the Reserve Bank was unable to reconcile its foreign exchange accretions in a twelve month period with the value of exports published by the Government.

Can Exports Catch-up to Keep to Over-all Target?

While it is likely that there was unnecessary credit in respect of imports for particular items which actually related to in the previous year, the fact remains that between the two years there has been a growth rate of only 5 per cent and in the last two years of the Fourth Plan it will be difficult to overcome the shortfall of over 2 per cent in the first three years and also achieve the postulated 7 per cent growth. This will mean that the growth in the current year and next will have to be 10 per cent each year calling for an increase in exports by an aggregate of Rs. 350 crores.

Little Scope to Reduce Imports

The Union Ministry of Foreign Trade does not seem to be very much upset over the big increase in the trade deficit in the past year to Rs. 286 crores from Rs. 90 crores as a result of a jump in imports to Rs. 1883 crores from Rs. 1625 crores. The explanation has been put forward that there were undue stresses and strains in 1971-72 on account of the currency crisis, the Indo-Pakistan conflict and the recession in the steel industry in Japan. It is overlooked, however, that there had to be massive imports of steel, raw cotton chemicals and intermediate products while the value of crude oil imports were inflated considerably by the hike

in prices made by the international oil companies. In the current year there is no scope for cutting down imports of steel though there is a possibility of saving of expenditure on raw cotton because of a bumper crop. Against this however, fertilizer imports will have to be doubled while there will be a further increase in the cost of crude oil and petroleum products by over Rs. 49 crores. It is not, therefore, correct to expect that there will be decline in imports in the current year and at best they can be contained only around the level of last year.

The outlook for 1972-73 is not encouraging. There has already been a decline in value of exports of gunnies and on account of keen competition from substitutes and easier availability with conditions returning to normal in Bangla Desh there are reports of the Government being compelled to reduce the export duties on gunnies. There may not be any big rise in exports of iron ore until later in the year. It may be possible to stimulate exports of cotton textiles, mica, coir and coffee to the rupee payment areas but in the absence of an improvement in the availability indigenously there may be a sharp rise in prices, for the affected commodities. Already this is happening in the case of coffee as huge quantities have been sold to the Soviet Union. As it has been also stated by the Union Ministry of Foreign Trade that exports of engineering goods in the past year had to be curtailed because of the shortage of steel in spite of liberal imports it will not be possible to boost substantially exports unless there was a sharp rise in industrial production with a better utilisation of existing capacity. The country is in a position to produce more steel, aluminium, caustic soda, soda ash and other items with industrial peace and the supply of essential raw materials and components, which have to be imported in some cases. The slump in the growth rate in industrial production in the past year has been mainly responsible for the miserable performance on the export front and the big rise in imports. Unless industrial activity could be revived on the desired scale all efforts at maintaining a growth rate in exports of over 7 per cent will not mean much. —Meenam

Satellite Towns and Industrial Growth

The concept of satellite towns was put across to the industrialists of Tamil Nadu the other day at a meeting convened by the Chairman of the State Industries Promotion Corporation (SIPCOT). What should be done to counter the pull of the Madras Metropolis and take away the industries to places quite some distance away? Why this should be done is common knowledge. Metropolitan growth has been taking place by steady and rapid migration of population from rural and semi-urban areas to Madras in the wake of the creation of employment opportunities here. The people crowd round the City with a view to improving their economic standards and satisfying their increasing expectation of higher level of services in education, health, recreation or social life. The snowballing effect of this uncontrolled migration has given rise to various complex problems. One attempt the Government is making to solve these problems is by positively discouraging such migration and even reversing the flow. The satellite town concept was conceived in this context.

The whole idea is closely linked with provision of employment and the industrialists, therefore, come into the picture in a very vital way. The Government is understandably wooing them in the matter. In fact, at the conclusion of the meeting the SIPCOT Chairman exhorted the industrialists to adopt one satellite town either singly or in combination with one or more and set an example to the rest of India.

Three Satellite Towns Around Madras

The Government has, come forward with a proposal to build three satellite towns within a radius of 30 miles from the City to act as poles of attraction to the future migrants. The towns contemplated will be at Gummidipundi on the north, Tiruvallur on the west and Sengundram (near Chingleput) on the south. These towns, according to the proposal, are to be entirely independent cities providing within them all opportunities and facilities for their full development. The towns would provide for full and varied employment of the working force.

As a strong economic industrial base is a *sine qua non* for the success of this strategy, the scheme cannot be light-heartedly taken up without full and sympathetic cooperation from the industrialists who alone can make it a success.

The Government's proposal is lacking in many details and one would have thought the Government would have worked out all details before seeking the industrialists' cooperation. The entrepreneurs who attended the meeting organised by SIPCOT did promise sympathetic consideration of the concept of satellite towns and an active part in its implementation. But those present at the meeting would not have missed the very cautious approach of the industrialist to the whole question.

Information Wanting

Information is wanting on any number of aspects of the proposed satellite towns. It is certainly known that one of the successful ways of reducing congestion within the mother city is the establishment of new towns so as to hold up intensification of its activity. But for the satellite towns to perform the functions expected of them, they

A TEN MILLION POPULATION BY 1990

To back the satellite town programme a few statistical support figures can be given. Over the last 30 years the City has registered a three-fold growth. The trends indicate that in the course of the next twenty years the present three million population many become anything upto ten million. Staggering indeed! One could very well imagine the kind of life that will be in store for the people of the City when the anticipated increase in population materialises without proper development of control and planning. It cannot also be denied that in the past there has been no plan of development for the metropolitan area as a whole. In the result, there has been uncontrolled sprawl among the main roads leading out from the City aided by location of industries all along the route. The only consideration for locating them would be the facility offered by existing communication links.

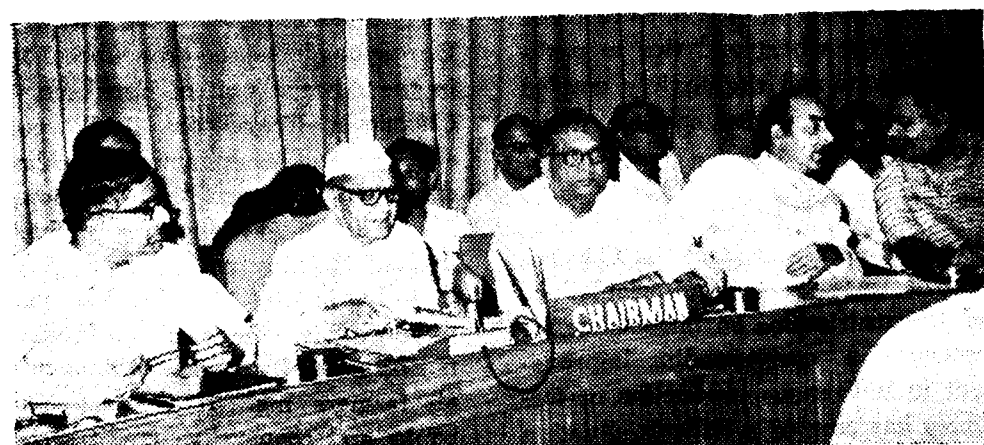
must serve as countermagnets and this requires that they be sited properly. Are the three places chosen for development of Madras' satellites sited properly? There were many in the meeting who felt there could be modifications in the sites.

Why So Close to Madras?

Why should they be so close to Madras? Even assuming industries get started there, will not the mother city continue to be a powerful attraction for the workers and other employees, and will they not choose to go from the City to their work places? Only vast programmes of construction of houses with amenities the like of which could not be had in the City could deflect the workers away from the city. This is something that the Government has to undertake.

Why call them satellite if they are going to be designed as independent cities? Is it because of their proximity to Madras? Some industrialists think that the towns can be sited at places farther away. They are sceptical of the success of the plan with the economic forces governing the location of industries being so overwhelmingly in favour of Madras City.

Independent towns with all opportunities and facilities especially in the sector of employment, housing and other amenities and facilities can be built up sufficiently away from Madras. But is not there already a policy with the Government to encourage location of industries in areas other than the City? Is not the package scheme of incentives to encourage the development of industries in these and backward areas working to the Government's satisfaction? Is not the satellite town scheme overlapping with existing schemes? To many industrialists this will be an oversimplification. The idea of satellite towns does have relevance in today's conditions of metropolitan growth and is bound to provide great relief provided the towns are properly sited. The suitability of the places chosen for developing the three towns should be thoroughly examined before further action is taken.



Mr. Fakhruddin Ali Ahmed, Union Minister for Agriculture, presided over the Chief Ministers' Conference on Land Reforms in New Delhi on July 23, 1972. Photo shows (left to right) Messrs. C. Subramaniam, Union Minister for Industrial Development; Fakhruddin Ali Ahmed, H. R. Gokhale, Union Minister for Law and Justice; D. P. Dhar, Union Minister for Planning and K. C. Pant, Minister of State in the Ministry of Home Affairs

How About Meeting the City's Inadequacies?

Another question could also be legitimately asked. Should we not proceed to meet the inadequacies within the City before providing for a big outlay on creation of satellite towns with all amenities? There is some truth in this. The inadequacies within the City as they surface should be immediately attended to and quite a sizable sum must be earmarked by the Government for this purpose. Perhaps we need not indefinitely hold over the satellite town scheme in the hope that before a particular deadline the City's problems are going to be solved. The two can proceed side by side.

Shifting a Part of City's Population

The Government's proposal is rather vague, so vague that many industrialists imagine that the Government is

actually planning a shift of a part of the City's industrial structure along with the supporting population to the satellite towns. The Government representatives at the meeting did talk of reducing the pressure in the City. Naturally, the question was asked whether relatively speaking Madras had grown, like Bombay or Calcutta, so much as to cause thoughts of depopulating it? Mr. D. C. Kothari told the meeting that there was not one unit in the City in the "very large" sector such as one found in New York or even in Bombay.

An Opportunity to Plan Ahead

One way of answering this question is that we should forestall similar fate overtaking Madras (as the one that overtook these bigger cities) and act betimes. One cannot disagree with view and say that we should wait until

after the impossible situation develops here. Though it was pointed out at the meeting that the idea was not to depopulate the City, it must be more clearly explained that what was being attempted was to stop further migration of industrial labour into Madras. Subject to that, one could not quarrel with the strategy being adopted, namely re-structuring the existing suburbs to make them self-contained units and controlling and regulating the use of land within the City limits. It is widely accepted that something be done to arrest the sky-rocketing rise in prices of land in and around the City.

As ultimately only location of industrial units in these towns could make the strategy a success, the problem is reduced to one of finding the needs of industries in those areas. In other words, infrastructural facilities would have to be developed rather urgently. As far as electricity is concerned there may be no difficulty but water may be a problem. It was pointed out that the Veeranam Water on way to the City could be tapped for meeting the needs of the Sengundram town. For the other two, dependence would have to be on ground water.

Take'em Up One After Another

One suggestion could be made about the scheme. Instead of taking them up all together, they could be developed one after the other benefiting by experience. One at a time would enable sufficient attention and resources being paid. There may have to be other incentives as well to get the industrialists invest in these towns. Trained labour must be made available in these areas. In this connection a suggestion was heard that the towns must be developed as industry-cum-technological training complex.

Altogether, the scheme of satellite towns is full of promise and if properly implemented it can lead to a healthy development of the whole metropolitan area comprising 450 square miles. Without advance planning nothing can really be done in this era of planned development. The SIPCOT will do well to plan periodic meetings with the industrialists and make a concrete beginning soon with the cooperation of the industrialists.

—V.M.

Need for Intense Economic Cooperation in Asia

With the constitution of the European Economic Community and the European Free Trade Area as one vast market, regionalisation of foreign trade has been provided a new impetus. Mr. L. N. Mishra, the Union Foreign Trade Minister, has recently underlined, in anticipation of this development, the need for more intense regional co-operation in the Asian region. In a way, the economic ganging up of the West has introduced a compulsion on the developing countries to fend for themselves as far as possible. Time was when Western nations could not suppress a smile when this proposition was mooted; their conviction was that, being placed in identical economic strait-jackets and endowed with identical production patterns, these countries had only similar goods to offer, a disturbing similarity which precluded any exchange of goods.

This position has changed fast in recent years to the extent that at UNCTAD-3, a distinction was made between the more developed and the less developed among the developing countries with a view to setting norms for assistance by the former group to the latter's economic development. In the Indian sub-continent, there are now three nation states in place of two. And with the thaw in political relations with Pakistan and with the enduring friendship won with Bangala Desh India has increasing trade opportunities with both. Between the two, the chances of trade picking up with Bangala Desh are limited, partly because of the devastation wrought by Yahya's hordes and partly also because India cannot afford to play the big brother beyond a point without offence. Trade with Pakistan may, however, open up a tripartite trade in the sub-continent in which the possibilities for exporting Indian know-how for developmental schemes should be really encouraging.

Trade with Ceylon

In the south, Indo-Ceylonese trade prospects are also likely to improve mostly because the resuscitation of the Ceylonese economy cannot spurn Indian

lines of credit opened on old terms. This is perhaps the occasion when India can revive the idea of an Indo-Ceylon Consortium for tea exports. Since Indian tea divides half and half between home demand and exports, while Ceylon can consume only a little over 10 per cent of its output, the Ceylonese urge to sell has beat down prices to levels disadvantageous to both. The age-long trade in chillies and onions has also to be given a pick-up and

the import of coconuts from the island should be reoriented in accordance with the guidelines set by the International Coconut Community. For some more years to come, Indo-Ceylonese trade will have to suffer some inevitable langour because of the uncertainties confronting the Ceylonese economy and because of the Ceylon Government's inability to arrive at a decisive conclusion about its role vis-a-vis India and other Asian neighbours.

I BELIEVE:

Bureaucracy and Brain-Drain

I believe that the public deserve to be told why the Government has acted in the manner in which it has done towards Dr. S. K. Sanyal, Head of the Paediatric Cardiology unit in the Safdarjang hospital, Delhi. He was the first Indian to take a degree in the United States in this specialised field and had won this year's Young Investigator Award of the Indian Academy of Medical Sciences. His papers on his research projects have won considerable acclaim. But he chose to serve this country. The Union Ministry of Health is reported to have kept him waiting for five years for the supply of laboratory equipment and when it arrived, it was allotted to the neurology department. He had, therefore, to go back to the U.S. leaving the 14 children under his care in the paediatric cardiology department to the dispensation of a demure bureaucracy.

More Cultivate Bureaucracy than Science

His case is one of many. It is common knowledge that the assurances of the Government of India about utilising Indian talent abroad have generally been fulfilled in the breach. While all the time, the focus is on the brain-drain from the country and Government spokesmen never miss an opportunity to accuse foreign trained talent of a reluctance to serve the motherland, nothing is actually done to make the stay of these persons at home really worthwhile. The politics of job filling in scientific institutions has created an atmosphere in which scientists, who have an eye on promotions, are constrained to cultivate the bureaucracy rather than science itself. The jibe of cartoonists that our scientists observe the dictum that science and politics should not mix by keeping as far away from science as possible was never more true than now.

It is maintained by some that foreign trained

scientists become misfits in India through a defect of quality. The contention here is that our young men proceeding abroad make their own choice of courses which have no relation to the domestic demand for skills and return over-educated and end up frustrated in a thousand ways. There is a considerable element of truth in this. But so long as the country has not developed a sophisticated labour exchange and an unemployment monitoring service, there is no way for our youth of knowing which type of skills are actually in demand in the country and what the prospects of job satisfaction are likely to be. Of course, a rudimentary beginning has been made to bridge this gap in information in student information bureaux operating in the universities and under the Union Ministry of Education. But it is cent per cent rudimentary and the efficiency of the information transmitted in these centres is not of the best, and hence there is considerable disappointment at the receiving end. It is time that this deficiency is corrected.

The larger question is whether there is scope for employing foreign trained young men in the present state of our economic progress. The answer has to be in the affirmative though it will be hedged in by many conditions. Some of these are the preparedness of private enterprises to use this talent and the malleability of public sector employing agencies to absorb such talent. So far as the private sector is concerned, it is quite well known that the amount it spends on research is so negligible that its absorptive capacity is very low. Of course, spokesmen of that sector unfailingly accuse the Government for this state of affairs. Because research is costly, it cannot be afforded in the present context of tax-oppressed industrial earnings. But can all the blame be laid at the door of the Government? —R.S.

Book Review

Charm in the Journey, not in Destination

THEORY OF INTERNATIONAL TRADE AND MONEY by Dr. U. N. Ghosh. Published by S. Chand & Co. (Pvt.) Ltd., Rannagar, New Delhi-55. First published, 1972. Price Rs. 22.00. Pages 180.

The indeterminate rate of currencies of different countries in the international market poses a tedious as also a challenging task for the trading nations of the world. This problem became more acute ever since the gold standard broke down. And now the role of money has added more confusion while trying to analyse whether money controls the real economic movements. If money be taken as an independent variable, the trade would then move to the circulation of money. However, the internal or common money and the national home trade on national money or currency may be, the relation between the two is naturally disrupted if the former is based on gold and the later on debts or liabilities and credits expressed in national currency. This then demands that the role of money should be reinvestigated and the significance of international money and finance rediscovered so that the duality of pure theory and monetary theory is removed, like that of the internal value of money and its external value.

The book examines the various pros and cons involved in such an exercise. The six

chapters do give the readers a panoramic view of the theoretical side of international trade with a refreshing contrast as it were, in relation to finance. Although in a non-mathematical style the book is, however, a bit difficult for an average reader for coming to grips with the issues dealt with. Also here and there the thread of logical sequence and coherence is broken leaving the reader guessing to his discomfiture.

The book usefully explains the economic cybernetics of the terms like international finance and exchange in a comprehensive manner so as to be intelligible to beginners of study in this area. Although groping in the dark, the author tries to take a deep dive in the vast ocean for the charm of the adventure. In the process, a fervent appeal is made for introducing a system of common currency among nations. However, no details regarding its shape and structure could be worked out in the book. The author feels that a common currency will go a long way towards rearrangement of the national economies on the basis of real interdependence based on a division of labour all the world over. The movements of capital and technology will be to the best advantage of all. The author recognises difficulties in such a policy when he says that the path is surely unknown and speculative. Yet the charm is in the journey, perhaps not so much in the destination itself.

Moving Nearer Arab World

In West Asia, Indian interest in Iraqi oil particularly from the Rumailah oil field and in Iranian crude will draw this country closer to those countries. The oil crisis in the years ahead is going to be none too easy particularly because of the excessive political consciousness whipped up by ruling groups in the oil producing countries. Through a course of historical change, India has been moving nearer to the Arab World and Indian engineering firms as well as Indian Railways have won some turn-key jobs there. This is

a good beginning insofar as it enables India to play the role expected of her as a more developed country.

The position in South-East-Asia is different. India has won some collaboration arrangements in Malaysia against severe foreign competition. To the extent such competition has originated from developed countries, India has to be ever on her toes. It is disturbing in this context to learn that the commercial attaches of Indian embassies have not been enterprising enough and that, because of this failing, Indian business interests have been unable to bid for tenders in time.

This position has to be changed for the better. The fact cannot be missed that South-East-Asia is exposed to Japanese trade in a more open manner than the United States to Western European trade. Though the Japanese have shed their militarism and also their belief in co-prosperity in spheres of influence as had been postulated before the Second World War, there can be no overlooking of their vigour as a dynamic trading nation. This is the real challenge that confronts Indian export effort in this part of the world and India's importance here will depend on how this commercial challenge is met.

A Plea for Commitment

In a 'Dialogue' with the members of the Madras Press Club, incidentally in the Club's first "Meet the Press" programme, Mr. Gajendragadkar, currently Chairman of the Law Commission, demonstrated his remarkable capacity to be frank without at the same time alienating those holding opinions different from his.

Mr. Gajendragadkar saw nothing objectionable to State autonomy demands. But his difficulty was that the loudest protagonists of autonomy were not clear as to what they wanted. He traced the constitutional evolution in India pointing out that the Government in this country has always been unitary notwithstanding the federal nomenclature. But he saw no particular virtue in India holding on to the unitary structure. He nearly conceded the autonomy demand even praising the effort of the Rajamannar Committee which recently reported, at the instance of the Tamil Nadu Government, on Centre-State relations. But there was one catch. He would not mind the Centre surrendering all its powers in favour of the States provided Delhi could always dissolve legislatures of States and take over their Governments. "This emergency provision is very vital particularly at this juncture when the plant of the unity of India needs to be nursed and nurtured. Any arrangement which would take away this provision is dangerous and would not be acceptable to me" he declared. A person holding such strong views on autonomy as Mr. Gajendragadkar naturally rejects autonomy outright but all the time he appeared to be open-minded on the subject, as a person who has not made up his mind.

An Atonement by the Forward Classes

Again, on the question of reservation for jobs, etc., in favour of scheduled castes and tribes and backward classes, he could not be accused of being unequivocal. He had no hesitation in characterising the suffering involved for the so-called forward classes as "atonement" for the cruelty perpetrated by their forbears on the forbears of the unfortunate backward sections. But the injustice and inequity of this arrangement beyond a certain point is apparent to him and he introduced almost in whispers certain qualifying remarks to say that carrying on the provision indefinitely would only perpetuate backwardness as it created a vested interest in being backward. He also showed awareness of the fact that in the name of helping the traditionally socially backward classes, practically all the communities except the Brahmins (more particularly in the South) masquerade as "backward" and claim and walk away with the reserved positions even to the detriment of the genuinely backward sections of the population. He could not think of any means of putting an end to this evil other than "propagation of progressive ideas through education."

Mr. Gajendragadkar would not come out boldly against the "sons of the soil" theory for jobs in Central undertakings and big private sector projects. Why should these enterprises be prevented from going in for the best men for their jobs? He had no convincing answer. He carried conviction up to the point that for small menial and other jobs it would be wrong and inexpedient to import men from outside the locality. One would have expected a man of the stature of

Mr. Gajendragadkar to come out in an unqualified manner against attempts being made in Bengal and Maharashtra and elsewhere in the north to monopolise all jobs for people of the locality.

Many of his remarks on the Prime Minister's *Garibi Hatao* programme are unexceptionable. This, he believes, can be achieved by the "Rule of Law" Revolution, now in progress in India. He values democracy and the rule of law but he thinks that in the next three or four years what the nation does will decide whether this will continue in India or not. Unless the Prime Minister is given the fullest co-operation in all that she undertakes in the implementation of her programme and some success is achieved in banishing poverty, India is not likely to stay democratic, according to him.

A More Difficult Procedure to Amend Fundamental Rights

Mr. Gajendragadkar has strong feelings about property rights. "They are not necessary in the same degree as the other freedoms, viz. of association, speech, etc." he points out. He feels the steps taken so far in regard to property rights are correct ones. While he is all for a flexible type of constitution where the amendments are carried out easily by the current Parliament, he would want a slightly more difficult procedure for amending the fundamental rights provision alone. Whereas a two-thirds majority in Parliament should do for amending any part of the Constitution, alterations in the fundamental rights clauses may be made to require the acceptance by two-thirds of the States.

He passionately called for commitment on the part of every citizen. "Commitment to something, at least to ban obscurantism and reactionary policies, is necessary; this is better than being non-committal" he declared. But can we find an absolutely uncommitted person? Everyone is committed, whether he likes to admit it or not, to his self-interest and he sees national or other affair only in that light. (FOC)

V. Krishnamurthy Appointed Chief of Electrical Units

The appointment of Mr. V. Krishnamurthy as Deputy Chairman of the Heavy Electricals (India) Ltd. and the Bharat Heavy Electricals Ltd., augurs well for the heavy electricals industry in the country. With the retirement of Chairman O. S. Murthy, one can expect Mr. Krishnamurthy will take over as Chairman of the two giant corporations.

Soft spoken, modest and persuasive, VK is certainly one of the most capable professional managers the country has produced. In his tenure as the General Manager of the High Pressure Boiler Plant of the BHEL at Tiruchi, Mr. Krishnamurthy has helped build the unit as a model industrial undertaking for any unit in the country—both in the private and public sectors.



Mr. V. KRISHNAMURTHY

The rise of Mr. Krishnamurthy has indeed been meteoric, but certainly has been consistent with his almost unlimited capacity for hard and imaginative work.

Meteoric Rise...

In the 'fifties Mr. Krishnamurthy worked for a while in the supervisory post of the Madras Electricity System. He joined the Heavy Electricals, New Delhi in August 1960 as an Officer on Special Duty (Projects). From December 1961 he was the Chief, Planning, Development and Sales Co-ordination of all the units of Heavy Electricals, namely at Bhopal, Hardwar, Hyderabad and Tiruchi.

In April, 1967 he assumed charge as Senior Deputy General Manager of the High Pressure Boiler Plant. He succeeded Mr. R. S. Krishnan as the General Manager of BHEL, on April 26, 1968. His tenure as General Manager in the subsequent four years saw the boiler plant emerge as the most dynamic and profitable among the public sector undertakings in the country.

The time he joined the boiler plant was a difficult one for the heavy electrical units.

INDUSTRIAL ECONOMIST

Consequent on suspension of the long term planning from 1966, due to the severe recessionary conditions in the country, planning on new power plants received a setback. This naturally affected all the units connected with the heavy electrical sector. Mr. Krishnamurthy, with his team of brilliant and young workforce at Tiruchi, immediately decided on a programme of rich diversification which kept his unit fully occupied. The results produced were indeed magnificent.

Ambition Matched by Ability

Mr. Krishnamurthy believed that he could achieve an increase of about 25 per cent every year both in production and in turnover, over the performance in the previous year. The Boiler Plant successfully beat such ambitious targets set.

The performance of the Boiler Plant in the last three years gives an eloquent tribute to the leadership of Mr. Krishnamurthy and its personnel. During 1969-70 the unit had a turnover of Rs. 21.11 crores and a profit of Rs. 4.7 crores; in 1970-71, these increased to Rs. 26.52 crores and Rs. 5.4 crores respectively. For the year that has just ended, the figures are even more impressive at over Rs. 33.00 crores and Rs. 5.6 crores respectively. Mr. Krishnamurthy is hopeful of increasing the turnover to even as high as Rs. 100.0 crores in the next five years.

The Two Spectacular Records

Among the spectacular contributions made by Mr. Krishnamurthy, two may be considered as the most outstanding. The first was the bold bid to compete in a tender for the supply of two numbers 60 MW boilers for the National Electricity Board, Malaysia amidst severe competition from the world-renowned boiler manufacturers from the US, UK, Germany, and Japan. One is greatly and pleasantly puzzled that VK could convince the power station about his ability to deliver the goods at a time when even the first power station boiler of BHEL was not fired in India! BHEL won a subsequent order from Malaysia, taking the total export orders secured to around Rs. 12.25 crores. This has naturally given a good deal of confidence for a number of Indian engineering industries on the immense scope that exists for export of sophisticated, unconventional equipment.

The other achievement relates to the conclusion of a collaboration arrangement with Combustion Engineering of the US to produce a more sophisticated range of boilers. This has placed the BHEL on a firm footing among the boiler manufacturers of the world. It might be recalled that Combustion Engineering is the largest manufacturers of boilers in the world, accounting for a share of nearly two-thirds of the world market.

Difficult Task Ahead

The new assignment of Mr. Krishnamurthy is by no means an easy one. It is true that apart from the Tiruchi plant, the Ramchandrapuram unit of BHEL has also recorded some profits during 1971-72. But the other unit at Hardwar has to go a long way towards improving its operating performance. His much bigger problem will be one of streamlining the operations of Heavy Electricals India Limited which has taken already a very long gestation period, HEIL, on which colossal investments have been made is happily now in a position to show some profitable working results. The leadership of Mr. Krishnamurthy should help it rationalise its range of production and also for better co-ordination with Hyderabad and Hardwar units.

Achan New G.M. of Tiruchi Unit

Mr. P. V. K. Achan has succeeded Mr. Krishnamurthy as the General Manager of the High Pressure Boiler Plant, Tiruchi.

Mr. Achan is one of the oldest staff members of the plant. He joined the unit as Project Engineer in 1961 on deputation from Southern Railway. He became the Deputy General Manager in 1965 and was promoted as the Senior Deputy General Manager towards the end of 1968 after he opted to join the BHEL, relinquishing his lien with the railways.

With the help of the other brilliant, young and senior executives at BHEL, Mr. Achan must continue the spectacular rate of growth recorded by the plant, thanks to his illustrious predecessors. —S. V.



Mr. P. V. K. ACHAN

Bright Lights on the ECM Horizon

The ten-member ECM has agreed in principle to the evolution of fixed parities with 2.25 per cent margin for fluctuations as their cue for international monetary reform. The London meeting of ECM Finance Ministers with the British Chancellor, Mr. Anthony Barber, in the chair, has outlined an eight-point reform plan to be sponsored jointly by member countries of the market at the IMF meeting next September. The eight points are that any new international monetary system should be based on fixed but adjustable parities, that it should restore general convertibility of currencies, that it should include means of controlling effectively the volume of international liquidities, that it should keep a watch on the necessary adjustments in the balance of payments of the countries concerned, that it should try to reduce the unstable effects of short term floating capital, that it should be faithful to the principle of equal rights and duties for all the partners in the agreement, that it should keep in view the interests of developing countries and that it should recognise that such a system is not incompatible with the quest for economic and monetary union within the enlarged ECM.

Favouring Floating Rates

There is nothing in this that takes the breath away. If the *London Economist* and the *Spectator* are any guide, there is a considerable volume of monetary opinion in Britain which favours floating rates. It considers the system of fixed exchange rates artificial. The artificial system makes it impossible to predict the market value of a currency and thus distorts the market progressively. The particular difficulty, according to this view, is that "a payments deficit or surplus has nothing necessarily to do with the domestic economic policy pursued, it has necessarily to do with the rate of exchange which a government itself can fix or leave free to find its own level by floating." On the contrary it is presumed that floating a currency leaves the market to take care of currency values while wise management

of domestic policy has not got to be disturbed by exchange rate considerations. In fact, it was indeed ironical for Britain to have decided to float so soon after stating in an earlier meeting of the ECM Finance Ministers that it was for fixed parities. The vehemence with which the campaign in favour of floatation has been run in recent months in Britain looks as if it were inspired merely to talk down possible suggestions of a straight devaluation of the British pound.

Whatever it be, the talk about fixed parities does not also seem to be heading anywhere. The main question to be settled is the "numeraire", the accounting value that should be taken into consideration. So far the dollar was the unit (and also the sterling). Countries of the world have come to realise the arbitrariness and inconvenience associated with using those two currencies as reserve assets. The opinion has been widely aired that no national currency can be very reliable or useful as an international asset. Gold, of course, is nowhere in the picture. Not because people do not want it. On the contrary, they are not yet cured of its attraction. But its supply has not been dependable. That is the context in which paper gold or SDRs had been thought of. But in its present stage of development, it cannot measure up to much for purposes of international liquidity. To build its supply up to the diversion necessary to displace gold and reserve currencies is to provide a power which is yet to have a hand designed for wielding it. No wonder, the second meeting of ECM Finance Ministers in London got bogged down without reaching any definitive decision. Without that decision, the second and third points of the aforesaid 8-point plan have lost meaning. The first on fixed parities so closely linked to payments positions does not also attain any shape, despite all the vigour of logic mustered in its support.

Need for Periodic Revision of Parities

Among the other points, the one calling for management of hot money is as

old as international exchange. The only difference now is the massiveness of funds held as dollars in Europe. To suck them back to where they belong is a commendable aspiration. How to do it is as much an unanswered question as how far it will be wise to do so, the Europeans having mental reservations against dispensing with this lubricant to their economies. In any case, there is an implicit faith in the existence of some relationship between fixed parities and impounding of hot money. Recent flights of hot money are deemed to be not due to the illogicality of fixed parities but to the illogicality of the particular parities now in vogue. We are also inclined to hold the same view. We have been stressing in these columns the need to have fixed parities revised at stipulated intervals of time. The basic difficulty in any refixation is the weakness of governments to fly in the face of facts out of considerations of prestige or domestic political pressure and to choose the wrong values. That is not an argument in favour of floating rates. The float calls for a degree of greater moral rectitude which liberalisation of any kind demands. In situations of Smithian laissez-faire the float allows the market to operate freely. But when that freedom is curbed by the mercantilist politics of the present, the economy falls between two stools by choosing to float its currency.

More Concessions to India

Among the remaining points of the 8-point formula, the most noteworthy one of significance to us, is the unctious about developing countries. The Commission of the European Common Market has itself said that a trade co-operation agreement with India could be taken up at this stage. We have long been looking for a comprehensive trade treaty with the ECM. With Britain in the ECM, the era of Commonwealth preference is at an end. The only alternative that the ECM has offered is its Generalised Scheme of Preferences. These will benefit Rs. 750 crores worth of exports of 91 nations, implying that the benefit in any one case may be marginal. The ECM cannot dodge giving more concessions to India, because they are already available to African Commonwealth countries. The 10-nation ECM accounts for

40 per cent of the world trade. It stands to reason that India should exploit the market fully in respect of items like manufactures and semi-manufactures in respect of which the ECM tariff is concessional, subject to the ceilings fixed. Indian competence for producing goods which will be competitive in cost, appeal and prices faces its great challenge now.

There is, of course, the question of making good the loss of the British market.

The American Scene

The Chances of Senator McGovern

Senator McGovern has won the Democratic Party nomination for the forthcoming Presidential election against great odds. He has ridden to victory over the crest of what Europe will describe as a Social Democratic wave. The content of the wave is a type of political radicalism seeking to attend to the cause of "the woman, the young, the alienated blue collar workers, the small farmers, the little independent businessmen plus, of course, the anti-polluter and the anti-war protester." It may not be far wrong to say that McGovern represents another equally new constituency of the protesters against affluence itself, that is, the people who have been so much

In the case of exports like textiles, this should pose no problem. If Britain applies duty-free ECM GSP as it should, there is an end of this problem. The question is whether Britain will really be willing to do so, especially when it has said nothing about the import surcharge going in the near future. Likewise, non-tariff barriers in the ECM have been quite a headache all these years. These have to be reduced or eliminated. The ECM Commission has spoken of the trade co-operation agreement as an effort at consolidating tariff liberalisa-

sation as also the benefits accruing to India from its bilateral agreements with particular ECM countries. The dialogue does not go further than that. India, for its part, has to pick-up the threads from there and persuade the ECM to proceed further towards real trade liberalisation. India will be heard well only if it also demonstrates, unlike as in the past, its ability to fulfil quotas set for its exports. For only then it can justly ask for annual increases in the volume of its trade with the ECM.

—R.S.



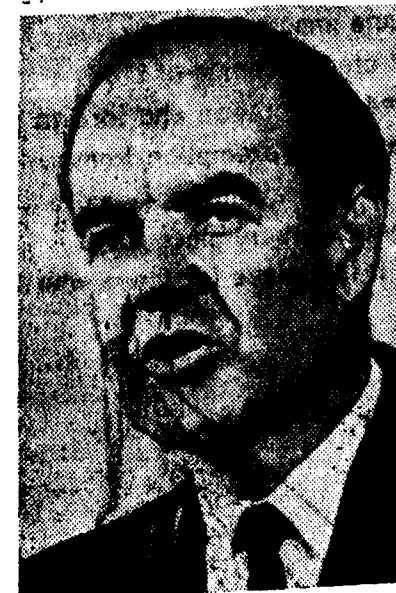
The stars are on the ascent?
President Richard Nixon

doing. It is equally possible that McGovern's assurance about withdrawing troops from Europe will make him suspect in the eyes of his allies on the other side of the Atlantic.

Uncertainties

Indians, who are by now familiar with the politics of Indira Gandhi vis-a-vis the effervescent demands of the young Turks in the Congress can size up how, ultimately, it is practicability rather than attractiveness of policy measures that would matter most for seeing through any package of reforms. In this sense, McGovern, who might sincerely feel that the time has arrived for the conventional politician, will not be interested in programmes which may obstruct his conduct of the country's affairs at the outset and may end up later by eclipsing his popularity as a President.

McGovern's nomination was helped by the enfeeblement of his three rivals,



A good beginning...
Senator McGovern

How McGovern is going to win the support of this power is as yet not clear. Nor can McGovern's pronouncements on the ending of the Vietnam War be calculated to please important vested interests, not certainly the statement that "he would go to Hanoi to 'beg' for the release of American prisoners of war." Of course, he modified it later by saying that he will keep US troops in Thailand or out at sea near N. Vietnam to protect US interests. This is a confession of the inevitability of US presence for some more years to come in S.E. Asia. Which implies that McGovern is not going to do anything less unlike than what Presidents Johnson and Nixon have been accused of

Index Number of Wholesale Prices by Groups & Sub-groups of Commodities (New Series)

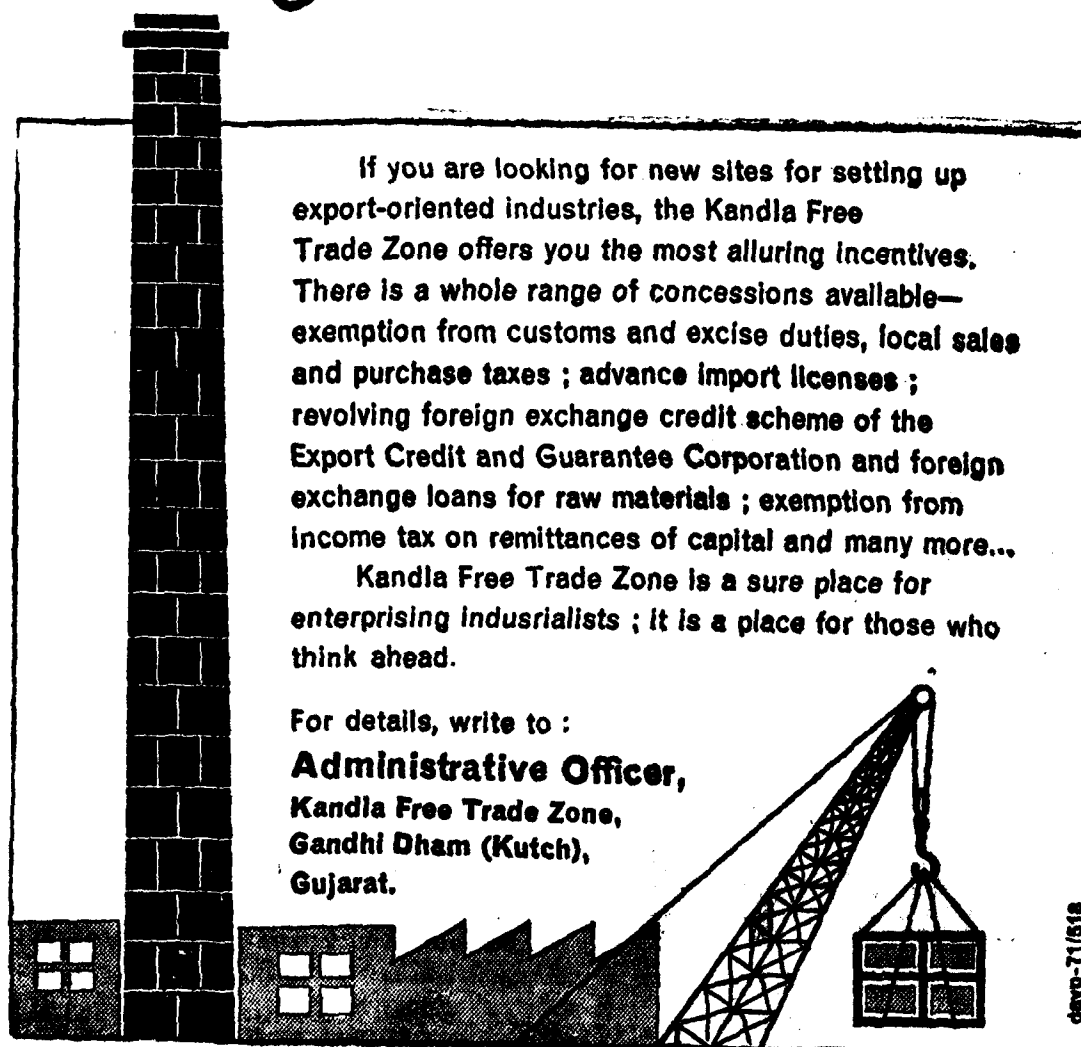
Groups and Sub-Groups	May 1972	April 1972	May 1971
FOOD ARTICLES	219.1	216.4	203.3
LIQUOR & TOBACCO	217.8	216.5	180.4
FUEL, POWER, LIGHT & LUBRICANTS	178.1	177.7	162.3
INDUSTRIAL RAW MATERIALS	173.5	175.3	186.7
CHEMICALS	200.0	198.8	190.6
MACHINERY & TRANSPORT EQUIPMENT	165.9	165.4	153.7
MANUFACTURES	173.2	173.4	161.5
INTERMEDIATE PRODUCTS	204.2	205.3	187.2
FINISHED PRODUCTS	165.7	165.6	155.2
ALL COMMODITIES	193.2	192.3	181.9

Wallace, Muskie and Humphrey. The last mentioned quit his 12-year contest for Presidency without any tears except, to quote an expert comment, for those in the eyes of his supporters. In fact, once McGovern won his decisive battle at the California primaries, there was nothing that Humphrey could do against him. Senator Muskie became a non-starter only at the end. For in the end, he showed himself indecisive in moments of crisis. Wallace had an advantage from the attempted assassination that confined him to the wheel chair. He broke tradition by coming to address the convention before nomination. He had "substitute plans to offer, particularly one calling for an end to move children to school in buses to further racial integration and another urging what the Supreme Court had already struck-down—compulsory prayer in State schools." He was listened to politely but, as had been mentioned earlier, all his amendments to the party programme got thrown out and this after he had made the rhetorical statement that he wanted to help the Democratic Party to become the party of the average citizen and the party of the intellectual pseudo-snobbery.

All Advantages with Nixon

McGovern has won the nomination but that does not guarantee his success against President Nixon. At present, Nixon is apparently having all the advantages on his side. His tackling the Vietnam issue via summits at Moscow and Peking has demonstrably greater credibility and respectability than his opponent's preparedness to beg Hanoi for the release of American prisoners

of war. Nixon's effective suspension of aid has taken the wind out of McGovern's sails. The latter's affirmation that he will stop aid to those who spite on the U. S. is not going to win him any better popularity. Hence, the chances of his winning depend on how far he is believed by the electorate to be representing real American populism, which is increasingly becoming a power to reckon with. —S.R. oOo



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Gujarat.**

INDUSTRIAL ECONOMIST

Company Meeting :

The Mettur Chemical & Industrial Corporation Limited

Mr. S. NARAYANASWAMY'S REVIEW

Addressing the Thirty-fifth Annual General meeting of the Company held at the Registered Office of the Company at Mettur Dam R. S. on Friday the 28th July 1972, Sri S. Narayanaswamy, Chairman, said:

It is my privilege to welcome you to the 35th Annual General Meeting of the Company and to place before you the relevant Annual Report and Audited Accounts. These have been circulated to you and I daresay been perused by you. I seek your leave to take them as read.

My first duty today is to record our deep sorrow on the passing away of Dr. P. S. Lokanathan on the 5th May, 1972. He presided over this Company's affairs over a period of twelve years, during which he took sustained and meaningful interest in the Company's operations and fortunes. Notwithstanding the impressive range of his interests, this Company received his patriarchal attention. Dr. Lokanathan was a felicitous blend of unpublicised religious fervour, deep humanism and a capacity for assessing economic trends with realism. We have lost a gentleman of great intellectual integrity in our departed Chairman. I would like you to join me in placing on record our sense of the great loss sustained by the Company in his demise.

The year has been one of unique and momentous developments in the country. The two most important of these from the point of view of industrial and indeed of economic development are (1) the emergence of a strong and stable Government under the leadership of Srimati Indira Gandhi. She has since brought considerable dynamism and speed to implementing programmes which she had placed before the country and (2) the beginning of an Indo-Pakistan understanding symbolised by a pact of non-belligerency. Let us hope that this will be followed up by a wider-ranging agreement on more contentious points that have been debated on with great acerbity between the two countries. Such a consummation would enable both countries to divert the unproductive and massive outlays on Defence to bread and butter programmes that are presently crying out for resources. Now that State elections are also over and have ensured stable governments in practically all the States, it is logical to hope that economic development would receive priority attention, in order that economic stability may also be established to give meaning and content to political stability.

Inflationary Trends

Currently, there is an aggravation of inflationary forces and prices of essential

consumption goods are continuing to spiral up. The recurring spates of industrial unrest that are engulfing diverse regions are a disquieting index of subsisting inflation. There can be no more poignant phenomenon than that escalations in dearness allowances paid out by the organised sectors of employment, while causing considerable depletion in corporate and institutional coffers, are being neutralised in a matter of days by the price rises that supervene and do not bring the relief so painstakingly sought by Trade Union leaders. It has been the experience of many that reference to inflation is rather distasteful to those who give shape and form to monetary and fiscal policies, but, alas! inflation is the most insidious of all the ills that afflict our economy. What time it erodes

power to lift the already none-too-low priced goods that come out of factories.

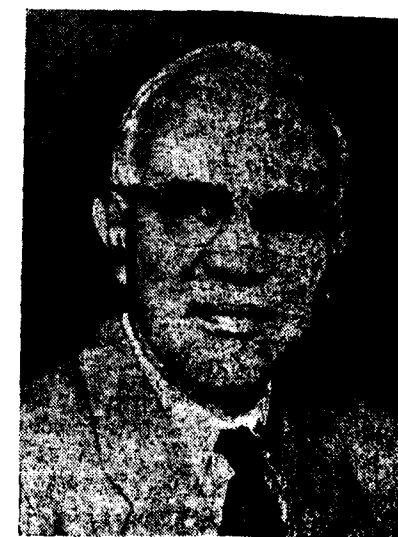
Savings Groups Wary...

To meet the needs of a population that is growing at the rate of a million a month, in terms of food grains, housing, clothing, education and employment opportunities, we need to raise the table of economic activity, broaden our industrial base, encourage the entrepreneur by offer of facilities and create conditions for effective participation by the people in economic build up, by their having personal stakes in such effort. An assurance of continuance of economic policy over a five year period is a basic requirement. Quite frankly, all these involve a reversal of present thinking at policy making levels. The non-acceptance of the very logical recommendations of the Wanchoo Commission, the recent nationalisation of General Insurance companies and the decision to pay to shareholders of these companies a solatium rather than a compensation, the take-over of assorted industrial units by ordinances, have all caused grave concern among all sectors of stake-holding in the country and have made savings groups wary.

Public resources, parts of which go to pay compensations to shareholders of such undertakings, as well as private savings of those usefully occupied, need urgently to be channelled to establish new units of production, that would add to the quantum of goods and services and also create those employment opportunities for the tens of thousands of engineers and technicians that are itching to get their skilled hands on to machines and the million of skilled and unskilled workers who fill our breadlines, while waiting for the millenium of fuller employment.

New Records Setup

I now come to the operations of the Company during the year 1971-72. I have no doubt you will be happy that the Company has set up some new records; in terms of quantities produced, financial turnover registered and net profits. What is important is that these were possible despite increase in operating costs, wage outgoings and short supply of crucial replacement material. There was a 5% increase in turnover and a heartening increase in profits, the latter being the result of improved utilization



Mr. S. NARAYANASWAMY

the contents of salary and income packets month after month, it threatens to put industrial units on the mat by further pushing up the costs of material, electric power, fuel, and transportation, over and above wage costs. As you are aware, increasing manufacturing costs of today mean higher consumer prices of tomorrow. Recently Government felt obliged to concede higher prices for several varieties of steel, because they had direct experience of increased costs in Hindustan Steel. Inflation containment is among the imperative of our planning discipline, if the benefits of planned development are to meaningfully be channeled to the people, who must be left with residual purchasing

INDUSTRIAL ECONOMIST

lization of our chloromethane plant. While we provided practically the same depreciations as in the previous year (Rs. 60.75 lakhs against Rs. 61 lakhs), which is inevitable under the straightline method in years of nil addition to fixed assets—the provision for Development Rebate has had to be stepped up substantially to Rs. 45.50 lakhs against Rs. 24 lakhs in the previous year. The details of allocation have been spelt out in the Report, but the better performance was the outcome of hard work put in to sustain production at peak levels and concerted sales promotion efforts.

Inter-posing Statutory Middle-Men

Production of caustic soda would have been higher but for inadequate supplies of graphite anodes. The withdrawal of U.S. Aid added to our problems. We are grateful to the Government of India for releasing the required foreign exchange to the industry, to obtain this urgently needed material. However, canalization of the import of anodes through State trading agencies, resulted in our paying a price for these which was higher than what we paid for such imports before. The State Trading agency charged us 7% of C.I.F. value by way of service charges which appeared reasonable. But they super-imposed a further 18% of C.I.F. value and called it "The price equalization factor", based on some obscure hypothetical exchange advantage, which the industry is assumed to have secured by such channelling. Such arbitrary increases in prices of imported material, for the import of which the State agency concerned is the sole permit holder, appear to defeat the twin objects of canalisation: namely, to pass on the benefit of bulk purchase to the consumer and to obviate profiteering by the commercial importer. Considering that in the case of graphite anodes, the industry was securing its requirements through actual user licences in the past, and that commercial profiteering in consequence did not enter the picture, there was little justification for statutory middle-men being interposed at considerable expense to the industry.

Inadequate availability of railway wagons and the unpredictable intervals of their supply, posed some problems in the transport of salt to Mettur from our factories at Adirampatnam and Vedaranyam. The Rail-

way Budget of 1972-73 has enhanced the freight rate for salt in the current year, which would add to our bill of costs. Furthermore, the Railways have recently decided to insist on compulsory prepayment of freight charges, which imposes some hardship on the industry.

Difficulties in Vanaspati Production

I would like to dwell briefly on the difficulties that beset our Vanaspati production. This division has in recent years contributed only marginally to our aggregate profits, but the problems posed are multiplying and afford a glimpse on the way controls on food articles operate in India. Following reports of a decline in the vanaspati production, caused in the main by mercurial changes in the prices of relevant oils or oil seeds, apart from their physical non-availability, the Vegetable Oil Products Controller of India directed vanaspati factories to maintain minimum levels of production. As is to be expected, this directive failed to take account of fluctuations in oil and oil-seed prices and also of the non-availability of certain oils, which it is mandatory to mix in the production of vanaspati. For instance, the use of 10% of Cottonseed oil, 7.5% of Sesame oil and 2.5% of Kardi Oil is compulsory—what time the quantum of Sesame production and consequently Sesame Oil, have been stagnant over the years, supplies being limited to direct use in domestic consumption. In the result, Cottonseed Oil and Sesame Oil were not available in required quantities and nobody could prevent their going up in price by Rs. 1,000/- per tonne in the last few days. Several vanaspati factories had therefore to cut back on production, in order that they may stand absolved of the charge of non-conformity to these percentage directives. The overall result has been that a smaller quantum of vanaspati has been produced in the country and the housewife has been deeply disturbed by the breath-taking prices she pays for Sesame oil, which is a staple cooking medium, at any rate in Tamil Nadu. It is time Government took speedy action on the Tariff Commission recommendations made in March 1971 on vanaspati prices, instead of seeking to enforce controls and issuing directive that only reduce the output of a very widely used cooking medium, while infla-

ting abnormally the prices of alternative oil fats available.

Export Order for Chloromethanes

Our chloromethanes division was conceived as a byproduct utilization wing of the company and this is well on the way to becoming a stabiliser of the Company's fortunes. We have made a good beginning with winning an export order in competition with giant producers in other countries and should be able to improve our export quantum, if we can keep operating costs at least at current levels. Realisation on chlorine sales made to our neighbouring industries have also been sustained at levels higher than in the last year.

Outlook Good

In concluding my observations, I venture to state that the near-term outlook for the caustic soda industry and for your Company in particular, is good. I would like to add that all these achievements have been made possible by the planning, expertise and the unique competence to forestall difficulties, displayed by our Managing Director, Mr. R. V. Ramani, whose services to the Alkali Industry have been recognized by his being elected the President of the Alkali Manufacturers' Association of India for two terms. He has been assisted by a band of knowledgeable colleagues who have shown rare dedication to their work. Our grateful thanks are due to them and all ranks of workers and employees that have helped to produce these satisfactory results. The Industrial Finance Corporation of India and the State Bank of India have continued to provide invaluable assistance during the year and we tender our thanks to them.

I must convey our special thanks to the Tamil Nadu Government for their co-operation and understanding of the problems of a heavy chemical industry such as ours.

I now move for adoption of the Annual Report and Accounts and in doing so, shall be glad to answer questions relating to these from members.

N.B.—This does not purport to be a report of the proceedings of the Annual General Meeting.

BUSINESS BRIEFS:

Selective Price Rise for Steel

The Union Government has allowed an upward revision of prices for select categories of steel like billets, bars and rods wire rods, and structurals. There has been a serious erosion of profit margins of the main steel producers Hindustan Steel, Tata Iron and Steel Company and Indian Iron and Steel Company due to cost escalations, which were not covered by the price increase towards the end of 1969 and fresh escalations since then. The producers had pleaded for a rise of over Rs. 100 per tonne on the average to offset the increased working expenses and enable them maintain the profitability at previous levels. But the increase allowed on July 21 does not appear to meet their demand to any significant extent as the increase ranges from Rs. 50 to Rs. 85 and these too for three selected categories which form only a small proportion of the total production of finished steel. The Government's hesitation in permitting an all round price increase is understandable in view of the additional burden that may be cast on engineering units, particularly those engaged in the export effort. But it can obviate the difficulty of both producers and consumers by suitably reducing the excise duties. Steel availability is not expected to show any significant improvement in 1972-73 over last year unless serious efforts are made to arrest the sliding trend in indigenous production and liberal imports are allowed. Only the Bhilai and TISCO plants have been operating at satisfactory levels of efficiency.

TISCO Take-over

It now remains to be seen how far the take-over of the management of Indian Iron and Steel Company Limited by the Central Government for two years will help improve the working of the Burnpur plant bedevilled by chronic labour trouble, worn out equipment and paucity of resources for modernisation and expansion. The annual rate of output has fallen in recent months to 30 per cent of the one-million capacity. If only the plant can be helped to increase its production to 75 to 80 per cent of capacity in the next 12 to 18 months there can be a vast improvement in its viability but it is not clear from recent hints thrown by the Steel Minister if the plant would be returned to the previous management when it becomes healthy. This fear is due to the fact that public sector financial institutions already have the majority shares of the company. There is also speculation about the amount of compensation in case the ownership is also taken over. The company's working results for 1971-72 are also eagerly awaited as these would throw some light on the financial position. The main problem apart from in-

cessant labour unrest relates to the poor condition of the plant. The coke-oven batteries are in poor shape and arrangements have already been made to assess the extent of repair to be carried out. The new General Manager, Mr. N. R. Dutta, has pointed out that about Rs. 30 crores would be needed to rehabilitate the worn out machinery to reach the one million tonnes production rate. It is stated that only three out of five coke oven batteries are operating at present and it would take, at least two years to set them right. The series of strikes since 1967-68 had affected the coke oven batteries and blast furnaces.

Indian Copper Cuts Dividend

Indian Copper Corporation Limited has earned a larger net profit, for 1971 of £2.32 million, before depreciation and taxation, against £2.04 million in 1970. But with a much smaller disposable profit the directors have slightly reduced the dividend on equity capital to 10.544 per cent, taxable, from 11.111 per cent, taxable, previously. The provision for depreciation has been raised to as much as £642,998 (£296,747) and for development rebate to £695,373 (£20,974). The claim in respect of taxation is naturally lower at only £379,591 (£861,111). After writing back £18,696 (£83,204) from development rebate reserve, and writing off miscellaneous expenses for £43,759 (nil) the transfer to capital development reserve is £31,963 (£34,397) and capital reserve £10,359 (nil) while general reserve gets £538,752 (£861,053). It is not known why there has been such a sharp rise in depreciation charge while the lower dividend has disappointed shareholders particularly as there is concern over the compensation in case of take over of ownership by Government.

Larsen & Toubro Excels

Larsen & Toubro Ltd., has benefitted considerably from its diversified activities and is well poised to scale new peaks of performance in the coming years with the implementation of new schemes. Its turnover was again higher in the year ended March 31, 1972 at Rs. 30.87 crores against Rs. 28.78 crores in 1970-71. What is more gratifying is the steep rise in earnings in the face of mounting raw material and other costs. The net profit, before depreciation and taxation, jumped to Rs. 330.83 lakhs from Rs. 252.38 lakhs in the previous year and the directors have raised the equity dividend to 14 per cent, taxable, from 12½ per cent, taxable, about 50 per cent of the latest distribution being not subject to tax deduction at source as it will be paid out of tax exempt profits. At the same time, it is to be noted that the

new shares allotted to shareholders of Canara Bank Limited will be eligible for the dividend. The paid-up capital is higher at Rs. 451.71 lakhs against Rs. 400.62 lakhs previously while the dividend amount will be Rs. 59.66 lakhs (Rs. 49.91 lakhs) Out of the earnings, depreciation claims Rs. 58.06 lakhs (Rs. 56.70 lakhs), and development rebate Rs. 11.50 lakhs (Rs. 10.50 lakhs). The provision for taxation is much larger at Rs. 102 lakhs (Rs. 69 lakhs). Total reserves after the latest allocations have risen substantially to Rs. 578.48 lakhs from Rs. 416.78 lakhs and internal resources generated during the year amounted to as much as Rs. 168.62 lakhs (Rs. 132.49 lakhs). The net block was higher at Rs. 8.20 crores against Rs. 7.44 crores in 1970-71.

Mukand Iron's Bonus Issue

Mukand Iron and Steel Works Limited has produced excellent results during the year ended March 31, 1972 with a substantial improvement in sales and earnings over 1970-71. However, the directors have decided only to maintain the dividend on equity capital at 15 per cent, as they have proposed to capitalise Rs. 2.69 crores out of reserves and issue bonus shares in the proportion of one share for every two shares held, subject to Government approval. Also, the latest dividend will be entirely free from tax deduction at source as in the previous years, being paid out of tax-exempt profits but the distribution has to be approved by the Industrial Finance Corporation. Sales of the company (including export incentives) rose sharply to Rs. 23.56 crores from Rs. 17.34 crores in 1970-71 while the net profit, before depreciation and taxation, jumped to Rs. 388.04 lakhs from Rs. 283.96 lakhs. After providing for depreciation of Rs. 73.24 lakhs (Rs. 68.15 lakhs) there is a tax claim of Rs. 1.30 crores (nil) due to larger profit and a transfer of only Rs. 9 lakhs (Rs. 80



Mr. VIREN J. SHAH,
New Chairman of Mukand Iron and Steel

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lakhs) to development rebate reserve. Bad and doubtful debts get a small sum of Rs. 6548 (nil). After taking credit for tax refunds of Rs. 1.79 lakhs (Rs. 32,163), the transfer to special reserve for tax-exempt profits is Rs. 9.57 lakhs (Rs. 110 lakhs), and general reserve Rs. 167.96 lakhs (Rs. 26.13 lakhs). The dividend will require Rs. 40.36 lakhs (same) and will be paid out of tax-exempt profits reserve. After taking Rs. 72.75 lakhs from development rebate reserve to general reserve and allowing for dividend payments, the reserves position comprises Rs. 219.04 lakhs under general reserve, Rs. 38.85 lakhs under special reserve for tax exempt profits and Rs. 172.75 lakhs under development rebate reserve against a paid up equity capital of Rs. 269.20 lakhs.

Mr. Viren J. Shah is the new Chairman and Managing Director of the company, succeeding the late Mr. Kamalnayan Bajaj.

Bank of Baroda

Bank of Baroda has again reported an impressive growth in deposits during 1971 to Rs. 488.59 crores from Rs. 420.56 crores at the end of 1970. However, with a slower rate of rise in demand for credit, in line with the experience of the banking system as a whole advances increased only modestly by Rs. 27.33 crores to Rs. 337.47 crores. It was, therefore, necessary to raise investments sizably to Rs. 131.85 crores from Rs. 110.97 crores in the previous year. At the same time, borrowings from outside sources have been reduced substantially to Rs. 31.65 crores from Rs. 46.37 crores while cash balances were slightly higher at Rs. 59.77 crores against Rs. 57.63 crores. Even with less than optimum employment of resources, the bank's gross income jumped by about 25 per cent to Rs. 39.61 crores from Rs. 31.75 crores. Interest charges rose sharply to Rs. 20.94 crores from Rs. 16.68 crores in spite of a reduced level of borrowings while salaries, allowances and other emoluments increased to Rs. 11.66 crores from Rs. 9.83 crores. Even then, there was a rise of over 50 per cent in the net profit, after taxation and before payment of bonus to staff, to Rs. 218.79 lakhs from Rs. 143.47 lakhs. The transfer to reserve fund is much higher at Rs. 43.27 lakhs (Rs. 28.70 lakhs) and bonus to staff at Rs. 1.20 crores (Rs. 93 lakhs of which Rs. 25.60 lakhs was found from contingency account). The Central Government's share of profits is also higher at Rs. 53.62 lakhs (Rs. 47.38 lakhs).

The T. Nagar Branch of Bank of Baroda celebrated the third anniversary of the nationalisation of banking on the July 21. Mr. K. P. Thakur, Regional Manager of the bank for South India distributed cheques marking the assistance extended by the bank to a news vendor, a tailor and to a doctor for equipping them for the profession. Mr. M. Narasimham, Area Manager, participating in

the function referred to the vast changes that have taken place in banking in the post-nationalisation era. Mr. K. S. Swaminathan, Agent of the branch earlier welcomed the gathering and Mr. M. Vedantam, Accountant, proposed a vote of thanks.

The President from PAL

PAL who have been manufacturing Fiat passenger cars and Dodge and Fargo commercial vehicles have recently introduced their Premier President. It has been almost completely manufactured in India, incorporating a number of good features of Fiat 1100-D besides having a few modifications.

The introduction of this car also marks the culmination of the long and fruitful collaboration—extending to two decades—that PAL had with Fiat of Italy.

In a press release the company has stated that the Distribution and Sales Control order for Fiat cars will henceforth be applicable to PREMIER President also. It is gathered that some 45,000 persons have registered for buying the Fiat as on date.

The company has registered an increase of about Rs. 2.76 crores in its turnover in 1971-72, compared to the previous year. During the year under review the turnover was of the order of Rs. 40.38 crores.

The company has a programme to expand production of cars to 18,000 numbers per annum in the first phase and to 24,000 in the second phase. Presently it has a capacity to produce 14,000 vehicles.

New G.M. for PAL

The indigenous content is stupendous record of 99.9 per cent. The company has



Mr. P. N. VENCATESAN

plans to substitute even this 0.01 per cent of imported material with indigenous one.

Mr. P. N. Vencatesan has been appointed as Acting General Manager of PAL from July 21, 1972.

At the time of this appointment he was the senior-most Deputy General Manager (Finance & Administration).

Joining the PAL in 1964 as Controller of Accounts, he rose up to be the Dy. General Manager in 1967.

Before joining the PAL, he was with the ESSO for about 12 years from 1952, during which time he was sent to the States for advanced training both in their headquarters as well as in one of their affiliated refineries. He was the Accounting Manager of ESSO at Manila, Philippines in 1960-61.

He has had considerable experience in financial and cost management.

Turn-key Order Bagged by Elecon Engineering

Elecon Engineering Co. Ltd., Vallabh Vidyanagar, Gujarat has secured a Rs. 4.86 crore worth turn-key order from the National Mineral Development Corporation Ltd., Hyderabad for the supply of iron ore crushing and screening plant with a capacity of 1800 tonnes per hour. The plant is to be installed at Donimalai, Mysore State.

The entire contract is to be completed within two years. Forming part of the contract is the supply of 5.7 kilometres of conveyor system, bucket wheel reclaimers, belt stacker, automatic wagon loader and other related machinery.

It is gathered this is the first time that NMDC has placed such a large order with an Indian engineering company.

The company has undertaken to maximise the indigenous content.

Tata Yodogawa's Maiden Dividend

Tata Yodogawa Limited has been able to announce a maiden dividend on equity capital within a short period of working as anticipated in stock market circles. The company's turnover improved further modestly to Rs. 3.37 crores during the year ended March 31, 1972 from Rs. 3.15 crores in 1970-71. The net profit, before depreciation, rose more sharply to Rs. 91.28 lakhs from Rs. 65.22 lakhs. A maiden dividend of 6 per cent, taxable is to be paid and there is every prospect of this being raised substantially this year with a more impressive growth in sales and earnings. The sum set aside for depreciation is Rs. Rs. 52.19 lakhs (Rs. 47.51 lakhs).

Advertising in the March

By "NIRAJ"

BANK ADS AFTER NATIONALISATION

The nationalisation of the fourteen big banks, made in July 1969 was expected to usher in an era of prosperity for the people at large. The banks on their part have been wooing the public in a variety of ways to attract deposits. Though the press ad is the common medium, direct mail pieces like booklets, and pamphlets and even radio spots are being exploited by banks to project their image. Opening up of banks in the rural areas has become a regular feature.

On the occasion of the third anniversary of Bank Nationalisation, bank advertisements in the newspapers were of an informative nature with a liberal sprinkling of statistics on the number of branches, total deposits, the beneficiary group and so on.

HOT CAKES FROM STATE BANK

State Bank of India attracted the public eye through their 'New Symbol' campaign. Apart from the usual press ads a massive hoarding campaign was also undertaken as the next step. Their latest and hottest new introductions are 'Gift Cheque' and 'Premium Prize Deposit Certificate,' which have been widely promoted through "colour inserts" in popular magazines. The schemes are attractive in themselves after the 'Get-rich-quick' formula.

The copy in both the schemes provide interesting reading and quite lucid. One wishes, however, that the matter could have been in the regional language instead of in English. That would have been quite in tune with the object of reaching the greatest number.

It will not be out of place to mention here that the D. A. V. P. brought out a small booklet, highlighting the services of the nationalised banks in the cause of agriculture. The booklet was in Tamil and was quite interesting.

ALL-ROUND GROWTH-ALL-ROUND PROSPERITY

Canara Bank's growth is many-sided indeed, states a recent ad of theirs. And the yardstick to measure its growth is the sum total of the flow of deposits, number of branches, number of accounts and above all the number of people who stood to benefit by the bank's services. A fine testimony to its growth lies in its ranking sixth among the nationalised banks, as evidenced by the working results for 1971.

Then... and now!

In 3 years, a twofold growth in deposits and branch network. Many more people to serve. Much more to offer the country.

Here are the facts.

Canara Bank has a long and distinguished history. It was founded in 1906 and has since then been growing steadily. Today, it is one of the largest banks in India, with a wide network of branches and a large deposit base. The bank's growth is a testament to the confidence of the public in its services.

CANARA BANK

A small 'hundi' represents the past and another big one, the present. An apt copy theme closely knit to the visual is an instant eye-stopper. The sub-headline takes us further and the body copy sustains the interest. The selection of types is another plus point in the ad. Another fine presentation to come from Sista's in the wake of their 'Remco Jugalbhanbi' projection.

'AN-APPLE-A-DAY' FROM 'INDIAN EXPRESS'

A chain of media advice in succession found place in the 'Indian Express' during the third week of July; 'Indian Express' was soliciting the ad agencies and individual advertisers for including it in their media list. The copy matter was in turn just running matter, display and some times took the form of a 'limmerick'. Perhaps the claims could have been elaborated through crisp, relevant statistics.

THE INVISIBLE ANGEL

Broad institutional image-projection is of late becoming the key-note of press ads of well-established big industries. Among textiles, Mafatlal Group and Madura Mills have taken the lead. Now, NOCIL is presenting a series of press ads on this line.

"From frayed clothes and tempers... to effortless cleaning," reads the copy in one of their ads. In the fast changing world, the old way of vigorous pounding and beating of clothes is no longer necessary. Modern detergents wash clothes better, cleaner. And National Organic Chemical

Industries Ltd. (NOCIL) helps producing the detergents.

The visuals of a pair of hands beating the clothes and another, effortlessly washing the clothes the modern way are juxtaposed. The straight precise body copy brings out effectively the advantage of the latter.

MINI-COST FOR MAX-PRODUCTION

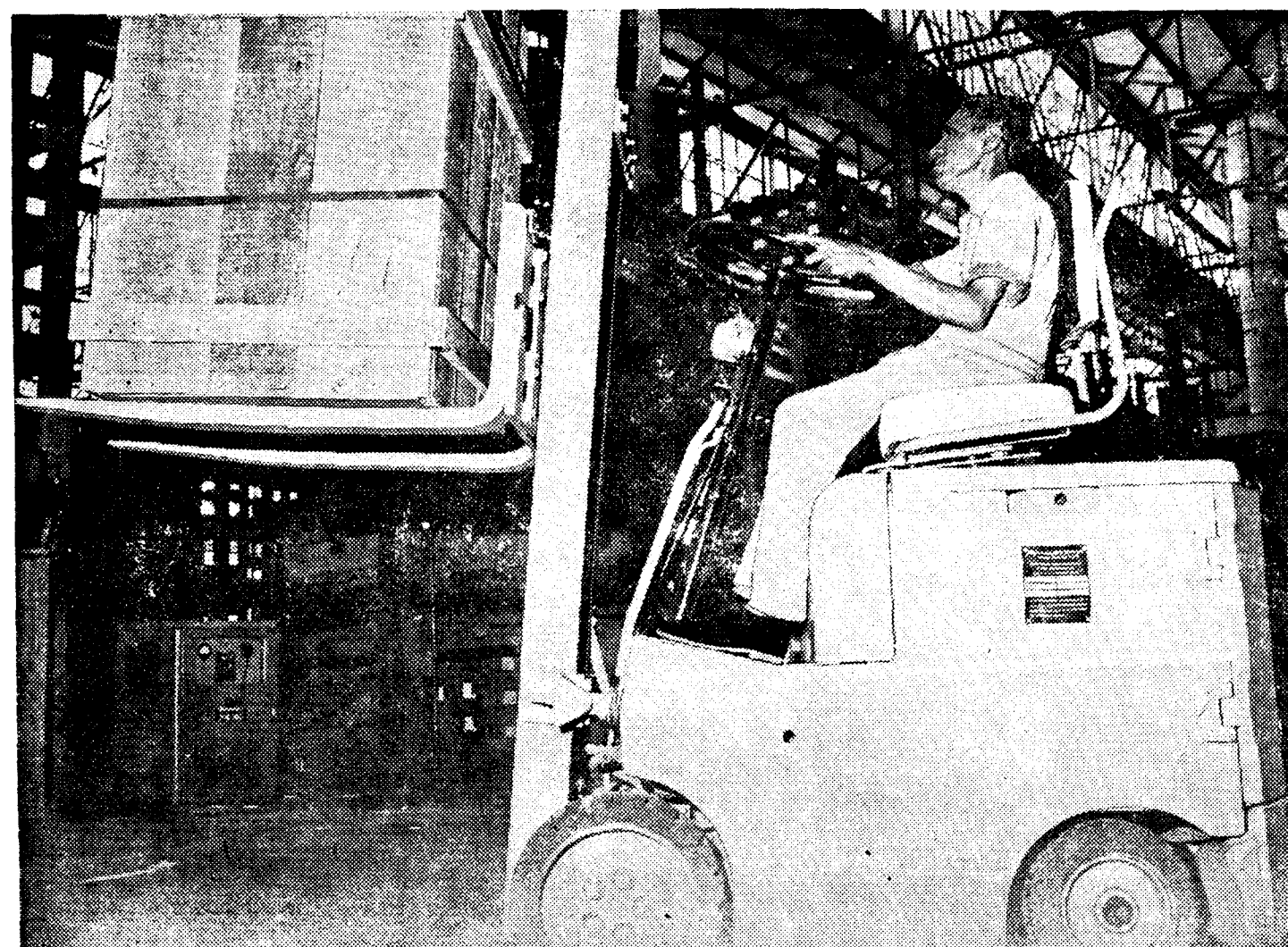


We haven't had the last word yet. We don't know the ultimate in mini-costumes. Less and less is the motto in the world of fashions.

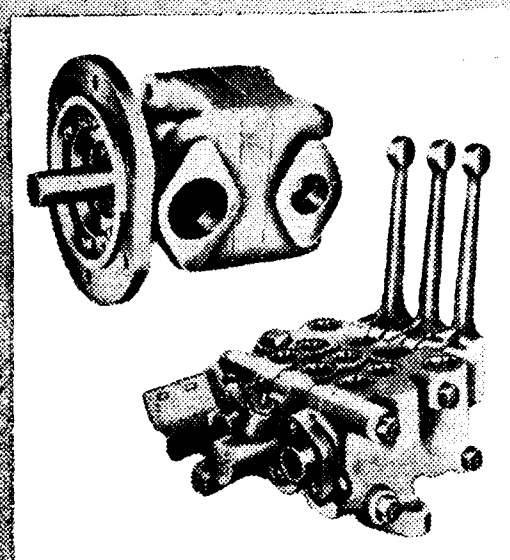
More and more, however, is the goal in production. Maximum production at minimum cost is the eternal goal of economists. We too deal with this problem all the time - We at

Industrial Economist

1/124, LLOYDS ROAD, MADRAS-86



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Vickers hydraulic pumps and valves keep mobile equipment mobile, year after year. Their built-in reliability and operating efficiencies give you maximum power output and compactness.

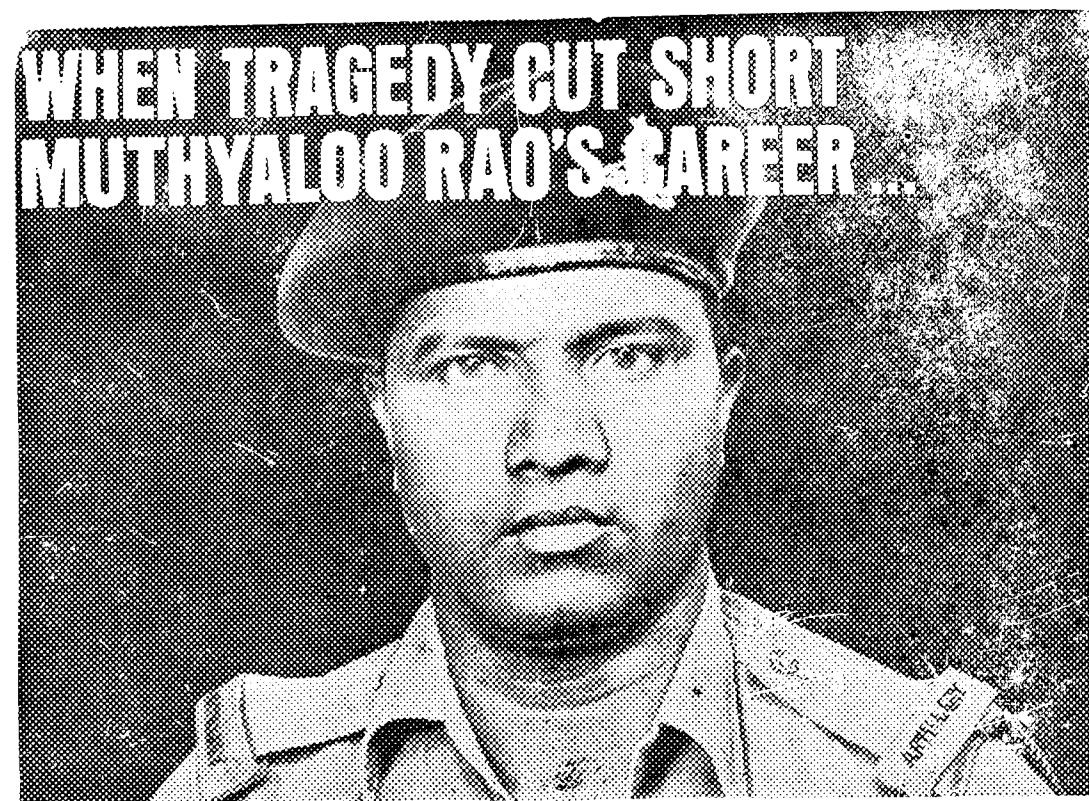
**VICKERS SPERRY
OF INDIA LIMITED**

Akurli Road, Kandivli (East), Bombay-67.

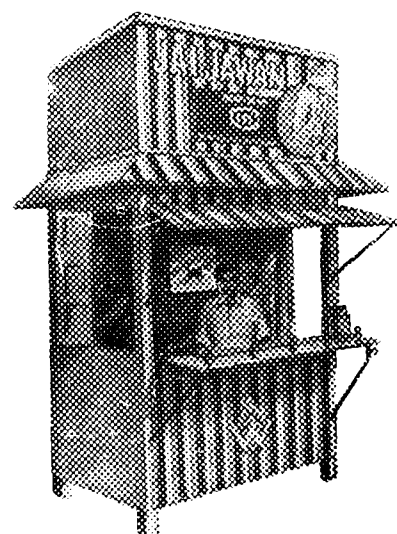
Industrial Economist



**25th ANNIVERSARY OF
INDIAN INDEPENDENCE**



ITC reached out to help him



CPH-137

Osmania Medical College,
Hyderabad

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

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

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

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THEN YOU LOOK FOR INCENTIVES
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AND THEN THERE ARE THE INTANGIBLES
which go under the name of 'Climate'.

They include :

- o favourable industrial setting
- o sincere, co-operative labour
- o helpful officialdom - willing to go all the way with you.
- o And above all - the people
warm and hospitable

There is a place which has all this - and more.

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provides smooth service, longer
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ensures efficient operation of all cooling
systems.

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OIL—cuts costs on cutting operations.

POWEROIL RUBBER EXTENDER
OIL—helps to increase output of
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• 43, General Patters Road, Madras-2. Tel: 811630
• 15-E Srungar Shopping Centre, 12-12A M. G. Road, Bangalore-1. Tel: 54946



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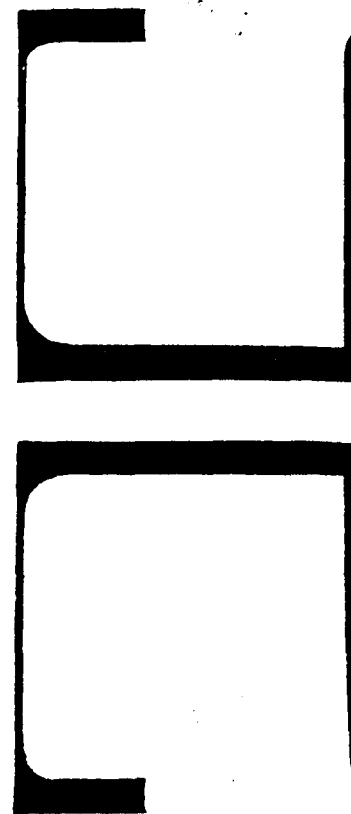
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For such rapid strides made in all fields of industry and agriculture, the life line, the driving force — the electrical power, has to be assured in full measure. This is the most essential factor that has to be first taken care of.

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From Silver Years to A Golden Era....

As we enter the twenty-sixth year of Independence, the desire to take stock of our achievements and failures is perhaps irresistible. The factor that stands out distinct is the survival of India as a democratic country, particularly viewed against the numerous problems that have been confronting the nation in the form of wide divergences in the religious and social practices of its citizens, the vastness of the country consisting of large numbers of linguistic groups. One can indeed take pride over the fact that the country could successfully go through six general elections, each seeing the people more mature than the preceding one.

The stature of Mahatma Gandhi and Jawaharlal Nehru contributed richly to the status of the country in the international arena. It also helped the country to forge good relations with the different political camps and derive rich benefits out of these. The essentially peace loving nature of Jawaharlal and his faith in democracy and socialism helped in the formulation of national policies in this regard. In fact for any leader less than Jawaharlal the temptation would have been too much to resist to be a dictator in the fashion of a Nasser.

A Sound Industrial Base

Nehru also laid the foundation of a sound industrial base. The country today is in a position to manufacture a variety of wide ranging items. Likewise, his faith in the role of science to deliver the goods for the future through highly imaginative programmes in the exploitation of atom, when it was not developed to any great extent even in the most advanced countries, speaks volumes for the vision of Jawaharlal. In the mid 'fifties when plans on our programmes of nuclear development were conceived, the world's first atomic power plant had not still been established.

Likewise, looking back one wonders about the great administrative tact with which Sardar Patel ensured the unity of the country by the accession of the Princely States to the Indian Union.

Nehru had his own share of failures as have been evidenced by our unresolved disputes with Pakistan and China. The enthusiasm of Nehru for the principles of co-existence enunciated at Bandung was shattered by the stab-in-the-back by the major signatory to this, China through its invasion of India in 1962. The country could not feel easy with an unnatural border with a hostile Pakistan both on the West and in the East. The problem of guarding these areas had been one of the major headaches. With the unexpected developments culminating in the formation of Bangla Dosh, the position has vitally altered today.

Checking Population Growth...

The Indian victory in the war with Pakistan in December 1971 has thus given a big boost to the morale of the

country and confidence over its ability to stand on its own. This has given relief to concentrate now on guarding a more compact border in the West and in the North.

The major failure in the earlier period of independent India has been the poor stress laid on controlling the population. India's population increased from 344 million in 1947 to 550 million today. It should have been obvious to the planners that much of the success of our plans depended on our capacity to plan for a population which did not explode fast. Unfortunately in the period 1951-61, the rate of growth in our population had been so fast that much of the hopes of improving the standard of living were shattered over the need to divide the available cake for a larger population than estimated. Very poor attention had been paid to family planning in our first three Plans; with the result the explosion trend continued through the second decade of planning, 1961-71 too. The importance of this has been realised only towards the close of the 'sixties and a more ambitious programme of family planning has since been initiated. The increase in population has been achieved largely due to a steep fall in the mortality rate and an unchecked birth rate. Thanks to better medicinal facilities, longevity of an average Indian very nearly doubled from about 27 years at the beginning of Independence to 54 today and so the need of the hour is a determined bid to check the birth rate through imaginative programmes of family planning. As one of the initial steps it should be considered whether a more serious attack to limit families having more than three children should not be devised. Though it may not cover a wide area, it may be considered whether maternity benefits and other allowances should not be restricted to the first three children in the case of Government employees and industrial workers. Apart from offering incentives to limit families, the other element of withdrawing facilities as a punishment for over-breeding should also be attempted.

Certain Plus, Some Minus Points...

The balance sheet in the economic front has certain plus and several minus factors. The greatest of the plus factors is the ability of the country to do away with food imports, particularly after the sufferings undergone by the country in the latter half of the 'sixties due to successive bad monsoons. There has been a sustained effort towards increasing the food production which has given us the confidence to achieve self-sufficiency in food. Though there are many people who believe that this was also helped by an unusually long series of good monsoons—for five years in succession—one should not minimise the excellent consolidation that has been done through a scientific approach to food production. The widespread use of exotic and hybrid varieties, large increase in the consumption of fertilizers and pesticides, the care bestowed on ensuring steady supply of water at the required time through large scale energisation of pumpsets and con-

stant improvements in farming practices have all made possible this green revolution. Hence the confidence experienced by the country, in spite of failure of the monsoon in quite a few parts of the country this season, over its ability to tide over any crisis. A number of States such as Tamil Nadu are vigorously planning to achieve such a breakthrough in the production of cereals and commercial crops. One can reasonably hope that such spectacular increases in production of these will also be possible in the next 2-3 years.

There have been many critics who questioned the wisdom of investing large sums of money in heavy engineering industries during the Second Plan. Looking back one has every reason to feel satisfied over the vast expertise that have been gained in the subsequent years in a variety of skills ranging from steel-making to the design and building up of large-sized fertilizer plants oil refineries, etc. Today the country has been building many fertilizer plants on its own; the future oil refineries will be designed and built on our own as also the new steel plants that have been planned. Such skills extend up to the design and building of even sophisticated plants like nuclear power plants.

Already a number of firms have gained world-wide recognition for design and production skills. Few other countries can hope to make available to the world at large design, construction or supervisory engineering talents in abundance.

Raising Living Standards

These are certainly some of the positive factors. But there are many many miles to go in the matter of general raising of standards of living of the average Indian. The fruits of whatever achievements that have been made in these 25 years have not reached evenly all the strata of our society. There are pockets of prosperity surrounded by vast tracts of those who have not been benefitted by such cataclysmic changes witnessed in select areas, mostly urban.

The high level of illiteracy and the large backlog of unemployment can be cleared only through a programme of economic development which is capable of fast growth in the short run and which is designed on an equitable distribution of the benefits.

Increasing Political Awareness

One hope for the future lies in the increasing political awareness of the masses, of which the leadership has become conscious. Expectations have been roused widely and the massive mandate given to the Governments both at the Centre and States have been the result of such promises made. Thus for the first time in so many years one is witnessing on the part of the leaders at the Centre and in many of the States a desire to quickly ameliorate the lot of the average citizen.

The next twenty-five years are going to see the country getting over these many-sided problems and emerging as a world power.

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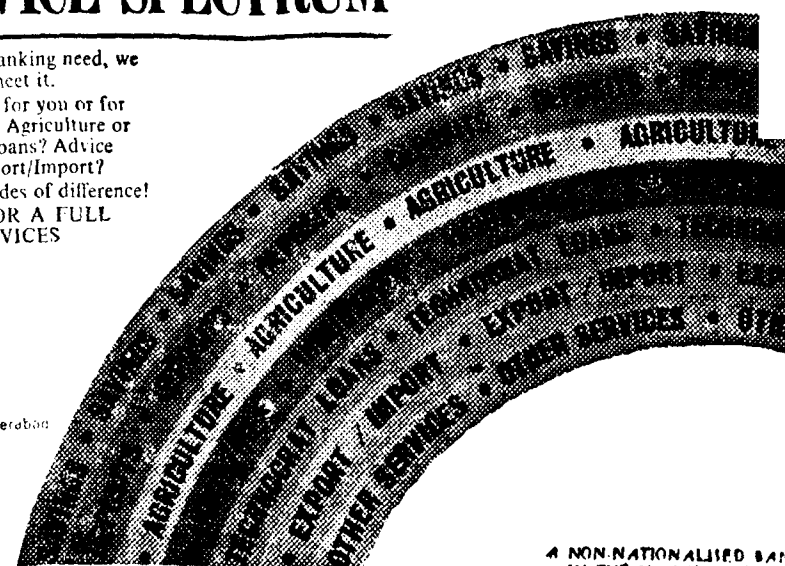
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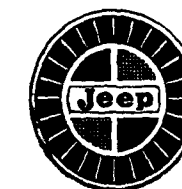
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IN THE NATION (1971)

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Cameos from August 1947

By D. R. MANKEKAR

A sultry evening—August 14, 1947: Impounded within the vast expanse of the Central Vista between Vijay Chowk and the National Stadium, was a seething, heaving sea of humanity. Never before had New Delhi seen such a mammoth crowd packed in one place. It was a human mass attaining its own momentum, in which individuals were mere helpless flotsam.

Caught in the turbulent whirlpool, losing all sense of direction and self-propulsion. I was adrift, jostled, swept hither and thither by the waves of the swaying mass. Among the "driftwood" were also foreign women, separated from their male companions, but strangely enough, not panicky, enjoying themselves, as good humoured crowds shielded them against the crush. Overnight the Indian people had shed their xenophobia—the miracle wrought by the alchemy of the peaceful transfer of power.

A mighty tidal wave crashed into the cordoned-off spot and swept away the tiered stands and smashed to matchwood the rows of chairs arranged for VIPs to watch the ceremony of the evening—the hauling down of the British Union Jack from lofty flagmast and hoisting, in its place, of the Indian Tricolour—the precursor of the historic event to be staged that day at midnight.

Like a flood demolishing a barrier, the crowds swept away the army bundobust. The VIP invitees could get nowhere near their seats. Field Marshal Auchinleck, Supreme Commander of the Armed Forces, struggled his way to the flag staff, surveyed the scene in disgust and walked away mumbling, "So, this is their independence".

Floating over the wind, from the direction of Vijay Chowk, came a joyous roar. All eyes turned to watch a fantastic spectacle: the Viceregal coach-and-six ploughed its way towards India Gate, as the crowds fell back to make room for it.

The Mountbattens' faces were flushed with excitement. The last British Viceroy was grinning from ear to ear, as he watched the breath-taking scene. The crowds mobbed the coach, shouted "Mountbatten ki jai", leaned over to shake hands with the Viceroy, as the vehicle moved on like a rudderless ship, wherever the horses chose to take the party, away from Raj Path and on to the lawns of the Central Vista.

As it drifted on, the Viceroy's coach picked up half a dozen lost children and their mothers. On board were also Jawaharlal Nehru and Indira—all ecstatically waving to the laughing, roaring crowds.

The crush of the mammoth mass was so powerful that the Viceregal coach could not get anywhere near its destination—the Princes Park (now the children's park) for the flag ceremony. The caravan came to a halt some yards away from the flagstaff. Mountbatten could not get beyond that point. The hard-pressed jawans conducting traffic and guarding the flagmast, struggled in vain to make way for the coach.

With a broad smile, Mountbatten remarked to Nehru: "This is their day. If this is the way the people want to celebrate it, who am I to say no". And he was content to signal from a distance to the jawans guarding the flag mast to haul down the Union Jack and send up the Indian Tricolour. Thus, it was a common soldier, and not a top dignitary in the land, that ushered in the country's independence.

As the Tricolour ran up the mast, the crowds espied the most beautiful and complete multicoloured rainbow arching over the silhouetted skyline of the Purana Qilla and the National Stadium. And immediately there was a drizzle, bringing cooling relief to the sweating crowds—as though the heavens themselves were blessing the events of the evening.

The people of our land vary in customs, habits, traditions and costumes as much as our scenery and climate. And yet, the cementing bonds of centuries-old culture transform the apparent diversity into a living harmony.

Knitting this vast and varied country together and sustaining its social and economic edifice are the **INDIAN RAILWAYS** - Asia's largest and the world's second largest single Railway System, thus contributing to National Integration.

Nearly 14 lakhs of Railwaymen with exemplary dedication place Service before Self and Country before everything.

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The Chief Public Relations Officer,

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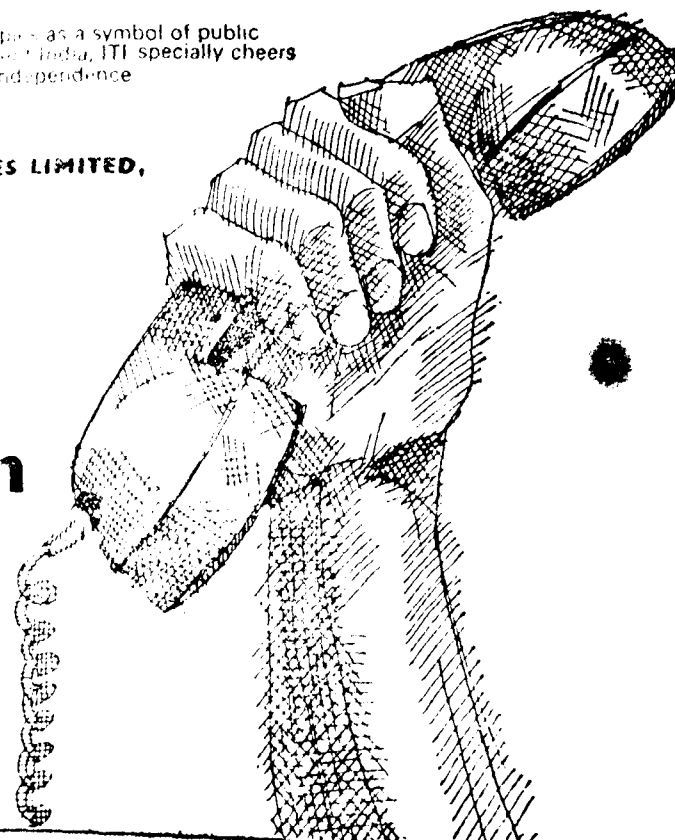
It has won in successive years the Presidential Award for the "Best All Round Performance" but is not resting on its laurels. ITI applies itself continuously to advance the state of telecommunication services in the country through Research & Development.

With the place it occupies as a symbol of public enterprise in independent India, ITI specially cheers the Silver Jubilee of Independence.



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INDUSTRIAL ECONOMIST

INDUSTRIAL ECONOMIST

3

9

Once the ceremony was over, a glorious pandemonium broke loose, and it was hours before those caught up in the melee could extricate themselves and reach to safety. But not one incident of hooliganism or crime was reported that evening. It was a good-humoured, disciplined crowd.

Of those days packed with history, this was the scene most deeply etched on my memory.

But the most solemn spectacle of the day was the midnight ceremony on August 14/15 in the Central Hall of the Parliament House—at an hour when the rest of the world slumbered, India awoke to freedom and to keep her tryst with destiny.

Looking down that night from the Press Gallery on the glittering scene below, I could see a blur of Gandhi caps interspersed by a few formal dark costumes. The black cap and achkan mingled with the South Indian gold-laced white turbans. The women members turned out in their best, lending to the setting a splash of colour with their Benaras brocade saris. There was the small group of Anglo-Indians led by Frank Anthony, standing out in their spruce European-style formal dark suits and bow-ties. The dhoti, the churedars, the lungi and the Western trousers co-existed with each other.

As the hour of midnight struck, the dome of the Central Hall reverberated to the cries of "Bharat Mata ki jai" and "Mahatma Gandhi ki jai" and shrill blasts from a conch smuggled into the hall by Pandit Govind Malaviya, his cherubic cheeks nearly bursting under the strain.

Mahatma Absent

Alas, the Mahatma was not there to witness the consummation of his long-cherished dream: he was away in distant Noakhali binding the wounds of the victims of the bloody Partition.

Apart from the two memorable speeches of the night—by Jawaharlal Nehru and Dr. Radhakrishnan—the solemn ceremony of oath-taking by the assembled members of the Constituent Assembly clings to my mind. Among those who took the oath of loyalty to India were two pillars of the Indian Muslim League, Choudhry Khaliquzzaman and Syed Hussain Imam—both hardly two months later were sighted in Karachi, one to be the titular head of the Pakistan Muslim League, the other to fade into obscurity.

I recollect having concluded my dispatch to my paper on the historic event with the sombre lines: "And at this hour, as the capital rejoiced, one could not help harking to the disquieting rumblings of the bloody goings-on in not-so-distant Punjab." But then that is another story.....

Within two weeks of Partition, the two Prime Ministers, Jawaharlal Nehru and Liaquat Ali Khan, were touring the riot-torn Indian and Pakistani Punjab, bringing solace and succour to the uprooted and unhinged humanity wailed by a wave of unprecedented brutality on to insecure, improvised refugee camps.

It was Raksha Bandhan Day. The Prime Minister's party reached Multan, in West Punjab. The inmates of the refugee camp greeted Nehru with an angry, anguished outburst. When the tumult subsided, I witnessed a poignant scene.

Brother's Protection for a Sister'

A queue of ragged women, with bleary-eyed, tear-stained faces, filed silently up to Jawaharlal. They had in their hands pieces of thread, scrounged from somewhere. Each came forward and tied her thread around Nehru's wrist and pleaded and demanded "brother's protection for a sister."

As Nehru extended his hand for the rakhee, tears freely coursed down his cheeks—and there was not an eye all round that was not moist.

In another refugee camp, this time Muslim, in Amritsar, in India, the Prime Minister's party as well as the security forces were taken napping, as an angry Muslim mob of refugees stormed the visitors. The latter included, besides Liaquat Ali Khan, Mian Mumtaz Daultana of Lahore, a Minister in the West Punjab government.

A Muslim judge, an inmate of the camp, cried out in agony at the Pakistani leaders: "You have your Pakistan and have satiated your lust for power. What do you care for the victims of your greed! Why did you not arrange for the transfer of population? Why did you not do anything to protect innocent people?"

It was a combustible situation. Police reinforcements had to be rushed into the camp to rescue the Pak leaders to safety.

In Delhi, among the casualties of the communal holocaust were three loving, tended beards—those of K. M. Panikkar, H. V. Kamath and Hussain Imam.

The leaves in the Mountbatten Calendar of Independence were running out. Sardar

Patel and V. P. Menon were in a frantic hurry to corral the stray sheep among the Princes. The youthful Maharaja of Jodhpur was eluding the grasp. As a state bordering on Pakistan, he was being lured by Jinnah, through the Nawab of Bhopal, to accede to Pakistan.

One sultry evening in July there was a great flutter in the corridors of Hotel Imperial. C. S. Venkatachar, Prime Minister of Jodhpur, who resided at the Hotel, rushed in all excited: his Maharaja, who was scheduled to arrive in Delhi that evening, was missing. It had been ascertained that the young Ruler did land at Safdarjung airport—indeed his plane was there as evidence. But none could say where he had vanished. People in the States Ministry could of course guess where the Maharaja could have gone!

Before long it was discovered that the Nawab of Bhopal had received him at the airport and whisked him off to Jinnah's residence on York Road. There Jinnah had dramatically offered the Maharaja a blank sheet of paper and asked him to put down his own terms for accession.

It was late in the night before "V. P." sighted the Maharaja at Jodhpur House, and persuaded him to drive along with him to Rashtrapati Bhavan to meet Mountbatten. The Viceroy was dragged out of his bed to talk to the flamboyant Prince into seeing sense.

And then occurred the tense midnight drama—the Maharaja at last agreed to sign the accession to the Indian Union, and then as Mountbatten withdrew from the room for a brief while, pulled out his revolver and aimed it at "V.P.'s chest and hissed: I refuse to accept your dictation". "V.P." coolly replied "Don't indulge in juvenile theatricals". When Mountbatten returned to the room soon after, the Maharaja cooled off!



CMVS-02-102

INDUSTRIAL ECONOMIST

Another Impressive Show by D.M.K.

Even though technically only a district level conference, the D.M.K. Conference held in the historic City of Madurai for three days from August 4, acquired a special significance in the wake of an open and complete rift between the Congress (R) and D.M.K., and after the farmers' agitation and its aftermath, taking a toll of several lives.

A Spectacular Show

D.M.K. which believes in organising spectacular shows of its strength, through evoking mass response had reasons to feel proud of the grand procession and royal reception accorded to its leaders by the enthusiastic people of Madurai led by the Mayor S. Muthu. The party magazines jubilantly reported the participation of more than 5 lakhs of persons in the procession, 8 miles long, which preceded the inauguration of the Conference. 16 elephants, 12 horses, 2 camels and a number of floats displaying the achievements of the party were also seen in the procession. (An opposition party paper alleged that 4 of these floats were prepared by the Tamil Nadu Electricity Board and after exhibiting them as the achievements of the Chief Minister, the same floats were supposed to be later shown in the Independence Day parade, at Madras on August 15). Decorations at the site of the conference and welcome arches lining the routes were gorgeously erected on a lavish scale. According to a report of a semi-party paper, a hundred thousand electric bulbs adorned 162 feet Gopuram erected near the pandal and a fancy welcome arch was the replica of Eiffel tower in Paris, illumined at night. The income from the conference was declared to be Rs. 510,000. The opposition parties promptly took the opportunity to criticise such wasteful expenditure in view of the severe drought conditions in the country.

Autonomy — Dominant Theme

The deliberations of the conference from the beginning were dominated by the thesis of "State autonomy" and an expression of fear that the Central Government and the Congress Party

in the State, in particular, abetted by other parties and with the connivance of the Prime Minister were engaged in a toppling game, trying to disturb the stability of the popular D.M.K. government by all means, fair or foul. Murasoli Maran, M.P. and nephew of Chief Minister Karunanidhi in his Presidential speech went so far as to suggest that they should all start a brisk party campaign under the assumption that within six months there will be another election in the State. Many of the speakers asserted their confidence that in such an eventuality, the D.M.K. will return to power with even more thumping majority, capturing all the seats. Mr. Maran also strongly criticised the action of Governor K. K. Shah in accepting a petition of complaints against the activities of the D.M.K. in using official means to collect money for the Conference, submitted by certain Congress leaders at Madurai on August 3, one day before the conference. He questioned the "status" (tharam) of many such people to present a genuine petition and some other speakers even asked whether the Governor obtained the consent of ministers to receive such petitions. When, later, it was pointed out that there was no constitutional impropriety involved in the Governor receiving

any petition from any citizen, the Chief Minister explained, that what prompted the remark was that people, after presenting a petition to the Governor, came out with a distorted, unwarranted statement to the press about their interview.

Some Preached Secession Too!

Eyebrows might have been raised when a speaker from Coimbatore mentioned that they have only "postponed" the Dravida Nadu demand, or when another speaker threatened that it will not take them much time to convene the Assembly and declare the secession of Tamil Nadu, from the Union or when a matinee idol said in a passionate speech that the people of Tamil Nadu were even ready to meet the Indian Army if some Central Ministers succeeded in toppling the present Government in Tamil Nadu. But the High Command promptly entered the scene to clarify some such remarks as "slips of the tongue." V. R. Nedunchezhiyan, General-Secretary of the party, categorically declared that the demand for Dravidanadu was not merely postponed but dropped once for all. He asserted that secession was not the motto of his party, which believed in a strong, unified India and the state autonomy was the way to reach that goal.



Pleased with Coverage?

Chief Minister Karunanidhi (second from right) flanked by loyal lieutenants, DMK General Secretary V. R. Nedunchezhiyan (extreme right), Madurai District Secretary S. Muthu (second from left) and Conference President Murasoli Maran (extreme left). Smiling and looking on from behind is Rama Aranganal (Chairman, Slum Clearance Board).

INDUSTRIAL ECONOMIST

Chief Minister Karunanidhi, when asked about the reported activities of *Tamilar Padai* during the farmers' agitation and after, denied even the existence of such an "army" and rebuked the opposition parties for shadow-boxing. According to him this was purely a volunteer corps first recruited at Madurai in 1968 to control crowds in party meetings, or processions, assisting party officials and because of adverse criticism of "enemies", even this *padai* is no longer in existence. He also said about the

"toppling move", that while the Prime Minister never thought of such a move, only the "calves" looked troublesome. Rubing Congress is to blame for nursing such hopes. Drawing the comparison from the Congress election symbol, he said that the "cow" is sedate and only the "calves" looked troublesome.

Notwithstanding such remarks, many speakers directly and indirectly implicated the Prime Minister also in such a move and L. Ganesan, M.L.A., reminded the audience that it was Indira Gandhi who toppled the Kerala



The strength of the DMK is derived from its ability to muster large following from the masses. A view of the gathering at the DMK Madurai District Conference.

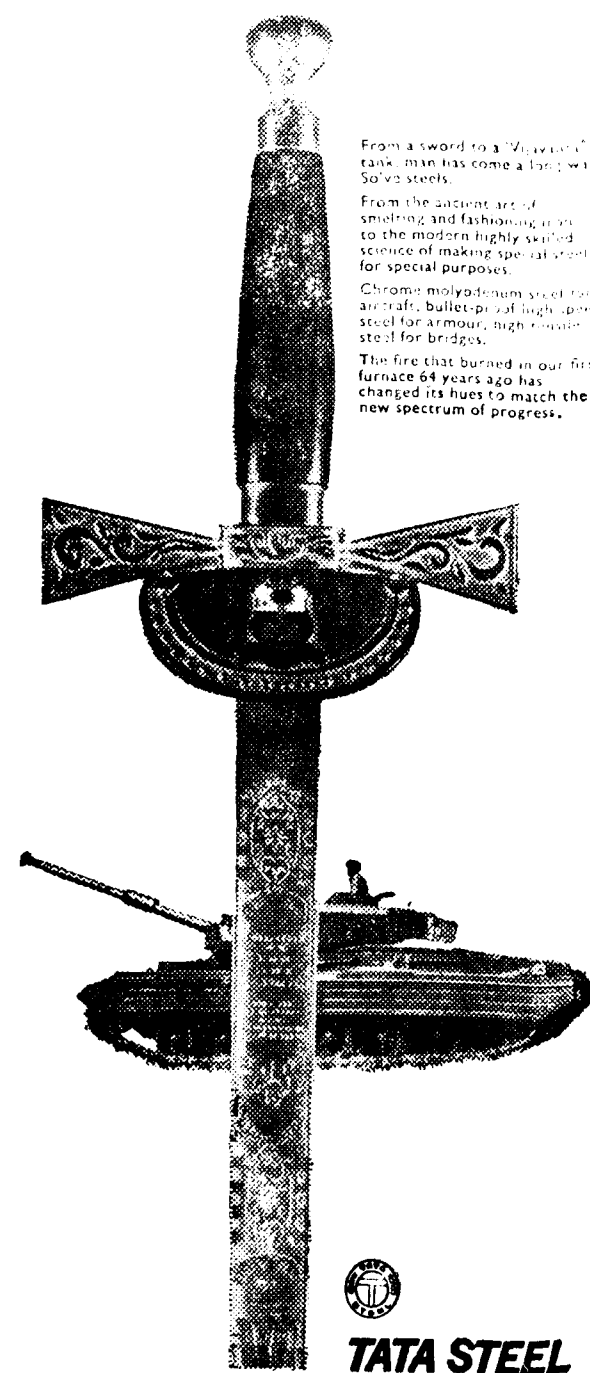
Government in 1959, whipping up a popular frenzy against the communists even during the democratic regime of Nehru. Murasoli Maran asked why the "cow" did not kick the "calves" bringing them to their senses. Maran pointed out that even the fact of having overdraft from the Reserve Bank may be cited as a mark of inefficiency and the Tamil Nadu Government can be toppled on that score. Thus the keynote of the conference appeared to be a genuine apprehension that some toppling game is afoot. Impassioned pleas for State autonomy were not only made, but in the Roman fashion, the audience was invited to shout slogans expressing solidarity with the party, a vow to protect the people's government from falling and also the determination to achieve the State autonomy at any cost.

The conference proved that the hold of the D.M.K. party on the masses has not waned as fervently desired by its opponents; but only time can tell whether this influence can further be strengthened or even kept up at the same level with the onslaught on it made by the more charismatic leader Indira Gandhi at the national level.

—Forscher

INDUSTRIAL ECONOMIST

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HINDUSTAN STEEL

INDUSTRIAL ECONOMIST

4

Some Reflections on the Silver Jubilee

The Silver Jubilee of India's Independence finds the nation full-grown, well ahead of the other developing countries in military might, and in the basic soundness of its economy, conscious of its weight in world affairs generally and in this part of the globe in particular. Celebration of the national day in most countries consists in the parading of the defence forces for their varied armoury, in the manifestation of the sense of jubilation, in revelry and pompous declarations from the powers that be. India has in the past eschewed such ostentation and preferred rather to contemplate on the uniqueness of her struggle for freedom and the implications of the means and methods of the Father of the Nation for framing her national policies in the future. Today, however, the people's thoughts are apt to dwell on her recent triumph in the war with Pakistan and, as in the case of her historic fight for freedom, on the unique features of the war. Not the least of such features is its short duration. But far more important is the accomplishment of freedom for Bangla Desh from its subjection to the ruling cliques a thousand miles away. Of more direct importance to this country is the fact that India was able to keep her powerful enemies at bay and to foil their designs on the people of this sub-continent.

Ushering in a New Era

The freedom of Bangla Desh, which would have been impossible without India's moral and material support, may justly be regarded as a reversal of the partition, a denial through the dialectic of recent history of the pernicious two-nation theory and perhaps the beginning of a process of formation of new states which give little room for the sinister move of the great powers. The accord of recognition to Bangla Desh by one nation after another under pressure of the logic of history and with obvious signs of reluctance may well usher in a new era in which the carving up of new States according to the will of the great powers will no longer be so easy.

The bearing which the birth of Bangla Desh has on the two-nation theory and the nativity of India and Pakistan lends new strength to the tendency towards nostalgia so natural on Independence Day. It is usual to stress India's claims to distinction in having achieved her freedom through non-violence. But little was said or even thought of about the contradiction between the irresistible power of non-violence as it was felt by our former rulers and its utter powerlessness against the clamour for one separate communal State in spite of the thousand miles which divided the two wings. The break-down of the British resistance was by no means a quick or easy process. Sir Winston Churchill put up the British backs by stating publicly that he would not preside over the dissolution of the Empire. He scorned the leaders to whom power was to be transferred as men of straw. The Labour Party, which in a way was committed to India's freedom, proceeded to the task with fumbling steps. The Cripps Mission was by no means notable either for its insight or for its tactics in dealing with the different sections. It was even said, with what truth it is difficult to say, that Lord Wavell as Viceroy claimed an authority superseding that of the Cabinet Mission. Not all the published memoirs about the talks and negotiations of those days can bring out in full the highly distracted nature of the conditions which prevailed on the eve of the transfer of power. What made for a definite move out of the morass of infructuous negotiations was the decision of the British Cabinet in favour of a transfer of power and Lord Mountbatten's firm resolve to go down in history as the expert obstetrician who attended the difficult delivery of two free nations! The story of how the Viceroy drove every official with the aid of a tear-off calendar to complete the preparation for partition is indeed widely told and known. What is of more importance to future history was that India's acquiescence in partition was made possible by the Mahatma's dissociation

from the decision which he left to the leaders of the Congress. What we had to reckon with was the fact that the partition, far from giving a quietus to communal rancour, actually fanned the flames of communal rioting in many parts of the country. The two-nation theory lived on with the aid of many an adventurous circumstance, though the lesson of the Calcutta riots of 1946 was unmistakable. Faith in its value to the Muslims lingered against all evidence. But the experience of Bangla Desh may well prove powerful in this regard and help the evolution of a national spirit which will root out the poisonous weeds of communalism.

Prime Cause of Dissensions

It is a habit among politicians to point to poverty as the prime cause of these dissensions and to regard economic progress as their only true solvent. Despite the large element of truth in it, there is an over-simplification which should not be allowed to cloud the relevant issues and considerations. There is a cultural and educational aspect to the problem of national integration which has also suffered from the tendency towards exaggeration. A proper sense of proportion aided by timely shifts of emphasis between the economic and the cultural, between the expediencies of the moment and the long term requirements and what is perhaps even more important, the exclusion of malevolent foreign interferences in Indo-Pak. relations might still help us to repair the ravages of centuries and build up a true national spirit. The spectacle of two nations, Hindu India and Muslim Bangla Desh, working with equal devotion to the ideals of secularism and socialism might prove a powerful antidote to communalism and help Pakistan too to recognise the advantages of eschewing religious fanaticism as a means of forging national strength and solidarity. Herein lies the differences between the conditions in which free India was born and the conditions in which she celebrates the Silver Jubilee of her Independence.

Harping on Non-Alignment

The Silver Jubilee of Independence finds India a mature political and economic unit in this part of the globe. There may be umpteen people who may indulge in denegrating the nation's achievements, but facts cannot be swept under the carpet to oblige them. A close look at these achievements will explain why. First, on the diplomatic front, India of 1947 was a pale and palsied prototype of India of 1972. The nation reflected all the deficiencies of its nascent independence which were in a sense deepened by the aura lent by its visionary Prime Minister, Jawaharlal Nehru. The theorising over non-alignment and internationalism coupled with the moral fervour with which these ideals were expounded by Nehru gave to the country an international stature which was difficult of maintenance against the hundred complications generated by Indo-Pakistan differences and Western impressionist assessment of India as a sermonizer poking its nose in other people's affairs. The postponement of the promised plebiscite in Kashmir, the invasion of Goa, the double standard evident in the reluctance to condemn Russia for its Hungarian venture, the support to General Abdel Nasser on the Suez Canal issue, the failure to prevent *Panchsheel* from being ignored by China besides the surrender of Indian advantage in a neutral Tibet through the notorious confusion of meanings relating to sovereignty and paramountcy induced observers to conclude that India had a long way to go in diplomatic credibility about its potential as well as actions.

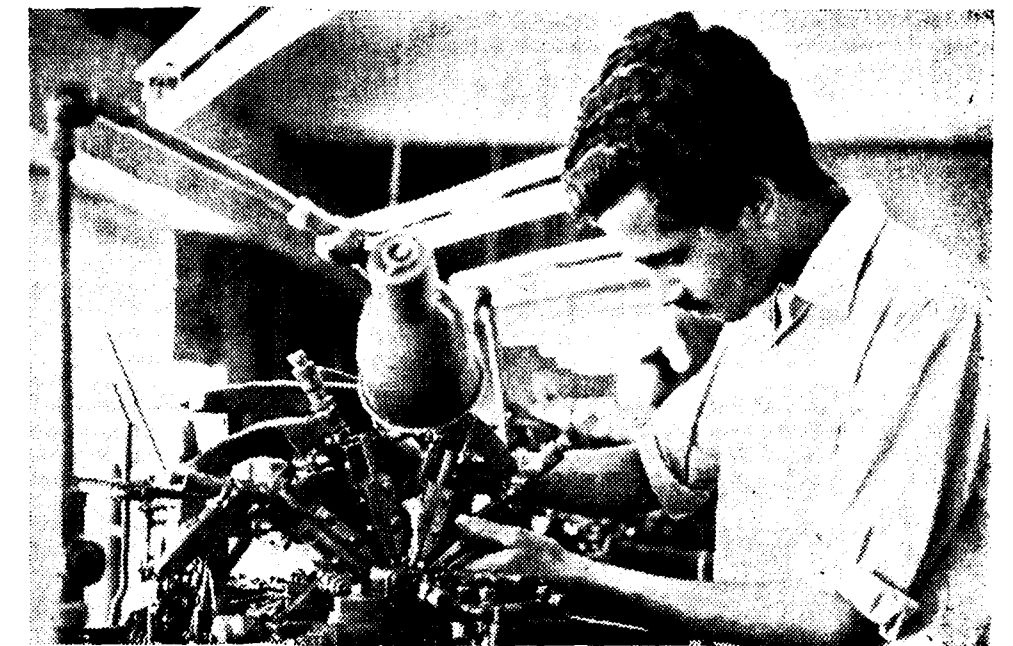
Hopes of Diplomatic Maturity

It is not that all these sins of commission and omission have been insulated against now. It is nevertheless true that the handling of the Indo-Pakistan issue has raised hopes of diplomatic maturity. Unlike as on the previous occasions, the decisive stance taken by India vis-a-vis Sheikh Mujib's freedom fight uncovered facts about whom to trust and whom not to trust. The manner in which the war was carried into the enemy's territory revealed that, unlike as during the Chinese conflict, the army, the navy and the air force were ready for their job well in

advance of the zero hour. No doubt Yahya Khan's political and military idiocy was a great advantage to India but what was more important was President Nixon's realisation, at least at the last minute, that Pakistan cannot be bolstered up against Indian onslaught without grave loss of his own diplomatic reputation. In British history relating to Elizabethan times, there is the familiar song about a famous ship that went to Spain but had to return. The visit of the US Seventh Fleet to the Bay of Bengal deserves similar immortalisation in verse. While military victory gave India the strength to dictate terms, it had the diplomatic vision to surrender occupied territory. There has, of course, been a hue and cry against the provisions of the Simla Pact in this regard. But the decision has to be viewed against whether we want a durable peace and if so whether we can afford to tread on sore toes alienating world opinion also in the bargain. In this sense, the Simla Pact is a pragmatist's victory indeed.

There are other sides of the diplomatic front where much spade work remains to be done. Senator Conally's visit has made clear that the U.S.

will be retracing its steps regarding its political relations with India. There is no need in the circumstance to taunt the U.S. over its stance during the Indo-Pak conflict, but instead capitalise on the opportunity provided by the thaw in the U.S. attitude. The Russians have shown themselves to be better friends; but knowing the implications of close relations with closed societies like the Soviet bloc countries, India would do well to steer clear of avoidable commitments which can be done without causing any offence in the process. The only uncertain factor is the future of Indo-Chinese relations. China's wooing of Pakistan cannot measure to much as Yahya Khan found to his cost during the Indo-Pak. war. At the same time as a permanent member of the Security Council of the United Nations and as a power bent upon capitalising this position vis-a-vis its political and diplomatic interests, China will be a troublesome intriguer intent on cutting down India to size. The pressure that will surely mount in this regard cannot be tackled on dubious Russian support alone. It is for this reason essential that India mends its diplomatic fences with the West so as to isolate China on most



The small scale industries have made a significant contribution to India's industrialisation. The estimated value of output in the small scale sector in the past year was Rs. 40560 million. The average rate of growth has been around eleven per cent as against eight per cent before 1965-66. There are 190,727 small scale units registered with the Government of India. Over 65 lakh people are employed in this sector. Picture shows a Watch Factory at Dharampur, Simla, Himachal Pradesh.

issues concerning India. This is not going to be easy especially because there are differences among the countries of the developing world especially in the Middle East, where China hopes to score better than Russia and India, and in that order.

Ceiling on Births

Much of India's political image in the future will depend not so much on diplomacy but upon the strength of its economy. The country has now struck a bad patch. Food output, instead of registering an increase by 4 million tonnes, has slipped behind the previous year's figures by that amount. Industrial growth rate is far below target and is continuing to be sluggish. Some of the gains on the export front have turned to be statistical while a part of them have arisen through straight statistical errors.

The more basic issue is to factualise national integration. Of late, the trends of nationalism are building up into a force to reckon with. There are persons wielding great influence blatantly talking about a re-allocation of functions leaving with the Centre only defence, foreign af-

fairs and communication. What is more amazing and distressing at the same time is the reference by these people to the fact that the Congress leadership on the eve of Independence was talking this language. What is omitted here is the difference between the relevant circumstances. Then it was a question of obliging Muslim majority provinces in order to avoid partition. It was thus a case of recognising two nations *de facto* though not *de jure*. How can that be comparable with a United India after partition? On the contrary, the lessons of partition being so clear, the first resolution that should be made on the occasion of the silver jubilee of the country is to eschew sedition by taking quick and effective action against those, however high placed they may be, who preach secession under some cloak or other.

What is most important today is a ceiling on births. The egalitarian aspirations of the powers-that-be have been busy devising ceiling on urban property, land, etc. in order to ensure the distribution of the national cake to larger and yet larger number of the deprived sections in society. This ex-

periment is being bedevilled on the one side by the lower growth rate of wealth and on the other by the fast rate of growth of population. Latest census figures indicate that the latter is becoming the graver peril. The main emphasis of the family planning drive should be to oversee kinks in social behaviour which perpetuate the higher demographic growth rates. To a large extent, these are the outcome of pseudo-religious beliefs regarding the sacredness of the offspring and also of particular matrimonial practices of certain people like the polygamous Muslims. It will, of course, be difficult and unwise to legislate religious codes towards making them suit the requirements of modern living. If the Government has interfered with any code at all, it has been the Hindu code, probably because despite its secular pretensions, the Government represents the will of the Hindus as the majority in the population. This has itself aroused considerable adverse comment. In the circumstances, there can be no gain-saying of the need to depend on personal appeal through publicity to achieve the necessary change of mind all along the line.

—PRS

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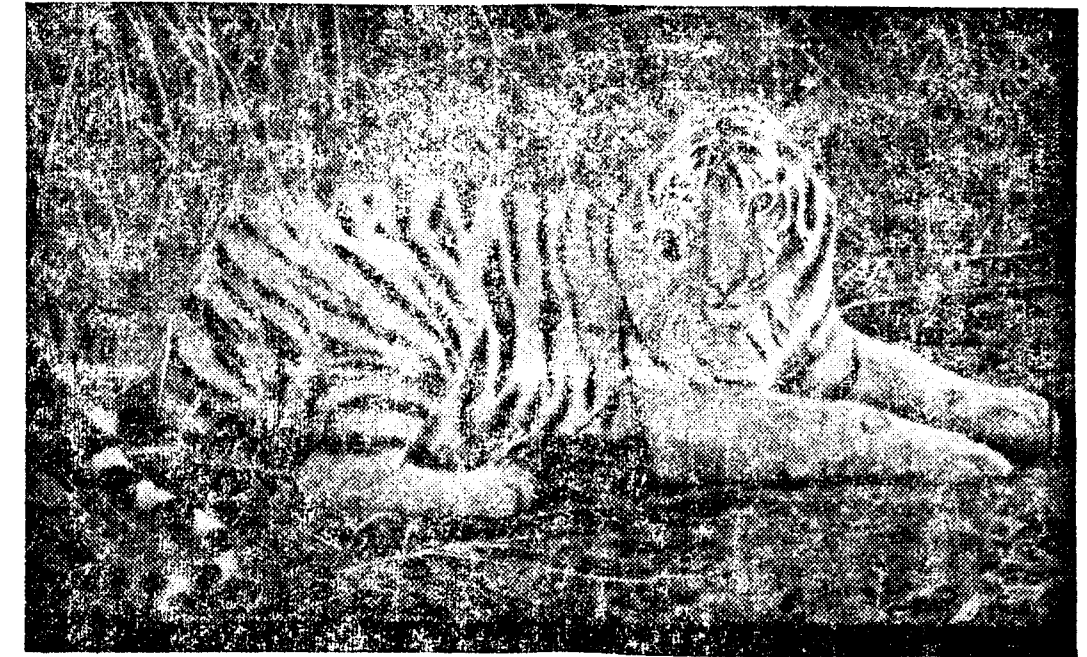
* A quotation from Sri Aurobindo, whose Birth Centenary coincides with the 25th Anniversary of our Independence. State Bank pays homage to the memory of this great revolutionary and seer.



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From Scarcity to Self-Sufficiency

By Mr. FAKHRUDDIN ALI AHMED
Union Minister for Agriculture

India can be genuinely proud of the achievements in the sphere of agriculture in the 25 years since Independence. There have been periods of progress and slight slow-downs or setbacks, but the overall picture can be viewed with a fair degree of satisfaction. Starting from an era of scarcity of foodgrains, price controls and rationing, as also shortages of cotton and jute for our mills, we have moved up to a much more comfortable position in spite of a rise in population and increased per capita consumption levels.

It is common knowledge that food shortages have been endemic in India. In the last quarter of the 19th century, the country was hit by some of the worst famines causing massive devastation of human and animal life. In the present century, food shortages as a common phenomenon became more apparent after the cessation of rice supplies from Burma from 1941. A severe famine hit Bengal in 1943. Government had to take measures on the one hand to regulate supplies of foodgrains and on the other to give attention to increasing foodgrains production.

Loss of Jute Producing Areas

As India gained Independence in 1947, about 30 per cent of the irrigated area went to Pakistan, which had then 18 per cent population of undivided India. Foodgrains scarcity was accentuated. Besides this, most of the jute producing areas and some of the best cotton areas were also separated from India. To maintain supplies of raw materials to jute and cotton textile industries, it became necessary to intensify production of cotton and jute.

Under each of the successive Five Year Plans since 1951-52, self-sufficiency in foodgrains and consistent step up in the production of cotton, jute, oilseeds and sugarcane have been among the important objectives of development. Up to about 1960-61, increased production was secured through measures like irrigation, reclamation of new lands, use of improved agricultural practices and plant protection measures and tenurial reforms for giving greater incentive to cultivators. Thereafter, greater emphasis has been laid on intensive production efforts.

To start with, this approach was reflected by the Intensive Agricultural District Programme (IADP) taken up from 1960-61 in 16 selected districts in various States. This programme implied Package Programme Approach, i.e., simultaneous attention to the use of quality seeds, adequate doses of fertilizers and adoption of plant protection measures in the areas which were capable of giving quickest results in terms of increased production. Later on, after the

excruciating experience of food scarcity because of widespread droughts in large parts of the country in 1965-66 and 1966-67, intensive production effort has been carried on according to the New Strategy for Agricultural Development.

Increasing Use of Science and Technology

The adoption of the New Strategy can be called a significant landmark in the history of agricultural development in this country. It stresses on the increasing use of science and technology for raising agricultural productivity. Its basic ingredients include cultivation of high yielding varieties of seeds coupled with sufficiency of water and fertilizer application, water management and adoption of plant protection measures. In the sphere of commercial crops, the main technique for increased production comprised "Package Programme Approach". In the case of oilseeds, we are promoting the cultivation of soyabean and sunflower as well.

As a result of our efforts the production base has been greatly widened. The gross cropped area has risen by nearly 50 per cent from about 113 million hectares in 1947-48 to an estimated level of 170 million hectares at present. Irrigated area under all crops is estimated to have doubled, from 20 million hectares to about 40 million hectares. The most notable development in irrigation has been increasing the utilisation of groundwater resources through tubewells, filter points and pumpsets, mainly with the help of institutional credit and investment of private savings. In the last six years, the number of private tubewells has increased



Farmer's delight at the sight of good wheat crop

Production of foodgrain has more than doubled, during the last decade—but not per capita availability.

more than five times to the level of 5.7 lakh tubewells and that of electric pumpsets for irrigation more than three-fold to the level of 19 lakhs.

Development of Infrastructure

Great progress has been made in developing the infra-structure for intensive agriculture. A country-wide network of agricultural extension service has been brought into being. Arrangements for agricultural research and education have multiplied severalfold. The amount of agricultural credit advanced through cooperative institutions has increased almost 30 times. Commercial banks have also started increasing their advances for agricultural development.

Even though we achieved a growth rate of about 3 per cent per annum in the production of foodgrains up to 1964-65, it did not prove adequate because of the rapid growth in population and increase in demand resulting from growth in incomes in the wake of planned development efforts. But as a result of rapid increases in foodgrains output since 1967-68 this challenge has been largely met. The level of foodgrains production (after making allowance for statistical adjustment in respect of area covered etc.) has risen by nearly 80 per cent from about 60 million tonnes in 1947-48 to nearly 108 million tonnes in 1970-71.

At the time of Independence, we did not have an adequate foodgrain supply to meet the demand of less than 3 crore people. Presently, we have adequate supplies to meet the demand of over 55 crore people, i.e., more than one and a half times the population of 1947. What is still more significant is that the per capita availability of foodgrains has risen from the level of 159 kgs. per annum in 1948 to the level of about 170 kgs. at present. The demon of scarcity and shortages has been eliminated. Imports of foodgrains which were successively reduced from 10.4 million tonnes in 1966 to about 2 million tonnes in 1971, have been brought almost to zero level. Procurement based on voluntary offers is very nearly in balance with the requirements of public distribution system. Besides this, Government holds a stock of nearly 9 million tonnes of foodgrains, which is enough to keep the food economy on an even keel. This represents virtually a state of self-sufficiency.

Increase in Production of Commercial Crops

The extent of increases in the production of commercial crops is also highly creditable. The production of cotton which was around 22 lakhs bales in 1947-48, has risen to over

60 lakhs bales in 1971-72, a rise of about 170 per cent. The production of jute has risen from 19 lakh bales in 1947-48 to about 57 lakh bales in 1971-72—a rise of 200 per cent. The output of five major oilseeds which averaged 52 lakh tonnes at the time of Independence, has risen to about 92 lakh tonnes in 1970-71—a rise of about 75 per

cent. The percentage increase in sugarcane production for the above period is over 80, from the level of 73 lakh tonnes (in terms of gur) to about 132 lakh tonnes in 1970-71. Previously, our country was an importer of sugar, but in the past few years we have been exporting sugar to other countries. These figures would show that Indian agri-

culture has nearly come of age. The Central and State Governments, the agricultural scientists and planners and specially our farmers and the people in general, can certainly look back with pride on the long and hard path they have travelled towards self-reliance and for laying a stable base for more rapid economic growth.

Socio-Economic Implications of Land Reforms

By Prof. SHER SINGH
Union Minister of State, Agriculture

There are two main planks of land reform policy—efficiency and equity—which can bring about an all-round improvement in the socio-economic conditions of the rural under-privileged. Land reform cannot be viewed in isolation from the mainstream of rural development. It is now viewed as an essential ingredient in the process of reforming agriculture. The socio-economic implications of the new strategy in agriculture vis-a-vis land reform and the need to devote greater attention to the backward areas inhabited largely by the weaker sections of society have assumed urgency. A number of projects have, however, been initiated which seek to improve the socio-economic condition of the rural people. Some of them are in an experimental stage. The important point which can be mentioned is how to integrate the multiplicity of schemes and to devise a mechanism which can initiate corrective action through concurrent evaluation of the programmes.

Agrarian Structure Remains Unchanged

A broad assessment of the programmes of land reform adopted since independence is that the agrarian structure has remained pretty much the same even after the passage of a large mass of legislation. The laws for the abolition of the intermediary tenures have been implemented fairly efficiently while in the fields of tenancy reform and ceiling on holdings, legislation has fallen short of the proclaimed policy and implementation of the enacted laws has been tardy and inefficient. However, the ownership of land has become more broad-based and the erstwhile principal tenants have acquired a higher social status.

The real change that was necessary related to the status of sub-tenants, tenants of home farm land and the landless. The programmes which could have led to a radical change in the agrarian structure and the elimination of some of the elements of exploitation in the agrarian system and ushered in a measure of distributive justice were those of tenancy reforms, ceiling on agri-

cultural holdings and distribution of land to the landless and small holders. We have met with only limited success in implementing these programmes. Highly exploitative tenancy in the form of crop sharing still prevails in some parts of the country. Such tenancy arrangements have not only resulted in the perpetuation of social and economic injustice but have also become insurmountable hurdles in the path of the spread of modern technology and improved agricultural practices.

Public Investments Benefit Big

Since Independence, considerable public investments have been made in irrigation, rural electrification, community development, road building and agricultural extension. The investment in irrigation alone has been of the order of over Rs. 2,000 crores and this investment is estimated to have created an additional irrigation potential of about 10 million hectares. The benefits of these public investments have largely accrued to the bigger landowners. The benefits of the recent break-through in agricultural production based on the adoption of modern technology have also gone mainly to the well-to-do farmers, who have succeeded in netting the lion's share of institutional credit and other costly inputs. One of the spectacular results of the spread of modern technology has been a widening of the disparities in wealth and income in rural areas. On top of this, the unplanned spread of mechanisation threatens not only to accentuate the inequalities but also to reduce employment opportunities. In the result, new social tensions are developing in the countryside. The policies for the future have therefore to be planned keeping these facts in view.

Though reduction in the level of ceiling, removing the defects in the ceiling laws and implementing them efficiently is undoubtedly a matter of great importance, we should not lose sight of the fact that there are other areas of land reform which are equally important. There is the very important

question of according protection to tenants and share-croppers. Some States are yet to enact comprehensive laws for the reform of tenancy on the lines recommended in the Five Year Plans and even where the necessary laws have been enacted, implementation has been far from satisfactory. Hence the objective of ensuring fair rent and security of tenure still remains unattained in large parts of the country.

Outcome of Historical Evolution

In the constitutional division of powers and functions, land reform is a State subject. Administration of land reforms is, therefore, primarily the responsibility of the State Government in our federal set-up. This is largely the outcome of the historical evolution and is in keeping with the reality of tenure-situation in various regions of the country. At the same time, two decades of democratic planning have tried to iron out the regional variations and to bring about a measure of uniformity and cohesion in our approach and administration of land reform.

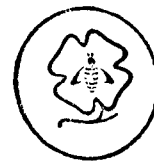
The policy-formulations envisaged at the National level have percolated through the Five Year Plans and Annual Plans of the States. The policy-issues have also come in for threadbare discussion in the two Chief Ministers' Conferences on Land Reform we had in 1969 and 1970 under the auspices of the Ministry of Agriculture and a recent one in April, 1972. The Central Land Reforms Committee set up by the Ministry of Agriculture has gone deep into the problems of ceiling on agricultural holdings and made a number of recommendations which have now been accepted as a national policy. Accordingly, the ceiling would be applicable to a family as a whole. Based on productivity of the land, ceiling for a family would be fixed within a range. Again, conversion ratios would be fixed for various categories of land. In the formulations of the final land policy, the Ministry of Agriculture has been closely associated with the Planning Commission and has taken a number of vital decisions which are of national importance.

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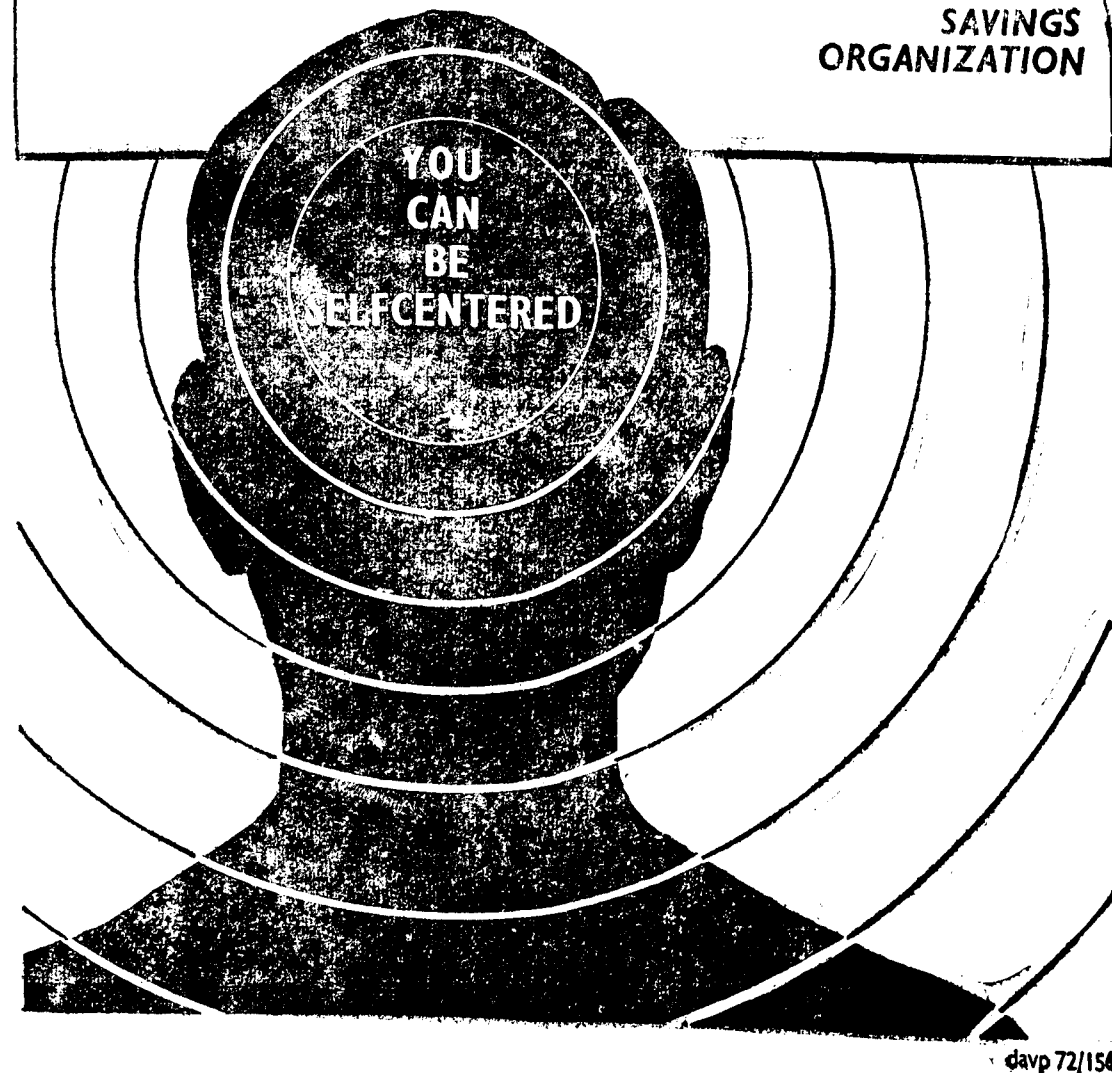
Selfishness of this kind supports desirable goals; it earns the gratitude of the family.

And it serves the Nation too. Savings of Individuals help to build mighty projects for prosperity.

SAVE FOR YOURSELF—SERVE THE COUNTRY



**NATIONAL
SAVINGS
ORGANIZATION**



davp 72/156

What is Advertising? How Does it Work?

By BRINSTON MIRANDA

To most people advertising means "Salesmanship in Print". The truth, however, is advertising has today branched out into other media as well. That is, instead of being confined to newspapers, magazines, posters, leaflets, booklets, brochures, advertising also speaks through the electronics media such as radio and T.V. (when it becomes commercial in India), films and cinema slides, rural publicity vans, hoardings, kiosks, train and bus panels, motionisers, desk calendars and novelty gifts.

Therefore today a more valid way of looking at advertising is that it is mass communication over the commercial media, aimed to inform and persuade the target group to take the desired action.

Advertising must inform and persuade, even if it is an institutional campaign, which is intended to present information. It is definitely trying to be persuasive, trying to build up a favourable image about the company or other organisations or associations in the minds of readers, viewers or listeners.

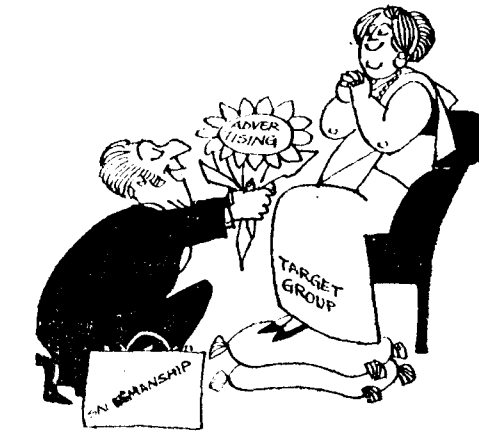
Spending Over Rs. 65 crores . . .

One might question the validity of advertising in India. What place does it have in the Indian economy? By the end of 1972, the annual expenditure for advertising in India

would have reached Rs. 65 crores. For a service industry or business, this is an impressive size. The Government itself is the biggest advertiser accounting for around Rs. 8 crores a year in measured media.

Why do Government and business advertise? Obviously to inform and persuade the public about plans, programmes, schemes, products, services, all designed to get the readers, viewers or listeners to take a particular action either at that time or at the appropriate time.

Thus you have Government persuading you to practise Family Planning, save through Postal Deposits or buy Units from the Unit Trust of India, take Life Insurance, renew



Radio Licences, pay taxes, save water, contribute to National Defence or Flood Relief . . . Private enterprise informs and persuades prospects in relation to existing products and services and new products and services. And this activity is aimed at spurring the prospects or target group to take positive action, or work harder by implication to have enough to spend on the wants aroused by advertising.

Building Consumer Loyalty

The primary objective of advertising is to sell the product or services not just once but repeatedly—that is to build lasting consumer loyalty which results in regular purchase.

Ideally, one would like to convince one's customers by personal selling. However, since most consumer products and Government schemes and messages are to reach millions of customers spread all over the country, personal selling becomes well nigh impossible. Advertising through the mass media of press, cinema, radio and outdoor has therefore to be skillfully used to achieve the same results. In the course of a month, a salesman could at the most contact a thousand customers, whereas an advertisement in a popular newspaper will be looked into by as many as 4,00,000 people and would

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cost much less. Advertising, therefore, is selling and must be judged by the same criteria. While one may be irritated by a persistent salesman, he would nevertheless appreciate his tenacity and the same attitude should apply to advertising, no matter how repetitive it might be.

A good advertisement should meet the check points of: getting attention, arousing interest, creating desire, achieving conviction and prompting action.

Conjuring up an Image

To do the above, an advertisement should be creative, clear and precise. To have to do all this in a picture and in a few words of text in a press ad or a jingle and a spoken message for a radio spot would seem to be asking a lot. But here lies the creative skill of the advertising man. In a few words with a proper turn of phrase or a catchy expression, he can conjure up an image of the product and possibly of the consumer which is both flattering and appealing. The famous Rolex advertisement with its simple statement "Men of distinction wear a Rolex" has succeeded in placing the watch and its user on a high pedestal bestowing prestige on each other.

Good advertising, like good salesmanship, can succeed only in getting the consumer to try the product once. If it fails to live up to its promise, it will be so firmly rejected that the money spent on building up such a sup-

erb image by good advertising could have been better spent on product improvement. People who imagine that heavy advertising can ensure the success of a poor product do not realise that you can deceive the consumer just once. The prospects of developing a consumer product business are lost for ever. Success demands a good product, supported by good advertising.

The manufacturer, after developing a good product and creating memorable and persuasive advertising, has to identify the potential users of this product—his target consumer. He must then select the media which will enable him to communicate his message to them at the lowest cost. Media selection involves considerable research into readership profiles, radio listening and cinema-going habits, and so on because much money can be saved in devising the optimum media schedule. It would naturally be wasteful if one advertised in English publications if the potential consumer reads only Hindi or vice versa. Advertising must be selective, but if it is to keep its message alive, it has to be repetitive.

Does advertising become wasteful in our economy? Since the growth of the economy depends as much on production as on sales and as advertising helps in accelerating sales at minimum cost, the answer is a categorical 'no'.

Advertising is an essential feature of the competitive economy as it provides manu-

facturers the means to communicate and, therefore, the incentive to improve their products and develop new products. The competitive economy would lose its edge and the consumer would lose the fruits of progress, if the manufacturers were unable to rapidly propagate information about their products. Even in programmes such as Family Planning where competition is not severe, advertising has a vital role to "create and expand the market."

The good advertising man is a student of human behaviour and understands how the mind responds to external stimuli. He can set off the desired chain reaction in the mind by a few well chosen words and pictures without in any way conflicting with the truth. In addition to conformity with truth, there should also be morality or the use of sex in advertising. The guiding principle is that one must not say or show what is likely to offend the majority of the audience. This will differ from one part of the country to another and even from one social class to another within the country. One is to rely very much on the good taste and judgment of the advertiser and his advertising agency.

Apart from the commercial aspect of advertising, which is very important, even more vital is the role of advertising men as experts in the field of communication whose services could be used very well for propagating communication with a wider social purpose.

—(Continued)



IS THE WORLD MOVING TOO FAST FOR US?

The face of the world has changed beyond recognition. New technology, new techniques, new products—electronics has opened new frontiers of knowledge. India is catching up with the West in the field of electronics. Rather than wait for helping hands we have been striking out on our own starting from scratch and developing our own know-how at the Electronics Corporation of India Ltd.

ECIL today produces professional grade electronic and Servo components, nuclear, test and measuring, medical, industrial, microwave and other electronic instruments, computerised control systems for industrial processes and complete instrumentation for nuclear reactors.

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Electronics Corporation of India Limited
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Well-wishers on the happy occasion of the

Third Anniversary of Bank Nationalisation

“CENTRAL”

Solicits Your Valued Custom

and

Seeks to Serve you with Utmost Zeal and Devotion

PLEASE HELP US TO HELP YOU

Glimpses

By P. R. SRINIVAS

Food Front No Cause for Alarm

Mr. Fakhruddin Ali Ahmed's statement in Parliament regarding the food position should serve to dispel most of the misgivings and misapprehensions that have found expression in the last few weeks. Oversight of the basic strength and exaggeration of the unfavourable features of the present situation have led some not only to hint at grave difficulties, but also to suggest the inevitability of imports, and imports under PL 480 at that! In answer to such dire forebodings, Mr. Ahmed has stated categorically: "We stand by our decision to do away with imports." That this is not a frantic disavowal of an admittedly humiliating step may be seen from a glance at the principal features of the present position. The buffer stocks in the hands of the Government are at as high a level of 9.58 million tonnes. And this level has been reached in spite of the large sales at the end of last year to prevent a rigged up rise in prices. The estimates of the shortfall of the Kharif crop at 15 million tonnes, though no doubt highly disquieting, have already been proved an exaggeration by the rains in the second week of August and may turn out to be even more so if the rains continue. Secondly, the old policy of concentrating official efforts for increased output on the Kharif crop on account of its higher proportion to total annual output may now be modified in favour of an attempt to get the maximum compensation for present losses from a better Rabi harvest. Mr. Ahmed admitted frankly that the present buffer stocks may be depleted by the end of the year. But replenishment would call for more vigorous procurement and not the imports which the Government have resolutely foresworn and with good reason. A higher procurement price may be found necessary, particularly for rice. But this is hardly the time to count the costs, when the alternative is virtually

to invite a crisis. While the centre can no doubt guarantee availability and quick movement, effective distribution will depend on the State Governments who must expand their network of fair price shops.

Strides in Space Technology

India's place in the firmament of the highly advanced scientific nations depends on her accomplishments in the production of satellites and in the field of atom for peace if not also war. The last war with Pakistan has irresistibly pressurised India in the direction of a super power and the acquisition of all the necessary attributes of such a role. While India has foresworn atom bombs and perhaps even other nuclear weapons out of her own free choice and not because her nuclear scientists and technicians are unequal to the task, she has to reckon

with the possibility that the choice may not be left to her for long. At any rate, space research and probes into space have not the same taint of militarist aggression. And the speeding of space research and technology has not been too soon. The report that the design of the first Indian satellite, though of the experimental kind, has been completed and that work on the prototype fabrication of the spacecraft has already begun, should dispel the scepticism about the calibre and capacity of Indian scientists and technicians which strangely prevails among our people. The 250 KG Rohini satellite is scheduled to be launched from the Soviet Union with the aid of a Russian Cosmos launch vehicle, as India's present capacity in this respect is not equal to the task. While the components for the sub-systems will have to be imported, the sub-systems and the satellite will be set up in Bangalore. Russian help has been secured under an agreement signed at Moscow. Collection of data on the ionosphere and measurement of neutron, gamma rays and celestial X-rays will be carried out and the results will be transmitted to the



Indian farmers are progressively taking to mechanised forms of cultivation and a tractor is a common sight today on an Indian farm. As a result of improved methods of farming, better seeds and more fertilizers, the total foodgrain production has touched an all-time high of 107.81 million tonnes. Foodgrain crops now occupy 89.0 per cent of the total cultivated area of 133 million hectares.

Picture shows a fleet of tractors used on a large farm land.

...TRADE...

...MARK...

DUST COLLECTORS

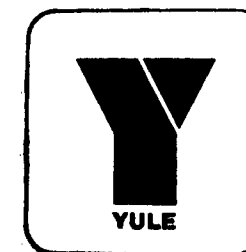
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'R' TYPE COLLECTOR

'D' TYPE COLLECTOR

"Sirocco" Dust Collectors protect your machinery & workers from dust and grit. Wet and dry type designs are available ranging from small cyclones to 400 cell collectors for 120 MW boilers. Always reliable, they offer guaranteed efficiencies upto 96% for particle size 5 microns and above. No wonder they are widely used in Power Stations, Industrial Boiler Houses and general Industries.

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earth through highly sophisticated telemetry equipment. The execution of this programme should serve to raise the nation's self-esteem and self-assurance.

Sports Unsporting

Sports, one fears, are becoming more and more unsporting. There is an outcry against the preparation of the pitch in the England-Australia tests with the specific aim of favouring the former's spinners and making the downfall of the latter a foregone conclusion. It is of course difficult to prove or disprove the allegation to the hilt. For ideas of what is fair or unfair for the home team to do in these matters is too nebulous to permit a clear verdict of indisputable validity. But out of this dim borderland some points may emerge clearly into view. **Strict insistence on what the rules permit** will rarely rank as true sportsmanship. There have been players who have no hesitation in offsetting a wrong decision in their favour by unobtrusively hitting the next ball out, while others would retain the vantage and give the impression of having won it

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by their merit. To give the opponent a really sporting chance is elementary requirement of sportsmanship which cannot be evaded under cover of written rules. Duped pitches are becoming the rule rather than the exception. Fast bowlers of lethal power are sought out to destroy the skills and sometimes the lives of batsmen whom people are prepared to go miles to see. It is time that some concerted attention was given to these aspects of international cricket, and other games as well.

But the duped pitch is nothing compared to the antics of Mr. Fisher, the

challenger to the world champion in chess, Spaasky. A war of nerves has been carried on for months, ostensibly against the organisers of the game, but intended to shake up Spaasky as well. The tournament itself hung in the balance for a long while. And then came the protests against the spectators in the auditorium, the television, the noises around and even the air in the atmosphere. Late appearance for the game was also expected to rattle the champion. Spaasky's composure in the face of these successive irritants is deserving of the highest praise. It would be imprudent, if not altogether impossible, to foresee the result of this series of matches. But the vicissitudes of the fight taken together with the circumstances of each win or loss are suggestive of Greek meeting Greek, so far as competence in the game is concerned. Spaasky's early success, his eclipse at one stage and his subsequent recovery show that he is by no means an extinct volcano. If Fisher triumphs in the end, the applause of chesslovers would be muted by recollection of his behaviour during the series.

Rich Diversification at Hindustan Teleprinters

By A. M. YUSUF

Sales Manager, Hindustan Teleprinters Ltd., Madras

The Indian Posts and Telegraphs, the main customer of Hindustan Teleprinters Limited, are the oldest Government owned public utility in the world and is the second aggregate of public utilities in India. They have the third longest telegraph mileage in the world and sixth largest inland telegraph traffic. In number of operations they are second only to U.S.A. They maintain the highest telegraph line at Khanbajong in Sikkim, 17,500 feet above sea level and a telegraph office at a height of 13,500 feet above sea level at Bhutan. The first experimental telegraphic line of the world was erected in India to the distance of 21 miles connecting Calcutta to Diamond Harbour in 1839, which was soon followed with the erection of telegraphic over-head lines to a distance of 30 miles connecting Washington to Baltimore in America. The first ever telegraph message of the world originated in India as a paid public traffic in 1904 on a radio circuit between Diamond Harbour and Port Blair in Andamans. In spite of all these credits to our account, we lost our lead to others and soon started importing equipment required for high speed printing telegraphy draining the limited foreign exchange resources of the country. To plug this drain and with a view to produce the required equipment within the country to meet the needs of telecommunication developments, Government of India formed the Hindustan Teleprinters Ltd. in December 14, 1960, under the Indian Companies Act 1956 under the Ministry of Communications with the technical collaboration with M/s. Ing. C. Olivetti & C. S.p.A. Ivrea of Italy. The company went into production of teleprinters and ancillary equipment in April 1961. Though the company was set up initially to attain a capacity of 1,300 units of teleprinters, an expansion project had to be taken up in 1964 for raising the production capacity progressively to 8,500 units to meet the ever increasing demands as a result of

rapid developments and expansions of telex and telecommunication facilities. Today the company is producing enough of equipment to meet the internal demands and also to export.



Hindustan Teleprinters is among the successful Public Sector undertakings which has taken on hand rich diversification programmes which includes the production of electric typewriters. A view of the Electric Typewriter

95 per cent of the company's output are bought by Government Departments like Posts & Telegraphs, Defence, Railways, Overseas Communications Service, Meteorological Department, etc., and as such the com-

pany's production programme has to be very closely linked with general activities and expansion programmes of these departments. Since linking the destinies of the company entirely to the expansion schemes of the government departments and to the relative priorities given to the company's products would not be a wise policy for its growth, the company along with improvements of the existing products also planned diversification of product.

The decision to take to the manufacture of electric typewriter owes its birth to this new approach. The electric typewriter has entirely been designed by the company under the guidance of the company's Chairman who is an engineer himself. HTL is first in India to produce these sophisticated machines which are so far imported. Electric typewriters have many advantages over the mechanical typewriters as functions such as printing, carriage return, line feed, shift change, back space and tabulation are taken over by electrical motor. This reduces the strain on the operator considerably as unnecessary movements of hand off the key-board are avoided. This also ensures uniformity in printing irrespective of the varying pressure applied on the keyboard.



A view of Assembly—Minor Groups, Hindustan Teleprinters



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Special Features

Electric Typewriters produced by Hindustan Teleprinters have the following additional features not provided in mechanical typewriters:

The keyboard pressure required is much less than the normal typewriters. The force required for operation of the printing key tops is only 50 grams;

The typing is independent of the pressure applied at the keyboard. This ensures uniformity of typing character, however much the variation may be of the pressure applied by the operator, ensuring a neat printed text of uniform impressions;

Upto ten copies can be taken with the same pressure applied at the keyboard. This is obtained by adjusting a knob provided for this purpose;

Carriage return is done by the motor and hence the hand movement of the operator to the carriage and pushing it back is eliminated. Just by pressing a key carriage return and line feed takes place;

The shift changes are from the drive from motor and hence the force applied by the operator is much less

than the actual force required for the shift;

The typing is through carbon ribbon or imported mylor film and hence the printing will be clear without smudging and text would look like a printed matter;

Depending upon the number of papers, the platen can be moved for accommodation of the papers;

The keyboard gets locked when the switch is put off. This avoids the operator jamming the keys when the switch is off;

When the carriage reaches the right margin, the key board is locked by mechanical means. This avoids over typing on the last character;

Key has been provided for back-spacing the carriage. This is by mechanical arrangement and force required is much less than the manual force required;

The motor is mounted on shock protective material to reduce vibration and noise. The drive is through link belts to avoid the slippage due to long use;

The stream link finish of the cover

gives added attraction to the office equipment.

Substantial Price Reductions

HTL has always been very cost conscious. The company, inspite of increase in the cost of the raw materials, labour, and social obligations, has reduced the price of the unit teleprinter progressively from Rs. 7,000, the price in March 1968 to Rs. 5,300 in September 1970 though accepted guide lines have permitted the fixing of prices to that of the imported equipment when the product is monopolistic or semi-monopolistic. The cost of an imported teleprinter is about Rs. 12,000. The company has achieved this goal by extreme cares exercised in (1) purchase and inventory, (2) production planning and machine loading for bulk processing, (3) development activities and value analysis, (4) import substitution, (5) farming out orders, (6) introduction of new work procedures and modern processes to reduce costs; and (7) low selling and promotional expenses.

Every care has been taken to ensure that cost of production of electrical typewriter is kept as low as possible so that the machine would be within the reach of middle class people. The difference of price between a manual typewriter and the electric typewriter that would be marketed by the HTL would be small and would also get offset by the numerous advantages that the electric typewriters have. Efficient after-sales services also will be available for the customers.

Besides electric typewriters, HTL has also entered the field of manufacture of power plants for telephone and telex exchanges, regenerative repeaters, variety of peripheral equipment required for computers, stamp cancelling machines and miscellaneous items required for improvement and operation of telegraphic circuits and telex lines.

HTL having successfully played its assigned role in meeting the needs of the country in the field of high speed printing telegraphy have now entered the other fields of manufacture of sophisticated goods and if the past performances of the company could be an index, they are sure to do well.

Out of the Inkwell

By RANDOR GUY

DELHI CHALO!

It's always long hot summer in Delhi but it has its attractions to keep you from bursting at the seams. And I don't mean drinks, drugs and dames, all of which are available in plenty in the land of Kauravas. I refer to the charm, grandeur and magnificence of the town's many historical monuments like the Red Fort. By night it offers a feast to the ear and eye with a light and shadow show—son et lumiere—which is indeed a rare spectacle. The vibrant history of the Fort is unfolded using sound effects, voices, commentary and lights of many colours. All the figures of history like Shahjehan, Aurangzeb, Mahatma Gandhi (remember him, folks?), Nehru and others come alive. The sounds of war horses galloping are so real you turn round to see the animals. Equally real were a young Punjabi couple in front of me, necking and petting in the not-so-darkness, oblivious of the history unfolding, other spectators, and the persevering mosquitoes of Old Delhi! And when the shows—historical one and the battle for the bulges!—were over they played *Jana Gana Mana*. Unlike in the movie-bins everybody stood up, even the girl in front, with her blouse

buttons undone, and her boy all attention! Very patriotic, these Indians.....

P.R.O.!

My friend J. is one of those ubiquitous chaps you see at airports, rail road stations and the like either welcoming somebody from Bombay or seeing off to Delhi. He is always nicely dressed and smiles easily. Yes, you have guessed right. He is a Public Relations Officer for a big industrial giant in Madras. His duties include *inter alia* (as the lawyers say) buying soft drinks for his boss at Meenambakkam, shoes for the kids of the boss and *Basmati* rice from Delhi for Mrs. Managing D. In spite of all such deeds he is cheerful and full of spirits—both bottled and otherwise! Only once I saw him spitting fire. That was when an ad. agency showed him a final proof of his embossed card. When I saw the card I knew the reason for the eruption. In the word Public the letter I was missing. Got it?

TAILPIECE

Then there was an English princess with literary leanings. She loved to curl up with a page than attend court everyday!

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We Bear This Name

A dynamic, vibrant, self-reliant nation; rich in resources and man-power; determined to use modern science and technology for development. We are proud to be a part of the venture for 25 years.



We Bulldoze Our Way To Success

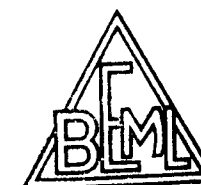
Our Earth Moving equipment are working at every major development project, clearing the way for economic development. We open new roads, dig out minerals and haul them.



We Move People

We manufacture Integral Railcoaches—Sleeper-cum-sitting coaches—to make travel more comfortable—and Postal Vans to speed letters on their way.

We are pardonably proud of the part we are playing—opening new frontiers and connecting them by rail to the mainstream of national activity.



(A Government of India Enterprise)

BHARAT EARTH MOVERS LTD. BANGALORE

Poor Lignite Output Afflicts NLC's Working

Neyveli has been very much in the news for some time now. The losses incurred by the Neyveli Lignite Corporation (NLC) over the past few years have been disturbing. Doubts have arisen in the minds of many as to whether the activities of the Corporation would ever be viable again and whether it would not be prudent either to scrap the losing enterprise altogether or at least to restrict them to limits calculated to improve viability. At a time when the State Government has been pressing for expansion of Neyveli's activities—in fact, the Centre itself has been considering an additional mine cut for some years—the Government of India naturally thought that the whole thing must be studied in depth by competent persons before a decision could be taken on expansion. The Union Minister for Steel and Mines, Mohan Kumaraswamy, appointed a committee headed by Prof. K. V. Subrahmanyam to study the viability of NLC. The Committee's report pinpointing the lapses on the part of NLC authorities from the initial years and recommending the steps to be taken to retrieve as much as possible from the Rs. 199 crores invested in the intended activities of the Corporation, is now in the hands of the Minister.

High Cost of Raising Lignite

It will be interesting to analyse the main reasons for the heavy losses incurred in the past and likely in the future. The major cause is the high cost of raising lignite which is still increasing. The total capital outlay on

the mine has been very high *vis a vis* the total output. In other words, the total investment in mining equipment, conveying system, spreaders and the development cost of the mine itself have been very significant.

Initial Assumptions Proved Incorrect

The assumptions made in the project report of Powell Duffryn (consultants) about the capacity of the equipment proved incorrect. The consultants and the German manufacturers were at that time fully satisfied that the bucket wheel excavators designed and supplied by them would be adequate to meet the digging conditions at Neyveli and would give almost the same performance as in the soft overburden conditions of either Germany or Yugoslavia. The Powell Duffryn report in fact envisaged 1200 cubic metres hourly overburden output from each of the 700 litre bucketwheel excavator (BWE) and 100 and 700 cu.m. from each of the 350 litre BWE. In actual practice, however, even in the best year (1968 was peak lignite production year giving about 4.5 million tonnes) the average hourly overburden output of the 700 litre machine did not exceed 950 cu.m. and that of the 350 one 500 cu.m. When the overburden height progressively increased, the authorities approached the Government for more BWEs and one of the charges against them was that each time fresh equipment was sought they indicated that it would be possible to achieve a lignite production of 6.5 million tonnes with the additional machines with

nothing of the sort happening. The assumptions made by the consultants were the basis for assuming an installed capacity of 6.5 million tonnes of lignite from one cut in Neyveli.

Now it has become clear that all the machinery recently procured and sought to be purchased cannot take the mine capacity anywhere near 6.5 million tonnes. At best, they can provide for a sustained production of 4.2 m.t. Even this, it is pointed out, will be a difficult task.

Who is to be blamed for this situation? The assumptions of PD naturally! While the BWE were tried for the lignite at Neyveli they were never tried with reference to the Cuddalore sandstone overburden met with in Neyveli. Why? It was presumably thought the supposed satisfactory performance of the machine in Yugoslavia with an overburden harder than in Germany, must be enough guarantee for a similar performance in Neyveli also. The Cuddalore sandstone proved to be far harder and this upset all calculations. The authorities could perhaps have refrained from trying to work the BWEs to the rated 1200 cu.m. overburden output and strain them causing frequent breakdowns, and instead could have made a realistic assessment and asked for the balance of equipment on a realistic basis early enough to achieve a production of 6.5 m.t. of lignite and avoid losses.

It is strange that the manufacturers of the BWE did not think it necessary to go in for some forward preparation of the ground through blasting so that the strain on the BWE would be less.

Of course, it is now conceded that the open cast mining technique adopted at Neyveli with the BWEs and matching high speed conveying system is the best suited for the project. Even the committee, (some members of which were known to have entertained ideas of underground mining, underground lignite gasification and piping it up) feels that other techniques might render the project highly uneconomic and might involve danger of explosion (underground gasification).

Tamil Nadu's Only Known Fuel Reserve

The charge that the Government was hasty in processing the whole project in the late fifties and in stepping up the capacities of the different "captive" units from time to time is perhaps not "altogether fair" in the words of a former Minister in the State who was in a large measure responsible for pushing through the project. It cannot be denied that the integrated project has been a success. It had been feared that this was a gamble and the challenge to win the hidden treasure from "the bowels of the earth" had been lightheartedly accepted. But the gamble did pay off and Neyveli has come to mean to the over four crores of people of Tamil Nadu the power to turn their wheels of industry and ploughs of farm. Lignite (a half evolved form of coal) had been for long relegated to the background as a very inferior fuel with only about 40 per cent thermal value of coal. Lignite is Tamil Nadu's only known fuel reserves and the project represented the first attempt

in the whole country to make use of a raw material available. The apparently insurmountable acquifer pressure problem was neatly solved and the ground water was brought under control. Thereafter there was no question of holding up the project.

Cost of Power Production Still Cheap

Again, the BWEs bought from West Germany were the first of their kind used in India. The German manufacturers were pioneers in this kind of equipment. The initial years witnessed successful performance of the machines and there was, therefore, enthusiasm for planning expansions. Even if some of the lapses, including the unrealistic assessments, on the part of the NLC authorities could not be altogether overlooked, there was ample justification for going ahead with expansion programmes. Even the German technical adviser stationed in Neyveli now admits that the manufacturers and consultants failed in not providing the far tougher Neyveli overburden conditions but he would say that the problem could be solved by re-rating the BWEs capacity as well as that of the matching conveyor system lower and planning a bigger outlay for reaching the original target of 6.5 m.t. of lignite. Critics would say that this would push up the capital cost of the project, already very high. But the answer to that criticism is that in a State like Tamil Nadu where there are no coal reserves lignite raised even at Rs. 30 per tonne would be worthwhile. They point to coal fired stations at Ennore and elsewhere and say the generation cost is

easily 50 per cent more there than in Neyveli because of uncertain wagon position and transportation of coal over long distances.

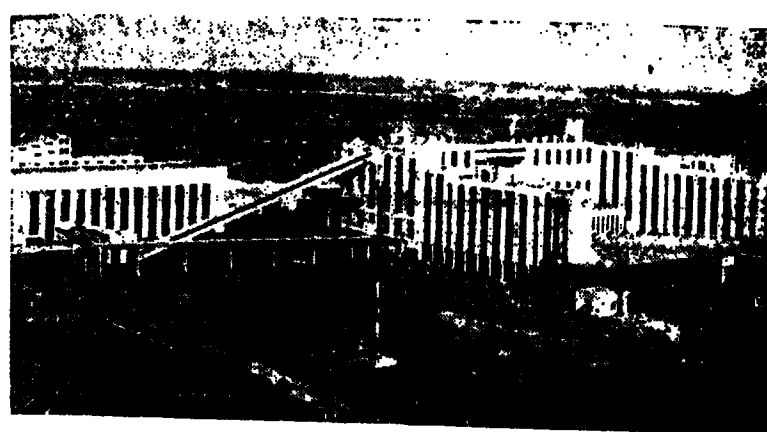
The capacity of the thermal station was raised from 250 MW to 400 MW and subsequently to 600 MW and the criticism levelled against NLC was that this step was done without ensuring sustained supply of lignite for the purpose. It cannot, however, be said that the criticism is unwarranted or unjustified. Steps should have been taken to put lignite raising on a proper footing before raising the thermal capacity. Again there were reasons which impelled the Government to go ahead with power generation fast. Tamil Nadu is power-hungry and at that time the position was even worse with frequent cuts widely hitting farm and factory production. Use of lignite to raise steam for power generation was also the first ever attempt in the country. The Soviet Union which supplied the equipment for the power house had introduced several new features like hydrogen cooling, etc. and the Government was anxious to avail itself of the offer of that country to expand capacity to 600 MW.

It is stated that at least 200 MW capacity is remaining idle and is contributing to the losses of the enterprise. But it is seen that the equipment is operated in rotation and capacity at some 450 MW on an average is operated every year.

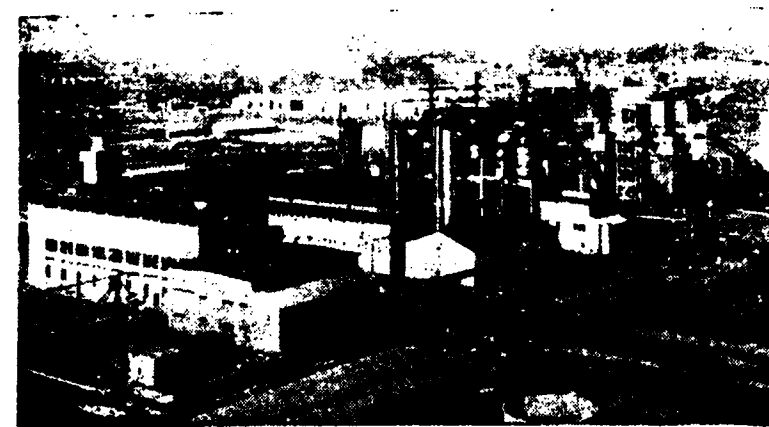
This is not an unusual proportion and there are many power station complexes in India which do not give even this proportion. This should not be mistaken as saying that nothing need be done to utilise higher proportion of the capacity. Urgent measures are called for to stabilise lignite production at 4.5 m. tonnes which would provide enough fuel for 500 MW. Along with them action must be initiated for stepping up the lignite production to 6.5 million tonnes, a level of production when 600 MW power generation could be undertaken. A programme costing about Rs. 18 crores for 6.5 m.t. target has been prepared and it is said this would be reached (if approved without delay) in 1974-75. Until then nothing can be done in the way of utilising a greater proportion of power capacity.



Power Station—A view



The Briquetting and Carbonisation Plant—A view



Fertilizer Plant of NLC

Mining to be Selective

The complex also consists of a big urea unit and the country's first carbonising and briquetting plant. The urea plant has against its own difficulties like outmoded equipment (for the gassification section), corrosion of the pipes in the boiler and other sections of the urea plant. There is optimism that these can be overcome. In fact, a programme for setting these things right has already been undertaken. As for the carbonisation plant, there has been no complaint of the performance. It is not finding enough material to work on. Lignite has to be of quality and the mining has therefore to be selective.

Poor Maintenance...

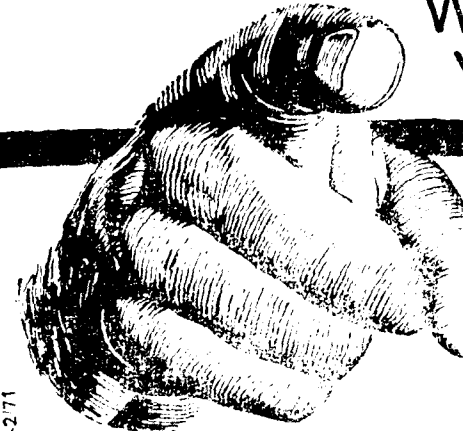
It is of course essential to bring down the cost of raising lignite by better productivity and utilisation of the equipment, by cutting down ex-

penditure on various inessential things, and reducing significantly the expenditure on technical and non-technical services. The biggest non-technical services are the township. Here again the Government wanted to be a model employer and went in for this kind of township with spacious bungalow type houses for all categories of workers. There are over 10,000 houses. Nobody can disagree with demands for fixing standards and norms (both in physical and financial terms) for each major activity and for both technical and non-technical services and for each equipment, including repairs and maintenance. Maintenance of machinery has been woefully poor and no condemnation in this regard can be adequate. There is lack of dedication on the part of even very senior, highly placed officials. Mere increase in mining and other equipment would not be the solution to the problem faced by NLC. While the need for all additional equipment

should be realised and agreed to, there must be emphasis on dedication particularly at the senior levels which alone could go a long way in motivating the supervisory and worker level employees to greater output.

The difficulties now encountered in Neyveli can be termed "passing". Urgent consideration is necessary to open a second mine in view of the fact that otherwise Tamil Nadu which is excessively dependent on hydel power would have no power schemes during the Fifth Plan as all water potentialities had been exhausted and there is a limit to building stations based on coal from distant States. It is reported the Government is currently examining the question of thermal generation during the next Plan period separately under the heads of coal and lignite. It is hoped the Centre would soon take a decision as there would be a time lag of at least two years between ordering and procurement of machines.

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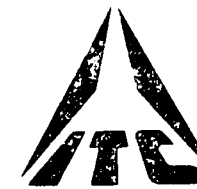


HEAD OFFICE: CALCUTTA



COMPANY MEETING

"Nation Orientation means subordinating and enmeshing the objectives of the Company with those of the Nation, in the conviction that the enterprise will progress to the extent that our society and country prosper"



India Tobacco Company Limited

Chairman's Statement at the Sixty-first Annual General Meeting held on Thursday, 10th August, 1972.

INTRODUCTION

I have much pleasure in welcoming you to the Sixty-first Annual General Meeting of your Company. I am sure you will join me in a tribute to our Prime Minister, the Defence Forces and the unsung many whose dedication led to the successful resolution of problems faced by our country in the last year involving refugees, aggression and the situation in Bangladesh.



Shri A. N. HAKSAR

DIRECTORS

Consequent upon the retirement of Shri B. K. Nehru on April 2nd, Shri S. Ray and Shri S. B. Aibara assumed responsibilities as Vice-Chairman designate and Deputy Chairman respectively of your Company. We wish Shri B. K. Nehru a happy retirement.

REVIEW-RESULTS

For the year ending 31st March 1972, turnover at Rs. 200 crores was Rs. 32 crores higher than the previous year. Of this increase, Excise Duties accounted for Rs. 22 crores. Owing to the higher rate of duties and the subsequent price increases, sales volume for the industry as a whole and for your Company did not change significantly during the year. Costs continued to rise due to inflation and the impact of this on your Company profit was further aggravated by three Excise Duty increases within the year. Your Board of Directors have been conscious of the need for higher productivity in all directions to minimise inflationary pressures and this is reflected in the performance of your Company despite adverse circumstances.

Although industry volume did not change materially, the progressive trend of Filter Tipped Cigarettes continued and your Company maintained its leadership in this important segment. WILLS Filter remains the largest Filter Brand closely followed by BRISTOL Filter. WILLS FLAKE Filter, introduced in July 1971, was an instant success

and is currently the third largest Filter Brand in the country.

NATION AND CONSUMER ORIENTATION

In recent years it has been my privilege to speak an important aspect of your Company. This year, as our country completes twenty-five years of Independence and moves to the Fifth Plan, it is appropriate to review the progress of your Company towards NATION and CONSUMER ORIENTATION, as future progress depends upon the confidence of the public on the one hand and service to the consumers on the other.

According to economists, enterprise develops through three phases. Beginning at the Village or Community level it progresses to the inward phase of the industrial level and thence emerges to the progressive stage of NATION ORIENTATION. In economic terms, NATION ORIENTATION means subordinating and enmeshing the objectives of the Company with those of the NATION, in the conviction that the enterprise will progress to the extent that our society and country prosper. More specifically, I should like to analyse the progress made in the post-Independence period in those areas of corporate activity as are of vital importance in the context of our country's problems and in the furtherance of Government policies.

INDIANISATION

Firstly, for valid reasons, Government policy requires a process of "Indianisation". Companies such as yours which for historical reasons started with foreign capital. In furtherance of this it is required to progress towards a majority of Indian capital with the directing authority vested in a Board composed of the Chairman and the majority of Directors from amongst Nationals of the country and, above all, to have a Company ethos in which the larger National interests are placed ahead of enlightened self-interest.

Insofar as Capital is concerned, your Directors have declared a sincere and inner-motivated desire to become a majority Indian-held Company and have so advised the Government. To this end in January 1970 Indian shareholding was increased from Rs. 1 crore to Rs. 4.79 crores, entirely voluntarily. This Indian shareholding will soon be almost doubled in conjunction with a proposal of the Company which has been approved by the Government in principle. In the final phase, majority Indian capital will be achieved through the implementation of further projects which will be put up to the Government for consideration in due course.

Through your confidence, coupled with that of your fellow overseas shareholders, the effective operating control and directing authority is vested in an entirely PROFESSIONAL BOARD OF DIRECTORS of whom the Chairman, the Vice-Chairman designate, the Deputy Chairman (as also the two previous ones) and three other Directors making a total of six out of eight are Indian Nationals.

All the Directors consider themselves Trustees of this responsibility.

The ethos of your Company is expressed in its Corporate Philosophy which is worthy of repetition with sincere commitment to this culture ensured by the fact that the Company is entirely PROFESSIONALLY MANAGED. The tradition of Professional Management is, perhaps, your Company's most significant characteristic—the foremost feature of which has been the divorcing of ownership from control and the manner in which the Company purposes are viewed. I must, therefore, in the first instance disabuse you of any idea that the profit motive is the only central inspiration of your Board of Directors. We are concerned with profits (in the short and the long term) as the true measure of our performance—that we have maintained the organisation in sound financial condition and have obtained for the shareholder a proper return on his investment representing a fair reward for the contribution made. But we are also concerned with the well-being of the organisation in its totality as we believe that industry is an organ of society specifically charged with the responsibility of organised economic advance through making resources productive. This expresses the basic belief that economic progress can be made into a powerful driving force for human betterment and social justice.

SELF-RELIANCE: IMPORT SUBSTITUTION

A second feature of our country's aspirations is SELF-RELIANCE. Your Company, in every aspect of its operations, has pursued unceasingly and unerringly the goal of SELF-RELIANCE. SELF-RELIANCE can be viewed as a four dimensional activity relating to MONEY, MEN, MACHINES and MATERIALS. I have already covered the first and would like to review progress in the remaining three areas.

SELF-RELIANCE in PROFESSIONAL MANAGEMENT has been a vital need. Compared with over 150 Expatriates employed at the time the Company went public in 1954, today there are only 7, of which 4 Technicians are for a specified period. It is significant that the Management has been developed from within the organisation and 33% of it is composed of those who have risen out of Unionised Staff.

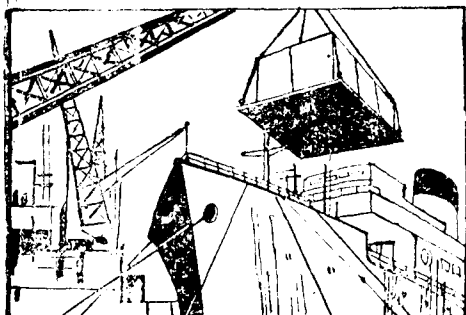


In the MACHINES dimension, no cigarettes have had to be imported for domestic consumption since 1951. Apart from having established all its existing manufacturing units by as early as 1942, your Company's single-handed, direct intervention and support has today resulted in near 100% self-sufficiency in Spare Parts and Machinery.

for processing tobacco, making and packing cigarettes. Today only negligible imports are necessary and these should soon disappear.

For MATERIALS, the Printing Factories were established in 1929 and 1949 and by working in collaboration with independent manufacturers, to whom a wide variety of support was extended, all packaging materials became available and no imports have been necessary since as far back as 1952. You are already aware that your Company was responsible for the introduction and development of cigarette tobaccos in conjunction with its inter-connected operations, Indian Leaf Tobacco Development Co. Ltd. Today imports against entitlements to make exports possible are negligible and, in fact, India exports over Rs. 35 crores of tobacco per annum.

Whereas your Company imported the bulk of its requirements immediately post-Independence, including some tobacco worth around Rs. 1.5 crores, today with a turnover of Rs. 200 crores and annual expenditure on Capital account of approximately Rs. 2 crores, on spare usage of Rs. 85 lakhs, on tobacco of Rs. 19.7 crores and on materials of Rs. 17.7 crores the cost of imports is negligible. In 1971 these were Rs. 5.90 lakhs on tobacco for cigarette exports against entitlement, Rs. 7.5 lakhs on Capital account for machinery which should soon become available in the country, on certain special spares of Rs. 8.53 lakhs and on materials only Rs. 2.24 lakhs of which Rs. 0.96 lakhs was again for cigarette exports. The difference between the two can be considered as the true measure of IMPORT SUBSTITUTION.



EXPORT EARNINGS

The record of SELF-RELIANCE and IMPORT SUBSTITUTION today represents a closed chapter in the cigarette industry. The third national need today and for tomorrow, is increasing EXPORT EARNINGS even with traditional items for which international competition is rising. The Government's policy is to intensify such effort and to this end your Company is making a determined effort to earn FOREIGN EXCHANGE. The activities of your Company directly and through its inter-connected Leaf Company, ILTD, began with the first exports of unmanufactured tobacco in 1933. The effort has continued since then and in the 25 years since Independence your Company's Group exports of tobacco have amounted to a total of Rs. 152 crores, and in recent years such export to unmanufactured tobacco has averaged around Rs. 10 crores per annum. For this effort ILTD was awarded a Certificate of Merit for outstanding export performance by the Government of India, Ministry of Foreign Trade, in the year 1969.

Consequent upon the need to intensify export promotion, particularly in non-traditional items, your Company started a programme of diversifying its activities two years ago. As a result of these efforts your Company had a successful year in the field of Exports of non-traditional products which reached Rs. 2.33 crores against Rs. 17 lakhs

in the previous year. The evidence of performance to date in the current year suggests that, unforeseen circumstances apart, your Company should be able to improve its exports further by the end of the current year to around Rs. 3.5 crores in non-traditional items alone.

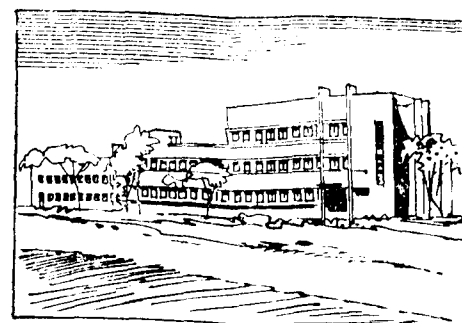
To the above figure of Rs. 2.33 crores for the current year should be added Rs. 11.81 crores of exports of unmanufactured tobacco from your Company's Group activities, including ILTD, making a total for the year between traditional and non-traditional items of Rs. 14.14 crores which represents nearly 1% of the total export earnings of the country.

Looking ahead, the Company has foreign exchange earning oriented proposals, one approved in principle and one under consideration by the Government. These projects have a potential of earning further FOREIGN EXCHANGE in excess of Rs. 10 crores with their fruition in the years ahead.

RESEARCH & DEVELOPMENT

A fourth vital need is investment in RESEARCH & DEVELOPMENT. Raw material self-sufficiency was the first goal of ITC at whose behest ILTD set up a new fully equipped Research Station at Rajahmundry in 1961 having started a Research Dept. as far back as 1928 which was moved to Rajahmundry in 1946/47, to conduct agronomic research on leaf tobacco. This was followed up by establishing a Training School at Hunsur in Mysore State in 1965 in the realisation that the key to successful development is the availability of well trained technical personnel to assist farmers to produce tobacco on scientific lines. The fundamental contributions made by ILTD based on RESEARCH & DEVELOPMENT led to it receiving the FICCI AWARD for outstanding contribution to Agriculture in 1970.

In furtherance of its objective to make its operations self-reliant through the promotion and development of ancillary indigenous industries for supply of other raw materials and developing import substitutions as rapidly as possible, your Company set up a Research & Development wing with a well equipped modern laboratory in Calcutta in 1952. Later this was extended to evaluate indigenous tobacco for cigarette manufacture, product development to meet varying consumer needs and maximise utilisation of available indigenous tobacco.

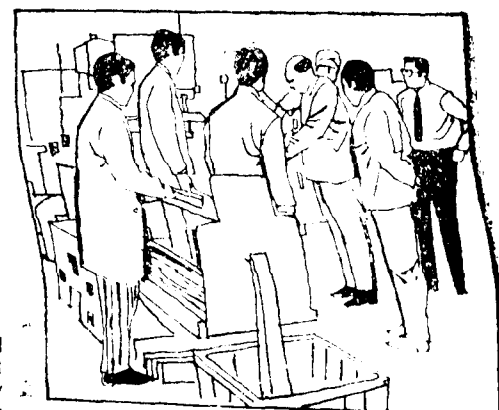


Model of the ITC Integrated Research Centre at Peenya, Bangalore

Encouraged by the achievements of R&D, the Company is expanding its RESEARCH activities and is setting up an integrated RESEARCH CENTRE at Bangalore at a cost of approximately Rs. 40 lakhs to cater to the growing need for more intensive research and development from tobacco seed to the final product and the entire field associated with the industry. The foundation stone of the new Integrated Research Centre was laid by the Honorable Shri D. Devraj Urs, Chief

Minister of Mysore, and its completion is scheduled early next year. This Integrated Research Centre has provision for RESEARCH for the projected diversified activities of the Company.

The benefits derived by the Cigarette Industry and indirectly by other industries from ITC's RESEARCH and DEVELOPMENT work have been many, covering a wide range of activities.



INVESTMENT IN HUMAN CAPITAL

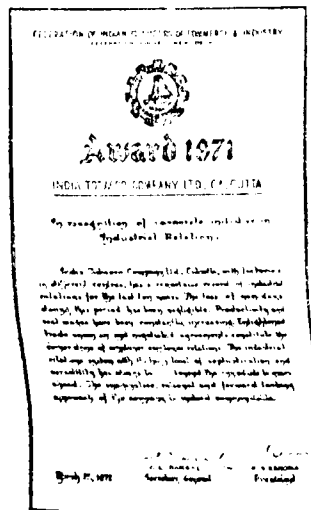
A fifth important larger need is INVESTMENT IN HUMAN CAPITAL. Your Company believes that PEOPLE are its most important asset and has greatly benefited by what was said by PROF. SHULTZ: "It may be that these investments in ourselves are the very kinds of capital that makes the greatest return in terms of reward for our efforts". This philosophy pervades your Company without making any dichotomy of Management and non-Management. ITC was one of the first Companies to start its own Training and Development Centre—ALDEEN—as far back as 1956 Organisation and Management Development has been a continuous process following the career of individuals starting with Specialists, then to Tobacco Industry men and finally emerging as General Managers. In-Company and external facilities are widely used and almost every one in Management has gone through this process and will do so repeatedly in his career.

As far back as 1952 TRAINING WITHIN INDUSTRY was implemented at which time the majority of production workers were involved. In December 1970 your Company opened its new Technical Training Centre in Bangalore. Since then 129 Superintendents, Supervisors, Technical Instructors and Technicians have passed through the Centre. In 1971 Branch Training Cells were set up in three Factories and plans laid for the other two in 1972. To date 222 Mechanics and Operatives have completed courses in basic and specialist skills at these Cells. This investment is regarded by your Company as essential for improvement of productivity and enlargement of technical skills.

INDUSTRIAL RELATIONS & PRODUCTIVITY

The sixth national need is to maximise production with the fullest utilisation of installed plant through industrial peace. In recognition of your Company's progressive Industrial Relations Policy your Company was awarded the 1971 award for outstanding contribution in the field of Industrial Relations from the Federation of the Indian Chambers of Commerce and Industry. Your Company's entry emphasised the positive role that can be played by enlightened and constructive Trade Unions; the virtues of negotiated agreements with recognised Unions; the importance of maintaining an atmosphere of trust and commitment; the

benefits to your Company and the employees that can arise from increasing productivity; the personnel function as a component of professional management and the concept of welfare based on self-reliance.

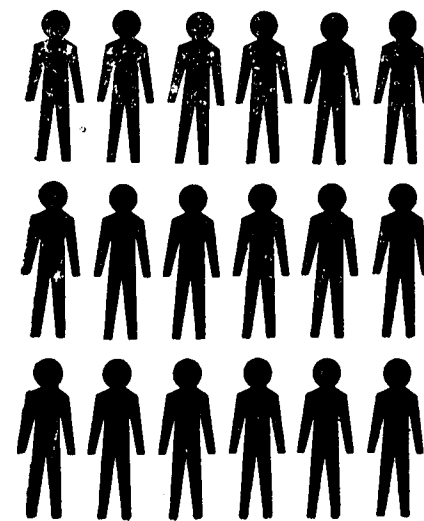


FICCI Award 1971 in Recognition of Corporate Initiative in Industrial Relations

Increase in productivity measured in terms of cigarettes produced per man-day has increased over 2½ times in the twenty-five years of Independence, despite greater sophistication of the product. This has been achieved not only with the introduction of modern machinery and other forms of capital investment, but with the constant interchange of information and ideas with enlightened Unions and with the full co-operation and commitment of our employees.

EMPLOYMENT—DIRECT AND INDIRECT

The seventh, and perhaps the greatest need of all is to create and generate employment. Your Company approaches this problem through four avenues: direct, indirect, self and special. Direct employment for Unionised employees has risen from around 8400 in 1967 to 10,300 in 1972; an increase of 23% with which there has also been an attendant increase in productivity of 15% over the same period. The diversification projects—ne approved in principle and one under consideration by the Government—will lead to another 2500 or more jobs with considerable scope for educated unemployed and, of course, work for many more during the stages of construction. Direct employment in the inter-connected operations of ILTD amounts



to 23,000 including seasonal labour during the tobacco season.

During the past year or so, the diversified export activities, which are also labour intensive, have resulted in the development of twelve small entrepreneurs coming into fuller operation and through these, indirectly, regular employment of around 1100 has already come about; it is planned to increase this activity further in the future.

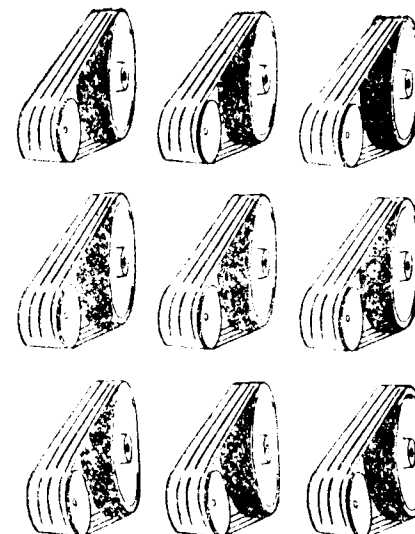
Yet again, in the post-independence period and more particularly in the last decade or so, ITC has been developing its service to consumers through a completely self-reliant and independent distribution network as a result of which, on record, some 500,000 self-employed retailers and 41,500 independent wholesalers can obtain in lesser and greater measure regular business out of ITC activities to provide at least partly a reasonable livelihood. In addition there are some 500 distributors, entirely independent, who in turn have been able to employ some 2500 people over the past years of development as a result of the business provided by the Company and the decentralisation of its distributive activities. During this same period a number of independent parties have been assisted to set up tertiary and transport services and these have also aided employment.

A very special feature of employment assistance is the Company's scheme of JAI JAWAN STALLS designed specifically to provide employment to disabled servicemen. The first of these was inaugurated by our Prime Minister as early as May 1966. This work continues and the JAI JAWAN stalls are increasingly dotting the country manned by the disabled of all the three Services and more will continue to be established. Also in 1969 the Ex-Services Supply Syndicate was formed originally with 33 members to produce polythene pouches and printed stationery to rehabilitate jobless ex-servicemen and such schemes will be evolved in the future also.

EMPLOYMENT AND DEVELOPMENT SMALL SCALE SECTOR

The eighth need is to develop the Small Scale Sector. Your Company has taken steps to ensure that its own growth and development also contribute to and promote the growth and development of other industries, especially those in the small scale sector. In pursuance of this objective, your Company has over the past twenty-five years contributed towards the building up of 108 small scale units giving direct employment to nearly 4000 persons. These units now have a business turn over of Rs. 12 crores per annum of which your Company's offtake constitutes almost 30%. The tempo of assistance to the small scale sector has been rapidly increasing in the recent past and of the 108 units as many as 75 have been developed within the past five years.

Three main types of assistance have been provided by your Company in helping to develop small scale units. Firstly, technical guidance has been provided by way of drawings, technical advice, help in selection of machinery, provision of exact material specifications, help with import substitution of materials and periodical inspection of products. This guidance has been given without any charge, with a view to ensuring quality production in the small scale units. Secondly, your Company has assisted by filling up order books of the small scale units in times of difficulty, and by lifting their surplus production, even at the cost of sometimes increasing its own inventories. Thirdly, financial help in the form of advances against orders for purchase of machinery and in other ways has been given to some units.



Your Company plans a continuing acceleration in the future of the programme of assistance to small scale industries, as a contribution to the Nation's socio-economic progress. It is proposed to specially concentrate on supporting small units which have export potential and large employment generating potential. The siting of these units is being planned with the view to removing regional imbalances between different areas of the country in consonance with Government policies.

SOCIAL RESPONSIBILITY

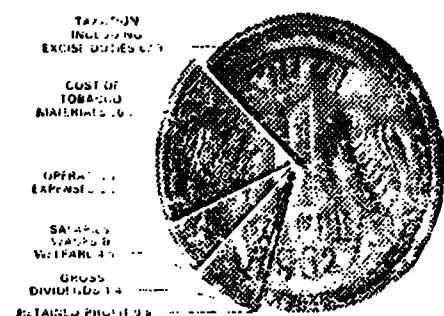
A ninth but growing consciousness, in an era of populist thinking, is the need for industry to participate in the discharge of SOCIAL RESPONSIBILITIES with particular reference to the weaker sections of society in our country. It is said that affluent nations should set apart 1% of their wealth to assist the less well off. Your Company, in the belief, that drops make a stream and streams rivers, has in all humility, adopted this principle, and small as this may be, is employing 1% of its gross profit specifically to assist in this manner.

It can be truthfully said that ITC has been increasingly conscious in this direction and has not failed to lend a helping hand in a number of ways to assist the weaker sections of society for the aid of which it innovates a great deal of its activities and has played its part, albeit humble, in every National emergency and natural calamity. I do not wish to dwell on this subject other than to say that your Company is alive and conscious in this respect.

THE COMPANY GROSS PRODUCT

The tenth and final aspect is related to SOCIAL JUSTICE. The most potent vehicle of this—EMPLOYMENT—I have already covered. It is rightly said that the increase in the Gross National Product is one of the means for more equitable spreading of the benefits that accrue through growth. At the micro-level, the Company Turnover can be considered its Gross Product. The break-down of the turnover for the year under review is as follows:

Gross Turnover	100.0%
All Taxes to Government	67.9%
Residual Turnover	32.1%
Cost of Tobacco/Materials	20.1%
All Expenses including Depreciation	5.1%
Available residual turnover for Distribution	6.9%
All Salaries—Wages—to People	4.9%
Balance Available to Shareholders	2.0%
Distributed to Shareholders	1.4%



It is perhaps worth emphasising one or two aspects. Since 1954 when the Company went Public, as much as Rs. 11.24 crores of available net profits of the Company have been ploughed back by the shareholders into the business to keep the enterprise healthy, thus also aiding the formation of Capital which is another of the scarce resources of our country. Furthermore, in keeping with its philosophy of fair reward for the contribution made by all involved in the industry, the net profits of the Company are currently at a level of around 10% return on the shareholders' total equity funds indicating a balance between the needs of the public at large, those of the employees who make the enterprise possible and the shareholders.

CONSUMER ORIENTATION

I would now like to turn to the CONSUMER ORIENTATION of your Company and merely highlight a few features as this aspect is covered in the Report and Accounts in your possession. In the first instance I would like to emphasise an irrefutable proven fact applicable the world over, to consumer goods generally and to your Company products in particular as the brand patronised by a consumer is completely a matter of very personal choice, to think otherwise would be to ascribe wrongly our own shortcomings to others and to consider the consumer naive. This is that the CONSUMER is the final arbiter and supreme judge of the quality of your Company products and on him, and him alone, depends the success or failure of your Company or for that matter any Company—in the context of democratic free choice which we all cherish in our country. Your Company philosophy is based on Pride in the Home Product with Quality, Service and Satisfaction for the Consumer.

PRIDE OF HOME PRODUCT

The genesis of your Company was based on initial purchase of know-how, technology and some trade marks (all of which are the property of ITC in India), as is true for a multitude of goods in the earlier phases of development every where in the world including Japan, today the most rapidly advancing country in the world. But this is buried in ancient history of the "bad old days" which has no relevance today, nor for the future, after 25 years of Independence. The only relevance is that the CONSUMER does not bear any burden on account of know-how, technology or Royalty payments either in rupees or foreign exchange as no payments whatsoever are made by your Company to anyone either in India or abroad.

Indeed, your Company can be proud that by its introduction and development of the basic raw material—cigarette tobacco—it has been responsible for making possible the production of QUALITY HOME PRODUCTS and that, today, all its Brands with any significant sale, have been designed, innovated and developed right here in our own country.

Furthermore, some of these sell in other parts of the world where it has been possible to achieve some exports, thus aiding in some small measure in the earning of foreign exchange. INDIA KINGS is an outstanding example personifying a very high standard of HOME QUALITY as the highest priced prestige brand of your Company which consumers all over India have pride in as their very own in preference to International products.

QUALITY

A second point I would like to stress is that your Company considers it its duty and responsibility to provide consumers with the best quality for the consumer's money. ILTD—ITC's inter-connected leaf operations—is concerned with Quality from the seed stage to the ultimate processing of tobacco leaf for manufacture with the aid of the Research Station in Rajahmundry and ITC carries on this concern from the primary manufacturing stage to the ultimate packaging assisted by the Research Wing in Calcutta. One of the major activities of your Company's Technical Training Centre in Bangalore is inculcating in Instructors and Senior Technicians a concern for Quality.

For still further improvement of quality, modernisation for the processing of tobacco has been undertaken at all the Factories. The existing systems of Quality Control have been further strengthened by introducing a more sophisticated QUALITY INFORMATION SERVICE. Such extensions and up-dating of QUALITY CONTROL SERVICE is continuing confirmation of your Company's belief in the manufacture of quality products and highlights that responsibility for quality is vested in each and every employee of the Company.



The fulfilment of this search for QUALITY has been in the Awards given once again to your Company products at the MONDE SELECTION in Brussels with the GOLD MEDAL award for the fourth consecutive year to INDIA KINGS for outstanding International quality.

SERVICE TO CONSUMERS

A third feature is your Company's belief that CONSUMERS know what they want and should be given what they want. This belief has led to the RESEARCH ORIENTATION in your Company which is translated into CONSUMER ORIENTATION through scientific CONSUMER and MARKETING RESEARCH. The patronage of CONSUMERS to the Brands of your Company rests largely on the scientific investigation and product development made possible by such Research on which your Company spent a sum of Rs. 10 lakhs in 1971.

The distribution system of the Company makes possible the availability of its products at the right price, in the right quantity and in the right place at the right time in prime condition and factory fresh everywhere.

SATISFACTION TO CONSUMERS

The fourth feature in CONSUMER ORIENTATION that I would like to touch upon is your Company's belief that satisfaction to the CONSUMER is best achieved with the CONSUMER exercising his free choice in a competitive situation, for competition is his surest safeguard, and the

CONSUMER must be able to make his free choice with a completely unrestricted supply of every Brand offered to him by everyone in the industry. The extent of patronage—higher or lower shares of the market by any product or products—is then a true reflection of what the consumer wants as the sales become a translation of satisfaction. In furtherance of this belief your Company welcomes healthy competition, indeed encourages it, and has offered its know-how on technology and marketing to everyone in the industry. Today competition in the cigarette industry is very keen and the consumer has benefited through constantly improving products of which he has unrestricted choice at all times.

INFLATION

The final and fifth important aspect of CONSUMER ORIENTATION is the battle against INFLATION. Ten years ago the consumer of cigarettes, manufactured and sold by your Company, paid on an average 21 paise per packet of ten. Today he pays 59 paise, an increase of 37½ paise. But of this increase 29 paise is claimed by the increase in Excise Duties, leaving 8½ paise in added gross realisation to your Company. Against this in the same period for the average packet, the distributive trade channels have been provided by an extra 3½ paise to cover their increasing cost and pay for additional employment, thus leaving a margin of 5 paise in additional net realisation in 10 years. Increases in price of materials alone have nullified this margin of 5 paise (tobacco prices are 80% higher or 3 paise per packet and other materials 55% or 2 paise), leaving your Company with no margin over the ten years despite substantial inflation. That the prices to consumers have not been increased even further is the benefit your Company has significantly made possible by fighting inflationary expenses through higher productivity, innovation, improved technology and greater efficiency in the deployment of resources. It needs to be emphasised that such benefit to the consumers, in a period of inflation is only possible if there is continuous growth in the industry and every participant in the industry is able to improve efficiency with regular natural growth. It needs to be mentioned that the very rapid and very high increase in excise duties in recent years is not conducive to the steady increase of revenue for the future at minimum cost to the consumer, at the same time a higher rate of growth would have substantial advantages in the greater development of the backward and forward linkages of the industry.

CONCLUSION

In conclusion, I would like to apologise if, in rejoicing over 25 years of Independence, I have talked on the brighter side of your Company; it shows that your Directors are only too human. This is not to deny that there are weaknesses, that things are not perfect and that much needs to be continually done to be more efficient and to achieve even greater NATION and CONSUMER ORIENTATION. As to the future, I repeat the remark I have made in the past I look forward to the future with confidence and it is my earnest hope that in facing up to the new diverse challenges, your Company will play its due role and discharge its social responsibilities with vision and dignity in keeping with its philosophy of commitment to India's welfare and to her all-round development. It is in the fitness of things to say that, in the ensuing years, your Company will be starting a new chapter in its history by doing its best to hopefully implement its diversification plans.

This does not purport to be a report of the proceedings of the Annual General Meeting.

BUSINESS BRIEFS:

Power Equipment Makers on Good Wicket

Manufacturers of heavy electrical equipment and light electrical goods including radios, transistors, fans and appliances have been experiencing an unsatisfied demand for most of their products. The bigger units are in fact planning to expand their capacities for existing products besides diversifying into new sophisticated lines. The experience of Larsen and Toubro Limited, General Electric Company of India, English Electric Company of India, Hindustan Brown Boveri and others in the latest year would indicate that the scope for increasing turnover is almost unlimited as the industry has tremendous growth potential with the accelerating demand for electricity, particularly for agricultural purposes. But there is concern over the failure of power generation capacity to keep pace with demand. In fact, even the existing capacity is not being fully utilised due to natural and man-made factors and a number of States are experiencing shortage of power. The Government however seems to be alive to the emerging situation of endemic power shortage and is anxious to take steps to raise generating capacity substantially even by importing equipment not readily available with indigenous producers. The pace of rural electrification is also being stepped up. This has created a sizable demand for transmission equipment, insulators, etc. and if only the State Electricity Boards can be helped with adequate financial resources to push through the various schemes, the electrical equipment industry can look forward to a period of uninterrupted growth. It is also encouraging that the bigger units are making serious efforts to explore export markets besides bidding for turnkey contracts to install electrical systems in neighbouring countries. The recent rush order on a leading Indian firm from Malaysia in the face of stiff competition from Japan and Australia is evidence enough of the growing competitive capacity of Indian firms in this field. While indigenous research and development is getting more attention, it may be necessary to rely on foreign know-how for some more-time to come in sophisticated lines. The public sector units are also coming out of the recessionary phase with confidence and are already increasing their levels of production of various power generation and distribution equipment. Thus the developments in the heavy electrical equipment sector have come about in a pleasantly abrupt manner mainly due to the new accent on power plans.

GEC's Confident Outlook

General Electric Company of India Limited has reported satisfactory performance in all its divisions and there was a further

appreciable rise in sales during the year ended March 31, 1972 to Rs. 43.20 crores from Rs. 36.24 crores in 1970-71. The net profit, before depreciation and taxation rose to Rs. 322.30 lakhs from Rs. 252.06 lakhs. It is stated that the future expansion of activities will depend mainly on Government permission while the improved industrial climate of West Bengal will be helpful in even more effective use of existing facilities. Sales of transformers, switchgears, agricultural motors and pumpsets and industrial motors were satisfactory while there are plans to manufacture traction control equipment for AC locos. The merchandising division was able to handle a larger volume of domestic and industrial fans while sales of lamps and fittings were higher. The projects division also contributed to the increased sales and profits. It is proposed to increase production of industrial furnaces for which there is a growing demand, particularly from the steel industry. Besides executing sizable export orders, the company recently completed electrification of a new cement plant in Kuwait. Even after the two-for-one bonus issue sometime back, the reserves position is quite comfortable at Rs. 3.32 crores against a paid-up equity capital of Rs. 5.32 crores. The company recently issued 11.62 lakh new shares at a premium of Rs. 6.50 per share. Of this, 2,62,500 shares were offered to resident shareholders on a one-for-two rights basis and 27,875 shares to employees while the balance of 89,71,125 shares were offered for public subscription. After the issue, the Indian participation will rise from 9.86 per cent to 26 per cent of the paid-up capital.

English Electric

English Electric Company of India Limited has also been able to raise its turnover during 1971-72 to Rs. 7.02 crores from Rs. 5.72 crores in the previous year, with good demand for its new sophisticated products. The earnings, before depreciation and taxation, were also substantially higher at Rs. 161.96 lakhs against Rs. 120.54 lakhs in 1970-71. The provision for depreciation is Rs. 13.41 lakhs (Rs. 13.74 lakhs) and taxation Rs. 89 lakhs (Rs. 58 lakhs). The company has received letters of intent for substantial expansion of certain products and licences for production of other new products. The commercial production of these complex products will take sometime and their contribution to sales and earnings will be felt over the coming years. There will be no problem of financing the new schemes and meeting the working capital requirement of the existing range of activities as retained earnings and future profits will be adequate for this purpose while the proposed right

issue at a premium of Rs. 3 per share for Rs. 25 lakhs to resident shareholders, though intended to raise the Indian participation from 25 to 33½ per cent, will also be helpful. For the present, the surplus resources are to be lent to other companies or banks. The Central Government has been approached for renewal of the know-how agreement with the parent company which has expired while local research and development activity is at the same time receiving greater attention.

Gwalior Rayon's Setback

Gwalior Rayon Silk Manufacturing (Weaving) Company Limited has suffered a severe setback during the year ended March 31, 1972. There has been considerable difficulty in securing the required quantities of rayon grade pulp and caustic soda. It was also necessary to pay higher prices for caustic soda in the open market while the Nagda plants had to contend with acute scarcity of coal owing to wagon shortage. Profit margins were also reduced by costlier raw materials, chemicals, fuel, and higher labour and transport charges. Sales for the year were lower at Rs. 59.83 crores against Rs. 63.71 crores in 1970-71 while the net profit, before depreciation and taxation, declined sharply to Rs. 8.32 crores from Rs. 10.82 crores. After setting aside Rs. 1.78 crores (Rs. 2.01 crores) for depreciation and Rs. 10.98 lakhs (Rs. 15.06 lakhs) for development reserve and providing Rs. 3.92 crores (Rs. 4.84 crores) for taxation, the surplus is much lower at Rs. 250.76 lakhs against Rs. 382.46 lakhs. Even then, the directors have decided to raise the dividend on equity capital to 19 per cent, taxable, from 18 per cent, taxable perhaps due to an optimistic reckoning of the prospects for the current year. Also, the amount required is only Rs. 125.40 lakhs (Rs. 118.80 lakhs) and is amply covered as the transfer to general reserve is still sizable at Rs. 230.76 lakhs (Rs. 352.46 lakhs) while preference shares redemption reserve gets Rs. 20 lakhs (Rs. 15 lakhs). There was an allocation of Rs. 15 lakhs to contingency reserve on the previous occasion. The gross block has increased sharply to Rs. 39.90 crores from Rs. 32.09 crores at the end of 1970-71.

The C.O.B. licence for the pulp plant at Harihar was received in February this year and production commenced in May with the commissioning of one digester. There has been considerable delay in the delivery of other digesters and the recovery and auxiliary boilers and the complete plant is expected to be ready only by March next year. Work on the caustic soda project at Nagda is progressing satisfactorily and despite the delay in receipt of imported equipment, trial production is likely to begin by October this year. The performance of Kerala Spinners Ltd. has been improved with the installation of additional spindles and even with a prolonged stoppage due to labour strike, there was a small profit last

year. Gwalior Rayon has sought an industrial licence for setting up a paper plant with 150 tonnes daily capacity and a caustic soda plant with 33,000 tonnes annual capacity in Mysore State and the matter is before the Monopolies Commission. An application has also been made for setting up a staple fibre plant (including polynosic fibre) at Harihar.

TISCO's Outlook

Tata Iron and Steel Company Limited will be able to stabilise its output near rated capacity levels after it completes its schemes on hand for improving the quality of raw materials and modernising and renovating worn out machinery. Even last year, the output of steel ingots was maintained at 1.71 million tonnes against 1.72 million tonnes in 1970-71 while that of salable steel was even marginally higher at 1.39 million tonnes against 1.38 million tonnes though there were difficulties over coke supplies and shut-down of a blast furnace for sometime for relining purposes. The technical problem in operating the first unit of the pelletisation plant at Noamundi are being overcome. The second unit was commissioned last March and many improvements have been incorporated in this after the experience with the first unit. The 26-oven battery was also recommissioned after complete renovation in July 1971. The ring roller mill at Adityapur near Jamshedpur is turning out rings for ball and roller bearings while a 10-tonne electric furnace has been installed at this centre. As a result of the new schemes, the gross block has increased to Rs. 305.78 crores at the end of March from Rs. 287.86 crores in 1970-71 and net block to Rs. 109.98 crores from Rs. 106.02 crores. It has however been necessary to borrow on a larger scale to meet fresh capital expenditure and a higher level of inventories and borrowings were higher at Rs. 43.80 crores against Rs. 36.10 crores. The company recently made a successful issue of debentures for Rs. 15 crores besides raising loans for Rs. 5 crores from statutory financial institutions. There may also be some benefit from the price increases allowed for select categories of steel items. Against the net block of Rs. 109.73 crores, the paid-up capital is Rs. 49.98 crores of which equity capital amounted to Rs. 38.58 crores while reserves and surplus stand at Rs. 56.93 crores. The net worth per share of Rs. 75 is Rs. 184.05 whereas the current quotation is around Rs. 86 offering an yield of 10 per cent gross.

Simco Meters Pays More

Simco Meters Limited could not derive the benefit of a larger turnover of meters, electronic components and job orders during the year ended March 31, 1972 owing to a sharp rise in working expenses and even higher selling prices could not help prevent a drop in earnings. Sales improved

significantly to Rs. 149.70 lakhs from Rs. 127.20 lakhs in 1970-71 but the net profit, before depreciation and taxation, declined to Rs. 27.09 lakhs from Rs. 31.80 lakhs. But with a larger disposable profit the directors have raised the equity dividend to 12 per cent, taxable from 10 per cent taxable. A final dividend of 6 percent is to be paid while the interim payment has already been made. The provisions include Rs. 3.25 lakhs (Rs. 2.72 lakhs) for depreciation, Rs. 2.09 lakhs (Rs. 6.46 lakhs) for capital expenditure on scientific research, Rs. 1.62 lakhs (Rs. 8.94 lakhs) written off special jigs, tools and machinery. Taxation claims Rs. 8.72 lakhs (nil) while the transfer to development rebate reserve is Rs. 1.05 lakhs (Rs. 8.13 lakhs), loan redemption reserve Rs. 3 lakhs (Rs. 2 lakhs) and general reserve Rs. 5.70 lakhs (nil). While there has been a fall in demand for meters in recent months, the company is trying to diversify further so as to facilitate assured offtake of various products.

Kirloskar Oil Engines

Kirloskar Oil Engines Limited has suffered a sharp setback in its working results for the year ended March 31, 1972, due to the severe recession in the oil engine industry. Sales slumped again to Rs. 13.61 crores from Rs. 17.89 crores in 1970-71 while there was a loss of Rs. 6 lakhs against a profit of Rs. 122.34 lakhs, before depreciation. After providing Rs. 83 lakhs (Rs. 82.68 lakhs) for depreciation, Rs. 4 lakhs (Rs. 2.10 lakhs) (Rs. 8.61 lakhs) for doubtful debts, the loss amounts to Rs. 1.02 crores against a profit of Rs. 28.95 lakhs. The debit balance has however been reduced to Rs. 91.52 lakhs after adjustment against excess provisions and tax refunds for Rs. 11 lakhs. The preference dividend is to be paid out of general reserve but the equity dividend has been skipped for the first time after 18 years. The payment for 1970-71 was 6 per cent taxable and was 10 per cent for the previous two years. There has been a pick-up in demand for larger engines but the offtake of smaller engines continues to be poor. The bearings division has however shown good progress. But the outlook for the current year remains unencouraging with total sales in the first quarter lagging behind the corresponding period last year.

Nepa Mills Earns Profit

National Newsprint and Paper Mills Limited, the only unit in the country making newsprint, has earned a small profit of Rs. 4.83 lakhs in the year ended March 31 1972 against a loss of Rs. 52.25 lakhs in 1970-71. This was made possible by a big rise in the output of newsprint to 40,040 tonnes valued at Rs. 5.10 crores from 37,270 tonnes worth Rs. 4.20 crores. Sales improved to Rs. 5.12 crores from Rs. 4.20 crores in 1970-71.

India Cement Pays Loss

India Cements Limited has deemed it advisable to slightly reduce the equity dividend for the year ended March 31, 1972 to 8 per cent taxable, from 9 per cent, taxable, for 1970-71 inspite of a small rise in earnings. The company's factories at Sankarnagar and Sankaridrug used the expanded capacity effectively. Output of clinker at Sankarnagar improved to 7.79 lakh tonnes from 7.50 lakh tonnes in 1970-71 and at Sankaridrug (where the third kiln was commissioned in June 71) to 5.64 lakhs tonnes from 4.06 lakhs tonnes. But it was not possible to raise cement production proportionately, especially at Sankaridrug, due to shortage of wagons though there was an improvement over the previous year. The value of stocks in process thus rose sharply to Rs. 1.71 crores from Rs. 1.06 crores and finished stocks to Rs. 39.33 lakhs from Rs. 18.50 lakhs.

The net profit, before depreciation, was however, better at Rs. 229.81 lakhs against Rs. 211.26 lakhs in the previous year. Of this, depreciation claims again as much as Rs. 169.72 lakhs (Rs. 158.01 lakhs) but there is no provision for development rebate against Rs. 30 lakhs previously. There is also no tax liability as before while after some adjustments, capital reserve gets Rs. 15,000 (nil) and general reserve Rs. 51.90 lakhs (Rs. 20.63 lakhs). The equity dividend will be paid out of general reserve, absorbing Rs. 39.20 lakhs (Rs. 44.10 lakhs) and the preference dividend will claim Rs. 2.71 lakhs (same).

Premier Auto Fares Better

Premier Automobiles Limited has fared better in the year ended June 30, 1972 with an appreciable rise in turnover over the previous year. Total turnover of cars and vehicles improved to Rs. 40.38 crores from Rs. 37.62 crores in 1970-71 with larger sales of 18,148 cars and commercial vehicles against 17,560 units previously. Sales of cars rose to 14,009 from 12,530 but those of vehicles dropped to 4,139 from 5,030 due to short supplies of diesel engines. The working results are eagerly awaited to know if there has been any significant benefit from the increased selling prices and higher level of output. Mr. Lalchand Hirachand, Chairman of the company, speaking to newsmen recently on the eve of releasing the new car. "PAL President" after the termination of the contract with Fiat, said the saving in royalty charges of Rs. 95 per car would go to the customer. The indigenous content of the car is now as high as Rs. 99.9 per cent and only Rs. 30 worth of foreign components went into a car at present. The company has sought permission to expand capacity from 14,000 to 18,000 cars and a favourable response from Government is awaited. The expansion will cost Rs. 4 crores. There is also a proposal for further expansion to 25,000 cars later. The company has

also not dropped the idea of manufacturing Fiat 124 or 128 and talks are going on with the Italian interests.

Greaves Cotton

Greaves Cotton and Company Limited is confident about the future outlook and hence decided to reward the shareholders with a sumptuous bonus issue in the ratio of one share for every two shares held, subject to Government approval. The directors have at the same time maintained the equity dividend for the year ended March 31, 1972 at 15 per cent taxable. It is surmised from the working results in the first two months of the current year that there might be no proportionate cut in dividend on the increased capital and the quantum of distribution can be larger. The bonus issue will be made by capitalising Rs. 94.50 lakhs out of reserves. The turnover in 1971-72 rose to Rs. 28.28 crores from Rs. 27.01 crores in 1970-71 while the net profit, before depreciation and taxation was modestly higher at Rs. 1.57 crores against Rs. 1.41 crores. After setting aside Rs. 7.56 lakhs (Rs. 6.76 lakhs) for depreciation and Rs. 32,000 (Rs. 47,000) for development rebate, the transfer to general reserve in Rs. 127.96 lakhs (Rs. 125.88 lakhs) and debenture redemption reserve Rs. 7 lakhs (same). Bad and doubtful debts reserve, gets Rs. 13.82 lakhs (Rs. 1.15 lakhs). There is no separate provision for taxation but the liability in this regard is estimated at Rs. 70.75 lakhs (Rs. 62.50 lakhs) and will be found from general reserve. The equity dividend will absorb Rs. 31.92 lakhs (same) out of this reserve.

Hind. Pilkington Glass

Hindustan Pilkington Glass Works Limited, could not avoid a loss on working in the year ended December 31, 1971 as it had great difficulty in transporting raw materials and fuel due to wagon shortage and heavy expenditure had to be incurred on transport. Raw material costs also rose sharply while the new sheet plant had teething problems and the rolling plant was out of commission because of operational difficulties. But production of rolled products, has again commenced since February this year and the sheet glass plant also is expected to add to the company's earnings. Thus the current year's operations may be much better. Sales during 1971 were much higher at Rs. 3.84 crores despite the adverse factors, against Rs. 2.79 crores in 1970 but with the soaring expenses, there was a loss of Rs. 14.34 lakhs, even before depreciation against a profit of Rs. 30.30 lakhs in the previous year. After providing Rs. 20.70 lakhs (Rs. 16.13 lakhs) for depreciation, the debit balance amounts to Rs. 35.03 lakhs against a profit, before taxation, of Rs. 14.16 lakhs. The equity dividend has been passed over whereas there was a payment of 8 per cent, taxable, in the previous year.

INDUSTRIAL ECONOMIST

Standard Batteries

Standard Batteries Limited has maintained the ordinary dividend for the year ended June 30, 1972 at 10 per cent taxable though sales and earnings were better than in 1970-71. While the turnover improved to Rs. 6.14 crores from Rs. 5.41 crores, the net profit, before depreciation and taxation rose to Rs. 29.45 lakhs from Rs. 25.43 lakhs. After providing Rs. 16.64 lakhs (Rs. 18.10 lakhs) for depreciation and Rs. 2.14 lakhs (Rs. 4.08 lakhs) for development rebate, the claim in respect of taxation is sharply higher at Rs. 6.50 lakhs (Rs. 1.50 lakhs). The dividend is to be paid out of general reserve.

E.I.D. Parry Fares Better

E.I.D. Parry Limited has come out of a spell of adverse working and is in the happy position of returning to the dividend list from 1972-73. In the current year, the company will be able to reduce the accumulated losses of the previous two years to a substantial extent, thanks to vastly improved working of the main divisions. The sugar and fertilizer divisions which had been responsible for the recent setback have improved their performance significantly in the first half of the current accounting year as compared to the same period last year while there has been a sizable saving in interest charge due to a much lower level of overdrafts. The Nellikuppam sugar factory crushed a smaller quantity of cane of 2.26 lakh tonnes against 2.35 lakh tonnes in the first six months of 1970-71 and as there was also a slight drop in recovery to 8.35 per cent from 8.38 per cent, sugar output declined to 18,884 tonnes from 19,713 tonnes. But the higher open market prices have offset the decrease in output. There would have been a much larger production but for the labour strike at the factory for over three weeks. Fertilizer sales also were higher by only 10 per cent owing to short supply of ingredients required for fertilizer mixtures. The Ennore plant raised its output of ammonium phosphate and complex during the period under reference sharply to 22,327 tonnes from only 7,853 tonnes (there was however a 99-day lock-out in the previous period) while production of ammonium sulphate improved to 10,836 tonnes from 3,669 tonnes. Production and sales of ceramicware were also substantially higher while other divisions maintained their performance at satisfactory levels. The merchanting division increased its overall sales by 11 per cent though its turnover of engineering products was marginally lower. But profit margins on the latter were better.

Sizable Profit

Sales of products in the six months ended March 31, 1972 were better at Rs. 20.26 crores against Rs. 18.31 crores in the same period in 1970-71 while sales on consignment basis rose to Rs. 25.53 crores from Rs. 20.24 crores, taking the total turnover to Rs. 45.79

crores from Rs. 38.55 crores. (Total turnover for 1970-71 was Rs. 88.07 crores of which consignment sales accounted for Rs. 43.64 crores). There was, however a net profit of as much as Rs. 111.22 lakhs, before depreciation and taxation, against only Rs. 19.03 lakhs (and a profit of Rs. 106.49 lakhs for the whole of 1970-71). The provision for depreciation is Rs. 63.27 lakhs (Rs. 62.72 lakhs) (and Rs. 123.54 lakhs for the whole of 1970-71). The accumulated losses at the end of last year amounted to £691,564 (over Rs. 200 lakhs).

Rush Order for Transformer

Grompton Greaves recently executed a rush order from Singapore for a 150 kva/400,208 v transformer with the greatest expedition and sent it by air on July 15. This order, placed by a leading American electronic components firm for its plant at Singapore was placed only a month earlier over telephone and the Indian Company could successfully meet the short-notice-order by working round-the-clock. This is the second order from the same customer who had taken three similar transformers in January 1969. Such urgent orders from Singapore-Malaysia used to go to manufacturers in Japan or Australia and it is gratifying that Indian firms are now able to win such emergency orders based solely on their competitive strength. Crompton Greaves, besides executing numerous export orders, will shortly commence shipments of Rs. 73 lakhs worth of transformers for an electric fan factory it is setting up at Baghdad for the Iraq Government. It has also won a contract in collaboration with Star Textiles for the complete electrification of a textile complex in Libya.

Raptakos becomes Bombay Oxygen's Subsidiary

Bombay Oxygen Corporation Limited has made Raptakos Brett and Company Limited its subsidiary by acquiring 95 per cent of its capital thus having the controlling interest. The well-known pharmaceutical firm owns three laboratories and manufactures diabetic drugs besides protein biscuits. It has been working on a highly profitable basis and Bombay Oxygen has acquired the equity shares from a trust formed by the founder of Raptakos by paying a premium of 100 per cent while the preference shares for Rs. 2 lakhs have been acquired at par. Efforts are being made to get the remaining 5 per cent of equity capital now held by non-resident share-holders. The deal has called for an investment of Rs. 1.30 crores by Bombay Oxygen which had, however, sizable liquid resources on hand. The acquisition should prove to be very paying as sales of Raptakos in 1971 amounted to Rs. 4 crores and earnings, before taxation and depreciation, to Rs. 42 lakhs. It paid a dividend of 11.5 per cent, taxable. At the end of 1971,

its paid-up capital was Rs. 68 lakhs, of which Rs. 66 lakhs were in equity. Reserves amounted to Rs. 36 lakhs.

Escorts' Outlook

Sales of Escorts Limited in the first half of 1972 were higher at Rs. 21.50 crores against Rs. 18.50 crores in the same period in 1971 and the turnover for the whole year may be a new record for the company. Mr. H. P. Nanda, Chairman told the annual meeting recently that there had been a big increase in the offtake of motorcycles while sales of tractors also have been higher. A new type of tractor has been recently introduced. The output of piston rings and other ancillary items is also to be increased. Escorts Ford has at the same time been raising its production with 50 per cent indigenous content. The profitability of working will also be much better this year thanks to the higher selling prices for tractors allowed since last February. Escorts proposes to promote a joint venture in Malaysia for manufacturing auto ancillaries costing Rs. 1.25 crores. Its investment in this project will be Rs. 30 to 40 lakhs in the next two years.

Colour-chem's Bonus Issue

Colour-chem Limited has had a good year of working during the 12 months ended March 31, 1972 and encouraged by the future outlook, the directors of the company have proposed to capitalise its one crore out of reserves and issue bonus shares in the ratio of four shares for every 11 equity shares held besides maintaining the dividend at 12 per cent, taxable. There would be no difficulty in even repeating the dividend rate on the increased capital as there is ample cover for the amount required. Sales improved by 12.5 per cent in 1971-72 to Rs. 11.14 crores from Rs. 9.90 crores in 1970-71 while the net profit, before depreciation and taxation was better at Rs. 181.66 lakhs against Rs. 179.50 lakhs. Depreciation claims Rs. 56.74 lakhs (Rs. 58.78 lakhs) and development rebate Rs. 7.25 lakhs (Rs. 26.58 lakhs) while the provision for taxation is Rs. 43.50 lakhs (Rs. 46.90 lakhs). After writing back excess provision in respect of previous years of Rs. 6.39 lakhs (Rs. 5.33 lakhs), the transfer to general reserve is higher at Rs. 80.57 lakhs (Rs. 51.63 lakhs). On the former occasion, credit was taken for a net sum of Rs. 8.03 lakhs towards excise duty refund. The equity dividend is to be paid out of general reserve and will absorb Rs. 33 lakhs (same).

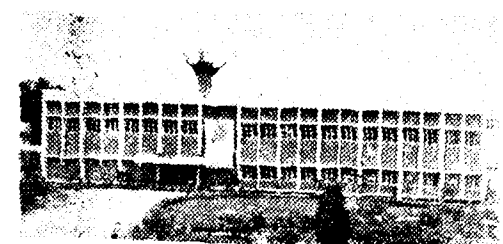
Iraqi Oil for Barauni

Indian Oil Company has recently concluded an agreement with Iraqi National Oil Company for the supply of crude from the Romalia oil-fields to the Barauni refinery in Bihar. The third million tonne unit at Barauni has been modified to process 50,000 to 60,000 tonnes of the imported crude which has a high sulphur content per month. The

Iraqi crude will be pumped to Barauni from Haldia port (West Bengal) through the Haldia-Barauni pipeline. Mr. P. R. K. Menon, Finance Director, who signed the agreement for IOC in Baghdad, told newsmen in Bombay on his return that the pact was only a precursor of greater trade relations between India and Iraq. There is plenty of crude available in Iraq and the terms also are favourable to India. The deal is covered by the \$5 million trade agreement signed earlier between the two countries.

SBI Training College

The decennial anniversary celebrations of the State Bank Staff Training College in Hyderabad were recently inaugurated by the Union Finance Minister, Mr. Y. B. Chavan. It was also the occasion for the institution to move into its own functionally designed new premises. The banking industry has been growing in stature as also in the complexity and diversity of new responsibilities to the public and it is commendable that the



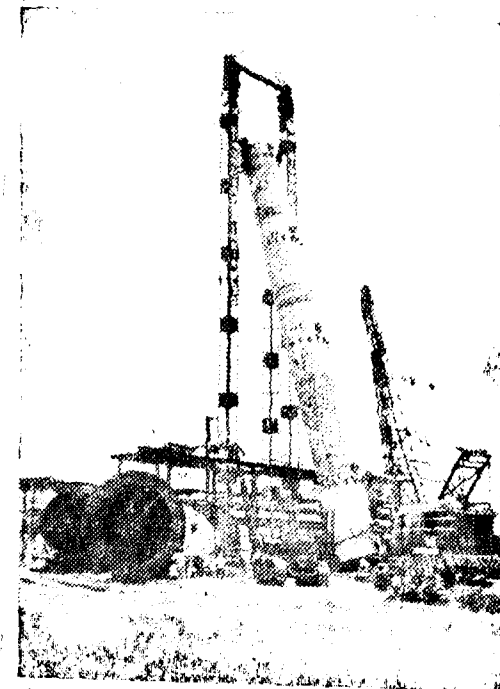
A view of the new premises of the State Bank Staff Training College, Hyderabad recently inaugurated by Y. B. Chavan

SBI could foresee the challenges before the banking system and plan for proper training of staff to meet the acute strain on its manpower resources. The Staff Training College aims at providing systematic training facilities to all categories of officers and the focus is on equipping trainees to acquire knowledge and skills for on-the-job situations to improve decision-making and problem-solving activities and to develop desirable attitudes and effective managerial behaviour. As the apex training institution of the bank, the college also looks after the training centres of the circles and the subsidiaries. There are besides special courses designed from time to time to meet specific requirements of the bank's staff like those to deal with financing small industries or farmers or with the analysis of balancesheets and cash flow projections, foreign exchange business, etc. The experience of line staff is also utilised continuously by inviting them to take part in the training programmes. At the same time, sophisticated training methods are adopted based on behavioural sciences. The college is aware of its national responsibility of turning out the best talents who will implement and shape the policies of the bank and is keeping abreast of the latest developments to improve the quality of training continuously.

Simon-Carves Erects Heavy Columns at IPCL

With the completion of erection of the second Ortho Meta Splitter on August 10, 1972, two of the heaviest columns forming part of the Rs. 30 crore Gujarat Aromatics Project are now in position. The first of these columns was erected on July 19, 1972.

These columns which are 41 metres tall and 3.5 metres in diameter weigh 110 metric tonnes individually without internal fittings. Fabricated and transported in sections from Vizag, the columns were assembled at site and were required to be erected in one piece.



A great deal of progress has been made in the matter of handling and erecting heavy, sophisticated equipment. Not long ago, foreign technical personnel and equipment used to be employed, on a contract basis, for the erection of heavy, tall columns. Today the position has vastly changed. Picture shows the second of the Ortho Meta Splitter, 41 metre tall, 3.5 metre in diameter and weighing 110 tonnes being erected at the Gujarat Aromatics Project, Baroda. Simon Carves is the contractor for this job.

The erection of such heavy equipment at such heights would have been a formidable proposition even for developed countries and yet the challenge was accepted and the work was completed using entirely Indian technicians and Indian made lifting equipment.

The entire lifting operation was completed in less than 4 hours but prior to this a crew of 40 trained riggers worked at the site for nearly three weeks in order to complete the assembly and installation of the derricks and its maze of supporting guys and electric winches.

The complete erection was executed by Simon-Carves India Ltd., a well known firm of engineering contractors against an order from Indian Petrochemical Corporation Ltd., whose consultants are Engineers India Limited.

INDUSTRIAL ECONOMIST

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- * Production of iron ore registered an increase of 51% in terms of quantity and 208% in terms of value.
- * Number of schools and colleges has gone up many-fold.
- * All villages in the Union Territory have been covered by the Cooperative Movement leading to rural prosperity.
- * Tourist influx is rising rapidly.

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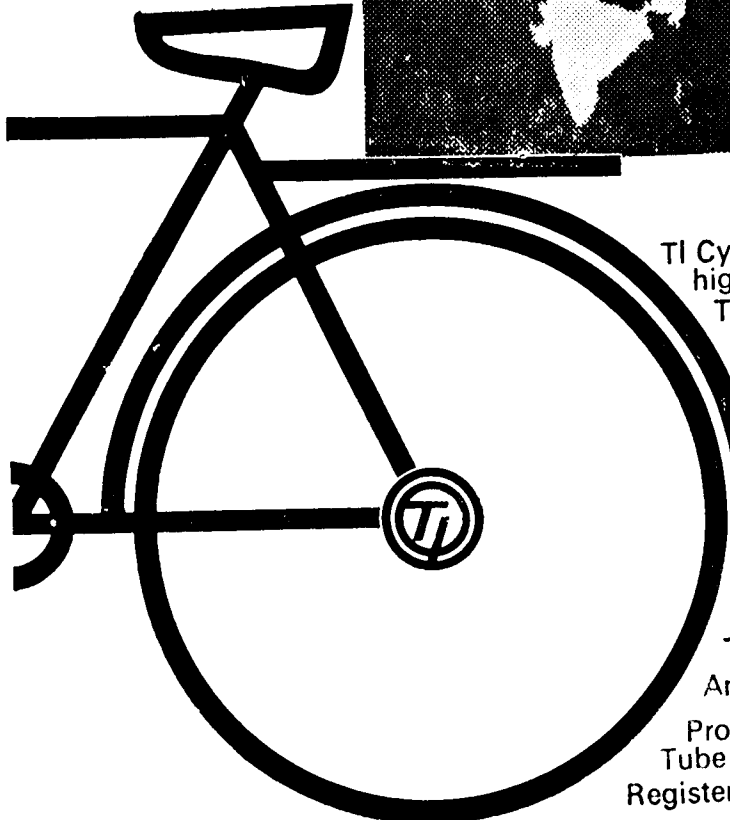
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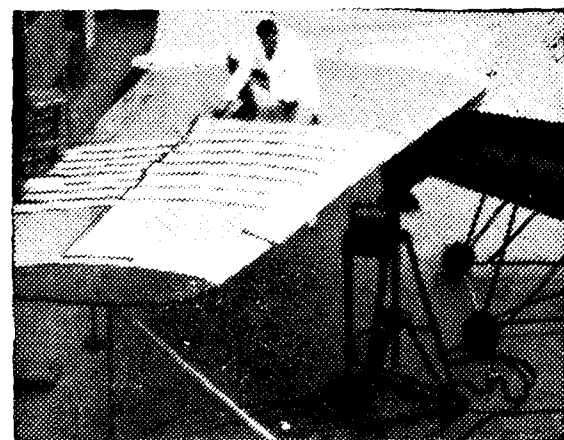
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It is a mad... mad... world

Bobby Fischer, the young American chess prodigy has demonstrated, his inimitable style, that genius cent per cent botheration—for the ordinary folk who have to deal with geniuses. During his historic battle against the World champion, Boris Spassky of USSR now being conducted in Reykjavik, Iceland, he has exhibited all types of eccentricity likely to turn the hair of the organisers grey overnight with anguish. Fischer, after losing the first game, angrily wanted the T.V. cameras out as they disturbed him during the second game: "There is a conspiracy against me," he said and left the stage. On the day of the third match he booked actually three flights—to New York, Europe and incredibly, to Greenland!

Immediately before the fifth game, he sent a 14 point demand. This included a complaint against the size of chessboard squares, the glare of its marble and the colour of the dark brown drapes used in the hall, a demand for the exclusive use of the swimming pool at Loftledir Hotel a special private tennis court an extra room added to the presidential suite allotted to him, a wider selection of magazines including the latest *Playboy* copies for him to read and finally more pocket money too! As everything else genius is also exorbitantly costly these days!

If genius is synonymous with eccentricity, we have a Sarvodaya genius. Mr. Gora, in our own country, who distributed pork and beef to all the people attending his meeting, in Vitavavada to free them from the conservative clutch of "sentimental aversions"! Platipus suggests humbly that Mr. Gora may instead distribute L.S.D. to the august audience, which will make them forget the soaring prices, anxieties about drought and the milky promises of our politicians to bring the heaven on earth!

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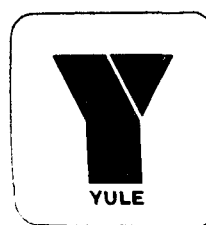
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A Classic Instance of Dialogue Between Closed Minds

It will be conceded on all hands that the economic growth rate has hit a plateau. The consequences of this position to the exchequer and the commonman have been the theme of most contemporary discussion. The contours of the discussion have by now been well fixed in the familiar pattern of a dialogue between closed minds. Of this, the Colloquium on Exports, recently organized in Madras provides the classic instance. The speeches of the participants progressed on well worn (out?) lines and fresh comment has been scanty.

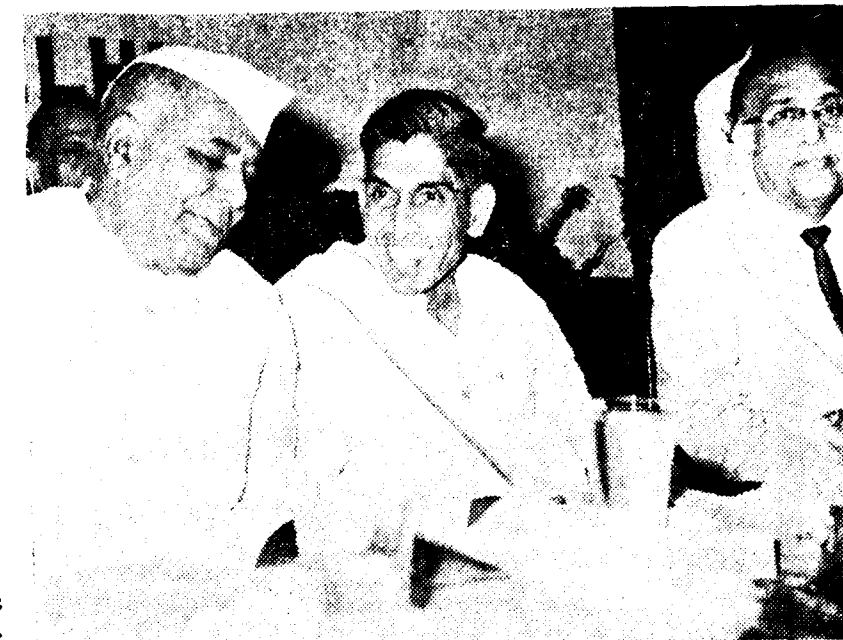
Take for instance the inaugural address of the Union Minister for Finance Y. B. Chavan. He made the pontifical observation: "Fiscal policy acquires a crucial importance. A streamlined and rationalised fiscal system which is able to mobilise resources in an equitable manner, will, besides ensuring price stability and overall restraint on individual and institutional excess spending, also help us overcome any balance of payments difficulties that might be generated in the process of faster development." This is the textbook description of an ideal fiscal policy suited to a free-enterprise-oriented, developing economy. Mr. Chavan links it with the ideological role of equity in taxation with a jerk that tears asunder the sinews of unity in the appropriate policy frame.

Planned Sacrifices of Domestic Consumption

Sensing no doubt that the experiment in equity has been carried to an excess, Mr. Chavan adds the rider that "the Government have been giving serious thought to the question of improving the efficiency and equity of taxation, so that additional resources can be raised without the honest taxpayer, or any particular sector of the economy having to bear a disproportionate share of the tax burden." This will incline one to hope that the Wanchoo Committee recommendations on easing tax rates as the means to check tax evasion may be accepted after all. Yet such a hope is belied by the observation later in Mr. Chavan's speech about the need to curb concentration of economic power. This argument has been employed *ad nauseum* to vindicate hikes in tax rates unfailingly in every budget. As Western commentators have been quick to point out, the Indian urge to tax is obvious of limits which is the same thing as saying that, so far as the Indian taxation is concerned, the sky is the limit of taxable capacity whether it be direct or indirect taxes. Such an exercise savours of nihilistic economies which the Government is unable to give up because of its proneness to make of it the ideological tranquiliser to keep the hungry passive, if not jubilant.

During a talk with the Press, Mr. Chavan is reported to have said that there were only two ways of sustaining growth in domestic production and exports. One was to go the Western way, allowing large-scale enterprises to multiply and, if necessary, to merge into yet larger-scale units assuring the community of fulfilment of the wildest hopes of mass production which will generate more than abundant surpluses for exports without economising on domestic consumption. The other one is to go the Soviet way, curbing "gigantomania" of entrepreneurs and deriving export surpluses through planned sacrifices of domestic consumption.

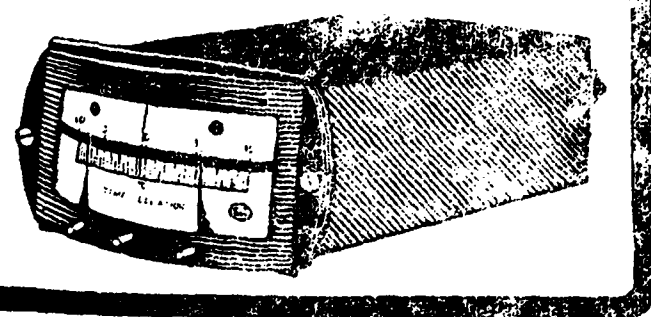
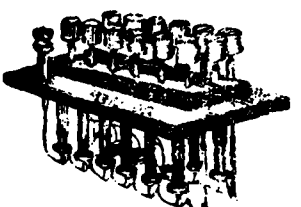
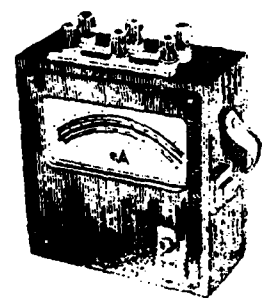
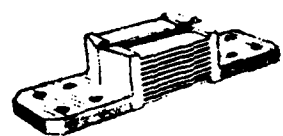
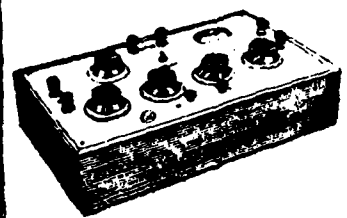
Since this alternative implies inadequacy of output for the total requirements of the two-end uses, namely exports and home demand, it is easy to understand Mr. Chavan's anxiety over the temptation of the domestic market against exports. With incomes increasing under the impact of the green revolution and with the Government's loyalty to the 'New Economics' calling for an increase in the supplies of consumption goods, the urge has been unconsciously provided for home consumption. Granted the sluggishness in industrial growth rates, this explosion in demand has created the progressive rise in domestic prices and costs. With such a high-cost protected market near to door, which entrepreneur will be really interested in boosting exports at the cost of his domestic sales espe-



Perhaps Tamil Nadu Industries Minister S. Madhavan (centre) is laying special emphasis on the need for bold and imaginative action for curbing deficit financing to Finance Minister Y. B. Chavan (left).

Scene : Colloquium on Exports, organized by the Hindustan Chamber of Commerce at Madras during August end. At the right is the Chamber President K. M. Mammen Mappillai.

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cially when such export sales, by the very nature of their high costs, have become more and more difficult of achievement even with all the incentives and subsidies which the Government may deign to provide? This fascination for the domestic market can be cured only by mass production on Western lines which is taboo as pointed out earlier. Against this background, the only feasible measure seems to be to ensure the minimum of blessings for the domestic consumer through ensuring that he is not mulcted overmuch of this supplies as that will only kick costs and prices yet more upward and render exports more and more uncompetitive.

Activise Production

There can be no gainsaying the fact that the fundamental job is to activise production. Mr. Chavan complains that Indian entrepreneurs have not shown the requisite vigour, while the spokesmen of industry blame everything on the Government. In these circumstances, the best thing to do is, as suggested by Mr. P. A. Narielwela, President of the Federation of Indian Export Organisations, to order a study of the consequences of the Government's economic policy on enterprise and growth. Such a study can identify how far the blame rests on which shoulders but its purpose will be foiled if the two sides are not willing to take appropriate action as recommended by the facts of the situation. So far there had been a presumption that any dialogue between the Government and industry will be uncovering and so incapable of evolving any consensus. But the gravity of the economic situation at present demands that such a consensus is evolved by each side recognising the spots in its sun.

Critics have not been wanting who would say that this will be quite a desultory exercise even now. Their stance is to a great extent weakened, however, by the awareness of the Government of the difficulties for the private entrepreneurs to go the whole hog with the Government, in matters of industrial policy and decision. This is just the situation in which the Tata memorandum on the joint sector concept seems to have attained spontaneous topicality. In the early sixties, the Government's contention was that private initiative had got ready a Gordian knot every time some dialogue with it was mooted. The charge cannot any longer be valid. Hence the need to activise the dialogue with more open minds than ever.

This is not to contend that everything is all right on the export side. On the contrary, it is the experience of a decade that some elementary shortfalls like inconsistent quality, inadequate assessment of consumer preference and unsatisfactory after sales service besides unattractive packaging have made it very difficult for our goods to make any headway in the sophisticated western markets. Added to this, there is the mortification of importing countries over the non-fulfilment of quotas despite all the heat displayed by India towards the enlargement of the original quotas.

These are deficiencies which are within our ability to correct and they had better been corrected sooner than later. What is much more important is to build up the image of India as a significant exporter of sophisticated manufactured goods. The engineering goods sector has always been saying how, within a short time, they have been able to build up exports to the tune of Rs. 160 crores from a mere Rs. 25 crores. This is not gainsaid. But the point cannot be overlooked that the export effort is spread over a wide segment of production so that the aggregate export earnings have been earned in dribbles from many points. This is not the way to organise viable export growth. The export houses should seek to ensure in their future promotional effort that custom on a sizable scale is built up abroad for selected items, without sacrificing the small gains already earned and under process of consolidation in respect of many others. It is of course true that the major hurdle here will be tariff barriers. Mr. Chavan has in this connection described the Generalised Scheme of Preferences as irrational. The fact it is rational enough from the standpoint of the inward looking trade policies of these countries which feel within their blocs more satisfying than trade with the outside world. It is necessary therefore to conduct trade negotiations with them on such delicate lines that it will be possible for them to oblige our exports within the limits feasible under the circumstances. There is certainly little point in crying hoarse over protectionism because such emotional outbursts, far from helping our cause, solidify the mental reservations against us in these countries.

The lack of planning on the export front was highlighted forcibly by Mr. D. C. Kothari who said that "indu-

trialists, exporters and the Government had really got no proper appreciation of the magnitude of changes taking place in Western European countries which were integrating their economies. The EEC in economic terms would have more than twice the production of the U.S.A. "India no doubt has recognised this but its proposal for a comprehensive trade treaty with the EEC has been hanging fire so long that it has generated doubts about our ability to accomplish things in a timely manner. Nor can it be confidently asserted that the Government's allegedly export-oriented policy has been pursued to its logical conclusion at the unit level of industry." As Mr. Mammen Mappillai, President of the Hindustan Chamber of Commerce stressed "there were various hurdles through which a private entrepreneur had now to pass—cumbersome licensing system, monopoly clearances, restrictive trade practice regulations etc. Naturally though there were 65,000 registered factories in the country, hardly a few hundreds had taken to export." One cannot therefore go the whole hog with Mr. A. C. George, Deputy Minister for Foreign Trade, when he implied that the industrialists were in some way responsible for "the lurking fear in the minds of several countries about India's capacity to supply not so much as the capacity to manufacture." No greater vindication of the untenability of Mr. George's position is necessary than the pointed remark of the Tamil Nadu Industries Minister, S. Madhavan who presided over the inaugural session of the colloquium, that the industrial policy of the country contained an element of uncertainty and that constant recourse to nationalisation naturally instilled a sense of fear in the minds of the industrialists and it was difficult to expect them to step up production and export under these conditions.

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Foundation Laid for Massive Growth in Steel Industry

By S. MOHAN KUMARAMANGALAM
Minister of Steel & Mines, Government of India

The first successful iron and steel mill in India was established in 1906 at Jamshedpur known as Tata Iron and Steel Co. When the setting up of this plant was being undertaken by that great visionary, Mr. Jamshedji Tata, he was told by a British expert that if Tata could make steel in India the British expert would eat it. But steel was made successfully and by the year 1917, a four fold increase in output was achieved. Despite initial difficulties, the company underwent a continuous expansion achieving an average rate of growth of capacity of 8 per cent during the first thirty years.

The Indian Iron and Steel Co. was founded in 1918 by British interests in Calcutta. Initially, IISCO restricted their operations to the manufacture of pig iron primarily for export to UK and Japan. In 1926, Steel Corporation of Bengal was formed by IISCO management and it undertook the construction of a steel mill adjacent to their blast furnaces.

Another small plant, Mysore Iron and Steel Ltd., Bhadravati, was founded in 1918 and continued to produce charcoal pig iron. In the mid 1930s it added facilities for manufacture of steel and shortly afterwards, it adopted electric smelting of iron ore. Looking in retrospect, these efforts seem extremely small considering the pace at which industrialisation and steel production were increasing in the advanced countries. For example, in the first half of this century, steel production increased from 3 million tonnes to about 50 million tonnes in USSR; in USA, from 11 million to about 90 million tonnes; in UK, from about 7 million to about 20 million tonnes; in Japan, from nil to a little less than 10 million tonnes and in what is today, the European Economic Community, from about 10 million tonnes to about 65 million tonnes.

Faster Pace of Steel Production

Immediately after Independence, it was recognised that steel production has to be stepped up at a much faster pace and steel constituted one of the most basic infrastructure for the country's development and that no substantial progress in industry or agriculture could really be achieved without increasing steel production. During the period of First Five Year Plan, it was decided to establish a new steel plant in the public sector. But this objective could not be realised as considerable time was lost in negotiations for foreign collaboration.

Many of the Western countries with whom India had its trade and economic relations were hardly helpful in the beginning. Their advice was that the country did not need much steel! India approached the Soviet Government and in 1954, negotiations were started for setting up a steel plant with

Soviet assistance. It was on February 2, 1955, that the Bhilai agreement was signed. The agreement was characterised by unusually favourable terms by way of very low rate of interest (2½ per cent as against 6 per cent or more charged by western financial agencies), moratorium for the first few years and repayment in 12 years after delivery of equipment. Soon after the Bhilai agreement was concluded between India and the USSR, other nations who had earlier considered that India did not need extra steel, came forward to increase the steel capacity in the country. Germany recommended the setting up of one million tonne steel plant in Rourkela and British came forward with an offer to finance the setting up of a million tonne plant at Durgapur.

Striking Progress in Steel Capacity

It was the boldness and vision of Prime Minister Nehru that led to the decision to set up simultaneously three steel plants of a million tonne capacity each at Bhilai, Rourkela and Durgapur with Soviet, German and British assistance. At the same time, it was also decided that the existing steel plants of TISCO and IISCO should expand to a capacity of 2 million tonnes and 1 million tonnes respectively. It was thus that the Second Five Year Plan saw the most striking progress in steel development. The steel capacity was increased from 1.5 to 6 million ingot tonnes. The Third Five Year Plan witnessed a further increased capacities of the three public sector plants, Rourkela from 1.0 to 1.8 million tonnes, Bhilai 1.0 to

2.5 million tonnes and Durgapur, 1.0 to 1.6 million tonnes.

An important decision taken during this period was the setting up of Bokaro Steel Plant. Protracted negotiations took place with USA for financing Bokaro, but this was not successful. It was again with the timely assistance from USSR that the work on Bokaro, although considerably delayed, could be taken up in 1964-65. The ultimate capacity of Bokaro is 4 million tonnes. Efforts are being made to complete stage I of 1.7 million ingot tonnes by the end of this year, 2.5 million ingot tonnes by the end of next year and 4 million tonnes stage soon thereafter.

Low Per Capita Consumption

It is a matter of concern however that while steel making capacity has increased six-fold from 1.5 million tonnes to 9 million tonnes, we are still lagging far behind many other countries. The consumption of steel in India is only of the order of 10 kg. per capita as against 600 to 700 kg per capita in highly industrialised countries. Except for a short period during 1965 to the middle of 1968 when the Indian economy was passing through a serious recession, we have continuously been faced with a shortage of steel. The capacity utilisation continues to be poor, with the average production in the range of about two thirds of the rated capacity. Production has not registered any increase from the level of about 4.6 m. tonnes of finished steel at the end of the Third

Five Year Plan, i.e., 1966-67 and on the other hand the cost of production has been going up rather sharply.

Identifying Deficiencies

In the recent past, various steps have been taken to identify the deficiencies in our steel plants in more specific terms and to take suitable steps to remove these deficiencies. Better consciousness and stricter scheduling maintenance, imaginative planning for spares, refractories etc., are expected to result in substantial improvement in the functioning of the plants. Even though there are certain inherent disadvantages that the steel plants in India have to face such as the high ash content of coal and often higher alumina content in iron ore, there is a very large scope for improving productivity in the plants.

In the field of labour relations as well, substantial improvements have to be brought about. Every hour lost in a two million tonne plant costs about Rs. 2 lakhs in gross value of output. What is more, such stoppages can do permanent damage restricting the production from the plants for a long time leading to heavy expenditure on repairs or rebuilding. Sustained efforts are therefore necessary in ensuring proper labour-management relations and bring about the recognition of the fact that welfare of labour is only one aspect of the larger question of well-being of the nation which in turn depends to a considerable extent on steel production.

Apart from the operational problems concerning the working units, one has to look ahead and plan for the future taking a long term view of the matter. Considering the long gestation period required for the set-

ting up of steel plants, it is essential that the capacity that should become available by 1985 should be planned for even at present. To achieve a target of 19 million tonnes of ingot steel by 1980 and 29 million tonnes by 1985 would require considerable efforts even at present to plan ahead and remove the rigidities of the existing procedures.

There are inbuilt possibilities of expansion in all the existing steel plants as well as in Bokaro. It has been decided to expand Bhilai from 2.5 million tonnes to 4 million tonnes and further to 4.8 million tonnes. The possibilities of further expansion of Durgapur and Rourkela are also being examined closely. Bokaro will be expanded from the first stage of 1.7 million tonnes to a second stage of 4 million tonnes and as an intermediate stage, it is also envisaged that production would be expanded to 2.5 million tonnes. Apart from the public sector steel plants, expansion programmes of IISCO and TISO are also being pushed forward vigorously.

In addition to the expansion envisaged in respect of the existing steel plants, effective steps are being taken to set up new steel plants. The new steel plants at Visakhapatnam in Andhra Pradesh and Vijayanagar in Mysore are each designed for a capacity of 2 million ingot tonnes of mild steel. The Special and Alloy Steel Plant at Salem with a capacity of 2,50,000 tonnes is expected to be completed within a period of four years. Taken together, the setting up of the new steel plants, the expansion programmes in implementation and under contemplation and the full utilisation of the capacity of the existing plants are expected to result in a production of 19 million tonnes by 1980. It is proposed to take a series of decisions

for preparing the ground for a step up of the order of at least 2 million tonnes per annum to reach the target of 29 million tonnes by 1985.

The setting up of a steel plant requires a large measure of planning for the manufacture of both mechanical and electrical equipment, securing know-how and design for fabrication of equipment, strengthening of consultancy engineering agencies and adequate organisation for construction. It is in this view that steps have been taken to improve and strengthen the working of public sector agencies for manufacture of heavy, mechanical equipment as well as bulk handling and conveyor equipment—the Heavy Engineering Corporation at Ranchi and the Mining and Allied Machinery Corporation at Durgapur. Capacity has also been created in the Instrumentation Limited, Kota, for the supply of complete instrumentation. Studies have been completed recently on the standardisation of equipment in order to take advantage of the possibilities of rapid manufacture, so that the lead time for the manufacture of plant and machinery is curtailed.

Steel industry is a strategic industry and the progress of steel industry determines to a large extent the pace of the industrial development of a nation. While we have made large strides in this field in the last 25 years, we have yet to travel a long way before we can confidently say that we have achieved a reasonable measure of self-reliance and strength. However, a foundation has been laid for a massive development in this field and given the will and determination, it should be possible for us to secure a phenomenal progress in this field in the years to come.

MAHARASHTRA NEWSLETTER

Upsurge in Sugar Prices

(By A SPECIAL CORRESPONDENT)

Sugar has been hitting the headlines these last few days. The cause of the furore on the floor of the Parliament and outside it was the steep rise in the free market price of this sweetening agent which jumped from Rs. 285 to nearly Rs. 380 per quintal.

As is usual in such cases brickbats were being thrown freely about, with the industry blaming the Government, the Government blaming the trade and the trade in turn blaming the industry in a vicious circle of cross complaints.

No doubt the Government's complacent attitude in the initial stages was prompted by the fact that the common man was still getting his monthly quota, albeit a reduced one,

through the fair price shops. But nevertheless it was taken to task for its ineffective policy in holding the price line of such an article of daily necessity, particularly in the face of its oft-repeated professions in checking inflation.

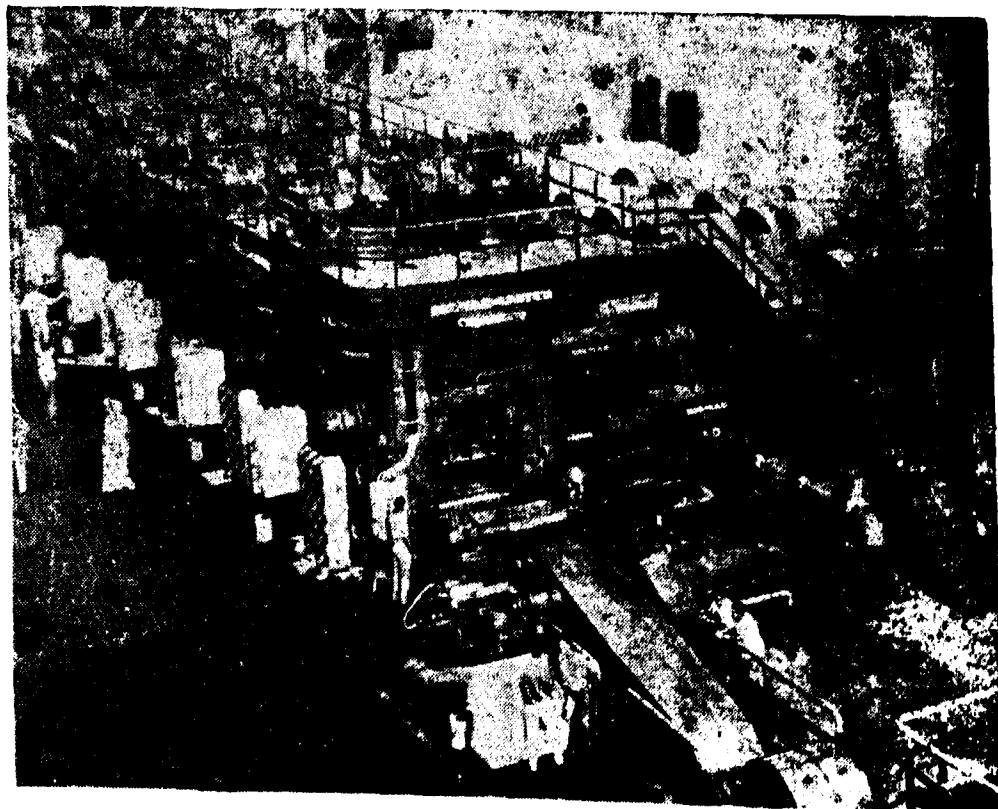
Faulty Distribution

Various factors have contributed to the present upsurge in sugar prices, not the least of which is the faulty distribution mechanism. The sugar industry's contention is that there is an undue advantage conferred on gur and khandasari manufacture because of the heavy duty burden on sugar production, leading to a large-scale diversion of cane to gur and khandasari sector.

It is alleged that the gur and khandasari producers were able to reap enormous profits because of the duty exemption enjoyed by them and the lack of any distribution or price control on their output so much so they were in a position to pay higher prices to the cane growers thus enticing away nearly two-thirds of the total cane output.

It is felt that even a partial diversion of sugarcane from gur to sugar production is bound to have a beneficial impact on the overall supply of sugar and consequently on its free market prices.

Another factor which has been a bone of contention between the industry and the Government is the issue of levy prices. The industry has been harping upon the tune that the levy prices allowed by the Government bear no relation to the actual costs. In fact some of the units have been



Rourkela Steel Plant—A view of the Tandem Mill.

emboldened even to take the issue to the Court and getting a stay order against the Government's sugar price order.

The pressure built up by the public have had the desired effect of bringing down the prices to Rs. 320 per quintal. The hint of total control by the Government has also brought a voluntary offer from the industry to deliver its free market sugar quota to the Government at a fixed price of Rs. 230 per quintal. This has, however, not been accepted by the Government for reasons best known to itself.

Maharashtra Goes Wet

Maharashtra has virtually scrapped its dry law policy. While the ostensible reasons given by the Minister for Prohibition for going wet are to prevent the ill effects arising from consumption of illicit liquor, the underlying motives are no doubt to be found in monetary considerations.

The States which have so far scrapped the prohibition policy have had no choice but to do so, particularly in the light of the Central Government's determination to throw them upon their own resources and the Reserve Bank's tight rein on State overdrafts as a result thereof.

No one therefore finds fault with Maharashtra taking the cue from other States and going wet. But what is not understandable and is indeed surprising is that the new policy should show such immaturity of conception, especially when the State has had several years to ponder over the issue and even study the examples set by other States. The present policy is just half-baked, leading to a lot of confusion and avoidable paper work. What is the sense in keeping the system of permits? Is it to satisfy the puritans in the ruling party or is it merely to provide a loophole to grease the palms of the administrators who used to enjoy illegal gratification under the old system?

According to the Minister himself, permits are retained to prevent juvenile delinquency. But this begs the question. If this were the true motive, could not the same results be obtained by laying down a law that no

liquor shall be sold to a person under the age of consent, laying the onus of observing the law on the liquor shop or the bar in much the same fashion as the cinema houses are asked to restrict the exhibition of certain pictures to adults only?

Strikes Strike the Nation Hard

A strike wave has hit the country in recent days. The Bombay Municipal Corporation workers' strike and the BEST employees' strike have arisen out of purely personal considerations of trade union leaders trying to resurrect their fallen image. But the cement workers' strike has come about as a natural corollary to the workers' dissatisfaction with the present wage structure, especially when the officialdom itself has admitted that the rupee has been devalued in real terms to the extent of 42 per cent over the years.

While it is natural on the part of politicians to talk of wage freeze, it would be well nigh impossible to get labour to accept such a situation until and unless one can be reasonably sure of stable prices. But this does not mean that all strikes, even for wage demands, are justified.

A strike is an ultimate weapon in the hands of organised labour and should be used only sparingly and that too when all other means of persuasion have failed and even then only when the working conditions are so poor as to warrant such pressure tactics.

Unfortunately the tendency in our trade union movement is to use this ultimate weapon even on flimsy grounds, without giving a thought to the effects it has on industrial production and consequently on the price line. Then there are sympathetic token strikes—like the one undertaken by the taxi drivers in Bombay—which are ostensibly to express the working class solidarity, but which in practice achieve nothing and are, therefore, totally meaningless. Surely the sympathy for the striking workers could be expressed better by donating a day's wages to their strike fund rather than losing a day's wages on a token strike!

Government Take Over of Textile Exports

The Union Foreign Trade Minister,

Mr. L. N. Mishra's announcement of the Government's decision to take over textile exports has not caused any great flutter in the textile industry or trade, except to register a token protest at the timing of the announcement.

The textile industry has only recently accepted a voluntary obligation to step up exports to the U. K. and Russia. In the first seven months of the current year, exports totalled Rs. 77 crores, averaging around Rs. 11 crores a month. At this rate the industry would have been able to hit the export target of Rs. 132 crores by the year end. This in itself would have been a record figure, since the previous high was only Rs. 117 crores in 1970.

However, the new measures evolved by the industry are expected to raise the export figure to Rs. 145 crores, which would be a 24 per cent rise over the previous best. In the circumstances the textile circles are justifiably peeved at the Minister's precipitate announcement about the Government's take over of the export trade.

Textile exports are highly personalised and intricate. Expertise is acquired over the years in specialising in particular regions and in meeting specific requirements of overseas buyers. The experience of Government management of exports in other fields like the iron ore, cannot be taken as a logical precedent to taking over exports of textiles. The two are entirely different in nature and it is doubtful if the Government can even set up the necessary organisation before the year end.

The Government will have to solve problems like quality and high cost structure if it wants to make the export trade a success. Otherwise, its performance will be no better than the private sector in all these years. Moreover resistance is building up among foreign governments against dumping tactics adopted by the developing countries. If the Government takes over the textile export trade, it has to guard against bulk shipment which would result in accusations of dumping being levelled against us and protectionist measures initiated in the importing countries.

What is Effective Advertising? How to Achieve it?

By BRINSTON MIRANDA

Advertising today is the most noticed and commented upon form of mass communication. It touches each and every one of us and influences so many of our reactions through the newspapers, magazines that we subscribe to, the clothes that we wear, the neckties, shoes, hair oils, toothpastes and other personal and utility items that we purchase.

Advertising is non-personal mass communication over the commercial media to inform and persuade the target group to take a desired action. Advertising is undertaken to increase company sales and/or profits over what they would otherwise be. Advertising, however, is rarely able to create sales by itself, for it is not the only force acting on the buyer. At the most it is considered to have done this job by "bringing the buyer to water" but whether he drinks depends upon the product, the price, the packaging, the personal selling, the services, the financing and other aspects of the marketing process. More specifically, effective advertising is that which makes potential buyer respond more favourably to the firm's offering. It seeks to do this by providing information to customers, by trying to modify their desires, and by supplying reasons to prefer a particular company's product.

Effective Instrument

In many companies, the amount spent on advertising is almost half of the after-tax profit, and might range from 4 per cent to 30 per cent of the sales turnover. In the selling process various tasks are involved like creating product awareness, developing consumer comprehension of the product offered, producing consumer conviction that the offer is good and instigating the act of purchase. Advertising is probably the most effective instrument per rupee of expenditure for creating awareness. It obviates the need of the salesman to explain who he is and what he is selling. As for developing consumer comprehension of the product offered, a combination of advertising and personal selling is pro-

bably better than either alone. Personal selling is typically more effective than advertising in producing "conviction", especially if the product is costly and/or technically complex (boilers, computers, process machinery or air-conditioning machinery). Here, personal selling would undoubtedly be more effective in triggering the purchaser act.

Realistically, we must see how advertising fares as against personal selling. For instance, an ad may cost only 20 paise per reader-buyer whereas a sales call to a buyer may cost a company up to Rs. 150. The sales call is 700 times more costly, yet it might be also 100 times more effective. The ad may not be noticed; the salesman will be. The ad cannot adapt the message to the particular buyer; the salesman can. The ad cannot go into much detail or close the sale or bring back to the company any reaction from the prospect; the salesman can.

However, as mentioned in a previous paragraph, advertising distinctly has its advantages when properly used in the marketing mix, and the amount that is decided to be spent upon the advertising as against personal selling will depend from company to company, according to its resources, opportunities and constraints.

Persuasive Communication

Advertising is "persuasive communication." Let us look at this aspect of communication. All communication begins with a source. In advertising

the source is the seller and his product. He, directly or through an agency encodes the message. If the message is successfully encoded, transmitted through the right medium, received and decoded by target group, the persuasion will result in desired consumer action either immediately or at an appropriate time.

A simple formula for effective communication is denoted by the word STAR. ST—Strategy; A—Advertisement; R—Resistances, which the ad may encounter. There are seven possible strategies for marketers—any advertising problem can be checklisted against these—Pioneering, Benefit, Brand (USP), Image, Line (Range) User, Conviction. Examples are:

Pioneering: Dalta which 30 years ago started to sell people on using and accepting the new product "Vanaspati". Glaxose-D—educating people on the importance of glucose for the brain and for "instant energy". The Protein Association's advertising highlighting the vital need for protein.

Benefit: Nescafe—the convenience of instant coffee, stimulation, "the think drink"; Life Insurance—"security"; Dunlopillo—"lasting comfort".

Brand: ("ours is better because...")—"Cinthol—the only true deodorant soap";

"Super Surf Washes Whitest"; "Only Lure Shampoo preserves your Hair's Natural Oils While It Cleans".

Image: IBM, Union Carbide, National Rayon Corporation, Garware Nylons, Dunlop.

Line (Range): Amul, Hima range. Old Spice, Modern Bread: Siemens' range of engineering services.

User (Testimonial): Amulspray: proud fathers with their babies; Sargeev Kumar for Berkeley Cigarettes.

New Use: (To extend usage and target groups) Burnol—not only for burns, but also for cuts and wounds; Milkmaid—not only as a condensed milk, but also as a kheer and as a spread on bread.

When we have decided upon the strategy, we must determine how to deliver the message. There are approa-



Awe of the People Over Things Grand

ches such as the straight-line approach, headline, picture, body text, which would interest more the user, but not the non-user or prospect. The other approach is Picture-and-Caption type ("Firestone-the Strong One")—this has been proved by Gallup Research to have strong readership. The continuity Strip Advertising—which is proving popular in the villages, Editorial-type advertising (Piles, Falling

Hair, Asthma), the Dialogue type (Metatone), Monologue (Horlicks—"I'm a human dynamo...") the Testimonial type—Lux Toilet Soap using famous film stars.

To help in this decision of what to say, we can perhaps use the formula PRCB—Perception, Recall, Comprehension, Belief. The advertising created can be tested against this: is it seen (P), is it remembered (R), is it

understood (C), and of course, all of these will be of no use if it is not believed (B).

The Resistances from the consumers are principally five: Indifference, Distraction, Complexity, Disbelief, Confusion. Good advertising should avoid these.

It is estimated that only 15 out of every 100 advertisements are ever really noticed and evoke interest. In America, the average person is exposed to at least 1250 advertising messages every day through the various media. In India, it is estimated that at least 700 advertisements are aimed at an average consumer daily through advertising in newspapers, magazines, kiosks, hoardings, posters, bus and train panels, advertising films, slides, radio spots and programmes. You can well imagine how many ever fulfil their function—which is to help sell the product, service or idea.

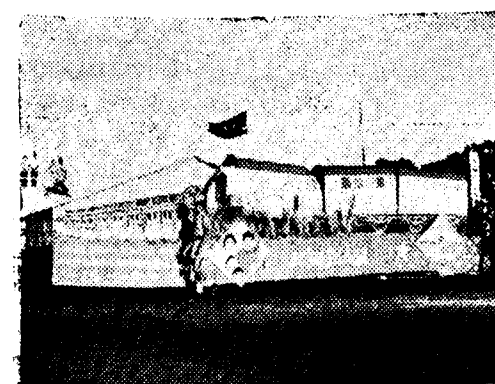
By applying some of the above techniques, one can surely get much more effect, mileage, and value out of present or proposed advertising expenditure.

(To be continued)

MORE HOSPITALS, MORE DOCTORS...

The number of hospitals in India has gone up from 2,641 in 1950 to 5,900 today, number of dispensaries from 6,80 to 12,690 and the number of beds from 112,000 to 310,000. Similarly the total number of registered medical practitioners has gone up from 59,338 in 1950 to more than 135,000 at present.

The celebrations connected with the twentyfifth anniversary of Independence in Madras were well-planned and well conducted. Apart from the usual reception by the Governor, flag-hoisting with march-past, a wide-ranging functions giving due weightage to the sublime and the bizarre lent a lot of colour to the celebrations.



An impressive march past and pageantry depicting the many-sided growth of Tamil Nadu was part of the celebrations.

The picture shows one of the pageants on the State Planning Commission.

A Rich Fare of Poetry

The celebrations proper commenced on the 14th. The All India Radio with the help of other media sections such as the DAVP and the field publicity services gave a rich programme which began with a Poets' Meet presided over by Chief Minister Karunanidhi. Some of the foremost poets of Tamil Nadu participated in the meet and each rendered a poem about a freedom fighter of Tamil Nadu. The presidential address and the introduction of the poets were all done by Karunanidhi in chaste, beautiful poetry. Incidentally, the DMK, which gave a lot of face-lift to the spoken Tamil, has also made a rich contribution to the spread of Tamil poetry. One was reminded of the many poets' meets organized as part of the World Tamil Conference held in January 1968 when Karunanidhi made such a powerful impact through his spontaneous poetry recitals.

In the reception organised at Raj Bhavan, Governor K. K. Shah also

broke new grounds by sending invitations to 200 'ordinary' citizens of Madras. The Governor being an ex-Minister and a successful politician frequently indulges in such popular essays and to good effect.

The Tamil Nadu legislature was convened for mid-night session on the 14th. Governor Shah addressed the Joint Session of the Assembly and the Council, followed by the Chief Minister, select members of the two Houses, Education Minister V. R. Nedunchezhiyan, the Chairman of the Council and the Speaker of the Assembly. The Assembly Hall was tastefully decorated and well lit. Thanks to the rich decoration with jasmine flowers, the whole air was carrying the pleasant aroma of jasmine.

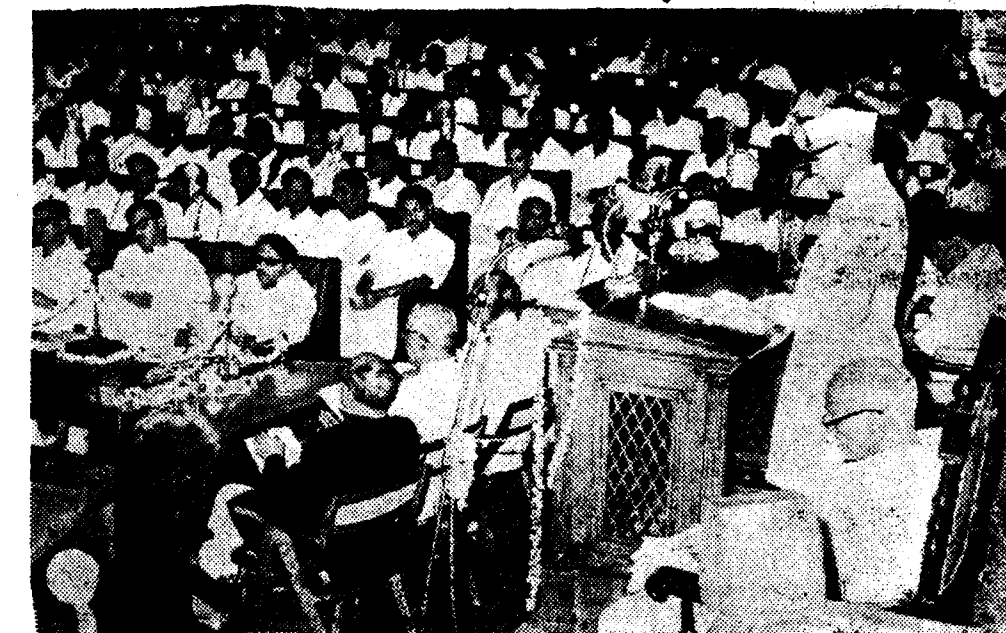
CM's Special Announcements

The Chief Minister, in poetic Tamil, made a few announcements to mark the special occasion. The first of these was the decision of the Government to nationalise completely bus transport service in the State within the next five years; to what purpose one couldn't understand. Already no one can have more than ten permits and

the major companies have also been nationalised. The second instalment of the statement was made in the last budget session in regard to the participation of workers in State undertakings. This continuation of the old theme defined more clearly the extent of participation at 24 per cent of the capital. A detailed bill, it was stated, would be introduced soon. There was of course the inevitable reprieve in the form of liberal reduction in the sentences for persons undergoing varying terms of imprisonment.

Not Enough Private Participation

A number of buildings in the city were tastefully decorated and well illuminated. Ripon Building was about the best in this regard. A few of the private buildings were also well lit. But, one was disappointed over the poor performance by many of the private companies and newspapers. One felt that the anxiety of the newspapers in producing supplements for such events was not evident in the symbolic participation on such occasions. Even if they could not spend lavishly on special illumination of the buildings, at least they could have switched



Tamil Nadu Governor K. K. Shah is seen addressing the joint session of the Legislature, convened on the night of August 14, 1972.

Chief Minister M. Karunanidhi, Education Minister V. R. Nedunchezhiyan and Health Minister K. Anbazhagan are seen seated in the front row (from right to left)

Advertising on the March

Even in responding to certain types of advertisements, we Indians have been considered priggish or over sensitive. One still remembers the furore caused over the advertisement released by Air-India a few years back, in which the Manikin Pis, the tiny statue of a little Belgian boy of Brussels making water was shown as directing the watery jet over the head of the ecstatic Maharaja. The reaction against this advertisement which will be treated simply as innocent fun in the West, was so vehement in India that Air-



India was later obliged to introduce an umbrella into the picture, protecting the Maharaja's head and honour too!

Today Clarion-McCann have made bold use of a similar delicate theme in one of their series of line drawings, promoting the Binny 'Mirage' Cotton suitings but the attempt will not invite any protest from an Indian—perhaps only an indulgent smile. For, who has not fondled a little baby without a sudden hot stream emanating from the child messing up the pant or dhoti of the loving elder? In the advertisement, the young man in this ticklish situation does not grin sheepishly, but assures the mother that there is nothing to worry. He is wearing the Binny Mirage Suiting, the stainless cotton to keep all waterbound dirt out. In another advertisement in the same series, a student gets splashed with mud from the wheels of a passing car. Instead of throwing a stone at the driver, (perhaps more natural), he throws up a remark that he doesn't care, since Binny Mirage will not be sullied by such onslaughts. The line drawings, in cartoons in making a visual impact, are even better than photographs. But the advertisement presupposes the knowledge of the brand name by the reader, the explanation of 'Mirage' occurring only as a foot-note in the copy—perhaps a minor flaw. Nice work, Clarion McCann!

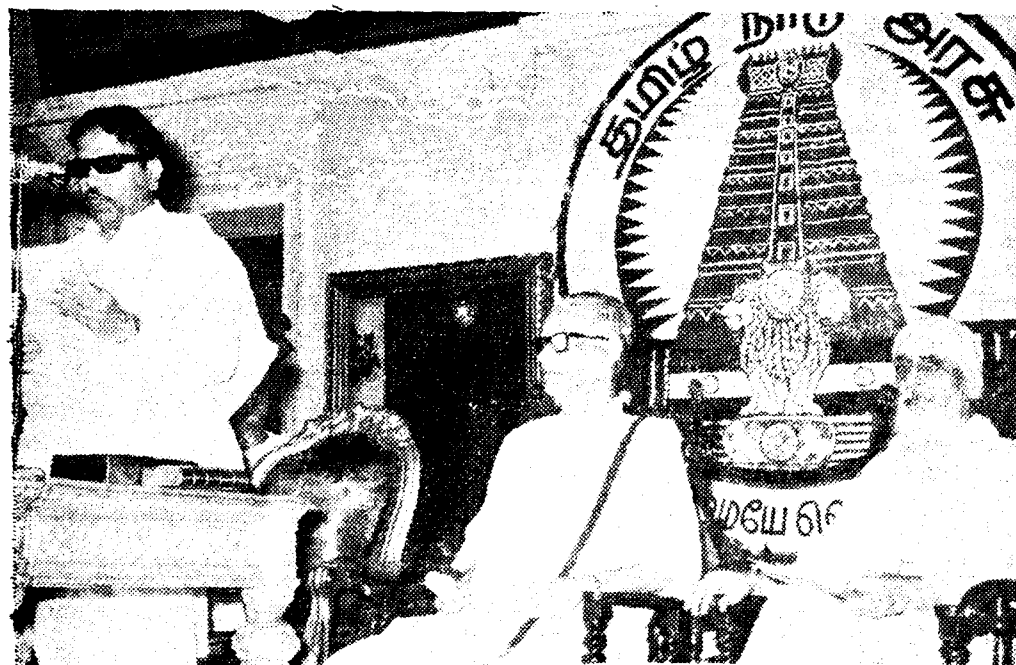
—(FOC)

INDUSTRIAL ECONOMIST

The first and only Journal on Industry & Finance from Madras. Published every Fortnight.

Special Introductory Subscription rates for Colleges and Universities.

For details apply to the Circulation Manager. Annual Subscription Rs. 15/-.



An interesting feature of the celebrations of the Silver Jubilee of Independence in Madras was the Poets' Meet organized by the All India Radio.

Chief Minister Karunanidhi, himself a poet of renown, presided over the meet. Seated to his left are two of the veteran Tamil poets, Kothamangalam Subbu and Suddhananda Bharati.

on the normal lights. The Hindu for example, was all in darkness except for the neon sign of its nameboard.

The DMK Government exploits to its full advantage what Machiavelli described as the awe of the people in grandiose schemes. Their constant endeavour to keep near to the people through publicity and public relations has been maintained at a high pitch right from the Virugambakkam Political Conference of the Party held just prior to the 1967 elections, through

tastefully decorated pandals, arches and tableaux depicting the programmes and achievements. With the close contact of Chief Minister Karunanidhi with the film world, it has been easy for him to commandeer the facilities offered by the numerous studios in the city for building up such tableaux. He did it with such tremendous success for the World Tamil Conference that from then onwards it has become part of any major celebrations with which the DMK party or the Govern-

INDUSTRIAL ECONOMIST

A FORTNIGHTLY ON INDUSTRY AND FINANCE

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Rs. 15/-

FOR THREE YEARS

Rs. 40/-

ment has been associated. Thus we had 30 tableaux on the achievements and programmes of the Government relating to industry, education, agriculture, slum clearance, uplift of the backward classes ... parading through the Marina on the 15th evening. The popularity of these could be evident from the fact that the entire stretch from IG's Office up to the war memorial was besieged with thronging crowds of men, women and children.

Rich Mass Contacts

One of the strong points of the Karunanidhi Government is that it plunges with full enthusiasm over any such important celebration. The opposition parties, if at all they hope to develop and sustain a large mass following, should take these lessons from the DMK in always keeping such rich contacts with the masses.

—S.V.

Power Generation Since Independence

The demand for electricity has been outstripping supply particularly in the past seven years though it must be said that in the earlier three plan periods the growth in capacity was very nearly in step with the increase in demand. The increase in consumption was itself stimulated by the availability of power or the creation of distribution facilities or the supply of power on a subsidised basis for specific purposes. It has thus happened that generating capacity has in-

creased from 2.30 million KW in 1950-51 to 19 million KW in 1971-72 and there is a prospect of the total increasing to 40 million KW by the end of this decade. What is however significant to note is the fact that aggregate capacity at the commencement of the First Plan was only a little over 2 million KW which indicated that not much attention was paid to the development of even hydel resources and except in some enterprising States and in the metropolitan

areas, the use of electricity for various purposes was not so widely prevalent as it is now.

Steady Growth Through Plans

During the First Plan only a little over 1 million KW of generating capacity was added though it represented an impressive growth of nearly 50 per cent. In the Second Plan period there was a doubling of the rate of growth in absolute terms and a faster

A POWER-FUL STATE

village, hamlet and Harijan colony in Tamil Nadu before the end of the next year.

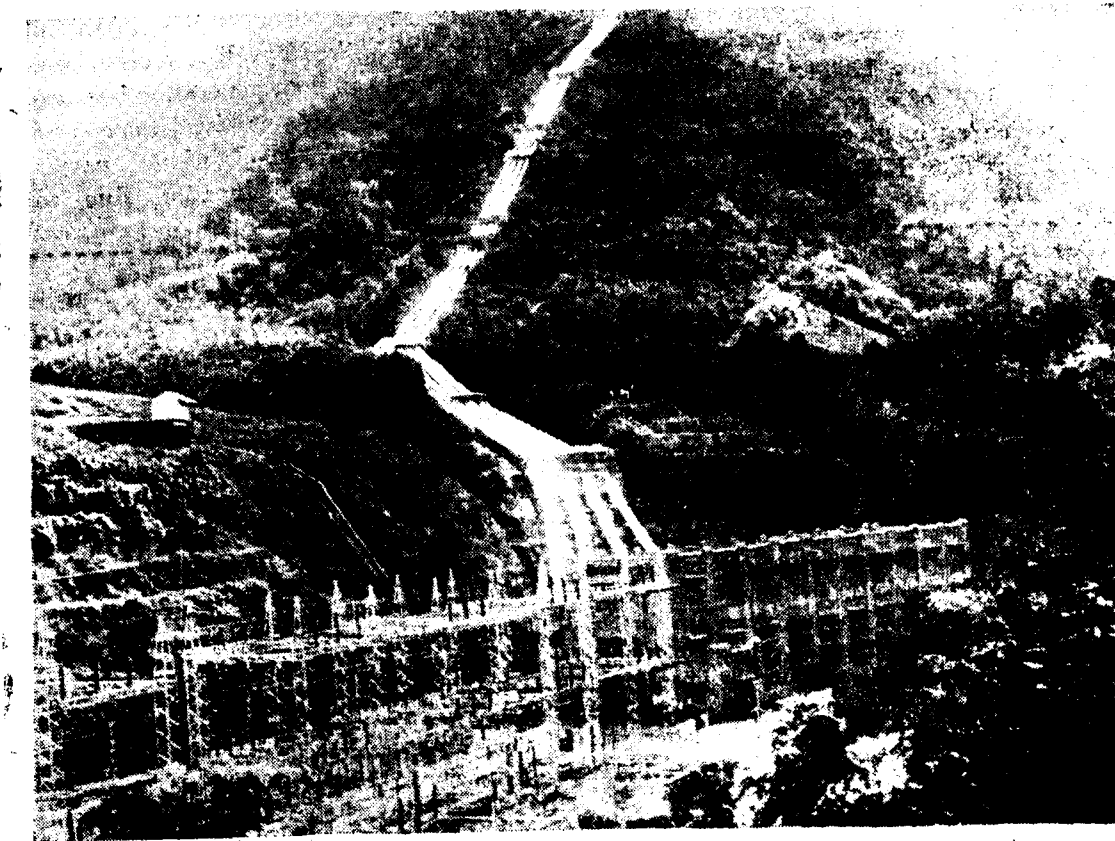
With all the excellent progress that has been made, the outlook for future appears to be not promising. With saturation levels reached in hydel generation, the State has to turn to thermal and atomic power generation.

The main disadvantage here lies in the large lead required for getting coal. Even as it is, there is a deficit of 361 MW in 1971-72. It is estimated that this will increase to 519 MW in the next two years. Advance planning for a ten-year perspective programme is urgently called for to avoid serious shortages in future.

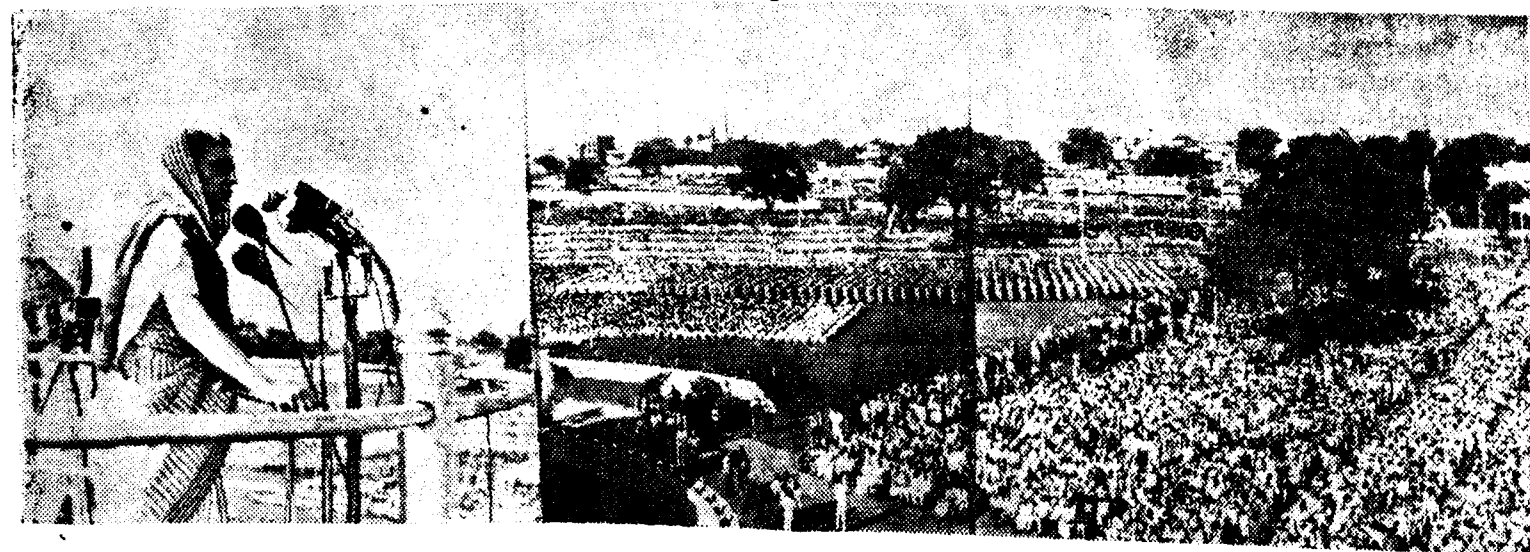
The State has been devoting considerable attention to the generation and distribution of power in the post-Independence era. By 1950, the installed capacity in the State was 156 MW. Due to sustained efforts at increasing generation and improving and extending the transmission facilities through handsome allocation in the successive budgets, the progress made in the last twenty years has indeed been phenomenal.

The total installed capacity in operation today is 2185 MW, comprising 961 MW (including 600 MW from Neyveli) of thermal and the balance 1224 MW of hydel capacity. Thanks to these, the State had been able to make substantial progress in the use of power for agriculture and industry. The State has 6 lakhs pumpsets energised, working out to over a third of the total pumpsets in operation in the country, which has contributed immensely to the spectacular increase in food production in the State.

According to the current schedule, power is expected to be taken to every



The picture gives a view of the 140 MW Periyar Power House in Madurai District. It consists of four units. The first stage of the Power House was completed in 1958.



Prime Minister Indira Gandhi is seen addressing the nation from the ramparts of the historic Red Fort on August 15, 1972.

increase in capacity as compared to the First Plan. Thus the growth was 2.23 million KW of capacity in 1955-61.

GROWTH OF GENERATING CAPACITY AND POWER GENERATED (1950-72)

Year	Installed generating capacity at the end of the year (mill k.w.)	Electricity generated during the year (mill k.w.h.)
1950	2.30	6,515
1955	3.42	10,777
1960-61	5.65	20,123
1965-66	10.17	36,825
1968-69	14.29	51,700
1971-72	19.00	60,000 (estimated)

It was in the Third Plan period that the biggest rise was recorded with a capacity at 10.17 million KW at the end of 1968-69 against 5.65 million KW in 1960-61. Again in the three annual plan periods there was an annual rate of growth of 1½ million KW which was quite impressive though there was a marked slowing down. Since 1968-69 a further 5 million KW of capacity has been added which again gives an average of over 1½ million KW annually.

This is a clear indication that the rate of growth has not been stepped up for various reasons. It might be due to the fact that in some areas newly created capacity was not fully utilised in the earlier years because of the absence of a proper network of transmission and distribution facilities. With the preoccupation over the creation of these facilities not much attention was paid to the creation of additional capacity. It has also to be pointed out that the increase in the quantity of power generated is not in proportion to the increase in generating capacity which is rather disturbing. The quantity of power generated in 1950-51 was 6.75 millions KWH but by 1968-69 it had risen by only about 7 times while the rate should have been much higher because of better utilisation and the existence of larger thermal capacity. At an average of 60 per cent load factor the quantity of power generated should have been easily over 100 billion units while it was only 60 billion units in 1971-72.

In recent months there have been frequent reports of failures of thermal power stations. The Tarapore nuclear power station particularly has been giving serious trouble in operation while at Nasik, Neyveli and elsewhere there has been poor generation because of failure of sets or inadequacy of fuel. In Bihar and elsewhere power stations could not function due to

shortage of coal and chronic wagon shortage has had a crippling effect.

Interlinking of Southern State Grids

In this context, it is happy to note that the southern region will be embarking on integrated functioning and with the effective use of inter-State grids the irrigation flows and thermal capacity will be utilised in such a way that there was a net increase in total power availability. Though no definite estimates are available about the net advantage accruing to the region by this arrangement there is reason to believe that additionally 3 to 4 million units daily may be available under this arrangement even allowing for transmission losses as it will be possible to export power from Andhra during the night when its base-load is low while it can receive back the power lent to other regions when its peak requirements cannot be easily met from its own sources. The inter-linking of State grids between the four States has been effectively carried out and there are now proposals for transmission even with higher voltages in order to avoid losses. It has also been demonstrated during the crisis in Maharashtra and Gujarat that power could be transmitted from Mysore to Gujarat and from M.P. to Punjab, Haryana, Maharashtra and other places.

Plea for a Central Machine Tool Reconditioning Centre

The Indian Institution of Plant Engineers conducted a seminar on Reconditioning of Machine Tools at Hotel Ashoka, Egmore on August 6.

Mr. R. Ratnam, Managing Director, Sundaram Industries, in his inaugural speech, pointed out the significant contribution this seminar may make to the industry, especially at the present juncture when the foreign exchange situation was quite uncomfortable. As a large capital was already invested in importing and equipping costly plant and machinery for the industry, the latter was obliged to develop facilities for reconditioning its valuable plant, prolonging its useful life and at the same time maintaining such a cost within reasonable limits of economic production. In this context the Maintenance Engineer has a special involvement and res-

ponsibility, said Mr. Rathnam.

Mr. N. K. Raman explained the various difficulties an Engineer has to surmount in restoring machine capability to a well-used machine. How the task becomes more difficult, when machines are misused, their proper maintenance is neglected, or when the rebuilder cannot even get the specification of the original manufacturer, was explained by him.

Mr. N. Sivaramakrishnan presented a paper on Expected Standards of Reconditioning of Machine Tools. With well prepared charts, he outlined the various methods of checking, repairing and testing of machine tools, to operate them within allowable limits of error and tolerance.

Mr. Rm. Palaniappan of Productivity Elements discussed the pros and cons of dis-

placement of a plant machinery against its reconditioning. Stressing the importance of taking an objective, unbiased decision in the matter, he drew smiles from the audience with his remarks that while most of the present day machines were comparable to the smart teenage girls (even in their age), the middle aged machines seemed to turn out more solid work, like a house-wife.

Mr. R. Ramaprasad of Ashok Leyland highlighted the planning aspect of reconditioning and pleaded for a Central Machine Tool Reconditioning Centre for medium and small scale industries.

Mr. V. K. Iyer of Amalgamations Repco, summed up the proceedings. Earlier Mr. Srinivasan, President of the IPE, introduced the speakers. Mr. K. Ramesam, Vice-President, IPE, proposed a vote of thanks.

Nationalised Banks Should Extend Credit to Cooperative Banks

The first branch of the Bank of Maharashtra in Tamil Nadu, which is incidentally the 300th branch of the bank, was inaugurated at Broadway, Madras, by the Tamil Nadu Governor K. K. Shah on August 16. Bank of Maharashtra has been one of the regional banks that has contributed richly to the spread of banking habit within a compact area. Founded in 1935 with an authorised capital of Rs. 10 lakhs, the bank had, at the time of nationalisation on July 19, 1969, total deposits amounting to Rs. 78.85 crores and advances at Rs. 55.11 crores.

An Excellent Justification for Nationalisation

The record of the bank in the three years of post-nationalisation provides an excellent example of the tremendous expansion that has taken place after the nationalisation of banking. The deposits of the bank, for example, as on July 14, 1972 totalled Rs. 150.72 crores and advances amounted to Rs. 84.90 crores. Percentage-wise, there has been an impressive growth of 66.03 per cent in the deposits in this short period. In regard to advances also, from July 18, 1969 to July 14, 1972, there has been an increase amounting to 54.09 per cent.

Another interesting index of this expansion is the very rapid increase in the number of branches. It is gathered that the 200th branch of the bank was opened on December 31, 1970 at Wai in Satara District, Maharashtra State. The next 100 branches have been set up within the next 20 months. An excellent record indeed.

In his welcome address, Mr. C. V. Joag, Custodian of the Bank, said that the bank has been concentrating for a long time on assistance to priority sectors. At the end of June 1972, he said that the bank had extended financial help to 5600 small scale industrialists to the tune of Rs. 22 crores, forming about 25 per cent of the total advances. Likewise, there has been a big increase in the advances made to agriculturists. By June 1972, Mr. Joag said that some 9900 farmers were assisted by the bank to the extent of Rs. 7 crores through direct and indirect financing.

Declining Profits . . .

Inaugurating the branch Governor Shah made reference to the soaring costs of bank operations. "Though both incomes and expenditure of banks have increased rapidly, the ratio of bank profits fell sharply from 21 per cent in 1956 and 23 per cent in 1961 to 10 per cent in 1970." He added that ways and means should be found to reduce these costs and also to provide cheaper credit to priority sectors. He described the Bank of Maharashtra as among the pioneers of modern industrialised Maharashtra. The bank has helped in extending rich credit facilities to the co-operatives whether for founding a college or for housing or for industries.

Presiding over the function, Mr. M. A. Muthiah Chettiar complimented the tre-



Who says nationalisation of banks was not a progressive step? The 300th branch of the Bank of Maharashtra was inaugurated recently in Madras—within eighteen months of the opening of the 200th Branch at Wai in Maharashtra. It has taken just 35 months to open the first 200 Branches. But this remarkable speed has its own problems of finding suitable personnel to man the branches and also in administering these efficiently.

The Bank's custodian Mr. C. V. Joag feels it ideal to fix a ceiling—between 300 and 500—for the number of branches a Commercial Bank should have in the interests of efficient service. Picture shows (left to right) Mr. M. A. Muthiah Chettiar, a former Chairman of Indian Bank Ltd., Tamil Nadu Governor K. K. Shah and Custodian Mr. C. V. Joag.

mendous rapidity with which branch banking has been done after nationalisation. He felt that the nationalised banks could extend loans to co-operative banks for housing, agriculture, etc. Co-operatives deal more with people and there are well organised co-operative departments at the State level. He said that the nationalised banks should utilise the services offered by these departments and extend credit directly to co-operative banks.

Mr. Muthiah Chettiar pleaded for a

ceiling on interest rates. "Take the balance sheet of any company. You find interest charges are the highest, contributing thereby to price increases," observed Mr. Chettiar.

Mr. Muthiah Chettiar said that there can be a ceiling on the number of branches a bank can have. He felt this ceiling should be 500. Even as it is, the General Manager of the Bank at the head office cannot see the files of many proposals.

Mr. P. N. M. Sundaram, agent of the bank, proposed a vote of thanks.

The Problem of Inadequate Personnel . . .

In a special interview to INDUSTRIAL ECONOMIST, the Bank of Maharashtra Custodian C. V. Joag said that the rapid expansion of branches has made the problem of manning the branches a very difficult one. Often young people recruited do not want to go to the villages, whereas most of the new branches are located in rural areas.

To the question as to why there has not been any perceptible change in the attitude of the bank agent towards the proposals of the public, Mr. Joag said that intensive training was the only solution to re-orient the approach of the bank agent; but then it was a long and time consuming process. At the pace at which we are growing, it is difficult to keep pace with services needed, said Mr. Joag.

Bank of Maharashtra has an average of 15-20 branches in each district in Maharashtra. It is gathered that some 266 of the

300 branches of the bank are located in Maharashtra. By the end of the year, the bank is planning to add another 50 branches.

To the question as to why there has not been any improvement in the quicker clearance of applications or even in the matter of clearance of cheques, which are perfected in many of the Western countries, Mr. Joag said that a large part of the time of the banking personnel is spent in manual work whereas their counterparts in the West have the advantage of large-scale mechanisation in handling.

Secondly, the facility of cheques is widely misused in this country. They are often used as an accommodation or promissory notes. Issuing cheques without funds is not also a criminal offence in our country, whereas it is so in many others. Mr. Joag feels that all these deficiencies are part of the national trait—S. V.

The Importance of Being Small

(By A SPECIAL CORRESPONDENT)

The hall was bustling with activity. The big and small of the industry were present. Traditional rivals had buried the hatchet and were discussing the common enemy—the Government and its policies. The members were awaiting the chief guest, the IAS official who had been recently transferred to this State and was to look after the interests of the small industry.

There were small group formations, as always happened at such meetings. Each group had its big-wig and around him were the not-so-big-wigs, the smaller-wigs, the hoping-to-be-big-wigs and the sundry-wigs, like planets around the sun.

The Big Man-in-Grey

I was myself attracted to one of these groups and I could see the big man-in-grey. This man was holding his audience spell-bound. His suit was well-tailored, his tie sober and his shoes spotless and shining.

"The concept of small industry," he was saying, "has been exploited wonderfully in the West. Take Japan. With the exception of really large groups like Hitachi or Mitsubishi, what they have is really a string of small industries. One man at the top, a handful of workers, easy supervision, low overheads, low cost of production and an enormous boost to the Nation's economy. Or take Switzerland. This Watch", and here he showed them the big watch with its black dial and gold digits, fully protected against water, heat, shock, magnetism, and what-not, "is a clear example. It is not made all under one roof. All over the country are small units, turning out components and the entire watch industry just orders for these components in bulk and assembles these watches. It is an extraordinary feat. In fact I was taken to a small factory, extremely small even by our standards and believe me, for the entire watch industry of Switzerland it was the only supplier of....."

His speech was cut short by a sudden commotion at the main entrance and I could not gather precisely what was this critical component with which one could hold a whole nation like Switzerland to ransom.

The chief guest had arrived and was being escorted by the big-wigs of the association to the far end of the hall where the meeting was held. The tables were already laid and as the members took their seats the proceedings began with the Tea.

The Never-to-Come-Informal-Meets

The late-comers to the tea were just wiping their hands with their handkerchiefs and neatly folding the paper napkins to be taken home with them. The Chairman of the association got up, cleared his throat and introduced the chief guest. He spoke at length of the capacity of the chief guest to handle the problems of small industry, how he had exhibited his talent at his previous assignment so well, that it was a

rare privilege that he should be with them to help. In conclusion he added that he would arrange many informal gatherings, so that the chief guest could get to know them better.

Of course one need not add that these so called informal gatherings were never arranged. The next function in which he would figure with any prominence would be when he is transferred elsewhere and is given a send off—and sometimes not even that!

The next speech was by the chairman of the local board of one of the banks. His was a well-prepared and short speech in which he introduced himself to the chief guest and members and explained all the co-operation that his bank was extending to the small sector. He spoke about secured loans, unsecured loans, loans on machinery, on material under lock-and-key, on material not-in-custody, against bills and against a hundred other things. He spoke on loans to engineers and artisans who wanted to start industries and said that technical personnel must be encouraged to use their knowledge and help the growth of the nation. The doors of the bank, he said, were always open and they would welcome any industrialist and his bank would answer his needs.

He carefully avoided controversial subjects like collateral security of personal assets, co-obligant's signatures and hypothecation of landed property if any...in short of your pledging your soul to the devil in return for the facilities granted. He did not also mention the long delays in processing the application.

A representative of the State Government was the next to speak. And he spoke loud and long. He spoke of the advances the State had made in the industrial field. He quoted the latest figures of a number of industries now as against 5 years ago. The total production from small industry in the State... He said that just as the bank was willing to give all financial help, so was the State willing to give all other help, a place

to start the industry, material to work with, skilled labour from the many training institutions that the government had been running. The budding industrialist had only to approach them with the scheme that he had in mind and he could be accommodated in one of the many industrial estates that the State had provided. For general engineering there were many such estates. For specialised industries like instruments and electronics there were special functional estates. The rents were subsidised and the industrialist need pay only a fraction of the rent payable for such premises elsewhere. He promised that he could be personally contacted at any time and would give all the help.

But of course one never gets to him, the problem being always settled at a much lower level. Anyone whom the industry had bitten can tell you that when he approached the State for a place in one of the estates, he was told that there was no shed available at the larger estates, but he might find a unit in one of the less important towns generally 50 to 200 miles away from the metropolis. He may remit a fee and exchange the fee receipt for a bundle of forms generally in quadruplicate. He may then spend the better part of day answering the questions listed therein. Is it an existing industry? If so where is it functioning? Why does he want to shift? If it is a new industry, what is the past experience of the applicant? He can then remit a security deposit and hand over the application to the office and await his allotment.

He was Many Small Industrialists

Before the chief guest there was one more speaker. His status could not be easily explained. He was of course a small industrialist or he was many small industrialists rolled into one. He was on the board of directors of several industries and the chairman of a couple of them. This small industry belt reaped the benefits of a large industry, being a self-supporting string of units covering all varieties of industries from basic foundries to precision machining and fabricating units. At the same time each



Guest Speaker!

... and what he said sounded like a vote of thanks ...

industry having a capital within the limit prescribed for a small industry could get the individual benefits of procuring scarce raw material, power, subsidised rent and above all, the blessing of non-accumulation labour force.

He spoke of the handicaps of the small industry. He said that small industry should be encouraged more and more, that the State had already done extremely well and that it should maintain this pace and set an example to the nation. However, he said, there was always the shortage of raw materials, always a shortage of power and always a potential threat from labour. He praised the government's policy of restricting imports so as to build up local industry, but criticised them for not allowing him a licence for essential raw materials and spares for his own unit.

But then one cannot judge him so badly. With the number of industries he was attached to, surely it was easier for him to illustrate his claims by actual examples. What he was doing was to speak for his co-industrialists and voice their grievances.

The chief guest was at last given a chance to speak and what he said sounded like a vote of thanks. He thanked one and all for putting up this function to welcome him and ended by saying that he hoped he could give all the help that was within his reach to the small industry. His speech was as non-committed as one could expect it to be.

One of the junior members of the association, who was obviously being groomed by one of the factions to become the chairman or the secretary for the next term, then got up and mumbled something about being

grateful to all who had come to make the function a grand success.

The meeting was at an end. The big-wigs were escorting the chief guest to his car. The bearers had started clearing the tables. The participants formed into groups. Each group had a sun around him with the planets listening with rapt attention to what the sun was saying. "That is Japan," I heard a voice from the middle of group. "Or take Switzerland. See this watch." Above the heads of the listeners, I could see the man-in-grey!

I had seen all. I had heard all. The circle was complete. I turned around and wended my way to the exist, my mind full of thoughts. On the one side were promises, proposals, theories, hopes, plans and on the other, facts—hard, cold facts.



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Railways in Post-Independent India

(By A SPECIAL CORRESPONDENT)

Just as a newspaper editor has the problem of suggesting suitable topics for would-be contributors, the executives of professional associations seem to suffer from the pangs of suggesting suitable topics for the speakers for meetings. In most cases, the association or society fetches some well-known person straying into the city, contacts him almost at the last minute and fixes the meeting at a short notice. Accepting to speak at a weak moment—who does not suffer from such a weakness?—the speaker concerned has little time for any serious preparation and is confronted by a sizably strong professional audience whose expectations are further roused by the eulogies showered on the speaker by the introductory and welcome speeches. When due to poor preparation or to the difficulty in restricting the subject to the interest of the association, under whose aegis the speech is being delivered, a vague and general speech is made, the audience feels quite disappointed.

But Why this Vague Topic?

One had such an experience in a recent meeting arranged by the Madras Chapter of the Public Relations Society of India, addressed by Mr. S. N. Banerjee, Vice-Chairman of Clarion McCann Advertising Services Ltd., Calcutta. By any account Mr. Banerjee has rendered distinct service both through his position as Vice-Chairman of one of the largest advertising agencies in the country and his chairmanship of the Audit Bureau of Circulation Ltd. But for all his services rendered should he be punished with such an extremely vague topic, "Public Relations—Some Facts and Fiction?"

This has been one of the legacies left to the Madras Chapter of PRSI by its illustrious past president, Gyan Haksar, who used to shove before eager audiences someone or the other of the professionals, mostly from the upcountry. It did not matter who the personality was—ranging from P. L. Tandon to D. R. Mankekar—the subject always veered around PR and something. The brilliance and the renown of the speaker used to be put to the maximum strain by the compulsion to bring in somehow, somewhere the PR.

The Impending Frank Statements . . .

Mr. Banerjee started in the by now familiar manner with a definition of PR as organized communication . . . etcetera, etcetera . . . and how PR differed from advertising. More than once he warned the audience that he was going to come out with certain frank observations on industry and its practices . . . except an odd refer-

ence or two about how the jute mills were polluting the holy Ganges in Calcutta (not Hooghly, the speaker insisted) or how the image of Birlas who were once worshipped, has been tarnished (due to bad PR?), the audience was sitting on the edges of their seats for most of the time awaiting the impending frank statements.

The audience became so much listless by the end that even the question and answer session which used to be a little noisy and interesting was dull with an odd questioner mumbling a long and incomprehensible question.

It is time that some thought is given by the local chapter of the PRSI to the careful matching of the topic and the field of specialisation of the speaker. The audience can get the best out of the speaker if he is asked to deliver a lecture on a topic of his choice in his field of specialisation. Thus P. L. Tandon could have been more brilliant on aspects of modern management or exports, and Banerjee, on advertising or newspapers. The audience would also love to hear an expert talking on his specialised field rather than on an intractable or on not clearly definable subjects such as PR and cybernetics.

Secondly, for a change, at least occasionally, can't the PRSI ask one of the local luminaries including the successful politicians of the DMK party to talk about PR? Have they not proved to be pastmasters in the art of public relations?



Words, Words, Words . . . Ultimately effective expression is the basis of any PR effort. Gerson da Cunha is making an impressive speech before an audience thirsting for a neat delivery of a well-prepared speech. To his right is Mr. Gyan Haksar and to the left Mr. M. Gopalakrishnan and Mr. Shetty.

. . . A Well-delivered Speech

A fortnight later PRSI arranged another meeting—this time addressed by an ad man from Bombay. Gerson da Cunha, General Manager of Lintas India Limited, made a good impact through a well delivered speech, aided by slides and films, interspersed through humorous anecdotes. The subject given him was PR: P for Persuasion—the inevitable "PR" was there!

It appeared da Cunha did not feel advertising and PR were very different and he made an excellent use of advertising slides supplemented by interesting tape recorded commentary. He used very effectively the tools and techniques of advertising and fitted them judiciously into the framework of public relations, which the Society is eager to project; thus satisfaction for everybody.

Incidentally one had a glimpse of the approach of the leading advertising agencies of Bombay towards presentation of campaign to the clients—prospective as well as existing—through effective use of audio-visual tools.

A few film shorts released in the US by the Advertising Agencies Association as public service campaign were also shown by the speaker. Can't our advertisers also come together and take up themes such as family planning as a token discharge of their social responsibility and reach the marks through films?

—S.V.

Just before the calamitous partition of the country, the Railway system in the sub-continent had been subjected to the strains of the Second World War. Immediately after the war, the state of Indian Railways could legitimately be described as pathetic. The system was denuded to the extent of about 4,000 miles of track, four million sleepers, eight per cent of metre gauge loco holdings and fifteen per cent metre gauge wagons—to feed the war theatre in the Middle-East. Blockades on imports starved the existing assets on maintenance, but these assets were pressed and exerted to the maximum to give the sorely needed service. No succour could be expected from abroad immediately after the war as most countries involved in the conflict had themselves to rehabilitate their economies through gearing transportation systems back to peace-time economy.

The impact of partition, apart from causing reverberating shortages due to division of assets of the Bengal Assam Railway and the North Western Railway, also brought in its wake the tremendously increased volume of traffic. Compared to pre-war figures, the number of originating passengers registered an increase of 154 per cent in 1947-48 and the length of passenger journeys increased by 154 per cent. Likewise the originating freight traffic in terms of ton miles increased by eleven per cent while the total train mileage remained almost static. These statistics exclude all railway lines affected by the partition. Small wonder then that just during the war days the mass message "Travel light if you must" went round like wild fire underlining the grave stress which the rail system in the country had been undergoing.

Among the immediate problems created by the partition were: provision of a rail link connecting Assam with the rest of the country, development of adequate rail facilities towards Pathankot to meet the changed route and traffic requirements of Jammu & Kashmir in addition to building of Mukerian Pathankot line (which reduced the distance between

Delhi to Pathankot by about 44 miles), construction of Kandla Deesa metre gauge line (to make up for the loss of Karachi port); movement of largescale imported foodgrains and industrial equipment, provision of rail transport facilities in connection with construction of various multi-purpose hydro-electric and irrigation projects and meeting the acute power traction shortage caused by non-import, and non-replacement of overaged locomotives. The Indian Railways inherited 30 per cent overaged locos and to put the position at a level, they had, in the initial stages, to place orders for import of as many as 1,000 locos on foreign manufacturers. One tangible achievement, during the teething troubles of the Independence, was the establishment of the Chittaranjan Locomotive Works designed to meet in full the Railways' requirement of broad gauge and steam locomotives.

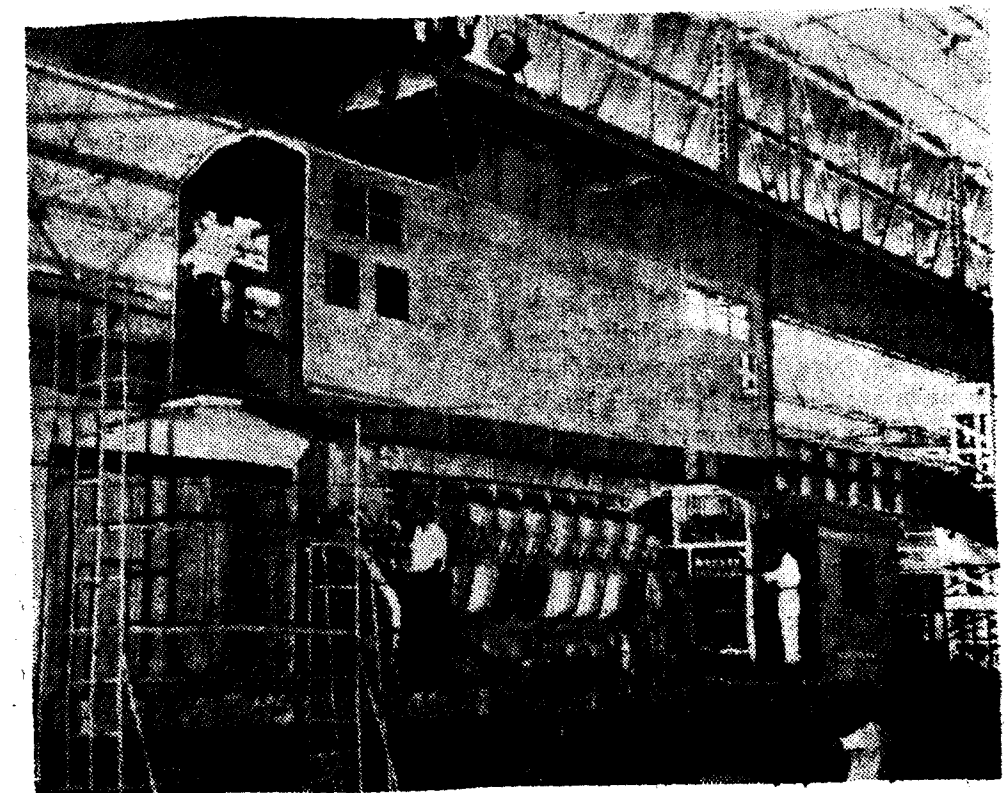
Much water has since flowed beneath the bridges of our sacred rivers; India not only became self-sufficient in the matter of steam locomotives, but also the production of these locos has since

been discontinued to give way to the fabrication of electric and diesel electric locomotives at the Chittaranjan Works.

The Credit Side: The Regrouping

Railway development in the pre-Independence period can, by no stretch of imagination, be described as a planned one; at best it was a development by expediency. The control and ownership of Railways were multiple in nature. Independent India inherited 42 railway systems—13 class I, 10 class II and 19 class III railway systems; 32 of these systems were owned by the ex-Indian States with mileage varying between 5 to 1,400.

Economies of scale could be reaped only by standardisation, enlargement and unification of the myriad systems, a trend that was in evidence in the post-war reconstruction everywhere. Although, some thinking towards regrouping of Railways in India had been initiated in the early years of this century and was hotly discussed



The establishment of the Diesel Locomotive Works marks the culmination of Railways' effort in their drive towards self-sufficiency in the manufacture of rolling stock. Picture shows finishing touches being given to an assembled loco at DLW, Varanasi.

from time to time, no demonstrative action was taken due to the formidable difficulty of multiple ownership and management. However, a small beginning was made in this direction in 1944.

In the interest of reducing overhead costs, elimination of duplication of work and correspondence, gearing up for expansion of the economy etc., the plan for reorganization of Railways was approved in late 1950 and the first of the then six zones (Northern, North-eastern, Eastern, Southern, Central & Western) was carved on April 14, 1951. Due to various considerations, later three more regions were formed by adjustments, viz. the South-Eastern, North East Frontier and South-Central. Comment on the desirability of these zones is reserved for later delineation in the context of efficient railway working.

Self-Sufficiency

Because of the very urgent demands on the scarce foreign exchange required for import of industrial goods and technical know-how, it became inevitable to give urgent thought for securing self-sufficiency in the matter of rolling stock. The establishment first of the Chittaranjan Locomotive Works and then of the Integral Coach Factory followed by the Diesel Locomotive Works is the living testimony of rail planners' genius. Not only are the full demands of the Railways in the matter of locos, coaches and wagons being met from within the country, these stocks and some components are now being exported. Perhaps these three production units are the most luminous landmarks on the rail horizon of the country created during the brief span of 25 years since Independence.

Plan Achievements

The real index of the Railways moving capacity can be adjudged from their performance during the various Plan periods. The achievement at the end of the First Five Year Plan can be termed signal, because it reflected the tremendous all round effort made compared to the state of the Railways at the time of the partition. Thus the

total traffic hauled registered an increase of almost 23 million tonnes over the 93 m.t. in 1950-51. The Second Plan performance at 156.2 m.t. was still more commendable and the peak figure of 203 million tonnes was touched in 1965-66.

This appreciable performance of the Railways over the years was made possible because of the concerted efforts made in the field of yard remodelling, doublings, dieselization and electrification, improved signalling etc. A bird's eye view of the tremendous spurt in traffic, both goods and passenger, can be had from the following table:

Since the goods haulage forms the

central plank for revenue earnings for the Railways, increasing attention was paid towards modernising the system as a whole so as to increase the haulage capacity in a bid to cater for all the traffic offering. The engine and wagons utilization figures registered appreciable increases—for 1970-71, the former was 100.2 and 146.7 per cent (for broad gauge and metre gauge respectively) more than what it was in 1950-51. The total tonnage capacity increased by 229 per cent in 1970-71 over 4,053,218 tonnes (for all gauges) in 1950-51.

Important innovations in the field of goods traffic movement are the introduction of Container Service, the

	(Figures in millions)				
	1950-51	1955-56	1960-61	1965-66	1970-71
Freight (Tonnes)	93.0 (100)	115.9 (124.6)	156.2 (168.0)	203.0 (218.3)	196.5 (211.3)
Freight Tonne-Kilometres	44,117 (100)	59,576 (135)	87,680 (198.7)	116,936 (265.1)	127,358 (288.7)
Passengers (Originating)	1,284 (100)	1,275 (99.3)	1,594 (124.1)	2,082 (162.1)	2,431 (190.0)
Passenger-Kilometres	66,517 (100)	62,400 (93.8)	77,665 (116.4)	96,294 (144.8)	118,120 (177.6)
Average length of haul	470	510	561	575	648

(Figures in brackets denote percentages compared to performance in 1950-51, taken as the base year)

Likewise, a fair idea may be formed of the extent of freight services in operation on the Railways for various years from the following table; which indicates train kilometres, net-tonne-kilometres and wagon-kilometres of these services:

Freight Forwarder Scheme, the Quick Transit Services, the Super Express Services, etc. The Railways earned nearly Rs. 1 crore firm container service in 1970-71 accounting for loading of 25,585 containers.

Electrification has a great future in Indian Railways. Having been started

BIG INCREASE IN FREIGHT SERVICES

	(figures in millions)		
	Goods train Kilometres	Wagon Kilometres	Net tonne Kilometres
1950-51	111.54 (100)	4,370 (100)	44,117 (100)
1955-56	132.98 (119.2)	5,564 (127.3)	59,576 (135.0)
1960-61	161.21 (144.5)	7,507 (171.8)	87,680 (198.7)
1965-66	192.50 (172.6)	9,960 (227.9)	116,936 (265.1)
1970-71	202.02 (181.1)	10,976 (251.2)	127,358 (288.7)

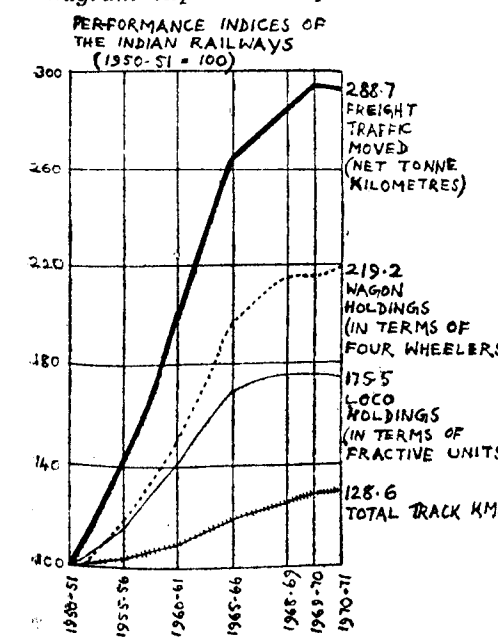
(Figures in brackets denote percentages compared to performance in 1950-51 taken as the base year).

in 1925, the total route kilometrage electrified till 1950-51 was only 388. Upto the end of 1970-71, this had risen by nearly ten-fold to 3,706 kilometres. Nearly 24,250 route km. have been dieselised. Together the route kilometrage electrified and dieselised is about 47 per cent of the total route kilometrage; these tractions carry 72 per cent of the total freight traffic. The diesel and electric loco holdings account for 19.5 per cent of the total number of locomotives.

Among the plumes in Railways' cap, specific mention may be made of the Rajdhani Expresses, the introduction of computers as a management aid, the drive for attaining maximum punctuality, the vigorous efforts being made to curb ticketless travel, gauge conversion, the increase in speeds of goods and passenger trains, and the increased level of passenger amenities.

ECONOMICAL PERFORMANCE

For over twenty-five years now, the Indian Railways have striven to move the largest quantum of traffic offered with the aid of the minimum complement of rolling stock. With an increase of only 119.2 per cent of wagon holdings (in terms of four-wheelers), they were able to haul 188.7 per cent more net tonne kilometres of goods traffic. Likewise 28.6 per cent increase in track kilometres and 75.1 per cent increase in the number of locomotives (in terms of tractive effort) were required to move the said freight traffic. The following diagram explains the position.



The Debit Side

From the above description, it would appear that the Railways can really claim having performed admirably well. But this is only one side of the picture. Now we turn our attention towards those typical problems that have hampered free and efficient working of the Railways.

The regrouping of Railways, was prompted, among others, on the consideration that the zones so formed will be financially viable. This expectation was very largely realised for a number of years, with minor exceptions. But, later on, when on considerations other than operational—mainly political—three more zones viz. North-East Frontier, South-Eastern and South-Central—were formed, the pattern of financial earnings was upset and because of other concomitant factors not only the later zones were losing entities, the other zones also performed poorly. Although the finances of the Railways are now looking up, the crying need of the hour is to divorce politics from practicability and an attempt should be made to recast the zones on geographical basis with particular emphasis on financial viability of such factors.

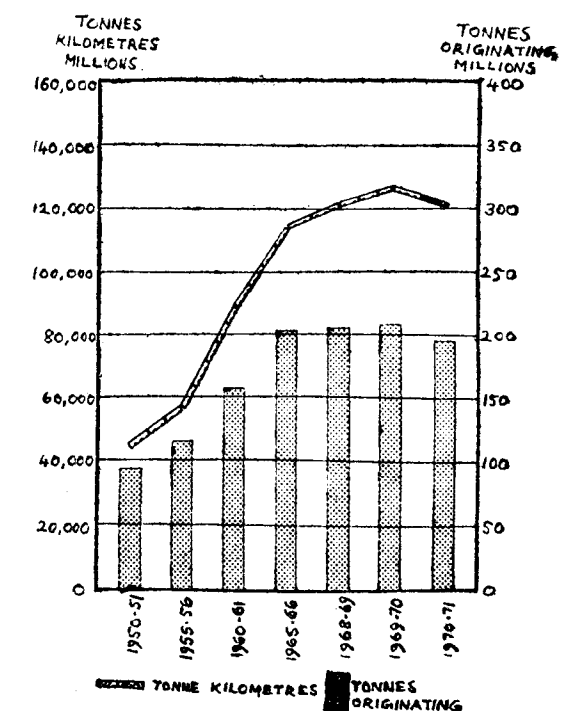
Secondly, sufficient attention does not appear to have been given to the problem of wagon shortage. Failure on this front has often been explained away with unsteady law and order situation in the eastern region of the country or the trading community holding up wagons beyond reasonable period allowed for unloading. There is no doubt that not only the number of wagons is somewhat inadequate but also their turn-round is unsatisfactory. To add to the wagon fleet, the Railways are now gearing up their workshops for wagon fabrication. This indeed is a shortsighted policy. Wagon procurement planning calls for foresight and boldness of policy in placing orders on the private wagon builders who have been knocking long on the Ministry's door. The Railway workshops should have given better attention to repair aspect so as to make the wagons fit again as soon as possible, for an idle wagon—for whatever cause it is idle—implies loss of revenue. If the trading circles wilfully detain wagons as a substitute

to storage facility, then the Railways must prohibitively enhance the demurrage charges to discourage this tendency. For improving the wagon turn-round, much deeper technical thought is called for which it is hoped, the Railway Board will address itself to, although attempts have been made in the past to improve the situation.

Thirdly, a forceful and effective pattern for eliminating the twin social evils of ticketless travel and theft and pilferage of goods has to be evolved. The menace of ticketless travel is a slur on our national character and an all out effort to completely root it out is called for. While co-operation of State Governments has been sought and obtained in certain States to combat the evil, lasting results have yet to come about. Continuous deployment of large police force for prolonged periods over vulnerable sections seems

FREIGHT TRAFFIC INCREASE IN PLAN PERIODS

The achievement of the First Year Plan in terms of the average annual percentage rates of increase in originating tonnage of freight traffic and in tonne kilometres were 5 and 7 respectively. During the Second Five Year Plan, these figures stood at 7 and 10 respectively and the Third Plan registered a mild setback, with the respective figures at 6 and 6.6 per cent. The traffic trend is graphically shown below.



to be the only remedy left now, though the ordinance against this entrenched practice succeeded merely in making a small scratch on the hardened surface of this endemic problem.

From the merchants' point of view, loss in transit of goods entrusted to Railways' care entails untold hardships. Commitments made in trading circles remain unfulfilled, thereby jeopardising credibility. The processes involved in preferment of claims against loss are so tedious and delay-bound that they tend to make Railways' trading clients impatient. Often this is one of the contributory and decisive factors in shifting the users' choice from rail to road transportation. The watch and ward machine of the Railways must be lubricated and brought to fighting fettle so as to ensure elimination of malfunction and security of freight materials. Moreover prompter settlement of all admitted claims should be given top priority; this could well be made as one of the promotional index for the staff of the commercial branch on Railways.

Next, there has been obvious tendency of excessive centralization of management functions on Railways. It is indeed a sad commentary on the functioning of the Railway administrations that even for petty decisions in matters which are their own exclusive preserves within the accepted policy,

they run up to the policy-making body, the Railway Board. A bold and integrated approach is the crying need for the managers of railways to follow. For this purpose, real talent has to be spotted all along the management line and the recruitment and training institutes should suitably modify their objectives and techniques. While on the subject of management, it is imperative that work studies of all types of jobs should be carried out so as to adjust the available personnel with work load in more evenly fashion and attempt to reduce the excess manpower by progressively absorbing such personnel in alternative jobs generated by developmental programmes.

In keeping with the avowed objective of fashioning out a socialistic pattern of society, the Railways have no doubt paid increasing attention to providing more and more passenger amenities. Provision of sleeper coaches, Janata trains, improved water supply at stations, waiting halls, retiring rooms, catering facilities, etc. are all by and large post-independence innovations. The progressive increase of expenditure on these items culminating in the yearly outlay of Rs. 4 crores in the Fourth Five Year Plan, speaks for itself as an index of earnestness of the authorities. Yet, two major fronts on which the Railways have failed are the overcrowding in trains and piti-

ably poor catering. It is conceded that in order to relieve overcrowding more trains are required to be run on the affected sections but unless adequate sectional and terminal facilities as also coaching stock are available more trains cannot be run. These require long term planning. In the meantime, however, the problem can be solved to some extent by dieselising the affected services. Dieselization results in at least 25 per cent increase in hauling capacity compared to steam traction. And since the changeover does not involve fundamental alterations to installations, it is imperative that action in this direction is initiated.

Lastly, the cost of Railway operation has been steadily going up as would be evident from the table given below which indicates index of operating efficiency which is the per centage of working expenses to the gross receipts:—

OPERATING RATIOS OF INDIAN RAILWAYS		
Year		Ratio
1950-51	..	80.0
1955-56	..	81.6
1960-61	..	78.4
1965-66	..	79.5
1966-67	..	83.2
1967-68	..	84.7
1968-69	..	82.5
1969-70	..	83.0
1970-71	..	84.2
1971-72	..	83.5

(Revised Estimates)

Similarly, the operating ratio based on operating expenses alone, as distinct from total working expenses, has also shown a sympathetic tendency of a gradual increase. Thus, this latter ratio which was 68.6 per cent in 1960-61 rose to 71.9 per cent in 1969-70. Although upto 1966-67, the yearly rise in expenditure based on percentages was by and large below the traffic receipts, from the next year onwards this percentage increase in expenditure became disturbingly higher than the earnings. Although some element of expenditure is reflective of inflationary trend in evidence in the economy, the palliative lies in stringently controlling expenses in all spheres and making concerted efforts to increase revenues from all sources.

Towards Greater Productive Employment in India: Possibility Areas

By Prof. N. H. ATTUREYA

Productive employment is the concern of every citizen and Professor Attureya will discuss in these columns what we can do as individuals and groups.—Editor

We all realise the importance of a job for the self-respect of a person. If we have remained unemployed even for a few weeks, we realise the importance much more. As the Sanskrit saying goes, "even your wife does not want you, if you are unemployed."

We also realise the importance of a productive job. We are not for jobs for job-sake and job-at-any-cost. By job we always mean a person produces something useful and he gets an income. Those who only draw a salary and do not produce, we do not describe as job-holders.

Many of us can create a productive job.

Some of us can create more than one productive job.

The emphasis here is on the word create.

The phrase *give a job* is deliberately kept out. Only a handful can give a job while the many can create a job.

Before we consider how we may create a job, we may consider for a brief while the joys of so creating a job.

An old Chinese proverb says: If you give a man a fish, you can help him live a day. If you teach him fishing, you can help him for a life time. By creating a job, we are able to help people not for a while but for a fairly long period.

Giving a job may be painful but creating a job can be joyful. In giving a job we may have to incur a sacrifice or inconvenience. In creating a job we have only to locate an opportunity for the other man. If such an opportunity relates to us, we always get much more than we give.

Seeing one of your proteges grow is delight. If he is worthy enough and if he strives hard, he may grow into a leader in the line. Like any teacher, we can feel proud to say, 'I am glad he has come up very well.' In fact, we need not say that. The person himself will say: "This gentleman started me

off. I am what I am today because of him."

It is possible that some may not express gratitude. In fact, it is better that we are prepared for it. We do what we do because giving gives us pleasure. We are not doing it because we want someone to be eternally indebted to us.

How do You Create a Job?

Before we answer this question, let us get an operational definition of a job.

If a person renders a service or produces a product and gets an income, we say he is on a job.

This means that a person may be on a formal job. He may use his leisure hours productively and earn an additional income. If he does so, and if we help him to do so, we can say we have created a job.

In other words, by creating a job we mean helping a person to do a job the society wants and earn an income. We do not mean 'fixing him in a factory or office for a formal job.'

Let us take a few examples.

One of my office assistants casually mentioned to me that many years back she used to practise flute and "I have of course lost touch for almost 20 years." "Would you like to renew your practice?" I asked. "How can I? I have to take tuition. I have to use a range of flutes," she said. "You know we have an education plan. Why don't you avail of it?" I enquired. "I thought it is only for formal business education," she explained.

This conversation happened two years back. Today she says she is earning over hundred rupees by playing flute at dance performances. "On some months I have even got 400 rupees."

A friend of mine from Ahmedabad told me this:

"My peon asked me soon after the bank nationalisation if I would get a scooter and he will run it for me. I did not say or stipulate a thing. I got the scooter for him. He took 25 per cent more salary than he got as a peon. I put all his earnings in the bank. As soon as the amount came to the figure I have spent on him, I told him, 'this scooter is yours now.' I further told him how to keep a bank account and the like. He said: 'Atleast for a few months, please help me with accounts.' A few weeks back he came to me and said, that he has bought another scooter for his brother."

The reader can recall many examples. My appeal is that we share the experiences through this column. Please take a few minutes off and write to me care of the editor.

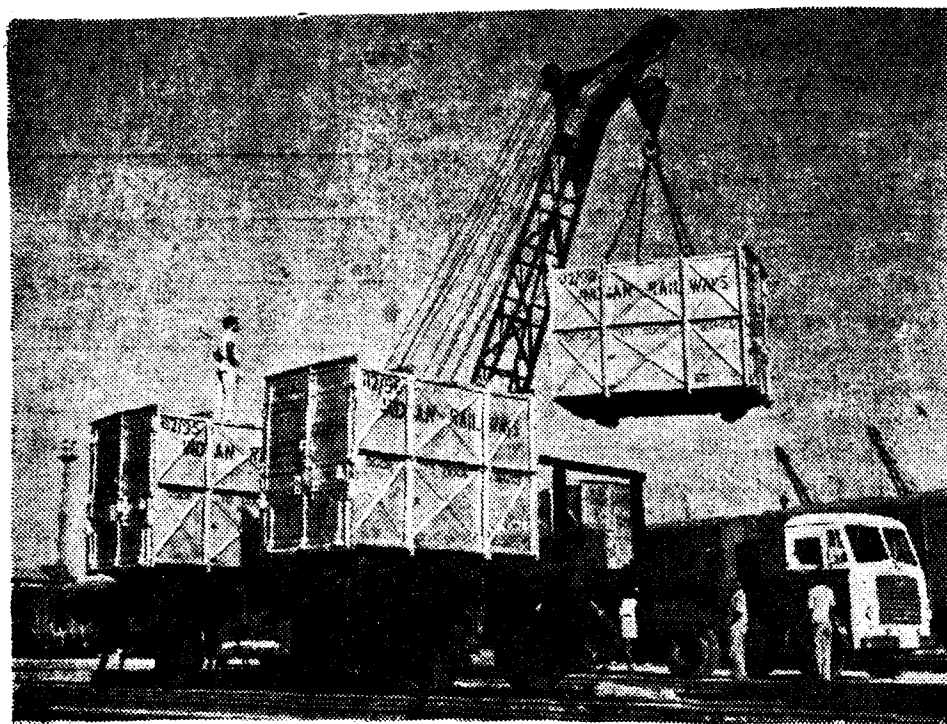
Your experiences will help in two ways:

It will confirm my submission that each can reach one, that we can create a job.

It will provide a thought-starter or an action-starter for those readers who are inclined to so create a job.

INCREASE IN THE NUMBER OF EDUCATIONAL INSTITUTIONS

The total number of recognised educational institutions has increased from 218,000 in 1947 to about 850,000 at present. The total enrolment in recognised institutions has risen from 18 million to about 80 million. Total expenditure on education has risen from Rs. 575 million in 1947 to Rs. 9,000 million, today. The per capita expenditure on education has increased. Literacy rate, above all, has gone up from 12 per cent to about 29.4 per cent. More than 13,000 students are admitted in the 95 medical colleges and more than 3 lakhs in the six hundred odd engineering colleges.



Container service on the railways is becoming increasingly popular. Picture shows containers being loaded from the road carrier to an open bogie.

Inadequate Compensation to General Insurance Shareholders

The shareholders of Hercules Insurance Company Limited have reasons to be disappointed over the withholding of the dividend on equity capital for 1971 under instructions from the Government. The recommendation of the directors of an unchanged dividend of 24 per cent, taxable, was approved by the annual meeting recently. Some other general insurance companies have also been directed not to proceed with the distribution of dividends already declared and approved by shareholders. Madras Motor and General Insurance, British India General Insurance, Oriental Fire and General Insurance, and almost all other leading insurance companies have announced the dividends for 1971. Of these, only two—New India Assurance and South India Insurance have already distributed the dividends. It is feared that the Government is having a second look at the dividend policy for 1971 and is perhaps of the view that the profits for 1971 belong to it and not to the shareholders. A clear picture will emerge only after some time. The insurance bill was recently adopted by Parliament after the Government accepted the Select Committee's recommendation to raise the compensation to Indian insurers by about Rs. 6 crores.

Hercules Insurance

Hercules Insurance Company Limited has reported a vastly improved all-round performance during 1971 and there was a sizable increase in earnings over 1970. The Fire Department nearly doubled its profit to Rs. 40.14 lakhs from Rs. 21.71 lakhs while the Accident Department trebled its profit to Rs. 10.11 lakhs from 3.58 lakhs. The Marine Department also operated on a profitable basis, with a net earning of Rs. 91.137 against a loss of Rs. 3.54 lakhs. As there was also a larger dividend income, the net profit, before taxation, was almost twice the figure for 1970 at Rs. 64.41 lakhs against Rs. 33.31 lakhs. Taxation, however, claims as much as Rs. 40.36 lakhs (Rs. 15.63 lakhs) while the allocation to general reserve is Rs. 11.10 lakhs (Rs. 4.70 lakhs). The equity dividend has, however, been maintained only at 24 per cent, taxable.

Madras Motor & General

Madras Motor and General Insurance Company Limited also has recorded gratifying results for 1971 though the equity dividend has been maintained only at 25 per cent, taxable. The net premium income rose sharply to Rs. 4.06 crores from Rs. 3.41 crores in 1970 while with a good claims experience, underwriting profits were better. Investment income also was higher. The premium income of Fire Department increased to Rs. 1.30 crores from Rs. 1.03 crores, of Marine Department to Rs. 31.19 lakhs from

Rs. 23.34 lakhs and of Miscellaneous Department to Rs. 2.45 crores from Rs. 2.15 crores. After adding Rs. 36.38 lakhs to departmental reserves against Rs. 22.25 lakhs, the net profit, before taxation, was much higher at Rs. 121.12 lakhs against Rs. 97.97 lakhs in 1970. The provision for taxation has been raised to Rs. 77.59 lakhs (Rs. 60.75 lakhs) while there is an allocation of Rs. 6.53 lakhs (Rs. 3.36 lakhs) for depreciation in value of investments. General reserve gets Rs. 36.25 lakhs (Rs. 24.86 lakhs). The equity dividend, when paid, will absorb Rs. 22.50 lakhs (same) out of general reserve.

Rane (Madras)

There was an appreciable rise in sales of Rane (Madras) Limited during the year ended March 31, 1972 to Rs. 207.07 lakhs from Rs. 177.20 lakhs in 1970-71 thanks to increased production. With a higher income of Rs. 4.67 lakhs from job work against Rs. 1.37 lakhs, the total turnover amounted to Rs. 211.74 lakhs against Rs. 178.57 lakhs in the previous year. But profit margins were affected by costlier raw materials which were mostly absorbed. The manufacturing profit, before depreciation, therefore, rose only modestly to Rs. 39.21 lakhs from Rs. 35.99 lakhs. There was however a better income from dividends and other sources of Rs. 6.92 lakhs against Rs. 5.90 lakhs. Thus the net profit, before depreciation and taxation was Rs. 46.13 lakhs against Rs. 41.89 lakhs. A final dividend of 8 per cent, taxable, is to be paid making with the interim, already distributed, a total of 14 per cent, taxable, against 15 per cent, taxable, for 1970-71. But the latest interim and final dividends are on a capital increased by a one-for two bonus issue and work out to a total of 21 per cent on the old capital. The charge in respect of depreciation is Rs. 9.76 lakhs (Rs. 8.51 lakhs) and development rebate, Rs. 36.912 (Rs. 2.49 lakhs) while taxation claims a much larger sum of Rs. 21.75 lakhs (Rs. 17 lakhs). The transfer to general reserve is Rs. 14.26 lakhs (Rs. 13.88 lakhs) and the final payment is to be made out of this reserve.

Engine Valve's Gift

Shareholders of Engine Valves Limited have been rewarded with a good bonus issue along with a higher dividend for the year ended March 31, 1972. A final dividend of 8.5 per cent taxable has been recommended making, with the interim already distributed, a total of 16 per cent taxable against 15 per cent for 1970-71. At the same time, the directors have decided to capitalise Rs. 44.80 lakhs out of reserves, subject to the consent of the Controller of Capital Issues and shareholders' approval, and issue bonus shares in the ratio of 4 shares for every five shares held. The company has again earned

a higher profit of Rs. 71.11 lakhs against Rs. 67.80 lakhs in 1970-71. After providing Rs. 15.06 lakhs (Rs. 12.81 lakhs) for depreciation and Rs. 3.74 lakhs (Rs. 2.37 lakhs) for development rebate, taxation claims Rs. 29.50 lakhs (same). The transfer to general reserve is however lower at Rs. 19.10 lakhs (Rs. 25.29 lakhs) as in the previous year there was a transfer of Rs. 4.69 lakhs in respect tax credit, income tax refund and other items while this year there is a transfer of only Rs. 60,000 from development rebate reserve. The final preference and equity dividends are to be paid out of general reserve.

Plastic Resins & Chemicals

Plastic Resins and Chemicals Limited has commenced operation at its Sahupuram plant (in Tirunelveli district) adjacent to the caustic soda unit of Dhrangadhra Chemical Works Limited. Commercial production of polyvinyl chloride has started since then. The plant has a daily capacity of 45 tonnes and will get its naphtha supplies from Indian Oil Corporation and chlorine from the nearby caustic soda plant. There has been some delay in commissioning the PVC plant due to difficulty in getting the guaranteed output from equipment supplied by indigenous manufacturers. The defects have however been set right and the necessary modifications in design effected with the help of foreign experts. There is at present a big gap between supply and demand for PVC due to steadily increasing requirements and slow additions to capacity. Production in the current year of PVC resins is expected to be about 7,000 tonnes valued at Rs. 2.25 crores and the full capacity is likely to be reached in 1973-74 when the turnover will be Rs. 5.5 crores. The Chairman, Mr. P. C. Jain, told newsmen in Bombay recently that at present there was a shortage of PVC resins as out of the four other units in the field, one was producing only 50 per cent of the rated capacity while another was working slightly below its capacity. The nine-month delay has pushed up the cost of the project by Rs. one crore to Rs. 11 crores.

Hindustan Ferodo

Hindustan Ferodo Limited has reported a decline in its earnings for the year ended March 31, 1972 inspite of a slightly higher turnover of Rs. 6.93 crores against Rs. 6.78 crores in 1970-71. The net profit, before depreciation and taxation, dropped to Rs. 157.25 lakhs from Rs. 168.98 lakhs. But the dividend on equity capital has been maintained at 23 per cent, taxable, with a final payment of 13 per cent, taxable. The interim dividend has already been distributed. Depreciation claims Rs. 23.73 lakhs (Rs. 22.68 lakhs) and development rebate Rs. 1.63 lakhs (Rs. 1.08 lakhs). The provision for taxation is however higher at Rs. 82.3

lakhs (Rs. 77.12 lakhs) due to the special surcharge. The transfer to general reserve is Rs. 64.39 lakhs (Rs. 68.10 lakhs) after writing back tax provisions for earlier years no longer required. The equity dividend requires Rs. 57.08 lakhs (same). The final dividend is to be paid out of general reserve.

Indian Steel Rolling

Indian Steel Rolling Mills Limited had to contend with interrupted operations and difficult supplies of billets during the year ended March 31, 1972. There was a significant fall in the net profit, before taxation and after depreciation, to Rs. 39.78 lakhs from Rs. 57.27 lakhs in 1970-71. At the same time, there is a tax provision of Rs. 15.50 lakhs (nil). But in the previous year, it was necessary to wipe out a debit balance of Rs. 23.37 lakhs brought in from the previous accounts besides clearing arrears of preference dividends. The equity dividend has been maintained at 10 per cent, taxable. On the former occasion, general reserve got Rs. 22 lakhs and development rebate reserve Rs. 90,000 after Rs. 22,989 was written off share issue expenses and Rs. 32,147 off mortgage loan expenses.

Seshasayee Paper

Seshasayee Paper and Boards Limited could not derive any significant benefit out of an increased production and higher selling prices during the year ended March 31, 1972

Company Meeting :

POYSHA INDUSTRIAL COMPANY LIMITED

SUMMARY OF THE CHAIRMAN'S REVIEW FOR THE YEAR 1971-72

The total sales in 1971-72 for the entire Group (Poysha, Kaira Can Company and Colrige) excluding excise, were Rs. 989.29 lakhs, as against Rs. 855.54 lakhs in the previous year. Of this, Poysha's sales excluding excise amounted to Rs. 704 lakhs, an increase of Rs. 82.30 lakhs over the last year's sales.

Substantial Expansion of Kaira Plant

The Cochin Factory has started production in its new building. Of the proposed new units at Calcutta and Madras, the one at Calcutta will be set up first.

Sanction has been received from the Government for increasing the production of dry battery-cell metal jackets and components to 40 million, 40 million and 150 million per annum respectively, in the existing units at Thana, Ghaziabad and Cochin. The licensed capacity of Colrige has been increased from 13.2 million aluminium collapsible and rigid tubes per annum to 75 million on the basis of maximum utilisation of plant and machinery. Substantial expansion (from 15 million cans to 30 million cans per annum) has been sanctioned to the Kaira Can Company.

Our collaboration with American Can Company of New York, the world's largest can manufacturer will become a practical

reality in the next two or three months. This collaboration will mark a turning point in the technique of can manufacture in India and will benefit the food processing and food canning industries in India. As in the previous years, the increases in the price of tinplate owing to successive levies and inadequacies and irregularities of supply were the two major problems. During the decade 1961 to 1972, the price of tinplate has increased by 130 per cent. Exorbitant Rise in Price of Tinplate

The corresponding increase in the price of non-metal packaging materials like polythene and paperboard has been much lower. The exorbitant increase in the price of tinplate not only poses a serious threat to the very survival of the tin container industry by pricing it out of competitive existence, but also encourages the use of unsuitable packaging material which is likely to spoil or even ruin the product. On the other hand, an estimated 30% of the total production of fruits and vegetables grown in the country go to waste.

The main Indian supplier of tinplate is Hindustan Steel, a public-sector undertaking. Lack of expertise, indifferent management, continued labour troubles and in-

not been received so far. But disposable profits are likely to be high even after clearing the balance of development rebate claim as there may again be no tax liability under the tax-holiday concessions.

Indian Oil Corporation

Indian Oil Corporation has set up new records in respect of sale of various petroleum products and earnings during the year ended March 31, 1972. According to provisional figures, sales volume rose sharply to 13.08 million Kilolitres from 11.43 million kl in 1970-71. The turnover improved to Rs. 850 crores from Rs. 720 crores. There has been a doubling of sales in four years. The net profit also more than doubled to Rs. 20 crores from Rs. 9.08 crores in the previous year. There was thus a vast improvement in earnings per share, with the ratio of net, profit to share capital jumping to 172 per cent from 78 per cent. IOL's storage capacity has been expanded to 1.37 million kl from only 0.6 million kl at the end of 1965-66 while the number of consumer outlets has risen to 5315 from 1941 in the same period. In fulfilment of social obligations, the corporation has set up 287 utility retail selling centres in rural areas, 70 pumps where fertilizers and pesticides are also sold and 141 fuel centres to cater to the needs of servicing and repairs to tractors and other machines. It has also made good progress in helping unemployed graduates and ex-servicemen.

effective control by Government all seem to contribute to create a situation which threatens to paralyse the engineering industry, if not the country's economy. This disappointing tale of a half decade is made worse by the fact that Hindustan Steel still works far below its capacity and its production is erratic and unpredictable. Out of a total order of 8,855 tonnes of tinplate, Poysha received only about 3,020 tonnes in irregular and piecemeal consignments. The plight of the can manufacturer can very well be imagined.

It is also very disappointing to note that India lags behind many developing countries in the production of tinplate. To cite an example, India produced 68,000 tonnes in 1950 compared to Brazil's 37,000 tonnes but in 1969, India produced only 94,000 tonnes and Brazil, a staggering 224,000 tonnes! It is therefore not surprising at all that the per capita consumption of tinplate in India is a mere 0.6 lb., one of the lowest in the world.

Bombay M. R. RUIA
31st August, 1972 Chairman

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

MUKAND IRON & STEEL WORKS LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR 1971-72

THE FOLLOWING IS THE STATEMENT OF MR. VIREN J. SHAH, CHAIRMAN OF MUKAND IRON & STEEL WORKS LIMITED

At the very outset I would like to pay, on your behalf and mine, our tribute to the memory of my predecessor, Shri Kamalnayan Bajaj, who passed away suddenly and prematurely on the 1st of May this year. He was associated with our Company from its inception and was its Chairman for the past twenty-five years. It is largely to his foresight and business acumen that the Company owes its present position of eminence in industry. But to him business was an act of national service and he always strove to achieve a balance between wealth and intrinsic worth; between the demands of business and high ethical principles. True to his lineage, Shri Kamalnayanji treated wealth as a trust and lived a simple life. He was a man of rare courage, original and unconventional in his thinking, and acted up to his convictions regardless of consequences. He followed the dictates of his conscience at all times. In his demise we have lost an esteemed leader in whose hands the destiny of the Company was safely entrusted. Personally, I have lost a valuable friend to whom I could always turn for advice and guidance.

2. The 15th of August this year marks the completion of twenty-five years of our independence, a stretch of time during which we have had to encounter five wars, a series of droughts and an influx of millions of refugees for asylum in their dark hour of distress. In this period of travail a fresh consolidation of political forces has been carried through under the leadership of Mrs. Indira Gandhi, who has received an overwhelming mandate from our people. Such a situation betokens strength and stability provided we are prepared to pursue unitedly and determinedly a pragmatic path of rapid growth and social justice.

3. The last Indo-Pak war did not result directly so much in the victory of India as in the triumph of popular forces in Bangla Desh. Indirectly, the long-term consequence of the break-up of old Pakistan has certainly altered the balance of power in the sub-continent and stimulated democratic processes within what remains of Pakistan in the West. Future developments within that country will depend upon the cohesive capacity of the various ethnic and linguistic groups within West Pakistan to hold together rather than upon the letters of formal agreement signed at Summit level by the leaders of the Indian and Pakistani

Governments. The recent Simla Agreement would represent a major breakthrough provided Bangla Desh is brought into tripartite accords and super powers' interference is eliminated. Repeated confrontations between India and Pakistan would only mean a continuation of super power diplomacy in this region and, as everyone knows, be utterly unproductive of benefits to the peoples of both the countries.

Improvement in Living Conditions

4. There is in the country today an unmistakable climate of optimism and soaring aspirations. Hopes of the eradication of poverty—Garibi Hatao—have generated an expectation of instant improvement of living conditions amongst the people; but if these hopes are not fulfilled even partially within a reasonable period by an all round increase in production and productivity, there is a great danger that this expectancy might give place to bitterness and resentment. As the Prime Minister put it in her inaugural address of the FICCI: "They (the people) do expect to see things changing ostensibly towards what they consider are their interests".

5. If against this back-drop of expectations we look at the recent economic performance, the picture is none too bright. The real national income rose by only 1½ per cent in 1971-1972 while the supply of money increased by 15 per cent. Deficit financing in 1971-1972 amounted to a staggering figure of Rs. 1100 crores. This has to be set against the permissible limit of deficit financing during the entire Fourth Plan period which had been placed at Rs. 850 crores. As a consequence, prices have risen at an alarming rate, with the wholesale price index registering an increase of 7.1 per cent and foodgrains prices of 14.4 per cent over the previous year. If this price rise is taken together with the uncertain prospects of foodgrains production as a result of the threatened drought, the economic situation does look dismal. The Government, it is true, has nearly nine million tonnes of grains and hopes of tiding over the crisis are pinned on this buffer stock. This stock consists mainly of wheat whereas it is the prices of rice, the coarse grain, pulses and sugar which have risen the most.

Increasing Shortage of Wagons

6. For a country of our size, the primary responsibility of distribution of available food stocks would fall upon the railways who would have to offer sufficient wagons for transportation. Past experience, however, does not inspire much confidence in this regard. About three years ago when there was a hue and cry about the shortage of wagons, the Railway Ministry denied that there was any shortage; but now this shortage is being increasingly felt. If at that time the railways had ordered more wagons, it would have helped the wagon building and allied industries, particularly in West Bengal, and would have prevented the present shortage of wagons. As it is, if wagons are harnessed for transportation of foodgrains, there is a genuine danger that there would be an acute shortage for transport of essential commodities like steel, cement, coal and chemicals and fertilizers. Unless we give up the habit of moving from crisis to crisis and adopt a well thought out long-term strategy, situations like the present are likely to persist.

7. The decline in farm output will drag down the GNP even if industry did not suffer from paralysing restraints. The growth rate in industry has declined from 7.1 per cent in 1969 to about 3 per cent in 1971. The major factors responsible for this disturbing fall are under-utilisation of capacity mainly because of the shortage of raw materials and inadequate power supply, absence of fresh investment due to policy restraints in the field of licencing and price control and labour unrest. As a matter of fact since around 1965-1966, if we discount inflationary exaggerations, there has been little real growth of investment in the economy. The ratio of investments to national income sharply declined from around 13 per cent in 1964-1965 to 9 per cent in 1968-1969. Despite the slight improvement in this ratio during the last two years, it is a matter of concern that by and large our economy has been stagnant since the end of the Third Plan.

Recurring Power Shortage

8. One of the major constraints on industrial and agricultural growth is the recurring power shortage resulting in frequent interruptions or drastic cuts in

power supply in different states. The Central Minister for Irrigation and Power, Dr. K. L. Rao, has recently announced that there may be a shortfall of six million kilowatts in the 4th plan target and that even next year the deficit may be of the order of two to three million kilowatts because of inadequate financial provisions made five years ago in power generation. The power crisis does not merely throw industrial programmes out of gear but also seriously compromises the social and economic objectives of national planning.

9. For a problem of the dimensions we have posed ourselves, namely the eradication of poverty, all-out efforts are called for to speed up the growth of the industrial and agricultural sectors. 40 per cent of our population i.e. 220 million people still live below the poverty line despite the twenty-five years of independence. The much publicised crash programmes for rural employment have failed to get off the ground. In any case, mere job creation by itself would not be much use. The real goal has to be a larger volume of production as the only means to provide more jobs and more income to more persons.

10. Not that the Government is unaware of the bottlenecks in production and of the problems in the way of ensuring growth with stability. Yet, the biggest bottleneck is the ambivalence the Government has developed in its attitudes and policies towards the corporate sector. The Prime Minister herself has taken stock of the situation and is aware that the mixed economy holds the best promise of amelioration. As she says in her FICCI speech, "So, we are at a crossroad and it is the time when we have to re-think about everything that we have done before. I do not say that we have to sweep everything off but we do have to make many changes and I must confess that the path is not at all clear and we can only make that path. We can only evolve a policy of change with your co-operation and help in even deciding how to go about". Some of her colleagues, however, still seem to cling stubbornly to their preconceived notions and prejudices and continue to ride their hobby horses as can be seen from their public pronouncements. Some regard the present mixed economy as a mere passing phase eventually to be replaced by a takeover by the State of all private industrial and commercial activities.

Business Community's Stake in Eradicating Poverty

11. Having said that, it needs to be added that the business community has a far more direct stake in the eradication of poverty and expansion of employment than is generally recognised. The fact that 220 million of the country's population live below the poverty line and that as many more have levels of income and consumption

barely enough to subsist means that practically 90 per cent of the population is not available to industry as consumers of its products. The potentially vast market for industrial product in this country thus remains substantially unrealized. This consideration is relevant both to those industries which directly manufacture consumer goods as also to those engaged in the manufacture of capital and intermediate goods. Over a period of time the output of capital and intermediate goods has to be sustained by the demand for final consumption goods.

12. The business community can thus claim, without any fear of appearing to be opportunistic, to be in complete accord with the wider socio-economic objectives of the Government. Unless the economic imperatives remain as much in the forefront as these objectives the atmosphere generated would not be conducive to greater productive efforts. Indeed, it inhibits the Government from taking in time many important decisions which in turn leads to enormous loss of time and resources which the country can ill afford at present. To quote the Prime Minister again, "We do not have all the time in the world. As I have said on an earlier occasion, I think that we must make a dent in the next three years or four at the very most. If we fail for whatever reason, whether it is the mistake of the Government or the mistake of business and industry or any one section feeling more concerned about their rights and needs than another section, we will all suffer together".

13. Government and business are closely intermeshed today. Government is a very powerful factor in the business sphere and the public sector has acquired a strategic and commanding role in the economy. What we now need, therefore, is a radical approach to the execution of accepted policies and not merely lipservice to radicalism, for that results into negative attitudes. The main problem before us is how to harness the existing administrative structure with its built-in dilatory procedures and decision-making authority concentrated at the top levels coupled with our system of parliamentary accountability to the task ahead. It is customary to blame the bureaucracy for all our ills, but by continuous attacks both within and outside the legislatures we have so thoroughly demoralised the bureaucracy that it could hardly be held responsible for the failures.

Injecting Professional Skills in Administrative Apparatus

14. What is urgently required is the injection of professional skills into the administrative apparatus and application of modern management thought and techniques to the whole system of administration. First and foremost, we must strengthen the administration to function at a quicker pace and take decisions at various levels by a

proper decentralisation of authority. To achieve this it would be a prerequisite to put an end to all interference by politicians in executive decision-making. Once the policies are laid down, and firm lines of policies can be laid down only at the political Ministerial level, the officers should be free to implement them without let or hindrance. A clear differentiation of political and administrative functions is needed. Only in cases where there is reason to believe that a deliberate deviation from the prescribed policies has taken place should Ministers concern themselves with executive decisions. Again, a drastic reduction is called for in the number of officers and departments required to consider an application even as it is essential that there should be a definite time limit set for intimating final decisions on every proposal or application, especially by the Economic Ministries. We are racing against time and I, for one, firmly believe that unless the Government adopts such a purposeful result-oriented and time-bound way of work, it would not be able to transform the present administrative machinery into an efficient and dynamic instrument for the implementation of its policies.

15. Two important recent developments in the steel industry are the takeover of the management of IISCO by the Government and the decision to set up a holding company to control the Government's investment in the steel and allied industries. The Government has claimed that the management of IISCO has been taken over principally to stem the deterioration of the plant's working over the past seven years. Irrespective of the merits of this claim, the basic issue involved in this action needs to be properly appreciated. 54 per cent of IISCO's shares are held by public financial institutions and the nationalised banks. With the Government thus controlling a majority shareholding, the takeover could be seen as a step to safeguard its interests and intended to solve the Company's short-term problems and promote its long-term growth. The results alone will however reveal to what extent the purpose behind the takeover is fulfilled.

16. The decision to set up a holding company is also a step in the right direction. The Government's investment in the steel and allied industries already amounts to about Rs. 2,500 crores but the working of these units has been far from satisfactory. The proposed holding company can play a crucial role in toning up their administration and working. The choice of a non-bureaucrat for the Chairmanship of the company is a happy augury and the decision to appoint him simultaneously as Secretary of the Steel Ministry should help ensure proper co-ordination between the Ministry and the company. Much of the success of this experiment will depend on the degree of autonomy that the proposed company enjoys and the degree of political backing it receives.

17. Steel shortage is a major impediment to our industrial development. The shortage was more pronounced last year, the Government having had to resort to massive imports amounting to Rs. 200 crores. This shortage is largely attributable to the under-utilisation of installed capacity in the integrated steel plants. Government has taken vigorous measures during the last one year to improve capacity utilisation. Steel production in 1971-1972 was 6.3 million ingot tonnes and the target for the current year is 7.2 million ingot tonnes against the installed capacity of 8.9 million tonnes. The Steel Minister has stated in Parliament that we expect to achieve self-sufficiency in steel by 1975, based on 90 per cent of capacity utilisation and commissioning of the first phase of the Bokaro Steel Plant. We will need to mobilise our best resources in management and technology to achieve this target.

18. Perspective planning for steel production envisages an installed capacity of 19 million ingot tonnes by 1980 against 12 million tonnes in 1974-1975. This will be achieved only if the expansion plans of the existing plants and the installation of the three new steel plants in the South are completed in time. The long delay in the installation of the Bokaro Plant should serve as a warning of the pitfalls in the implementation of the new projects.

19. The electric steel furnace industry has made a significant contribution to augmenting steel availability in the last few years. Against the liquid metal production of 0.5 million tonnes in 1968-1969, its production increased to over one million tonnes in 1971-1972. The Government has accepted the need for increasing the industry's production by licensing 19 units, including 7 in the joint sector. The need to ensure that the capacity created in the industry is fully utilised cannot be over-emphasised. The availability of the basic raw material, viz. scrap or its substitute, will have to be ensured well in time if the projected supplies from these units are to be achieved.

20. Scrap requirements are likely to increase by 100% by 1975-1976 but the indigenous generation of scrap would not keep pace with this increase. While the collection machinery will have to be streamlined, other measures will also have to be promptly taken. The Working Group appointed by the Government of India under the Chairmanship of Shri Hari Bhushan has submitted a detailed report suggesting various measures to augment scrap availability. I am not aware to what extent these recommendations have been implemented. Sponge iron promises to offer a suitable material as feedstock for electric furnaces in addition to scrap. The Government has issued letters of intent for 3 sponge iron plants in the country. This is a welcome step in the right direction but the requirement of scrap in the country is likely to be so high that the

Government would do well to encourage a good many entrepreneurs to go in for sponge iron plants.

21. To make our own contribution we had submitted an application for industrial licence to set up a sponge iron plant which has been turned down. We have nevertheless made a fresh approach for reconsideration of our request. We believe that our application is valid under the Industrial Policy Resolution and hope that the Government will consider our representation in the wider perspective and permit us to create an additional source of raw material for the electric steel making industry.

22. The electricity tariff for power-intensive industries is a vital factor affecting the growth of the electric furnace industry. As has been suggested, the best thing would be to have a national tariff for electro-metalurgical units. At present some states offer a concessional tariff whereas others do not. This causes an imbalance which needs to be removed at the earliest.

23. Power-intensive industries in Maharashtra have had to face great difficulties since the unit cost of electricity is much higher here than in the neighbouring states — Mysore, Gujarat and Rajasthan — and so too are the other input costs. Both the Wagle and the Razvi Committees, appointed by the Government of Maharashtra, have acknowledged the need for a concessional tariff for power-intensive industries in Maharashtra. I would urge the Maharashtra Government to take an early decision on the Razvi Committee report to accelerate the development of these industries in the State.

Steel Foundry in Malaysia

24. The results of the Company's working during the year under review are given in the Directors' Report already circulated. I would only briefly indicate some of the salient aspects of our performance and the future pattern of growth. Over the years, we have acquired a certain degree of competence and capacity to set up or assist in setting up new industrial ventures in diverse fields by sharing our experience and expertise with others in India and abroad. We have already made progress in establishing a steel foundry in Malayasia in collaboration with a Malayasian company and the local State Development Corporation. Similarly, in India, we have enabled Polysteels (India) Ltd. at Bhavanagar to set up a mini steel plant which has gone into production and is maintaining satisfactory progress. Some other proposals for such collaboration in India are under active consideration.

25. The Government has decided to promote the development of the joint sector by permitting private sector companies to set up industrial projects in collaboration with State Governments. We welcome this development and are exploring the possibility of establishing joint sector projects in steel

making and allied engineering fields. One such proposal has already reached an advanced stage of negotiations.

26. We acknowledge that an industrial complex of our size has a responsibility towards the society at large as also to the industry to which it belongs. Awareness of this is reflected in the help we render to ancillary industries and community service projects that are well under way. We have worked out a programme of assistance to promote widespread entrepreneurial activities. Nearly a hundred and fifty factories in the Greater Bombay area and the Thana Belapur belt have benefited by this programme.

Planned Efforts in Social Activities

27. In the sphere of social work the Company has been making planned efforts to provide diverse services both at Kurla and at Kalwe. We have arranged for and assisted in a programme of periodic medical check-ups, free medicines and expert medical advice at Kalwe village where such help is not readily available. Similarly, during epidemics injections, vaccines and treatment are supplied free to the neighbouring inhabitants at Kurla and Kalwe. I am happy to say that some of our officers and staff members have voluntarily contributed their time to this activity. Recently, free milk and bread have also been arranged for school children at Naupada (Kurla) to supplement their daily diet. We are examining the possibility of involving ourselves more actively in efforts to improve the living conditions of the residents of the slums in our neighbourhood. Equally alert is our interest in the welfare of our employees. We have arranged for mass miniature screening and follow-ups wherever necessary and have widened the Company's medical scheme to cover employees' families.

28. Our social welfare programme includes Sarvodaya activities inside the works as well as in the community around. Sarvodaya workers have started their daily contacts to bring about grass-root transformation towards a better way of life. The Company's full time social worker is carrying out a survey of the families of employees with the specific purpose of offering guidance on family planning, monthly budgeting rearing of children and healthy living. Worker education classes are regularly conducted by worker teachers and by the Sarvodaya team and are meant to synthesise the working environment with the social milieu and to create better understanding and social togetherness amongst the workmen and their families. This I believe will prove to be an effective way of integrating the total personality of the industrial man and accelerating the pace of social development in urban surroundings.

VIREN J. SHAH

Chairman

15th August 1972

INDUSTRIAL ECONOMIST

COMPANY MEETING

THE LAKSHMI MILLS COMPANY LTD.

SPEECH DELIVERED BY SRI G. K. DEVARAJULU, CHAIRMAN OF THE LAKSHMI MILLS COMPANY LTD.,
COIMBATORE, AT THE 62ND ANNUAL GENERAL MEETING OF THE COMPANY
HELD AT THE REGISTERED OFFICE ON 23RD AUGUST 1972

Ladies and Gentlemen,

I have pleasure in welcoming you all to this 62nd Annual General Meeting of your Company.

The austere celebration of Silver Jubilee of our country's independence is fresh in our minds and has given an opportunity to weigh the achievements over these 25 years in all aspects of life, political, economical and social. The progress in all the above areas of activity has been significant.

Naturally the thought of the country's development as a whole during the past quarter of a century leads me to ponder how much our Company has contributed towards the national growth and progress. Here are a few salient landmarks in our own saga of progress.

SOUND FINANCIAL POSITION

In the 1950's, we achieved an expansion in spindles upto 1,32,000 in all our three units at Coimbatore, Kovilpatti and Palladam and also established a weaving unit in Coimbatore mills with 200 plain looms. Early in the next decade we saw the fulfilment of our present spindleage of 1,57,000 and looms 394, of which 260 are automatic, while the Palladam unit has been hailed as a show piece of the textile industry. Our Weaving Department has made rapid strides in manufacturing several kinds of textiles to cater a variety of tastes of the present sophisticated market. The shareholders of the Company, who started with a modest share capital have had the satisfaction of seeing it multiply nine or ten fold by reason of their benefitting by the issue of Bonus Shares during this period, apart from their getting much more satisfaction from handsome dividends for other years. The Company, having built satisfactory resources, is reasonably sound financially and can look forward to a smooth working to keep pace with the national economic growth ahead.

I wish now to make a few remarks concerning the working of the Company during the accounting year ended 31st March 1972.

HIGH PRICES OF RAW COTTON

The audited Profit and Loss Account and Balance Sheet were sent to you some days

INDUSTRIAL ECONOMIST

ago and with your permission I shall take them as read. For the period ended March 1972 the results have not been as encouraging as you might have expected. There were good reasons for the lower profits than last year. Firstly, raw cotton prices ruled high during the whole year, but there was no corresponding increase in the prices of yarn and cloth which was due to disturbances in upcountry markets. Secondly, due to ever increasing prices of commodities dearth allowance payable to our employees also increased substantially. The position aggravated further on account of a strike during October 1971 and yet another General Strike in February/March 1972 just at the time when the Company hoped to retrieve its fortunes in the last quarter of the relevant year.



SRI G. K. DEVARAJULU

RAW MATERIAL

The Reserve Bank of India's steps to relax credit restrictions and stock limits though belated, gave some relief. But the penal rate of interest continues to be a deterrent to the borrowing companies. These ameliorative steps do not provide adequate relief and the only salvation to the industry is to increase cotton production to meet our full requirements.

Due to short and irregular supplies of staple fibre, our unit at Palladam could not continue to work to its full capacity. Imports at high prices are being arranged but the gap between supply and demand remains unbridged.

SALES

But for the General Strike in February/March 1972 your Company's turnover could have been higher by about Rs. 120 lakhs and then we could have touched Rs. 15 crore mark. The margin of profit was small in our sales of yarn and cloth due to fluctuating and disappointing markets. Due to disturbances in Bangla Desh followed by the war, the upcountry markets were unsteady and the off-take was poor.

Taking all these factors into consideration, I would state that the working of the Company has been reasonably satisfactory.

GENERAL

The high prices of Indian cotton during the year and the difficult labour situation affected our export prospects. But our exports to U.K. were maintained as usual because our products had acquired a reputation for quality and our supplies were prompt. The industry had imposed on itself the responsibility of supplying 200 million square metres of coarse cloth to the poor man at a standard rate and a Yarn Pool Scheme to supply certain sections of the weaving community at a subsidised rate.

MODERNISATION PROGRAMME

Your Company was able to carry out the machinery renovation as programmed. 16 Ring frames, 3 Speed frames and 4 Draw frames have been installed replacing the old ones at Kovilpatti and Coimbatore Mills. The Khaki Dyeing Plant which is now installed at United Bleachers, by an agreement with that company, is capable of dyeing our requirements of Khaki cloth. A Hank Yarn Drying Machine has been added to our processing section in Coimbatore. Presently, mercerising, singeing, bleaching and dyeing of yarn are done in this department.

In the Weaving Department, 30 plain looms have been replaced by automatic ones and the same are working satisfactorily.

During the current year the rehabilitation work is expected to be implemented as scheduled.

CURRENT YEAR

During the current year, due to non-availability of staple fibre and delayed shipments

of imported cotton there was a shortage of these varieties of yarn resulting in their prices rising to unprecedented levels. The spinning industry has imposed a voluntary price ceiling on these types of yarn and an equitable distribution scheme is being implemented with the object of arresting the run-away prices. We have ensured that our

regular consumers get their supplies at the stipulated prices. On the export front we have a compulsory obligation to export to U.K. and U.S.S.R. a portion of production.

I conclude, on my own behalf and on behalf of the Board of Directors, with a word of appreciation for the good work done and

cooperation extended by the officers, staff and all other employees of the Company. I pray to Goddess Lakshmi to shower Her blessings on all.

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

UNIT TRUST OF INDIA

EXTRACTS FROM THE STATEMENT OF SHRI J. S. RAJ, CHAIRMAN, UNIT TRUST OF INDIA

The Unit Trust of India completed, as of June 30, 1972, its eighth year of operation and its accounts have now been audited and published.

UNIT SCHEME 1964

2. During the year under review, the income of the Trust amounted to Rs. 9.68 crores as against Rs. 8.41 crores in the preceding year. Total expenses rose to Rs. 80.53 lakhs as against Rs. 80.00 lakhs in the preceding year. The share of the Trust's income allocated to Unit Capital worked out to Rs. 924.09 lakhs and that of Initial Capital to Rs. 44.12 lakhs. The share of expenses amounted to Rs. 46.20 lakhs and Rs. 11.72 lakhs, respectively, after setting off Rs. 22.61 lakhs representing recoveries towards management expenses.

3. The net income allocated to unit holders amounted to Rs. 877.89 lakhs. This amount, together with the balance of Rs. 12.93 lakhs in the Unit Capital Appropriation Account—in all Rs. 890.82 lakhs—is available for distribution to the unit holders whose names were on the Register of the Trust as on June 30, 1972. The Board has decided to increase the income distribution to unit holders to 82.5 paise per unit i.e., 8.25 per cent (as against 8 per cent in the preceding year). The Board has also decided to make an income distribution of 5.5 per cent to the initial capital contributors.

99 PERCENT OF SALES FROM INDIVIDUALS

4. Sales of units in 1971-72 were lower at Rs. 15.08 crores under 61,405 applications as compared with Rs. 18.00 crores under 61,741 applications in 1970-71. About 99 per cent of the sales came from individuals, the balance being from institutions. As on June 30, 1972, units sold and outstanding amounted to Rs. 104.72 crores held by over 4.34 lakhs unit holders.

5. Sales of units to non-residents were

Rs. 40.50 lakhs under 427 applications as against Rs. 42.93 lakhs under 440 applications last year.

6. Repurchases by the Trust were lower at Rs. 2.60 crores under 10,049 applications during the year as against Rs. 3.19 crores under 12,724 applications in 1970-71. This year's repurchases worked out to only 2.5 per cent of the aggregate funds invested by unit holders as against 3.5 per cent last year.

POPULARITY OF REINVESTMENT PLAN

7. The Reinvestment Plan of the Trust is gaining popularity among the existing unit-holders and 17,972 unit holders participated in the Plan in respect of the income distribution relating to the year ended June 1971, the amount invested being Rs. 69.30 lakhs. In respect of the 1971-72 income distribution 5,230 new applications for reinvestment were received involving 22,06,350 units.

VOLUNTARY SAVINGS PLAN

8. Voluntary Savings Plan 1969 attracted 152 new applications during the year and the total sales under the Plan amounted to Rs. 1.66 lakhs. As on June 30, 1972, the number of members participating in the Plan was 753.

9. Total applications received under the Children's Gift Plan were 1,817 for the purchase of units aggregating Rs. 46.29 lakhs. Units of the face value of Rs. 4.25 lakhs were allotted against dividend for the year ended June 30, 1971. Thus the total sale during the year amounted to Rs. 50.54 lakhs.

UNIT SCHEME 1971

10. The Trust framed its new Unit Scheme 1971 from October 1, 1971. The accounts of the 1971 Scheme are kept distinctly separate from the 1964 Scheme. Under this Scheme,

a new tenyear contractual savings plan with built-in-life insurance cover was also formulated viz. the Unit-linked Insurance Plan. The object of the Plan is to provide investors, especially from the relatively small and medium income groups, a facility for regular savings and investment of these savings in the units of the Trust, combined with the advantage of life insurance cover during the period of the Plan.

11. During the nine months ended June 30, 1972, a little over 500 persons joined the Plan with an initial contribution of Rs. 3.27 lakhs and a target amount of Rs. 40.7 lakhs.

12. The income available, as reduced by the expenses to be charged during the 1st accounting year, amounts to Rs. 18,164. The Board has decided to declare an income distribution of 52.5 paise per unit for the nine months period which works out to 7 per cent for the full year.

INVESTMENTS

13. Total investments of the Trust (Unit Scheme 1964 and Unit Scheme 1971) as on June 30, 1972 amounted to Rs. 119.26 crores as compared with Rs. 105.14 crores at the end of the previous year. During the year, the Trust's underwriting operations increased from Rs. 3.05 crores in respect of 16 capital issues in 1970-71 to Rs. 4.58 crores in respect of 14 issues in 1971-72.

OTHER MATTERS

14. As against 2,756 approved agents last year there were 3,070 agents at the end of the year under review. The number of brokers was also increased from 320 to 334 and units continued to be on sale at about 11,000 bank offices and 18,000 post offices. The Trust continued its drive at mobilising savings and popularising its units as a medium of investment among the general public.

Southern India Shippers Association

THIRD ANNUAL GENERAL MEETING

AUGUST 26, 1972

A SPECIAL SUPPLEMENT TO

Industrial Economist

High Liner Freight Rates Impede Export Efforts

By A. C. GEORGE,

Union Deputy Minister for Foreign Trade

Indian shipping which stood at hardly 100,000 GRT before 1947 now stands at 2.5 million GRT in the Silver Jubilee year of our Independence—a 25 time increase in 25 years. There is, however, much leeway to be made up, for the present tonnage is hardly sufficient to carry about 21 per cent of India's foreign trade, and even when the Fourth Plan target of a 4 million GRT is reached, Indian shipping will not be able to increase their share beyond 30 per cent. It is estimated that the tentative Fifth Plan shipping target of 5.8 million GRT will enable national shipping to carry about 40 per cent of the country's foreign trade by 1979 as against the legitimate target of 50 per cent.

Forward Outlook of Shipping Lines

Here I would like to congratulate our national shipping lines on their forward outlook and special efforts put in to meet the growing trade demands of India by providing more and more shipping facilities and in introducing promotional freight rates. I have no doubt that they would continue to take calculated risks and open more promotional services to world markets such as Latin America, West Africa, etc., which are still to be linked by direct services and which have great potential for absorbing India's non-traditional exports. It is needless for me to emphasise that in return it is incumbent on shippers to extend full support to national bottoms.

Among the bottlenecks that inhibit India's all-out efforts to increase exports, the pride of place will go to rate impediments. The adverse effect of high, anomalous and discriminatory liner freight rates on exports ex-India and other developing countries came to the forefront during the last two decades. But it was only after the UNCTAD came into the picture that the subject matter had received detailed and expert attention at the global level. The first detailed study on the subject undertaken by UNCTAD in 1965-66 related to India where the Conference system had its beginning. It had brought out in bold relief how shipping freight particularly on non-traditional items

came in the way of India entering world markets. The freight incidence on certain items to certain destinations even then was found to be as high as 110 per cent of the f.o.b. cost and with subsequent periodical general rate increases the position has worsened. The subject matter has been receiving progressively increasing attention first at UNCTAD-I, then at UNCTAD-II and recently at UNCTAD-III.

Consultation Approach to Solve Shipping Problems

All the studies have gone to confirm that the haphazard way in which the Conference tariffs have been evolved had resulted in a number of important items of



Mr. A. C. George, Union Deputy Minister for Foreign Trade, is seen inaugurating the Third Annual General Meeting of the Southern India Shippers Association on August 26, 1972. To his left are Mr. A. Nagappa Chettiar, President of the Association, Mr. P. N. Anand, Deputy Director General of Shipping and Mr. D. Srinivasan, Secretary of the Shippers Association.

exports from developing countries particularly non-traditional ones attracting such high rates as had the effect of obstructing their entry into new markets in any big way. It had also come to light that shippers who are the paymasters and parties affected had no say whatsoever in the fixation of these rates or in the matter of providing shipping facilities for their exports. It was also found that communication gap between those who provided sea transport and those who used it was behind most of the problems faced by shippers. It was in recognition of this and having regard to the international character of shipping that the Government of India had lent its support to the consultation approach for sorting out shipping and ocean freight rate problems.

Among the developing countries India was the first to organise the large number of shippers spread all over the country to provide recognised bodies with whom shipping Conferences could hold meaningful discussions on services and rate problems. I am glad there are now 4 zonal Associations (Western India Shippers Association at Bombay, East India Shippers Association at Calcutta, South India Shippers Association at Madras and the South-West India Shippers Association at Cochin) with an apex body, the All-India Shippers Council at Delhi and a joint committee of national

shipowners and shipusers is also functioning. It is, however, our experience that of late the shipping Conferences have been utilising this consultation form as a Convenient cloak for hiking up the rates and reducing the number of sailings in the name of rationalisation without attracting much public criticism. The twin virtues claimed for the Conference system viz., rate stability over a reasonable period and frequency of sailings have started fast eroding.

Containing Rates on Export Cargoes

Although the Indian lines are now members of almost 100 odd Conferences serving India's foreign trade they are not able to make any effective contribution in the matter of containing rates on exports cargoes at a reasonable level because of the semi-monopolistic and non-resilient structure of the Conference set up. The spate of unilateral and arbitrary general rate increases and surcharges on one count or the other made by the shipping Conferences during the last 3 years or so for supporting the high standard of living in the richer countries—the latest increase being on India-US routes from mid-August, 1972—have not enhanced their reputation in the eyes of Government and shippers in India and other developing countries. The shippers' suspicion that the Conferences have been exploiting the squeeze on the world tonnage

to push up freight by margins which cannot be justified is yet to be removed. The fact that shipyards all over the globe are bulging with building orders only goes to confirm that our suspicion is not ill-founded.

The irony of the situation is that the constituents of the Conference set up which had its beginning in India in 1875 remain pathetic prisoners of their past when the shipping problems affecting India and other developing countries whom they serve cry out for a complete break with it. This was very much evident during the discussions on shipping at UNCTAD-11 and particularly when the Group '77' pressed for the adoption of its draft Code of Conduct for Liner Conference and making it binding through an international convention. Although the developed market economy countries saw the rationale and justice behind this demand they could not make up their mind with the result the developing countries had no other option except to push through a majority vote their resolution on the Code requesting the U.N. General Assembly to formulate a universally acceptable code of conduct based on the draft '77' Code and make it binding through an international convention. It is hoped that when the matter comes before the U.N. General Assembly next month, wiser counsels will prevail and the shipowning West will play the game.

Need for Speedy Development of Shipping Industry

By A. Nagappa Chettiar

President, Southern India Shippers Association

The foreign trade of India has assumed special importance in view of our plans for economic development and the uncertainties of foreign aid. The capacity to export is in fact an index of the economic strength of the country. At the time of our independence i.e., in 1947-48, the value of India's exports stood at Rs. 403.4 crores, while exports during the year 1971-72 have been estimated at Rs. 1,600 crores.

While these figures seem impressive, yet they are by no means satisfactory. The growth rate of our exports in 1971-72 is estimated to be 5.5 per cent as against the Fourth Plan target of 7 per cent compound rate. The export trade of the world in 1970 grew at the rate of 14.4 per cent, while it was 20.8 per cent in the case of Japan, and 36 per cent in Taiwan. In the year 1961, the percentage share of India in the export trade of the world was 1.2 per cent, which in the year 1968 steadily declined to 0.7 per cent. If the underdeveloped countries are taken as a whole, their share of world exports between 1960 and 1970 actually declined from 21 per cent to 18 per cent, while the exports of

developed countries went up from 67 per cent to 71 per cent. These figures are enough to indicate that we are not keeping pace with the rest of the world and, unless urgent steps are taken by the Government, it is feared that we may soon be still far behind.



Mr. A. Nagappa Chettiar

Role of Shipping in Foreign Trade

There are many obstacles that need to be overcome if we are to reach the targets set before us. About 90 per cent of our exports are by sea which emphasises the role of shipping in the foreign trade of India. Inadequate shipping services are one of the major bottlenecks in the growth of our export trade. The Southern India Shippers Association is concerned with such problems and also other problems which shippers face, such as non-availability of space and high discriminatory freight rates, which are applied to products destined to our new and traditional markets the world over. Some of these problems originate from the way in which the Conference system operates. It is high time for the Government and the shippers to take united and concerted action to remove some of the harmful practices followed by these Conferences.

In the recent past, shippers in this country have been facing the problem of 'freight hikes' that have been not only frequent but also steep. It is no exaggera-

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tion when I say that there have been over 32 freight increases during the past two years, which have caused considerable difficulty to shippers and thereby put a serious strain on the growth of our export trade. Apart from freight hikes, there have also been numerous other surcharges, such as currency surcharges, war risk surcharges, etc. Many of these surcharges have been temporary, but nevertheless, the increase in transportation cost could limit the competitiveness of our products abroad.

Steep Rise in Ocean Freight Rates

A recent study has pointed out that increases in ocean freight rate on the Indian trade routes in the decade of 1960-70 have been out of proportion to other trade routes. It has further been pointed out that the cumulative increase in the last 10 years on the India-U.S., Canada, Australia and U.K.-Continent trade route has been in the range of 60-90 per cent as against 20-25 per cent on U.S.-Japan, Hong Kong, U.S., Thailand, Singapore, East Africa - U.S. and Australia-U.S. trade routes. One of the main reasons assigned for a major part of the increase is the "poor bargaining capacity" of Indian shippers and the "monopolistic nature of shipping companies." It is, therefore, imperative that both shippers and the Government should co-operate in containing these freight increases in the interest of the foreign trade of the country.

The stand taken by the Government of India at the recent meeting of UNCTAD III in Santiago regarding controlling of Conferences through the evolution of a suitable code of conduct is worthy of appreciation. The resolution at UNCTAD III emphasises the need for the adoption and implementation of an universally acceptable code of conduct for Liner Conferences which fully took into account the special needs and problems of the developing countries. In this context, I am of the view that the mere adoption of a code of conduct is not enough; what is more important is its speedy implementation, both at national and international levels. Unless this is done, I am afraid that Indian shippers would have absolutely no protection from adverse freight rates. I am happy to state that as a result of the efforts of the shippers organisations and the Government of India, a large number of Conferences have in the recent past adopted the 'discussion formula'. But this is only the first step, and there are many other obligations that need to be observed by Conferences.

The solution to the problems of shipping, though on a long term basis, is the speedy development of this industry in the country. The world's merchant fleet ownership at the end of 1969 was of the order of 217.9 million G.R.T., but the share of the developing countries amounted to only 16.6 million G.R.T. While the sea-borne trade of the world amounted to 2240 million tons, the share of the developing countries amounted to just 41.1 per cent. These figures are enough to indicate our depen-

dency on the developed maritime countries of the world such as Japan, U.K., and the U.S.A.

As regards India, the fact that she is the second largest maritime power in Asia should not bind us from our very small share in world shipping. There has been a 12 fold rise in shipping tonnage in 25 years but as I had mentioned earlier, only 21 per cent of our sea-borne trade is carried on in India bottoms and India's share in global tonnage is practically stagnant at around 1 per cent.

Slump in Shipping Industry

The shipping industry, which made good progress hitherto, has witnessed a sudden slow down in the recent past. In 1971, our shipping tonnage stood at 2.50 million G.R.T. as against the target of 4 million G.R.T. to be achieved by March 1974. Taking into consideration the tonnage of 2.33 lakh tonnes that will be scrapped during the Fourth Plan period, and the tonnage of 11.71 lakh tonnes that has been ordered, the country has yet to place orders for a further 5.53 lakh tonnes.

The development of ports is yet another major contributing factor to the development of Indian shipping. Shipowners are often reluctant to bring down freight rates in view of high operating costs mainly due to the poor turn round at Indian ports. Over the past decade India's port traffic has reached 55 million tonnes per annum and is likely to reach nearly 77 to 80 million tonnes by 1973-74. In view of the above it is imperative that the development of ports keeps in pace with the rising volume of traffic. It has also been felt that Indian ports need to be modernised with the installation of new mechanical loading facilities, in the case of bulk cargoes and

with the introduction of the latest handling facilities in the case of other types of cargo.

With the advent of giant tankers and other vessels, it is high time for our ports to get ready to receive these vessels, while preparations should also be made to receive container type vessels. I would also like to emphasise on the importance of giving top priority to export cargo.

Problems of an Intermediary Port

I regret to state that we are still facing the old problem of inadequate sailing facilities at Madras and frequent shut out of cargo. Since Madras happens to be an intermediary port, our shippers here are often handicapped with inadequate shipping space that has often placed them in jeopardy. With the development of industry in the Southern Region, many exporters have begun to explore new markets abroad, but it is the absence of adequate sailings which poses the problem. I trust that our shipowners would take the initiative and start new services that would initiate greater trade and thereby work out more profitable in the long run. The development of shipping services between India and the Soviet Union is one good example.

The Southern India Shippers Association has taken up a vital and important role in fighting for the just cause of shippers, in spite of the fact that it was only recently established.

In order that the Association may discharge its duties effectively, it is vital that shippers should in their own enlightened interest take an active part in strengthening the activities of the Association.



During the past two years, there have been over 32 freight increases and such constant increases considerably affect our export trade, observed Mr. A. Nagappa Chettiar, President of Southern India Shippers Association.

Picture shows Mr. Chettiar delivering the welcome speech at the Third Annual General Meeting of the Association held on August 26, 1972. To his right are Mr. A. C. George and Mr. S. Narayanaswamy, President, Southern India Chamber of Commerce and Industry.

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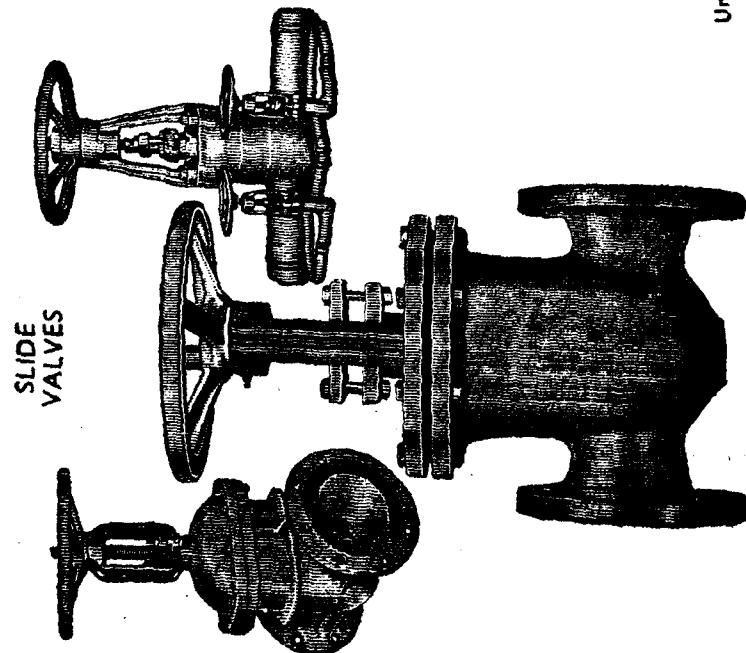
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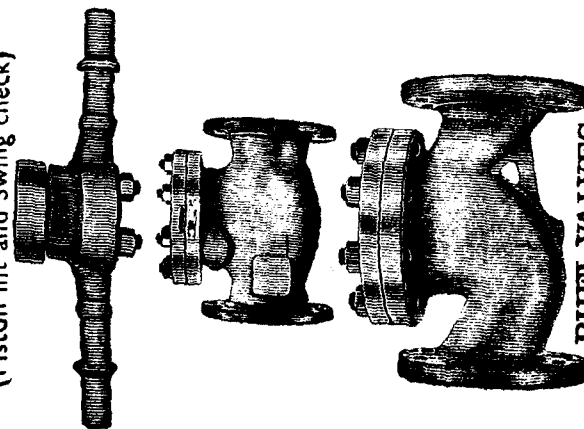
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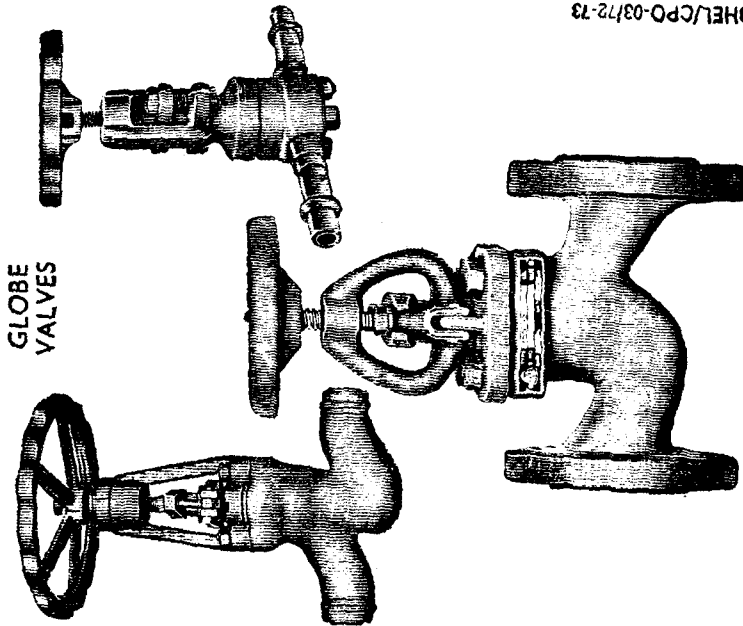
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Objectives of SISA

The Southern India Shippers Association was established in the year 1967. The objectives of the Association are to secure co-operation and co-ordination between exporters and the shipping lines in the interest of India's trade; to negotiate with shipping lines directly in matters relating to freight problems, schedule of sailings, routes, and the maximum use of national shipping. Besides the above general objectives, the Association is established to collect data regarding the possibilities of developing exports of different products to new markets and disseminating information about shipping to the exporters. In particular the Association looks after the interests of shippers in the matter of securing shipping space and sailings to new markets for our goods. It is making efforts to give projection about the shipping requirements of the export trade so that the Lines plan their sailings, and thus to secure in time shipping facilities to the members.

...Air Transport Too

The port facilities are important subject matter of discussion and interest to members. Recently, the activities of the Association were extended to cover the air transports also. This is in consequence of some of the export cargoes being sent by air. In the last few years, the Association had discussion with important Conference Lines about freight increases, shipping schedule and other facilities. It had taken up with various Conference Lines the determination of freight rates for various commodities which newly figured in our export trade. It organises meetings with the Director-General of Shipping, Freight Investigation Bureau and other authorities on the shipping problems of the shippers here arising by reason of the fact that Madras happens to be an intermediate port and discussions vary often have centred round availability of sailings, and

space from Madras Port to U.K. Continent, Red Sea, Persian Gulf ports, and even to Ceylon.

The Association held a Shippers' Conference in 1970 and was inaugurated by the then Minister of Transport and Shipping Mr. K. Raghuramiah.

Recently, it held discussions with Conference Lines when there was a freight hike by reason of the Dollar devaluation.

In short, the Association's work mainly relates to schedule of sailings from Madras Port to various destinations, shipping space, freight problems and port facilities and development of national shipping and Conference practices, Air cargoes rates...

The Association has on its rolls about 65 members representing important lines of exports from this region, including Public Sector undertakings like the State Trading Corporation of India Ltd., Indian Detonators Ltd., Bharat Heavy Electricals Ltd., Government Soap Factory.

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Role of F.I.B.

For the purpose of bringing about some discipline in shipping services and ocean freight rate matters and for keeping a vigilant watch on the maritime freight structure in India's overseas liner trade, the Government of India set up in 1959 a specialised freight study unit known as the Freight Investigation Bureau.

The main functions of the Bureau are: to educate the shippers about their rights, responsibilities and obligations; to bring about unity among shippers and create a forum for organised action; to attend to the complaints of shippers relating to freight rates and shipping space; to attend to problems of shipowners relating to shippers and freight matters; to assist in the evolution of healthy shipping practices; to collect, study and disseminate shipping and freight intelligence; to bring into being a machinery for fixing shipping freight rates by mutual consultation between those who

provide sea transport and those who use it; to undertake traffic research for the purposes of assessing the adequacy of shipping services on existing routes and the need for introduction of shipping services on new routes.

Twin Tasks of FIB

The twin main tasks of Freight Investigation Bureau after it was established in 1959 were evolving a democratic formula for sorting out shipping space and ocean freight rate problems acceptable to all concerned, and providing organised representative forum of shippers with whom the conferences could hold discussions and which could deal with the conferences from a position of near equal, if not equal, strength.

—P. N. ANAND,
Deputy Director General
of Shipping.

REDRESSING THE IMBALANCE

At present developing countries account for about 60 per cent of the total volume of cargoes carried by sea but their own share of world's merchant shipping fleet is less than 8 per cent. Right from the day India achieved Independence she has been paying great attention to the question of redressing the imbalance between developing and developed countries in the matter of owning and operating merchant ships for transporting international trade. This is because ocean freight charges represented a significant deficit item in the balance of payments position of developing economies not to mention the obvious disadvantages of large scale dependence on non-national carriers for meeting the country's domestic and foreign trade requirements particularly in an emergency.

—T. K. Sarangan,
Director (Transport),
Union Ministry of Foreign Trade.

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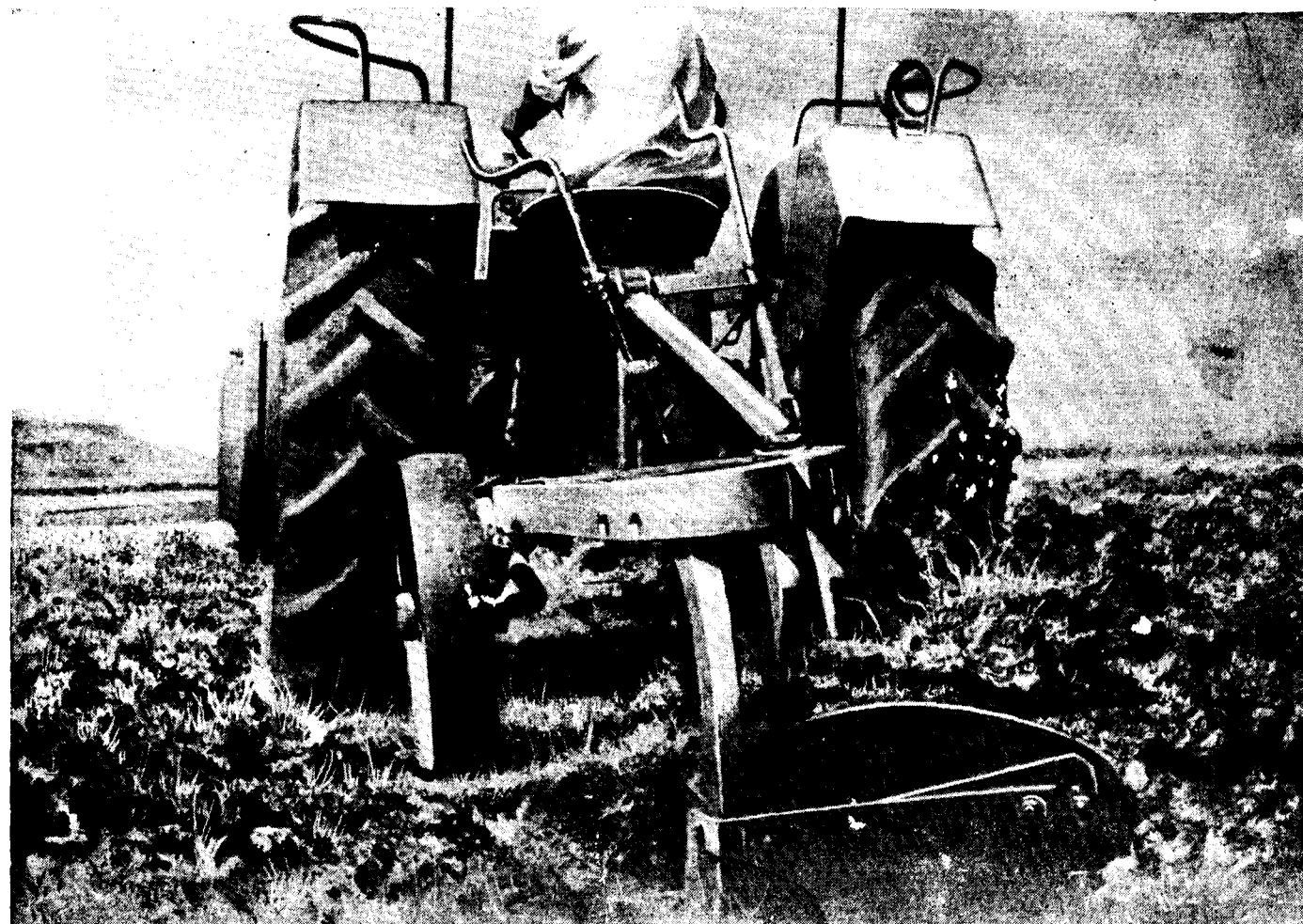
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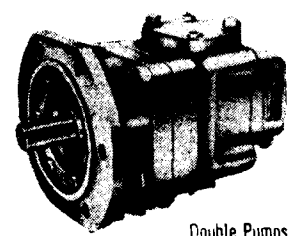
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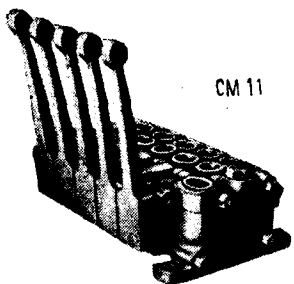
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VOL. V, NO. 13

SEPTEMBER 15, 1972

PRICE: 75 Pa

More Uneconomic Lines?

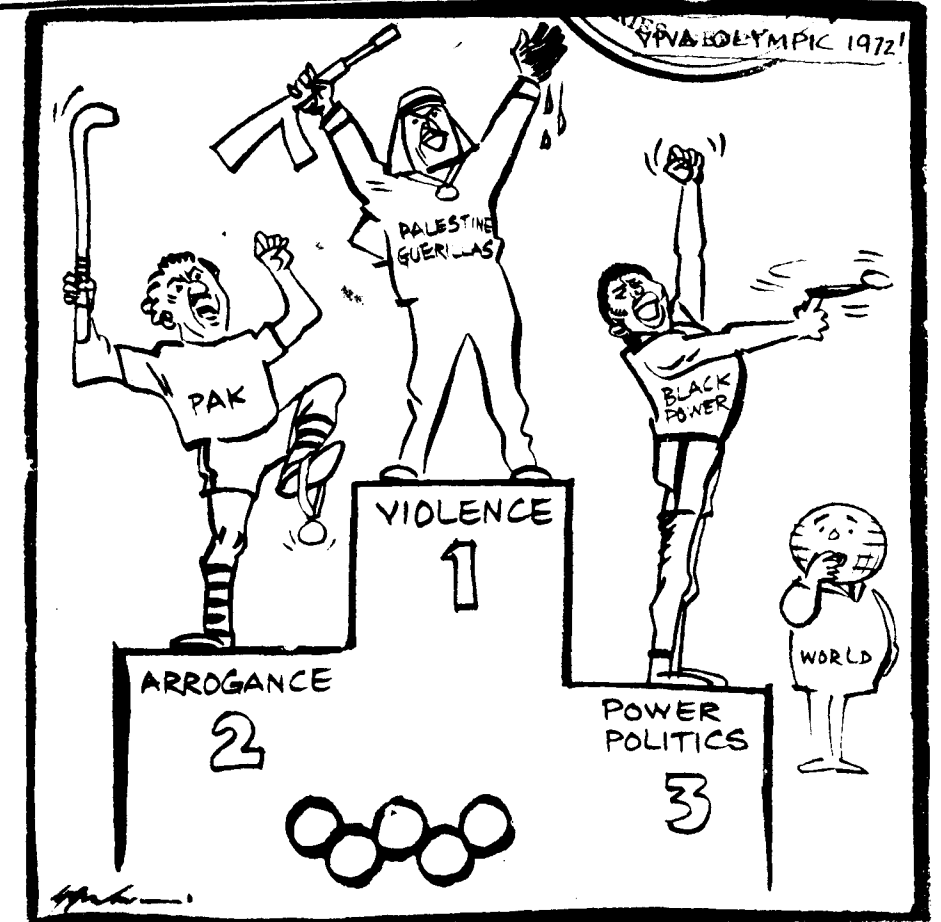
The decision to go ahead with the construction of new railway lines calls for certain questions on policy: With the numerous difficulties that are experienced over the multiplicity of gauges, should not conversion of these receive priority over construction of new lines whose economic viability cannot be assured in the near future? Taking the typical case of the Tirunelveli - Kanyakumari - Trivandrum line, this area has been well served by road transport and as such the immediate benefits of introducing the rail system does not appear to be significant or worthwhile.

When the line is fully commissioned, at the most a couple of passenger trains are going to be run on this line in either direction, apart from a few goods trains.

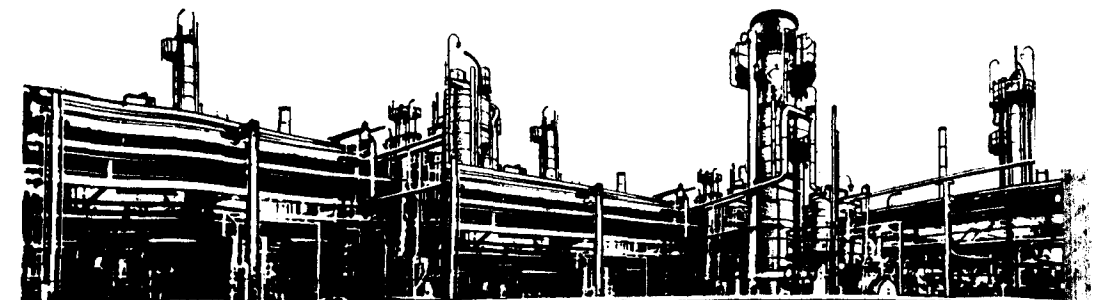
Since this belt is near the coast, for bulkier or heavier movement a ten-year plan to develop coastal shipping along the coastline here would have been far more economical as the capital expenditure requirements would not be this high. If the object is to give the region the benefit of substantial expenditure through which local employment can be ensured for the next 3-4 years, for the same investment of about Rs. 15 crores, numerous small scale and medium scale industries with employment potential could have been thought of. A valid alternative for this not insignificant expenditure on the construction of this new line would have been to convert the metre gauge section from Madras to Trivandrum in stages to broad gauge: first up to Madurai and subsequently to Trivandrum.

Under the present dispensation one does not hear any proposal for converting this important section. The thinking seems to be to connect Cochin to Tirunelveli and subsequently plan to link Tirunelveli with Karur so that broad gauge link with Madras Central can be ensured through Tiruchirappalli and Erode.

As had happened in the case of the laying of a metre gauge line between Salem and Bangalore about five years ago, which is found to be very uneconomic today, the project to lay a broad gauge line between Trivandrum and Tirunelveli via Kanyakumari also appears to be a case of giving weightage more to political and emotional considerations than to economic realities.



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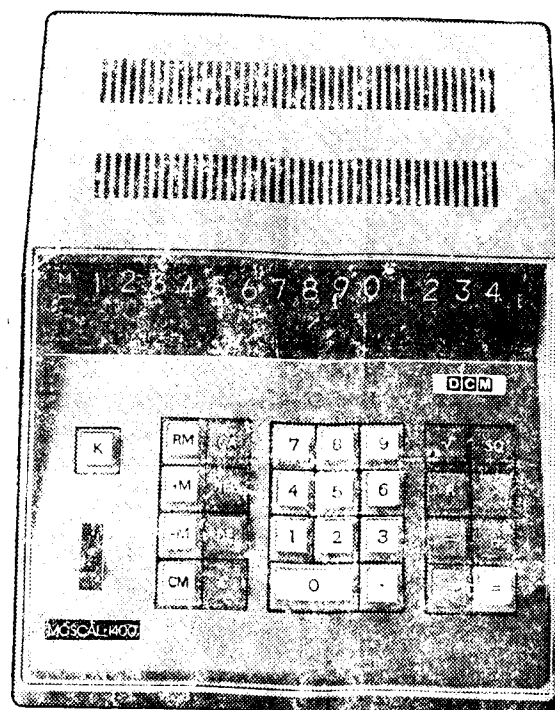
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Work Begins on a Century Old Rail Project

The other event in the southern tip of the peninsula represents also the beginning of fulfilment of an equally long time ambition. The Tirunelveli-Nagercoil-Trivandrum rail link with a branch to Cape Comorin construction work on which was inaugurated by Mrs. Gandhi is a project that is nearly a century old. The Britisher who thought about it in consultation with the then government of Travancore native state voted in favour of the alternative route via Quilon on purely commercial grounds. Later, every time the idea was revived, the same objection of commercial infeasibility and uneconomic operation thwarted any follow-up. Even now, the commercial side of the project is not quite encouraging. When the earlier survey reports were updated in 1969 and a fresh one ordered, the fact emerged that either as a broad gauge link or a metre gauge link, the line was not going to be economic at all. The metre gauge was expected to cost of Rs. 13 crores with a return of 6.5 per cent under the most favourable circumstances. The cost of the broad gauge was computed to be Rs. 14.53 crores with a return of 8 per cent. Since overall economies of modernisation have made the Government decide in favour of the broad gauge in respect of all future construction, if the line had to be constructed at all, it has to be of that gauge. The Government has now voted for the project partly because of the tourist attraction of Kanyakumari and partly as a means to satisfy a long term wish of the residents of the area.

It should not be thought that the line will be a total liability. The Railway Board has long had before it the possibility of constructing a broad gauge link from Karur to Dindigul of a parallel broad gauge line alongside the meter gauge between Dindigul and Madurai and the conversion of the metre gauge between Madurai and Tirunelveli and between Maniyachi and Tuticorin into

broad gauge. It is time that this scheme is taken up for implementation as it will then be possible to have a broad gauge link between Kashmir and Cape Comorin. At the same time some thought may be devoted to the suggestion that Tuticorin may also be linked direct with the Tirunelveli-Nagercoil line at Valliyoor as that will intensify the industrial development of the hinterland.

Interlinking the Hinterlands of Cochin and Tuticorin

In fact all these schemes should interlink the hinterland of Cochin with its industrial complex of refineries, fertilizer units and shipyard with Tuticorin's with its Southern Petro Chemicals and fertilizer complex and Cement factories at Talaiyuthu and Tulukkapatti. As now proposed the new line will have a total length of 164.02 kms.—Trivandrum-Nagercoil: 66.03 kms; Nagercoil-Tirunelveli: 75.93 kms; and Kanyakumari-Nagercoil: 22.06 kms. It will have 24 stations, seven crossing stations, 16 major bridges, 405 minor bridges, 28 road overbridges and 12 road underbridges.

In her speeches on the occasion, Mrs. Gandhi has been particular about reiterating the need for national unity. She made pointed reference to the view being canvassed on the sly in Tamil Nadu in favour of State autonomy. While she made it abundantly clear that the Centre was determined to nip any move for secession in the bud, she also highlighted the political, economic and social advantages of unity besides the fact that the powers provided to the States under the Constitution were quite adequate for the fulfilment of their aspirations. The rift in the lute was the unseemly behaviour of a section of the audience towards the Chief Minister of Tamil Nadu. It is hoped that such aberrations will disappear soon.



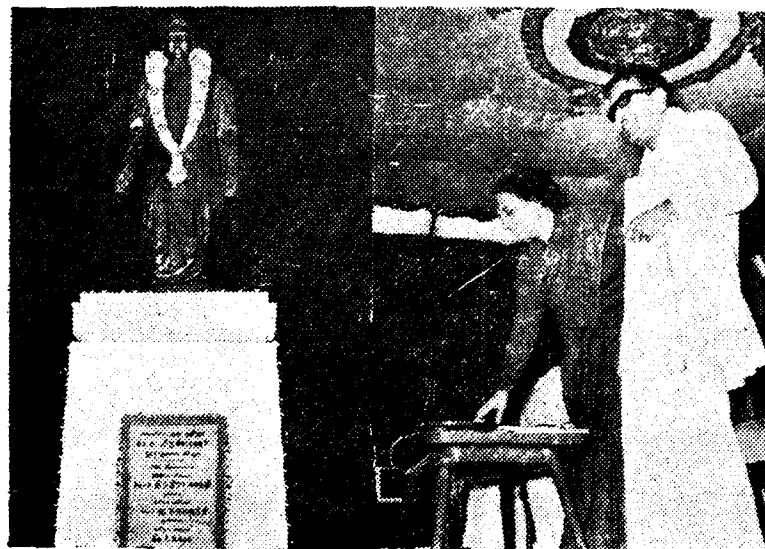
Prime Minister Indira Gandhi is seen pressing the button which unveiled a tablet marking the inauguration of work on the Tirunelveli-Nagercoil-Kanyakumari-Trivandrum broad gauge railway line. The project, estimated to cost Rs. 14.53 crores, will take railway line through areas hitherto not served by the railways. Also seen in the picture are Railway Minister T. A. Pai and Railway Board Chairman Baliga.

He Set the Sail of Indian Shipping ...

Exactly sixty-six years ago in November 1906, V. O. Chidambaram Pillai set up the Swadeshi Steam Navigation Company with a view to eliminating or at least breaking the British monopoly in coastal shipping between Tuticorin and Ceylon. That very moment he had passed into history as one of its highly patriotic characters as had been evidenced by the violent reaction of the British rulers of the day. While the monopolistic British company indulged in cut-throat competition first by reducing the fare between Tuticorin and Colombo to the unthinkable low of Rupee one per passenger and later offered to undertake free trips, the local minions of British authority strove successfully to get Mr. Pillai out of the way on a charge of sedition. The Indian shipping company naturally got killed in such unfair competition while Mr. Pillai had to rough it out as a prisoner subjected to the hardest labour imaginable for educated political prisoners namely making-do for the draught bullock of the oil mill.

Slow Acquisition of Fresh Tonnage

His dream to make India a maritime nation has now come true and his astral presence on the occasion of the celebration of his birth centenary with the issue of a stamp bearing his figure and the unveiling of his statue at the entrance to the Tuticorin port by the Prime Minister herself should have added greatly to the solemnity of the occasion. Indulging in a little stock taking, we may recall how free India crossed the one million tonne mark in shipping



KAPPAL OTTIYA THAMIZHAN

Prime Minister Indira Gandhi declared open a statue of V.O. Chidambaram Pillai at the entrance to the Tuticorin Harbour on September 5. The occasion was part of the birth centenary celebrations of VOC who attempted heroically to run a shipping service between Tuticorin and Colombo in competition with the British companies. This was the first ever attempt by an Indian company to break the British monopoly; but unfortunately the effort was crushed by unethical rate-cutting. VOC himself was charged for treason and punished with rigorous imprisonment for life.

Picture shows Tamil Nadu Chief Minister Karunanidhi looking on happily as Prime Minister press the button to unveil the statue.

"You don't look as if you've spent a long hard day at the office," said my wife.



(Suspicious, that's what women are!)

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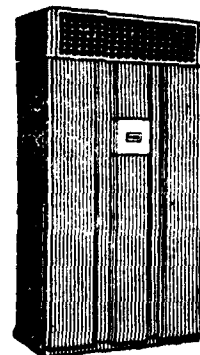
Understandable. A working woman would know better but the housewife seems to take it for granted that a day in the office ought to make a wreck of any man. Obviously, nobody's told her about highly productive modern offices and Blue Star Packaged Climate Systems!

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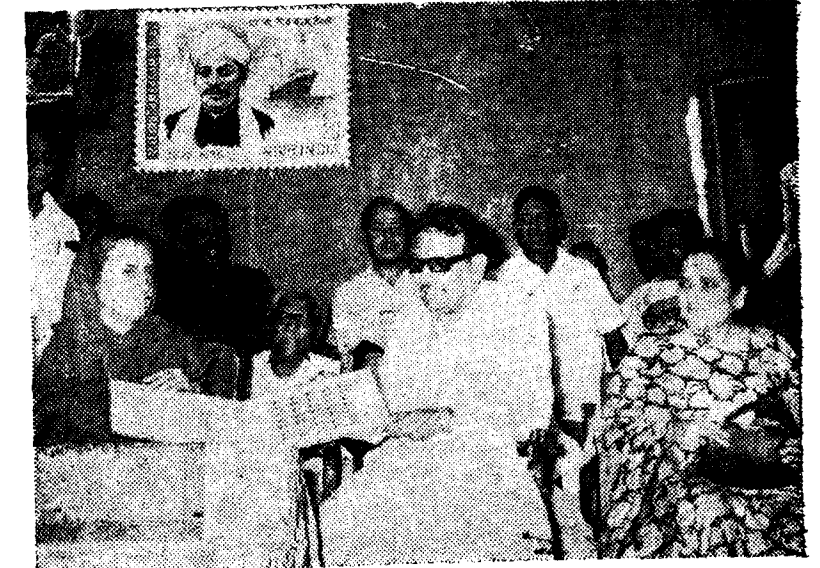
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Press 16/72

tonnage a decade ago and thus joined the ranks of the world's maritime nations. A sobering thought should be that this fast progress down to the mid-'sixties has not been kept up since. Acquisition of fresh tonnage has slackened to 65,000 tonnes in 1971-72 from 1.3 lakh tonnes in 1970-71 and 2 lakhs tonnes in the preceding two years. No wonder the Fourth Plan target of 3.5 million tonnes in operation and 0.5 million tonnes on order bids fair to be missed by a clear one million tonnes.

There is little point in apportioning the blame entirely on policy makers, because the causative factors are complex. All the world over, the tramp trade has slumped along with a slump in freight rates in the wake of the recession of the Japanese steel industry and shipping companies which can usually be depended upon to augment their freight have been discouraged from doing so.

In India, fears of nationalisation coupled with the increasingly stiffer terms of deferred credit facilities offered by the country's traditional foreign ship-builders have restrained private sector companies particularly from ordering fresh tonnage. The domestic yard at Visakhapatnam is as yet unequal for meeting any massive demand. All the more reason why facilities at this yard require to be firmed up while the yards proposed at Cochin and Haldia should be helped to be got ready expeditiously enough. Only then will Chidambaram Pillai's dream of



Prime Minister Indira Gandhi is seen handing over a philatelic album on the occasion of the release of the stamp in honour of V. O. Chidambaram Pillai at Tuticorin on September 5. Also seen in the picture is Mrs. Madhuben Shah, wife of the Tamil Nadu Governor.

training Indians in all aspects of shipping and navigation will have been realised.

Atlast a Fair Deal for Southern Sugar Producers...

The new sugar policy is refreshingly different from the earlier approaches to the problems confronting a major industry. Under the new scheme, the minimum price for cane for the 1972-73 season has been raised to Rs. 80 per tonne with the basic recovery of 8.5 per cent and less against the prevailing price of Rs. 73.70

per tonne with the basic recovery of 9.4 per cent and below. One may contrast this with the recommendation of the Indian Sugar Mills Association suggesting Rs. 90 per tonne with a recovery of 9 per cent and the Agricultural Prices Commission suggesting the minimum price of Rs. 80 per tonne with the recovery of 9 per cent.

Principle of Proportionality

The South Indian Sugar Mills Association on the other hand has pleaded that the basic recovery should be fixed lower at 8.5 per cent. Though the Tariff Commission and the Sen Commission recommended an increase in the cane price in proportion to the

CHANGING IMPORTANCE OF PRODUCING REGIONS

(in lakh tonnes)

State	1965-66		1969-70		1970-71		1971-72	
	Production	Percentage to Total	Production	Percentage to Total	Production	Percentage to Total	Production	Percentage to Total
1. Uttar Pradesh	13.73	38.8%	16.23	38.0%	11.98	32.0%	8.40	27.1%
2. Maharashtra	7.80	22.0%	10.42	24.5%	10.55	28.3%	10.00	32.3%
3. Andhra Pradesh	2.98	8.4%	3.35	7.9%	2.67	7.1%	3.02	9.7%
4. Tamil Nadu	2.23	6.3%	2.88	6.8%	2.99	8.0%	2.96	9.6%
5. Mysore	1.53	4.5%	2.43	5.6%	2.05	5.5%	2.38	7.6%
6. Bihar	3.70	10.4%	3.33	7.8%	2.93	7.8%	1.52	4.9%
7. Others	3.35	9.6%	4.02	9.4%	4.23	11.3%	2.72	8.8%
Total	35.32	100.0%	42.66	100.0%	37.40	100.0%	31.04	100.0%



Cane, Cane everywhere but why the prices soar so high?

increase in recovery above the basic limit, sugar producers in Maharashtra, Uttar Pradesh and Bihar were opposed to the principle of proportionality as they were opposed to a lowering of the basic recovery to below 9 per cent. On the other hand the South Indian Sugar Mills Association had been contending that their costs of production had been needlessly inflated by working out cane price on a basic recovery of 9.4 per cent and that the States having a high level of recovery were deriving unfair advantage due to a relatively lower cost of cane.

The earlier anomalies will not disappear as the principle of proportionality advocated by the South Indian Sugar Mills Association has been accepted by the Government. Sugar mills in Maharashtra will now have to pay additionally over Rs. 15 per tonne under the new formula upto a recovery of 9.4 per cent and a higher premium for a further improvement in the recovery. Whereas under the existing formula cane, yielding a recovery of 12 per cent, is being paid for at only Rs. 90.86 per tonne, according to the revised scheme, the price will be much higher at Rs. 103.50.

Fixing New Prices on Realistic Basis

Levy prices would have to be fixed at much higher levels because there

will be an increase of the cost of cane by a minimum of Rs. 16 per tonne in the case of those who had an average recovery of 9.4 per cent. It is now expected that prices under the new scheme will be fixed on a realistic basis and the sugar mills should bear the loss that would have to be sustained in respect of the additional amount paid to the cane growers above the minimum price. It is only when levy prices are reasonable a sharp rise in open market prices can be prevented. As the sugar mills can pay an average price of over Rs. 90 per tonne, it will be possible to increase production substantially by discouraging a diversion of cane supplies to gur and khandsari producers.

If the new policy was properly implemented and levy prices were fixed scientifically, it will be feasible to raise production to even 40 lakh tonnes in 1972-73 from only 31 lakhs in 1971-72. It will then be easy to get over a difficult situation and also pave the way for establishing a new record of over 45 lakh tonnes in 1973-74. The industry's capacity, however, will have to be utilised fully with a longer average crushing season. However, the objective of a season of 200 working days can be reached only if there were suitable rebates in excise duty for early and late crushing in 1972-73.

Controlled Sugar Around Rs. 2 Per Kg.

There should also be no hesitation to reduce the excise duty on both levy and free sugar. Otherwise with the likelihood of levy prices being above Rs. 155 per quintal, the continuance of an *ad valorem* duty of 30 per cent will result in an increase of over Rs. 200 crores even excluding sale tax. If the issue prices for different grades of sugar are to be uniform and not more than Rs. 2 per kg. is to be paid by the consumer, there will have to be a reduction in the *ad valorem* duty to 20 per cent. This reduction will not cost the Exchequer much as there will be a larger offtake and tariff value for payment of excise duty on sugar for free sale has also been raised periodically. The latest tariff value at Rs. 235, however, prevents mills from pushing up price unduly. This is because an end price of very much more than Rs. 300 per quintal is regarded unreasonable. Mills therefore will be agreeable to effect sales of free sugar at below Rs. 250 per quintal only if the Government's attitude was really helpful. All indications therefore point to the availability of controlled sugar around Rs. 2 per kg. and free market sugar around Rs. 3 per kg. If for the second season the output could be raised sizably, many of the difficulties may be got over.

The industry also should be helped to implement expansion schemes and use the licences issued for erecting new factories. The policy of not helping actively sugar mills in the private sector for mobilising their resources will have to be abandoned as only with the use of the existing licences and the issue of new licences the much needed additional capacity can be brought about. The manufacturers of machinery too should be provided the necessary facilities as additional crushing capacity for at least 20,000 tonnes daily will have to be brought into being every year. This will enable the crushing of at least 4 million tonnes of cane and additional quantity of over 3.75 lakh tonnes of sugar.

—(FOC)

INDUSTRIAL ECONOMIST

A Stupendous Effort to Raise Rs. 250 Crores

At no stage in the history of borrowing by Governments and public bodies, in recent memory, has there been such a concerted effort to mobilise resources and take advantage of the comfortable conditions in the money market. In the present phase of borrowing, the State Governments, the Centre and the Industrial Development Bank of India will be raising over Rs. 280 crores, the State Governments Rs. 132 crores, the Central Government Rs. 236.5 crores and IDBI Rs. 16.5 crores. This massive borrowing in three weeks which is nearly equal to the record net borrowing of the Central Government in the whole of 1971-72 may not upset the money market that much which could normally have happened under different circumstances.

Possibility of Temporary Stresses

There will of course be temporary stresses in the money market in the third week of September as there will also be a diversion of funds through advance tax payments. But, the amount borrowed by scheduled commercial banks from the Reserve Bank by the end of September may not be more than Rs. 50 crores which could be expected to be more than wiped out by the end of October as there will be similar additions to surplus resources of banks in that month. Even allowing for the possibility of the State Electricity Boards and other public bodies raising their own requirements for about Rs. 75 crores there will still be a surplus of about Rs. 75 crores which may have to be temporarily invested in Treasury Bills or kept in the form of higher cash balances to some extent for meeting a seasonal increase in demand for funds that may materialise after the end of October.

The borrowing programme of the State Governments for 1972-73 has been conceived in an ambitious manner as the gross amount involved in respect of twenty loans is as much as Rs. 197.25 crores against Rs. 158.75 crores in 1971-72. Besides the larger amount in respect of 15 States who

came on the market for raising their requirements last year, Himachal Pradesh, Jammu and Kashmir, Meghalaya, Manipur and Nagaland will be making their debut with open market loans. Except Jammu and Kashmir which is asking for Rs. 2 crores all others are issuing loans for Rs. 1 crore each.

Thus excluding the share of these States the earlier borrowers will be requiring Rs. 190.25 crores against Rs. 158.75 crores. There will necessarily be a larger notified amount as maturing loans account for Rs. 84.22 crores against Rs. 72.71 crores in the previous year. Even otherwise an effort has been made to help some State Governments to raise larger amounts because of the special needs.

The rationale adopted for fixing the notified amounts in individual cases is not clear. The net borrowing even in respect of weaker States like Assam and Kerala is lower than those

of last year even after allowing for the separate borrowing by Meghalaya and the special assistance given to Kerala and others. After allowing for the maturing loan Kerala will actually be borrowing a smaller net amount of Rs. 2.90 crores against Rs. 3.28 crores it borrowed last year. The notified amount has also been reduced in the case of West Bengal to Rs. 13 crores from Rs. 14.25 crores and in respect of Madhya Pradesh to Rs. 9 crores from Rs. 10 crores.

The net amount borrowed will also be lower at Rs. 5.70 crores against Rs. 6.56 crores for West Bengal and at Rs. 3.96 crores against Rs. 4.75 crores for Madhya Pradesh. The approach to the whole question of mobilisation of resources is not, therefore quite clear especially as Rajasthan has been allowed to increase sharply the notified amount to Rs. 16.75 crores from Rs. 7.25 crores while the maturing loans were outstanding to the extent

STATE LOANS OVER-SUBSCRIBED

State	(in Rs. crores)			Percentage of partial allotment
	Notified amount	subscriptions received		
Andhra Pradesh	20.50	22.05 (4.51)		—
Assam	4.50	4.97		—
Bihar	12.00	13.20 (2.50)		—
Gujarat	12.50	13.80 (3.39)		—
Haryana	7.50	8.25		—
Himachal Pradesh	1.00	1.11		—
Jammu & Kashmir	2.00	2.25		98
Kerala	7.00	8.15 (3.38)		91
Madhya Pradesh	9.00	10.06 (3.13)		98
Maharashtra	19.75	21.78 (5.13)		—
Manipur	1.00	1.15		96
Meghalaya	1.00	1.10		—
Mysore	14.25	15.68 (3.25)		—
Nagaland	1.00	1.15		96
Orissa	8.50	9.36 (3.82)		—
Punjab	6.25	8.80 (2.15)		72
Rajasthan	16.75	18.46 (3.59)		—
Tamil Nadu	20.00	22.10 (4.10)		—
Uttar Pradesh	19.75	22.28 (2.89)		97
West Bengal	13.00	14.33 (2.92)		—
Total	197.25	220.63 (44.76)		—

Figures in brackets show the amount received by way of conversion of maturing loan.

of only Rs. 4.49 crores and Rs. 3.84 crores respectively. The only objective would seem to be to take the maximum advantage of the propitious conditions in the money market and raise a record net amount.

There were also some second thoughts because subsequent to the first announcement, Jammu and Kashmir and Manipur came on the scene with Rs. 2 crores and Rs. 1 crore respectively. It is also significant that the State loans carry

identical terms in all cases and the earlier differences in issue prices for various loans are no longer allowed. This is indeed a healthy practice as there is no meaning in differential rating for various loans. All the loans carry interest at 5¼ per cent and mature after 12 years.

The Central Government will be completing the second stage of its borrowing eleven days after the list for the State loans were opened. This is a somewhat unusual procedure but

there is confidence that the amount required will be secured. There will be reissues of 3 earlier loans, 4¼ per cent—1979, 5 per cent—1983 and 5¼ per cent—2002. The issue prices for the short and long dated loans have been fixed at par and for the medium dated loan at a discount of ½ per cent. The notified amount is Rs. 215 crores with the Government having the right to accept subscriptions upto 10 per cent in excess of the notified amount.

—Meenam

The Blackest Hour in Olympic History

It is difficult to find words to condemn the consequences of the Black September madness which has cast a gloom over the Munich Olympic and tarnished the image of mankind in the twentieth century. The Black September guerillas finding themselves ambushed had made sure that all the hostages were dead. How they stormed into the Israeli Camp the earlier day and took Israeli athletes hostages is going to be one of the unsolved mysteries if, as has been averred, the West Germans had taken ample precautions against this eventuality because they had not ignored the broad hint that the commandos would strike some time in Europe.

The seeds of the madness were sown long ago when Israel was carved out as an independent nation out of Arab territory. Having wandered without a homeland for over a millennium, they were perhaps entitled to return to where they belonged. Such return would not presumably be congenial except on the basis of acquisition of sovereign territory. But the Arabs have never been reconciled to this position and have made it abundantly clear that they could not endure the existence of such a territory within what was their own homeland.

Absurdity of Chronological Rights

Historical events do not, however, have much patience with chronological rights. If such rights were taken to be sacrosanct, the whole of India should belong to the direct descendants of Bahadur Shah. The whole of Arab

countries should go to the Berbers. It is because of the absurdity of such hypotheses that political diplomacy recognises only contemporary political realities and is quick to alter its approach according to any change in these realities. In the Middle East, the Arab—Israeli conflict has introduced Big Power balance of power stratagems and the Arabs were quick to realise the inherent vulnerability of their own political alignments. Some of them recognised that emotional frenzies against Israel would in the circumstances lead them nowhere while those infected by such frenzies were sources of danger to their own State.

This has occasioned the weakening of the guerilla movement in Palestine and the two principal groups, Palestine Liberation Organisation and the more militant Popular Front for Liberation of Palestine had been compelled to limit their activities. The army of King Hussein of Jordan inflicted severe losses on the Al Fatah guerilla movement in an action in September two years ago and the Black September terrorists came into being that very moment who managed to kill Hussein's own Prime Minister in Cairo. That explains immediate condemnation of the Munich killing by Jordan and the mental reservation of some Arab countries to do likewise.

A Fine Way of Inculcating Impartiality!

Some of them no doubt realise that such terrorism should provoke revul-

sion rather than sympathy for the Arab cause. But yet they are not prepared to follow this awareness to its logical conclusion and are not unwilling to grant asylum to Arab hijackers. The example of Algeria which impounded the plane, seized the ransom and handed over the hostages to their country should not be difficult of emulation. Even if it were difficult, it should be done to preserve elementary human and international decencies. Instead it is disgusting to hear some Arab newspapers say that "public opinion has always been against the Arabs never taking their side in the (Israeli) dispute and so public opinion needs a sharp blow to make it impartial." No wonder Israeli newspapers have called for reprisals against the Munich carnage.

Right thinking diplomats have got to strive to calm such tempers. This is a responsibility which they cannot easily discharge without the direct assistance of the governments of opposing political interests. Yet any failure to act towards this goal will only make it easier for terrorists to hold valuable human lives to ransom merely to sustain their thirst for blood. Much depends on how far the Big Powers who have an axe to grind in the Arab-Israeli conflict are prepared to restrain their allies on the two sides. Which is a question of open covenants openly arrived at for which big power diplomacy is not yet ready. This is the saddest part of any story of conflict which, because of that very fact, becomes never-ending.—R.S.

INDUSTRIAL ECONOMIST

THE CITY CORNER:

Adjudication A Tool to Destroy Trade Unions—Giri

It was really a conference season in the City. City organisations availed themselves of the visits of important personages and refurbished their images through occasions specially created for the participation of the visiting VIPs. For the citizens, to have in their midst high-ups from the President downwards was a pleasing break from their routine chores.

One cannot contemplate President Giri, who is never tired of trotting to the ends of the globe, sitting idle twiddling his thumb during his three-day stay in the City. Honouring the tradition set up by his illustrious predecessors in office, of having his headquarters in the South for a couple of months each year, the President shifted his seat of functioning from Delhi to Hyderabad last month. Perhaps it is impossible to think of a month-long stay at the Andhra capital without a visit to Madras, Mr. Giri's home town and scene of his earlier labours.

Mr. Giri said quite a few things in the course of the many speeches delivered by him during his three-day sojourn in the City. He was totally against adjudication as a means of solving labour-management disputes. Reminding his audience at a function organised by the Madras Productivity Council that he was still the same old fiery trade union leader that he was in the 'thirties and 'forties, Mr. Giri bluntly said that adjudication was a trick used by the employers and the Government in collusion to destroy the roots of the trade union movement in the country. He asked the workers to throw out adjudication 'lock, stock and barrel' as otherwise there was no salvation for them. There was no dispute that could not be settled in direct bargaining between the management and the union without the interference of the Government or the ruling party, he declared.

Mr. Giri gave away the award named after the veteran labour leader Mr. Guruswamy, to Miss Maniben Kara,

President of the Western Railway Employees' Union, Bombay (and a close associate of the late Guruswamy).

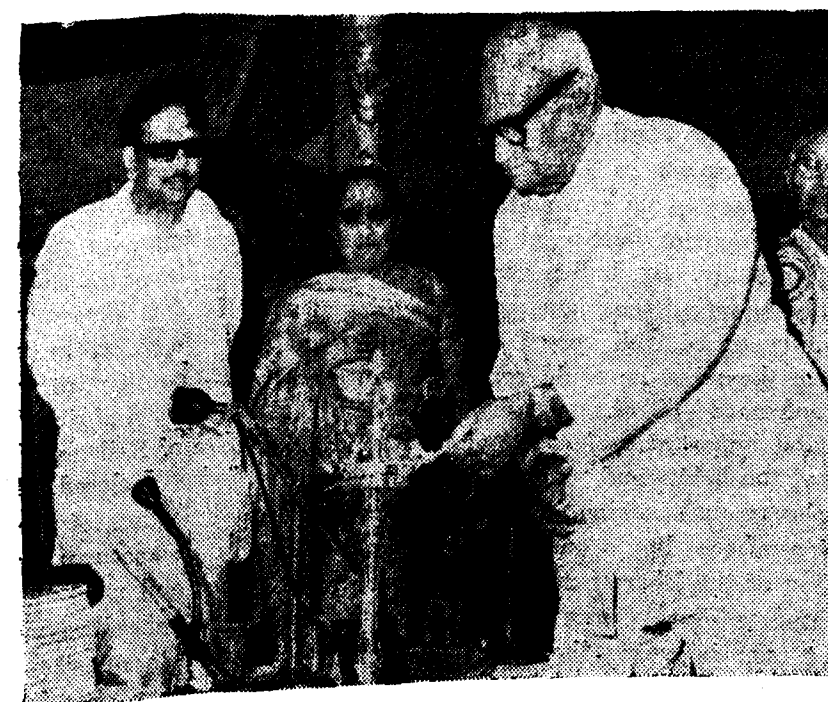
From the same platform the former Planning Commission Member R. Venkataraman, also a one-time trade union leader of reputation, spoke strongly about the present-day irresponsible union leaders who carried the Government's favour and exploited labour. The emergence of these leaders, according to him, is the direct result of giving a send-off to collective bargaining and inviting resort to adjudication.

Political Leanings of Teachers

Another piece of sober advice Mr. Giri carried in his pocket was for the teaching profession. Participating in a function got up by a teacher training school, the President administered a stern warning to the teaching community not to imagine they were also workers and could walk away abandoning their posts of duty to ventilate

their grievances. He was sorry the teachers were with one political party or another and angled for all kinds of things. He blamed the present day poor standards of students and the indiscipline on their part squarely on the teachers who had unfortunately acquired a trade union bent of mind. The present-day teachers, he said, had enthusiasm for anything but teaching. If they did not shed this attitude and mend their ways the country would have to think of replacing the men-teachers completely by women teachers, he observed!

The President departed from the goody-goody script prepared for him earlier and distributed by his Secretariat to the newspapers and news agencies "to deliver the stunning blow on the errors of the noblest of profession." He did not mince words. Perhaps he had good reason to be so blunt in his condemnation of the lapses of teaching fraternity. When the country was assessing the degree of responsibility of the teaching profession for the



President Giri had a busy schedule of programme in city during his recent visit to Madras. Important among these was his declaring open the building of the Madras Centre of the Bharatiya Vidya Bhavan at Mylapore. In the picture he is seen lighting a Kuthu Vilakku marking an auspicious inauguration. Also seen in the picture are Chief Minister Karunanidhi and Mrs. Madhuben Shah, wife of Tamil Nadu Governor.

INDUSTRIAL ECONOMIST

present-day ills of the educational world, the teaching community like industrial labour continuously raises demands for more money, more this and more that, and the citizen is therefore naturally put out. In this context, the President's remarks are perhaps not ununderstandable.

Land Colonisation Projects

In another meeting, the President suggested land colonisation projects for relieving unemployment which was mounting. He was of the view that the large unused land available in almost every State could be rendered cultivable with a little effort from the State Governments. He would have a network of pilot land colonisation projects, each a compact unit, self-dependent and self-supporting. He thought the most convenient size for each project would be about 1,200 acres capable of settling 200 families. Of course, the assumption is that irrigation facilities, agricultural implements, roads, and housing for the settlers could be provided quickly by the Government.

Plea for National Integration

The theme of Mr. Giri's speech in yet another function was national integration through efforts to make the different people of the country know the greatness of one another's language and cultural treasures. Each language had a history of its own and its origin and development were a subject of fascinating study. An Indian could not certainly know all the languages of the country or be well versed in a number of them but he could certainly be informed of the peculiar greatness and importance of each of them and of the habits and ways of living of the group speaking it. At this function where he opened the new building of the Bharatiya Vidya Bhavan's Madras Kendra, several other eminent men including the Tamil Nadu Governor and the Chief Minister took part.

Home-Coming of New Minister

Another important visit generated equally warm interest for the people

of the City. Mr. T. A. Pai, the Railway Minister, is no stranger to Madras or Tamil Nadu. The reference here is not to his association with the State and the City as Chairman of the Food Corporation of India and later of the Life Insurance Corporation. His connection with Madras dates back to the forties and fifties when he was building up his bank (the Syndicate Bank) assiduously from his district (South Kanara), then a part of composite Madras State. Later, he entered politics and served one term as MLA during the time of Rajaji's Chief Ministership (1952-54). He recalled in one of the meetings addressed by him "the unforgettable days" he spent in the Assembly witnessing Rajaji function as the head of the Government of composite Madras.

Naturally therefore it was home-coming for Mr. Pai when he visited the city for the first time in his capacity as Railway Minister.

Forthright Criticism of Rail Strike

His reaction was one of fury to the strike launched by a group of loco running staff in certain divisions of the Southern and South Central Railway to back up demands for recognition. He definitely ruled out recognition of any more unions. The recognised unions were more than enough in number and it would be dangerous to add to the list. He was, of course, not averse to discussing with anybody, in the recognised union or outside, specific grievances. He was determined not to let small groups of workmen hold the entire community to ransom. "This shall not happen during the time I am at the helm of Railway affairs in the country," he declared. He had discussions with leaders of the recognised unions on measures to keep movement intact and meet the threat of the small group of railwaymen. He would not hesitate to curtail passenger services if necessary but he would strive to maintain goods movement. It was very refreshing to see a Minister take such a categorical stand on irresponsible work stoppages which had assumed dangerous proportions in the country.

'Just Give me a Month' . . .

"Please give me a month's time; I accept the challenge on behalf of the railwaymen and shall move all goods that you produce," said Mr. T. A. Pai, in reply to the welcome address presented to him by the six Chambers of Commerce in city.

Speaking at a reception given by the Chambers of Commerce in Madras to him, Mr. Pai dwelt at length on the positive side of the railway and their contribution to the national prosperity. Everyday the railways move passengers in such large numbers that equal the population of a countrylike Switzerland; 11000 trains are run and in a year they move as much as 270 crores of persons. In a day again, the mileage covered by these is equal to twice the circumference of Earth.

Apart from these, by the very nature, they are called upon to perform various jobs such as their recent undertaking of moving water to Aurangabad in Maharashtra at the request of the State Chief Minister to relieve the acute shortage of water due to drought; and moving fodder in Gujarat to about 6000 drought affected villages.

Referring to the complaint of non-punctuality, the Railway Minister said that steps were being taken to improve this record. While the punctuality of the passenger trains was keenly felt, according to him, it was not felt as keenly in the case of freight movement. While even a 10 per cent improvement in punctuality in regard to goods trains would bring in a profit of Rs. 75 crores, a similar improvement in the case of passenger trains would result in a profit of Rs. 25 crores only. So it was necessary to concentrate on this aspect also, he said.

When president after president, of the different chambers blamed the inadequacies (like wagon shortages) of the Railways for the production halt in various industries, Mr. Pai was put out into remarking that he hoped to be in a position after about a month to challenge industry to produce to the speed and efficiency of the Railways. There were many in the audience who believed he would live up this challenge, his dynamism being what it was.

—(FOC)

Efforts to Unearth Black Money

By Dr. H. R. MACHIRAJU

The Wanchoo Committee's report on Direct Taxes suggested several valuable and useful measures for strengthening and streamlining the tax administration and the machinery of tax collection and to plug some of the more obvious loop holes which help tax evasion or avoidance. The Committee has been forthright in questioning the utility of the existing controls, licensing system and permits which have been the cause and effect of black money. The Wanchoo Committee has also made far reaching recommendations in regard to taxation of the corporate sector, such as the adoption of a split rate system for the taxation of corporate profits, abolition of surtax, the levy of a tax on capital of companies and the introduction of new incentives. The Report is on the whole fair to the Government and to the tax payer.

Victious Circle of Black Money and Tax Evasion

Black money is defined by the Wanchoo Committee as unaccounted money or concealed income and/or undisclosed wealth as well as money involved in transactions wholly or partly suppressed. Black money stands not only for money earned by violating legal provisions but also connotes that such money is kept secret and not accounted for. The Committee found that tax evasion and black money were closely and inextricably inter-linked. While tax evasion leads to the creation of black money, black money utilised secretly in business for earning more income inevitably leads to tax evasion.

For estimating the extent of tax evasion the Wanchoo Committee has adopted the "Kaldor method" with suitable modifications for structural changes in the economy. The Kaldor method consists of a comparison of national income estimates with income tax assessments to arrive at the magnitude of evasion. This involves the distribution of national income into salary and nonsalary income and secondly determining the proportion of

nonsalary income accruing to persons above the exemption limit.

Kaldor estimated from his calculations about distribution of income and tax assessments that the amount lost through tax evasion for the assessment year 1953-54 was of the order of Rs. 200-300 crores.

The Wanchoo Committee placed the assessable nonsalary income for the financial year 1961-62 at Rs. 2,686 crores as against an actually assessed nonsalary income of Rs. 1,875 crores. Accordingly the income which escaped tax for 1961-62 is placed at Rs. 811 crores. By applying the ratio of evaded income to the assessable nonsalary income of 1961-62, to the assessable nonsalary income of 1965-66 the Committee estimated that the evaded income for 1965-66 would be Rs. 1,216 crores. After making 'rough adjustments' the Committee arrived at an estimate of income on which tax has been evaded thus: Rs. 700 crores in 1961-62, Rs. 1,000 crores in 1965-66 and Rs. 1400 crores in 1968-69. Dr. D. K. Rangnekar in his note of dissent disagreed with the Committee's estimates of black money. His estimate based on the expenditure statistics for different sectors of the economy is that in 1961-62 tax evaded income totalled Rs. 1150 crores; in 1965-66 it rose to

Rs. 2350 crores; and in 1968-69 and 1969-70 it was as high as Rs. 2833 crores and Rs. 3080 crores respectively.

While the definition of black money adopted by the Committee is comprehensive its relationship to tax evasion is rather tenuous. This is especially relevant since the Committee found that high rates of tax lead to evasion and creation of black money and consequently recommended a reduction of the marginal tax rates applicable to income of individuals to reduce evasion. This prescription rests on an inadequate appreciation of the process of the creation of black money.

Sources of Black Money

At the outset, it has to be pointed out that in a scarcity economy where controls operate and prices are administered, there are avenues galore to earn black money. The difference which is usually higher and the price between the prevailing market price which is directly or indirectly fixed by the Government invariably constitutes money earned by violating legal provisions. The official rate of foreign exchange, the interest rate fixed under usury laws, the low regulated price at which allocations of scarce materials like steel etc. are made, import permits at the official rates of exchange, all legislation in regard to imports and foreign exchange, give rise to black money. The non-availability of goods

Table 1
INCOME TAX PAYABLE BY INDIVIDUALS

Income Bracket Rs.	Rates in Force †	Rates Recommended by the Direct Taxes Enquiry Committee
0 — 5000	—	10%
5001 — 10000	10%	Rs. 500 + 15%
10001 — 15000	Rs. 500 + 17%	Rs. 1250 + 20%
15001 — 20000	Rs. 1350 + 23%	Rs. 2250 + 25%
20001 — 25000	Rs. 2500 + 30%	Rs. 3500 + 35%
25001 — 30000	Rs. 4000 + 40%	Rs. 5250 + 45%
30001 — 40000	Rs. 6000 + 50%	Rs. 9750 + 50%
40001 — 50000	Rs. 11000 + 60%	Rs. 14750 + 55%
50001 — 60000	—	—
60001 — 70000	Rs. 23000 + 70% ‡	Rs. 20250 + 60% ‡
70001 — above	Rs. 37000 + 75%	—
80001 — 100000	Rs. 52000 + 80%	Rs. 26250 + 65%
100001 — 200000	Rs. 132000 + 85%	—
200001 — above	—	—

† Plus surcharge of 10 per cent up to Rs. 15,000 and 15 per cent in other cases.
‡ Applicable to Rs. 60,001 — 80,000 income bracket.

or wide difference in domestic and international prices may also lead to smuggling and creation of black money. Such activity contravenes the existing legislation in regard to imports and foreign exchange.

It is only after income is earned through infringement of legal provisions that efforts are made to conceal income. The high rates of tax which lead to raising the net profit on concealment no doubt induce people to conceal their income.

But this reason appears at a later stage in the process. First of all, people are afraid to disclose the means employed to earn the income. At a subsequent stage they may find that the net gain or profit from concealment is high and hence decide to conceal their income. In these cases the remedy lies in eliminating the sources that afford opportunity to earn black money in the country. The Committee's recommendation that the entire gamut of regulations, controls, etc. should be examined and those that are irrelevant should be eliminated would help to a certain extent. But it would be a practical impossibility to eliminate all sources that give rise to black money for the simple reason that we cannot attain an equation between the market price and the regulated price. The exchange rate and the interest rate to mention only two examples would never be allowed to reflect the true market forces of supply and demand.

Evasion Due to High Marginal Rates

There is another group of people who earn their income lawfully but resort to evasion of tax because of high marginal rates, and the large net profit from concealment of income. Merchants, apart from those who resort to black market practices, professional people like writers, doctors, lawyers and cinema stars belong to this category. Professionals and cine artists resort to evasion mainly because their earnings are large only during a short span of their careers and the high marginal rates do not help them in providing for their old age or uncertain future. The remedy may lie in adopting some averaging principle whereby the rigour of the high rate is reduced. But the incentive to evade tax will always remain since there is always a net profit in evading tax whatever the level of the rate.

The Committee while recommending a reduction of personal income tax rates does not seem to have taken into account our experience in the past with lower marginal rates. The highest marginal tax rate which had been at about 82 per cent from 1951-52 to 1954-55 was raised to 88.6 per cent in 1955-56 and further to 91.8 per cent in 1956-57 in accordance with the recommendations of the Taxation Enquiry Commission (1953-54). The Taxation Enquiry Commission which had also examined the problem of tax evasion found no justification for reducing the

marginal tax rate. In 1957-58 the maximum marginal rate of 91.8 per cent was brought down to 84 per cent for unearned income and 77 per cent for earned income to reduce the distinctive effect of high tax rates for work and to improve compliance. The reduced maximum marginal rate of 77 per cent prevailed continuously for five years up to 1961-62. In that year, according to the Wanchoo Committee, evasion of the order of Rs. 811 crores had occurred when a rate comparable to what it has recommended was obtaining.

Postponing Consumption and Observing Thrift

In recommending a reduction of the personal income tax rates the Wanchoo Committee tried to go against the tide of the times. The progressive principle in taxation is adopted deliberately to reduce inequalities and in a country where poverty rather than riches is widely prevalent, it is unrealistic to suggest even a reduction in the steepness of progression. At the same time our problem is to raise the aggregate savings and the saving of household sector which constitute a major portion of the total. To blend these conflicting objectives, reduction of inequalities interpreted in terms of more equal living standards. High marginal rates with liberal tax rebates for personal savings under income tax would penalise a person who indulges in ostentatious consumption by consuming all his income and rewarding a person who is thrifty and puts away his income. The incentive to evade taxes would be considerably less among people when they can reduce the rigour of high rates by postponing consumption and observing thrift. The Committee instead of recommending lowering of tax rates should have recommended an enlargement of relief for savings retaining the prevalent tax rates.

This could be attained by raising the monetary ceiling for saving qualifying for education in computing taxable income and widening the range of instruments beyond provident fund, life insurance, cumulative time deposits and unit-linked insurance. Liberal treatment of savings would

EXTENT OF BLACK MONEY AND TAX EVASION

The extent of income-tax evaded during 1968-69 would be of the order of Rs. 470 crores, being one third of Rs. 1,400 crores. The money value of deals involving black money may, therefore, be not less than Rs. 7,000 crores for 1968-69. This is, however, only a guess estimate based on certain assumptions about which substantial difference of opinion exists for want of adequate data.

CAUSES OF TAX EVASION. CREATION OF BLACK MONEY AND ITS PROLIFERATION

- High rates of taxation under the direct tax laws.
- Economy of shortages and consequent controls and licences.
- Donations to political parties.
- Corrupt business practices.
- Ceilings on, and disallowances of, business expenses.
- High rates of sales-tax and other levies.
- Ineffective enforcement of tax laws.
- Deterioration in moral standards.

ensure adequate incentives to work and save during a person's life time. Large accumulations of property that could be passed on after death may well be tackled by estate duty provisions. The adoption of a statement of net wealth as recommended by the Direct Taxes Administration Enquiry Committee (1958-59) to be submitted by all income tax assessee every four or five years would help in controlling evasion by checking the growth in assets with the declared income.

A major criticism against the method is that national income estimates themselves might not include the full ex-

MEASURES TO FIGHT TAX EVASION

Reduction in Tax Rates

Prevalence of high tax rates is the first and foremost reason for tax evasion, because this is what makes the evasion so profitable and attractive in spite of the attendant risks.

The maximum marginal rate of income-tax, including surcharge, should be brought down from its present level of 97.75 per cent to 75 per cent. Some reduction in tax rates should also be given at the middle and lower levels. In order to create an impact, the reduction in the rates of taxation should be at one stroke.

PERMANENT ACCOUNT NUMBER

The absence of a uniform system of indexing all taxpayers in the country on a permanent basis has to some extent been responsible for the difficulties experienced by the Department in tackling tax evasion. It has prevented proper linking of information expeditiously to the assessee to whom it relates and has also resulted in the records and the accounts of the taxpayers not being properly maintained. There is no gainsaying the fact that both the taxpayers and the Department will stand to benefit by the introduction of a system of permanent account numbers.

SUGGESTIONS FOR ADDITIONAL INCENTIVES

A National Development Fund should be established to which all taxpayers, other than companies, may contribute on a voluntary basis. It may be made clear that the Fund will be earmarked for utilisation by Government on development projects only. The contribution to the Fund in any financial year should be subject to a ceiling of 10 per cent of the gross total income of the taxpayers or Rs. 20,000 whichever is less. A percentage of the contribution should be allowed as a deduction in computing the total income in the same way as under Section 80C of the Income-tax Act, 1961, in respect of contributions to a provident fund or payments towards life insurance premia, viz., 100 per cent of the first Rs. 1,000 of the qualifying amount, 50 per cent of the next Rs. 4,000 and 40 per cent of the balance. However, this deduction should be in addition to that admissible at present under Section 80C of the Act. The contributions to the Fund will be blocked for a period of 7 years. The amount on repayment after 7 years will not be liable to tax. The rate of interest may be not less than 4½ per cent but the interest may be subject to income-tax. As an added incentive, the investment in the Fund may be exempted from wealth-tax also.

Table 2
CONCEALED INCOME BROUGHT OUT AFTER DETECTION OR UNDER VOLUNTARY DISCLOSURE SCHEMES

		(Rs. crores)	
Years	Agency of Scheme	Concealed Income	Tax
1940-46	Income Tax Investigation Commission	48	30
1951	Voluntary Disclosure Scheme	70	11
1963-64 to 1966-67	Detected by the Department	81	31
1965	Scheme I	52	39
	Scheme II	146	20
1965 to 1968	Under Section 271 (4A) of Income Tax Act 1961	22	NA

The Working Group on Central Direct Taxes Administration (1968) appointed by the Administrative Reform Commission found that evasion continues on a disturbing scale despite the measures taken by the Government. It is concentrated in upper income brackets and is relatively insignificant in the lower income brackets.

Modernisation of Collegiate Education Along Old Lines

I believe that the discussion on re-organisation of college courses has turned full circle as expected. At the seminar organised in Pachaiyappa's College, Madars the consensus of university teachers was in favour of a two-year pre-degree course with an Honours course as of old for the students of superior calibre. The teachers were agreed that the duration of academic training from elementary school up to and ending with the degree should be 15 years. If the present 11 year school course is to continue, the degree course could have only two years after the two years of junior college. As Dr. Malcolm Adiseshiah's keynote address points out, the school course elsewhere in the country is of 10 years duration and hence a ten-year school followed by 2 year pre-degree and 3 year degree course should be the ideal to be sought for.

The emphasis is upon the word 'ideal'. The number of schools is so large, their financial strength so diverse and the facilities provided by them are equally diverse. To abridge the school course by a year will, apart from creating anxieties among teachers about possible increase in the volume of unemployment, call for a firming up, particularly of laboratory facilities which many schools cannot afford. It was interesting to hear from Mr. G. R. Damodaran, who participated in the seminar, that in many schools, thatched sheds were the rule and even the headmaster and his office were accommodated in temporary structures. In these circumstances, disturbing the school will only stir a hornet's nest.

No Need for Excessive Emphasis on Languages

The question that has to be answered in that case is whether the college course could be of 2 years junior degree and 2 years senior degree alone. There is basically nothing sacrosanct about the three year period. In fact, if the excessive emphasis on language in the bachelorate course can be removed as has been suggested by Dr. Adiseshiah, two years should suffice

to provide the requisite specialisation in the disciplines chosen by students. Those who argue in favour of the retention of Parts I and II, English and Indian language in their present form are only anxious that competence in English which is already poor will become worse with the abolition of Part I for the degree.

This is itself a reflection of deficiencies in English teaching at the preceding levels of courses. If that is rectified, the student need not be burdened with classical English as now, unless he opts for the language as his special subject under Part III. Until this improvement is effected, the present set up of the syllabi should continue. All this is only a concession to the decline in standards that has taken place already. Strictly speaking, a knowledge of Shakespeare had been included in Part I not to acquaint Indian student with Elizabethan drama but to enlarge his understanding by opening his mind to the worldly wisdom that Shakespeare had been delivering in his own inimitable style with uncanny precision.

Revival of Honours Course

What remains in this discussion is

the suggestion about the revival of the Honours course. In the past, it attracted the cream of students but, in course of time, entrants to it could not cope with rigid standards which were caused consequently. At the sametime, common classes were introduced for IV and V Hons with I and II post graduates. Theoretically, it was an elevation for both but in actual practice the purpose of both as envisaged originally was defeated. Any revival of the course should make it strictly superior and the postgraduates should also be permitted to have their own lonely furrows.

Finally, much of all this improvement depends on the avoidance of gate-crashing at college at admission. This is a matter of making the school the vocational laboratory preparing its entrants for a vocation in life of their choice without having to go after a degree, needless passport for the purpose. That means a strengthening and a reorientation of the school curriculum. There can be no stinting of resources for the purpose as otherwise academic training in the school and beyond will only be a costly luxury endured in the teeth of its contradictions.

Horace

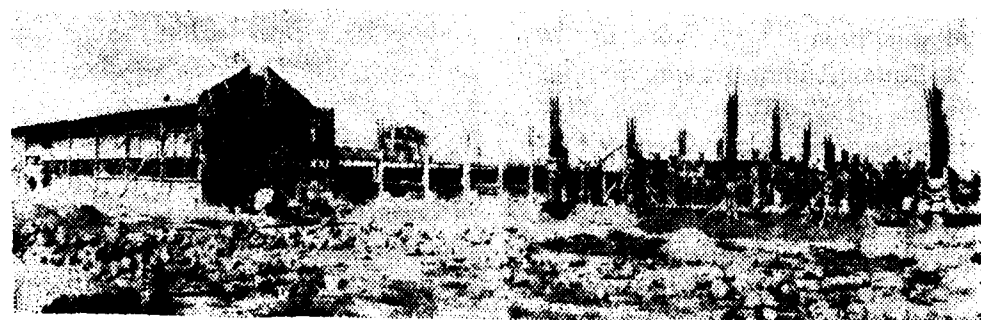
HMT Watch Factory in Kashmir

Work is in full swing on the construction of another watch factory by the Hindustan Machine Tools at Zainakot near Srinagar in Kashmir. When completed the factory will produce 15,000 watches in 1972-73. It will go into production later this year.

The project has been designed and

developed without any foreign coloboration and is manned by Indian personnel.

During winter, the complete factory will be centrally heated. The assembly and precision job sections are fully air conditioned to avoid dust, humidity and temperature variations.



INDUSTRIAL ECONOMIST

Glimpses

By P. R. SRINIVAS

Draft Outline of Fifth Plan

The report that the draft outlines of the Fifth Plan are expected to be ready by January may allay the fear that this time, the plan will not be subjected to the uncertainties and vagueness which owing to a variety of causes and circumstances were the lot of the current plan. The time schedule would seem to be somewhat as follows. Since the Planning Commission had requested the States as early as March last to clarify their approach to the Fifth Plan and forward their ideas to the Centre, it should be possible to draw up the Draft outline by January 1973. The Planning Commission's request to the States to strengthen the machinery for the preparation of the State Plan dates back to August last year. But one has to remember in this context that State planning is no longer a matter of asking for a steel or fertilizer unit for the State territory or for larger Central assistance merely in a spirit of rivalry with another State supposed to be more in the good-books of the Centre.

Principle of Block Grants

The financial basis of a plan comes after, and not before the drawing up of a fairly ambitious, but strictly practicable plan. The States which have hitherto carried on a successful outcry against centralisation in planning have won their point with the adoption of the principle of block grants, instead of tied up allocation and the cutting down of Central projects. They can also, upto a point, steal the Planning Commission's thunder by asking for the establishment of large scale industrial units like steel or fertilizers in their respective areas. But they can no longer ignore the implication of the shift from the Centre to the States in the drawing up of the Five-Year Plan. The logical corollary of this shift is that just as the national plan has to be based on sound State plans, each State plan, too, in its turn should be based on a careful exploration of the needs and potentialities of each block and district.

The Planning Commission has shown

itself aware of this and has been urging the State Governments to improve the machinery and methods of working of the State Planning Commissions.

This has acquired special importance and urgency because of the Centre according a high priority to the attack on poverty and rural unemployment through such schemes as help for housing, development of dry farming and the like. Now that liberal help to farmers, artisans and the self-employed has been enjoined on the national banks, the planners have to estimate the possibilities in these spheres.

Lack of Data

It may be assumed that not only are reliable data in this regard totally lacking, but even the machinery for collection of data and instructing the workers has yet to be evolved. Since the Planning Commission cannot waive its responsibility for timely preparation of the Plan or its basic soundness or its value for reducing poverty and unemployment, it must tackle the task of guiding the State Commissions in these essential respects and getting the work done in time and on sound lines.

Problems of Consumer Goods Industry

In spite of its vaunted solicitude for the welfare of the commonman, the Government has its hands full with the problems of such important consumer goods industry as cotton textiles and sugar. Both have figured large in recent discussions both within the Parliament and without. And in both cases the Government have shown themselves to provide long term solutions though they cannot but adopt rough and ready expedients under pressure of immediate urgency. The problems of the sugar industry have been full of complexity during all these years because of its origin in the areas of the least fertility for cane—the large proportion which the output of the U. P. and Bihar mills still bear to total output in spite of the new mills in the more advantageous areas of Maharashtra and the South, the regional differences in costs, and the pressure to accommodate the high cost

areas through differential prices. The need to secure an increase of output to avoid a serious scarcity next season suggests the formulation of a national policy. But the Government is relying in its jugglery with official prices to avoid a crisis.

In the case of the cotton textile industry, the paramount national objectives of output of cheap cloth in adequate quantities and expansion and exports are sought to be achieved by a cumbrous system of prices, quotas and incentives rather than on a policy designed to strengthen the industry and enable it to discharge these two functions of its own volition. The cotton mills have suffered all along from the pronounced animus of our ruling classes who favoured the handlooms and stunted the industry in the name of the cottage industry. While the importance of exports at this stage of the evolution of the national economy rules out controls over the fine and superfine qualities, the Government is prepared to extend control to other varieties of coarse cloth.

The super structure of the national economy is sought to be raised on a basis of controls which involve losses for the producer and subsidies which cost the taxpayer dearly. Living standards for the commonman can never be improved so long as the industries which produce the commonman's needs are not met by simple, national policies of national scope. It is not enough for the Planning Commission to raise the targets of output for the various industries. It has also to ensure that production is economic and prices reasonably low.

An Attempt to Revive Samskrt

A new Samskrt University, such as the one proposed to be established by the A. P. Government, should be welcomed as a means of exploring the ways by which the place of this classical language in our system of education and our national life may be clarified and secured. Previous attempts in this line have not produced impressive results either because the study of Samskrt language and literature has been moored too closely to the ancient cults and ways of life or because impractical demands have

been made on it in the name of modern scientific education. The recent two-day seminar produced one notable result; general agreement that the University must be basically modern and not a sentimental or symbolic relic of the past. But the vestiges of thinking in worn out grooves are discernible in the suggestion that the University should indicate the original contribution of India to literature and science and secure better recognition of it. Such a suggestion certainly comes down from the days when to prop up our national self-esteem it was neces-

sary to shout from the house top that the decimal system was a Hindu invention that our ancients had made, for those times, great advances in mathematics and the sciences and that they were by no means a nation of morons.

The wine is really too good to need a bush. What is necessary is that the handicaps of the official language policy and the prejudices of most people about Samskrt being a dead language or hard to learn or harder still to employ as a means of communication should be visibly overcome, so that the study of Samskrt inval-

able mental attainment and as the means of nation—rediscovering itself will be taken to by larger and larger numbers, Samskrt needs no special patronage or vulgar boost. It must be seen to be what in reality it is an admirable storehouse of high minded literature, an extremely efficient means of expression of modern as much as ancient thought and a link between the different parts of the country for which there is no other substitute. It is essential that the curricula should be so formed that the study of Samskrt will in no way prejudice the careers of the young who take to it.

Racism in Uganda

President Amin's decision to expel Asians from Uganda had, according to him, its inspiration from God Himself speaking to him in a dream. It had truly to be an inspiration from dream-land as otherwise it will be difficult to offer an explanation for his peremptory conduct. He has since announced that the expulsion would not apply to the 23,000 Asians holding Uganda passports. This amendment was itself the result of the pressure brought to bear upon him from Britain and other countries. His ire over Asians arises from what he alleges as their tendency to milk the cow of Ugandan economy without making any attempt to feed it.

Reminder of Past and Future

The expulsion order cannot certainly ring queer in Asian ears. In fact it will only remind them of what had befallen them in Kenya in 1967 and of what is likely to occur to them in other African countries. Over the decade many African countries are bitter over what they describe as Asian domination of their economies. How much of substance lies in this charge will be obvious from what has happened in Uganda itself. The Asian there account for less than 2 per cent of the population. They are no doubt concentrated in urban trade and industry because of the force of circumstances. They came there to build the railway and were told not to settle down in the countryside. And in the towns their ability found them and

the Uganda economy in the riches they possess. Impartial observers stress in this connection the fact that the profit margins charged by them were generally narrower than those charged by others, chiefly Westerners. Some of them had gone to the extent of identifying themselves with Uganda and have become its citizens.

President Amin has no patience for such details. His officers are trying to oblige him by sedulously identifying dual citizenships held as also procedural and other irregularities in registration. His logic seems to be that, now that the Ugandan Africans have attained sufficient maturity to manage their affairs the entire country including its economic factors belonged only to them. The point that Ugandan Asians have nowhere to go because most of them had been born and bred up only in Uganda and that they could not be guilty of repatriation of profits therefore does not appeal to President Amin. Like the Marxists who described all property as theft, the President of Uganda is picturing Asian ownership as economic aggression. Granted it is aggression, it could eat into the vitals of the economy. Granted equally that it is benefiting only the Uganda economy, the only refinement against engrossment would appear to be the association of African Ugandan interest on terms of major partnership rights.

To some extent the Asians are themselves guilty for this result. They had for long maintained a social ex-

clusiveness to the point of causing offence. The antipathy which this exclusiveness has developed is clear from the way in which African visitors to India—politicians, businessmen and students alike—comment adversely on the reluctance of Indian households to mix with them by maintaining a social barrier. This is partly true though broad minded sections of the intelligentsia in this country have been doing their best to break the barrier. But what is more pertinent to the issue is the implicit contradiction in the Ugandan position on racism. If Asians are to be discriminated against as has been planned by Mr. Amin, he cannot call into question Ian Smith's Rhodesian policy or apartheid anywhere in Africa.

Britain's Gesture

The resolution of the Ugandan question from the standpoint of resettlement of Asians is not going to create much trouble. Of course Britain has agreed to take back those with British passports. India for its part will be taking back those with Indian passports. The point here is that to India which has managed massive influxes of refugees, the influx of Ugandan Indians could only be a flea-bite. It is on the contrary a question of human distress steeped in a historical accident of birth of which memory is feeble. If every country in the world were to belch out Asians in this manner, a sizable section of the world's population will be rendered into wanderers resting on unsafe perches of uncertain hospitality. —S.R.

INDUSTRIAL ECONOMIST

Development of Urban Areas

The problem of urbanisation in developing countries is intricately connected with their demographic pressure in town and village. According to a World Bank study, a fifth of the rural population generally migrates from the villages to urban areas accounting in the process for 50 per cent of the urban population. Consequently the urban population has been growing at about 5 per cent per annum, doubling every 15 years. What the Bank notices is the fact that the resultant pressures on urban amenities have not discouraged the migrants to whom the squalid conditions obtaining in city slums do not appear to be worse than of those in the villages.

The projected increase in the urban population of the developing countries in the years from 1960 upto 2000 A.D. is over one billion which is more than four times the increase in the previous 40 years and about three times the total population of the developed world in 1960. Since only a fraction of the rural population increases is accounted for by migrants to the towns, the population pressure in the rural areas is no easier. It is in these circumstances that many Western commentators have been stressing that the demographic pressure in countries like India, if left uncontrolled, will convert the entire country a vast slum.

Reliefs to Urban Pressures

On the reliefs to urban pressures, which is actually the subject of the World Bank study, there are two sets of views, each of which cannot go far. The first is the familiar suggestion of decentralisation of industry towards the villages. This involves an answer to the question whether it would be more convenient for the unemployed to be in the cities or villages. Such a question is provoked by the similarities in underemployment and unemployment between town and country. In both there is the dualism of a marginal modern sector co-existing with a large traditional sector of industry. It is a case of agriculture

using new practices in the rural areas co-existing with the traditional agriculture or traditional unorganized industry co-existing with the organised industry in the towns. In both cases, those employed fall into a small category of the rich amidst a sea of marginal or submarginal income earners. This is not to gainsay the fact that the towns provide about half of the total Gross National Product from a fifth of the population. What is emphasised is the low income of the many based on low productivity.

Rural decentralisation of industry can do the trick by raising levels of productivity. But the trouble here is that the suggestion is based on incorrect assumptions. Experience in a variety of developing countries ranging from India and Pakistan to Venezuela and Brazil shows that the promotion of assumed growth centres can be very expensive both in terms of financial and administrative resources. Great difficulties are likely to be encountered in choosing appropriate

new, natural growth centres. It is generally much easier to choose an appropriate location for an individual industry than to identify a group of industries that can be attracted to or generated in a given area. This is primarily because of the almost prohibitive cost of providing infrastructure facilities.

Informal Spread of Modern Methods

Those who plead for urbanisation plead on the contrary that it is the only solution to rural poverty. They say that concentration of activities in towns provides the basis for increased specialisation and for increased productivity in the manufacturing and service sectors. Large flexible labour markets with diversified skills are needed to match changing patterns of production. Cities provide concentrated markets for the output and are the link with the outside world through which technological know-how flows. The concentration of population also permits standards of education and health not possible in the countryside if only on account of distances. The informal spread of knowledge of mod-

Slow Growth of the Small Sector

Rapid industrialisation with particular emphasis on the development of basic and heavy industries was the principal objective of the Second Plan. Three steel plants, the machine tools units, one heavy electrical unit among others came up during the Second Plan. The idea was that apart from direct results, indirect benefits such as the coming up of small ancillary industries around each complex generating further employment with consequent multiplier effects of economic reaction. However this didn't happen. A negligible number of small industries did come up.

It will be interesting to know that in the U.K. approximately 93 per cent of the total number of firms are small units and they had converged around the big enterprises. The report of the committee of enquiry on small firms published by Her Majesty's Stationary Office, London, quotes a large London

departmental store to say that virtually all its turnover of women's fashions and half its sales of top quality clothing were supplied by small firms. And a tractor manufacturer got 60 per cent of the parts and components from the ancillary units. Another important discovery is that this has resulted in lowering the cost of production. In India, however, such growth of ancillaries in the few places they exist was not due to the influence of the bigger industrial complex.

In Punjab, Haryana and Western Uttar Pradesh the Green Revolution has resulted in remarkable agricultural development. This has resulted in rising levels of rural income. In some areas of Gujarat the dairy industry has developed. Thus the faster development of areas in India has so far had no relevance to the spread of industrial complexes.

ern methods can be as important as the more formal training possibilities.

All these are mostly instances of theory knocked out by hard facts. These facts are that cities in developing countries cannot afford to grow any more without serious health and social perils and that if urbanisation is at all so important for industrialisation (on grounds of greater productivity), new towns have to be charted. How to chart these is the main issue.

In older economies like India which have a vast territory and, therefore, where transport is a major problem, most development in the past has been associated with culturally and socially important municipal centres. The World Bank says that it is this type of city that has to be developed. This has also been the ambition of our planners who have been constantly speaking about the need to develop

market-towns, though action to match such recognition has been conspicuous by its absence. It is fairly clear, however, that development of urban areas around urban and semi-urban neighbourhoods is the best solution to urban congestions at present.

Even here the Bank is cautious enough to say that new investments around existing urban areas are more likely to be utilised better than similar investments in more distant areas. The Bank feels that towns within a narrow radius of large cities, where intermediary services of the metropolis can be utilised and public utilities more readily linked can also offer favourable opportunities. The snag in this argument is that these facilities in the big cities concerned are already too strained to admit of tapping by new neighbourhoods. This is not to gainsay that future urban develop-

ment should seek to bring urban areas closer to each other.

Nation City and World City

In the West, the trend is for a coalescence of metropolitan areas to produce a nation city, and if predictions are correct, this could end in a world city coming into being. India is too far away from reaching that position. That does not preclude the need on its part to plan for a urban development in a more cautious manner than ever. The World Bank study mentions about the superiority of the street car over owned private cars to beat peak hour jams, provided car owners are willing to recognise the perils of growth of automobiles on the road. Even this may ring queer in Indian ears when the small car in this country which is advertised as the people's car can be afforded only by the rich.

—S.R.

Problems of Industrialising Backward Areas

The Fourth Plan has recognised the need for rapid industrialisation of the country's backward areas. Each State has been asked to identify such areas within its territory so that incentives may be provided for making it worthwhile for entrepreneurs to invest under infrastructurally poor conditions.

One district was chosen in each State making available the concessions; In some States as in Tamil Nadu regions in more than one district but restricted in extent to the normal area of a district have been earmarked as being eligible for the benefits.

Two kinds of incentives are available—a subsidy of ten per cent on the capital investment (paid by the Centre), preferential rate of interest and condition of repayment on assistance rendered by financial institutions and concessional tariff for power, water, etc. (in the domain of the State Government).

There was a general expectation that the large, medium and small industries would rush to avail themselves of the facilities and set up units in hitherto neglected areas and contribute to the betterment of the people of those areas. Nothing of the kind has happened, at least nothing spectacular in that direction has occurred, certainly not in Tamil Nadu. Why is it so?

A few industrialists from each of the three sectors were asked for their views on the barriers to industrial development.

As far as small scale industries are concerned it is unthinkable that they will go to backward areas on their own. They can follow large scale or medium industries.

When even the big industries feel the concessions offered are not adequate how could the small sector with its weak financial base be expected to invest in backward regions?

Not Enough Incentives

The industrialists interviewed were of the opinion that the incentives offered hardly touched the fringe of the problem. They were asked to list three factors which could bring about rapid development of the backward areas. One of them answered the question "incentive, incentive, incentive." He said this to emphasise the overwhelming importance of incentive to overcome the locational disadvantages. Some of the disadvantages are definitely removable while a few others should perhaps be lived with.

In Tamil Nadu some areas in as many as six districts have been declared backward. The Government of India has taken a decision recently to allow the backward area concessions to twice the extent and the State Government is considering the question of designating fresh areas as backward for the purposes of the concession. While new areas are being added to the list the older backward areas like East Ramanathapuram have not received the impact of the concession scheme notwithstanding its two years of operation. Of course, the Government's joint sector tyre project (with American collaboration) and private sector units in the large sector (TVS and Enfield Motor) are expected to be located in this region but they have been in the air for quite a

long time and a concrete shape is yet to be given to them.

It is true that more capital is available for investment in backward areas (from financial institutions); more technical experience, business know how and skilled manpower are there now but the situation is not as favourable as might appear at first glance.

Of course, one could think of production which would have value for the economy of the State/country without being commercially profitable. This kind of production can be undertaken only by the Government in the 100 per cent State sector. For the private sector to think of a commercially unprofitable proposition the Government should compensate the absence of profit. The elements of cost include cost of power, interest rates, cost of training workers, cost of factory space and costs of social welfare measures. The Government could do a great deal to alter the situation in respect of these cost elements. If from a national point of view, from an employment point of view, certain industries are found desirable in certain areas, the Government can certainly do much to "sweeten up" opportunity for the private investor so that he will decide on outlay in spite of whatever negative features there might be.

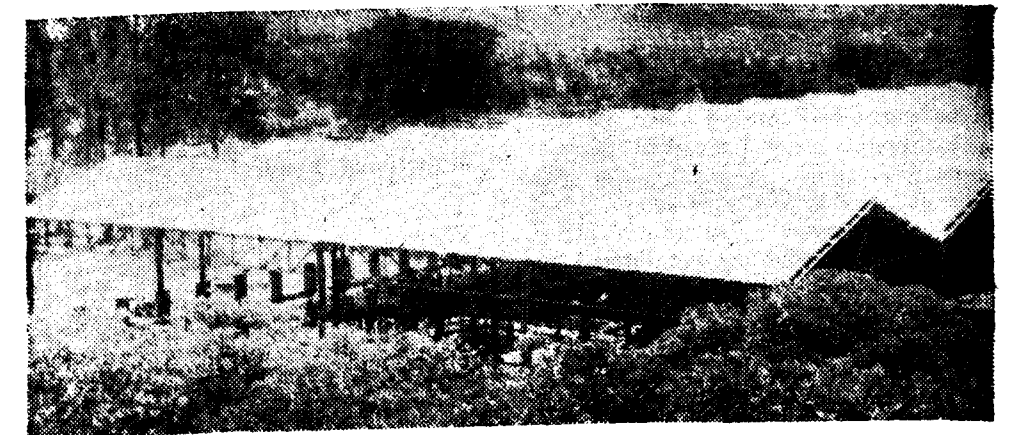
The responsibility of providing foundational facilities, such as electric power systems, variety of transport goods and services, roads with related bridges and parking facilities, railway lines and associated equipment, water collection, puri-

And Fanning out to Less Developed Regions...

Many large companies are fanning out their expansion to industrially backward regions. Though these are beset with many difficulties initially in the lack of communications and the like, the incentives offered, and in a few cases, the clearance of expansion only if these are located in such regions—have helped the speeding up of this process. The expansion of the tyre facilities of Madras Rubber Factory in Goa is a good example of this.

Work is progressing fast on the construction of the Goa plant of MRF. Thanks to an imaginative schedule, construction of the large factory shed with an area of over 150,000 sq. feet was completed well before the onset of the monsoon and the erection of machinery is now in progress—all within a period of six months since construction work began. Simultaneously training of personnel has also been taken up.

The Goa project, designed for a capacity of 300,000 sets of tyres and tubes per annum, is an excellent example of self-reliance. The total cost of the project is Rs. 5 crores—other newly licensed tyre plants for a like capacity are estimated to cost in



A large shed constructed in a short time ...

excess of Rs. 15 crores each; the foreign exchange component is just Rs. 1.15 crores. MRF is making full use of its expertise on design and fabrication of tyre plant machinery. According to MRF Managing Director Mammam Mappillai the factory is expected to commence commercial production early next year. MRF Goa will thus be well ahead of the other newly licensed tyre units to start production.

After the performance of MRF at Goa, one feels whether we should still rely on costly importation of tyre plant machinery for the new plants and whether the Indian manufacturers cannot form into a consortium to fabricate machinery for the future units whose plant and machinery requirements during the current decade are expected to be in the region of Rs. 100 crores in value.

—S.V.

fication and distribution systems, sewers and the communication network of postal, and telegraph and telephone systems falls squarely on the Government. A World Bank delegation during a recent visit to the State opined that the backward regions of Tamil Nadu were crying for such growth. When this was the case with an advanced (in this respect) State like Tamil Nadu, one could imagine the conditions in the other States.

Overpriced Infrastructure Facilities

Industrialists while discussing this point cautioned against monopolistic overpricing of the Government-provided infrastructure facilities. These services will have to come before anyone will be willing to invest in factories. Infra-structure facilities, fairly priced, and support programmes for promising though risky projects through such devices as tariff protection, assurance of Gov-

ernment purchase orders, provision of free or subsidised plant sites should go a long way in turning potential entrepreneurs into operating industrialists. These mostly relate to small sector and must be made ready in time for the ancillary units to start supplying parts and components to the bigger units. The latter should be established first so that orders might be farmed out to units of ancillary nature.

V.M.

Cement Award—Will it Clog or Capacitate?

The 12-day strike in the cement industry which paralysed production of this essential commodity, was called off on August 29 thanks to the intervention of the Prime Minister.

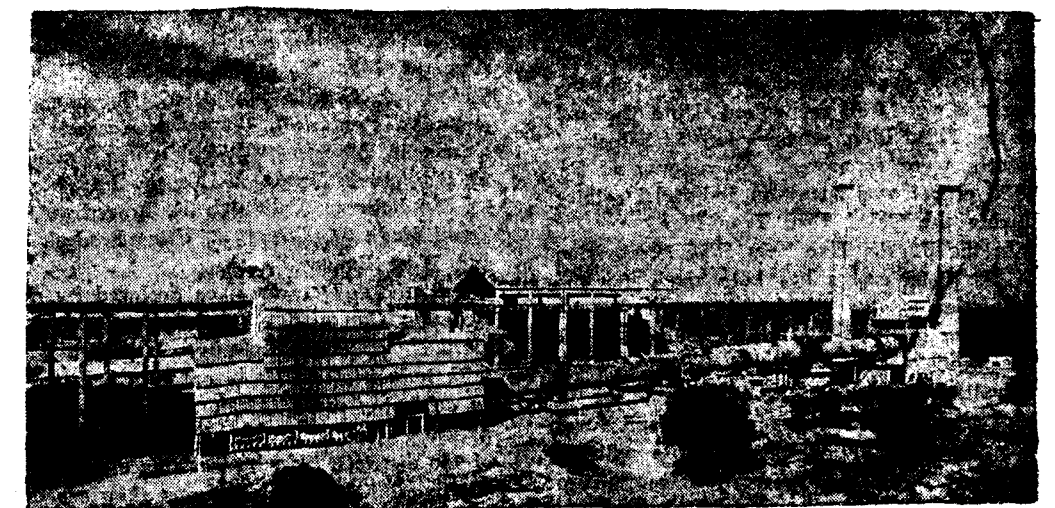
The employees demanded a minimum wage of Rs. 240 linked to the 1960 all-India consumer index of 183 for April-June 1970 with a variation of Rs. 1.30 per point with effect from January 1973, besides an interim relief of Rs. 30 from January 1972; they have now accepted the Prime Minister's award of Rs. 25 by way of interim relief from June 1972 and to the consideration of the minimum wage in January 1973 when the entire national wage policy would be reviewed.

The industry feels that as per the award the cost escalation may range from Rs. 2.50 crores to Rs. 6 crores. With the price of cement rigidly controlled, it feels that it lacks the capacity to absorb this without a price increase, which is to be decided by the Government only after getting the Tariff Commission's report.

As for Tamil Nadu, almost all the units barring Chettinad Cement but including the State Government's unit at Alangulam were involved in this strike. This State has been

a major producer of cement accounting for nearly a sixth of the total capacity of the country in operation. The installed capacity for cement in 1971 was 19.3 million tonnes of which Tamil Nadu accounted for more than 3 million tonnes.

—N.P.



A view of the Madras Cement works at Tulukkapatti, Ramanathapuram District

Industrial Estates Aid Balanced Regional Development

By K. L. NANJAPPA,
Development Commissioner, Small Scale Industries.

The history of Industrial estates in India can be traced back to 1947 when the then Bombay State appointed a special officer to recommend suitable places in the State where industrial estates could be established. Though a number of places were identified, the programme could not get through for want of funds. The idea, however, lingered on and in 1952, the Bombay State Government granted a loan to the Municipal Corporation of Poona for developing an industrial estate at Hadapsar. The lead given by the Bombay State was followed by the then Saurashtra State (now in Gujarat) when in 1955 it was decided to set up an industrial estate in Rajkot. These were, however, isolated attempts.

Full scale and concerted efforts to develop industrial estates in the country were launched for the first time towards the end of the First Five Year Plan, i.e., 1956, when 10 industrial estates were sanctioned to be constructed by the State Governments and located at Rajkot, Guindy, Virudhunagar, Kanpur, Agra, Palghat, Quilon, Trivandrum, Ettumanoor and Trichur. In addition to the above, construction of two estates, one at Okhla and the other at Naini were undertaken by the National Small Industries Corporation.

During the Second Five Year Plan the programme received a big boost as 110 industrial estates were sanctioned in different parts of the country. This brought the total number of industrial estates to 120 at the end of the Second Five Year Plan. The expenditure incurred on industrial estates during the First and Second Plans was Rs. 10.98 crores.

A Tool for Rapid Growth

The phenomenal development of small scale industries during the Second Plan encouraged a large number of persons with entrepreneurial ability to start small scale units. Hence the demand all over the country for factory accommodation increased and the usefulness of industrial estates as a tool for rapid development of small scale industries was well recognised. Up to the end of the Third Plan, schemes for 458 industrial estates were sponsored. An amount of Rs. 22.25 crores was spent on industrial estates during the Third Five Year Plan.

In the Fourth Five Year Plan a provision of Rs. 19.08 crores has been made for the industrial estates which is sought to be spent on spill over schemes or on providing requisite incentives and facilities. New industrial estates will be mostly set up in backward districts, smaller towns and rural areas and mainly developed plots will be made available to the small entrepreneurs in urban areas.

As on March 31st 1971, there were 572

sponsored industrial estates of which 366 were reported functioning.

Functional Estates

Apart from the 'general purpose or composite industrial estates' which overwhelm the number of industrial estates in the country, a number of 'functional' as well as ancillary industrial estates have been encouraged to come up. Functional industrial estates have been set up in such lines of manufacture as electronics, agricultural implements, ceramics and sports goods and the ancillary industrial estates are functioning alongside Hindustan Machine Tools, Bangalore, Heavy Electricals, Bhopal, Heavy Engineering Corporation, Ranchi, Bharat Electronics, Bangalore, Hindustan Steel Plants, etc.

As on March 31, 1971, 572 industrial estates were sponsored in the country. These estates had 10,317 workshops out of which the actual number in which the small scale units were working was 6413. The production of these units for the half year ending 31st March, 1971, amounted to Rs. 77.4 crores and the number of workers employed was 1,04,913.

During the decade between 1961 and 1971 the number of working sheds in the industrial estates, giving a rough idea of the number of small scale units working, increased from 1127 to 6413 thus showing a six-fold increase. Production increased from about Rs. 15 crores per annum to about Rs. 154 crores registering a ten-fold increase. The number of workers employed increased from 13,000 to 1.04 lakhs marking nearly eight times increase.

The present achievement is expected to improve considerably once the programme and measures already taken in hand are completed and consolidated as visualised in the Fourth Five Year Plan.

M.P. LEADS THE NATION

As on 31st March, 1971, out of 572 industrial estates sponsored in the country, Andhra Pradesh accounted for 40 industrial estates. Assam 8, Bihar 22, Dadar and Nagar Haveli 1, Delhi 2, Goa 2, Gujarat 57, Haryana 20, Himachal Pradesh 7, Jammu & Kashmir 20, Kerala 18, Maharashtra 70, Madhya Pradesh 88, Manipur 2, Mysore 25, Nagaland 1, Orissa 10, Pondicherry 3, Punjab 34, Rajasthan 14, Tamil Nadu 32, Tripura 3, Uttar Pradesh 85 and West Bengal 8.

Out of 225 districts since declared by the Planning Commission as industrially backward about 160 districts have been provided with industrial estates in order to help them in achieving rapid transformation through a network of small scale industries. In 116 out of 160 districts, industrial estates are reported functioning and in the rest they are yet to be commissioned.

Popularity of Mechanical and General Engineering

According to a study undertaken some time back by SSIDO, 62 per cent of the total enterprises were engaged in mechanical and general engineering industries. Next in order of importance were the chemical and electrical engineering industries which accounted for 13 per cent and 8 per cent of the total enterprises respectively. The number of units engaged in wood working, ceramics and leather goods industry was rather small being only 5 per cent. The rest of the 12 per cent were engaged in other miscellaneous groups.

In keeping with the Industrial Policy Resolution of 1956 it has also been an important objective of industrial estates programme in India to reduce progressively the disparities in levels of development between different regions of the country through the establishment of 'small centres of industrial production' all over the country and thereby harmonizing the agricultural and industrial structure of each region.

In order therefore to disperse industries all over the country, industrial estates with pre-built factory sheds, power, water and transport facilities and other essential services have been sponsored in different States.

Dispersal of Industrial Activities

With a view to ensure that the benefits of industrialisation do not confine only to urban areas within a region, most of the industrial estates since the Third Five Year Plan have been sponsored in semi-urban and rural areas so that the broad masses of the people even in the remote areas get the benefits of industrialisation and gainful employment. Semi-urban estates have been sponsored in places with a population between 5,000 and 50,000 and rural industrial estates in places having a population of less than 5,000.

The total number of semi-urban and rural industrial estates sponsored in different parts of the country is 354 which account for over 60 per cent of the total industrial estates sponsored in the country.

In the semi-urban and rural industrial estates 2,390 and 2020 workshops have since been constructed, out of which the actual number in which the industrial units are working, are 1283 and 776 respectively. Production of these units is about Rs. 30 crores and Rs. 16 crores per annum respectively and they provide direct employment to 29,337 and 11,607 workers. The achievement could be considerably improved when all the workshops are fully utilised and all the units go into production and when more of the industrial estates in semi-urban and rural areas are commissioned and those lacking essential facilities are provided with them.

Profile of Public Enterprises in India

By G. VENKATASWAMY

success. This is because many public enterprises are operating in areas where the gestation period is long. Again, many of the public enterprises are expected to provide infra-structure to the economy as a whole so that immediate return on the capital invested is out of question. The Employees State Insurance Corporation, the Damodar Valley Corporation and the Ware Housing

Corporation for instance have to function in a particular way in the larger 'public interest.'

Staggering Losses at HSL

The performance results of Hindustan Steel Limited alone after providing for depreciation, interest on Government loans,

Economic development in the pre-independence era had been largely left to the efforts of the private sector, the activities of the State in the economic field being confined largely to providing the infra-structure; viz., railways, ports, communications, broadcasting, irrigation and power. Today public enterprises cover wide and varied range of activities such as mining and metallurgy; manufacture of tools, heavy machines; building locomotives; chemical and fertilizers; ships and air craft; oil exploration and refining; sea and air transport; industrial financing and life insurance.

Since the inception of Five Year Plans, repeated emphasis was given for growing outlay and expansion of public enterprises under Government control and ownership. For instance, the Fourth Five Year Plan categorically asserts that 'the public sector is to take charge more and more of commanding heights in the production and distribution of basic and consumer goods'. The Industrial Policy too is in favour of public enterprise in a wider measure.

Recently, Prime Minister Indira Gandhi has put the basic objectives of the public sector thus: 'We advocate public sector for three reasons: to gain control of the commanding heights of the economy; to promote critical development in terms of social and strategic value rather than primarily on the consideration of profit; and to provide commercial surpluses with which to finance economic development'.

Eighteenfold Increase in Enterprise

From a sum of Rs. 29 crores invested in 5 undertakings at the beginning of First Plan, the total investments at the end of March 1970 amounted to Rs. 4,301 crores spread over 91 undertakings. The enterprises have increased by over 18 times and the share of the expenditure on these undertakings has gone up from 46.4 per cent in the First Plan to 60 per cent in the Third Plan, while this share of expenditure for the Fourth Plan is worth 64 per cent.

About one third of the investment is in steel, approximately one fourth in engineering and ship building, a little over one-tenth in chemicals, more or less the same percentage is shared by petroleum and oils and mining and minerals.

The performance of an enterprise is usually measured by the profitability on capital investment. In case of public enterprises profitability alone cannot be the yard-stick to measure their



The country is in a crucial phase in regard to evolving a policy for the steel industry. With the magnificent start during the Second Plan when the public sector projects at Bhilai, Rourkela and Durgapur were established, production of steel registered continual increase for a while. But in the second half of the last decade there has been virtual stagnation with the production limping to just about 6 million tonnes of steel ingots.

The severe recessionary conditions and the delay in the establishment of Bokaro steel project contributed to a painful holiday for steel planning. Though announcement in regard to the setting up of the three southern steel plants has been made nearly two years ago, not much progress has been made in deciding on the construction schedule for these projects.

With the take over of the management of the IISCO, one hopes there will be a good deal of attention paid on the fuller utilisation of the capacity created and on expanding the capacity of the existing units, simultaneously proceeding with the work on the new plants.

Happily rich skills 'have been' created in the matter of design, fabrication of equipment and construction of steel plants in the country. An ambitious programme to double the capacity every decade should be taken up immediately.

Picture gives a view of the Steel Melting Shop at the Bhilai Steel Plant, which has been showing a consistently good performance. The capacity of the Bhilai plant is being increased from the present 2.5 million tonnes per annum to 4.0 million tonnes per annum.

write off, and adjusting unrealised profit on inter-plant transfers and other adjustments showed a net loss of Rs. 10.47 crores in 1969-70 as compared to Rs. 39.91 crores in the previous year. The company had incurred a loss of Rs. 45 crores in 1971-72 according to preliminary estimates.

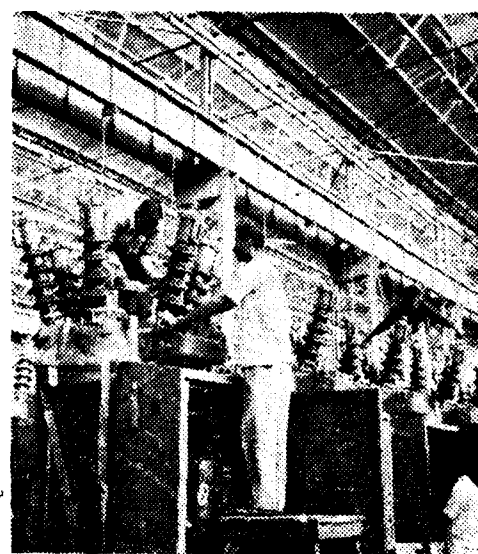
The Administrative Reforms Commission and the Planning Commission have been pleading for the laying down of broad principles in the assessment of the performance of public enterprises. And the Government has also accepted them.

Very recently, the Government has set up a panel to define public sector objectives and to determine precisely the financial and economic obligations of the enterprises individually which is a welcome feature. The group is expected to study the character of different enterprises—some are promotional and some are commercially oriented—and prescribe what rate of return each could be expected to yield taking into account the pricing and other policies of the Government. The group works out the obligations in consultation with the enterprises and

economists in the Government. It may take into account the performance of private sector in comparable industries. The statement of objectives would help the managements to know what is expected of them and facilitate the introduction of 'management by objectives' approach in the undertakings. Here, what is more important is to see how far these recommendations may be accepted and implemented by the Government.

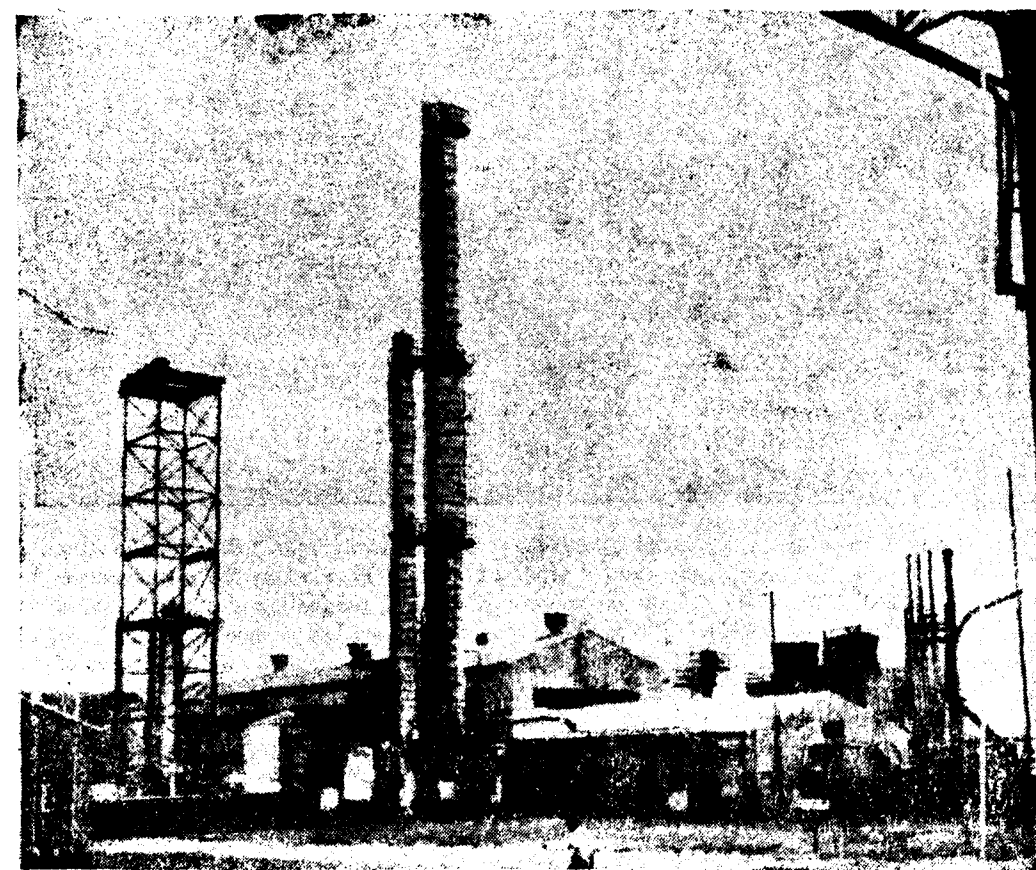
Measures for Improvement

The most important thing to remember in improving the performance of public enterprises is to learn from the experience of last two decades and find out the proper medicine for managing these enterprises. In this connection the attention of the Government and the managements may be however drawn to the following measures. They are: (i) there should be formal or informal regulation of prices by the Government in the interest of the economy in general and of price stabilisation; (ii) under-utilisation of capaci-



In the past two decades India has moved from producing simple goods to sophisticated materials. The production of steel, machine tools, fertilizer plants, heavy machinery plants and oil refineries have expanded rapidly. India today is not only exporting finished products and light engineering goods but has started supplying more sophisticated materials and components to countries in Asia, Africa and Europe. Picture shows an assembly of outdoor circuit breakers at Heavy Electricals, Bhopal.

ties may be checked up. This has been due to many reasons such as long gestation periods, huge in-built capacities, ambitious scales of planning based on inadequate economic (particularly market) data, inadequate motivation and obsolescence of product mix; (iii) delegation of power and authority and the proper implementation of the powers so delegated; (iv) building up of managerial sophistication at different levels of management; (v) defining the objectives of the enterprises clearly, making them autonomous in the real sense of the term and giving them all help to strengthen their managements must be achieved; (vi) stopping the system of 'on deputation' from the Government Departments and putting only professional people from Board Room requirements down to those technical areas of the shop-floor; (vii) adoption and implementation of a progressive and far-sighted labour policy by avoiding surplus manpower; (viii) external factors such as union rivalries and labour troubles resulting in restrictions of output and earning capacity of the enterprises should be properly checked; (ix) to develop sound industrial relations, workers' participation in management and collective bargaining may be encouraged; (x) timely and regular flow of information about the activities of each enterprise to the maximum possible extent to project a proper image of itself before the public through some media such as institutions like the Bureau of Public Enterprises and Institute of Public Enterprise.



Rich capabilities have been created on the design, fabrication and erection of a number of basic industries such as oil refining, fertilizers... For example, there has been a rapid expansion of capacity for fertilizer production.

As on March 31, 1972 the total capacities under operation and implementation are 1.725 million tonnes and 3.662 million tonnes respectively. Of these, public sector accounts for 0.960 million tonnes and 1.836 million tonnes respectively.

Despite this increase in production, fertilizer consciousness has not spread evenly throughout the country. Signs are, of course, encouraging with the farmers becoming increasingly aware of the importance of fertilizers towards increasing yields.

Picture shows a view of the Methanol Plant at the Trombay unit of the Fertilizer Corporation of India.

Oil Refining: A Case for Expanding Private Sector Capacity

A recent background session with the General Manager and other important executives of the Indian affiliate of one of the three "Oil Majors" of the world has helped to put in perspective the clash between the Government of India and the established "majors" over issues of price and public versus private ownership.

Discounting on Cruds Prices...

The candour of ESSO General Manager A. G. Neff who gave the background briefing must certainly be appreciated. He did admit, while of course making a case for better treatment at the hands of the Government, that the Oil Majors had made a lot of money from India in the initial years when there was obviously little or no knowledge about oil pricing. For instance, the head of an oil prices committee appointed by the Government had never heard the expression so widely bandied about in countries like Japan—"Only fools or affiliates pay posted prices for crude." It took several years for people with oil knowledge in India to know that widespread discounting had been going on for years in the crude oil prices. Substantial discounts off the officially reported "posted" prices had been available to those operating crude wells in the Middle Eastern and other countries. It did not occur to the Indian authorities that they should compare experiences with countries like Japan and ask the majors to pass on the discounts to the Indian consumer. Of course, after years, the affiliates themselves, in return for certain concessions, agreed to reduce the prices, though they did not call it discount enjoyed by the parent company in Middle East. This reduction came about as late as 1962.

The advent of the Communist countries in the field of petroleum refining contributed to the spread of oil technology the world over. Thus in India the decision of the Government to set up refineries with Rumanian and Russian collaboration formed the starting point of the spread

of oil technology in the country. It is indeed a fascinating development that within a decade of establishing these, giants in the field such as Phillips Petroleum and American International Oil Company should enthusiastically compete to collaborate with the Government of India in the setting up of refineries in the public sector in this country.

There has, therefore, been a feeling—or rather a complex—that not everything that should be known on oil matters is known or can be known to the Indian Government and relationship with the companies is always coloured by this kind of complex.

The demand for petroleum products has been increasing at an average rate of nine per cent per annum during last decade: The consumption increased from about 7.8 million tonnes in 1960 to 18.7 m.t. in 1970. It has been estimated that the demand will be in the region of 31.5 m.t. by 1975.

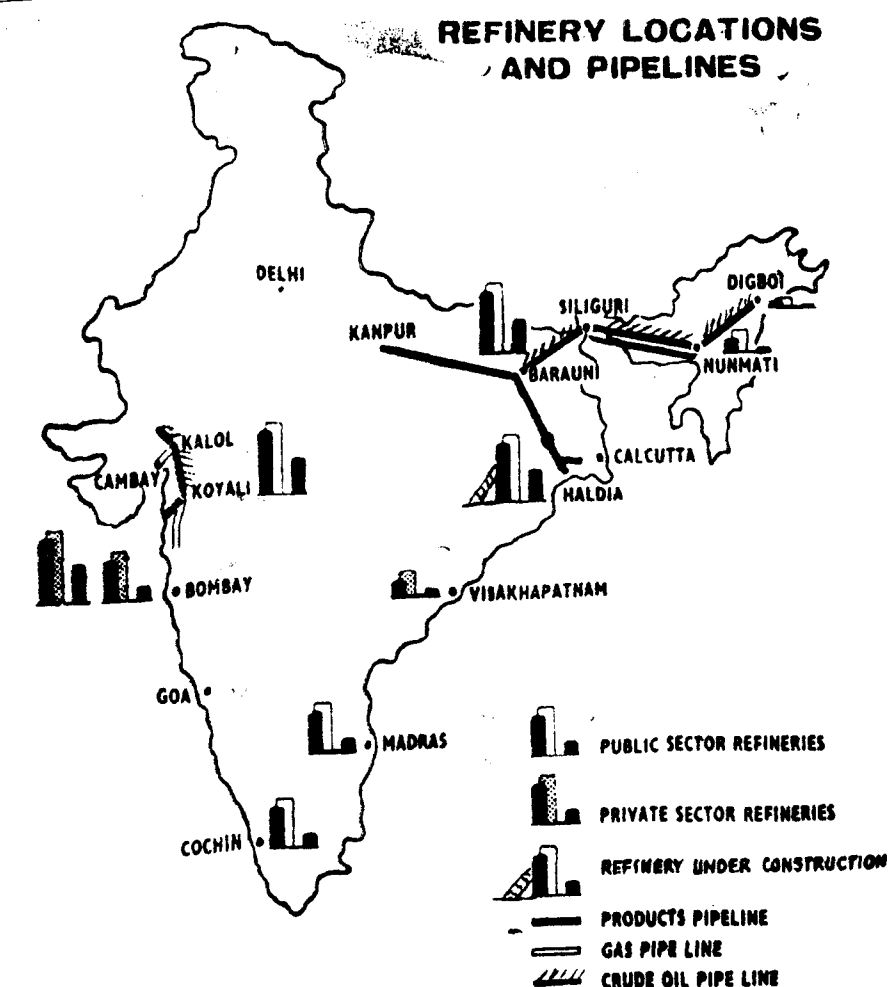
There are four private sector re-

fineries in the country and five belonging to the public sector. The capacity of all these refineries at their present levels of production plus anticipated expansions can go up to 25.7 million tonnes in 1975.

A Big Shortage Might Develop by 1975

Thus by 1975 there will be a gap of approximately 6 m.t. between capacity and demand. In this context the under-utilisation of capacity at the private sector refineries assumes special significance. It is gathered that Esso, Burmah-Shell and Caltex together can refine another 3 million tonnes of crude with their existing facilities.

There is some grouse that the private sector companies have built up this extra capacity through clandestine methods, diverting, in quite a few cases, foreign exchange release for maintenance imports to procure capital equipment. Some question the



means by which the capacity increase has been achieved. Company spokesmen answer that this extra capacity has been achieved due to the changing specifications of the different sections made possible by technological improvements.

An Understandable Anxiety'

The desire on the part of the private sector oil companies to come out of the stagnation in their levels of production is understandable. ESSO, for example, has built in large reserves and is naturally anxious to put this to profitable use. The company has reserves amounting to Rs. 13.80 crores, which is more than four times its share capital.

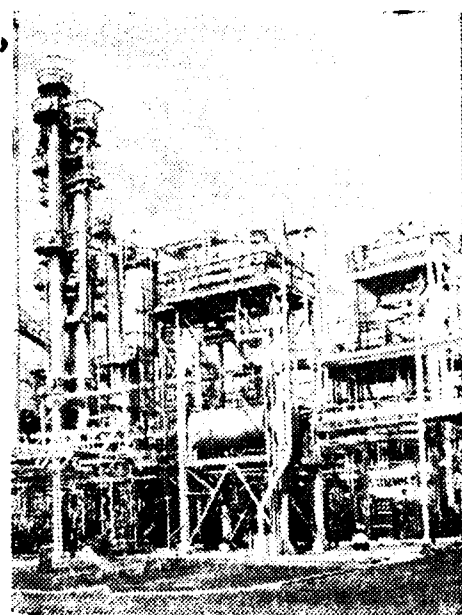
The managers of ESSO presented a cogent, and in most cases, a convincing picture of their point of view. One of these related to the huge difference between the cost of creating capacity all afresh and of expanding and utilising the existing capacity. It has been stated that the cost of creating new capacity will work out to Rs. 150 per tonne, including 60 per cent of this in foreign exchange, whereas for expanding the existing capacity, it

would come to a mere Rs. 10 per tonne.

The Two Basic Questions

The basic question here relates to two aspects: one is the lack of control of the Government in the matter of the price these companies pay for crude and second, the fact that the foreign owned companies do not have any Indian shareholding.

There have been substantial changes in regard to the question one. In spite of majority holding in Cochin and Madras Refineries, the Government is not able to control the runaway rise in the price of crude paid by these companies, particularly the latter. Today MRL pays a price of \$ 1.91 per barrel. It has been stated that ESSO pays just around \$ 1.81 per barrel. Obviously it will be rather incongruous to force the companies in the private sector in regard to the prices they are paying for the crude oil, though it may be pointed out that as companies having widespread international arrangements there is a large possibility of their manipulating the pricing of crude.



A view of the Esso Refineries, Bombay. ESSO presently refines around 2.5 m.t. per annum. But it claims it has capacity to refine an additional one million tonnes.

As regards the second complaint, Mr. Neff has certainly attempted to take the wind away from the sail by expressing the willingness of the company to allow for majority participation by the Government or the Indian public. His anxiety here seems to be understandable in the context of the stagnation witnessed in the company's operations for a number of years now.

The affiliates have been the strongest opponents of India's oil policy. But they are coming round to the view that the policy framed by India would naturally take into account the interests of the country rather than of the Majors alone. They do not want to jeopardise their position in India. ESSO for instance has been virtually "stagnant" and a static position for a company could not go on for long, Mr. Neff pointed out.

'Willing to Work on Minority Holding'

The established international oil companies have been the most tenacious hideouts to any policy of allowing local equity in their refining and marketing operations. The Indian Government has been trying at least from early 'fifties to accomplish this. While foreign companies operating in other industries in India were agreea-

ble to giving a majority of the equity to local people even as early as 'fifties, to this day not one of the three majors has allowed any local common equity in its Indian refining or marketing operations. This position seems to be changing. Mr. Neff's disclosure of his company's proposals to the Government of India is really revealing. According to the proposal, the foreign company is prepared to offer upto 51 per cent to Indians—Government of India, State Government or the public. The proposal according to Mr. Neff, was given two years ago and though the Government of India has been telling him that it is under its active consideration no progress seems to have been made. His company would even hand over its entire marketing to IOC and confine itself to refining with a majority Indian holding even there. Mr. Neff said that neither the Government indicated that the proposal had been studied in all

HIGHER TURNOVER, LOWER PROFITS...

For ESSO India the turnover increased to Rs. 38.96 crores in 1971 from Rs. 32.53 crores in the previous year mainly because of 18 per cent rise in the throughput. Over 2.75 m.t. of crude was processed in 1971. The Government had been averse to permitting the affiliates all the exchange demanded by them for maximum throughput. However, the higher output of petroleum products in 1971, became necessary in the circumstances of the emergency and the Indo-Pakistan conflict. It is stated that ESSO paid considerably more to their parent company for crude than it was allotted. This was naturally reflected in the decline in the profit before taxation and depreciation. It dropped to Rs. 238 lakhs from Rs. 550 lakhs in 1970. For 1970 there were dividend payments resulting in an outgo of Rs. six crores from reserves. Of course, as Mr. Neff explained, in the earlier years there had been no significant remittance of dividend. The profits were "ploughed back."

seriousness nor did it come forward with its counter proposals. After all, on the settlement of the question of the ownership of the affiliate's refining and marketing activities depended allocation of foreign exchange for full utilisation of the private sector refining capacity in the country.

Marketing of petroleum products done by ESSO has remained static around 20 million barrels per annum in the last 12 years. In this period, the demand for petroleum products has been going up on an average between 8 and 9 per cent per annum. The anxiety of ESSO to have a share in this growing market is thus understandable. The share of this company in the total Indian market fell from 29 per cent in 1964 to around 14.7 per cent last year. Thanks to an imaginative programme of cost control—maintaining the rupee expenditure at a static level despite the inroads made due to inflation—the company is able to maintain the profit level, stated an ESSO Executive. "For sheer survival, the company has to become far more efficient today than what it was 18 years ago."

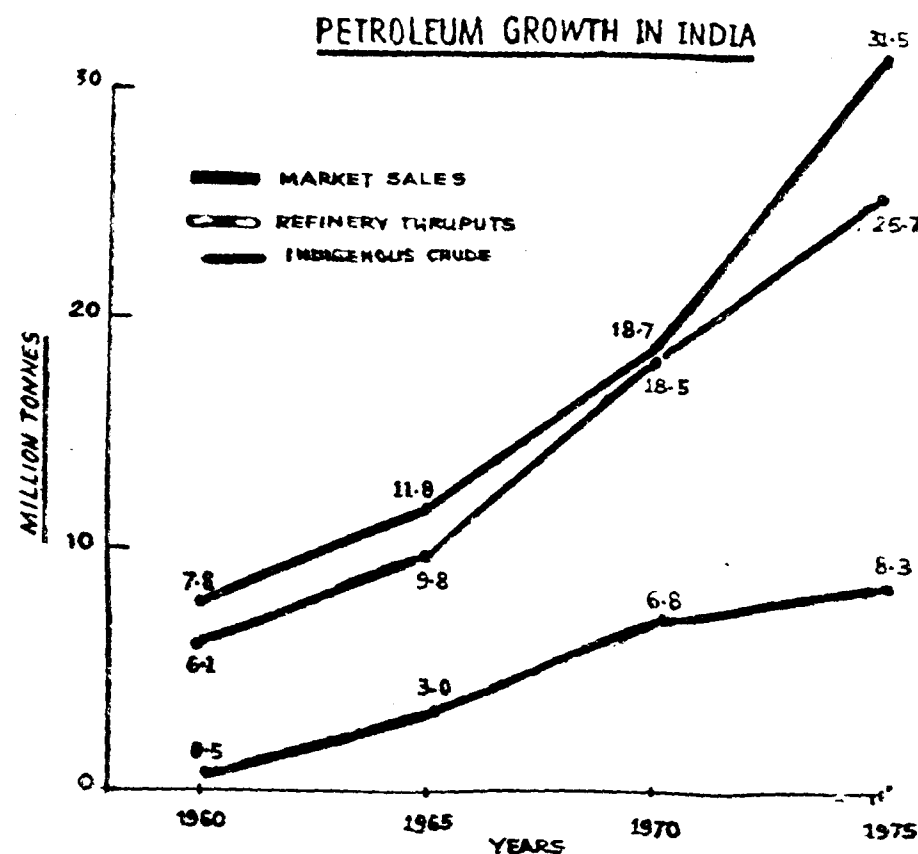
To make a good use of the vast reserves that have been built up by the company ESSO has been coming out from time to time with proposals on some big projects. Thus it evinced a good deal of interest to set up a petrochemical project in Madras. It also offered to lay a pipeline between Bombay and Poona for the transportation of oil products. It has been diversifying through the introduction of many solvents previously imported. It has also rationalised on its total employment through dispensing with some of the installations such as the one it had in Madras. Today it employs 3000 odd persons, compared to around 5000 odd in 1960.

No Full-Fledged Minister for Oil

More than anything else, one major problem that affects the faster growth of the industries in this country is the long time lag that is required for taking any decision. It seems that oil industry is a victim of this, more than any other industry. In the last two years there have been as many as four changes in the oil portfolio in the central cabinet. No wonder many of the proposals stand where they stood two years ago, without any decision—positive or negative—being taken. It is regrettable that an industry which is of vital importance to the country and which accounts for an import bill of nearly Rs. 140 crores today and which is bound to increase to three times to around Rs. 400 crores by the end of this decade should be without a full-fledged Minister.

In the light of the successful functioning of the Cochin and the Madras Refineries, where the international oil companies have a minority share, it should be possible to negotiate, to the country's advantage, for the continuance of the three foreign-owned oil companies in a changed set up. It is evident that the foreign companies are willing to tear up the refinery agreement in return for ending the stagnation in their operations.

Because of the past conduct of the international oil majors, there is a disposition in the Government to think any proposal of theirs is bound to have some catch somewhere. The government, with the help of its oil experts, should examine the proposals speedily and decisions should be taken as expeditiously as possible in the interests of avoiding the national wastage through keeping idle a large refining capacity. (FOC)



FOREIGN EXCHANGE COST OF CRUDE IMPORTS

	1971	1975	1980
Crude imports — MM tonnes	12.7	23.2	31.8
Crude cost — Rs./tonne	110.5	124.5	124.5
Foreign Exchange cost of import — Rs. Crores	139.9	288.8	395.9
Total imports — Rs. Crores	1688	1980	2310
Crude imports as % of total imports	8.3	14.6	17.1

The Advertising Agency in India: How to Select a Good Agency

By BRINSTON MIRANDA

The first Indian Advertising Agency was B. Dattaram & Co., established around 1904. Since then there has been an explosive growth of advertising agencies in India—there are now at least 195 agencies of some status, and around 130 smaller outfits which are not necessarily wholly professional in their operations. There are 120 agencies accredited with the IENS (Indian & Eastern Newspaper Society). These agencies place a sizeable part of their clients' advertising money in the IENS member newspapers and magazines. Many of these 120 agencies are members of the AAA of I (Advertising Agencies Association of India), which obliges them to conform to the professional code of conduct.

At least 90 per cent of the Rs. 65 crores yearly expenditure on advertising in India is created and/or placed in the media by advertising agencies. Therefore, the advertising agency is an acknowledged and established institution that provides services to make advertising more effective.

The Big Agencies...

How does one select a good Advertising Agency? It will depend on the nature of the product and the size of the budget, because according to these two factors, the potential client can decide what kind of agency he needs. The 'large' agencies are those who have "billings" (amount of business placed during the year) of over Rs. 1.5 crores. Agencies in this category are: Hindustan Thompson Associates Ltd.; Clarion McCann Advertising Services; Advertising & Sales Promotion Co.; Mass Communication & Marketing Pvt. Ltd.; Aiyar's Advertising and Marketing Pvt. Ltd.; Ulka Advertising Pvt. Ltd.; Ogilvy, Benson & Mather Pvt. Ltd.; Grant Advertising (India) Ltd. and Lintas India Ltd.

The Medium Sized Ones...

Medium-sized Agencies are those who have "billings" of Rs. 75 lakhs to Rs. 150 lakhs. The well-known ones

among these are: Shilpi Advertising Ltd.; Inter Publicity Private Limited.; Everest Advertising Pvt. Ltd.; Marketing Advertising Associates Pvt. Ltd.; Creative Unit Pvt. Ltd.; Sista's Pvt. Ltd. and Press Syndicate Ltd.

Smaller Agencies which are making a mark with creative advertising are: da Cunha Pillai Associates, IAM, Frank Simoes, Adplan, Alfred Allan, Pratibha, Vision, Jaisons, Ratan Batra, Adroit....

Naturally, a local hotel owner who wants an advertising agency will not necessarily need Thompsons, and certainly Philips India would not want an agency with a billing of around Rs. 10 lakhs. Yet each prospective client can find an agency suited to his particular needs.

How to Begin the Hunt?

You may begin an agency hunt the same way you begin a search for a sales manager, a car, a house. You look over what is available and choose the one you think will suit you best. If you are at present advertising, the various media representatives can give you quite some information about various agencies, their organisation, structure, personnel, financial position and so on. If you are not advertising at present, you can see which advertisements you have liked as appearing in various newspapers, magazines, outdoor and in films. Find out the agency responsible for that advertising. You can then ask for their client list, and make out a short list of agencies whom you would like to meet.

Make these agencies aware of your company's plans. It is then up to the agency to sell themselves to you. They can do this in one of two ways: (1) To impress with a presentation of their work and accomplishment for other clients; (2) To prepare specific presentation of ads and plans created for you.

You will have to undertake to reimburse out-of-pocket costs to the agencies who prepare specific campaigns for you but not finally selected to be your agency.

Listen to what the agencies have to say about their history and their work. Listen to the questions they ask about their business. Are they sound? Do they stem from fresh or routine thinking? Do their questions give you ideas?

Then ask your own questions: Who will actually work on your account? Ask them to meet you. Ask them what other assignments these people will have and whether they will have time enough for you. When an agency shows you its past work ask what the reasons were for each campaign or advertisement. Ask what the clients wanted to accomplish, what the results were and figure out for yourself if they get their money's worth.

Should an agency be experienced in your field? It can certainly be a comfort to speak with advertising people who know your field, who know your competitors, know names that you know, tarde gossip, and so on.

It Can Also be Misleading...

The Agency's first duty is to know the advertising business, not necessarily yours. You know your business. You can tell the agency all they have to know. This much the agency is entitled to receive from you. You are entitled to the best possible advertising for your money.

Judge your agencies by the abilities they show in their field. If they have done well for others you can expect them to do well for you. Very often the fact that the agency is new to your field may prove an advantage. Their approach to your advertising may be unimpeded by cliches and inhibitions that are no doubt weighing down the advertising of some of your competitors.

A well-known advertising man, John Orr Young, said: "Bigness is not the answer to the question, 'What will the Agency do for me?' Neither is smallness a guarantee of top service in quality or volume: What counts is the real motive power of the agency, the creative potency, mental inspiration of

the men, who work on the individual account".

Kind of Services...

You would need to also know the kind of services you can expect. The large and medium sized agencies claim to be "full-service" enterprises which cover advertising counsel, creative designs, media planning, print work, public relations assignments, marketing research, product tests, packaging and brand names, new-product ideas, sales promotion/merchandising support.

The time spent on account/client servicing by executives and management are not charged if the advertising expenditure during the year is at least Rs. 1 lakh. Creative work, such as approved designs, artwork, radio

spots/jingles, film production and prints are chargeable at cost plus 17.65 per cent agency gross margin. For regular newspaper, magazine, radio, film and other media advertising, and for printed jobs, agencies receive 15 per cent official commission from the media, and hence client is not paying any unjustified extra from his side. The client pays only for the additional work done by agency out-of-pocket of the approved designs, etc., referred to above.

This is one of the reasons why almost every advertiser prefers to engage an advertising agency instead of or in addition to an advertising department—namely, economy of buying services rather employing a full-time department. Also, for the professional expertise and skill that the agency is

expected to bring to bear on advertising and marketing problems. And the agency's many sided experience on a range of products would be of great help to an advertiser seeking objective and creative solutions to his particular problem.

Finally, an advertising agency is a business enterprise: It must make reasonable profits to expand its services and employ more specialists. Therefore, it needs to charge all out-of-pocket expenses incurred on behalf of a client, and to get its bills paid as promptly as possible. This will strengthen, for the client's benefit, the agency services, rather than erode them over a period of time by defaulting on timely payments or haggling over various service charges.

(To be continued)

MAHARASHTRA NEWSLETTER

Job Opportunities Through Heavy Investment in Agro-Industries

(By A SPECIAL CORRESPONDENT)

The Conference on "Development Through Employment" organised by the Maharashtra Economic Development Council in Bombay on August 25 has brought to the fore the most serious problem of mounting numbers in the ranks of the educated unemployed.

The Maharashtra's Industries Minister, N. M. Tidke, who inaugurated the conference, in a forthright speech, emphasised the urgency to tackle this problem on a war footing. The accent of the State's planning was in boosting employment through rural industrialisation.

Maharashtra is already high up in the matter of encouraging small and medium scale industries as well as co-operative movement. The State Government now proposes to invest heavily on agro-industries with a view to providing job opportunities in rural areas even during the lean months when a large number of agricultural labour is rendered idle. Besides, a complex of agro-industries would act as a launching pad for further urbanisation and overall economic development.

Mr. Tidke has also made a special appeal to the industrialists in this region to reserve at least a small percentage of job opportunities in their industries to recruit educated unemployed. He suggested that as a policy the industrialists when replacing staff who retire should seek their personnel from these ranks even if the jobs be not of the "white-collared" types.

Dr. Hannan Ezekiel, a Director of Tata Services, thought that the basic mistake in the planning strategy was to consider investment pattern first and then the creation of job opportunities, while in actual fact a reverse policy should have greater beneficial effect on the problem of unemployment.

Prof. V. M. Dandekar, Director of Gokhale Institute of Politics and Economics, disputed this theory. He expressed the view that allocation of resources had to take note of the inter-relationship between the various industries and the problem of unemployment could be solved only through greater economic development.

Prof. Gangadhar Gadgil advocated an investment plan of Rs. 1,000 crores to solve the problem of unemployment to 20 crores of people living now below subsistence level. He seemed to disagree with the Minister's view that development of small industries would boost employment potential. According to him, the accent should be on agricultural production, irrigation and fertilisers.

Dr. H. K. Paranjape emphasised the role of management in industry and criticised the heavy dependence on administrative methods to solve marketing problems. He felt that inefficiency and indiscipline have become the order of the day and unless measures to curb this tendency are taken, and provide employment opportunities it would not be possible to improve the rate of industrial production.

Mr. H. T. Parekh, Chairman, Industrial Credit and Investment Corporation of India Ltd., urged realistic government policies to enable individual entrepreneurship to bloom. Unhealthy restrictions and ideological considerations should not be allowed to put a crimp in industrial progress.

Mettur Beardsell

Mettur Beardsell Limited has managed to earn a higher profit for the year ended March 31, 1972 despite less profitable cloth sales. The other divisions must have worked on a more remunerative basis as the net profit, before depreciation and taxation has increased to Rs. 58.49 lakhs from Rs. 56.26 lakhs in 1970-71. The dividend on equity capital has been raised to 20 per cent taxable from 19 per cent taxable. After setting aside Rs. 7.02 lakhs (Rs. 6.51 lakhs) for depreciation and Rs. 26.73 lakhs (Rs. 27.04 lakhs) for taxation, the transfer to general reserve is Rs. 27.32 lakhs (Rs. 22.73 lakhs) and development rebate reserve Rs. 95,000 (Rs. 50,000). Goodwill reserve gets Rs. 15,000 (Rs. 22,500). The dividend is to be paid out of general reserve.

Engine Valves Bonus Issue

Shareholders of Engine Valves Limited have reason to be happy as the directors, apart from deciding to pay a higher dividend for 1971-72 have announced a bonus issue in the ratio of four shares for every five equity shares held. A final dividend of 8½ per cent, taxable is to be paid making with the interim already distributed, a total of 16 per cent, taxable, against 15 per cent, taxable, previously. A sum of Rs. 44.80 lakhs will be capitalised out of reserves for the bonus issue and the paid-up capital after the issue will be a little over Rs. 1 crore. The net profit, before depreciation and taxation for the year ended March 31, 1972 improved further to Rs. 71.11 lakhs from Rs. 67.80 lakhs. Depreciation claims Rs. 15.06 lakhs (Rs. 12.81 lakhs) and development rebate Rs. 3.74 lakhs (Rs. 2.37 lakhs) while the provision for taxation is unchanged at Rs. 29.50 lakhs. The transfer to general reserve is Rs. 19.10 lakhs (Rs. 25.29 lakhs). The final equity and preference dividends are to be paid out of general reserve. In the previous year, there was a credit of Rs. 4.69 lakhs on account of tax credit, income tax refund and other items. This year, only a sum of Rs. 60,000 has been written back from development rebate reserve. The total equity dividend amount paid will be only Rs. 8.96 lakhs and as it is well covered by disposable profits there may be no need to effect a proportionate cut in dividend on the enhanced capital after the bonus issue. The Rs. 10 shares have been active in Madras after announcement of the results and are ruling around Rs. 31 after soaring to Rs. 33.50.

Rane Brake Lining's Gesture

Rane Brake Linings Limited, another unit of the Rane group, will also be capitalising a part of the large reserves accumulated in a short period of four years and issuing bonus shares in the proportion of four shares for every five shares held. This is to be done by capita-

lising Rs. 16 lakhs out of the total reserves of Rs. 34 lakhs at the end of 1971. The paid-up capital will then be Rs. 36 lakhs with residual reserves of Rs. 18 lakhs. The directors have also announced an interim dividend of 9 per cent, taxable, for 1972 whereas there was a payment of 18 per cent for the whole of 1971. As the dividend is again well covered by disposable profits, there should be no need to effect a significant reduction in the dividend rate on an increased capital. The results for the current year are expected to be quite encouraging.

Bharat Steel Tubes

Bharat Steel Tubes Limited, could not prevent a slump in its earnings during the year ended March 31, 1972 even with a sizable increase in turnover to Rs. 11.57 crores from Rs. 9.06 crores in 1970-71. The net profit, before depreciation and taxation, declined by over 50 per cent to Rs. 93.18 lakhs from Rs. 191.10 lakhs. Depreciation claims Rs. 30.35 lakhs (Rs. 28.50 lakhs) and development rebate Rs. 1.52 lakhs (29,000) while the provision for taxation is only Rs. 34 lakhs (Rs. 98 lakhs). The directors have, however, maintained the dividend on equity capital at 12 per cent, taxable. General reserves gets Rs. 27.79 lakhs (Rs. 64.65 lakhs). It is stated that only one-third of the capacity for steel pipes and tubes could be utilised due to shortage of steel. The licensed capacity has been assessed at 1.44 lakh tonnes. Exports during the year amounted to Rs. 1.13 crores. The working of the pipe work engineering division was satisfactory. The directors have pointed out that the cost of the proposed strip mill has gone up to Rs. 22.5 crores from Rs. 16.5 crores owing to higher equipment prices and increased customs duties.

Garware Nylon

Garware Nylon Limited increased its turnover to Rs. 5.63 crores in the year ended March 31, 1972 from Rs. 5.02 crores in 1970-71 despite lower nylon prices. Net sales improved only to Rs. 3.93 crores from Rs. 3.61 crores due to higher excise duties. As working expenses also were higher, there was only a slight improvement in the net profit, before depreciation and taxation to Rs. 1.90 crores from Rs. 1.85 crores in 1970-71. The sum set aside for depreciation is Rs. 26.27 lakhs (Rs. 29.48 lakhs) and development rebate Rs. 1.09 lakhs (Rs. 2.01 lakhs). The claim in respect of taxation is not much higher at Rs. 1.4 crores (Rs. 99 lakhs). The transfer to general reserve is Rs. 58.96 lakhs (Rs. 54.27 lakhs). A dividend of 11 per cent taxable is to be paid on the old capital as in the previous year. The new shares issued to the public early in 1971 at par are not entitled to the latest dividend. The dividend amount is Rs. 12.01 lakhs. The company has made good progress in the implementation of its expansion pro-

gramme for raising capacity to 2,000 tonnes per annum. The equipment for the new nylon yarn plant from indigenous and foreign suppliers have been largely received. The spinning unit is expected to begin trial operations shortly and the polymerisation plant in October-November. There is a proposal to expand yarn capacity further to 3,840 tonnes and also manufacture 360 tonnes of polyester filament yarn per annum. A letter of intent has been received and the directors are confident of completing these schemes in 18 months from the date of receipt of import licence for capital goods.

Goodyear's Record Sales

Goodyear India Limited has reported a creditable performance during 1971 despite some adverse factors in the first half of the year. Power shortages, labour problems and delay in the delivery of the new manufacturing equipment hampered operations considerably. Even then, sales were higher at Rs. 28 crores or by 11 per cent as compared to 1970. The net profit, after depreciation, and taxation was higher at Rs. 91 lakhs against Rs. 60 lakhs in 1970. But with the provision of Rs. 99.30 lakhs (Rs. 41 lakhs) for development rebate, there is a net loss. The directors have recommended an equity dividend of 17.5 per cent taxable, whereas on the former occasion, there was also an exceptional payment of 30 per cent, taxable. There is no tax liability whereas in the previous year there was an allocation of Rs. 69.30 lakhs under this head and general reserve got Rs. 56.03 lakhs. The dividend is to be paid out of general reserve. Goodyear will be producing tougher and stronger tyres for earthmovers while it has also plans to take up new lines like industrial belting of various types. During the year, a new bicycle tyre plant was commissioned in July while the new automobile tyre plant went into production in September and there was a record production in the fourth quarter of the year. The company's reserves at the end of last year stood at Rs. 6.17 crores.

Giant Transformer for U.P. Station

Crompton Greaves has recently supplied a 100 mva transformer, one of the biggest made in the country, to the U.P. Electricity Board. It is one of the four such transformers to be supplied and has been designed by the Bombay firm's own engineers with technical know-how provided by Hawker-Siddeley, the British collaborators. It weighs 115 tonnes and is 7.8 metres high. The parts of the dismantled unit with accessories were taken to Moradnagar in U.P. by special 90 tonne wagon and lorries. When erected, the four transformers will help augment power supply in the rapidly industrialising Western U.P. The stringent tests on the equipment conducted before despatch included an extra high voltage impulse test to check the capability to withstand effects of lightning surges.

WHAT THE HEAD OF THE PURCHASE DEPARTMENT THINKS!

PRICES, QUALITY,
TECHNICAL SERVICE,
TRANSPORT,
BANKING & CREDIT FACILITIES,
STABLE SUPPLIES,
INCREMENTS, JOB SECURITY,
COMPANY GROWTH,
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POWEROIL RUBBER EXTENDER OIL—helps to increase output of synthetic rubber products.

POWEROIL CABLE OIL—keeps cable insulation better impregnated.

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- 43, General Patters Road, Madras-2. Tel: 811630
- 15-E Sringer Shopping Centre, 12-12A M. G. Road, Bangalore-1. Tel: 54946



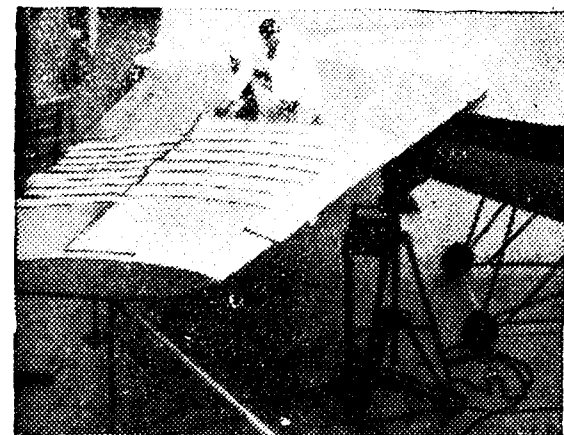
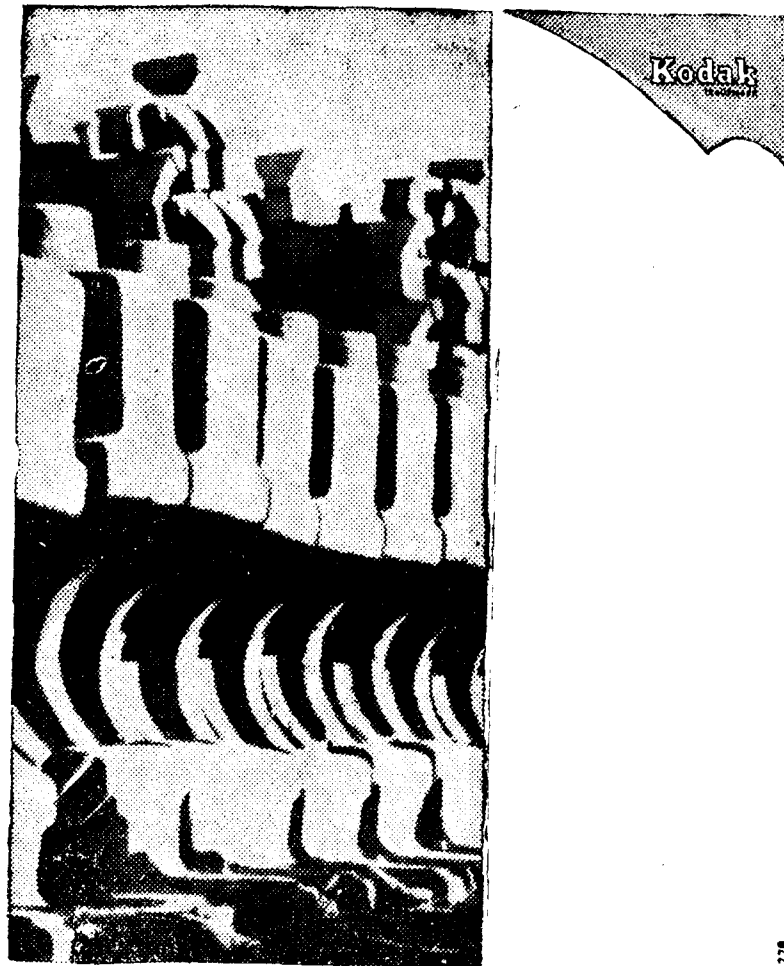
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Industrial Economist

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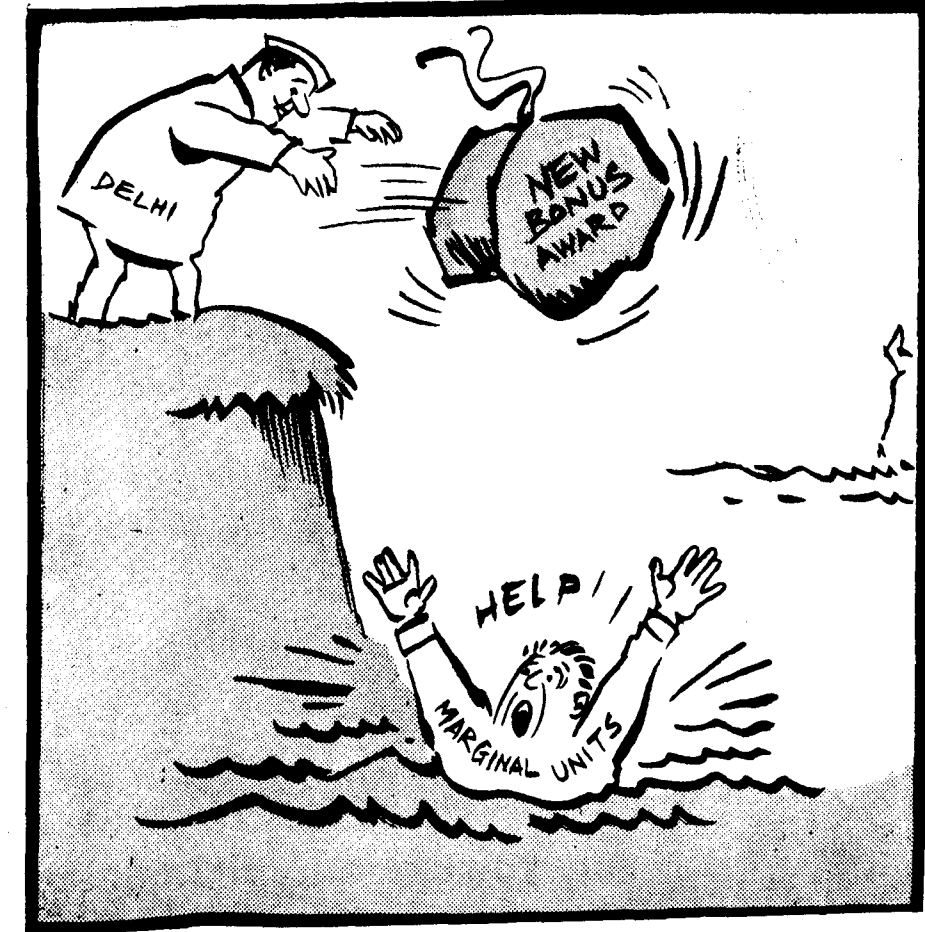
Nothing Ganguli about it, really?

The severe drubbing India had at the Munich Olympics had not daunted the spirit of Platipus who maintains that if only the athletic events included just one more, India would be assured of a gold medal. This is the event of somersaulting. Platipus thought earlier of various political leaders of our country as deserving participants in this enticing and vigorous game, but he is surprised to note that the list can be further enlarged by including even the chief executives of some public sector undertakings.

The last to join this list at the moment is Indian Airlines' Chairman, N. P. Sen. Mr. Sen, was reported to have had some difference of opinion with the Civil Aviation Ministry, which went to the extent of preventing Mr. Sen from attending a meeting of the IATA Board at London. Mr. Sen had to cancel the trip and was reported to have offered to send in his resignation from the chairmanship of IAC. This hot news item was not refuted either by Mr. Sen or the Civil Aviation Ministry both keeping a tight lip over it for nearly a week. In fact, the Minister for Civil Aviation, Dr. Karan Singh, refused to be drawn into the controversy at a press conference in Madras on September 26, stating that he would be meeting Mr. Sen only the next day. When a newsman tried to draw a comparison, with "L' Affaire Ganguli" he said there was nothing "Ganguli" about it.

Within thirty hours of this conference, Mr. Sen has repudiated the news about his resignation and said the press report was "mischievous." He explained away the week-long silence as due to his sense of "professional ethics and discipline" which made him consult the Minister before speaking out.

This excuse makes Platipus recall the story of a Kerala couple, who emerged with smiling faces from the boudoir, obviously reconciled after a bitter quarrel, listened to by neighbours. When somebody pointed out a tell-tale swelling on the forehead, the husband grinned and said: "Oh, it is nothing. She just swatted out a fly there out of love!"



Dark forebodings...

There has developed an unprecedented, difficult situation in the power position in various States, caused by severe drought conditions and depletion of water resources in hydel reservoirs. This has necessitated Tamil Nadu Government imposing a 25 per cent cut on the consumption of power, even the continuous process industries being obliged to cut their requirements by 15 per cent, effective October 1. Kerala, Andhra Pradesh and Mysore had to follow suit. In North, the situation is no better. In an announcement, likely to shock everybody, the Punjab Government has imposed a phenomenal 22 hour-a-day cut in power supply.

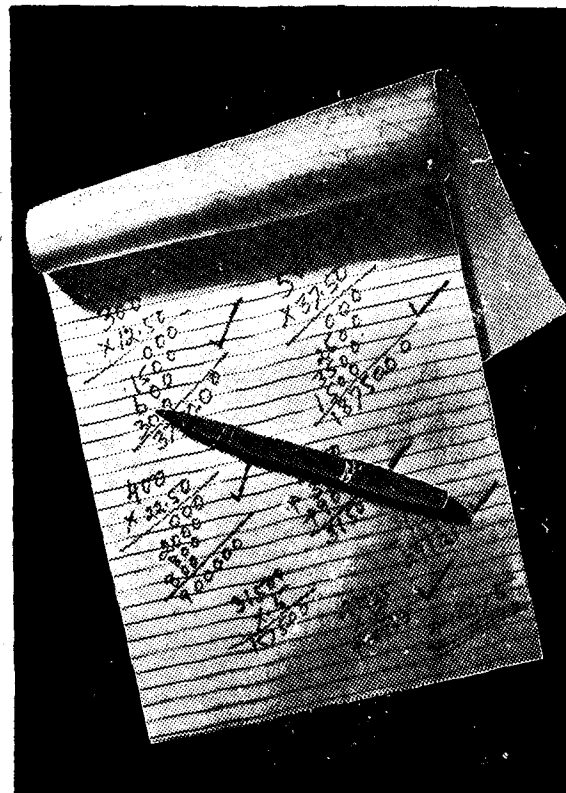
Platipus is worried very much now for a different reason. Remember what happened at New York and other American cities during a similar period of imposed darkness? Can we afford now a bonus in population? Only the Anti-Family Planning League will be jubilant at the prospect!

Mao-Tai outsmarts vodka?

Platipus has always maintained that there is a special gift of God made to the politician—the ability to make business even out of pleasure and the recent news from Peking only confirms his conviction. The Japanese Prime Minister Kakuei Tanaka, how in Peking, seems to have lost his heart to the Chinese liqueur, Mao Tai, several glasses of which disappeared down his throat after a heavy lunch. Chou En Lai lost no opportunity to point out with glee that Tanaka might have found Mao Tai more likeable than the Russian Vodka, as the Chinese drink would hurt neither the throat nor the head. Chou has also stealthily attempted to wean Tanaka away from the European influence of whiskey, with the promise to send some more Mao Tai to Japan.

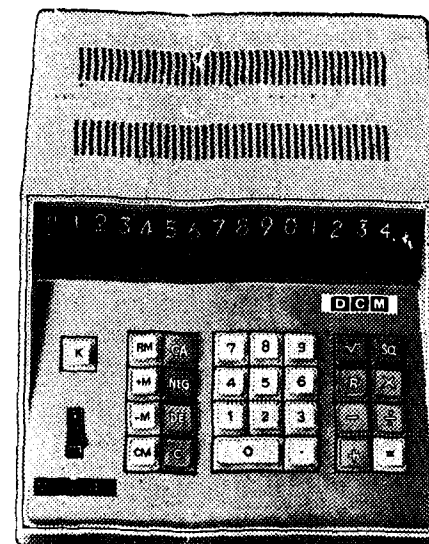
Platipus demands to know, why we cannot invite the problem-President Idi Amin of Uganda and offer him a glass of Vedic Somarasam or a tankard of toddy to mellow him down too? —Platipus

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Labour Wins the Bonus War

What Mr. Kadhilkar, Union Minister of Labour, announced after a 2½ hour discussion of the Cabinet amounted to a clean victory for the forces of organised labour on the bonus issue. The major scoring points of victory for the labour were that the Government not only agreed to their demand that the minimum bonus must be raised from the present rate of 4 per cent to 8.33 per cent in all the concerns covered by the Bonus Act irrespective of whether they made a profit or a loss, but also that this entire amount be paid in cash to the employees. Another significant decision is that the public sector undertakings which were not covered by the Bonus Act but which were making ex-gratia payments hitherto will also now come under the new formula. In spite of heavy pressure from the trade union representatives in the Bonus Review Committee, the Government has firmly declined to include departmental institutions like Posts and Telegraphs, Railways, etc., within the purview of this new act. But this may only be a temporary decision which may perhaps be modified later on the basis of overall review of the working of such departments by the Third Pay Commission.

With Far-reaching Consequences....

The bonus issue, agitating the minds of the labour leaders for more than one year now, with a grim foreboding of nationwide stir if not settled to its satisfaction, has always bristled with more difficulties than meet the eye. The three parties to the issue, the employees, the employers and the Government, have their own perspectives of the problem, markedly different from each other. While the labourer has to fight tooth and nail the onslaught made on his slim purse by the evergrowing prices of even essential commodities, the employer is scared of a big push of the demands on him, stifling the growth of enterprise. The Government will have to consider the far reaching consequences of its decision on bonus with the grim prospect of inflating further the already bulging inflation and the effect the decision can have on industrial growth already on the lowest ebb.

With so many conflicting issues, open and subterranean, at stake, it is no wonder that the Bonus Review Committee itself split into two and submitted two different proposals to the Government. It was predictable that the three employee's representatives from INTUC, AITUC and HMS would team up together but they derived not-quite-expected additional strength from the member representing the public sector companies.

This group unanimously insisted that the minimum bonus of 8.33 per cent must be paid regardless of profit or

loss and also effective from 1970-71. (This percentage of minimum bonus has already been accepted by the Government of India and the Labour Ministers at the States). As to the other group consisting of the Chairman Dr. Madan, two employers' representatives and an economist, it had no objection in prescribing the minimum Bonus of 8.33 per cent in the case of profitable concerns while it stipulated the minimum of only 5 per cent in the case of losing concerns.

No Link with Productivity

A remarkable fact emerged that both groups were unanimous in saying that the bonus issue must not be linked to productivity or production "as it would be impracticable and lead to areas of conflict and dispute."

The Government, caught in the ugly spiral of inflation, tried its best to convince the labour that the extra bonus awarded in excess of 4 per cent may be invested in Provident Fund Account or in Savings Certificate, in order to avoid a further accentuation of inflationary trends. But labour was insistent that the entire minimum bonus of 8.33 per cent must be paid in cash. About the Government's fears that this injection of additional money into the economy may negate some of the economy measures being taken to hold the price line, a labour leader of Bombay, Mr. S. R. Kulkarni maintained that this wage raise will not cause inflation, which was really boosted by the rising cost of living. He added biting that the Government which miserably failed in preventing tax evasion and circulation of black money to the tune of Rs. 3000 crores had no moral right to compel the employees to pay a meagre sum of a few hundred crores into the Provident Fund Account from which, he charged, a few unscrupulous employers had already digested Rs. 500 crores. "Workers urgently needed extra spending money than extra savings" insisted INTUC's Ramanujam and AITUC's, Loomba both members of Bonus Review Committee.

Investing in Provident Fund

Though finally the Government had yielded to this plea for paying the minimum bonus in cash, it has firmly decided that in the case of "positive difference" over last year's bonus, the excess must be deposited in the Provident Fund Account, practically freezing the bonus at last year's level. In spite of pressures, it has decided to give effect to the new act only from 1971-72 and even though the losing concerns are also compelled to pay this enhanced minimum, the genuine cases may be brought to the notice of the concerned government, State or Central which are

empowered to grant exemption. But the onus of proving such genuine loss rests with the employers.

It was clear from the start, that the bonus issue had to be settled quickly and once for all, to ensure industrial peace and a proper climate for further, meaningful work on the industrial front. It had to be done quickly, since already two State Governments, Maharashtra and Tamil Nadu goaded the Centre to a quick decision, on the face of mounting industrial unrest in their respective States. There was the additional pressure on time, in view of the Finance Minister's visit to Washington to attend Fund-Bank meetings and the "Puja Holidays"—the traditional occasion to award the boon of bonus to the lucky organised labour sector. Thus the issue has now been settled quickly, but whether it is once for all is a moot question. Already the labour leaders have made their further demand that the bonus must be paid from 1970 onwards and all the establishments including Railways, P & T and those employing less than 20 persons, now exempted from this Act, must also be covered by it. The reactions of the industrialists and employers to the new Act was naturally hostile. While many presidents of the various Chambers of Commerce condemned the Government's capitulation and expressed the fear that many losing industrial concerns will have to face closure, the industrial magnate Naval H. Tata cryptically wished the government good luck in dealing with the consequences!

Steep Rise in Government's Wage Bill

While the commercial undertakings managed departmentally will eventually win their points and one month's wages will have to be paid to all workers in these departmental undertakings, those in civil administration too will expect similar treatment, unless there were other compensating advantages. In effect, the Government will have to prepare for an increase in its wage bill by anything from Rs. 150 crores to Rs. 200 crores annually while the inflation of the cost of wages in industrial undertakings which are working at a loss may be anything upto Rs. 15 crores to Rs. 20 crores.

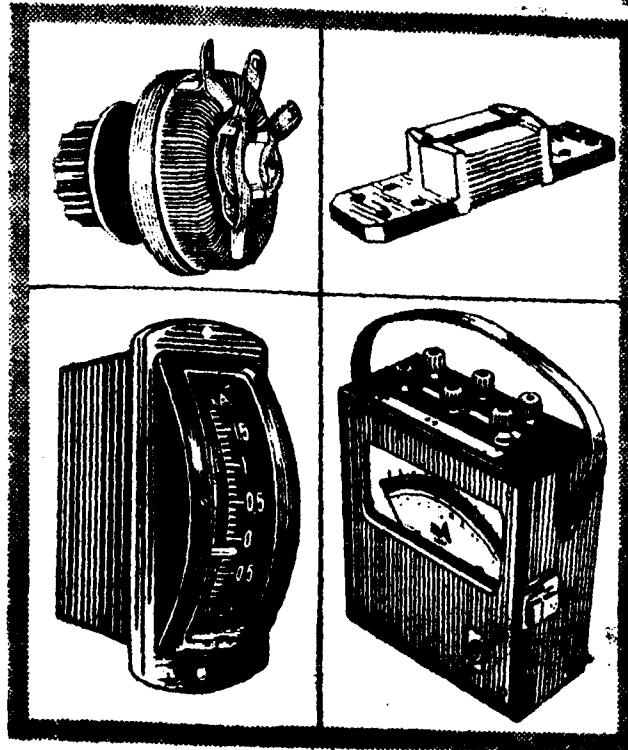
Different Concepts of Bonus

The question is how bonus is to be paid and what are the norms. The deferred wage concept arises only when as a result of higher productivity, proper management and cooperation from labour, there were earnings which were more than warranted by the contribution of capital by shareholders. The profit-sharing concept has not been discarded but an additional element, cost rigidity, has been introduced with the more or less now automatic demand that one month's bonus should be paid irrespective of profits or losses. The Government has also created problems for itself now by agreeing to the concept of 13 months wages for 12 months work. Does this mean that the Government or the Tariff Commission will be prepared to recognise this minimum bonus as part of regular cost and make the required adjustments in end-prices where they are controlled statutorily or revise only after getting the Government's approval?

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...and They Attempt to Come out of the Shell...

It is refreshing to note some of the nationalised banks endeavouring to come out of their shells of overcautious conservatism. Our political pundits and powers—that-be were never tired of assuring us that one of the objectives of nationalisation was to extend the benefits of banking to those sections of the society not hitherto benefitted by the banking sector. Since the 14 major banks were nationalised on June 1969, except in the matter of a spectacular expansion of the number of branches, in regard to the range and content of service to newer classes of borrowers there has not been much of a progress. Happily, there are signs of the desired change.

During the last fortnight the Small Scale Industries' Cell of Indian Bank, Madras attempted an excellent PR drive, to good effect, I believe, by convening a meeting of entrepreneurs belonging to the small sector.

Mr. A. P. Anantharaman, who has taken charge as the Superintendent of the Cell recently, assured the audience that the bank has been streamlining its activities with a view to further improve the service to its clients and that it would constantly endeavour to improve the quality of service. Mr. Anantharaman has been one of the few bank officials (let this tribe grow manyfold!) who has interpreted the role of a bank—even before nationalisation—as something different from that of a pawn-brokers' and that schemes, rather than personalities, that deserved scrutiny. His capacity for quick-decision over the scheme submitted was well-known among his clients and no wonder he has started his new assignment with characteristic dynamism and freshness of approach.

Has there been any spectacular increase in Bank's advances to the small scale sector in recent years? The answer is yes and no. As at the end of December 1969 the limits in force for advances to Small Scale Industries fixed by the State Bank of India and its subsidiaries amounted to Rs. 253.79 crores and the balance outstanding under this head was Rs. 134.38

crores. Respective figures for the year ending December 1970 were Rs. 320.07 crores and Rs. 187.80 crores.

The fourteen Nationalised Banks increased the limits of advances to Small Scale Industries from Rs. 369.76 crores in December 1969 to Rs. 449.01 crores in December 1970. These banks had balances outstanding under Small Scale Industries' Head at Rs. 176.54 crores and Rs. 232.56 crores respectively at the end of December 1969 and December 1970.

Assistance to SSI Inadequate

The total bank deposits as at the end of 1969 amounted to Rs. 5,172.73 crores and the bank credit extended was Rs. 3,729.02 crores. The total bank deposits and credits at the end of December 1970 amounted to Rs. 6,051.15 crores and Rs. 4,590.38 crores. The share of advances to Small Scale Industries increased from 9.3 per cent of the total credit extended in 1969 to 10.3 per cent of total bank credit extended in 1970.

Small Scale Industries contribute approximately to two fifths of the industrial production and its share of bank credit is just 10 per cent of the total credit extended to all sectors, a predominant portion of which goes to

major industries. Even of this, the credit extended by the State Bank and its subsidiaries accounted for a big chunk in 1970.

Unbalanced Credit-Deposit Ratios

It is in this context that the efforts made by Indian Bank to streamline the service it offered to Small Industries assumes special significance. In future this service could be extended largely by banks belonging to this region. Finance Minister Y. B. Chavan, referred obliquely in his recent Press Conference in Madras about the credit-deposit ratio in some States being very unbalanced. He must obviously be referring to Tamil Nadu and Andhra Pradesh which are the only two States that accounted for larger bank credits than deposits. For example, during 1970, the total deposits in commercial Banks in Tamil Nadu amounted to Rs. 351.38 crores whereas the credit extended amounted to Rs. 466.55 crores. Obviously, many banks might be planning to correct this and the only banks that might plan to expand their advances should be those based in the State. Thus the efforts of Indian Bank to expand its service to the small scale industries is specially welcome at their juncture.



A good PR effort

Indian Bank's Anantharaman is seen explaining an audience of small scale industrialists the concern of the Bank to expand its service to this priority sector.

Time-bound Decisions ...

One of the areas where the Banks can improve their record relates to the disposal of applications within specified time limits. It is a frustrating experience for a small scale industrialist to wait indefinitely after filing his application with the Bank. Even in the cases where the Head Office gives its decision over the application, the process of communicating this result to the applicant takes an interminably long time. The branch, burdened with its numerous day-to-day

administrative problems, has little time or expertise to study the intricacies of the points raised by the Head Office and acts as a delaying delivery office.

Select Branches for Specialised Services

Banks can think of selecting a few of their branches in the City for offering quick, efficient and specialised service for small scale industries. Suitably qualified and well-trained personnel can be put in charge of these

branches and these can be given sufficient powers and discretion to act quickly.

Particularly in the context of availability of credit from numerous other financial institutions such as the NSIC, IDBI, SIDCO, THIC, .. at far more favourable terms—the margin for machinery purchase can be as high as 95 per cent, interest much lower at 7½ per cent and period of repayment as long as ten years—the only area where Banks score over these is through prompter decisions and a greater flexibility of approach. —S.V.

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Strengthening the grass - roots of the economy

INDUSTRIAL ECONOMIST

Rs. 355 Crores World Bank Loan to India

The World Bank has lived up to the expectation of its President, Mr. Robert McNamara of doubling its assistance in the 1969-73 quinquennium over the figures for 1964-68 by reaching a record annual figure of more than \$ 3 billion in the fiscal year ending June 30, 1972. This consists of 72 loans of the Bank totalling \$ 1.966 billion, 74 IDA credits amounting to \$ 1 billion and 23 investments of the IFC aggregating to \$ 116 billion. There has not only been an increase in the volume of lending but the base of the assistance is being broadened covering new fields like urbanisation, population planning, nutrition, education and rural development. The main emphasis is as usual firming up infrastructure facilities so as to create the aid to faster growth. India has emerged as the largest single recipient of the World Bank group lending accounting for \$ 472.2 millions (Rs. 355 crores) in 1971 against \$ 243.4 millions (Rs. 183 crores) in the previous year.

Problem of Mounting Debt Burden

Although total production and income of the developing countries seem to have grown at annual average rate of more than 5.5 per cent, there are catches in it. In certain cases behind the statistics lie the grim realities of how life at the lower end of the scale is lived by the poorest among nations and the poorest within nations. The most serious problem is the mounting debt burden. The Bank says that this problem is likely to become unbearably acute unless the export earnings of borrowers increase and there is a larger flow of development assistance to them on easier terms. For fiscal 1972 (ending June 30), debt charges were said to have maintained the rising trend witnessed in 1970 when they had grown by 18 per cent which is twice the average rate of recent years.

Though net disbursements of official development assistance rose between 1970 and 1971 by about \$ 810 millions, there was disappointing distance by

which several major countries fell short of widely accepted targets of such assistance. As to other official flows, the increase from 1970 to 1971 was greater both absolutely and as a percentage. The increase at \$ 410 millions was at 17 per cent. Contributions to and especially purchases of securities issued by multilateral institutions rose more than proportionately to other components of the increase.

Major Assistance to Agricultural Development

So far as India is concerned, the year's lending brought the cumulative total of Bank Group commitments to India to \$ 3,312 million over a period

of 23 years. Of the 12 projects in India for which, the Bank and IDA provided finance in fiscal 1972, seven were for agricultural development. Two of these were industrial projects relating to fertilizer production. One is an irrigation project. Two will increase the availability of agricultural credit in Mysore and Maharashtra including credit for small farmers. Similar IDA credits were made in the previous year in Andhra Pradesh, Haryana and Tamil Nadu. Another in which Sweden also participates is for improvement of storage facilities in the wheatbelt. The seventh is a path-making effort at organising market towns. This will cover 60 per cent of the five year programme of investment

RECIPIENTS OF WORLD BANK LOAN
(US \$ Millions, Fiscal Years)

		Annual Average 1964-68	Annual Average 1969-72	1972
Eastern Africa	Bank	38.6	96.9	47.8
	IDA	32.5	85.2	166.5
	Total	71.1	182.1	214.3
Western Africa	Bank	42.9	125.8	144.5
	IDA	16.7	51.9	78.8
	Total	59.6	177.7	223.3
Europe, Middle East and North Africa	Bank	128.3	367.9	477.4
	IDA	20.4	55.7	126.7
	Total	148.7	423.6	604.1
East Asia and Pacific	Bank	129.2	239.2	166.1
	IDA	2.2	107.2	150.2
	Total	131.4	346.4	316.3
South Asia	Bank	99.2	192.8	185.0
	IDA	185.8	326.0	466.4
	Total	285.0	518.8	651.4
Mexico, Central America and Caribbean	Bank	148.6	246.2	432.1
	IDA	1.5	8.1	4.4
	Total	150.1	254.2	436.5
South America	Bank	152.1	448.0	513.2
	IDA	8.2	9.6	6.8
	Total	160.3	457.5	520.0
Bank/IDA Grand Total		1,066.2	2,360.3	2,965.9

in marketing facilities in 50 towns in Bihar. Its object is to encourage the spread of fair trade practices to establish more competitive prices and reduce wastage. Better farm prices resulting from the project are expected to stimulate increased production and make it possible for 1.5 million farmers, mostly small holders, to increase their incomes. As for the fertilizer projects referred to earlier, the IDA credits of \$ 30 million will assist the development of the Gorakhpur and Cochin units in the public sector.

An IDA credit of \$ 83 million will help India buy four oil tankers, each of about 80,000 dwt. for carrying crude oil from the Persian Gulf ports to feed the Haldia and Barauni refineries and two refined oil product tankers each of 20,000 dwt. for the import, export and coastal distribution of petroleum products. Another IDA Swedish project relates to population planning. The total credit is for a project each in selected areas of Mysore and Uttar Pradesh designed to develop and evaluate new approaches relevant

to the national production programme. It is the largest in the population field with which the Bank has been associated. All these projects relating to India are the first of their kind to be undertaken by India. The country should be happy not only over this but also over the U.S. Government's approval to the replenishment of IDA Funds now under way, for lack of which some of the projects of IDA in India were deemed unable to get off ground.

—R.S.

Striking the Mobility of the Nation

For full 12 days a few hundred loco workers of the Southern Railway absented themselves from work disrupting the entire train services in this part of the country. Steam train drivers and other loco staff in a number of divisions of the Railway resorted to mass absenteeism demanding recognition of their union, fixation of hours of work not exceeding eight hours a day, grant of special allowances, and opportunities of promotion in the context of the policy of complete dieselisation. One leader of striking workers said that a steam train driver-fireman was obliged to do as many as 14 hours of continuous duty. The redressal of this and other grievances of theirs, according to him, is not possible without a union of their own discussing issues with the administration. At the moment no railway official at any level is prepared even to look at them, not to speak of carrying on a discussion with them. He also explained that there had been demonstrations and agitations in the past also but all these produced no result.

The Southern Railway was losing at the rate of Rs. 50 lakhs a day during the period of the work stoppage, and then there was the other incalculable loss to the community arising from journeys not performed and freight (raw materials and finished products) not moved.

Holding Community to Ransom

It was natural for a Railway Minis-

ter to be put out at the way an organised group tried to hold the entire community to ransom. The workers chose a time when the inconvenience to the travelling public and the loss to the economy of the country would be the maximum. Even as the Prime Minister was participating in a function down south marking the commencement of work on new railway lines in this region, and at the peak of the marriage travel season the "the grievance-mongering railwaymen" struck work. In fact, Mr. Pai swore that he had never heard of grievances such as 14 hour work schedule, etc. It was strange that the strikers chose to acquaint every one other than the Railway Minister with their problems and grievances. There could be no surprise at Mr. Pai being annoyed at the reported anxiety of the Union Labour Minister or the State Chief Minister to intervene to bring about a settlement. "What *locus standi* have these people in a matter which is essentially the concern of the railway workers and railway management," he asked. His firmness in dealing with this strike really paid off. He refused to discuss anything with the labour leaders who had organised the work stoppage as long as even a single railwayman kept away from work and the train services had not been restored to 100 per cent normalcy. The continuance of the emergency provisions did come in handy for him. D.I.R. was invoked and many ring leaders were arrested for violation.

Several important factors including local political influences on Central labour, increasing militancy among the railway workers, particularly those that failed to get along with the major recognised railway unions, and the policy of the Government towards labour unrest emerge from the events of the railway loco strike. There is a general belief that the unsuccessful strike was inspired by, or at least had the blessing of, local political leaders. Mr. Pai gave enough indication of his awareness that outside incitement did have a good deal to do with the strike.

Towards a Single Union

On the question of recognition, the Railway Minister was very clear in his mind about the stand the Railway Board should take. The country is moving towards a single union arrangement—one federation at the all-India level. At this juncture of the growth of trade unionism in the country, it is not right to ask for recognition of more and more unions and therefore of more and more all-India bodies. One shudders to think of the consequences that would flow from the Railways following the pattern of the Indian Airlines Corporation where craft unions at different levels have been recognised. As Mr. Pai remarked rightly the other day, if the air services were suspended no great harm would come to the community but if the railway services were interrupted even for a brief period it would be a tragedy to the country. —V.M.

INDUSTRIAL ECONOMIST

Glimpses

By P. R. SRINIVAS

India's Debacle at Munich

The 20th Olympiad at Munich brings out in a poignantly pointed way the lack of a pulsating national life. A country with a far-flung population of 550 millions has failed to qualify even for a single silver medal! Organisation, talent and the will to win have all to play their part in producing commendable results. An one-sided condemnation would no doubt be unfair. But it is difficult to exonerate the organisers when charges of internal wrangles, favouritism and indiscipline and inadequate training and practice have been freely made, and not without grounds or in any frivolous spirit.

The supremacy in hockey which India maintained for decades has broken down at the first serious challenge. But here, it is evident that, if more facilities and time had been given to the members of the team to play and combine, India might not have to forgo the gold medal. It is true that the challenge today comes not only from Pakistan, but from a number of European nations, notably West Germany, Holland and Poland, which have immeasurably raised their standards of play. But that is no reason why Indian standards should be allowed to decline. In fact, India's hockey players may even excel the brilliant stalwarts of the past, if steps were taken to ensure their giving of their best for the nation. The working of all our sports organisations calls for a close scrutiny, though not necessarily of the offensively censorious kind. The next four years must be made the most of.

The Munich Olympic also strengthens the feeling that sport is getting more unsporting. The essence of the sporting spirit lies in the winner bearing his triumph lightly and the loser taking his defeat with good grace. But Munich saw too many bad losers. Of these, Pakistan takes the palm. Not only did the members of the hockey team behave badly, but one of them went so far as to wave his shoe at the prize winning ceremony. The national

flag and the national anthem of the victors were showed marked disrespect. The Pakistan President claimed victory for his nation in hockey and took quite a number of days for the retraction which is meant to be an *amende honorable*.

There were other bad losers, too. Even two American medal winners had to be debarred from future games for their disgusting behaviour. The U.S. Basket Ball team refused to take its silver medal after its defeat at the hands of Russia. Comparable to the loaded dice is the resort to drugs to enhance competitive capacity. Not only were there such cases, but there was also the refusal to submit to the routine tests. Overshadowing all these is the killing of Israeli athletes by Palestinian terrorists. And the facility of perpetrating such outrages will create a heavy responsibility for Canada, which has its own terrorists and which, nevertheless, has agreed to host the next Olympiad. It is difficult to look on the Olympics as a powerful instrument of international goodwill, since they are also capable of generating not a little bad blood. But the balance is still on the side of its continuance.

Whither National Academies?

Few people will find anything surprising in the report of the Committee which was appointed in February 1970, to review the working of the three national academies and the Indian Council for Cultural Relations. The Chairman, Mr. Justice Khosla and his colleagues have all felt constrained to observe that "apart from some seasonal and sporadic activities in a few of the more important towns, there is throughout the country little evidence of the plastic or performing arts." They have condemned "as a kind of fraud on the people" the use of the proceeds of the entertainment tax "for purposes other than the improvement of the quality of the entertainments."

A review of the academies being the main aim of the enquiry, the committee

has pronounced their working as "a failure" which in turn it ascribes to the incompetence, the lack of imagination and the ignorance of those in charge of the administration of these academies. Expenditure on the establishment bears a very high proportion to the grant and in some cases it is even in excess of the grant. The deplorably poor results of the working of these organisations are seen in the small number of good picture galleries, museums and public libraries and in the few theatres or concert halls in which dramatic or musical performances can be organised.

By the side of this picture, the large amounts spent on the travelling allowances of members who, it is said, meet together only for a few minutes are in themselves a sad commentary on the present state of affairs. The recommendations of the committee are in respect of the reconstitution of the academies, to remove the imbalance in the representation of the working artists, and to ensure their working as distinct autonomous bodies.

Will these changes and such others that the committee may have suggested rid the cultural field in India of what the committee describes as its "dismal and largely desolate aspect?" The achievement of Soviet Russia in the fields of science and literature, arts, sports ... may induce the belief that organisations with Spartan vigour and determined efforts to detect, encourage and develop talent such as the Communist countries can ensure cannot but yield golden results and that India must focus on organisational defects to improve her record.

But there is also the case of the U.S., a free democratic nation, which has as good a record and even better, without depending on state help and direction. Though organisation has its importance, a nation's culture can blossom only in the soil of material affluence and atmospheric conditions produced by a true renaissance and a pervasive sense of achievement in different walks of life. The National Academies are banking on the glories of a distant past and the boosting up of contemporary aspirants to bring about the blossoms of genuine excellence in science, literature and the

INDUSTRIAL ECONOMIST

arts. The former may be a drug and the latter only a help to dilittantes.

One peculiar feature of our cultural life is the craving for, and the consequent wide spread of, long and empty titles, which are blatantly paraded by novices and veterans alike. In no sphere is any new ground cut, while popular applause, such as can go to the head of its none-too-modest recipients, is easily organised. Significantly, there was no golden age in the history of any country, whether it is the Gupta or the Periclean or the Elizabethan age when a nation's achievements were confined to only one or two walks of life. Organisation has its value. But the pulse of national life must be healthy, and more vigorous, if the nation's brows are to be bedecked with fresh laurels.

High Falutin Talk on Education

The state of education in the country is such that pompous statements from whatever quarter it may be made leaves the parents and the serious-minded pupils absolutely cold. And yet the plan presented to the Central Advisory Board of Education

by Mr. S. Nurul Hasan, the Union Minister for Education and Social Welfare, abounds in such empty rhetoric, the avoidance of which would have been an improvement on the rest of the report.

The plea for an allocation of Rs. 3200 crores for education under the Fifth Plan may need to be buttressed with an impassioned emphasis on the importance of education and the obligation to abide by the Constitutional directive in this regard. But the problems which have to be borne in mind, if not exactly tackled in the context of formulation of the plan, cover a wide range, from the extermination of illiteracy and the provision of equal opportunity to ensuring in full the competence of the personnel at every level for the work that will have to be done. These problems range from the lowest grades of work in farm or factory to scholarship and research at the highest levels together with the maintenance of a high level of attainment at every tier.

There are, besides, the cultural ends, viewed from the individual as well as the national standpoint. The quest for

quantity always imperils quality. But the former cannot, for political reasons atleast, be ignored. There are, however, other political factors intruding into the educational sphere which distort the minds of the young, deflect their purpose and hopelessly queer the pitch for the genuine educationist.

Revisions of the curricula of studies at each stage, the bifurcation of the main stream of secondary education, one leading to University studies and the other to the world of adolescent work, the vexed problem of examination and evaluation, they can all be restated with perhaps some new turns of phrase. But nothing can be put on paper suggestive of the authorities coming to grips with the problems. For authority in the educational sphere is so widely dispersed and so inexpertly exercised that the only notable result is the frequent closure of schools and colleges, and causes of which are glorified by the term "student unrest." The incubus of linguistic partialities and indifference to merit, even its subordination to other extraneous considerations, must be overthrown before education can come into its own.

wide organisational network for buying and selling.

Procurement Operations in Indigenous Cotton

Meanwhile, cotton interests here are viewing rather sceptically the reported announcement by the Chairman of the Cotton Corporation of India that the CCI plans on massive procurement operations in indigenous cotton in the current season also. Coming in the wake of the Corporation's utter failure to find buyers even for the large stocks of last year's crop held by it, this reported move, if true, goes only to prove that 'fools rush in where angels fear to tread.'

Mills have not been showing much interest in the stocks held by the CCI, except for one or two varieties, the main dissuading factor being the high prices quoted by the CCI. No doubt the CCI wants to come out from last year's operations with as whole a

skin as possible. But so long as it does not hold a monopoly of buying and selling, it cannot hope to dictate terms to mills who are mainly guided by cost and quality considerations in making their raw cotton purchases.

Problems Affecting Industrial Estates

Rather a crowded fortnight for the Reserve Bank of India. Apart from Working Group's report on Industrial Estates, the Bank gave out its decision on the earlier recommendations of the Working Group on financing of Tea Estates, and also released its annual report. Besides, the Central Government loan subscription list also came to be floated during this period.

Industrial Estates are commonly known as the breeding grounds of small industry and are designed to foster economic development through a nucleus of ancillaries supporting each other. But in actual fact, they have proved to be the graveyards of many an ambitious entrepreneur.

This point is starkly driven home by the fact that out of a total of 427 industrial estates completed as on March 31, 1971, only 366 are functioning. Even more striking is the fact that only 63.9 per cent of a total number of 10,035 sheds completed are working.

What are the stumbling blocks? Mainly finance and secondarily, lack of infra-structural facilities and managerial efficiency. It is no wonder then that the Working Group on Industrial Estates has emphasised these drawbacks in its report submitted to the Reserve Bank recently.

The Working Group has urged the State Governments and local bodies like municipalities to play a greater role in the establishment of industrial estates. It has proposed the setting up of autonomous Industrial Development Corporations in States where none exists to ensure smooth running of the estates on sound business lines.

Financing Tea Gardens

In the financing of tea gardens, while the RBI has accepted the need for an adequate flow of funds for development purposes, it has ruled out any concession in interest rates to be charged by the banks. The lenders are, however, being given the discre-

tion to declare a moratorium on repayments of principal for five years and in exceptional cases even on interest payments.

The credit-starved tea industry is to be assisted either by the lead banks or the SFCs or both in collaboration in meeting all its development capital requirements. The RBI envisages a total term finance requirement of Rs. 150 crores in the next 20 years. The RBI has guaranteed refinance facilities from the Agricultural Finance Corporation for commercial banks and from Industrial Development Bank of India for SFCs.

Problem of Increasing Exports

The RBI's annual report has rightly laid great stress on the importance of increasing our exports to meet the essential import requirements of the economy. But this is easier said than done. Exports cannot be increased overnight by a stroke of the pen. There are various conflicting approaches to this problem which have hindered the country from making much headway. In several instances the Government's industrial and taxation policies are acting as a drag on exports. There are other cases where an over-zealous application of import regulations has prevented generation of more exportable surpluses. What is therefore urgently needed is an integrated approach, a totally co-ordinated effort from the different ministries without working at cross purposes.

Oil Industry Poised for Substantial Expansion

The oil industry is slated for substantial expansion in the next few years. The refining capacity of Koyali is planned to be increased to 4.3 million tonnes by the end of the Fourth Plan and to 6 m. tonnes in the subsequent Plan period.

Barauni's capacity is to be raised by half a million tonne to 2.7 m. tonnes by the end of the current year and further increased to 3.4 m. tonnes by 1974.

Haldia is slated to go into production by 1973 with a capacity of 2.5 m. tonnes. Cochin refinery's capacity is to be stepped up by one million tonnes to 3.5 m. tonnes by 1973.

Plans are also afoot to build a 6-million tonne refinery at Mathura and link it with Salaiya and Koyali by pipelines. Another refinery at Bon-gaigon will have a capacity of one-million tonnes.

Caustic Soda Plant for Gujarat

A Rs. 8-crore caustic soda plant is soon to be put up at Nandesari in Gujarat. The Gujarat Industrial Development Corporation has already received an industrial licence for this purpose.

The plant would produce 37,425 tonnes of caustic soda, 33,000 tonnes of liquid chlorine and 6,000 tonnes of hydrochloric acid annually. The plant is expected to be commissioned in 1974.

The State has two other plants in the private sector with a capacity of 10 tonnes and 25 tonnes per day respectively.

Massive Programme for Rabi Cultivation

A massive Rs. 60-crore programme has been prepared by the Maharashtra Government for rabi crop cultivation so as to compensate for the kharif crop losses. The Centre has already promised financial aid to the tune of Rs. 40 crores and attempts are being made to persuade the Union Government to part with the additional amount also.

Meanwhile the State Government has released from its internal resources a sum of Rs. 10.50 crores for implementing a crash food production programme. The highlights of this programme are irrigation of an additional 5 lakh acres through canal water and sinking of about 1,000 tube wells to relieve shortage.

Likewise, the Gujarat Government has formulated a programme of Rs. 44.62 crores for effectively combating the scarcity conditions created by this year's fickle monsoon.

State Government officials have estimated that employment relief would take up about Rs. 16 crores, cattle fodder about Rs. 7 crores, drinking water supply about Rs. 8 crores and another Rs. 7 crores would be required for intensive rabi crop cultivation. Besides Rs. 4 crores will have to be spent as taccavi loans and Rs. 1 crore as gratuitous relief.

NEWSLETTER

Smooth Working of Cotton Procurement Scheme

By A SPECIAL CORRESPONDENT

Absence of Operational Problems

What is gratifying about the performance of the MSCMF is that the apex body has not run into any organisational or operative problems, even though the task undertaken by it is by no means an easy one. Maharashtra grows on an average about 15 lakh bales of cotton. Hitherto the business of selling and purchasing cotton has been managed by several thousands of cotton traders who have acquired an expertise over the years in selection, grading, purchase and sales.

However, rightly or wrongly, the State Government had a feeling that the cotton growers were getting a raw deal from the private trade and therefore it decided upon monopoly purchases from this season. The procurement operations call for a total investment of Rs. 150 crores, besides a State-

Fixing Exchange Parities Based on National Currencies

The annual report of the International Fund assesses in retrospect the fundamental changes in the monetary arena that took place in the wake of the suspension of dollar convertibility and the later Smithsonian agreement on exchange rate realignments. The IMF obviously cannot countenance any but a fixed exchange rate regime since the Bretton Woods agreement that created it assumed an infallibility about this system. What the system failed to perceive was the elementary truth that an arrangement based on national currencies for its liquidity could not long endure, particularly when payments deficits began afflicting reserve currencies. The behaviours of money as a commodity subject to pressures of demand and supply could not be insulated against, once the economies in question behind those currencies could not, unlike Caesar's wife, be above suspicion. In the circumstances the Smithsonian agreement which reorganised 2.25 per cent margin of fluctuation in exchange rates in either direction was a belated sop. That it was but a sop was clear from the manner in which, in June last, the pound sterling came under pressure which necessitated a float in which fifteen countries of the sterling bloc followed the British lead.

Accentuating Inflationary Pressures

Behind all the flux of 1971, world output was growing but slowly accentuating the inflationary pressures already under existence. Economic recovery of the U.S. was proceeding at a slow but steady rate while the slowdown of the Japanese and European economies was running its course. This slowdown had its deleterious effects on world trade which were reflected in a slowdown in trade and a downtrend in prices of primary products. This was associated with a rise in prices of imports due to the inflation in their countries of origin, namely the industrialised countries. Thus 1971 was an unfavourable year for the developing countries. They had had to suffer not only the uncertainties in trading terms on account of exchange rate explosions but unfavourable export and im-

port prices for the commodities in which they were interested. These facts were proof enough, if proof were needed at all, that developing countries have as much stake, if not greater stake, in the stability of the international monetary system.

The hopeful feature since the first quarter of the current year is the substantial growth rate rise in industrial countries as a group primarily from the gains in the U.S., U.K. and Canada. Of course the rate of growth is below long term trends in Western Europe and Japan. A better price performance is also expected for industrial countries particularly in the U.S., U.K. and West Germany, though the overall price rise will be above the rates generally typical in the past. There can be no understanding of the industrial situation in the developed world.

Influence of Cost-Push Forces

Though pressures of excess demand have in most cases been eliminated, cost-push forces are still strong in a climate of inflation-rooted psychology. The combination of these forces poses a very difficult problem for the conduct of economic policies over the entire industrial world. A beginning has been made in these nations in the direction of an incomes policy. If British experience is any guide, the breaches in that policy under trade union pressure or political expediency should induce scepticism about the IMF's optimism that the incomes policy complementing fiscal monetary policies will stem the inflationary rut and heave the economies concerned out of the trends of instability besetting them for some years now.

So far as the balance of payments is concerned, the IMF report rightly traces the 1971 currency crisis to long period imbalances in payments relationships of the richer countries. It was because of this imbalance that the explosive capital movements could not be set at nought by internal policy means. The U.S. deficit and the Japanese and West German surpluses were in the heart of this trouble. The overall U.S. payments deficit for 1971 rose

to \$ 30 billion from \$ 10 billion in 1970 while the surpluses of the U.K., West Germany, Japan and France were respectively \$ 6½, ½, 10 and 3½ billion. The floating of the deutsche mark and other control measures adopted with it restrained the West German surplus by \$ 1½ billion as compared with the 1970 figure. In the case of Japan, the increase was reflected partly in the current account balance and the inflow of short-term capital. Among current account changes, the IMF refers to the negative swing of \$ 3 billion in the U.S. current account and the unprecedented \$ 4 billion positive swing in the Japanese account in 1971 as "particularly strong and disequilibrating."

It is revealing to learn from the IMF report that some of the counterpart of the U.S. deficit was to be found among the primary producing countries which showed a combined surplus of \$ 8 billion, twice as much as in the previous year, 1970. The more developed among these countries had a large, continued inflow of capital combined with some shrinkage in their current account deficit, resulting in an aggregate overall surplus of \$ 3½ billion. The aggregate rise in the overall surplus of developing countries was unevenly distributed among the regional groups, the bulk of which being with the oil exporting countries.

For the Asian and African nations, the increases were very much smaller and were covered by increases in financial inflows. To some extent SDR allocations have become an important element in the overall balances of many developing countries in Asia and the Western hemisphere. So far as their debt burden is concerned, the currency rate realignments agreed to at the Smithsonian institution in December last raised the dollar equivalent of most non-dollar debt and debt service, while at the same time it bid fair to raise U.S. dollar prices of developing countries' exports.

Towards Improvement in Collective Trade Balance

Taking both factors into consideration, estimates made by the IMF in-

dicate that the long term external debt of these nations was reduced in real terms by 1 to 1½ per cent as a result of the realignment while the annual value of debt service payments was also reduced by the same per cent. This net decline amounting to \$ 500 million is of the same dimension as the estimated loss of \$ 500 million in the purchasing power of their reserves. Since their currencies suffered a 4½ per cent depreciation in the realignment decided upon by them, it may in due course cause an eventual improvement in their collective trade balance of \$ 1½ to \$ 2 billion.

The IMF report cannot by its very nature offer any idea of the other side of the medal. The expectations about improvements in payments balances of developing countries hinges on two developmental factors namely an increase in the flow of private capital and an easing of the stagnation in aid. All this notwithstanding brave declarations relating to doing without foreign

aid. In fact if the aid arm remains feeble for whatever reason, the compensation has to be there via the trade arm of larger exports, that is larger than what will mathematically be adequate to service imports. This invites questions of stability in the international monetary complexion of which surer signs are not so far perceptible. The long talk about SDRs being associated with developmental assistance is likely to degenerate into a pious wish, if the richer nations cannot bring themselves to supporting larger allocations of SDRs in favour of developing countries on the basis of objections to any of the norms canvassed for by the growing nations — larger percentages than warranted by quotas, special issues of SDRs as make-do aid, etc.

Slippery Way of Regional Solidarity

Even more sombre is the prospect of monetary blocs round the corner foreing a challenge which the poorer nations cannot tackle. The EEC has gone

a step nearer a European Monetary Union after the agreement reached recently at Rome among the Common Market's Finance Ministers. A European Monetary Fund to beat pressures on member currencies has been created with a nucleus of \$ 1-4 billion of reserves (at pre-devaluation rate). The point is not that this reserve is worth nothing because, during runs on currencies, many times this amount had crossed borders on a single day. It is on the contrary an indication of regional monetary blocs coming into being with all the paraphernalia necessary to preserve their identity and individuality. From this to isolationism is but a short step which may be taken the unexpected slippery way of regional solidarity. The danger of competitors to the IMF is not entirely unreal, unless at the forthcoming annual meeting of the Bretton Woods twins, the Europeans are willing to offer really credible assurance to the contrary. —S.R.

Central Loans Meet with Spectacular Success

It is indeed remarkable that the Central Government should have succeeded in making a spectacular success of the three reissues of earlier loans for a notified amount of Rs. 215 crores within a fortnight of an equally spectacular effort by the State Government. In the earlier years such an achievement was not possible; nearly for a decade there was continuous pressure on the banking system. In the past one year and more, however, the picture has changed completely and the growth in deposits has taken place at such a fast rate that the needs of all classes of borrowers could be easily met and substantial support could also be extended to the issues of loans by the Central and State Governments and bonds of State Electricity Boards.

Reserve Bank's Support to Reissues

The latest success, however, should have been brought about partly by the support extended to the reissues by the Reserve Bank itself. For, the subscriptions to the issue of bonds by the Industrial Development Bank and loans by 20 State Governments absorbed completely surplus resources and on September 8, 1972 cash balances had been drawn upon substantially. Full advantage also was taken of the contraction in advances.

The accumulation of surplus funds in this manner in a week could not have been more than Rs. 100 crores even assuming that there

was a strident growth in deposits and a continuing decline in advances on account of sales of foodgrains by the Food Corporation and a drop in sugar stocks. The subscriptions to the reissues of loans of the Central Government, however, amounted to Rs. 236.71 crores against the notified sum of Rs. 215 crores. The Government, was, therefore, in a position to exercise its rights to accept subscriptions in excess of the notified amount upto 10 per cent. All applications will get full allotment.

Under the best of circumstances the scheduled commercial banks could have invested only about Rs. 100 crores in the reissues and there was a substantial balance of nearly Rs. 137 crores to be found by other institutional investors. It is quite likely that the Reserve Bank subscribed for Rs. 100 crores of these loans in the confidence that the portion taken over could be easily sold to the scheduled commercial banks, L.I.C. and others in a few weeks.

Downward Trend in Advances

It was possible to base these calculations on confident expectations as the downward trend in advances is bound to continue upto the end of October and in one month alone the banking system was in a position to put up Rs. 400 crores. The question is what will the Reserve Bank do after it has unloaded its holdings of reissues. And why the Re-

serve Bank authorities were anxious to time the floatation of the Central loans in the middle of September when no maturing loans were immediately involved? The Reserve Bank probably thought it desirable to avoid deficit financing when there could be anticipatory borrowing and the creation of ad hoc securities could be avoided. There is no rationale for this course as the treasury bills could always be funded with reissues of terminable loans which could be sold subsequently in the open market.

Any strategy would of course have yielded the same result because of the comfortable situation in the money market. As the Reserve Bank was determined to give support to the new loan the lists were oversubscribed in 1½ hours on the opening day. The subscriptions for 4¼ per cent 1979 loans totalled Rs. 48.82 crores, for the 5 per cent 1983 loans Rs. 97.94 crores and for the 5¼ per cent 2002 loan Rs. 89.95 crores. With the net borrowing of Rs. 132 crores in the first stage and with fresh borrowing in the second stage for Rs. 191 crores after providing for maturing loans in October and November the net amount borrowed is already the record figure of Rs. 323 crores against Rs. 295 crores in 1971-72. Total borrowing can be easily Rs. 425 crores in the whole of 1972-73 as there will be fresh additions to the resources of the Life Insurance Corporation under the scheduled commercial banks. —Meenam

Deficit Financing and Slow Industrial Production Lead to Price Rise

The Annual report of the Central Board of the Reserve Bank of India for the year ended June 30 last is remarkable for the sincerity of its suggestion that there has been significant progress on the banking side, while deficit financing and the slack in industrial production have led to increases in prices. In regard to the balance of payments and foreign exchange reserves, too, the year under review has shown a decided improvement in that foreign exchange reserves increased by Rs. 59 crores in 1971-72 in striking contrast to the fall of Rs. 50 crores in the previous year.

Satisfactory Growth in Banking Sphere

The rise in import payments by Rs. 219 crores was met, only in part by the rise of Rs. 36 crores in earnings from exports, which showed a growth rate of only 2.1 per cent against 8.6 per cent in 1970-71. The report also points out that the floating of the pound sterling has not resulted in any change in this regard. The developments in the banking sphere must be considered extremely heartening since they comprise not only the extension of banking facilities by the opening of 5300 bank offices in a period of three years but also an increase in household savings in the form of financial assets. Under-banked areas in the villages and the scope for more branches in the metropolitan cities are alike being examined and the Lead Bank Programme is to be carried out only in the light of studies in depth which are being vigorously carried out.

The potentialities of small savings are to be explored in urban as much as rural areas, so as to make the opening of 5000 more branches in the next three years fruitful in tapping savings as well as stimulating production.

High Liquidity Position

What is noteworthy now is that the increase in house-hold savings implies "a greater flexibility in the deployment of savings" and is reflected in the growth of deposits, currency holdings, institutional savings and even subscriptions to the capital issues of companies. With the banks, nationalised and others, showing increased profits and deposits in the upward trend, the banking system is well placed for the ambitious programmes on hand and further normal responsibilities for sustaining and stimulating productive activity. For, it has attained a high liquidity position, accretion of deposits being at a faster rate than expansion of bank credit. The former increased by 21 per cent as against an increase of 17 per cent in the latter. Both credit-deposit ratio and cash ratio were low.

It is a matter for regret, and even condemnation, that the dominant factor behind the monetary expansion was the increase in the net bank credit to government, though it may be mentioned that "the transactions demand for currency has increased in line with growing economic activity, especially in the agricultural sector." But the response to increase in aggregate demand has been more in terms of prices than output increases. While consumer goods prices have risen, demand for the products of investment goods industries continues to be less than adequate. In the public sector, while the aggregate receipts have gone up, public expenditure has gone up still more. The result is that public savings have diminished and deficit financing has been on a larger scale.

Sharp Increase in Total Disbursements

The Central Board has therefore thrown the spotlight on the sharp rise of 16.5 per cent in total disbursements of Central and State Governments as compared with 11.4 per cent in the previous year, and the increase of 19.8

per cent in non-developmental outlay. The combined deficit of Central and State governments in 1971-72 stood at Rs. 6.31 crores in the revised estimates and is said to be even higher in the actuals. The combined overall deficit for 1972-73 is estimated at Rs. 242 crores and the dependability of the estimates rests on the success in mobilisation of additional resources and the behaviour of the State governments in the financial sphere. The net capital formation by the Central government was Rs. 516 crores against a net saving of only Rs. 211 crores. As for the States, they must be deemed to have contributed little to capital formation since the bulk of their formation was financed by capital transfers from the centre.

In these conditions, and with the present trends in output and demand, the price situation worsened during the year. The increase of 6.8 per cent in the general price index was more than double the increase in the previous year. "A situation has been created where a decline in production gets immediately reflected in a rise in prices whereas increase in production does not result in commensurate benefit to the consumer." The rise in production and strengthening of competitive efficiency which have to be both the aim of the Fifth Plan and the basis of its programmes would call for maximising production through promotion of new industries, fuller utilisation of existing capacity and wider spread of agricultural technology, as also relating increases in money incomes to increase in productivity. Besides touching on these essentials of sound public policy, the Central Board holds forth the assurance that banking developments have been such that "given the requisite manpower and other resources, banks can play a useful role in the development of the less developed regions," while the Reserve Bank, besides encouraging institutional facilities will have to follow a policy of "general credit constraint in view of the objective of price stability."

What Ails the Radio Industry?

(By a Special Correspondent)

In the last two years the radio industry has been struggling to get out of the rut of stagnation. Even in the organised sector dominated by five leading companies—Philips, Murphy, Bush, Telefunken and Telerad—production is down and sales are low. In the small-scale sector, the position is even worse. Hundreds of units are reported to have downed their shutters for want of orders.

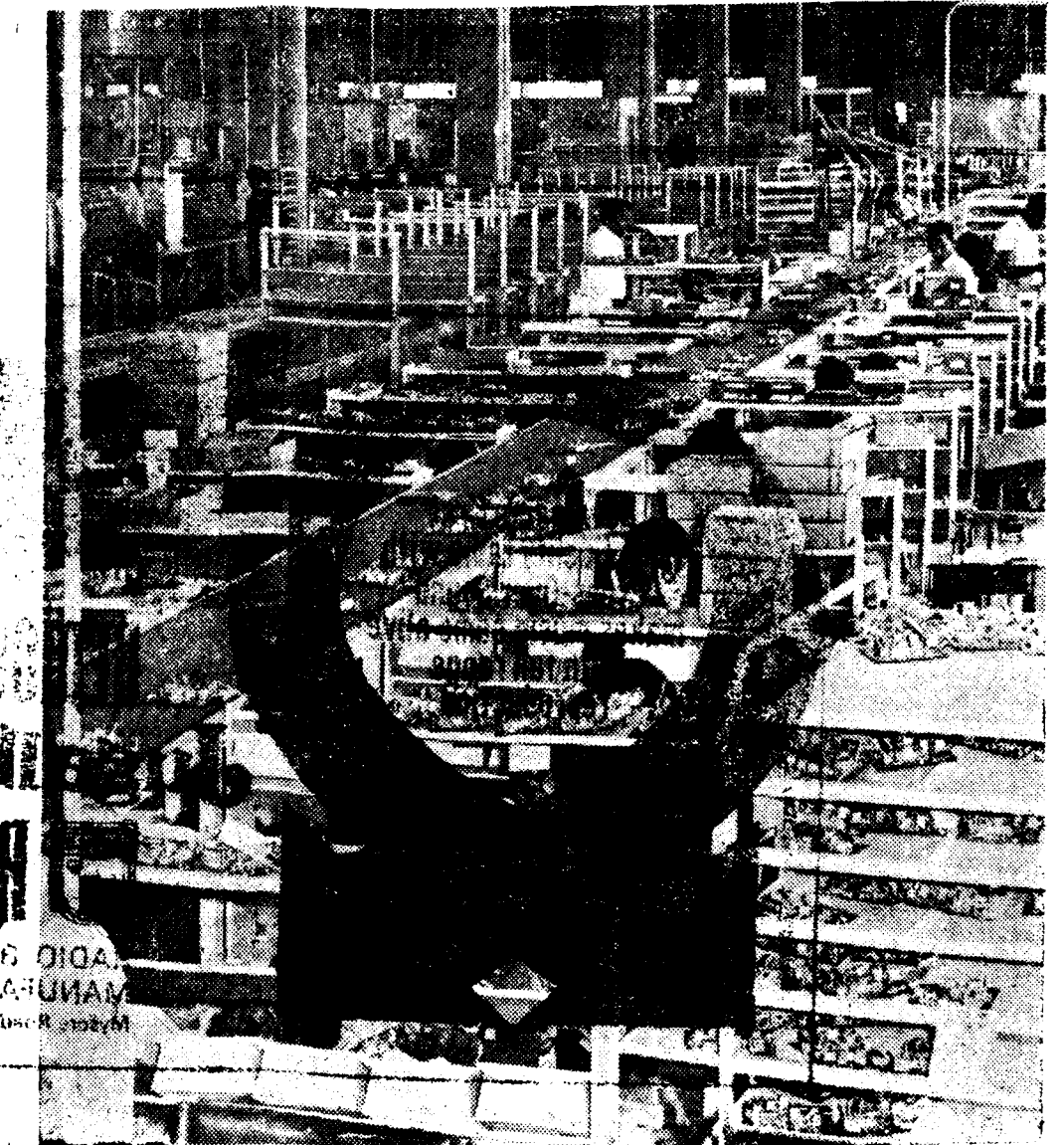
At the present rate of production, there does not seem to be any possibility for the industry to hit the ambitious target of 7 million sets per year set for it by the Electronics Commission for achievement at the end of the Fourth Plan period.

After an initial thrust in the early 'sixties when the annual output advanced from a mere 2.66 lakh sets in 1960 to 10 lakhs in 1965, the industry enjoyed its most prosperous period of growth. In the three years from 1965 to 1968, production had more than doubled to reach 22 lakh sets a year. Since then a brake seems to have been applied to the pace of growth and the industry has not been able to go beyond the 27-30 lakh region.

Ample Scope for Further Growth

Has the industry reached a saturation point? Not by a long shot. The radio population ratio in India is currently around 1:55 going by the estimates of one-crore receivers being active now. No doubt this is a marked improvement over the position obtaining a decade or so ago when the ratio was around 1:200. But it is still very far from the desired target of 1:10 in other words, a set for each family of five persons. If the industry achieves this target, the level of production will be something like 10 million sets a year. Thus there is ample scope for growth.

The industry itself has built up a sound technological base. Raw material and components supplies are adequate. Import substitution has been carried on vigorously to reduce the import content per set to a mere rupee from the initial high of Rs. 50.



A view of the assembly line in a large scale radio factory.

lack of electricity in the rural areas also poses no marketing problems. It is, therefore, obvious that a vast untapped rural and urban markets are there just for the taking.

Bottleneck in Broadcasting

Then, what is wrong with the industry and why has it not been able to exploit these opportunities to its advantage? The fortunes of the radio industry are closely linked with the development of broadcasting facilities and therein lies the root of most of its present ills. Even after 45 years of its inception, broadcasting has

covered not even 75 per cent of the total area of the country.

In the first three Plans broadcasting was given a low priority, with the total outlay during the 15 year period 1951-66 amounting to only Rs. 15.57 crores. At the end of the Third Plan, the medium-wave coverage was about 50 per cent of the area

SAD PLIGHT OF THE SMALL SECTOR

The growth of sales of low-priced sets as indicated in the table below will tell its own tale of the sorry plight of the small-scale sector:

PRODUCTION OF LOW-PRICED SETS (in '000 nos.)

Year	Organised sector	Small-scale Sector	Total
1966	75	370	445
1967	215	400	615
1968	410	525	935
1969	775	509	1284
1970	730	590	1320
1971	705	600	1305

of the country serving about 70 per cent of the population. In March 1966, the All India Radio had a network of 55 broadcasting centres.

Proposals for the Fourth Plan include schemes involving a total outlay of Rs. 45 crores. But the actual expenditure is not expected to be more than 25 per cent of it. The work of putting up radio stations is hampered by administrative bottlenecks and delays in getting studio and broadcasting equipment from abroad. By the end of the Fourth Plan, it is anticipated that about 75 per cent of the area of the country with 89 per cent of the population would be covered. The number of broadcasting centres which stood at 66 at the beginning of the Plan is expected to go up to 104.

What is even more relevant is that the system of broadcasting itself leaves a lot to be desired. The sales of radios initially got a big boost in the urban centres with the introduction of popular Vividh Bharati programmes. But the attempt of radio

manufacturers to push sales in the rural areas with low-cost medium wave sets met with an unexpected difficulty. It was discovered that the Vividh Bharati programmes were not powerful enough to be heard in the countryside.

The rural people were not interested in listening to news or most other types of entertainment programmes put out by the AIR. These simple folk were mainly looking forward to hearing film music on the commercial services of Vividh Bharati and the Radio Ceylon. The Vividh Bharati transmitters were not high-powered ones and they had only a limited range of coverage. On the other hand, attempts to include a short-wave band to enable rural listeners to get Radio Ceylon also invariably pushed up the consumer price of the receivers and put them beyond the reach of the poorer sections of the rural community.

The long-term solution to this problem of course lies in extending the broadcasting facilities to the whole of the country. The

extension of broadcasting facilities should be organised in such a way that each town with a population of 50,000 and above has a low-power relay station. A number of such relay stations could be hooked up to a high-power programme originating station. Statistical surveys have established that the number of radios in a country is directly proportional to the power and number of medium-wave broadcasting stations it has.

Increase the Power of Vividh Bharati Transmitters

A short-term remedy would, however, be to increase the power of the Vividh Bharati transmitters. Wherever there are two transmitters, it should be seen to it that popular programmes are broadcast on the high-powered one. Today the practice is just the opposite.

PRODUCTION OF RADIOS 1961-1971

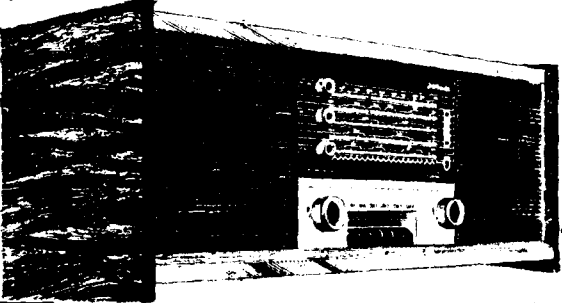
Year	Organised sector	Year to Year growth	Small-scale Sector	Total All-India	Year to Year growth %
1961	326	—	185	511	...
1962	343	5.2	212	555	8.6
1963	418	21.9	245	663	19.5
1964	473	13.2	278	751	13.3
1965	583	23.2	310	893	18.9
1966	713	22.3	387	1100	23.2
1967	874	22.6	450	1324	20.3
1968	1390	59.1	600	1990	50.3
1969	1740	25.2	600	2340	17.6
1970	1900	9.2	700	2600	11.1
1971	2025	6.6	700	2725	4.8

Another way out for the industry to improve its fortunes would be to engage in diversification into allied fields of audio equipment, which several established units have already undertaken. Philips, Bush and Murphy have all branched out in to stereo amplifiers and record playing equipment. The latter two have also entered the field of cassette-tape recorders. Telerad has gone in for T.V. in a big way. Some of the better-known small-scale units have also taken up production of stereo equipment, tape recorders or television sets.

Bright Scope for Exports

There is also a big scope for the quality conscious radio producer to enter the West European markets in a big way. No doubt radio exports have risen from Rs. 1.65 crores in 1970-71 to Rs. 2.50 crores in 1971-72. But today most of our radios are exported to the Middle East and East African countries, and that too under some sort of tie-up arrangement with the products of those countries. There is a big annual demand in the U.K., West Germany, Italy, France, Denmark and Sweden. India has not been

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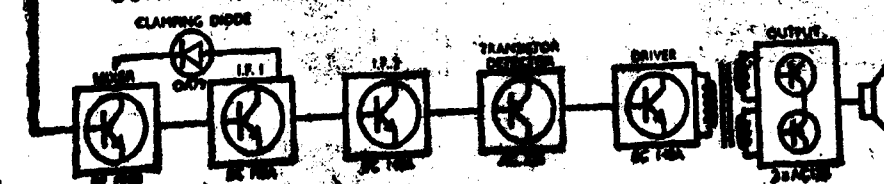


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able to tap these markets so far because Japan was a predominant seller and was able to offer the listeners there a wide-range of models. It is, however, learnt that Japan's wage costs have been spiralling over the years and it is no longer able to price its sets competitively. The U. K. has an estimated annual sale of nearly 60 lakh sets and Germany about 25 lakhs. The only competitors to India in these markets other than Japan would be Taiwan and Hong Kong. However, with some encouragement from the Government in the form of larger allowance for import of samples and test equipment, etc., it should be possible for our radio manufacturers to get a large slice of these lucrative markets which is bound to give a fillip to the sagging industry.

THE SMALL-SECTOR

Upto the end of 1965, low-priced radio sets with consumer prices below Rs. 165, were being manufactured only by the small-scale sector. The organised sector was engaged in the production of higher priced sets. In 1966 for various reasons, including the Government's stipulation in the manufacturing licence that 50 per cent of the total production should be in low-priced ranges, the organised sector took to production of low-priced sets in a big way.

The entry of the organised sector into the field of low-priced sets naturally created problems of survival for the small-scale units. They could neither match the aggressive sales campaigns nor the styling and designing of the organised giants. Also with huge licensed capacities the organised sector could obtain economies of scale which were not available to the small-scale sector.

Predictably, many of the weaker units could not stand up to the kind of competition offered by the large-scale units and promptly folded up. Others were finding it difficult to make both ends meet and the Government had to step in with relief measures like exemption from excise for sets priced under Rs. 165 only for the small-scale sector. Even now the controversy between the small-scale sector and the large-scale sector is going on in full swing and that is why probably the Government was moved to keep the production of T. V. sets largely in the small-scale sector.

THE MAJORS...

Philips India Ltd., is by far the largest radio manufacturing company in the country today, controlling as much as 28.8 per cent of the total market and 40.2 per cent of sales in the organised sector alone. It has a total licensed capacity of 760,000 sets as on January 1, 1972. Its production has increased from 90,000 sets in 1961 to 664,000 sets in 1970, showing a growth rate of over 600 per cent in the last decade or so.

The company is a trend-setter in many other respects too. It has an up-to-date design and development department, a widespread network of dealership guaranteeing efficient after-sales-service and also a satellite of small-scale units catering exclusively for its component needs. It is the only company in the radio industry which has a large amount of published literature giving circuitries for every type of radio designing. Besides it has listed every type of defect that could possibly recur in receivers and given clear-cut instructions on its repairs. It runs a regular course in repairing for its dealers.

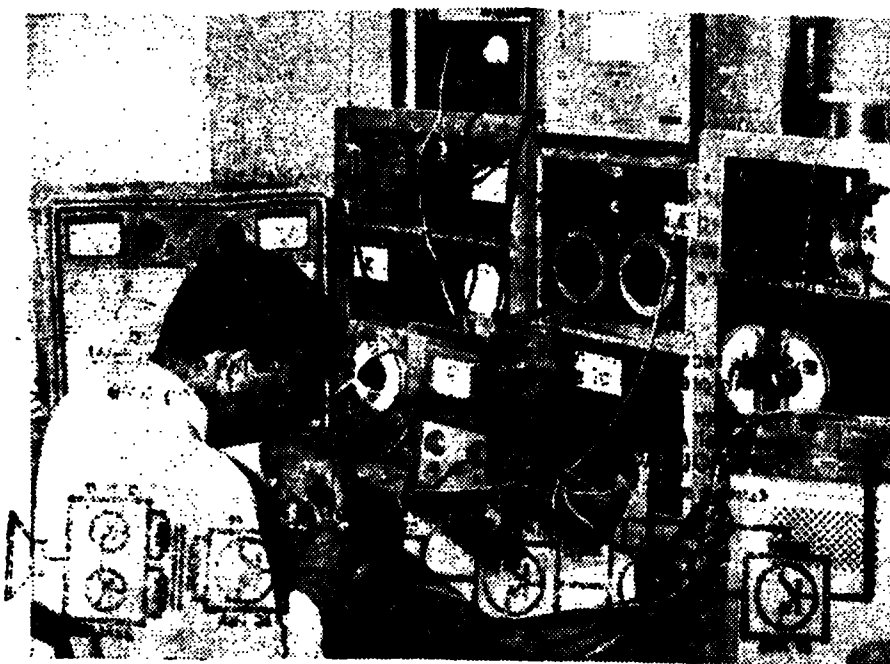
Murphy and Bush follow Philips closely in respect of licensed capacity, with each company having 700,000 sets. Both have entered into collaboration arrangements with the same foreign group—Rank

Organisation of the U. K.—and in terms of production both companies have registered more or less the same growth rate over the last decade.

Murphy's production went up from 61,000 sets in 1961 to 483,000 sets in 1969 before coming down to 434,000 sets in 1970. Likewise, Bush produced a mere 25,000 sets in 1961, but in 1969 its output touched 484,000 sets before coming down to 420,000 sets in 1970. These three companies—Philips, Murphy and Bush—together account for as much as 80 per cent of the total production in the organised sector and at least 60 per cent of total production in the country.

Like Philips, Bush and Murphy too, have an organised dealer network in the major urban centres providing assured after sales service. Aggressive sales campaigns in the late 'sixties have enabled these companies to entrench themselves well in the market, at the cost of other radio producers, mainly NELCO.

In the period between 1966 and 1969, while NELCO's production plunged downwards from 105,000 to 50,000 sets, both Bush and Murphy's production skyrocketed. The former registered a growth of output from 101,000 to 484,000 sets and the latter from 110,000 to 483,000 sets.



Components' rigidity test in a radio factory in the large sector.

INDUSTRIAL ECONOMIST

More on How to Get Effective Advertising?

By BRINSTON MIRANDA

Good advertising speaks the consumer's language, looks at things from the consumer's point of view, smooths and assists social change, increase productivity, subsidises communication and entertainment, and adds colour to life while it does these things. It is also the most efficient and economic way so far discovered of selling most kinds of goods and services.

Here are definite ways to assess your ads before making commitments to release the campaign created by your Agency. If you apply all the following criteria to one ad you can at best produce an advertising cliché. But if you ignore all these precepts you will most probably produce an advertising disaster:

1. Looking at this ad, can you reconstruct from it the brief that you gave the Agency?
2. If it differs from your brief, does it accord with a brief that you wish you had given?
3. The ad is aimed at a person. Who is this person? Is he the one you wish to reach? If so, will it catch his attention, make him want to read it? Does it speak his language? Does it tell him what he wants to know about your product?
4. If the ad features people in the illustration, are they 'real' people as opposed to 'addy' people? Can your prospective customers identify themselves with these people? Will they want to?
5. Does the illustration involve the reader? Is it a close-up that reaches out and draws in? Will it lose quality in reproduction?
6. Is this ad believable?
7. If this ad convincing?
8. Does the headline make a desirable promise?
9. Does this ad fit into your existing campaign?
10. How does it look beside your competitor's advertising?
11. Has it a focal point? Is there a spot where the eye can start and follow through logically and easily and get the

complete message? (major illustration, headline, text).

12. What single message does the ad leave in the reader's mind? Is this the message you wanted to leave?
13. Will this ad make people want to buy? Is there sufficient specific urge to action? Does it appeal to powerful motives? Does it use persuasive words?
14. Where will this ad appear? Is it suitable? Will it stand out sufficiently distinctive and capture attention in that medium?
15. If it is a colour ad, is it brightly colourful?
16. Does it use high readership techniques, i.e., dominant illustration and headline, with about 15 per cent — 25 per cent of the space devoted to text?
17. Does it avoid low readership technique — or does it have silhouette illustrations? More than 5 separate elements? Is it cluttered? Is the text in reverse (white print on black background)? Has it a large pack shot? Or a large logotype? (A large logotype is a proven interest-killer. It is like telling the punchline of a joke before you tell the story. Moreover, most people who see an ad will read the signature almost regardless of its size).
18. Does the ad make the product seem interesting and attractive?
19. Is there too much copy? The less words you use the more likely it is that people will read. Readership tends to fall off after 75 words.
20. Can the ad be read? (avoid small type size).
21. Finally, does your ad have an idea? Is it the right idea? Does the format do justice? Does it go across unmistakably, fruitfully and truthfully? Would this ad worry you if one of your competitors ran it?

To Get Your Money's Worth

It is in media that you spend 90 per cent of your advertising allocation; only 10 per cent is absolute cost of the creative work which you are charged for. However, your total 100 per cent would be wasted if the most brilliant campaign were yet not placed in the right media at the right time. It takes professional media expertise and strategy to make your advertising pay off as it should. Media buying is becoming less scientific inspite of application of operations research and even computer technology. This is because the work is be-devilled by media values which are fed into these machines—values which are based on hunch.

Some Relevant Questions

Does high-interest editorial detract from the attention given to ads adjoining it? Or does the high interest generated mean that some people in the course of reading the editorial will pay attention to the ads?

The same man might read Economic & Political Weekly and Illustrated Weekly, but his attitude is unlikely to be the same when he reads them. In many cases might it not pay to put a solemn ad in the Economic & Political Weekly and have a humorous one in Illustrated Weekly? Or might it not pay better to have them the other way around and put the humorous ad in Economic & Political Weekly and the solemn one in Illustrated Weekly?

Do people pay as much attention to ads in publications sent to them free of charge? If they do, will they continue to do so when more and more publications are sent to them free? Will this practice encourage them to accept far more literature than they can read just because it is free and they might find time to look at only every 3rd or 4th copy?

Getting Good Media Service

1. Plan from the beginning.
2. Review your market people regularly.
3. Be sure that you are in full agreement with your agency media

4. Don't try to spread your money too thinly—concentrate your coverage.
5. Don't let your own reading, viewing and listening habits get into the act (some of the more cynical media planners say "when you are trying to get a new client, ask him what publications he reads, what movie houses he goes to, and what radio programmes he listens to, because that is where you may run into trouble.")
6. Don't become your own media buyer.
7. If you are charitable, keep a separate budget for it.

8. See that your agency's creative work matches their media plan. (If your schedule consists of one full-page insertion in a magazine, and from then on runs entirely in quarter-pages, do not be fobbed off with a beautiful one page ad and the assurance that it will be adapted in due course to the other sizes. Insist on seeing exactly what is going to go in the small sizes, make sure that the treatment will be effective and the copy will not have to be cut to the point of imbecility or set in a size bordering invisibility. Some agencies concentrate so hard on impressing

clients and dealers that they do less than justice to impressing the consumers).

9. Make sure that you understand the media plan.

10. Remember it's your money It is easy to get carried away by high-power agency management presentation of an advertising campaign. It pays, however, to ask them searching fundamental questions, and have them answered in easy-to-understand, sincere language bereft of jargon and confusion.

THE AD X-RAY

HE SMILES WHILE HE BOWLS ...

Testimony ads are one of the familiar techniques in advertising, widely used in cosmetics and toilet soaps' advertisements. This technique was also effectively used by radio manufacturers through projecting favourable view-points from famous musicians and singers on the quality of reproduction and by cigarette manufacturers through cine stars: ("Berkeley is my favourite cigarette."—Major Sundararajan).

The effectiveness of this technique, however, depends on the nature of the product, the persons testifying to its quality and most important, the readership to whom the appeal is made.

The recent promotion of Nescafe by Advertising Consultants India Ltd., through the testimony of sportsmen, appears to stretch this technique a bit overmuch.

Whom Was it Directed?

The class of readers to whom the ad is directed is not quite clear. In the case of cosmetics or toilet soap advertisements, projected through cine stars, the class of readership to whom the ads are addressed and the impact of the testimony on these readers are clear: Which girl or young woman does not yearn to develop her complexion similar to that of a star?

In the Nescafe ad, there is no such clear-cut appeal to a particular class of readers. The age group which mostly treats a Ramanathan Krishnan or a Venkataraghavan a hero is that of teenagers or those in their early 'twenties. In most cases these have little knowledge of what coffee beans are selected in the households or whether they use this

or that particular brand of instant coffee. The distinction here is that between selecting a personalised product for direct consumption—a brand of blade, for example, is chosen by a particular person for his own use—and one which is just a raw material for further processing before it is consumed—like instant coffee. Here, the one who decides what coffee is needed for the household is (in most cases!) the housewife. And she is unlikely to be swayed by a bland, broad face of a Ramanathan Krishnan or a smiling pose of a Venkataraghavan in action—by the way does a bowler look all in smiles at the time of delivering the ball? Again the caption *Ramanathan Krishnan's coffee* is likely to appeal to the housewife as a brand of coffee such as Ayyangar's Coffee or Ganesh Coffee.

The taste for coffee, which has passed through the stages of preference, insistence and demand, is normally experienced by more mature persons who are unlikely to be very much influenced by the testimony of sportsmen. The testimony could perhaps have been obtained from popular politicians, political leaders or famous scientists or some such persons if such a course is to be pursued at all. Even an attractive cine star's face could have provided a delightful deviation from other ads!

The type-face chosen is again ordinary and routine, and the copy matter, matter-of-fact. The claim here that Nescafe was quite different from other instant coffees, that it was made specially for the coffee drinkers like Venkataraghavan and that it was made from the finest 100 per cent pure South Indian coffee beans.... could have been stated by any other instant coffee manufacturer. What was special about Nescafe that makes it different from other instant coffee has not been made clear.

Perhaps the effort could better have been spent on the advantages of instant coffee over the conventional coffee powder for decoction and how Nescafe ideally fitted into the bill of the average consumer. S.V.

BUSINESS BRIEFS:

Uncertain Future of Electric Supply Cos.

Following the recommendations of the Kureel Committee regarding the nationalisation or taking over of the management of private electric generation and supply units, there is considerable speculation in stock market circles on the Central Government's decision. The various statements made in Parliament and outside would suggest that the Government is seriously considering such a move. There are at present three private electric generation companies, the Tata Electric group, Ahmedabad Electricity Company and Calcutta Electric Supply Corporation—which between them operate the largest grid in India and are producing and supplying power to various categories of consumers at the most economical tariffs.

The use of sophisticated modern equipment and systems besides good maintenance have enabled these units to operate at high availability factor levels. For example, it is claimed that the average annual availability factor of the Trombay thermal station of Tata group was as high as 83 per cent against the national average of 53 per cent. The Chairman of Tata Power Company, Mr. Naval H. Tata, has observed that a distinction would have to be made between generating units doing good work and those which are purely distributing units in any decisions of the Government. He has even offered the inbuilt potential at Trombay for setting up a new 500 MW unit and operate it on behalf of the State Government.

While there is still some uncertainty about nationalisation in the immediate future in respect of private generation companies, the State Governments have been taking over the distribution units which number about 130 gradually and this process may be expedited or there may even be a simultaneous take-over through an ordinance if current reports are to be given any weight. But what is of significance in the changed context after the 25th Constitutional Amendment is the arbitrary nature of future compensation. So far, there was some idea of the basis of calculating compensation which could be accepted or challenged by the parties. But recent experience with some take-over has given rise to fears that the shareholders of electric supply companies may have to be satisfied with whatever the governments pay them. Electricity shares have been quite active recently in stock markets. The nationalisation fears have upset the plans of the various units to augment their generation and distribution capacities at a time when State Electricity Boards have been rather slow in creating fresh capacity on the desired scale to meet a critical situation.

Tata Hydro Electric

There was a sizable increase in sales of power by the Tata group of power com-

panies during the year ended March 31, 1972 to 5,679 million units from 5,251 million units in 1970-71. While purchases from the Maharashtra State Electricity Board were unchanged at 2,485 million units, generation of hydel power rose to 1,595 million units from 1,301 million units and of thermal power to 1,930 million units from 1,764 million units in the previous year. The revenue from power supply of Tata Hydro Electric Power Supply Company Limited was higher at Rs. 929.82 lakhs against Rs. 850.83 lakhs. The net profit, before depreciation and taxation, also rose to Rs. 168.51 lakhs from Rs. 148.52 lakhs. After providing Rs. 43.58 lakhs (Rs. 42.25 lakhs) for depreciation and Rs. 59.14 lakhs (41.40 lakhs) for taxation, the transfer to contingencies reserve is Rs. 8.42 lakhs (Rs. 6.09 lakhs) development reserve Rs. 1.66 lakhs (Rs. 2.22 lakhs) and tariffs and dividend control reserve Rs. 3.40 lakhs (Rs. 3.55 lakhs). General reserve gets Rs. 35.97 lakhs (Rs. 37.63 lakhs). A final dividend of 8 per cent, taxable, is to be paid out of general reserve making with the interim 13 per cent, taxable, against 12 per cent, taxable, previously. The interim dividend has already been paid and required Rs. 13.20 lakhs. (same).

All the four thermal units of the group at Trombay operated satisfactorily during the year. A 500 KVA diesel generator set is being installed at Trombay for ensuring greater security to the main plant in the event of a major system disturbance such as the Koyna earthquake. The automatic load despatch computer system has been of great assistance in ensuring close monitoring of the critical operations of the system resulting from a shortage of regulating and reserve capacities and the subsequent low frequency operation. The hydel station at Bhirpuri is expected to increase its generation by 8.5 million units as a result of reduced tunnel losses (after the rehabilitation work on the tunnel) besides increased peaking assistance at low lake levels. Four turbine units at Bhira are to be rehabilitated with the help of Heavy Electricals (India) Limited. The transmission and distribution networks are also being strengthened to extend power supply to new areas.

Andhra Valley Power

The gross revenue of Andhra Valley Power Supply Company Limited, another unit of Tata Group, during 1971-72 increased to Rs. 13.46 crores from Rs. 11.99 crores in 1970-71. The net profit, before depreciation and taxation, also improved sizably to Rs. 206.57 lakhs from Rs. 153.93 lakhs. The sum set aside for depreciation is Rs. 60.97 lakhs (Rs. 58.91 lakhs) and taxation sharply higher at Rs. 68.92 lakhs (Rs. 16.13 lakhs) Statutory appropriations claim Rs. 21.10

lakhs (Rs. 14.49 lakhs). After writing back excess provision of Rs. 1.05 lakhs (nil) for taxation in respect of previous year, the transfer to general reserve is Rs. 35.48 lakhs (Rs. 43.31 lakhs). An interim dividend of 5 per cent, taxable, has already been paid claiming Rs. 16.65 lakhs (same). The final dividend has been raised to 8 per cent, from 7 per cent making to a total of 13 per cent, taxable, against 12 per cent, taxable, in 1970-71. The final payment is to be made out of general reserve.

South Madras Electric

Sales of electricity of South Madras Electric Supply Corporation Limited increased further during the year ended March 31, 1972 to 95.5 million units from 88.4 million units in 1970-71 with electrification provided to an additional 33 villages and new service connections. The revenue from power sales rose to Rs. 173.53 lakhs from Rs. 166.31 lakhs. The net profit, before depreciation and taxation, was not much changed at Rs. 37.06 lakhs against Rs. 36.85 lakhs in 1970-71. The provision for depreciation is Rs. 15.28 lakhs (Rs. 13.38 lakhs). After writing back excess provision for income tax of Rs. 24.83 lakhs (nil), Rs. one lakh from general reserve and Rs. 3.50 lakhs being surplus amount from Mayavaram - Mannargudi - Tiruvavur Electrical Undertaking, taxation claims Rs. 5.35 lakhs (Rs. 6.77 lakhs). The transfer to development reserve is Rs. 15.47 lakhs (Rs. 15.1 lakhs), contingencies reserve Rs. 1.94 lakhs (Rs. 1.78 lakhs), tariffs and dividend control reserve Rs. 3.03 lakhs (nil) and consumers rebate reserve Rs. 8.16 lakhs (nil). General reserve got Rs. 2 lakhs on the former occasion and expenses relating to earlier years were written off to the extent of Rs. 2.95 lakhs (nil). An interim dividend of 5 per cent taxable has already been paid on equity capital while a final payment of 10 per cent is to be made making a total of 15 per cent against 11½ per cent.

The arbitrator appointed by the Tamil Nadu Government to settle the compensation payable for the Mayavaram - Mannargudi - Tiruvavur Electrical Undertaking has given his award and accordingly the compensation has to be recalculated. The company expects an additional amount of Rs. 80 lakhs. The Electricity Board is understood to be seeking to have the award modified in which case the company will also take similar action. The Chairman, Mr. K. A. P. Viswanatham has stated that the compensation monies invested in the Trichinopoly-Srirangam licence area will be withdrawn and kept in a separate account along with the balance of compensation. A part of the money is being used to repay the holders of first preference shares for Rs. 22 crores while the remaining amount may be used

Advertising on the March ...

By NIRAJ

Two-in-one Strategy

Chairman's speeches at the Annual meetings are of late not just confined to the conference hall. Newspaper releases are becoming a familiar feature in as far as they serve as a good publicity.

India Tobacco Company took up a full page space for their Chairman's address, and have at the same time invested in the space a lot of publicity pull. An unusual yet an ingenious combination. The space included seven illustrations. Appearing under distinct paragraphs with suitable sub-heads, the illustrations emphasise the achievements of the company in various capacities—export earnings, employment, service to consumers, to name a few. India Tobacco can feel happy that non-investors too will take interest in the Chairman's speech. A good attempt indeed.

HMV's Fine Move

Change is the order of life. And HMV

has acclimatised itself to the changing times and environments, at the same time without shaking away tradition. Catering to the orthodox and feeding the young minds (rather ears!)—that is what HMV is at today. Gramophone Company of India is coming out with a series of image-projection ads in regular intervals.

The modern-art caricature of a dog reflects a child's effort at an art form and is in perfect harmony with the headline, 'Can You Erase a Childhood Memory?' The body copy is turned to the rich variety of HMV services. A long lingering ad in fine form.

True to the promise, HMV has brought out on the eve of the nation's Silver Jubilee year of independence a series of ELP records ranging from patriotic songs, both from the films and from the maestros. *Strings of Friendship*, *Drums of Freedom* (orchestral composition), and *Victory-Peace-Prosperity* (South Indian patriotic songs) to speeches of National Leaders.

to pay higher dividends as has been done this year; It has been stated that the Electricity Board is increasing the company's purchase tariff from November 1 by about 53 per cent which will add to purchase costs by about Rs. 55 lakhs yearly. Taxes and surcharges hitherto levied from consumers to the extent of Rs. 48 lakhs and remitted to Government stand abolished simultaneously. The consumers tariffs are being modified suitably.

DCM Repeats

Delhi Cloth and General Mills Company Limited has earned a much larger profit of Rs. 15.91 crores during the year ended June 30, 1972 against Rs. 13.07 crores in 1970-71. But it was necessary to provide as much as Rs. 5.20 crores (Rs. 90 laks) for taxation after setting aside Rs. 6.35 crores (Rs. 5.70 crores) for depreciation. Development rebate reserve gets Rs. 1.14 crores (Rs. 21.07 lakhs) owing to the sizable fresh outlay on completion of schemes. The disposable profit is therefore much lower and general reserve gets only Rs. 2.44 crores (Rs. 4.52 crores). The total dividend on equity capital has been maintained at 10 per cent, taxable, with the payment of final distribution of 5 per cent, taxable.

Fibreglass Pilkington

Fibreglass Pilkington Limited has made further progress during the year ended March 31, 1972 with the insulation business proving to be profitable for the first time due to expanded sales. It was however difficult to show much improvement in continuous filament operations owing to substantial increase in costs and promotional expenses. It is expected that this division will expand its activities when the new facility for indigenous manufacture of glass is taken up after the negotiations with the Government for this project are successful. There was some disruption in continuous filament operations due to shortage of foreign exchange. Sales during 1971-72 rose to Rs. 206.21 lakhs from Rs. 173.34 lakhs in 1970-71 while the net profit, before depreciation and taxation, was sharply higher at Rs. 51.12 lakhs against Rs. 32.86 lakhs. The provision for depreciation and technical know-how written off is Rs. 12.17 lakhs (Rs. 10.09 lakhs) and development rebate Rs. 10.77 lakhs (nil). After wiping out the debit balance of Rs. 5.86 lakhs brought in from the previous accounts the balance of Rs. 22.31 lakhs has been transferred to general reserve. On the previous occasion, the surplus was utilised to reduce the accumulated losses from Rs. 28.63 lakhs to Rs. 5.86 lakhs. A maiden equity dividend of 6 per cent, taxable, has been recommended. This will be paid out of general reserve and will absorb Rs. 9.60 lakhs and will be exempt from tax deduction at source being paid out of tax-exempt profits. A more liberal dividend policy could have been adopted but the directors have been

anxious to conserve available resources for further expansion. The installed capacity at the end of the year was 1,100 tonnes for glass wool, 600 tonnes for glass textiles (including reinforcements) and 85 tonnes for glass staple tissues.

Gujarat Polyamides

Gujarat Polyamides Limited is making progress with its nylon yarn project at Udhna. Civil works are nearing completion while supply of imported plant and equipment will be completed by March 1973. Indigenous deliveries of machinery will commence from November. It is stated that the project cost will go up from the original figure owing to higher prices of steel, cement and industrial materials and rise in import duties besides change in value of some foreign currencies in which the company has been granted loans. An application has been made to Government to raise the capacity even during the construction period from 5 tonnes to 6 tonnes a day and subsequently to 12 tonnes. The arrangements for raising loans from the financial institutions have been completed. But the formalities relating to the private placement of debentures for Rs. 1 crore with LIC and Unit Trust are to be completed shortly. Consequent on the increase in the total rupee value of imported equipment supplied by the Italian collaborators, the equity shares to be allotted to them may have to be increased upto 10 per cent (or Rs. 6.75 lakhs). The company made a successful public issue of equity and preference shares in June 1971.

Bata Shoe's Issue

Bata Shoe Company Limited will be affording an opportunity to the Indian investing public to participate in its share capital and thus dilute its foreign ownership. The company is the leading manufacturer of quality leather, rubber and synthetic footwear in the country. It is also a substantial buyer of footwear from small units and has built up a flourishing export trade. The turnover in 1970 which was not a normal year was Rs. 40 crores and the gross profit Rs. 4.25 crores. In the current year, there may be a new record in sales and earnings and it is expected that it will be possible to pay a dividend of 30 per cent, taxable, on the increased capital. It is proposed to allot five lakh equity shares of Rs. 10 each at a premium of 30 per cent to statutory financial institutions named by the Government while another block of 5 lakh equity shares at the same premium will be offered to the public. The existing paid up equity capital is Rs. 2.5 crores.

Mohan Meakin

Mohan Meakin Breweries Limited has been continuously expanding its output and sales of various products over the years and during the year ended March 31, 1972

there was a further sizable rise in turnover to Rs. 21.14 crores from Rs. 17.98 crores in 1970-71. But this was not reflected in any significant improvement in earnings, as the net profit, before depreciation and taxation, was only slightly better at Rs. 2.61 crores against Rs. 2.57 crores. The dividend on equity capital has been raised to 11 per cent, taxable, from 10 per cent, taxable. Depreciation claims Rs. 58.20 lakhs (Rs. 52.04 lakhs) and development rebate Rs. 4.60 lakhs (Rs. 3 lakhs). The provision for taxation is higher at Rs. 1.36 crores (Rs. 1.26 crores) while the transfer to general reserve is Rs. 81.61 lakhs (Rs. 67.97 lakhs) after taking credit for some provisions no longer required. A new distillery is to be set up at Solan and will go into production sometime next year. The cold storage plant at Mohangram has started working while an ice factory is also in operation. Mysore Food Products Limited has however remained closed and arrangements are being made to produce Indian-made foreign liquors.

Rane (Madras) Ltd.

Rane (Madras) Limited is proceeding with its proposed project to manufacture steering gear assemblies in collaboration with British interests. A letter of intent has been received from Government for the project which is estimated to cost Rs. 90 lakhs including a working capital of Rs. 33 lakhs. The collaboration agreement is awaiting approval of the Government. The company does not propose to issue additional capital for financing the schemes as besides internal generation of resources, the proceeds from the sale of its property at a good profit will be helpful. The investment in sister companies have also been worthwhile because of the bonus issues from these as well as from South India Shipping. There was an increase in output of clutch discs and tierod ends in 1971-72 and there will be a further substantial rise in production this year while there will be a big increase in exports to U.K. and Australia. But profit margins will be affected by rising costs and only a part of these will be absorbed by the higher selling prices.

CAFI's Joint Venture in Sudan

A sudanese firm is assisted by Chemicals and Fibres of India (CAFI) in setting up a plant to manufacture blended fabric by using polyester fibre.

Complete know-how and 90 per cent of equipment for this Rs. 1.5-crore project will be supplied by CAFI.

Initially CAFI will be supplying Terene yarn worth Rs. 75 lakhs per annum; this is expected to increase to Rs. 1-crore per annum eventually.

This plant is the first of its kind in the country.

CAFI will receive royalty for the use of its trade mark, Terene.

This agreement is likely to result in the

purchase of other dyes and chemicals from this country.

Indian Package Wins World Award

A presentation pack for WIMCO matches, designed, printed and manufactured by The Metal Box Company of India Limited, has won the Worldstar '72 contest, recently held at Tokyo. This is the first time an Indian entry wins the coveted World Award.

The Worldstar '72 has been instituted by the World Packaging Organisation consisting of teh Packaging Federations in Asia, Europe and North America. The awards will be presented on the occasion of the Worldpack-Tokyopack 1972 which will follow the Second World Packaging Congress on the 7th of September, 1972, at Tokyo. Countries receiving the awards are: U.S.A., Japan, Australia, France, Sweden, W. Germany, Netherlands, Switzerland and India.

Earlier, in January 1972, 3 Indian entries won the Asian awards at Bombay. The entry of the Metal Box Company, which has now won the Worldstar '72, won both the Indiestar and Asiastar '72 awards.

Frick Cold Storage Equipment for Hongkong

Frick India Limited has secured yet another export order for cold storage equipment worth over Rs. 2,50,000.00. The order has been received from sophisticated yet competitive market of Hongkong. The order has been received in preference to rival offers from technically advanced countries.

Export earnings in 1971-72 had been highest during the past five years and it is envisaged that this year the exports will increase further.

L & T Manufactures Bulldozer Attachments

The supply of bulldozer attachments for Caterpillar earthmoving equipment in the country is no longer fully dependent on imports alone. Larsen & Tourbro Limited has taken a recent step forward in import substitution by manufacturing this equipment locally.

A major part of the bulldozer is made indigenously. Suitable for crawler tractors of 65 to 385 h.p., the assembly comprises blade groups, brace groups, C-frames, trunnions and hydraulic cylinders. The company plans, with further development of indigenous sources of supply, to reduce imported components to a minimum.

Already 62 units have been manufactured and supplied by Larsen & Tourbro to the agricultural and irrigation departments of various state governments, notably of Maharashtra, Assam, Andhra Pradesh and Pondicherry. The equipment is reported to be performing well under extreme loads.

NEW CHIEF EXECUTIVE FOR AGFA

Mr. R. L. Narayan has been appointed Chief Executive of Agfa-Gevaert India Ltd., recently.

Mr. Narayan is well known in the photographic trade and profession for many years as the Secretary of Agfa India Ltd., and later on as Marketing Manager of Agfa-Gevaert India Ltd., after the amalgamation of Agfa and Gevaert—the two photographic firms of Germany and Belgium.

Mr. Narayan who has contributed richly to the development of photographic goods trade in India feels that the country has rich scope for developing this industry, but unfortunately the present policy for producing cameras and other allied equipment are found to be obsolete and does not take into consideration the vast strides that have been made by the developed countries in this field. He feels a marginal liberalisation of the policy in this regard can go a long way towards modernising the in-

dustry in India besides catering to the growing demands for these in the country.



Mr. R. L. NARAYAN

IPCL Saves Substantial Foreign Exchange Through Import Substitution

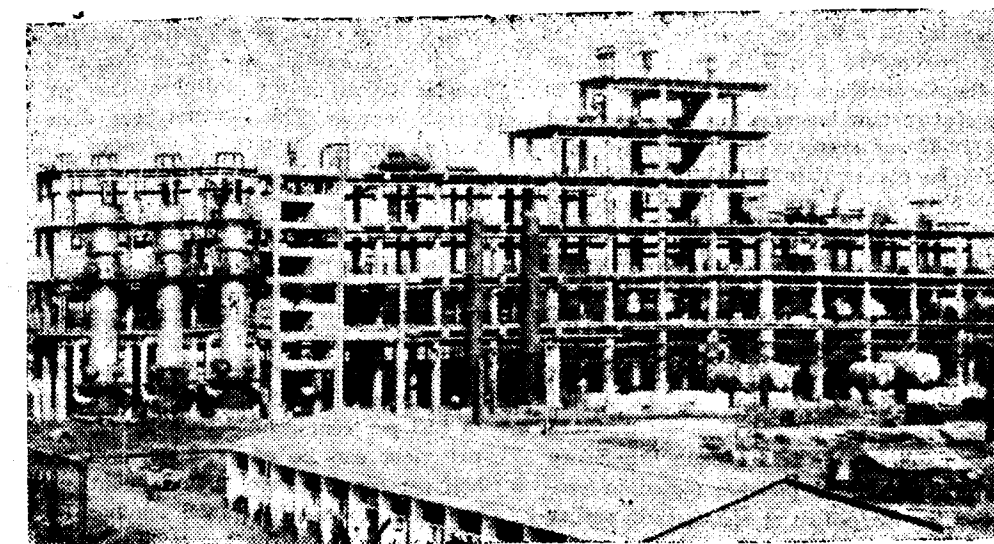
The Parliamentary Committee on Public Undertakings visited recently, the project site of the Indian Petrochemicals Corporation Ltd. at Baroda and had detailed discussions with its Chairman & Managing Director, Mr. J. J. Mehta.

Mr. Mehta informed the Committee that the implementation of the IPCL projects would contribute to the national economy to the tune of Rs. 130 crore in foreign exchange annually, by way of direct and indirect import substitution. As against this, the total foreign exchange requirement was about Rs. 59 crores only. Even during the construction stage IPCL had effected substantial saving in foreign exchange through several measures such as assignment of preparation of certain basic design engineering to an Indian company, by promot-

ing indigenous design of important and costly equipments and by organising and promoting manufacture of certain spare parts in the ancillary industry sector.

The Committee greatly appreciated the idea of establishment of a Sub-contract Exchange Centre in Baroda which would provide to the manufacturers of medium and small scale engineering industries, the basic data and drawings necessary for the manufacture of engineering items required by IPCL and other industries.

The members of the Committee were also appreciative of the fact that the training programme drawn up by IPCL would not only help prepare trained personnel required to man IPCL projects but would also prepare a cadre of young trained people, competent enough to man our plants to come up in future.



A view of the DMT building of the Indian Petrochemical complex at Baroda

Indigenous Transistor Technology

The Central Electronics Engineering Research Institute (CEERI), Pilani has achieved a major breakthrough in the development of core technology of silicon transistors and diodes. The indigenous know-how will not only help establish transistor industries but will also open up new avenues for further developments in the field of electronics. The annual production based on CEERI know-how is expected to be worth about Rs. 6 crores within a couple of years and the annual foreign exchange savings would be of the order of Rs. 3 crores.

Transistors and diodes are basic components in any electronic equipment or system and their demand is steadily increasing. It is estimated that by 1974 the demand for these devices would be around 120 million a year, whereas the present annual production is of the order of 40 million only.

Almost all the transistors and diodes manufactured in the country today are either based on imported know-how or merely encapsulated from fully processed imported wafers. The silicon process developed at the Institute is quite modern. It is equivalent to what is being used today in all the advanced countries. The process is versatile

too. With slight modifications in design and techniques, the same basic equipment and investment can be utilised for the manufacture of other types of silicon devices such as integrated circuits, microwave diodes, etc.

Homi Bhabha Fellowships

The Homi Bhabha Fellowships Council has announced the award of Fellowships to Mr. Arun Shourie (Economics), Mrs. Nelly Sethna (Traditional Crafts of India), Mr. Satyadev Dubey (Interaction of Cinema and the Theatre) and Mr. C. T. Khanolkar (Traditional Theatre of South Konkan).

Others who have been awarded Homi Bhabha Fellowships in 1972 include Dr. S. M. Nair, who is making investigations on the biodeterioration of museum materials in India; Dr. A. K. Malhotra, who is studying the technological requirements for off-shore oil exploration and production in India; Dr. U. R. Ananthamurthy (author of the much discussed novel 'Samskara') who devotes his Fellowship to creative writing in Kannada; and Dr. S. G. Appan who will work on "application of systems analytic methods in designing agricultural development programmes, particularly crop improvement strategies."

New Chairman for MFL

Mr. N. Mahalingam has been appointed Chairman of the Board of Directors of Madras Fertilizers Limited effective September 16, 1972. NM is a well-known industrialist of South connected with a wide range of industries—sugar, transport, steel pipes, textiles, synthetic gems ... He is also a member of the State Planning Commission.



Mr. N. MAHALINGAM

Company Meeting :

THE INDIA CEMENTS LIMITED

SRI K. S. NARAYANAN, MANAGING DIRECTOR REVIEWS THE ACTIVITIES

Addressing the Twenty-sixth Annual General Meeting of the Company held at Madras on 20th September, 1972, Sri K. S. Narayanan, said :

Friends:

On behalf of the Board of Directors and on my own behalf, I extend a cordial welcome to you to the Twenty-sixth Annual General Meeting of your company.

2. The Year Under Review— The Political Scene

The year under review was one of major historical significance for free India. It fought and won a lightning war against Pakistan, which attempted an aggression. It helped Bangla Desh to win its freedom by rendering economic and military assistance. It gave asylum to millions of refugees who fled from their hearth and home in Bangla Desh to escape the military ferocity of the Pakistani troops, from death and a fate worse than death. The military action by India was an achievement in co-ordination between the three wings of the armed forces. It gave us confidence at home and prestige abroad. The urgent task of housing and feeding the refugees called for quick and comprehensive organisation and this task also was undertaken with skill and a high moral sense. Several new taxes had to be imposed in order to meet these new commitments of war and refugee habilitation, but the country bore the burden with a high sense of duty. The great lesson of these events is that there exists in the Government and the people of India a will to unite when occasion demands it.

3. The Year Under Review— The Economic Scene

However, while the political scene was illuminated by a blaze of glory, the economic scene was darkened by slow and unsure progress. Practically all the targets registered a short-fall. National income was up by a little less than 4% as against the plan target of 5.5%. Agricultural production increased by 3.8%, compared with 6.7% the previous year. Inflation crept up, with the wholesale price index rising by 4.1% at the end of January 1972 compared to the same time the previous year, and money supply increasing by 12.1%. Industrial production practically stagnated. As against the targeted 14% and 8% during the Third and Fourth Plan periods respectively, the increase in industrial production has been falling from 9.6% in 1962 to 2% in 1971. The capital market remained depressed and the rate of investment has been steadily declining.



Sri K. S. NARAYANAN

4. Events After the Close of the Year

This was the situation at the end of March 1972 at the time of the presentation of the Government of India's budget. By and large the country heaved a sigh of relief that the Budget did not impose new taxes. But this was an erroneous satisfaction because several taxes had already been levied in the interim budget to finance the Pakistan War and the accommodation of the refugees from Bangla Desh. Indeed, a record taxation of almost Rs. 500 crores had been levied by way of three budgets during the year.

Although the year under review closed with the 31st of March 1972, events have moved with such great speed since then to the detriment of the national economy that it is necessary to refer to the recent situation briefly. The sanguine anticipations on which the budget and the plan were based were destroyed by the failure of the kharif crop in the current season and the prevalence of drought in large areas of the country. Hydel production has been curtailed and industries have been affected by power shortage. Persistent bottlenecks in transport have produced a backlog of production and distribution at all points. In sum, there has occurred a set-back in agriculture and industry from which the economy has to extricate itself.

5. The Recurrence of Drought— A Fact of History and Experience

It is idle for the Government to pretend that the drought is unprecedented. Every

precedent in the history of this country has shown that every fifth year is subnormal and every tenth year one of comparative failure of the monsoon. The years 1898, 1908, 1918, 1928 and 1948 and nearer to us 1965 to 1967 are the clearest lessons of recent history, and yet it is surprising that inter-state rivalries are allowed to prevent the full utilisation of the water resources of the country and the transfer of the surpluses of the Himalayan rivers to supply the deficit areas in the South. The whole object of planning is to meet such situations, and it is the negation of all planning to allow them to develop and then call for heroic measures of austerity. No type of industrial or other development is possible in the context of these recurring agricultural crises and it is not open to the industrialists to say that these agricultural problems are no concern of theirs. A failure of agriculture means loss of power in production and reduction in consumer demand and both these damages take many years to repair.

6. Rising Costs and Prices

Another alarming feature of the economy is the steady and steep rise in prices that is taking place. Little has been done to stem this soaring spiral in spite of much talk. The official wholesale price index with the year ended March 1962 as 100, has now crossed the 200 mark and is rising day by day. Food articles have registered an even steeper rise and stand at about 250. Real market prices are often higher than official prices.

The root of the inflationary trouble is excessive deficit financing by Government in a context when the growth in agricultural and industrial production is modest. Financial indiscipline, whether it is in the private sector or Government sector, is harmful to the economy. Fighting inflation is a collective endeavour and government should give a correct lead in this matter.

I make no apology for dealing with the economic situation at some length because it gives one the real background of shifting and unsure conditions under which industries have to produce and sell. These conditions control the fate of every industry and without a reasonable amount of stability in the economy, no single industry can plan for even an immediate future.

Steep Increase in the Resources of Public Sector Financial Institutions

The banking system, Life Insurance Corporation, the Unit Trust, Provident funds and cooperative credit societies are adding to their resources on such a large scale that the different institutions are finding it difficult to employ remuneratively fresh additions to resources. The banking system itself is in a position to set apart over Rs. 750 crores annually after meeting the needs of industry and trade and the requirements of borrowers in the priority sectors.

LIC Records Big Rise in Business

The Life Insurance Corporation has been expanding its activities in a big way and it was disclosed by Mr. K. R. Puri, Chairman of the Corporation that an increase of 60 per cent in new business has been recorded in 1970-72 and even the Rs. 2,000 crore mark might be exceeded in 1972-73. Already the Rs. 2,000 crore mark has been surpassed comfortably in respect of aggregate assets, while life fund also was over Rs. 2,000 crores at the end of 1971-72. The actual increase in this fund in the past year was Rs. 242 crores and it is just probable that in three or four years the rate of growth will be as high as Rs. 500 crores.

The public sector is the main beneficiary as even the liberal policy pursued in respect of the disposition of resources in earlier years, the share of investment in loans and bonds of governments, State electricity boards and others were 74 per cent of the

total while that of the private sector has been steadily declining from over 18 per cent to 14.59 per cent. If an analysis was made of the disposition of fresh additions to resources, it may be found that over 18 per cent is appropriated by the public sector and less than 10 per cent by the private sector.

Increase in Overall Expense Ratio

But it is not quite helpful to the policy-holders as the average return is unnecessarily depressed by an over emphasis on investments in gilt-edged securities. In the context of rising prices and a continuous erosion in the value of the rupee the policy-holders are entitled to a better deal with an augmentation of the surpluses for paying larger bonuses. This has not been done by the corporation in the last valuation. There were of course some satisfactory trends in 1971-72, in the shape of a decline in the lapse ratio and a lower renewal expense ratio. There was, however, an increase in the overall expense ratio which really matters from the angle of generating net surpluses. The gross yield on investments was also only slightly higher at 6.29 per cent against 6.25 per cent and in the adjusted net yield to 5.53 per cent against 5.49 per cent. The net yield can be easily 6 per cent and a half per cent increase in investment income can add to the life fund another Rs. 10 crores annually. These aspects of the Life Insurance Corporation's working deserve close scrutiny for achieving the desired result.

Decrease in Sale of Units

Unit Trust of India also is growing in stature though the additions to the unit capital have not been taking place at the desired rate. In spite of a dividend of 8 per cent for 1970-71, sales of unit were lower in 1971-72 because of a larger return available in other forms of investment. Sale of units in 1971-72 thus amounted to only Rs. 15.08 crores against Rs. 18.00 crores in 1970-71. Repurchases of unit, however, were on a smaller scale and the net decline in sales was not thus very pronounced. In order to stimulate interest in units the special offer price was reduced to Rs. 10.40 per unit from 10.60 per unit in July last year while the spread between sale and repurchase prices was also narrow. The dividend for 1971-72 was at the same time increased to 8.25 per cent.

These measures should be useful in boosting sales of units, to Rs. 20 crores in 1972-73. There is a problem of investment of fresh resources remuneratively. The new policy of Chairman James Samuel Raj can succeed if only there were large increases in the floating supply of good dividend paying equities. The statutory financial corporations can unload their holdings of equities profitably and help the Unit Trust to build a remunerative portfolio. The corporation, however, may not feel inclined to sell the holdings unless there was compulsion to find additional resources by liquifying investment portfolios.

7. The Cement Industry—Its Present Position in the Economy

Turning to the cement industry, it has now reached a stage when it is no longer a growing infant or an ambitious adolescent. Its immediate problem is to maintain a minimum level of profit and it seeks a proper retention price. In this Herculean effort, it is being hampered at every stage. To begin with, the status of priority industry enjoyed by it since 1964 was withdrawn by the Finance Act of 1971. This puts up the tax burden on the industry from 50.6 per cent to 55 per cent. Secondly, the development rebate which has already been reduced from 35 per cent to 15 per cent will be abolished in 1974. This will inevitably increase the tax burden on the industry. All this, on top of an already heavy burden of taxation on the corporate sector, such as the surcharge to mention but one, cannot but lead to the practical impossibility of the industry generating internal resources for its normal maintenance requirements, let alone expansion. The industry is therefore compelled to seek external assistance for expenditure which under a more equitable system of taxation and economic stability would have enabled it to be left with a sufficient margin, thus reducing the costs entailed by borrowing.

No better illustration of this situation can be given than the annual statement of your company.

8. Production and Profits

Last year the production was 91 per cent of rated capacity in Sankar Nagar and 101 per cent of rated capacity in Sankaridrug. This year the production at Sankar Nagar is 94 per cent of rated capacity and 102 per cent at Sankaridrug. The average for the industry is only 81%. 94% is almost the maximum for an old kiln and well-worked machines. Both the units have had to face an acute shortage of wagons for transport. In other words, both the factories have worked at optimum capacity. In spite of this, there has been taking place a steady erosion of profits due to factors completely outside our control. In 1966-67 the pre-tax profit after allowing for depreciation was Rs. 223.57 lakhs. At that time the installed capacity of the company was only 8.63 lakhs of tonnes. In 1970 the profit was Rs. 88 lakhs. In 1971 it came down to Rs. 53 lakhs and for the year under review it is Rs. 56.32 lakhs notwithstanding the fact that the installed capacity was much higher by another 6 lakhs of tonnes than in 1967. Prior to 1971, the dividend was distributed straightaway out of the profits earned during the year. In fact, the dividends accounted for no more than about 50 per cent of profits after tax. This was one of the reasons why we were able to carry out our expansion schemes without too much strain. In 1971, however, an overwhelming

part of the profit had to be distributed as dividends in order to maintain it unchanged at 9 per cent.

Normally we should have reduced the dividend last year. But we did not do so in the hope that the decline in profits for that year was only a passing phenomenon, and would be soon corrected by the grant of an adequate minimum price. But events have proved that practically all the increases in the cost of production are likely to be permanent and that some of them are also likely to increase. This applies with equal force to production costs due to increase in the price of raw materials and the cost of transport and to the heavy Government taxation. The increase in cost per tonne was Rs. 16.41 between 1966 and 1969. Against this the company was compensated to the extent of only Rs. 5.50 per tonne with effect from the 14th of April, 1969. Since then, largely as a result of Government's fiscal policy there has been a further increase of cost to the extent of Rs. 7.23 per tonne. No increase in the retention price has been granted against these cost-escalations, and all that has happened is that the Government have referred the question of the revision of cement price to the Tariff Commission. We, on our side, have placed all the facts and figures before the Commission, pointing out that unless a substantial increase in the retention price is given, the profitability of the company will be jeopardised. We have also mentioned that a special allowance should be given to provide for rehabilitation and expansion, and that this should be separately funded and controlled.

I do not want to weary you with figures but I have to mention at this stage that the present move for an increase of wages looks like the last straw on the camel's back. As a result of the demand of the Indian National Cement Workers Federation for a revision of wages and at the intervention of Government, producers of cement have agreed to pay a sum of Rs. 25/- per month from 1st of June 1972 to all workers in the Wage Board scales of pay as interim relief, pending finalisation of wage settlement by January, 1973. It should be apparent to any one who is conversant with the economics of the cement industry that there can be no question of the industry absorbing this increase in wages, as some persons who are expected to know better go about proclaiming. We have estimated that the interim increase of Rs. 25 in emoluments per worker will increase our cost of production by about Rs. 2.50 per tonne of cement. When a final wage agreement is reached this will have to be pointed out to the Tariff Commission and the Government.

9. Reduction of Dividend

I should now like to refer to the small reduction in the rate of dividend which the

Board has proposed. At the time the Company issued bonus shares in 1969 to its shareholders in the proportion of two equity shares for every five held by them, the Industrial Development Bank of India and the Industrial Finance Corporation of India, while according their approval for the issue of bonus shares, stipulated that their prior permission should be obtained for the payment of any dividend over 8 per cent on the revised equity capital. Last year, however, we paid 9 per cent after obtaining the permission of the financial institutions in the hope that the retention price of cement will be raised without delay, but this has not happened. It is impossible for the Board to set aside all the canons of prudent management and think of a temporary satisfaction at the cost of reserve depletion. The present position is obscure and much will depend on the findings of the Tariff Commission and the Government's acceptance of the Commission's recommendations.

In these circumstances we have to reconcile several considerations. One of them is to maintain a reasonable rate of dividend. This is especially so as more than 60 per cent of our shareholders hold less than 500 shares each and more than 40 per cent less than 200 shares. This is a company belonging to the small investors. To them the dividend is an important source of income. We are, therefore, reluctant to curtail it except under dire necessity. This necessity has arisen pending the revision of the retention price by the Tariff Commission.

10. The Future of the Cement Industry

The future of the industry is bright from a purely economic point of view. The Cement Controller, in the official publication entitled Cement Production and Despatches, has estimated that the demand for cement in the country will be 16.74 million tonnes in 1972, 18.87 million tonnes in 1973 and 21.27 million tonnes in 1974. This means that several programmes of expansion of existing units and several new units have to come into being to fulfil this demand. Indeed, I would venture to say that the demand is likely to be even higher in the foreseeable future because certain massive schemes of rural reform, including rural housing and road making, have not been adequately included in these estimates. But, there can be no expansion unless the basic retention price is increased and an expansion and rehabilitation allowance is added to it. Nor has the policy of the Government in implementing the principle of regionalisation much to recommend it. Regionalisation involves the location in each region of industries suitable for that region, and not a geographical distribution of all industries in all regions. The coal and iron belt are in Bihar and the adjoining regions. The

textile industry has developed in the South and the West of India. The Punjab and the Maharashtra have specialised in medium scale industries and have the highest per capita incomes in India. The cement industry is largely concentrated in the South and the West of the country because of the availability of limestone in proper quantities and of the requisite quality. To locate the cement industry in other regions, irrespective of the availability of limestone, based on a misconceived principle of regionalisation is to spend heavily on capital and to subsidise the product for ever. No wonder that private entrepreneurs have not come forward to start the cement industry on the Northern and Eastern borders of India. The

principle of differential retention prices to the industry and of the freight pool by which the consumer gets the product at a uniform price in all parts of India has stood the test of time. It has worked satisfactorily for many years now. It is to be hoped that it will not be disturbed in the future.

Let me conclude by saying that a basic industry like cement cannot be allowed to flounder in a morass of high costs and low prices and be subjected to the vagaries of vague ideologies. We are looking forward to an equitable recommendation from the Tariff Board and the future of the industry rests largely on the wisdom of that august body and the willingness of the Government

to accept its recommendation without dilution. Till then we have to watch and wait.

11. Labour

The relation with labour and staff at the factories and the staff at the Head Office continues to be cordial as usual. On behalf of the Management and on behalf of all of you, I take this opportunity to accord our thanks to all the employees of the company for their unstinted co-operation and hard work during the year. The company looks forward to their continued services and co-operation in the coming years.

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

Company Meeting :

The South Madras Electric Supply Corporation Limited

(Regd. Office : Power House, Tennur, Tiruchirappalli-17)

SPEECH OF THE CHAIRMAN, THIRU K. A. P. VISVANATHAM

Following are excerpts from the Speech delivered by Thiru K. A. P. Visvanatham, Chairman of the Company, at the 32nd Annual General Meeting of the Company held on 8th September, 1972

Ladies and Gentlemen,

I have pleasure in extending to you all a warm welcome to this 32nd General Meeting of the Company.

The works programme during the year was intensified and a large number of villages were electrified in implementation of national policies on Rural Electrification. The supply systems were maintained in good condition with adding new substations and capacitors as well as feeders wherever required to improve voltage conditions. There has been a growth of 8.92% on energy sales and we connected a large number of services than in last year. Rebates to consumers to the extent of Rs. 7 lakhs were given, as this amount of money was in excess of the Clear Profits the Company could earn by way of Reasonable Return as defined in the Electricity Supply Act.

Subsequent to the Directors' Report, there have been events of importance, on which I would like to speak to you.

1. There have been talks and news reports on the likelihood of nationalisation of all the Electricity Supply Companies in India (of which there are yet 133 in number according to press reports) by an ordinance.

2. The Award of the Arbitrator on the Mayavaram-Mannargudi-Tiruvallur Electrical Undertaking compensation:

The High Court has issued notice to both parties, if the Award could be confirmed. It is understood that the Electricity Board



Thiru K. A. P. VISVANATHAM

may file an O.P. to have the Award modified in which case the Company will also take similar action.

As has been indicated to you in the Directors' Report, the Mayavaram-Mannargudi-Tiruvallur Electrical Undertaking compensation monies invested in Trichinopoly-Srirangam Electric Licence will be withdrawn and kept in a separate account and will be

used for augmenting dividends as has been done this year or for capital return or in such other manner as the shareholders may direct. Your directions will be sought at the appropriate time.

3. The Electricity Board is increasing our purchase tariff with effect from 1-11-1972 by about 53% which will add to purchase costs by about Rs. 55 lakhs yearly. Taxes and Surcharges hitherto levied from consumers to the extent of about Rs. 48 lakhs and remitted to Government stand abolished simultaneously. We have accordingly given notice to modify all our tariffs to consumers with effect from the billing month of November '72.

4. From the early morning hours of 29-8-72 upto the afternoon of 1-9-72 the workers and staff of the Company went on strike. By reason of this several consumers were put to inconvenience and difficulties for which I would like to express my deep regret. The strike was resolved by an interim payment of Rs. 25/- to each worker as from 1-4-72, subject to settlement of the entire dispute by arbitration. I hope this settlement will give satisfaction to all concerned.

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

Company Meeting :

SIMCO METERS LIMITED

METER FACTORY ROAD, TIRUCHIRAPALLI-30

Chairman's speech delivered by Sri S. Narayanaswamy MLC, at the 11th Annual General Meeting of the Company held at Tiruchirapalli on 16th September, 1972

Friends,

I have pleasure in extending to all of you a cordial welcome to the Eleventh Annual General Meeting of the Company. The Report and Accounts for the year ended 31st March, 1972, have been circulated to you already and I dare say you have perused the contents with interest. I request your permission to take them as read.

I think it is important to highlight some features about the Company's operations during the year under review, mainly as indicative of future trends in the market for both our conventional production of energy meters and for materials covered by our diversification.

Increase in Sales

Our sales during the year totalled Rs. 149.70 lakhs as against Rs. 127.20 lakhs in the preceding year. The net profit for the year before taxation but after providing depreciation was Rs. 20.15 lakhs as against Rs. 13.68 lakhs in the preceding year. The major difference between last year and this year is, that our profits have begun for the first time to attract taxation. Provision for taxation is as much as Rs. 8.72 lakhs, which has substantially slashed the amount available for making allocations. The previous years' profits were not subject to any such deduction.

Members will remember that last year it was possible to transfer to outlay on Research and Development a sum of Rs. 6.46 lakhs while, during the current year, the additions we could make under this head amounted only to Rs. 2.09 lakhs.

Recovery of Excise Duty on Energy Meters

Another major outgoing out of the company's revenues is a sum of Rs. 6 lakhs, paid by the Company towards excise duty on energy meters, which we are taking every possible step to recover from the purchasing Electricity Boards. It is correct to add that the Electricity Boards concerned are strenuously resisting this claim, on the ground that they had contracted to buy these meters on a 'firm price' basis. The terms of sale, however, spell out quite categorically that the sale price agreed upon, is exclusive of any duties or levies such as may be imposed later by the Central or the State Governments. It is my sincere hope that it would be possible to arrive at a satisfactory settlement with the concerned

Electricity Boards on this question of recovery of excise duty.

The Company has initiated a Life Insurance-cum-Gratuity Scheme in consultation with the Life Insurance Corporation of India, which will greatly benefit the employees. The initial outgoing under this head is Rs. 1.10 lakhs.

I now come to the Company's operations during the year under review. The company's manufacturing programme was greatly influenced by the fluctuations in the ways-and-means position of Electricity Boards, rather than the quantum of orders placed by these Boards on the company.

Record Production of Polyphase Meters

In the first half of the year under review, the total sales were as high as Rs. 110 lakhs, while the sales in the second half amounted to Rs. 40 lakhs only. The Company had manufactured 20,000 meters towards the



Sri S. NARAYANASWAMY

end of last year, which we were not in a position to deliver for want of one component, which arrived after the expiry of the financial year. This obliged us to complete the delivery of these 20,000 meters only in the first half of the year under review. This had the effect of swelling the sales figure in the first half of the year. This is, however, quite independent of the fact that during the period the company was able to maintain a record production of 10,000 polyphase meters per month, resulting in our aggregate production for the first half year being over 60,000 meters.

But, the company had less luck in the second half of the year, in that despatch instructions were withdrawn by the concerned Electricity Boards, presumably on grounds of financial stringency. Consequently our production of polyphase meters had to be cut back to an average of 4,000 Nos. per month. I am sorry to say that this unsatisfactory position has spilt over to the new year.

This unexpected under-utilisation of the installed capacity by the company, compelled the Management to disengage the services of contract labourers numbering over 150 during the second half of the year. The company had also a brief lock-out in October 1971, in the wake of an illegal strike, which was followed by intimidation and violence. These compelled the company to take disciplinary action against a small number of workers. The findings of an independent investigating officer held 14 workers guilty of indiscipline and gross misconduct and the company served notices of termination of services on these 14 workers. The serving of these notices was again followed by intimidatory activity by the aggrieved workers and the company was obliged to declare a lockout onwards of 21st July, 1972.

It will thus be seen that your Board of Directors has been compelled to proceed cautiously with regard to the Company's manufacturing programme, notwithstanding the fairly heavy orders booked. It is my hope that the present labour situation will terminate early and normal production will be resumed, within the next few weeks.

Steep Increase in Cost of Production

There has been a steep increase in the cost of production during the year under review, by levy of excise duties, on many components like screws, bolts and nuts, which are used copiously in meter production. The Indo-Pakistan war resulted in the levy of surcharges on several duties which further escalated the cost of intermediate materials. The withdrawal of excise duty concessions on many essential raw materials like copper, has also increased the cost of production. As you will appreciate, it is not possible to pass on such escalations in the cost of production caused by increase in cost of components to the consumers, with whom we have firm contracts for supply of manufactured goods.

I would now like to draw your attention to the activities of the Scientific Research

Centre. The particulars of what the Centre has done are given in the Directors' Report under the heading Scientific Research.

I am glad to state that the pace of research of the whole Power Factor Range Meter was kept up during the year and a complete range meter was developed and bench tests were conducted. As a result of these research activities it was possible for the Centre to develop another version of the whole Range Meter called "Two Part Tariff Meter" incorporating the KWH as well as KVA Meters with Maximum Demand Indication on both. I am glad to state that the above meter has found satisfactory acceptability among the Electricity Boards.

Developing Die Cast Meter

In the last year's address I have mentioned about the development of a Die Cast Meter. This has since been developed and bench trials are on and as soon as the trials are over the company has proposed to produce a few prototypes in the current year to conduct complete trials to meet all the aspects of various specifications. This would enable us to bring out new generation of energy measuring meters into production some time later over a period of next 12 months after the completion of the trials.

I am glad to report that the team of engineers in the Scientific Research Centre has further developed two indigenous versions of complete Maximum Demand Meters and these are undergoing bench

trials which are likely to be completed over a period of next six months.

Simultaneously the Research Centre has undertaken refinement work on the hysteresis motor and it is expected to take a further significant step towards import substitution in the manufacture of Maximum Demand Registers.

In the field of electronic components a newly designed miniaturised version of the polyethylene variable capacitor is expected to expand our market for this material.

We have added a few more important items of equipment to meet the needs of the Scientific Research Centre and we have a comprehensive programme to develop an All Electronic Energy Meter over a period of a year or so.

With the experience acquired during the short-period of the establishment of the Scientific Research Centre we have inducted top class electronic engineers to assist the Chief Executive and to work on individual projects so as to produce speedy results.

Prospects of a Freer Flow of Orders

We are now on the threshold of the Fifth Five-Year Plan. This is expected to spell out a massive programme of electricity generation and distribution such as would rectify the present position of acute shortage of electric power felt all over India. The accent on rural electrification is likely to be increased. There is, therefore, every reason to expect that there will be less fitful and more evenly spread out investment of funds

allocated to Electricity Boards. That should ensure a freer flow of orders and a more predictable resources position with these statutory bodies. This should, in turn, enable us to keep our operations on an even keel, such as we have failed to do in the year under review.

I, therefore, look forward to the future of the Company with reasonable confidence.

Before concluding I would like to take this opportunity of placing on record our deep appreciation of the splendid work done by the Managing Director, Sri R. Subbarayan and I would also like to say how grateful we are to Sri S. Ranganathan, our Chief Executive for the fine work put in by him and to all his colleagues at the supervisory level and all ranks of workers and staff for their dedicated work during the year.

I would also like to place on record our deep sense of gratitude to our bankers, Messrs. United Commercial Bank and Kumbakonam City Union Bank Ltd., for the sustained support and assistance extended by them during the year under review.

Friends, I thank you for your forbearance.

I now move for adoption of the report and accounts and, in doing so I should be glad to answer any questions relating to the Annual Report and Accounts.

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

INDIA'S JOINT VENTURES ABROAD

The Government of India has been encouraging setting up of joint ventures abroad to supplement the national efforts of exports of commodities.

In terms of the present policy, joint industrial ventures imply participation in the form of supply of capital goods, machinery, spares, other materials, technical know-how etc. This immediate export opportunity enables familiarisation of India's capacity and ability in the countries concerned. An export potential thus gets created.

Export of Machinery

Exports of machinery and equipment against Indian participants' equity coupled with a mechanism of continuous flow of further exports make joint ventures an important instrument of export promotion. Additional advantages of creation of an image of the nation abroad as an industrial country and widening of contacts, as a result of establishment of joint ventures, also indirectly add to the nation's export effort.

The setting up of joint ventures abroad with Indian capital, equipment and technical

know-how has been possible on account of gradual acquisition of skills and management expertise by the Indian entrepreneurs. The successive Five Year Plans have brought in speedy industrialisation, which helps the process. Indian economy has reached a level at which it is possible for Indian entrepreneurs to participate in investments abroad through supply of plant and machinery as well as technological skill. Export of capital goods such as plant and machinery by themselves may rather be difficult, but as part of the joint venture arrangement, export of plants in a number of industries like cement, dairies, sewing machines, sugar, textiles, etc. has been possible.

Preference to Turnkey Jobs

The developing countries, launching their development programmes, require not only plant and machinery, but suitable technology also. The implementation of various projects, therefore, depends very much on India's capability to export technical know-how along with supply of plant and machinery. As such, turnkey jobs are favoured. Ac-

cordingly, the Government has been encouraging Indian industrialists to undertake turnkey jobs as far as possible.

The Government of India has, so far, accorded approvals to 136 proposals for setting up joint ventures abroad. Of these, 33 have already gone into production and 53 are in the various stages of implementation. These joint ventures cover as many as 35 countries.

While according approvals, the Government ensures that Indian equity investment is through export of capital goods and machinery and normally, no cash remittances are permitted, except to a limited extent for the purposes of meeting preliminary expenses. The Indian investment towards equity in the 86 effective joint ventures abroad is of the order of Rs. 15.89 crores. Earnings from dividends, technical know-how fees, royalty and managerial fees, as per the information available, amount to Rs. 1.14 crores. India has earned foreign exchange worth Rs. 6.82 crores from additional exports made on cash basis, over and above those adjustable against equity.



Public Sector has greater role in achieving economic freedom

M. Rama Brahnam, Chairman, Indian Oil Corporation Limited

Gentlemen:

It gives me great pleasure to welcome you to the 13th Annual General Meeting of the Indian Oil Corporation Limited. The Report of your Directors and the Audited Statements of Accounts are already in your hands. With your permission, I shall take them as read.

Before I turn to the main theme which will be in the nature of stock-taking about the performance and productivity in relation to the problems and challenges that were posed during this year, a little consideration about the institutional changes and their consequent impact on the environmental conditions might provide an adequate back-drop to assess your Corporation's growth in its proper perspective.

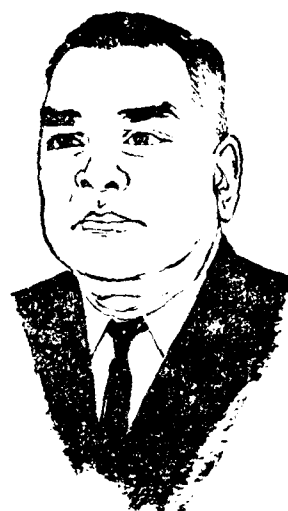
As you know the year under report has been one of trials and tribulations, effort and achievement for the nation. Indianoil as one of the premier public enterprises had an active part in all these phases and is happy to share with the people of the country the satisfaction and a sense of achievement. The nation has given its massive mandate for undertaking major changes to bring about elimination of poverty, equality of opportunity and a planned, sustained and steady growth aimed at a vibrant economy based on self-sufficiency and self-reliance. Public Sector which has already reached commanding heights, has been assigned a greater role in achieving economic freedom and an egalitarian society.

Problems of Growth

With a sense of personal pride, I report to you that Indianoil which has already become a pace-setter in the Public Sector, is well poised to play its assigned role in the fulfilment of the national aspirations and objectives. Your Corporation is faced with the problems of growth of an enterprise which has already established itself as the biggest oil refining and marketing organisation. It has also become the largest profit-yielding organisation both in public and private

sectors. While the success and growth have been in the context of ensuring a reasonable return on the capital invested, generating internal resources for further development at the same time your Corporation has identified itself with the weaker sections of the community, even if it meant an erosion in its profits.

It was a proud day for your Corporation, when the Prime Minister Smt. Indira Gandhi launched Indianoil's scheme to rehabilitate war-widows and wounded jawans after the recent Indo-Pak conflict. We could take legitimate pride that your



SHRI M. RAMA BRAHMAN

Corporation was the first to introduce a comprehensive scheme to provide a ray of hope for those who had given their best in defending the country's freedom and integrity.

Strain Due to War

Before I describe the working results of your Corporation for the year, it will be appropriate to dwell briefly on the challenges your Corporation had to face all of a sudden when fighting started on the frontiers both in the East and the West. The

challenges which consisted in maintaining supplies under difficult conditions at the frontiers were grave and sometimes in the nature of throwing out of gear our earlier plans and projections based on normal market conditions. It was a mighty challenge for Indianoil, a national undertaking engaged in fighting shoulder to shoulder with the defence forces in difficult conditions.

Indianoilmen met the challenge fairly and squarely at great odds and personal risks. I am proud of the fact that they rose to the occasion with a rare sense of dedication and unflinching devotion to duty. The spirit of camaraderie established over a decade with men of the Armed Forces was further strengthened during the year. Encomiums poured in from the Government and from all corners including defence services and Indianoilmen richly deserved them.

Crude for Bangladesh

The aftermath of Indo-Pak war resulted in the birth of Bangladesh, a new friendly neighbour. The birth of a new vibrant nation has been given more than a conventional welcome by us. Your Corporation has been provided a unique opportunity to help Bangladesh resuscitate its oil industry. Your Corporation had the privilege of arranging for the import of crude oil for the Chittagong Refinery in Bangladesh. Vitaly-needed petroleum products were rushed to Bangladesh immediately after its emergence as a free country.

Working Results

During the year, the three refineries at Gauhati, Barauni and Baroda processed a total quantity of 6.72 million tonnes of crude oil, as against 6.34 million tonnes in the previous year. The sales turnover of the Corporation for the year amounted to more than Rs. 862 crores as against Rs. 720 crores last year, resulting in an increase of 19.7 per cent over the previous year. The quantity of products sold also registered a

17.8 per cent increase, going up from 11.61 million kilolitres in the previous year to 13.68 million kilolitres. The market participation of your Corporation increased from 51.6 per cent to 54.2 per cent.

Increased Profits

The total profits during the year, before providing for depreciation and interest, were Rs. 53.42 crores, as against Rs. 31.32 crores in the previous year. After providing for depreciation and interest, the profits amounted to Rs. 36.94 crores during the year, as against Rs. 15.77 crores in the previous year. The increase in the profits has been phenomenal. It may be recalled that last year several extraneous adverse factors had decreased the profits of that year. Some of these adverse factors which needed remedial action were recently set right by the Government of India. Thus, the Government of India recently allowed the oil industry to reimburse to itself (through the medium of surcharge on the price) the under-recoveries on sales-tax, which your Corporation had suffered on the sale of the products of the Cochin Refineries Limited and the Madras Refineries Limited. The Corporation was also allowed reimbursement of the non-recoverable element of duty (devaluation duty) which it had to pay on imports.

The paid-up capital of your Corporation stood at Rs. 71.18 crores as in the previous year. Since 1964, your Corporation had earned net profits totalling more than Rs. 105 crores and had also generated other internal resources of about Rs. 29 crores. These are in addition to the sum of about Rs. 1,500 crores collected and paid to the Government as customs and excise duties since 1964. Your Corporation has also repaid, according to schedule, a substantial part of the loan, viz. Rs. 59.77 crores taken from the Government since 1964. The loan capital has now been reduced to less than Rs. 35 crores. During the year, the total outstandings due from customers, etc. were also reduced from Rs. 33.57 crores to Rs. 31.67 crores; keeping in view the increased turnover, the outstandings at the end of the year represented only about 12 days' sales.

The Haldia Refinery is now under construction at an estimated cost of Rs. 67.50 crores, and is being financed substantially out of your Corporation's own internal resources. It is expected that the Refinery will be able to go into trial production before the end of 1973.

North-West Refinery

The Government of India have recently decided to build a new six million tonne refinery near Mathura. This will have, as its adjunct, a pipeline approximately 1200

kilometres long, for supplying crude oil from the West Coast to Mathura. The project is estimated to cost more than Rs. 160 crores, besides the cost of township and other facilities. In handling this project, your Corporation will be called upon to shoulder increasing burdens, involving a high degree of technical know-how, the latest trends in refinery design and correspondingly large financial commitments. These call for adequate planning and mobilisation of all types of resources, including men, materials and money. As such, in spite of the increased profits during the year, your Directors have recommended to you to maintain the dividend at the same rate of 7 per cent on paid-up capital as in the previous years. During the last six years including the year under review, your Corporation will have contributed to the Government by way of dividend an aggregate sum of Rs. 28.85 crores.

Refining Achievements

You may also be interested to know some of the other salient features of the working of your Corporation. On the refining side, your Corporation's three refineries were working satisfactorily with the actual throughputs being more than the capacity designed for the Gauhati and Gujarat Refineries. The Gujarat Refinery is also gearing itself to increase the crude throughput to 5.5 million metric tonnes, when more quantities of crude become available. During the year, the Gauhati Refinery eliminated the production of inferior kerosene and thus improved the quality of the product supplied to the consumer. The Barauni Refinery started manufacture of calcined coke thereby saving foreign exchange on the import of this material. The Gujarat Refinery commissioned a new plant to ensure better treatment before the disposal of the effluents from the refinery and the township. The refineries continued to take several steps towards import substitution and also gave liberal technical help to small-scale industries for the manufacture of more components and spare parts, which were hitherto imported.

Your Corporation has plans to expand the Barauni Refinery, so as to increase the present throughput of about 2.28 million tonnes per year, in stages, to 3.4 million tonnes per year in 1975. One special feature of this expansion is that the additional crude oil (over and above what is available from Assam) has to be imported. The import will be made through the Haldia port and the present Barauni-Haldia Product Pipeline will be used for handling the movement of imported crude from Haldia to Barauni. A pipeline has been constructed from Haldia to Baradabar, and this will be linked with the existing pipeline to Maurigram, enabling product movements to Calcutta area.

Pipelines Performance

As regards pipelines, the Gauhati-Siliguri, the Barauni-Kanpur, the Barauni-Haldia and the Koyali-Ahmedabad Product Pipelines transported a total quantity of 3.23 million tonnes of products, which represented an increase of 22.9 per cent over the previous year. While the pipelines were normally designed to handle white oil products, the Barauni-Kanpur Pipeline was used for the transport of Light Diesel Oil also (a black oil product) as a regular arrangement and even during winter months, when the product normally shows a tendency to drag. The Haldia-Barauni Section also managed to pump various products directly from the ocean tanker to the pipeline without the use of intermediate tankage on shore. Several indigenous materials for use in the construction and maintenance of pipelines were also developed and this augurs well for the additional technological effort which your Corporation will have to make, for the designing and construction of the pipeline from the Gujarat Coast to Mathura.

Progress in Marketing

During the year, the Marketing Division of your Corporation also recorded impressive all-round progress. The Division has a network of 16 port installations, 8 pipeline installations and one inland installation besides 117 bulk depots. During the year, the Naval installation at Port Blair was taken over by your Corporation; with this take over, your Corporation will also meet the civil trade developing in the Andaman and Nicobar group of islands. The Division improved the tank-wagon decanting facilities at many depots, to enable the railways to make a more efficient and intensive use of the limited tank-wagons available with them. Additional facilities, to the extent possible, have also been commissioned at major ports, and suggestions have been made to the concerned port authorities to augment and improve the facilities from their side. Your Corporation also developed additional facilities to handle the Aviation Fuel trade and in particular, commissioned special giant size refuellers (tank-lorries) which can quickly meet the massive fuel requirements of jumbo jets.

Indane Clientele

The sale of Indane, the popular cooking fuel, has also increased by 56 per cent over the previous year. Indane was made available to 38 additional towns and the clientele list increased by almost 1.7 lakh new customers.

You Corporation conducted several training courses and conventions for the benefit of the dealers and also entered into several

This is the speech delivered by the Chairman Shri M. Rama Brahnam at the 13th Annual General Meeting of the Company held on the 6th September, 1972 at the Registered Office of the Company at Bombay.

marketing tie-ups with companies selling related products, thus increasing the sales and improving the image of your Corporation as a service-oriented Company.

Due to the increasing demand for petroleum products in the country, the total quantity of petroleum products imported by your Corporation increased during the year. The Marketing Division successfully handled 123 tankers, as against 56 tankers in the previous year. Your Corporation believes that continuous study and efforts are necessary for effecting further improvements in its working in order to gear itself for its increasing responsibilities. Accordingly, various aspects of the work were continuously studied with a view to improving operational efficiency.

A special Technical Audit Cell was also set up to reduce costs in the refineries, especially in the use of additives and utilities; I am glad to say that these efforts have met with considerable success as reflected in the improved profitability of your Corporation.

The Indian Oil Blending Limited, in which your Corporation has a 50 per cent share-holding, as also your Corporation's subsidiaries, namely, Indian Oil International Limited and the Indo-Burma Petroleum Company continued to make further progress during the year. The Indian Oil Blending Limited declared a dividend of 20 per cent for the year 1971-72. The IBP paid a dividend of 18 per cent for the year 1971. That subsidiary has recently acquired a controlling interest in the Balmer Lawrie Group of Companies by purchasing additional shares, which have increased the IBP's holding in Balmer Lawrie & Company to almost 80 per cent. In June 1972, your Corporation received a directive from the Government of India to sell your Corporation's entire share-holding in the IBP to the Government and is accordingly taking the necessary steps to transfer to the Government of India the share-holding in, and control over, the IBP and its subsidiary companies.

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Management Development

A rapidly expanding organisation with a fast-changing technology needs to keep abreast of sound managerial and technical development programmes with a view to see that at no stage it is found lacking in adequately meeting the needs and challenges from time to time. In this particular field we have had the good fortune of developing very rapidly during the last decade. At the same time we have also had the opportunity to draw into our fold a number of experienced and trained men. But it is equally necessary for us to see that we recharge our own batteries in the sense that we take adequate steps not only in training our managers and technicians but also recruiting more and more at junior levels who can be rapidly developed to take positions of responsibility within the minimum period possible. While a number of steps have already been taken in the previous years in this context, I am glad to inform you that we have taken further specific measures towards Management Development and also towards technical training of our men. It is hoped that in the years to come these will prove adequate to meet all our future needs.

Research & Development

Another field in which we have taken significant steps during the current year is in the establishment of a Research & Development Centre. On the basis of a world-wide search for talent we have been able to select senior personnel to take up key positions in the Research & Development Centre. It is hoped that this Centre will during its initial operations within the next few months, train up the junior personnel also in routine tests. By the time the full-fledged building is ready with all equipment, there will be not only a team of senior experts who can adequately guide its activity but also sufficient number of junior and middle level technologists to give the back up necessary for effectively translating the work of this Unit into useful results.

Technical Collaboration

One new field of activity in which your Corporation entered this year is in extending technical collaboration to a neighbouring country. At the request of the Ceylon Petroleum Corporation we have deputed four experienced engineers to help in the operation of their refinery and training of their personnel. We have also entered into a technical collaboration agreement wherein we have offered all help in solving some of their problems in operation and maintenance of their refinery. Opportunities for similar type of technical collaboration with other developing countries also exist. Apart from

doing our bit towards accelerating the progress of other developing countries, I believe such technical collaboration also improves our own technical skills, and managerial abilities by the diversity of exposure it affords to our engineers, besides providing better understanding between the people of different countries. The first step which we have taken in this direction, will, I hope, lead to further activity in this new direction.

As a major oil company, your Corporation also associated itself with several local and public activities like Vintage Car Rallies, Treasure Hunts, Boat Races, etc., and took the lead in organising campaigns for road safety; developing films like "Romance of the Road" and in distributing attractive book labels to the student community.

Welfare measures for the employees continued to engage the attention of all Units. The industrial relations were also by and large satisfactory.

Your Corporation as well as its employees have also made substantial contributions to the Prime Minister's Relief Fund, National Defence Fund, Bangladesh Relief Fund, besides cash donations for helping cyclone victims in Orissa.

Employee Participation

It is a truism to say that an organisation is as good as the men and women that constitute it. It is the enthusiastic participation and sustained efforts of all your employees, dealers and others that have contributed to the progress of your Corporation. I take this opportunity to place on record the appreciation of their work during the year, both on behalf of the Board of Directors and on my own behalf. I am sure that their sense of involvement and dedication will continue and grow so that your Corporation can successfully face the bigger challenges, and take full advantage of the several opportunities in the coming years.

In conclusion I would like to say that the level of performance of your Corporation for the year under review was more than adequate. Your Corporation is well set to meet the challenges that lie ahead of us. A leading organisation like yours, in my view, has to be constantly aware of the environmental changes that call for adoption of sound managerial practices so as to create a climate where the corporate and individual objectives find fruition and the company maintains robust health as a model organisation.

With these remarks, I now propose that the accounts be adopted.

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

COMPANY MEETING

SESHASAYEE PAPER AND BOARDS LIMITED

PALLIPALAYAM — SALEM DT.

Mr. S. Narayanaswamy's Review

Addressing the shareholders of Seshasayee Paper and Boards Limited, at the Twelfth Annual General Meeting of the Company held at Pallipalayam, Salem District, on the 23rd September, 1972.
Mr. S. Narayanaswamy, M.L.C., Chairman, said:

Gentlemen,

I am happy to welcome you all to this the Twelfth Annual General Meeting of the Company. The Annual Report and Accounts have been circulated to you already and I trust you had occasion to peruse these. I seek your permission to take them as read.

There was no increase in the installed capacity of the plant during the year under review. However, our production and sales during the year showed a marginal improvement in that we produced 34,588 tonnes of paper and board against 32,649 tonnes in the preceding year, while the sales turnover improved to Rs. 884 lakhs from Rs. 790 lakhs in the previous year. The gross profit, before depreciation and tax provision, showed a less-than-proportionate increase to Rs. 201.60 lakhs from Rs. 199.17 lakhs in the previous year.

Satisfactory Raw Material Position

The position as to availability of the principal raw material, bamboo, during the year was satisfactory. However, the supply position is already beginning to cause some concern to your Board, as supplies are tending to shrink. A comparison of the stock position as at the close of the year under review and on the corresponding date of the previous year, would indicate that our stockpiling efforts have been less fruitful. We have, therefore, been pursuing actively the question of utilising other raw materials like soft and hard woods. In this background, it would appear that we have not acted a day too soon in installing the Rag Pulp Plant which, however, is expected to be commissioned before the end of the year. On the basis of current operations, it is safe to expect that this plant would contribute about 10 per cent to the aggregate of the pulp requirements for manufacturing paper in our Mill.

Demand for paper continued to be on the increase during the year and basically the institutional and government demand for paper has been kept at a high level. The paper has been kept at a high level. The stock position in our godowns would appear to evidence sustained and good offtake by the consuming market, in spite of the fact that a bazaar talk about massive import of paper from Bangla Desh has induced the paper traders to keep their own stocks at low levels.

In the meantime, what has caused anxiety to Government as well as the paper consumers

at all levels is, that no new paper mill has been installed in the country in the last eight years. The entrepreneur has been showing a greater reluctance than ever before, to embark on a paper making project. This is because of the steep increase in the cost of the plant and machinery required. Since World War II, the paper industry has been categorised among the capital-intensive industries. Recent escalations in the prices of plant and machinery have only served to underline such capital intensity. To these have to be added the mounting cost of civil works. Little wonder the entrepreneur has shown so pronounced a propensity to shy away from the paper



Sri S. NARAYANASWAMY

industry, with its over-weighted debt-equity ratios, its long gestation periods and precarious cash flows—all of which add to the promoter's responsibilities in servicing long term loans, no less than in servicing equity capital.

Consumer Sensitiveness

It is only recently that paper has been promoted from the status of a luxury into that of a necessary article of daily utility. Consumer sensitiveness to price increases is, therefore, considerable. This is one of the reasons for Government calling upon the industry to maintain prices at around current levels—though nobody is able to do anything to prevent machinery prices and operational costs from going up.

The industry is deeply conscious of the

country's great stake in the spread of literacy and education and the vital part played by paper in providing the equipment needed in this ennobling effort. The paper industry is not, therefore, anxious to enhance prices at all. But manifestly, we need to add considerably to existing installed capacity in the country, if we are to meet the country's growing requirements. This we can hope to do, only if we can maintain the over-all economics of operation and not on the basis of negative cash flows such as are indicated by present levels of capitalisation and production costs.

In this context the recent proceedings of the Development Council for Paper and Paper Products held on 12th May 1972 provide stimulating reading. They make out that, in accordance with the estimates by two leading paper machinery manufacturers in India, the cost of a 100 tonne paper plant to-day would be Rs. 34 crores and Rs. 30.99 crores, excluding the cost of civil works which, at current prices, is estimated at a further Rs. 5 crores. In other words, to put up a plant such as we have at Pallipalayam, which is producing 105 tonnes of paper and board per day, the cost would be in the order of Rs. 39 crores, as against our own employed capital of under Rs. 10 crores. The Paper Development Council estimates the capital cost per tonne of paper at Rs. 10,000 against our own capitalisation of about Rs. 3,000. The interest and depreciation elements chargeable to to-day's levels of capitalisation work to Rs. 1,800 per tonne of paper produced, against the current ex-factory price of Rs. 2,100 per tonne of writing and printing paper.

Swelling Operating Costs

Only the most intrepid of entrepreneurs would care to launch on a project, in which profit margins ride on such a knife edge and are precarious. Experience of operating costs over the last two years and, in particular, the last few months, discourage the assumption that cost elements, being high already, would not go higher. I refer, in particular, to cost of raw material, power, dearness allowance, fuel and transportation, which have been steadily swelling.

It appears, therefore, necessary for Government to examine in depth the question as to how far they need to go in restoring entrepreneur motivations in the paper industry,

as and when they issue industrial licences, numbers of which, in the past, have been allowed to lapse.

Since the Government of India is seized of the magnitude of the problem and of the urgent need to establish additional capacity in the country, this question assumes vital importance. The fact that the minimum gestation period for even a medium-sized paper unit is four years underscores the need for early action.

It would appear from an over-all assessment of the situation that the factors required to restore entrepreneur motivations are—

- (a) Higher prices for the end product;
- (b) A broad base of owned capital for the enterprise, in the building of which institutional assistance may be necessary in a big way until such time as there is a robust revival of the capital market; and
- (c) Soft loans carrying rates of interest which should have no relation to current term lending rates.

It would be necessary for the Government to give due weight to every one of the above factors in any approach to resuscitating the climate for entrepreneur effort in the paper industry.

Coming back to domestic matters, I would like to express satisfaction over the conclusion of a fresh agreement with the Government of Tamil Nadu for supply of bamboo from State forests. This will be effective for a further period of six years from now on. The company is called upon to pay a higher seigniorage retroactively from 1-4-1970, which will enhance the company's outgoings by a little over Rs. 2 lakhs annually. I am glad that the Government have shown deep understanding of the part played by this enterprise in the economy of Tamil Nadu and have afforded us these facilities. The seigniorage now paid is subject to review by the Government on 1-4-1975.

Expansion Programme

The Company has received a Letter of Intent from the Central Government to increase the plant capacity from 35,000 tonnes per annum of pulp and paper to 50,000 tonnes per annum. The management has taken the customary steps following the receipt of this Letter of Intent by lodging an application for import licence with the Government. The company expects to avail of the full advantages of being an operating plant, in getting the expanded capacity established with the utmost economy and speed on receipt of the Import Licence. As is to be expected, the expansion programme will throw fresh responsibility on the management for exploring fresh sources of raw materials. Plans in this regard are being actively pursued so as to avert the contingency of a shortage of raw materials, when the increased capacity is commissioned. Steps taken in this regard include a request to the Tamil Nadu Government to allocate lands on which to grow fast growing soft and

hard woods, which are dependable raw materials for paper making.

I now come to the allocations made out of the operating profits for the year under review. Apart from providing for Depreciation on the Straight Line Method, your Board has been constrained to provide in full for the minimum Development Rebate Reserve required by the law out of the year's profits. Thus, the Depreciation provided was Rs. 65.65 lakhs, while the Development Rebate Reserve absorbed Rs. 106 lakhs, bringing the total of the amounts ploughed back out of the year's profits to Rs. 171.65 lakhs. The over-all ploughback however, stands reduced by the quantum transferred to Profit and Loss Appropriation Account from out of the prior year's accumulations in the Development Rebate Reserve, bringing the effective net ploughback to Rs. 160.15 lakhs. This enables us to maintain the dividend at the previous year's level of 12%.

The question has been frequently posed to me and the Management as to whether it is not possible to declare a higher dividend than 12% for the year and follow a less conservative policy in regard to plough-back. Your Board has a great deal of sympathy with this point of view and, therefore, went into this question in some depth. It was confronted by the fact that, if we did not avail of the minimum provision for Development Rebate out of the year's profit, it will expose whatever amount was not so availed to taxation at 57.75%. Indeed, after making the allocation out of this year's profits, there is still an unabsorbed Development Rebate of Rs. 45 lakhs, which is expected to be absorbed out of current year's profits. The net accumulation in the Development Rebate Reserve is Rs. 150.50 lakhs.

Opting for Liquidity

Another consideration that weighed with the Board in availing of the full amount of the minimum Development Rebate required by law is, that we have an expansion programme on hand for which minimum internal funds will need to be found. It was, therefore, considered safe to opt for a degree of liquidity, particularly, at a time of steady increases in the cost of capital goods. I have no doubt, therefore, that the shareholders will appreciate that our action in maintaining the dividend at last year's level does not stem from a self-defeating conservatism or from an old-fashioned faith in plough-back wholly ignoring current economic uncertainties.

I would like to refer to the fact that, with the abolition of the distinction between priority and non-priority industries in the matter of taxation, the paper industry will be called upon to pay income-tax at the rate applicable to all the non-priority industries. Therefore, the need to avail of all possible tax concessions, while we still have an opportunity, has become all the more paramount.

Higher Rate of Import Duty...

Another disadvantage which the paper industry faces to-day is that the concessional import duty applicable to paper machinery imported from abroad under the category of "Special Machinery" provided for under the General Agreement on Trade and Tariffs (GATT) is no longer in force to-day and we have to pay a higher rate of import duty, namely, 32.5% while under the GATT arrangements, we were paying only 10%.

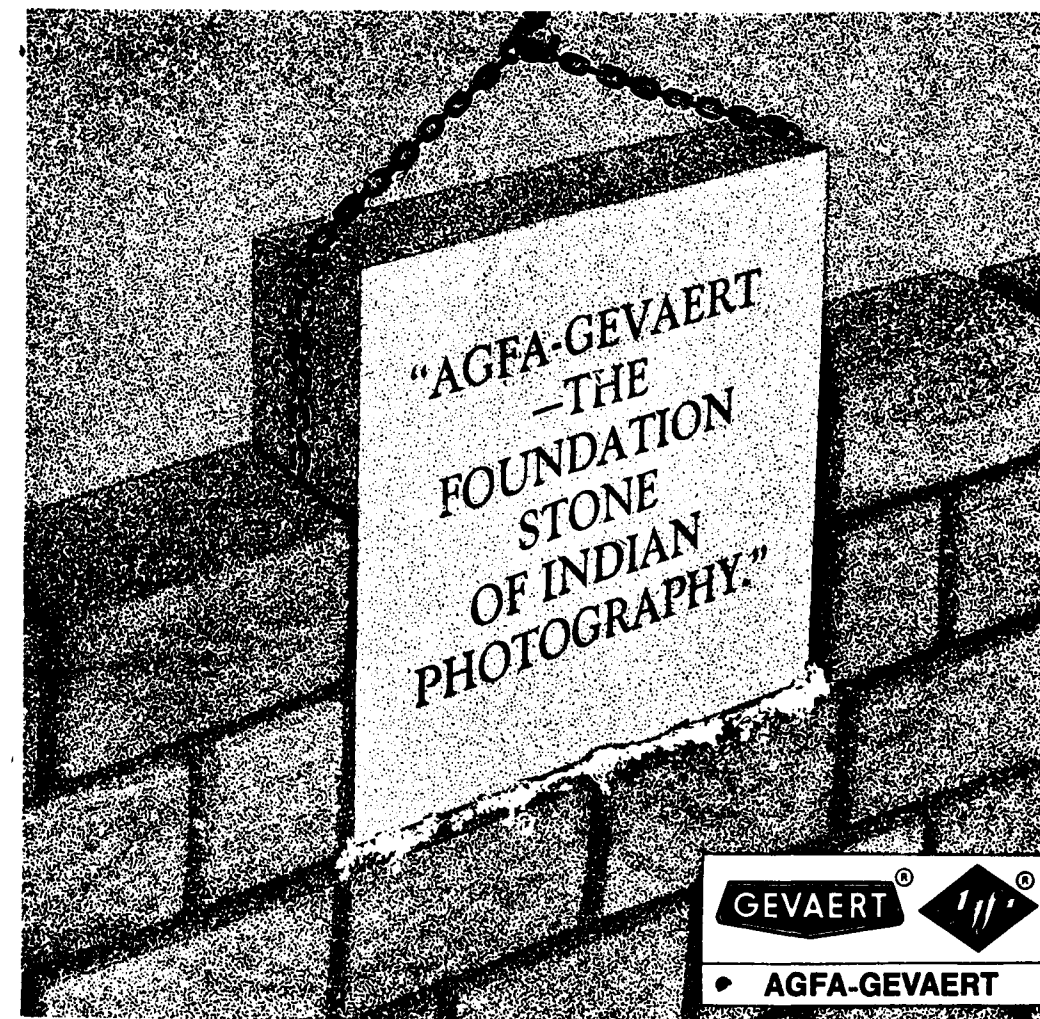
The appointment of a new Bonus Review Committee to review the bonus formula already evolved has increased the element of uncertainty as to the aggregate wage outgoings in all industries. Already, thanks to considerable increase in living costs, an increase which has been aggravated by the recent Bangla Desh War, Dearness Allowance outgoings in the corporate sector have been sky-rocketing. In the instant case of our company, the increase under this head alongside of the graded increments in the last one year has been as much as Rs. 10 lakhs. In this background, to engage in a review of the recently-arrived-at bonus formula seems to me to be an out-of-turn step, particularly, as this is likely to further subtract from entrepreneur incentives. Existing units will be inhibited in going forward with their expansion schemes, while new entrepreneurs will not be able to prepare their project reports with any degree of precision as to cost factors.

Before concluding, I would like to take this opportunity of placing on record our deep appreciation of the splendid work done by the Managing Director, Sri S. Viswanathan. I would also like to say how grateful we are to Mr. D. V. Reddy, our General Manager, for the fine work put in by him and to all his colleagues at the supervisory level for their dedicated work during the year. To all ranks of staff and workers, I would like to say that by their performance, they have placed the company in deep debt to them.

I would also wish to place on record our deep sense of gratitude to the Government of Tamil Nadu and to our institutional friends, the Industrial Development Bank of India, the Industrial Credit and Investment Corporation of India Limited and the Life Insurance Corporation of India for their continued support to our activities during the year and their faith in this enterprise. We are also deeply thankful to our principal bankers, United Commercial Bank and Syndicate Bank for the sustained support and assistance extended by them during the year under review.

Friends, I thank you for your forbearance. I now move for adoption of the Report and Accounts and, in doing so, I shall be glad to answer any question relating to the Annual Report and Accounts.

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



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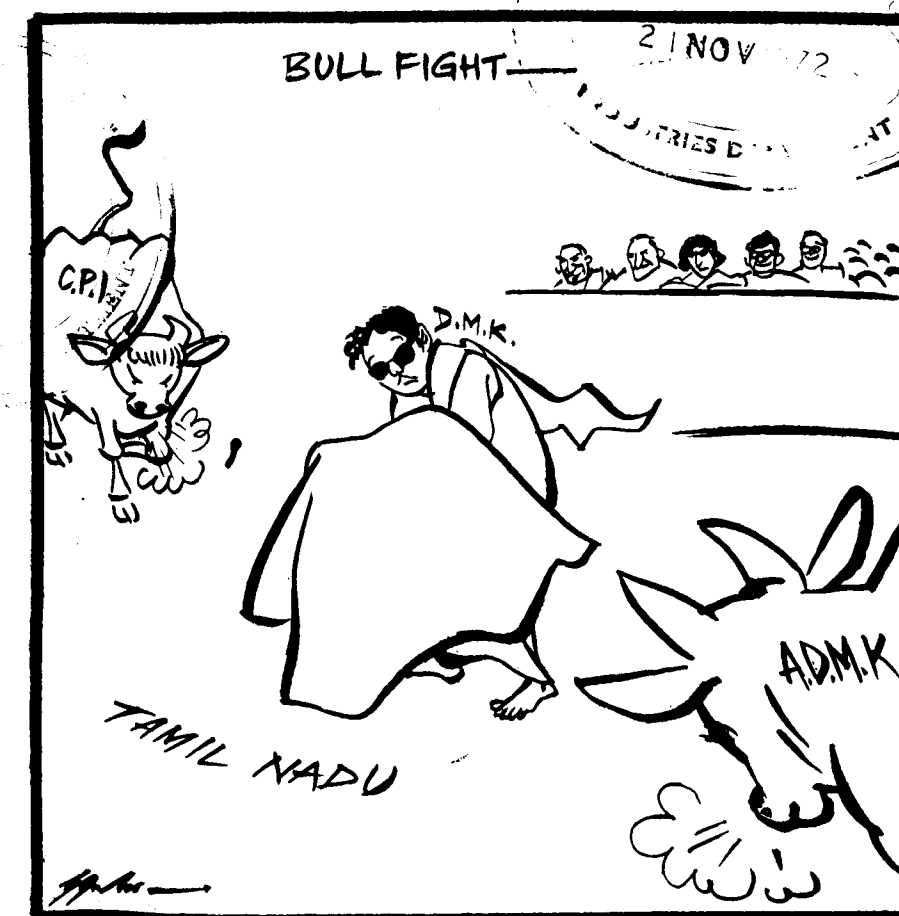
Whether it comes out of iron curtain, bamboo curtain or the flimsy "Amriki" curtain, humour is humour and any seasoned political commentator is bound to be titillated over the stupidity of the beauracracy which knows no national bounds, as the spicy news item reported in "Izvestia" of Moscow indicates. The story is about two consignments, the first being 728 jute bags full of topgrade coffee beans earmarked for Yelets, 53 km. from another town, Terbuny, 400 km. south of Moscow, to which the second consignment of a railroad car full of fertilizer bags was being sent at the same time.

Because two railroad workers switched the shipping documents "inadvertently," the consignments reached wrong destination and then the fun began. The unusual fertilizer "granules" refused to dissolve in water but when the workmen reported about the possible error to the station master, Mr. N. Birkin, he flared up, swearing by the documents and commandeering them to unload quickly on pain of a severe fine. When the help of agronomical experts was sought, they decided it must be coffee beans but lacked the courage to defy the documents. Thus the "fertilizer bags" rotted in many places before somebody decided to recall all the bags to the station, and then nine bags were found missing—a loss to the state!

Nobody seems to have investigated the reaction of the people who swallowed the cups of coffee prepared with "the top grade beans" from the plastic bags. He would have perhaps heard feudal curses in unproletarian language.

The million dollar (pardon, rouble) question is, who did it? Ye, Muscovites groping in the dark about the affair! Beg our revered Congress President S.D. Sharmaji for a ray of wisdom. Obviously, the C.I.A. has done it, again!

—WALRUS



A PERSONALITY CLASH

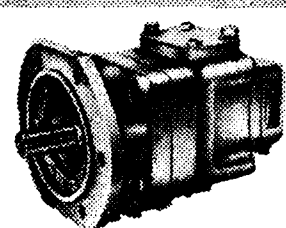
A considerable quantity of water has flown in the coom since the D.M.K. split in Tamil Nadu; but after the charges and countercharges have been made on the columns of the newspapers with their own slanting of the news angle, at the moment Tamil Nadu seems to be free of the threat of any cataclysmic upheaval in its political stability. The dramatic dash to New Delhi by M.G.R. and the C.P.I. leader M. Kalyanasundaram to present a petition to the President of India to institute a commission of enquiry against the entire Karunanidhi ministry must have made a few stomachs queasy and a few consciences uneasy, if there is solid substance in the allegations, not divulged to the public, but apparently it has not.

A little touch of sensation was added earlier, when both M.G.R. and Kalyanasundaram met the Tamil Nadu Governor with a request to send their petition

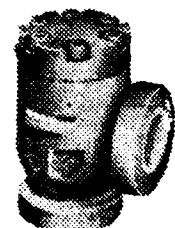
directly to the President since it contained specific charges against the C. and they were afraid of tampering with the files. Though they have now returned satisfied with the assurance of President that "justice will be done" the public knows that the word has several interpretations. M. G. R. seems to demand only that Karunanidhi ministry must step down from office while some other, "clean" D. M. ministry may be acceptable to him. Till a strong personal touch has been brought into the scene. It is significant that Congress (O) has refused to take part in the procession of October 10, to be conducted by ADMK and C.P.I. in the city, and Central Police has been kept ready by request to deal with any emergency. The situation may be emotionally explosive, but its political outcome cannot be easily predicted now.

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Joint Sector out of Joints?

Munro, the famous constitutional pundit, justified the British system of appointing political luminaries as ministers through his famous dictum that the work of experts should always be supervised by laymen. We have adopted the British system of Parliamentary democracy; but our ministers, who in most cases are laymen for their portfolios, often tend to assume themselves endowed with rich expertise over a variety of subjects. Even without caring to wait for a minimum lead-time to understand the subjects under their command they start giving solutions. The tragedy of the situation is clearly witnessed at times of changes in ministerial portfolios, when the principles and dogmas of one incumbent are thrown into the wind by his successor even before his settling down to his new task. Naturally this contributes to a great deal of lack of continuity in the implementation of policies.

AN APOLOGY FOR IDLING...

We are glad to inform our readers and advertisers that we have switched over the printing of our journal to our own press. The switch-over has caused this delay in the release of this issue. We very much regret the delay and assure that the releases will soon be regular.

—S. Viswanathan
Editor & Publisher

few weeks since the latter assumed charge as Planning Minister he gives the impression that he has almost thrown to the winds the concept of joint sector which was so carefully and so passionately put forth by C. Subramaniam. Dhar's lack of faith in the joint sector was made known at the AICC Session held at Induchacha Nagar in early October and was further elaborated in his subsequent utterances.

In a recent Press Conference at Madras, Dhar has stated that the joint sector was not one of those discoveries which deserved a nobel prize or that it was something sacrosanct like an Upanishad. "The joint sector as an idea had been floated as a possible means of accelerating productive process in certain sectors of the industry and in certain areas." Dhar contended that this concept has to be studied in greater detail to ensure that it really subserved the objective of greater production without causing any disharmony with the social objectives. One wonders why Dhar should have given the impression at the AICC session that he was opposed to this concept, without his evaluating the virtue of this sector.

The Plus-Points of Joint Sector

What are the plus factors for the joint sector concept? Possibly C. Subramaniam would have thought of this concept as an interim measure which would meet the craving on the part of some radicals in his party who demanded immediate and out-right nationalisation of the 75 leading industrial houses in the country. The Government had neither the resources to compensate such massive take-overs nor the managerial capabilities to run them efficiently, in case the present chiefs of the various units concerned decided to migrate. Many of the units in the public sector are yet to stabilise production at targeted levels. Possibly C. Subramaniam was not in a hurry to take over additional responsibilities for the public sector and he perhaps found in the concept of joint sector an ideal substitute. Instead of outright nationalisation of the very large industries in the core sector, bringing them into the joint sector can have the advantage of extending Governmental control over these and it will also save the Government the difficulty of making large payments by way of compensation. More important of these is the possibility of taking out many of these large industrial organisations from the rut of stagnation in which they are caught up. With the threat of nationalisation hanging heavily for quite some years and with numerous restrictions placed on these under the Monopolies and Restrictive Trade Practices Act, many of these are stagnant in their levels of production for quite some time now. As the Chief Executive of ESSO in India recently pointed out, his company was not getting a share in the expanding market and so they were reluctant to continue to operate in a situation where they were not that much wanted. This appears to be true not merely of foreign-owned companies but of a large section of Indian companies as well. Taking these into the joint sector fold would thus have the benefit of allowing substantial expansion to these which can go a long way in reviving industrial growth to the extent targeted in our Five Year Plans.



MR. D. P. DHAR

Relevance of Joint Sector to Less Developed States

The second and more important need for evolving the concept of joint sector is the relevance such concept has assumed in relatively less developed States of the country where capital formation has been poor. Taking Tamil Nadu for example, much

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a long hard day at the office,"
said my wife.**



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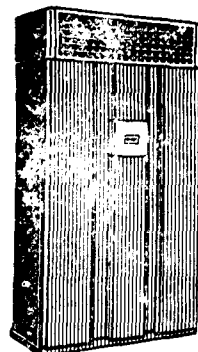
Understandable. A working woman would know better but the housewife seems to take it for granted that a day in the office ought to make a wreck of any man. Obviously, nobody's told her about highly productive modern offices and Blue Star Packaged Climate Systems!

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of the growth that has been witnessed in the industries is a post-independence development. But even today most of the industrialisation has been effected by large family concerns with limited share-holding bases. The tendency so far has been to lean rather heavily on institutional finances and limit shareholding to as few as possible. The result is a stunted state of the investment habit restricted to a few habitual investors. There have been few public issues of importance floated in Madras in recent years. Thus over the years, there has not been any great increase in the number of shareholders in this region. Though there has been a fascinating growth of medium sized industries, units of size comparable to those floated in Maharashtra, West Bengal or Gujarat are few and far between.

Tamil Nadu Provides a Good Case for Joint Sector

The Tamil Nadu Government came out with a number of institutional financing schemes but the assistance offered is again used by the few established units. The attempt of the State Government to establish units completely on its own, such as the cement plant at Alangulam and the Continuous Steel Casting Plant at Arkonam proved to be costly besides time-consuming. Thus for this State, joint sector appeared to be the one hope to mobilise resources for increasing the tempo of industrialisation. Though it is hardly about two years since the State Government decided to set up projects in the joint sector, the progress so far seems to be spectacular. The seventh Annual Report of the Tamil Nadu Industrial Development Corporation states: "As many as 17 letters of intent for setting up projects in the joint sector have been received and their implementation is in hand. Six new joint sector companies have been set up, three companies are under formation and for the remaining projects joint sector partners have been selected and the necessary steps for registration of the new companies are being taken."

The size of the companies taken in the joint sector and the range of products they propose to manufacture are indeed very wide. The State has so far not seen many projects in the private sector with investments exceeding Rs. 10 crores. The projects wholly-owned by the State Government have investments going up to about Rs. 8 crores. Even in the Central sector, except the Neyveli Lignite Corporation (Rs. 175 crores) Madras Fertilizers (Rs. 65 crores) and Madras Refineries (Rs. 45 crores) other projects have investments which are less than Rs. 20 crores. Against this the big Southern Petro-chemical Industries Corporation, the largest of the joint sector projects under implementation in the State, is being set up at an estimated cost of Rs. 74 crores. The project is likely to go into production early in 1974. Apart from this few other companies—including those to manufacture sodium hydrosulphite (project cost Rs. 3 crores), automobile tyres and tubes (project cost Rs. 18 crores), soda ash and ammonium chloride (Rs. 10 crores)—are in various stages of implementation. TIDCO has listed 28 other products ranging from speciality tapes to cigarettes, refractories, polyester film, scooters and passenger cars which are planned to be taken up in the joint sector. Seen in the light of very little attention paid to tap the investment potential of the large population of the State in the past, the progress made after taking the decision on floating a number of units in the joint sector, is indeed spectacular. The record of other relatively less developed States, such as Mysore and Kerala also promises to be equally impressive. Mysore recently commenced work on the large Mangalore Chemicals and Fertilizers project

at Mangalore, which was stuck up in the embryo of inaction for nearly a decade. In Kerala work has just begun on a mini steel plant in the joint sector. Instead of loaning large amounts to private industrialists without having a definite say in their operations, as has been done in the past, it appears a much better way to take part in the equity structure of such companies. This has in addition the prospects of bringing into the fold a number of technocrat entrepreneurs who are not able to enter industrial organisation for want of financial resources. In all reasonableness, this joint sector concept should be given a decent trial before it is subjected to the whims of an individual or individuals who appear to have pre-judged its inefficacy.

A Wide Departure in Power Planning Too.....

Another instance of a wide departure that is attempted to be made from current practice relates to the programmes of power development for future. It is true, there is a threat of a power famine developing as a result of the failure of monsoons in several parts of the country and of delayed implementation of many of the projects of the Fourth Plan. There had been a virtual 'no-action-period' during 1966-69 when severe paucity of resources contributed to many of the State Electricity Boards shelving their power programmes both in regard to stepping up of generation capacity and to the extension of transmission facilities. The launching of the Fourth Five Year Plan promised stepping up the capacity of power programmes in the five year period 1969-74, but the delay in reaching the allotted resources to the various schemes has put back the power generation programme considerably.

D. P. Dhar announced in his Madras Press Conference that the Government is exploring the possibility of importing from USSR the documentation and design material for larger thermal generating sets of capacity 300 MW and over.

Why not Benefit from Series Production

One would like to point out that this is serious departure from the decision taken not long ago to stabilise and perfect production of generating equipment of capacities up to 250 MW. The experience of planning the expansion in nuclear power programme is revealing. For a while, the Department of Atomic Energy toyed with the idea of planning nuclear power stations with larger capacity generating sets. In the light of developments in the United States, Canada and West Germany, it was felt that India could also think in terms of establishing nuclear power plants with larger capacity generating sets of 400 MW to 500 MW in the next stage and ultimately of giant 1000 MW units. After experiencing large delays in procuring equipment for Ranapratapsagar and Kalpakkam atomic power stations, the Department has decided to derive the benefits of series production of smaller capacity generating sets in the range of 200 MW to 235 MW. The Western countries have rich experience in the design and manufacture of large capacity generating sets for thermal power stations for a number of years now; and so it was just one step further to take to design and manufacture of larger capacity sets. Whereas in India, even generating equipment for thermal power stations is just in the process of getting perfected. The first 100 MW boiler and generating sets manufactured in India are yet to be fully operative. Heavy Electricals, Bhopal, which has under taken to supply Ranapratapsagar and Kalpakkam power stations with 235 MW capacity

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generating sets is experiencing a good deal of difficulty in the matter of getting sub-assemblies and numerous components that are needed for these sets. Thus there have been consequent delays in the schedule of commissioning these two plants. Our electrical equipment manufacturing units will derive the benefits of large expenditure on the design and manufacture of any range of equipment only if there was series production of these. If they are suddenly asked to switch over to the development of generating sets of higher capacities, there will have to be a fresh dosage of investment on tooling and development which in turn will be worthwhile only over series production.

Unprepared State of Supporting Services

This is just one difficulty; the more serious one relates to the capability of the transmission equipment to take concentrated and large loads from a single generating unit. The experience of the Tarapur power station is indeed revealing; though it is more than two years since the Tarapur power plant with two 200 MW units went critical, even today there are serious bottlenecks developing as a result of faults in transmission capabilities. Blow-ups due to poor quality of transmission equipment caused not infrequently stoppage of production at Tarapur.

Disperse Power Stations with Modest Capacities

Yet another difficulty that can arise as a result of setting up massive power stations, with large capacity generating sets relates to the risk involved in the case of stoppages of these units. Take for instance, a 500 MW thermal station operated by a single generating set and one that has 5 x 100 MW units. In the latter case, a sectional shut down for maintenance purposes or on grounds of reduced availability of fuel is possible, whereas in the former any such inevitable stoppage can cause total loss of production. These factors, combined with the large losses suffered in transmission, underscore the advantage of dispersal of thermal generating capacity through smaller generating stations spread over a wider area. Thus, apart from thermal stations at pit-heads that can save a good deal on transportation costs on coal, there must be a greater scope for profitable functioning if thermal generating units with modest capacities are dispersed over compact consuming centres.

Why not Leave Technical Matters to Competent Technical Men?

These questions have been given due attention by experienced men in the Central Water and Power Commission and also in the Ministry of Irrigation and Power. These bodies, besides the State Electricity Boards have competent persons, who are conscious of the merits and demerits of thermal stations with large capacity generating sets. These have commended, in the light of our experience so far, the continuance of power stations with medium sized generating units in the region of 200 MW to 250 MW. One is thus rather shocked over a new Minister who has just taken over the portfolio of Planning to dabble over things which can better be

left to experts and technologists for decision. Simply because the Planning Commission formulates the programme of growth for all sectors of the economy, should its head presuppose omniscience?

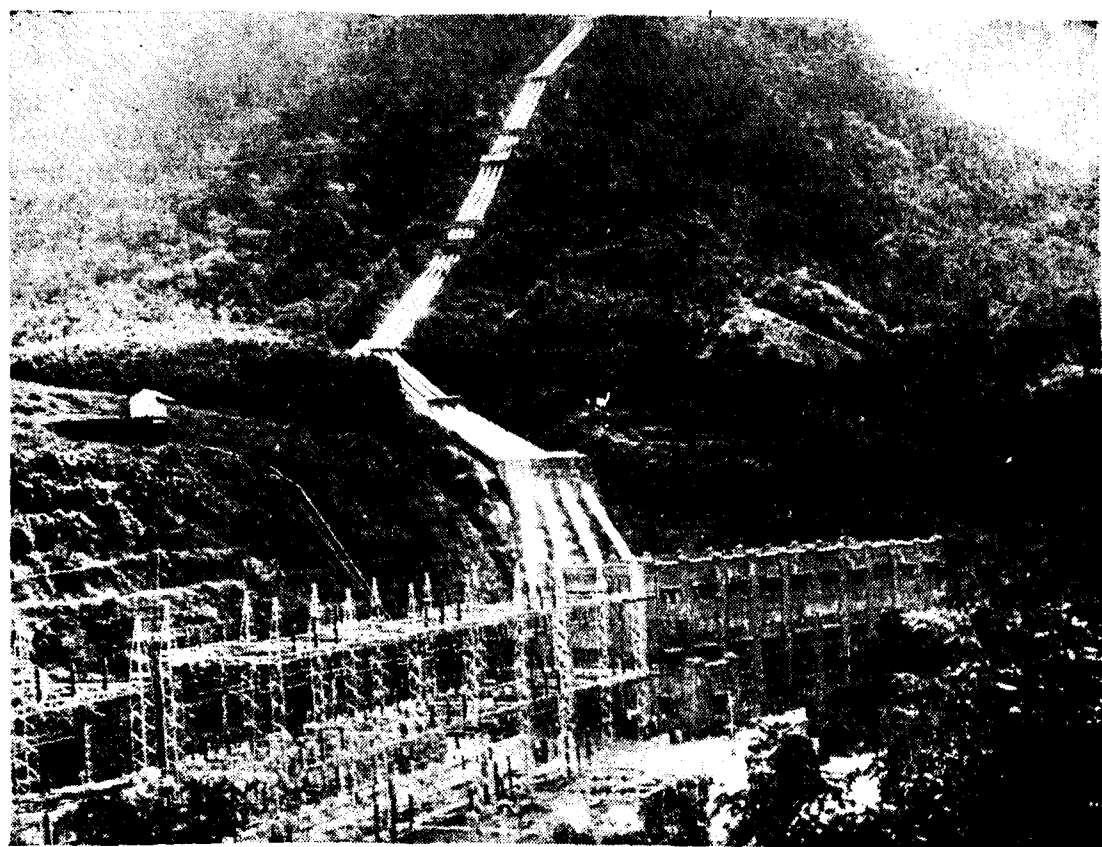
Apart from these areas, where lack of continuity is bound to cause serious and perhaps violent jerks, the approach of the Planning Minister in regard to solving several other problems appears refreshing. His earnestness in selecting a few important projects in each State for an all-out-attack to improve their viability is interesting besides overdue.

The Neyveli Lignite Corporation, for example, has created a capacity to generate 600 MW of power but it has been producing at an average less than 300 MW though it is now over three years since the full capacity has been created. With the flooding of the mines current generation is less than 100 MW of which disposable quantum after meeting NLC's requirements is less than 50 MW. Various bottlenecks, chief among these is inadequate availability of lignite, is contributing to the poor operating efficiency of this large project keeping idle costly capacity and at a time when the State is suffering from a serious power shortage.

Dhar has appointed a committee to report within two to three weeks to advise short term measures to increase the capacity for power in the State. He can likewise take up specific projects such as Idikki and Cochin Fertilizer in Kerala and pump them with the necessary short term finances and also cut across other knots with which these have tied themselves and shore them up for their full capacity within a reasonably short time.

Few Projects and with Strict Time Schedules

It should be possible to take a few projects selectively, jam up the resources at our command and bring them to production at the earliest. The statement of Dhar that it is much better to have a few projects which can be cast into a tight mould of carefully calculated time schedule rather than take up work on a variety of projects which baffle such time-bound execution appears to be the most interesting of his recent pronouncements. O



The 140 MW PERIYAR POWER STATION IN TAMIL NADU

The over-dependence on hydel resources without a balancing thermal capacity and the very poor performance of Neyveli has contributed to the present power crisis in the State

Need for Independent Depth Studies in Chemical Industry...

At the press conference held at the end of the executive committee meeting of the Indian Chemical Manufacturers Association held in Madras recently concern was voiced over the acute shortage of industrial alcohol affecting many of the members of the association. Synthetics & Chemicals Ltd. which is the biggest consumer of industrial alcohol for the production of synthetic rubber at its plant in Bareilly in U.P., is among the worst affected; it is understood that it is able to procure just around 50 per cent of its requirement from U.P. Naturally production which was at its peak around 35,000 tonnes last year has fallen steeply and it is gathered during the current year total production may be in the region of only 25,000 tonnes. Other major consumers of industrial alcohol include those manufacturing PVC. Chemicals and Plastics Ltd. at Mettur is one of these. With the scrapping of prohibition in Tamil Nadu last year, molasses whose availability was much in excess of demand earlier, has been diverted to produce potable liquor. The result is a serious shortage of industrial alcohol needed in the production of PVC. The President of the ICMA S. Ramaswamy, estimated the demand for industrial alcohol around 35 million gallons; against which supply is just around 20 million gallons.

Need for Fresh Investment

Mr. Ramaswamy also stressed the urgency for fresh investment on new

chemical units or on expansion of capacity of existing ones. Serious shortages have already developed in regard to alcohol, benzene, soda ash, PVC, calcium carbide... "For a number of chemical items there are shortages and gestation periods being quite high, there was no other way than to resort to imports," said Mr. Ramaswamy. As one of the methods to solve this, the Association suggested that every chemical unit which is capable of expansion by virtue of its technology, should be allowed to expand to the extent of 10 per cent to 15 per cent every year. The Committee also expressed serious concern over the power cut enforced by the various State Governments. Chemical industry, being a continuous process industry, is suffering to a greater extent by such power cuts than others and it suggested a restriction of such cuts where necessary to the absolute minimum for chemical process industries. On larger questions of the rate of growth for chemical industry during the Fifth Plan, nothing much could be gathered. The President of the Association explained that members of the Association are represented in Government committees which formulate the programmes of the Fifth Plan. One, however, felt with the resources the Association commands and with the expertise of its members who are major manufacturers of the various chemicals, the Association can itself initiate such steps and

suggest the pattern of growth that would be necessary for the future.

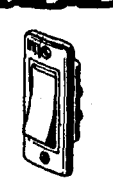
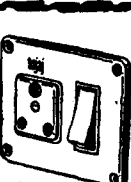
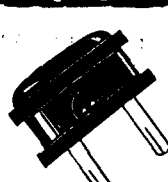
A draw-back of Indian Planning that has contributed to the recurring gaps between targets and achievements relates to most of the decisions being made by bureaucrats of the ministries and the Planning Commission. Scientific demand projections are rarely attempted by industries, whether it relates to steel or chemicals, and allocations are made from out of total outlay decided by Delhi.

The Indian industry has grown sufficiently today to take to independent studies and present the results of these to the Government for their careful consideration.

Developing Industries on All-India Basis

The ICMA should also take on itself the responsibility of developing the industry on all-India basis. Today the chemical industry is concentrated in the States of Maharashtra and Gujarat. Though India has a long coastline and many cities on the eastern coast are free from long continuous monsoons, industries based on salt, produced from sea water, are concentrated in the already congested and heavily monsoonish tracts in the mid and north-west coasts. The ICMA has for the first time a president elected from the South. It could initiate depth studies on the prospect for chemical industries in this region.

—S.V.

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Raising the Level of Foodgrains' Output

The report of the task force on agriculture under Dr. B. Natarajan's Chairmanship has outlined measures for raising the level of foodgrains output in Tamil Nadu by another 25.47 lakh tonnes to 95.77 lakh tonnes in 1978-79 and by an yet more 19.73 lakh tonnes to 111.50 lakh tonnes in 1983-84. The main constraints are going to be, if this target is to be implemented, are irrigation, fertilizers and mechanical implements. So far as irrigation is concerned, it should be said to the credit of Tamil Nadu that most major sources have already been fully tapped. This leaves only medium and minor irrigation works as the only hope for the future.

Since surface flow utilisation is already more than 9.5 per cent, out of 3.8 million hectare metres or 30 million acre feet, only 0.12 million hectare metres or one million acre feet is wasted—further extensions to irrigation would require import of water from catchments draining into other States. The task force has estimated that some surpluses (50 TMC) can be diverted from Kerala and a further 400 TMC derived from the Ganga-Godavari-Cauvery Feeder Canal. This is mentioned to highlight the dimensions of shortage of irrigation water and the long-term nature of any solutions to it.

As for fertilizers, the average consumption has been above the national average. Against the national average of 9.34 kgs. of nitrogen, 2.90 kgs. of phosphoric acid and 1.43 kgs. of potash per hectare, consumption in 1970-71 per hectare in Tamil Nadu was respectively 23.86 kgs, 7.81 kgs, and 5.79 kgs. Total demand in the State is expected to go up to 3.60 lakh tonnes of nitrogen, 1.80 of phosphorous and 1.80 of potash in 1978-79.

Units in the State cannot hope to supply this quantity. Production in EID Parry's has stepped up its output to 18,448 tonnes and is yet to reach its full production capacity. Neyveli yields only 50 per cent so far of its potential. Madras Fertilizers has gone into production only recently. That highlights how the need of the State for chemical manures depends for its fulfilment on supplies elsewhere. Of the national planning on fertilizer, the less said, the better. In the case of mechanical implements the country's potential and performance have been more creditable.

The only snag has been the ambivalence in stances on foreign collaboration and the disparities in the organisation of servicing facilities among the different regions in the country. Indeed, agriculture in Tamil Nadu has been doing

quite well. All the trouble seems to be in respect of its industries. It is no secret that there has been very little of fresh industrialisation in recent years. This leeway has got to be made up if the State has to keep its place in the country's industrial map.

Continuance of Mulki Rule

The Supreme Court decision indicating the continuance of operability of the Mulki rules puts the clock back in favour of separatist forces. This is not because of an interpretational conundrum but because of the logical recognition of the fact that any law that has been in operation will continue to be so unless it is amended. The Court could not therefore have done otherwise than by upholding the validity of the rules.

This creates the tricky situation theoretically at least that all government posts will have to be reserved for the residents of Telengana. It was this cry that bade fair to strengthen the separatist tendencies of the region in the past which could be held in check only by diverse assurances regarding reservations of posts and other privileges in favour of Telengana people who were afraid that the merger of the Nizam's dominions with Andhra Pra-

desh would force an extinction of these reservations and thus lead to the perpetuation of their economic backwardness.

The Supreme Court decision will induce some harking back to these claims. Some say that technically the State's capital will have to be shifted to either Vijayawada or Rajahmundry. Their would be ridiculous unless if it be that the offices cannot function in peace in Hyderabad any longer. That is not, however, the major headache. The major headache is on the contrary over the need to amend the rules. Without such an amendment, the impossible situation now in evolution, cannot be arrested from fructifying. Obviously a gentleman's agreement between the affected parties towards reservation of subordinate posts—those, for instance, in the salary ranges below Rs. 350-500—for mulkis may help. But the agreement will be difficult of maintenance over the long term because of the strains of interested politics. Precisely for this reason, an amendment to the rules will have to be enacted through proper legislative process in the Parliament. This is not going to be easy because it will require of the affected parties a high degree of patriotism and an adequate give-and-take attitude. The details of the amendment are going to be the material for expeditious discussion between the Centre and Andhra Pradesh.

Foundation Laid for Mangalore Fertilizer Project

The foundation stone for a Rs. 58 crore fertilizer project at Mangalore was laid on October 15, 1972 by the Mysore Chief Minister Devaraj Urs. Mr. P. A. Narielwala, Chairman of the new unit, made a reference to its chequered career. He said that it was initiated in 1966 and "once it was even thought that the project would never see the light of day. Even to-day people in the State raise their eyebrows when they hear that the project is still alive." The delay is typical of the deficiencies of fertilizer planning. It may be hoped that this will become soon just a bad memory. The Mangalore project, it should be mentioned here, would have an initial capacity of 660 tonnes of ammonia and 1030 tonnes of urea per day using naphtha as raw material. It will easily develop into a big chemical complex with a vast potential.

The State Industries Minister, S. M. Krishna, stated on the occasion of the foundation stone laying ceremony of the fertilizer project that the Mysore Government would soon be sending a high powered delegation to New Delhi "to impress upon the Union Government the imperative need for building a ship yard at either Mangalore or Karwar." The proposal deserves consideration on the ground that the West coastline would justify 2 yards, one at Cochin and another between Cochin and Bombay, just as there will be yards one at Vizag and the other between Vizag and Calcutta, presumably at Paradip. Mr. Krishna sought to create a case for the Mangalore or Karwar yard.

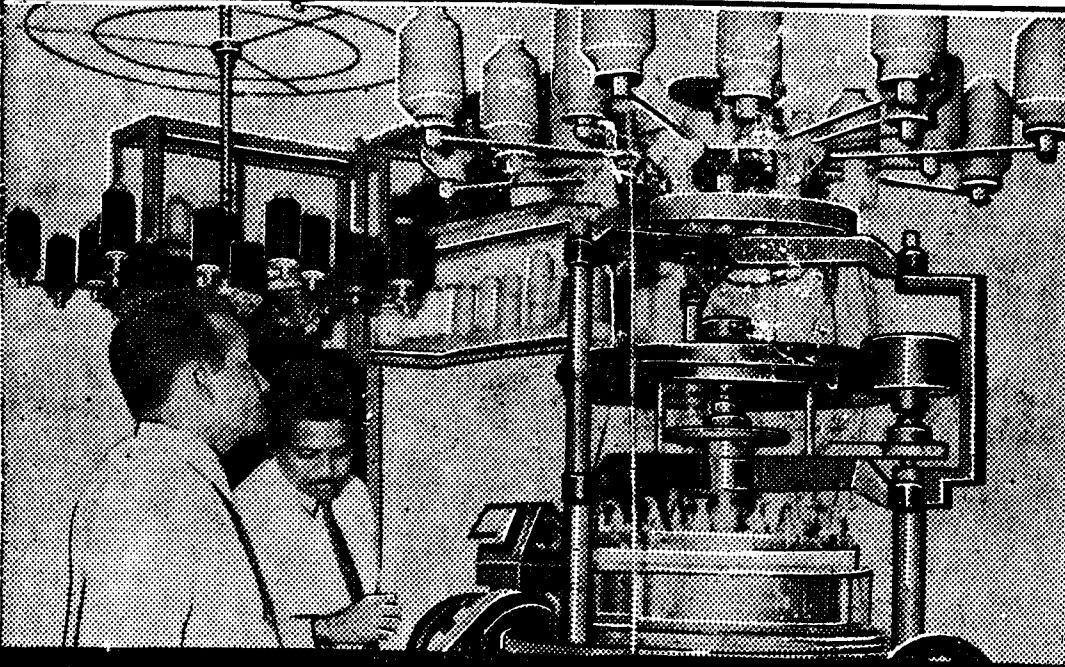
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Power Crisis Hits Maharashtra and Gujarat

(BY A SPECIAL CORRESPONDENT)

Closely following on the heels of the 8 per cent power cut in Maharashtra, Gujarat has imposed a 15 per cent cut on industries consuming high-tension power. While Maharashtra's step was more in the nature of a precautionary measure to carefully utilise the State's energy potential, Gujarat has been forced into a tight corner by the unexpected breakdown of the giant Dhuvaran thermal unit.

With total available supply reduced to 495 MW against an overall minimum demand of 690 MW, a shortage of as much as 200 MW has developed in Gujarat as a result of this crisis. Dhuvaran Thermal Station accounts for a major share in the total installed capacity in the State. Of the total installed capacity of 572.5 MW till the end of 1971, Dhuvaran alone accounted for 308 MW (nearly 54 per cent) of the total capacity.

Both the States have already begun to feel the pinch. In Gujarat, the estimated weekly loss in output is of the order of Rs. 1.5 to Rs. 2 crores, with textiles bearing the major brunt. This is particularly unfortunate in view of the fact that the textiles industry has just begun to look up after a disastrous year in 1971 and heavy export commitments are still to be fulfilled.

In Maharashtra, the Fertilizer Corporation of India has become a victim. Even though the Trombay plant comes under the 'essential' industries category and should have suffered no more than a 2 per cent cut, in practice the uneven distribution system has caused a much larger drop resulting in a production loss of 20 per cent or an annual output loss of Rs. 3 crores.

The magnitude of the power problem was brought home in no uncertain terms by the Union Minister for Irrigation and Power Dr. K. L. Rao, in his recent speeches in Bombay. Dr. Rao has stressed that power generation has to be doubled to 40 million KW by the end of the Fifth Plan if the country has to survive.

The Minister also announced plans for setting up two giant thermal units with a capacity of 2,000 MW each—one in Maharashtra and the other in Madhya Pradesh—during the Fifth Plan period.

Also work on the existing projects—Koradi and Vaitarna (both in Maharashtra) and Ukai (in Gujarat)—is being expedited. These projects when completed by the end of 1973 would make available about 500

MW of power—or 10 million units of power daily in the initial stages. After two years they could be expanded to generate an additional one million units a day.

Mystery of the Missing Cloth

The Union Foreign Trade Minister, Mr. L. N. Mishra's announcement of eliminating the private trade from the distribution of controlled cloth came as no surprise.

The issue of controlled cloth has been a constant bugbear with the Minister and various measures have been adopted by his Ministry to counter the malpractices in the distribution system, but these have not been effective so far.

Attempts have been made to peg the prices of controlled fabrics by stamping the prices on every metre length of cloth. But these have been nullified by bleaching to make it look like a non-controlled variety.

In Mr. Mishra's own words: "It appears that the moment the controlled cloth leaves

the mill gates, it disappears without leaving any trace behind. What the wholesalers, the semi-wholesalers and the retailers do with it is anybody's guess."

But it is wrong of the Minister to put the entire blame on the trade channels for selling controlled cloth at a premium of up to 45 per cent over and above the margin of 20 per cent allowed by the Government on the ex-mill rates.

The mills producing controlled cloth have been equally guilty of indulging in clubbed sales to get round the control on prices. The usual tactics is to force the wholesaler to take two or more bales of non-controlled varieties at fancy prices for every bale of controlled variety that he wants. What is even more significant is that the Government-run mills have been among the worst culprits in such tactics.

The new scheme announced by the Minister tries to ensure proper distribution through the mills' own retail outlets, fair price shops run by the State Governments, super bazaars and co-operative consumers' societies. It has also reduced the retail

KAMANI GROUP CHAIRMAN PASSES AWAY

The untimely death of Mr. P. R. Kamani, the Chairman of the Kamani Group, on October 12, following a sudden heart attack, removes from the midst of the

non-ferrous metals industry an industrialist with a pioneering vision.

Mr. Kamani had invested 30 years of his untiring zeal and energy in putting the Kamani among the forerunners in this business and brought them an international reputation.

Mr. Kamani was also known as a person who put the Indian Power Transmission industry on world map. He was keenly interested in export promotion activities and Kamani Engineering Corporation bagged in 1971 the FICCI award for outstanding export performance.

Mr. Kamani was the Chairman and Director of a number of industrial houses. He was also associated with many social and cultural organisations.



MR. P. R. KAMANI

prices of the cloth by bringing down the margin on ex-mill rates from 20 per cent to 12½ per cent. Yet another safeguard is to limit the sale of the cloth to retail business only with each customer not being able to buy more than 10 metres at a time. Only time will show whether the new scheme works better in practice than the old ones.

Nhava-Sheva Fertilizer Project Dropped

Dharamsi Morarji Chemical Company's decision to drop their fertilizer project in Nhava-Sheva, a part of the new twin-city

of Bombay, has caused a flutter among company circles in Bombay. Critics of the Government have been quick to blame the Government for its unhelpful attitude and red tapism, but others have dubbed this project a 'casualty of the ecological problem.'

No doubt the authority in charge of twin-city project, the City and Industrial Development Corporation, had good and sound reasons for rejecting the claim of DMCC for allotment of land in the new city, but it is rather a pity that a Rs. 30 crore

project for producing fertilizers should have to be abandoned just because the company has not been able to get land of its choice, especially at a time when the country is still importing large quantities of fertilizers.

Whatever be the pros and cons of this particular case, the Government should have learnt atleast one lesson, namely that they cannot hope to persuade the industrialists to invest their resources in a backward region unless certain minimum infrastructural facilities are made available to them to make their projects economically viable. O

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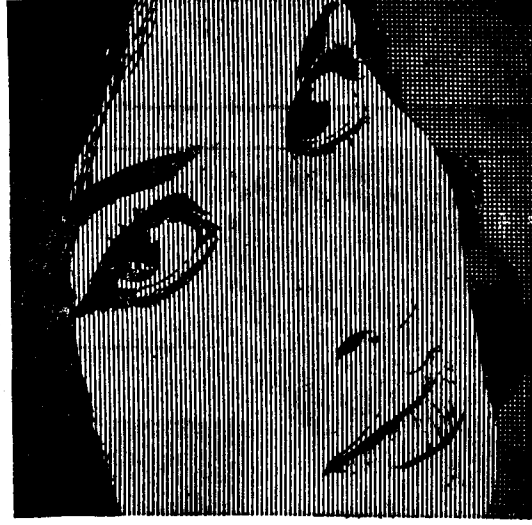
- Recurring Deposits ■ Safe Deposit Lockers
- Current Account ■ Agricultural Finance
- Fixed Deposits ■ Credit for Small Scale Industries
- Travellers' Cheques ■ Credit for Professionals

ALLAHABAD BANK
HEAD OFFICE : 14, INDIA EXCHANGE PLACE, CALCUTTA-1.

—The Bank that makes you feel at home

Advertising - Creative Planning

By BRINSTON MIRANDA



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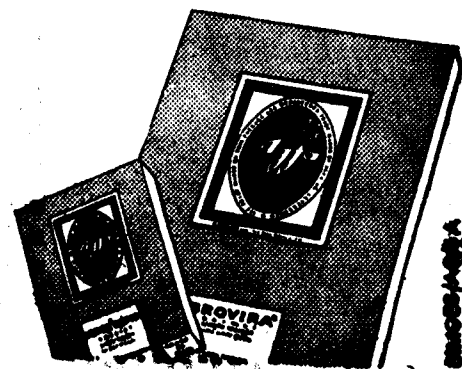
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A marketing plan and a media schedule can be evolved by feeding data into a computer, and this is coming about in fact even in India. But the more we rely on statistical evidence, the more important it is to keep open the channels of communication between the impersonal "master-minds" and the creative people whose task is to interpret advertising in terms of emotional appeal, and give life and excitement to an advertising campaign.

It is the job of the marketing man to use advertising to the fullest possible extent to persuade his customers not only to buy his products in place of his competitors', but to buy increasing amounts of his product or, in the case of durable products, to replace them more frequently, as improvements come on the market. This calls for the skills of those who know how to appeal to people through the use of words and pictures—the specialists in creative interpretation of marketing data.

Impact of the Creative Campaign

In a marketing-planned advertising campaign, a copy platform is laid down, and the creative campaign must be produced to cover the points agreed therein. Since the copy platform embodies all the research and investigation into the product that has been undertaken to find out what the customer wants and what selling points are being looked for, it gives the creative man a strong factual base from which to work, and controls his wilder flights of fancy. Good advertising can only be produced successfully after long and careful examination of the market, and considerable knowledge of the advantages of the product. But the plain conversion of a "copy platform" to an advertisement without the addition of a creative element which can turn a statement into an emotionally appealing message has no chance of making an impact on the customer.

"Sell the Sizzle—Not the Steak!"

Advertising agencies have long recognised this principle and have embodied

it in various formulae. It seems that however excellent a product is, the selling appeal must be to one of the emotions. Some years ago, Rosser Reeves (of Ted Bates & Co. advertising agency) produced the concept of the "USP" or "Unique Selling Proposition." This is a process whereby a product is sold by latching on to one attribute and directing the whole advertising campaign round that; "Cadbury's Chocolate...more than a sweet, a food" or "Cinthol—the only truly effective deodorant soap" are examples. It is not always the most expected attribute that is advertised in this way. But the main purpose of the exercise is to give the product an exclusive claim, with which it will always be associated, thus establishing an advantage over its competitors.

Bush offers a Good Example

A splendid example of a sound creative interpretation of a copy platform was the 1970 Bush Radio Campaign. Perhaps the advertising objective was something like this:

"Advertising should establish the Bush Baron Radio (two-band) as the most popular transistor radio in India."

In the fiercely competitive radio market, dominated by Philips and the consistent advertising of Murphy, the Bush advertising message came through loud and clear; "In the time it takes you to read this message, two more people will have bought a Bush transistor radio...Bush Baron—India's largest-selling two-band transistor radio."

Or consider the outstanding bank advertising of the First National City Bank (Bombay, Delhi, Madras). Perhaps the copy platform here was "Our bank gives more friendly, personalised service and our advertising should bring this out clearly." This possible brief resulted in the dramatic series: "Does your bank give you only token service?" "Come to Citi bank where you're more than a number to us—you're a person." "Are there bars

between you and your bank? At Citibank there are no bars between you and your money...and our teller system eliminates tokens and waiting. After all, it is your money...so you get it faster."

The copy platform for the introductory advertising for Volga Ice Cream in Bombay City in 1970 can be guessed at: "To say that this a new ice-cream with better taste and flavour." The creative interpretation went this way: "Soon it will be snowing in Bombay" (teaser introduction, followed by) "The nicest thing that's happened to milk—Volga Ice Cream..."

Scope of the Copy Platform

The copy of platform is an essential part of the marketing plan. It sets out in simple terms the product or service attributes that need to be stated, and these in turn will have been established through product, research and development.

The copy platform for a gas cooker might read: Copy will demonstrate the advantages of the cooker over competitive types with particular reference to (a) eye-level grill, (b) visible cover inspection panel (c) automatic pre-set time switch. Copy will indicate the range of colours available so that the cooker can fit into any kitchen colour scheme."

For a product which has not got obvious product advantages, or where the appeal is more to taste and colour, the copy platform will be somewhat less specific. The copy platform for a new toffee, for instance, might read: "To present Mintees as a product enjoyed by all the family, with special reference to their flavour and to their soft "meltiness." Copy will also differentiate Mintee toffees from competitors' by drawing attention to "the gay green and white 500 gm. pack."

Marketing Strategy

Although the copy platform must be agreed as part of the marketing strategy, the creative interpretation must not otherwise be inhibited in any way. The copy

platform is like an architect's brief. He must follow his instructions so far as his client's general requirements are concerned, but he would be an unimaginative house designer who produced therefrom a square box containing the requisite number of rooms. On the other hand, the architect who puts the bathroom down-stairs and the dining room up-stairs would be angering his client. A client looks for something much more attractive than he is capable of imagining for himself, but not something so absurd that it does not answer his basic needs for a home to live in.

No matter what medium (press, cinema, radio, outdoor), the marketing man should not

be in a position to overrule a creative presentation merely on the ground of the creative approach, nor must the creative man be allowed such a free hand that he can ignore the findings of research, still less the final judgment of sales figures.

Criteria to Test Creative Campaign

There are three criteria by which the creative presentation must be judged. Firstly does it follow the copy platform? If it does not, then the creative department has failed to follow out its brief, and is certainly at fault. Secondly, will the advertisement stand out and be seen against all the welter of advertising with which it will be compe-

ting? Here it is up to the creative department to argue its case, and the marketing man must accept these findings if the development of creative advertising is not to be frustrated. Thirdly, will the advertising lead to action by a potential purchaser? No one can be positive about this, and only judgment and research and, in the final analysis, the sales figures can answer this question.

One thing that is still very certain is that no marketing philosophy, and no computer, can ever replace the man or the team with the imagination to turn the brief words of a copy platform into a hard-hitting and positive selling message. **O**

Ad X-Ray

Is Being Obscure a Requisite for Kindling Curiosity?

Inscrutable are sometimes the ways of admen. While most of these supermen and superwomen attempt at easy-to-comprehend, lucid and direct ad messages, particularly when they try to project a consumer product, a few among these resort to bizarre obscurantism. Like a professor or an old philosopher of yore, they sometimes seem to believe that the reader's curiosity can be aroused by proposing an unrelated, puzzling proposition.

That is the impression I got when confronted with the large ads. (36 x 4) of Sigma Paints projected in the national press. (Sigma Paints With the Dutch touch—from Holland the know-how—from India the paints)

The ad, reminded one of initial experiments in advertising: Just mentioning the product, with names of its manufacturer, collaborator and distributors with often an unconnected illustration.

In the Sigma ad an awe-(or horror) stricken boy (a Dutch, one presumes) adores the top portion beneath which comes the caption "from Holland the know-how." Happily they spared us the pain of an Indian boy at the bottom half with a riddle-ridden face and instead showed three paint tins.

An illustration is used to elaborate or aid the content of the copy and is intended to strengthen the message of the ad. Here what has the howling boy to do

either with "the Dutch-touch" or the "Holland know-how" one is hard to understand. Again a country's name is associated with a sophisticated product only if the country is widely-known for the quality of such products. Thus when one talks of watches, one is reminded of Switzerland; transistor or electronics, of Japan; cameras, or printing machinery, of Germany; dairy products, of Holland. Paints are after all a primary consumer item whose production techniques are familiar to even developing countries. Hence the significance of the "Dutch-touch" is not very clear.

The reader to whom the ad is directed is also not clear. The technique adopted can perhaps fit into a toffee-advt. aimed at children and could find a place in media perused by these. If, however, the target is the not-that-sophisticated consumer—in most cases the selector of a particular brand of paint happens to be the wall-painter in a contractor's firm or more appropriately the paint dealer—a direct, simple message would do. The effort, could also better have been spent in reaching these through the language press.

There is no copy describing the special qualities of Sigma Paint and how it is different from and superior to, other competitive brands. The news about Sigma Coatings N. V. (Holland) as a company formed through the merger of Pieter

Schoen & Zoon, Vettewinkel and Varosieau again presupposes the familiarity to the Indian consumer of either or both of these companies, which again begs the question.

The translation (transliteration?) in Tamil makes the ad. message more obscure. For an average Tamil reader, it is even more foreign to be told of how Sigma Coatings N. V. (Holland) was the result of the merger of two Dutch companies whose names are equally unfamiliar; the translation for "know-how", though may be technically correct, does not lend to easy comprehension even for the some-what sophisticated reader.

This technique of conceiving a theme or copy in English and "translating" it—not even adapting it—has been the draw-back of many of our language ads. Particularly in cases where large consumer ads, are projected on the national scene it would be essential to conceive and produce the ad. in an Indian language using familiar idioms and ideas of that particular tongue.

If being obscure is a requisite to kindle curiosity this ad does it. But after kindling curiosity there is nothing in it to answer the readers' queries. Perhaps the ad. could have formed the first of a series of ads, released at a time when a projection was needed for paints and not today when such spectacular progress has been made by the Indian paints industry. —S.V.

INDUSTRIAL ECONOMIST

BUSINESS BRIEFS:

Institutional Finance Stimulates Industrial Development

The larger assistance extended by the statutory financial institutions to industrial units in 1971-72 as compared to 1970-71 would indicate a gradual recovery of the capital market and greater preparedness on the part of entrepreneurs to expand their manufacturing capacities and even set up new units to meet the rising demand for particular products. But the accent is still on expansion and modernisation schemes as these are cheaper than entirely new units for creating additional capacity. Even in the case of expansion, there is an understandable caution while embarking on such schemes particularly where fresh investments are not paying due to a squeeze on profit margins as a result of rising costs and fixed selling prices. The disincentive is greater in such cases for new entrants and it will be necessary to take timely steps to improve the investment climate through suitable revision of selling prices and special incentives like tax and duty rebates for higher production. In the absence of positive steps to improve profitability of operations, there may be no eagerness to avail of the assistance offered by financial institutions which are in a comfortable position, to encourage fresh investments on a fairly large scale. The initial confusion over the conversion of loans into equity by financial institutions has been got over thanks to the issue of clear guidelines for negotiating the conversion clauses in loan transactions. The institutions have also been playing a more active role in taking industries to backward areas in different states and helping in feasibility studies. These promotional activities should be reflected in due course in more applications for assistance.

Industrial Development Bank of India extended larger direct assistance to industrial units in the year ended June 30, 1972, the total sum being Rs. 65.9 crores against Rs. 47.3 crores in 1970-71. Its income rose to Rs. 15.94 crores from Rs. 12.94 crores. But with higher interest charges on borrowings and increased working expenses, the net profit improved only slightly to Rs. 3.60 crores from Rs. 3.40 crores. The transfer to reserve fund is Rs. 2.30 crores (Rs. 2.50 crores) while the Reserve Bank's share of profit is Rs. 131.25 lakhs (Rs. 93.75 lakhs). The institution had no problem of funds as, apart from an increase in paid-up capital and reserves by Rs. 13.20 crores, borrowings from the Reserve Bank rose by Rs. 37.8 crores against Rs. 28.8 crores. Bonds were also issued for Rs. 12.7 crores during the year while repayments against earlier loans were

much higher at Rs. 51.1 crores against Rs. 36.9 crores in the previous year. Sales of assets were also done on a profitable basis. There was again no resort to Government for assistance. IDBI made a successful public issue of bonds for Rs. 15 crores recently.

Investment Corporation

Investment Corporation of India Limited has reported a slightly higher gross income of Rs. 64.15 lakhs for the year ended June 30, 1972 against Rs. 61.22 lakhs in 1970-71. The net profit, before taxation was however much better at Rs. 35.29 lakhs against Rs. 28.50 lakhs. After providing Rs. 5.67 lakhs (Rs. 4.55 lakhs) for taxation, the transfer to general reserve is Rs. 29.62 lakhs (Rs. 23.99 lakhs). The equity dividend has been maintained at 9½ per cent, taxable and will be paid out of general reserve.

Deccan Sugar Earns Record Profit

The working results of Deccan Sugar and Abkhari Company Limited for the year ended May 31, 1972 show that the Company has staged a smart recovery after the bad patch it struck since 1969. With both factories at Samalkot and Pugalur functioning satisfactorily and higher average selling prices on an increased output, the net profit, before taxation and after depreciation, was a record at Rs. 131.99 lakhs against only Rs. 17.26 lakhs in 1970-71. It has however been necessary to provide as much as Rs. 90.55 lakhs (nil) for taxation in spite of the losses brought forward from the previous year. Out of the disposable profit of Rs. 41.44 lakhs the debit balance of Rs. 15.94 lakhs, brought in has been wiped out. The transfer to development rebate reserve is Rs. 3.99 lakhs (nil) and general reserve Rs. 6.02 lakhs (nil). Dividend equalisation reserve gets Rs. 3.04 lakhs (nil). A final dividend of 10 per cent, taxable, is to be paid, making with the interim of 6 per cent already paid, a total of 16 per cent, taxable. A rather generous attitude has been taken by the directors in regard to dividend as there was no payment for 1970-71 and there was only an interim dividend of 3.4 per cent for 1969-70 and no final distribution for that year. There is a separate provision for paying the final dividend for the latest year.

Spencer Fares Better

Spencer and Company Limited has fared better during the year ended June

30, 1972 though the directors have only maintained the equity dividend at 20 per cent, taxable. The Company has earned a higher net profit of Rs. 33.41 lakhs, before depreciation and taxation, against Rs. 28.60 lakhs in 1970-71. After providing Rs. 9.26 lakhs (Rs. 9.47 lakhs) for depreciation, the claim in respect of taxation is sharply higher at Rs. 16.25 lakhs (Rs. 10 lakhs). A sum of Rs. 6.43 lakhs (Rs. 4 lakhs) has been written back, being taxation and other provisions no longer required while the transfer to development rebate reserve is Rs. 35,000 (Rs. 1.50 lakhs) and capital profit transferred to capital reserve Rs. 63,352 (Rs. 851). Other details are not given.

Bajaj Auto Expects Increase in Sales

Bajaj Auto Limited hopes to achieve a 10 per cent increase in sales in 1972-73 as compared to last year. The Chairman of the Company Mr. Rahul Kumar Bajaj told the annual meeting in Bombay recently that sales in the first five months of this year amounted to Rs. 6.49 crores against Rs. 6.34 crores in the same period of last year. He also revealed that the expansion project for doubling the capacity to 48,000 scooters and tri-wheelers had been approved by a majority of the Monopolies Commission and expressed the hope that the Government also would take a decision soon. With the expanded capacity it would be possible to produce upto 60,000 vehicles annually. The Company's export-performance has been encouraging with an order for 1000 scooters from Nigeria. Another order for 1,500 three-wheelers has been secured from Bangladesh on the basis of a global tender and stiff competition from the erst-while Italian collaborators.

Good Performance by Tata Chemicals

Tata Chemicals Limited has again reported gratifying working for the year ended June 30, 1972 with a sizable increase in sales and earnings. The directors have decided to increase the dividend on equity capital to 17 per cent, taxable, from 15 per cent, taxable, for 1970-71. They have also announced a right issue in the proportion of one share for every five shares held at a premium not exceeding Rs. 5 per share, subject to the approval of the controller of capital issues. There was a spurt in sales during 1971-72 to Rs. 15.47 crores from Rs. 13.38 crores in 1970-71 while the net profit, before depreciation and taxation improved to Rs. 386.66 lakhs from Rs. 360.27 lakhs. Depreciation claims Rs. 96.06 lakhs

INDUSTRIAL ECONOMIST

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(Rs. 86.92 lakhs) and development rebate Rs. 40 lakhs (Rs. 55.50 lakhs). The provision for taxation is Rs. 112 lakhs (Rs. 104 lakhs). General reserve gets Rs. 138.61 lakhs (Rs. 113.86 lakhs). Last year, contingency reserve was credited with Rs. 3.50 lakhs. The good working results have been well received in the stock market and the quotation for the Company's equity shares is ruling around Rs. 32 against Rs. 27 sometime back.

DCM's New Projects

Delhi Cloth and General Mills Company Limited, which has already wide interests in the fields of cotton textiles, rayon and tyre cord, fertilizer and chemicals, is planning to further diversify its activities. Two new fields it proposes to enter are tyres and nylon tyre cord, both of which will be set up as joint sector projects in collaboration with the Punjab and Tamil Nadu State Governments. The tyre unit will be set up in Punjab and the Punjab State Industrial Development Corporation has a letter of intent for manufacturing 4 lakh sets of tyres and tubes annually. The Corporation will take up 26 per cent of the equity capital of the new Company to be formed for the purpose and DCM 25 per cent while the balance of 49 per cent will be offered for public subscription. Another company, called Shriram Fibres, has been formed to undertake the manufacture of nylon tyre cord at a plant to be located in the Manali petrochemical complex near Madras costing Rs. 11 crores. DCM will be taking up 25 per cent of the equity capital of the Company and the Tamil Nadu Industrial Development Corporation 26 per cent. The public may be approached sometime later in the year for raising the balance amount.

Progress of Universal Steel & Alloys

Universal Steel and Alloys Limited has made satisfactory progress with the implementation of its ministeel project in Haryana. The first 8 tonne electric arc furnace will be installed by the middle of November and commercial production will commence in the subsequent two months. Another similar furnace will be installed by the middle of 1974. The Company has sought an industrial licence for a continuous casting plant, a rolling mill and a wire drawing plant while permission has also been sought for producing alloy and special steels. The Chairman of the Company Mr. Raunaq Singh told the annual meeting on October 3 in New Delhi that once a letter of intent was issued, steps would be taken to complete the expansion programme within 18 months. He has however stressed the need for assured supplies of scrap or its substitutes for the arc furnace industry. There is at present a shortage of melting scrap in the country due to lack of a scientific method of collection, particularly of the heavy grade scrap. It

will also be necessary to expedite the completion of the proposed sponge iron units which can provide substitute raw material besides allowing liberal imports of heavy melting scrap. Mr. Raunaq Singh, has expressed concern over the Government move to impose excise duty on ingots made by the arc furnace industry which has been exempt from this levy so far.

New Chief for HSL R & D

Hindustan Steel has now an eminent metallurgist Dr. S. Ramachandran, as General Manager, Research and Development since September 20. A specialist in alloy steels, he had been serving in a steel firm in Pittsburgh (U.S.) and had been responsible for alloy steel melting research and development. Dr. Ramachandran who will be co-ordinating all R&D activities of HSL, said the annual expenditure on R&D in Indian steel industry was very low whereas in the U.S. it was 0.8 to one per cent of the turnover in the integrated steel industry and even higher in alloy steel. With his appointment, a few more Indian scientists are expected to return from abroad and join HSL.

ACC Hit by Wagon Shortage

The Chairman of Associated Cement Companies Limited, Mr. N. A. Palkhivala, has explained to the shareholders the critical phase of reduced profitability, and increased idle capacity—the Company is passing through at present. In the first of a series of letters to be addressed to the shareholders, Mr. Palkhivala has stated inadequate retention prices and mounting costs have squeezed profit margins continuously while there has been a serious shortage of railway wagons which has affected production and despatches by the industry considerably. It is pointed out that ACC was somewhat more severely hit by wagon shortage—particularly its units at Jamul, Chaibasa, Wadi and Shahabad.

The Company's total production as a result even declined in 1971-72 to 51.46 lakh tonnes from 53.76 lakh tonnes in 1970-71 though total capacity was raised to 66.60 lakh tonnes from 61.40 lakh tonnes in 1969-70. Thus capacity utilisation was only 77.3 per cent against 81.2 per cent and 88 per cent in the previous two years. Despatches slightly declined to 53.17 lakh tonnes from 54.07 lakh tonnes in 1970-71, but even this could be done only by resorting to costlier road transport to a greater extent. About 30 per cent of the total despatches (or 15.98 lakh tonnes) had to be moved by road against 13.25 lakh tonnes and 12.34 lakh tonnes in the earlier years. It is estimated that wagon shortage alone was responsible for a loss of production equal to 11.7 per cent of capacity in the latest year. The Company has also had to face power shortage, strikes and other problems while trying to improve the efficiency of operations of various units.

The Chairman has however scotched rumours of imminent nationalisation of the cement industry though he has pointed out that the Government has not allowed expansion of capacity of some of the ACC units and establishment of a new factory on the ground that it is a large house and dominant undertaking. But it is felt that there will be scope for joint sector projects particularly in backward areas. Mr. Palkhivala has at the same time expressed the hope that the Tariff Commission will recommend a suitable price which will be adequate for a period of three to five years. The outlook for the Company is therefore still uncertain though efforts are being made to improve the wagon supply position. It is expected that AVB, in which ACC has a sizable interest, will wipe out its accumulated losses in the current year and will be able to contribute to ACC's earnings in the near future provided the labour situation in Durgapur is normal.

Bharat Nylons Ltd.

The Haryana State Industrial Development Corporation is setting up a project in the joint sector for the manufacture of nylon yarn. The Corporation has entered into a financial and management collaboration with Raunaq and Company Private Limited. Mr. Raunaq Singh, Chairman of the Raunaq group of industries and Mr. Trilochan Singh, Director of Industries and Acting Managing Director of the Corporation, signed the agreement. The Corporation has a letter of intent for the project.

The new Company, Bharat Nylons Limited, will be a public limited company, with a capital outlay of Rs. 8 to 9 crores. The Corporation will take up 26 per cent of the equity capital and the private collaborators 25 per cent while the balance of 49 per cent will be offered for public subscription. The Project, expected to be commissioned in two years, will have an annual capacity of 2,100 tonnes of filament yarn.

Industrial Economist

A FORTNIGHTLY ON INDUSTRY
AND FINANCE

ANNUAL SUBSCRIPTION

Rs. 15/—

FOR THREE YEARS

Rs. 40/—

INDUSTRIAL ECONOMIST

COMPANY MEETING:

HINDUSTAN SHIPYARD LIMITED, Visakhapatnam

Speech delivered by Shri S. Balakrishna Shetty, Chairman and Managing Director, at the Twentieth Annual General Meeting of the Company held in New Delhi on September 28, 1972.

I have great pleasure in extending a warm welcome to all of you to the Twentieth Annual General Meeting of the Company. The Audited Balance Sheet as at 31st March, 1972 and the Profit and Loss Account for the year 1971-72 together with the Directors' Report for the year and the review of the accounts made by the Government Auditors have been in your hands for sometime. With your permission I shall take them as read.

To begin with, the year 1971-72 could possibly be regarded as by far the best in the history of the Shipyard inasmuch as a peak level of profit has been reached during the year. Despite the various limitations from which the Yard is suffering, I would regard our performance in 1971-72 as creditable from many points of view. This is particularly so as the new Drydock was commissioned only in the last week of August 1971 and has been effectively in use only for 7 months during the year.

The Yard has made the highest ever profit of Rs. 58.93 lakhs during the year—a big leap forward in the matter of profits. If we had made similar phenomenal progress in solving some of our fundamental problems peculiar to Indian shipbuilding, I would have said the occasion is worthy of big celebration and beating of drums. The Yard has constructed and delivered three ships besides a landing craft built for its own use. Above all, industrial relations in the Yard have been very good in that not a single manday was lost due to stoppage of work or other industrial disturbances. As a matter of fact, the relations between the management and the employees of the Yard are excellent. I have every hope that this will be the beginning of an era of steady and sustained rise in production in the years to come.

Although the value of production during the year has gone up a little over 10 per cent compared to last year, this figure of increase would have been far more impressive but for the continued constraints arising from simultaneous execution of the development programme and the inordinate delays in the installation of heavy cranes, besides postponement of certain vital items of development pending receipt of the report of the Consultants.

The ways and means position of the Company has continued to be satisfactory.

The progress of implementation of the development programme has had to be somewhat halting for two reasons. Firstly we are awaiting the advice of the U.K. Consultants whose services have been obtained under the Colombo Plan in respect of certain

major items concerning the layout and facilities to be provided. The appointment of Consultants got delayed by about a year and it is now expected that we shall be in possession of their advice sometime in April 1973. However, those items of development which are not referred to them are now in progress.

Secondly the delay in the supply and installation of the heavy cranes which have perhaps become a sort of hardy annual in the past few years continues to cause concern. While the first 45-ton crane is now in the process of installation, only some parts of the second 45-ton crane have been received. The 40-ton crane in the Drydock is now expected to be commissioned by March 1973. As regards the 50 and 60-ton cranes, I regret to say that we are not still in a position to say when we may expect these cranes to be supplied and commissioned.

As I have explained in the past, provision of these cranes represents a crucial facility for handling, the absence of which is the most critical and vital bottleneck for increasing productivity in the hull construction side. We are at the same time concentrating on stepping up productivity and increasing production by various other measures such as introduction of a multi-trade system, etc. We are hoping that the cranes will reach us at least on the dates now promised, which is more than three years later than they were anticipated four years ago.

I regret to state that there was an unfortunate fire accident on the 1st August, 1972 on board the ship "Vishva Karuna", which was fast nearing completion. The fire which raged for two hours was fought valiantly by all the employees of the Yard with the assistance of fire-fighting units of the Visakhapatnam Port and other local institutions and was brought under control. The selfless and gallant manner in which the employees fought the fire on that fateful day deserves my grateful appreciation. Although the vessel was fully covered by insurance, the extensive damage caused by the fire has given a serious setback to the progress of construction of this vessel and she is now expected to be delivered only by the end of 1972, although she would have been delivered in September, 1972 in the normal course.

As you are aware, the procurement of materials in shipbuilding has been the weakest segment in the scheme of things currently obtaining in the country. This is basically due to the acute shortage of foreign exchange which has to be conserved to the maximum extent feasible and the problems

arising from a transitional economy in respect of import substitution. The procedures relating to imports have now been streamlined with the assistance of Government and a Steering Committee has been appointed by the Ministry of Transport and Shipping to deal with the Shipyard's requirements of imports. In addition, a certain amount of foreign exchange in free resources is kept at our disposal to meet unforeseen contingencies—a step which will go a long way to obviate hold-ups for want of small but vital items. The problems relating to indigenous supplies still continue to persist. We are compelled to depute frequently our technical officers to the works of indigenous manufacturers for purposes of chasing and to ensure the production and supply of materials in time and this has lately proved to be a major distraction for us.

Having reviewed the activities of the Shipyard, I would like to offer a few observations of general relevance to shipbuilding in India. Hindustan Shipyard itself was started in the early forties by Scindias in the Private Sector as a part of the national struggle for political and economic independence. Today its role, as that of other shipyards in the country, is confined to making an effective contribution to economic self-reliance and, perhaps to an extent, to social stability.

Our country has a vast coastline and the need for developing a virile shipbuilding industry as a second line of defence needs no special emphasis. Besides, a balanced and composite modern fleet of merchant ships to carry a sizeable portion of the maritime trade of the country has become an integral part of the accepted policy of Government. And any programme of sustained growth of shipping necessarily postulates a simultaneous growth of shipbuilding facilities in the country which, in its own right, can claim a high priority in the scheme of things by virtue of being labour intensive, etc. If we judge the history of shipbuilding in India from this point of view, it is obvious that we have still to go a long way. It is significant that even during the last 15/20 years, new entrants like Poland and Yugoslavia have stolen a march over us in the shipbuilding field. On the other hand, in our country we have only three shipyards, two of which have until very recently been concentrating on shiprepairs and are only now being equipped with facilities for ship construction and a fourth shipyard is being put up in Cochin. In the overall context of our shipping and shipbuilding industries, I am firmly of the view that our shipbuilding industry has to be developed with much

greater speed and determination than has been the case hitherto. We need new shipyards to augment our shipbuilding capacity. Since it is cheaper to enlarge the capacity of existing yards considering the high cost of starting new ventures, it is also necessary to increase the capacity of these yards to the fullest extent simultaneously. This becomes particularly important in the context of our ambitious approach to the schemes for development of shipping in the Fifth Five Year Plan. I therefore visualise a bright future for shipbuilding in the current decade of seventies.

Under the conditions in which we operate in our country shipbuilding can be carried out efficiently and economically only if the order book of the Shipyard is kept full at all times. Even in advanced countries like Japan a minimum of two years is necessary for any shipyard for effective planning before keel laying. Perhaps in our conditions about 30 months may be considered inescapable. In other words, the Yard must have orders at all times for 4 to 5 years' production. To my mind the best way of dealing with this situation is to make a study and projection of demand for ships during the next 5 to 10 years, taking into account all relevant factors, and evolve a few basic types suitable to meet the varying requirements of all the owners. If a few basic types are thus standardised, it would then be possible to build speedily and economically ships for the benefit of all concerned.

Apart from the development programme, which is under implementation, it is time that we think of providing facilities for repairing and also constructing bigger vessels beyond 60,000 DWT. which will be the ultimate maximum size of ships that could enter the Visakhapatnam Port, particularly as the need for providing such facilities will be keenly felt after the Outer Harbour is commissioned. The Outer Harbour is designed to carry

ore carriers of 100,000 DWT. in the initial stage and of 200,000 DWT. in the final stage and will thus be one of the deepest artificial harbours in the world. In the absence of repair and docking facilities in the Outer Harbour area, the bigger vessels calling at the Outer Harbour will necessarily have to be taken elsewhere in ballast for major repairs and surveys—a wasteful and uneconomic exercise—since the Vizag Port would be a terminal port for these large ore carriers. Thus it would be an ideal proposition to think of providing additional facilities in the Outer Harbour area to handle repairs to such type of vessels. These facilities should appropriately consist of a large repair berth and also a big drydock.

Although the new pricing formula has become effective from 1st April 1971, it will be necessary to watch its impact on the vessels constructed hereafter in order to determine whether it is adequate to meet the needs of the situation. Its effect would be felt only in 1973-74 or later. I would in this connection urge that the Indian shipyards should explore possibilities of including in their production programme the construction of a few ships for export so that, in fullness of time, the marketing of ships produced in the country does not pose any serious problem. I am glad that the current thinking of the Government is in line with this.

Before I conclude let me have the honour and privilege of offering my most grateful thanks to our beloved and dynamic Prime Minister, Srimathi Indira Gandhi, for having taken the trouble to come all the way to Visakhapatnam and giving us the benefit of her inspiring presence—despite the multifarious and pressing calls on her precious time to formally accept the delivery of the good Training Ship "Rajendra" on 2nd February, 1972. This was indeed a memorable day in the history of Hindustan Shipyard.

I will be failing in my duty if I do not thank all those who have given me valuable advice and guidance. I am personally grateful to Shri Raj Bahadur, Minister for Parliamentary Affairs and Shipping and Transport and Shri Om Mehta, Minister of State for Parliamentary Affairs and Shipping and Transport for their abiding interest in the affairs of the Company and valuable guidance given to me in discharging my duties. I owe a debt of gratitude to Shri M. G. Pimpurkar who, within the short period since he took over as Transport Secretary, has taken great personal interest in the progress of the Shipyard and I look forward to his continued guidance and support.

I sincerely thank all our customers—shipping companies—viz., The Shipping Corporation of India Limited, The Great Eastern Shipping Company Limited, India Steamship Company Limited, Dempo Steamships Limited, Damodar Bulk Carriers Limited, The Scindia Steam Navigation Company Limited, The Directorate General of Shipping and Visakhapatnam Port Trust for their continued patronage and co-operation.

Finally I would like to acknowledge with gratitude the guidance and advice tendered by my colleagues on the Board in managing the affairs of the Company.

I wish to express my high appreciation for the zeal and enthusiasm shown by the employees of the Yard at all levels in performing their duties which contributed to the progress of the Company during the year 1971-72 and have full confidence that, with their devotion to duty, the Yard would grow from strength to strength and reach greater heights of glory in the years to come.

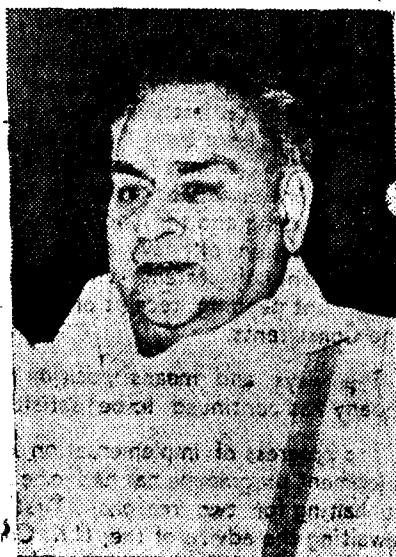
Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

PASSING AWAY OF A FAR-SIGHTED ENTREPRENEUR

The death of Mr. S. N. N. Sankaralinga Iyer removes from the South Indian industrial scene a far-sighted pioneer and entrepreneur. He was the founder-director of the India Cements Limited, the biggest cement factory in the South, and director of several other leading enterprises including Industrial Chemicals Limited. He was the proprietor of Nanco Rubber Works, Nanco Industrials, Nanco Printing and General Manufacturing Corporation. Mr. Iyer's early connections with the banking and industrial activities in the post-war period inspired him to set up a cement factory in the South near Talaiyuthu where extensive deposits of limestone were assuredly available.

Mr. Iyer's success story owes not a little to his endearing qualities, enthusiasm and drive which were a source of inspiration to his fellow directors in the various companies with which he was connected. He had also many schemes in mind such as rehabilitation of the Ramanathapuram District and full utilisation of the salt pans in Thanjavur District. Mr. Iyer was the founder-managing trustee of Sankar Charities constituted with the aim of establishing free hospitals, maternity homes, orphanages and homes for the physically handicapped.

Mr. Sankaralinga Iyer leaves behind him his wife, eight sons, eldest of whom is Mr. K. S. Narayanan, Managing Director of India Cements Ltd., and one daughter.



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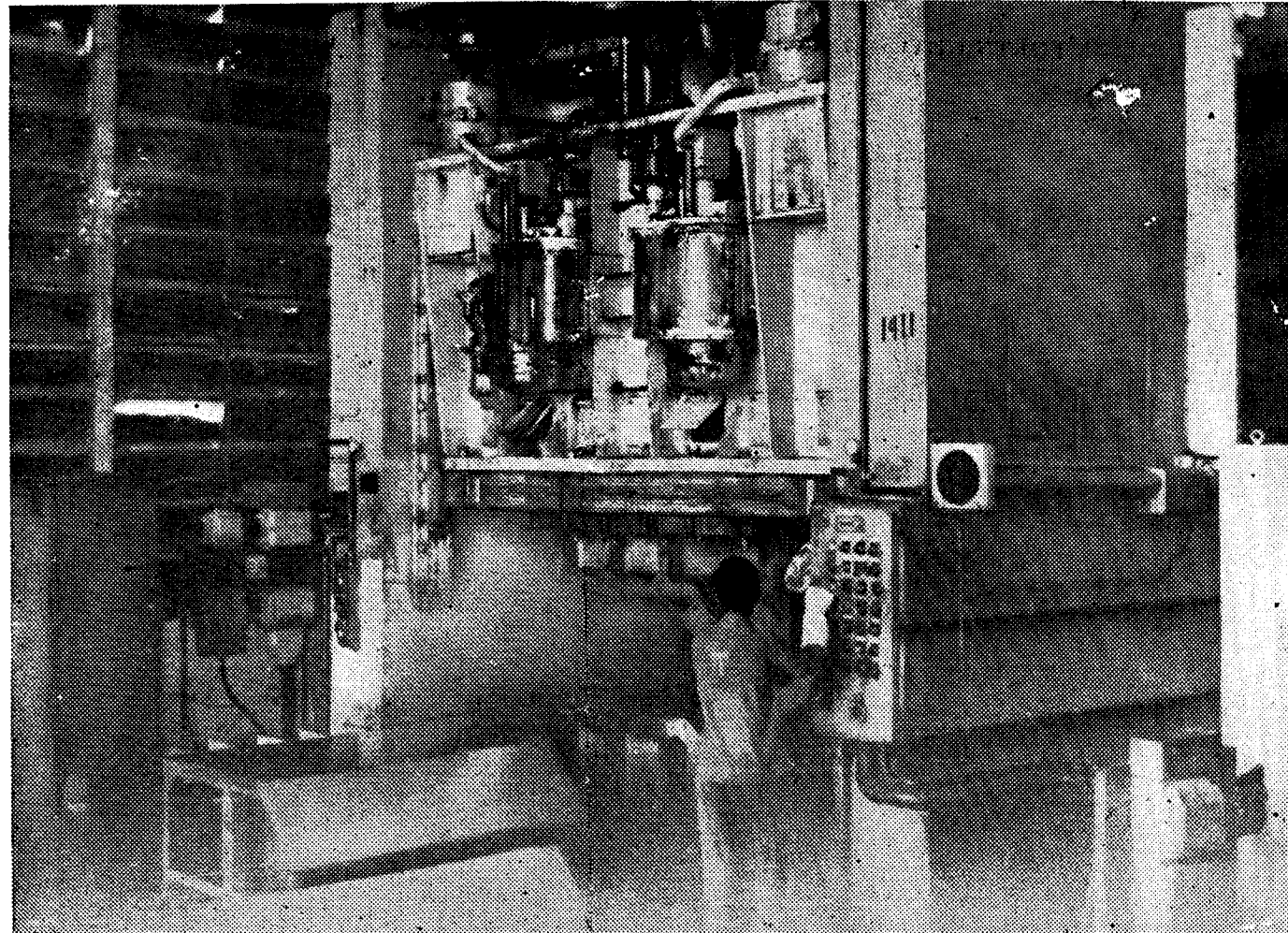
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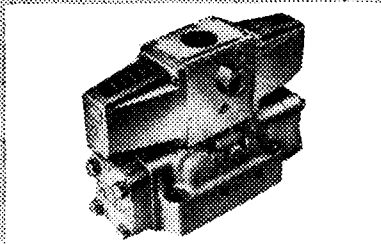
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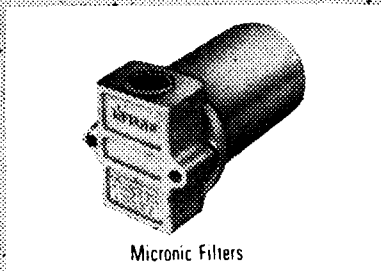
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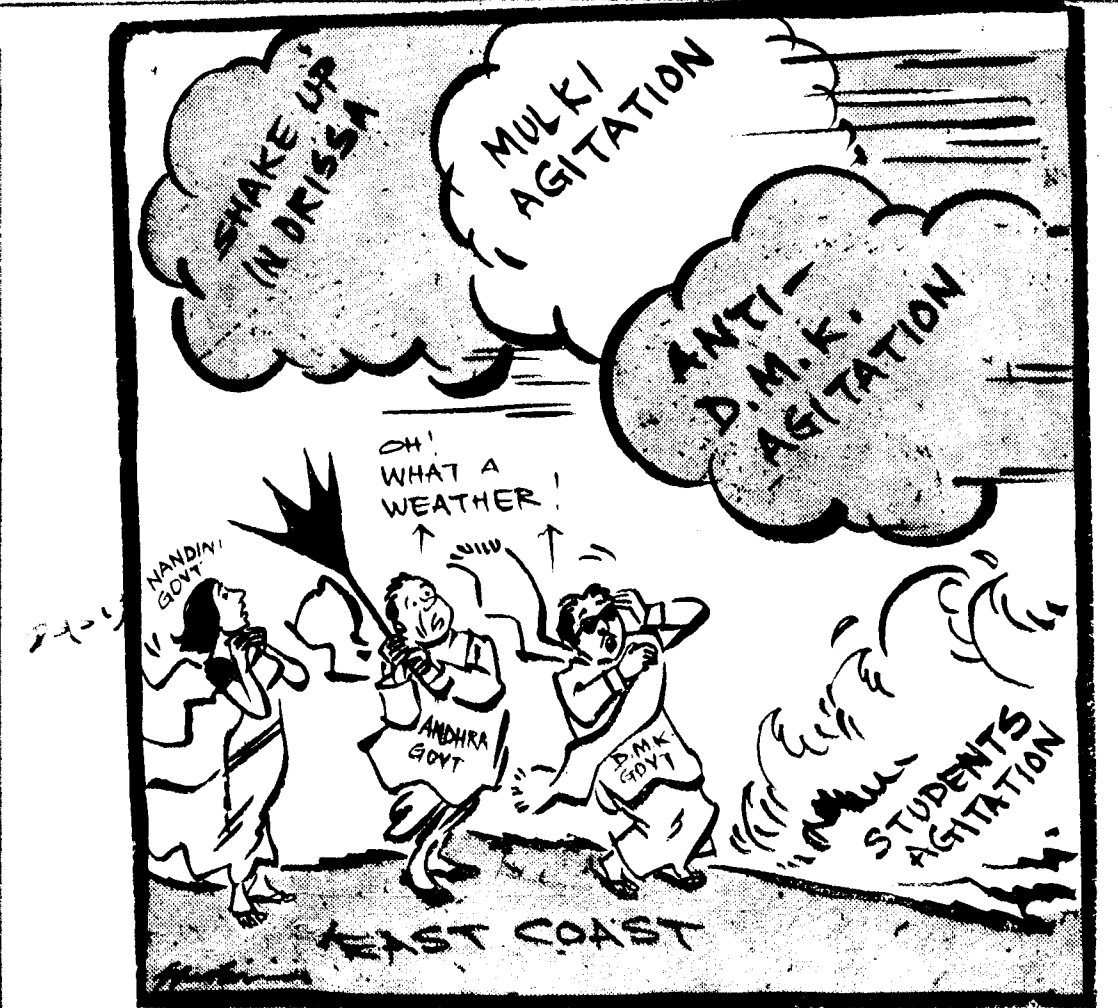
The Propensity to Break...

It is a peculiarity of Indian politics that almost every major political party in the country has broken up into two at some point of time in its evolution. Neither ideology nor commitment to basic policies seems a sufficiently strong bond to hold members of the parties together for long periods of time. The socialist parties of various hues were among the first to experience this split. The formation of Socialist Party with Dr. Ram Manohar Lohia as its chief and the Praja Socialist Party was a result of the split of a single socialist party which commanded a sizable following. The next major split was witnessed, surprisingly enough, in the Communist Party. For a long time it was thought that the Communists are bound together by ideology and that this bond was strong enough to keep them united under severe stresses and strains. The Party split into Communist Party (Marxists) and the Communist Party of India formed on the basis of what is paradoxically known as Left Communists and Right Communists! In course of time, the CPM itself was found to be not radical enough for some of its members who founded the CPML (Naxalites).

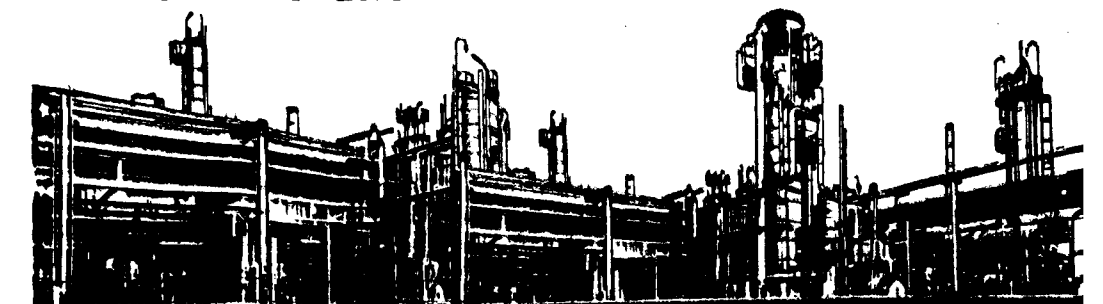
Then came the great split of the massive Congress Party in 1969. The Congress was the one party which had a rich heritage and a long unbroken record for united action. The split appeared more as a consequence of the old leaders seemingly having a stranglehold on the party far for too long a time which was resented by younger leaders who found in Indira Gandhi more than a match for the old guards. The split was thus caused by a clash of personality rather than of serious policy differences.

The split in the Dravida Munnetra Kazhagam appears to proceed on the lines of this familiar pattern.

The only difference here is that such a fate should have befallen a relatively much younger party which, gained ascendancy as a direct result of its popularity with the masses.



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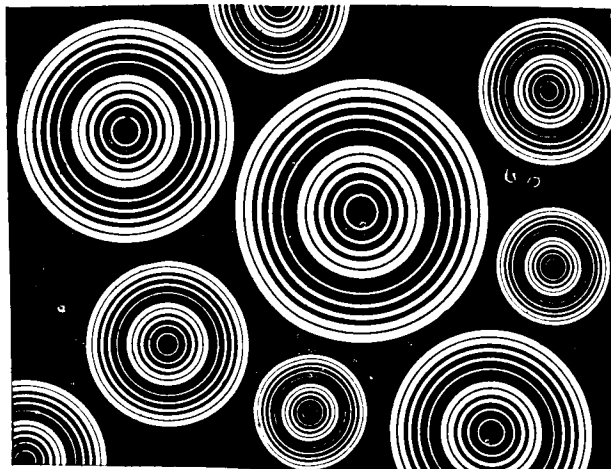
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High Drama in Tamil Nadu Politics

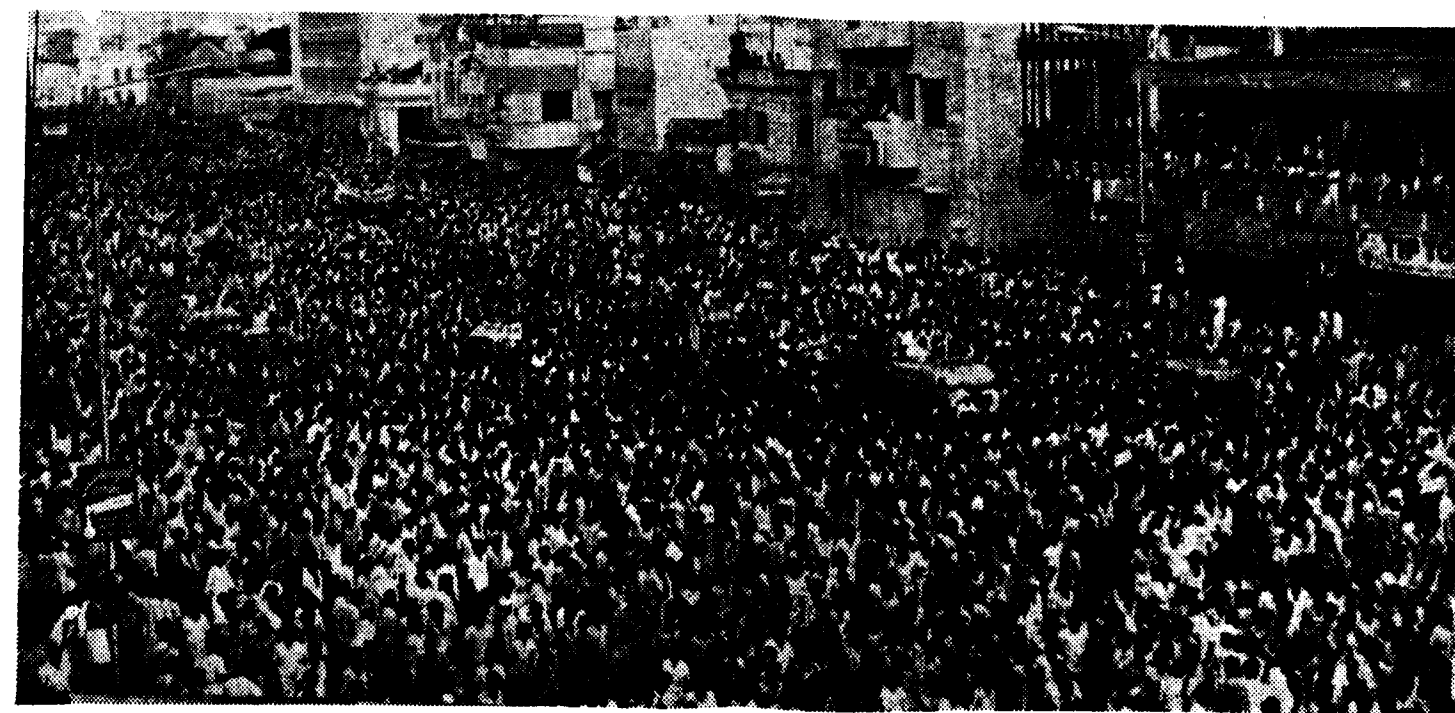
The split of the D.M.K. was a consequence of a serious clash between the two leading personalities of the party, Karunanidhi and MGR. Till the advent of DMK into power, these were the two leaders of the party who had comfortable, independent means of income. Because of his popularity with the film audiences, MGR has been commanding a continuously booming market which made it possible for him to make munificent donations to worthwhile causes from time to time. He had also helped a number of party candidates for the conduct of their campaigns in the 1967 and 1971 elections. The taste of power in the last five years by many of these made the profession of politics a worthwhile occupation for some of these and lessened considerably their dependence on MGR for monetary support. The vast powers of Karunanidhi to distribute favours also weaned many of the MGR followers among the MLA's towards Karunanidhi.

Both Karunanidhi and MGR made their mark as a result of their brilliance in the film business—the former as a playwright of high merit and the latter as an actor. Karunanidhi has been only too conscious of the power of this medium in reaching the masses. This was one reason he founded the Tamil Nadu Films Division which shot feature films of functions in which Tamil Nadu Ministers participated. His next attempt was to groom his son, Mu. Ka. Muthu as a hero in films. Muthu made a debut as a hero even in the first film "Pillai Pillai" produced by Anjugam pictures (owned by Karunanidhi's family) for which Karunanidhi himself wrote the story and the dialogue. It

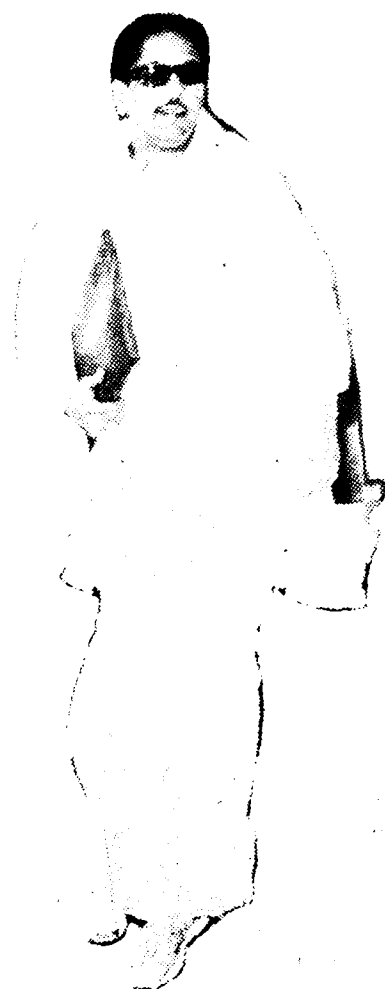
was just one step further to form the Mu. Ka. Muthu Rasikar Manrams (Association of Muthu Fans)—which is another of the peculiarities of the Tamil Nadu scene. (The two leading actors of Madras, Sivaji Ganesan and MGR, have thousands of Fans' Associations which have been well organised and whose members swear by their respective heroes). There was also a decline in the number of films for which MGR was booked to act. Thus the two-pronged attack—one affecting his very professional status, and the other attempting to diminish his popularity among the masses through the formation of rival fans' associations—was understandably too much for MGR to withstand.

The Sway of the Film Business in Politics

The influence of the film business in politics is about the most in Tamil Nadu and a few of the leading luminaries of the DMK such as Karunanidhi and Rama Arangannal have been closely connected with the film word. M.G. Ramachandran and Sivaji Ganesan, the two popular actors of the Tamil screen, command large political following. Kannadasan, the lyrics writer and a poet of outstanding merit was formerly with the DMK, then joined the Congress from which he opted for the Indira Congress after the split. His attempt to maintain his closeness to Chief Minister Karunanidhi and Kamaraj causes a lot of embarrassment to the party to which he belongs which is understandably irritated over the frequent praises he showers on these two leaders. Another luminary who attempts to make use of



Yes. It was a mammoth procession that MGR organised on November 10; on a rough estimate over a lakh of persons took part in the procession which went to the Raj Bhavan at Guindy to present a memorandum against the Karunanidhi Ministry. This and the Statewide hartal observed on the 15th were successful and happily peaceful. But are these sufficient to shake the democratically elected Government of the DMK which has a large majority in the Assembly? The DMK itself accounts for three-fourths the membership of the Assembly and it also enjoys the solid support of some more members belonging to the alliance parties. Rather than relying solely on short-run gimmicks, the opposition parties should attempt at building their parties over a strong base and challenging the DMK at the polls.



Ready with a bagful of schemes to outmanoeuvre MGR?

A resourceful and bold politician, Karunanidhi possesses a calm exterior, unruffled even by threats to his position. Questioned about MGR's petition to President Giri, he said he 'enjoyed' reading it.

After the initial flush of enthusiasm, it would certainly be very difficult to wean away even a handful of DMK MLAs towards ADMK.

the film medium apart from making use of the stage and his own paper to excellent use is "Cho." In no other State in the country, one witnesses such a strong connection between the film business and politics.

May Set the Pace for Regrouping of Party Alliances

The break-up of the DMK in the long run may lead to a regrouping of political parties. In the short run, it may not cause any serious danger to the DMK Ministry. Notwithstanding the large crowds MGR has been attracting for his meetings, the expectation of a large mass of MLAs defecting to his side has not materialised. Large-scale defections are possible only if there are prospects for MGR to reduce the DMK to a minority and muster sufficient strength in the Assembly to bid for governmental control. In the absence of this, most of the MLAs belonging to the DMK may feel more secure and more advantageous to stand by the Government. The DMK commands a substantial majority even after some defections to ADMK—it has 175 members in the house of 234 members.

After the initial flush of enthusiasm, it would certainly be very difficult to wean away even a handful of DMK MLAs towards ADMK.

The presentation of memoranda to the President by the ADMK leader MGR and the CPI leader Kalyanasundaram got for the respective leaders a great deal of publicity. But beyond these nothing much is likely to happen in the short run. The one good that this might have contributed is to caution parties in power all over the country against corrupt practices.

Lack of Clear-cut Policy...

With the excellent organisational setup the DMK commands, it is easier for the party to organise frequent meetings and explain their case to the public all over the State. All the other parties lack such a setup. For all the enthusiasm the new party has evoked, can it be a force to reckon with in the politics of the State? The answer to this is difficult in the present emotion-saturated atmosphere. As such, there is no clear-cut programme for the ADMK except the statement of its leaders that it would uphold the principles of Annadurai. The DMK has also been swearing by the name of the same leader and his ideals. Excepting the policy on prohibition, of which Annadurai was firmly in favour, and which the ADMK has stated that it will uphold, on other matters there does not seem to be any difference between the two parties.

Of course this issue of prohibition is an important one for the State which had implemented this policy with a high degree of success for over two decades. A whole generation of citizens had been brought up with a general aversion for drinking. Thanks to this policy, there has been a perceptible improvement in the standard of living and the purchasing power particularly of the rural population. The Karunanidhi Government, hard pressed to raise further resources for developmental plans, could not think of alternative avenues for fresh taxation—the rates of sales tax and the tax on motor vehicles, the two milch cows coming under State Government's jurisdiction, had already been raised to the highest in the country. With prospects for raising over Rs. 40 crores by the one stroke of scrapping the dry law, the temptation was irresistible for the DMK Government to take this vital decision. The other political parties in the State failed to make a good issue of this which they could easily have done counting on the support, particularly of a large majority of women voters. In this context, the claim of MGR to re-introduce prohibition has made a powerful impact.

IS THE WIND OF CHANGE BLOWING?

This month of November in Tamil Nadu is memorable for making the latter score many firsts. For the first time in the history of Tamil Nadu Legislature, a no-confidence move by the ruling party was made against the Speaker who chose to wind up the affairs of the Assembly barely one hour after its start on November 13, postponing it to December 5, "to enable the government to prepare a suitable reply to the serious charges" made by the C.P.I. and the Organisation Congress representatives on the floor of the house. For the first time, again, the Speaker "advised" the leader of the ruling party—the party to which the speaker himself belonged—as a "friend" to dissolve the Assembly, to hold fresh elections to find out the mandate of the people, no longer supposed to have confidence in the ruling party. This surprise move is reported to have stunned the members of the ruling party so greatly that a few of them sat dazed in their seats for a long time. Again, for the first time, the Governor of Tamil Nadu used his power to "prorogue" the assembly, enabling him to reconvene it anytime—a move immediately contested by a writ in the High Court filed by the Speaker and another opposition leader, M. G. Ramachandran of the nascent Anna Dravida Munnetra Kazhagam.

The only thing which is not "first," from the all-India angle, is the levelling of charges of corruption against the Chief Minister and his team of ministers. An allegation of corruption seems to be a Cross every person in high office has to bear in India and even stalwarts of freedom struggle steering the course of their States after independence have not been free from its onslaught. Accepting the dictum that there is never a fire without a smoke, the public in many specific cases have a vague premonition that all is not well with their rulers, but if this feeling is to be moulded into a powerful drive to unseat a government, constitutionally sitting tight in place with a thumping majority, something more than eloquent pleas will be required—a solid, unshakable array of convincing proofs and sound approach rooted in democratic methods. While any genuine lover of democracy will sympathise with the noble cause of cleansing the administration, he would also take a look at the means employed to achieve that purpose. Mobilisation of strong public opinion may be permissible but beyond that, the strategy will require an acumen of political wisdom and mature judgment.

The Poor Show of Congress

Apart from providing good grist for the newspapers' mills and in making politicking a little lively, the formation of the ADMK does not seem to make a big dent in DMK's armour. In spite of the wide 'contact-the-people-campaigns' attempted by Kamaraj and his partymen, the DMK is still a formidable party. The Communists, both CPI and CPM, have not been commanding much of a following in Tamil Nadu, for a long time now. Ruling Congress is a class in itself. In contrast with the large and well-organised meetings of DMK on October 15 and by the ADMK on October 29, the one organised by the Congress and addressed by C. Subramaniam drew just a couple of thousands. The party, notwithstanding the claims made by C. Subramaniam and Mohan Kumaramangalam who make genuine efforts in developing contacts with the people, has little following in the State. The position has not changed much from what it was at the time of the 1971 elections with the party, was heavily depending on one or other of the stronger parties in the State to reach the masses. The party lacks organisational setup and also dedicated men both at the leadership and the follower levels. The excellent cadre of speakers at the top, medium and lower levels who can keep large audiences of the masses attentive is the main secret of the success of DMK. Contrasted with this, the Ruling Congress setup in Tamil Nadu does not even have a handful of speakers who could command attention. As referred to earlier, even the meeting addressed by C. Subramaniam on October 22 amidst a good deal of political enthusiasm, commanded a poor audience. Perhaps organised on the lines of DMK, the meeting convened by Mohan Kumaramangalam to mark the incorporation of Salem Steel Limited at Rajaji Hall was also a poor show. Little publicity was given to this important event and except for some of the industrialists of the city and the corps of officialdom and of course the pressmen, all numbering just over a hundred, the large Rajaji Hall was practically empty at the commencement of the function. Nevertheless it was a good attempt to focus attention of the public on one of the major projects the State had obtained.

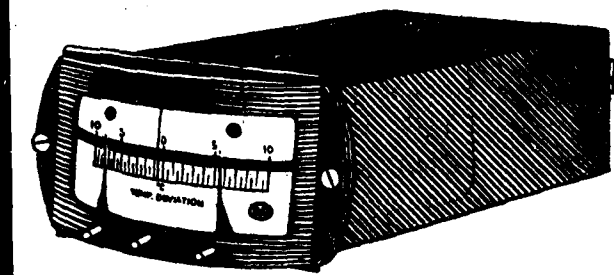
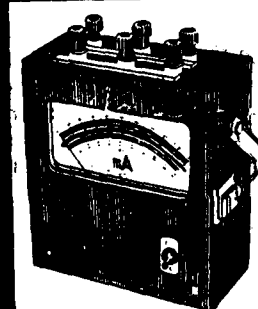
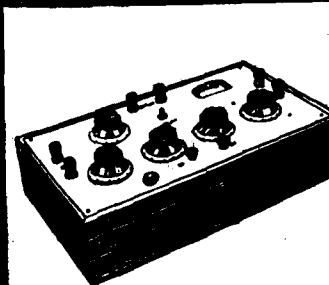
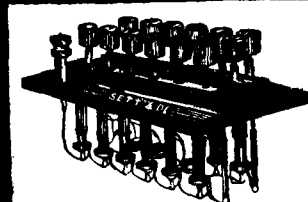
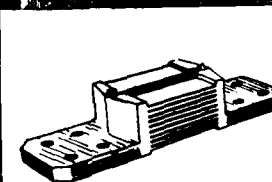
What is surprising is the propensity on the part of the Congress leaders of the State to rush with statements which often have the only import of antagonising one or other of the other political parties. Notwithstanding the tremendous support extended by the Organisation Congress to Mr. Purushotama Reddiar which contributed to a considerable extent for his success in the Ariyankuppam by-election early this year, the leaders of the Congress party of the State including Mohan Kumaramangalam have been making inadvertent and untimely criticism of Kamaraj and his party. This

SIGNS OF IMMATURITY...

A few signs of immaturity on the part of MGR became evident, when he hastily announced the date of hartal as November 14, the birth day of Nehru—an error capitalised by the astute Karunanidhi at once—before MGR changed it to November 15. The flag he has chosen for his party may be emotionally appealing with the figure of Annadurai at the centre of the D.M.K. flag, but unlike the usual flags of parties all over the world, it cannot be easily made by people themselves to be exhibited on spontaneous, joyous occasions. This is the reason why party flags are in simple colours and stripes, and do not exhibit any figures difficult to draw.

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THE COMMITTED AND THE NON-COMMITTED PRESS...

The break-up of the DMK has been providing rich material for the press. Because of the unique position of DMK as the only non-Congress party ruling a State with an absolute majority, the event has attracted wide notice in the national press. Some among these appeared to be quite "committed" and have been giving a disproportionately large coverage to MGR and his activities. The usually sober 'Times of India,' for example, revels in highlighting the discomfiture of the Karunanidhi Government. Some of its reports appear wild exaggerations such as the large coverage it gave to MGR's first tour outside the City on October 24. Devoting nearly one column of matter plus two 3-column photographs under the caption "MGR Storms DMK Citadel," the report certified to the membership of the just formed party at 1.5 million. "There is a showdown between the 'haves,' a few thousand DMK bigwigs, and the 'havenots,' the 1.5 million Anna DMK members coming from the most economically and socially backward sections." Surprisingly it did not even refer to it as a claim of the ADMK! MGR himself claimed in a subsequent meeting a membership of nine lakhs, though how it was made up—all of new members or break-aways from DMK—within such a short time was not explained by him. The paper has been devoting large space for every deed of ADMK, be it big or small, ranging from the large procession organised by ADMK on November 10 through the State-wide hartal of November 15 to the "morchas" to MLAs' houses made in the next fortnight. Equally expansive was the coverage given by the 'Economic Times' belonging to the 'Times of India' group. In fact, many of the important news relating to economics were relegated to the background and including some

cartoons (interesting though these were), the paper gave liberal coverage to this sensational event.

When such can be the attitude of the distant press, the glee of the Tamil press could easily be imagined. The demand for "Alai Osai," whose director belonged to the DMK till recently, shot up. The Congress biased papers such as 'Nava Sakthi' and 'Swadesamitran', the Swatantra biased weekly 'Kalki' and the normally neutral 'Kumudam' had lot of material to criticise the DMK. Likewise the pro-DMK papers 'Murasoli' (owned by Karunanidhi's family) and 'Dina Thanthi' (founded by Co-operation Minister S.B. Aditan) were quick to muster all they could against MGR and the ADMK.

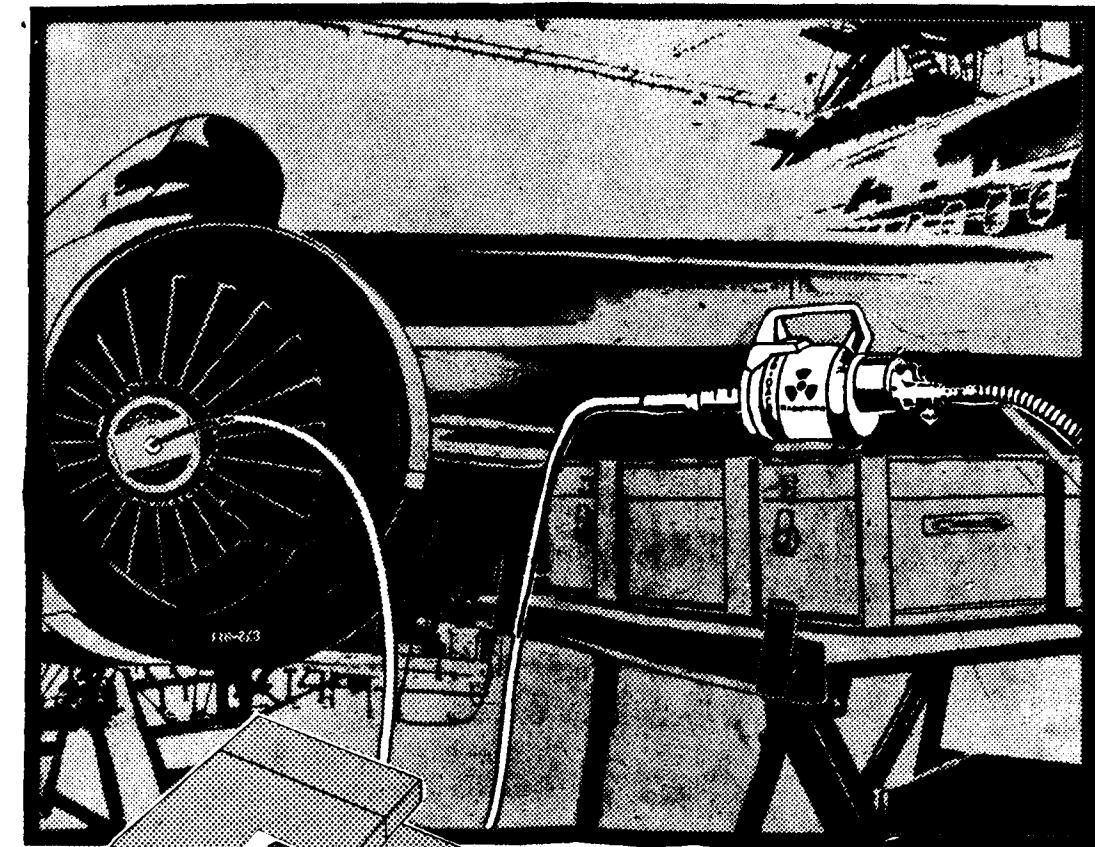
Of course, 'The Hindu' maintained its reputation for its serious unconcern for the breath-taking events of the City and the State. Except for careful selection of news which gave a good deal of publicity for MGR and ADMK activities, the paper's editorial columns were busy as usual with 'momentous' happenings at Argentina, Brazil, Chile, Israel, and what not. The overthrow of Allende (in Chile) appeared to be momentous enough to deserve an Editorial notice but not the exciting happenings nearer home. It gave its considered comments by presenting an Editorial commentary some 35 days after the break-up of MGR from the DMK. One was not surprised knowing the policy of the paper of not involving too much with local controversies. One was reminded of a similar case last year: 'The Hindu' was perhaps the only national paper that failed to comment on the turmoil in which Madras was found consequent on the labour union break-up in the mighty Simpson group last year.



can have only the merit of driving the Congress (O) to political regrouping which can only add to the discomfiture of the Congress (R). If the Congress party is to build itself as a powerful party which can pose a challenge at least in 1976, it cannot bank only on the popularity of Indira Gandhi. It is to build up right from the grass roots. In this context it appears inevitable, if at all it is to emerge as a strong party, it must patch up its differences with Congress (O).

In the present turmoil, one may not wonder if a completely new pattern of regrouping is attempted by the different parties. In this regrouping even parties which are mutually antagonistic may patch up the differences—as is evidenced by the stopping by DMK of its tirade against Congress (O) and oblique references made by Karunanidhi that he would rather like Kamaraj to succeed him than MGR or others.

An off-shoot of the present turmoil is the rearing of the ugly head of defection. Immediately on the wake of the massive mandate given to DMK in the State and the Congress at the Centre, there had been some defections from Swatantra and Congress (O) but the present break-up promises greater performances in this regard which does not augur well for the future of the State. The sooner the Act prohibiting defection is enacted in the Parliament, the better it would be for democracy.



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INDUSTRIAL ECONOMIST

Back in the Saddle for Four More Years...

November 1962. Los Angeles. The person addressing the press conference mops up the brow with irritation, when merciless voices cut deeply into the silence, asking unpleasant questions about his defeat in the recent election for the governorship of California. Suddenly he flares up and shouts at the reporters: "You won't have Richard Nixon to kick around anymore" and walks out angrily.

November, 1972. Washington. Addressing a cheering crowd in Washington's Shoreham Hotel, just after the presidential election results conferred a second term in the high office for him, the very same person beams with pride and mutters: "I have never known a national election when I could go to bed earlier."

Richard Nixon, at the greatest moment in his political career of 26 years, was not mouthing a platitude when he said these words. His landslide victory made even the network of the national T.V. retire by 2 a.m. on the election night, with nothing to project on their screen. Claiming 60.7 per cent of the popular vote and knocking out all but 17 of the 538 electoral votes, Nixon reduced his rival, McGovern practically to nothing. It was a clear mandate for conservatism, rejecting the radical approach of McGovern totally and unequivocally.

That Nixon should have accomplished such a remarkable feat in spite of the Water-gate and ITT scandals and allegations about the manipulation of election funds and the reported support of the youth for the radical reforms of McGovern is hardly surprising when one takes into account several other compensating factors leading him to this mammoth victory. As *Time* has pointed out no President running for a second term in office has so far been defeated, with the sole exception of Hoover whose prospects were apparently affected by the Great Depression. The lowering of the voting age to 18, which augmented this year's voters' list by more than 25 million did not bring luck to McGovern as predicted by a few. Perhaps the solid core of the youth rejected McGovern as a "vacillating radical" with a credibility gap.

The Peace Candidate

Even as a physical feat it is remarkable, for undoubtedly Nixon is the most widely

travelled American President—covering more than 480,000 kilometres and 24 countries during his first term. The journeys to Peking and Moscow not only enhanced his prestige, but one may look deeply to find economic ramifications too in these ventures. Clearly the wage and price controls foisted by Nixon in 1971 on the American economy have checked the inflationary trend considerably but it cannot be a permanent booster of a sagging economy bound to be influenced by such



Mr. RICHARD M. NIXON

diverse factors as the decision to stop the moon flights, drop the costly experiment on the Supersonic Transport and the stopping of war in Vietnam—each closing an avenue for technological expansion. Given this grim situation, what will be more prudent or providential than opening up the prospects for large, new markets for the U.S. products, of the six hundred millions of Chinese or the less numerous but mere demanding Russians—both starved of essential commodities? Clearly the trips to Peking and Moscow were more than mere journeys to free the U.S. from perpetual confrontation but they served to establish new and profitable markets captured anew and likely to be monopolised for a long time. The first indication was the announcement of the purchase of 750 millions dollars worth of American grain to be delivered to Soviet Russia, spread over three years. No mean achievement, this also must have weighed heavily in favour of Nixon in the minds of the astute American voters, conscious of the necessity for economic growth of the country when

they pulled the levers of the counting machine.

After a stormy career, Nixon has attained the pinnacle of his glory in ascending to the second and the last term in the Presidency and he is "unleashed now to act independently of any thought of his political morrow." Though giving him a historically a mammoth mandate, the American public many watch his performance with a wary and critical eye. The Democrats, though demoralised at the moment and heavily battered in the presidential election field still retain control in both Houses and may regroup possibly under the banner of Edward Kennedy—a likely presidential candidate for 1976. As far as India is concerned, it can only hope that Nixon will attempt to restore the once-good relations between the two great democracies, now at the lowest ebb and to place a restraining hand on some of his new allies from embarking on any military adventure against India.

—Forscher

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The Travails of the Cochin Shipyard

From N. S. MADHAVAN

Winds are reluctant to lift the sails of the second shipyard at Cochin. The people and the State Government are getting restive about the whole thing. This project, it may be recalled, was sanctioned by the Government of India in August 1967 and envisages a building dock for ships of upto 66,000 DWT and a repair dock for ships of upto 85,000 DWT.

The cost of the Project is estimated at Rs. 45.42 crores with a foreign exchange content of Rs. 5.63 crores. The technical collaborators are Mitsubishi Heavy Industries Ltd., Japan. An agreement was concluded with this firm by the Government of India in 1970. Only the construction of the shipyard is covered by the scope of this agreement and this can be a serious lacuna to be reckoned with. For shipbuilding per se does not come under its purview. However, Japan was kind enough to include this project under her Yen-loan Scheme.

In the meanwhile the groundwork for the project has started. Land acquisition, soil tests, provisions for water and electricity and the building up of the necessary infrastructure were taken in hand. Work progressed gathering momentum during the early months of this year, when the Prime Minister laid the foundation of the construction of the hull-shop on April 29, 1972. But this tempo was only short-lived.

The hull-shop, where the frame of the ship is to be built was planned to be completed in 1974. According to the Master Construction Schedule, its foundations was to be built before September 15, 1972. But according to an official report, the progress is almost negligible. The reasons stated are lack of response to tender announcements and the dearth of steel. K. J. Varghese and Company, Bangalore, has been given the contract for this work, which involves the use of 4188 tons of steel. But the company has only been allotted 99 tons of steel. The drawings and the blue prints necessary for the construction handed over to them are also very few.

Considerable Loss of Time

The structural design of the hull-shop was prepared, initially envisaging the use of riveted joint. But, according to a Kerala M. P., there has been a shift in the technology to "welded joint" which, needless to say, will involve considerable loss of time.

According to the construction plan, contracts for the building dock, quay no. 3 and assembly shop foundation, were to be given before April 17, 1972. But so far, nothing has materialised. Mr. Raj Bahadur, Union Minister for Shipping, said that the keel of the first ship would be laid in 1974 and the vessel would be launched in 1975. But with the present state of affairs these targets appear to be unrealistic.

Steel Shortage Hits the Work

Perceptible progress is seen only in the construction of the Training School. 70 per cent of its work is claimed to have been finished. But the roofing is yet to begin and this can delay the training programmes. Moreover, the persons who were given training in Japan, mostly mechanical engineers, are now used to man the purchase and the liaison sections in the Yard.

Naturally, the work is being hit by steel shortage. The project requires 25,000 tons of ordinary steel of which only 4,750 tons are obtained. The work of the maintenance shop is also being delayed by this dearth of steel. Again, the construction of the general store is at a standstill, which means lack of storage facilities.

No Managing Director Yet

The Cochin Shipyard was registered as a company under the Companies Act on March 29, 1972. But it still does not enjoy the governance of a full time Board of Directors and a Managing Director. Mr. Raj Bahadur recently assured that a full time Board will take charge soon. But till now, the present group of senior officers, mostly on deputation, has to weather this project. The Chief Project

Officer makes five or six trips to Delhi every month to get things done.

Joint Sector Steel Plant for Kerala

It has been proposed to set up a joint-sector steel mill of modest proportions in the Calicut District in Kerala. Recycling the scrap iron may be a solution to the ecological problem in the West, but here, the scrap iron is used as the staple for production. The scrap iron is transformed into mild, medium carbon and spring steel billets; thereby hangs a problem. The firm's total capacity is 50,000 tons, and when in 1973-74, it goes into production, the initial capacity will be 37,000 tons, which requires 48,000 tons of scrap, of which Kerala can procure only 8,000 tons.

Casting Machine from Swiss

The Continuous Casting Machine, which reduces the cost considerably is being procured from the Concast AG, Zurich, Switzerland. The General Electric Company of Calcutta has been given the contract for the construction of three electric furnaces.

The Company was incorporated in 1969 as a Public Limited Company under the name Steel Complex Limited. The Chairman of the Board is Mr. K. T. Chandy, former Chairman of the Hindustan Steel and presently the Chairman of the Kerala State Industrial Development Corporation. Mr. S.A. Jifri of West India Steel Company, Calicut and Mr. A.K. Kaderkutti of Western India Plywoods Ltd. are also on the Board.

The total capital required for the project is Rs. 337 lakhs, of which 51 percent is to be raised by the promoters and the rest from the public. Kerala Government owns shares worth Rs. 52.50 lakhs. Already, equity shares worth Rs. 74 lakhs are placed before the public.

The demand pattern for the products of the new steel mill is also promising. While all the other steel projects in India produce ingots, Steel Complex is to devote its production to square billets of varying sizes from 77 mm. to 100 mm. These billets can be re-rolled in the nearby West India Steel Company. It hopes to employ 300 persons. The Calicut District has considerable quantities of natural iron ore which steel mill here can eventually exploit.

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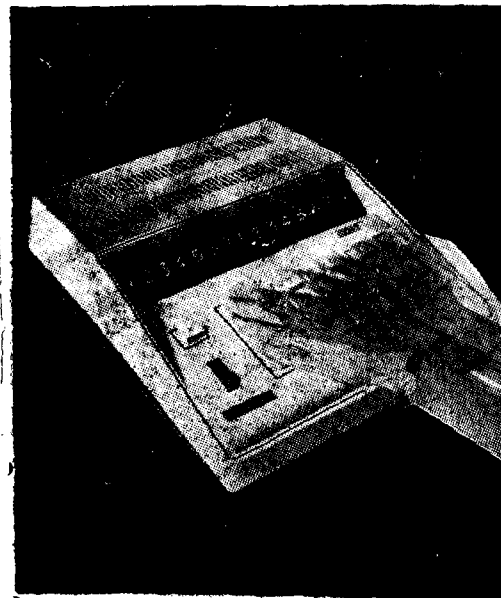
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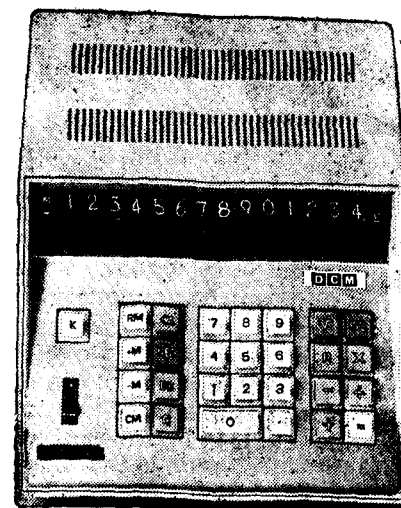
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Twentyfive Years of Co-operative Movement

By A. P. SHINDE,

Union Minister of State for Agriculture

For about five decades after the Co-operative Act of 1904, the Co-operation in India had nothing more than a shell life. Its bite was peripheral and its performance perfunctory. It addressed itself to a limited role of succouring the poor agriculturists and touched only a fringe of the deep and complex rural problem.

The 'fifties saw the emergence of the movement from the 'laissez faire' and the strait-jacket of credit pre-occupation. The appointment of the Committee for Rural Credit Survey by the Reserve Bank of India in 1951 was the first attempt to harness the potentialities of the movement as an instrument of economic planning. It advocated an integrated scheme of Rural Credit, State partnership at different levels, inter-linking of credit with marketing and processing and held a brief for the manning of the movement by the trained personnel.

On the eve of Independence, the number of primary agricultural societies in the Indian Union was 1.17 lakhs, their membership 53.38 lakhs and the working capital Rs. 30.56 crores. The loans advanced by them were of the order of Rs. 19.60 crores.

At present the number of primary credit societies is about 1,62,000. Short and medium-term credit advanced by them is Rs. 581 crores as in 1970-71. The estimated loaning of long-term co-operative credit through land development banks is Rs. 130.00 crores as at the end of 1971-72. Ninetyfour per cent villages and 36 per cent of rural population have been covered by co-operatives as at the end of 1970-71.

The handling of agricultural produce by the marketing societies was Rs. 650 crores at the end of 1970-71. In the field of agricultural supplies, co-operatives distributed fertilizers worth Rs. 300 crores during 1971-72.

Diversifying the Range of Business

By June 1972, the infrastructure of consumer co-operatives comprises a National Federation, 14 State Federations, 400 wholesale stores with 2,305 branches, 107 departmental stores and 13,154 primary consumer co-operatives. The total retail sale of consumer co-operatives for

the year 1971-72 was about Rs. 250 crores. Consumer Co-operatives have been steadily diversifying the range of their business and the percentage of business in non-controlled commodities has risen from 39 per cent in 1968-69 to 50 per cent in 1970-71.

The record of the performance of the co-operative movement since the beginning of the First Five Year Plan is very impressive and has far exceeded its achievements during the preceding 45 years of the existence of co-operative movement in India.

Though we have made good progress in many fields, the growing unemployment and continuing poverty of the large sections of the population have posed grave problems. Hence the emphasis during the Fifth Plan has to shift to social justice with a view to ameliorate the fate of the weak and the down-trodden. The co-operative strategy has naturally to fit into and be in harmony with the overall planning strategy. Accordingly, the movement has to take on new responsibilities and reorient its policy in several directions. The strategy has to keep in view two considerations: minimisation of regional imbalances and adequate flow of credit to small and marginal farmers, tenants, share croppers and the like.

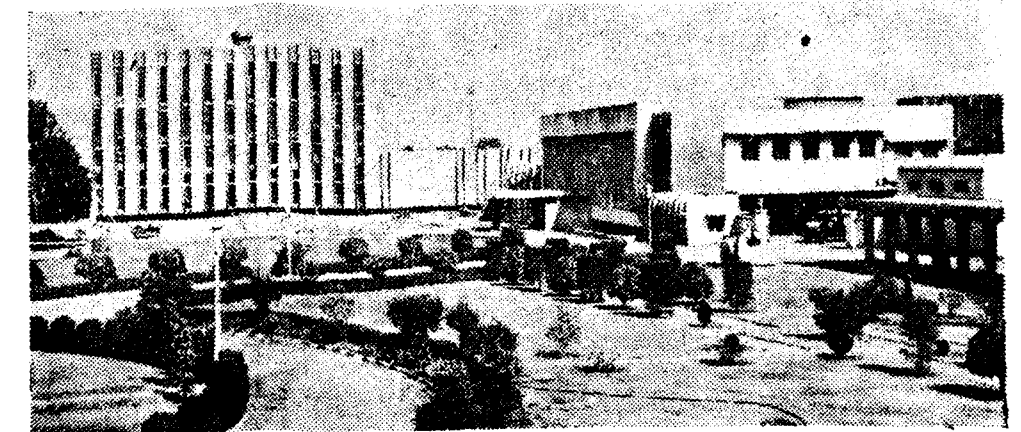
The credit strategy has to keep before itself a vision of 1200 crores of short-term credit by the end of the 'seventies. This would imply a 10 per cent growth annually during the Fifth Plan for advanced States, 15 per cent for the States in the middle category and 20 per cent for the weak States.

The Central Banks also require rehabilitation for making adequate financial support available. A halt should be called to the worsening overdues.

Again, to safeguard the interest of the small and marginal farmers, agricultural labourers, etc., representation of not less than 50 per cent of the seats of the Managing Committee of a primary society, should be ensured to those categories. Some source of institutional finances has to be found for the poor farmer and if co-operatives cannot do it, alternate agencies like commercial banks have to step in.

Finally, those States which have already achieved viability should endeavour for qualitative improvement in service like cash credit facilities, farm guidance activities, improvement of banking services, etc.

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THEY PRODUCE MILK FOR THE NATION.....

The pride of the co-operative movement, the Kaira District Co-operative Milk Producers' Union Ltd., Anand, in Gujarat State is an excellent example of a large co-operative organised on modern lines. Its dairy products ranging from baby foods, butter and cheese to milk powder are well-known for their quality.

Picture gives a view of the modern dairy plants of the co-operative union. Over 700 village co-operatives have been affiliated to Kaira.

INDUSTRIAL ECONOMIST

Chinthamani Shows the Way

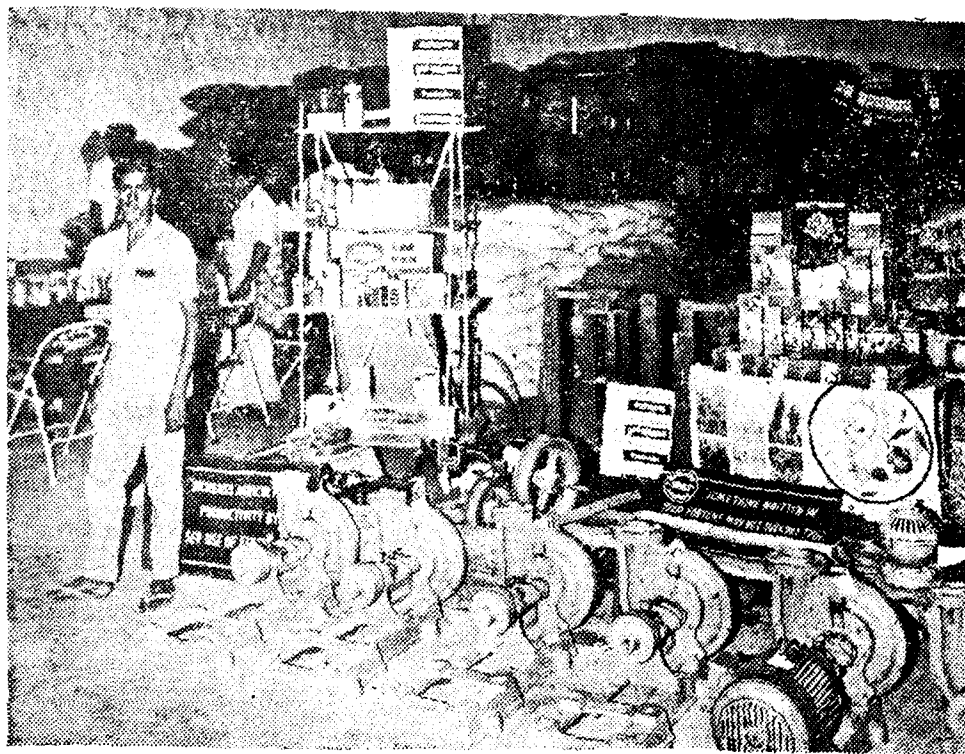
The six-year old Chinthamani in Coimbatore, the co-operative department store set up by Coimbatore District Central Co-operative Supply and Marketing Society, has made history in retail business. Its impact is so significant that the private grocery shops in the town are forced to form an association in competition, and the cloth merchants, an organisation for common purchase and advertising campaigns against the Chinthamani. The business discipline that has come about as a result of Chinthamani is remarkable. The private merchants quote Chinthamani prices publicly. The manufacturers of consumer articles take pride in making supplies to the Store. Chinthamani has, therefore, earned an all-India reputation for efficient management and business success.

Within a few years of its operation, the Chinthamani has refunded the entire share capital and loan of Rs. 6 lakhs given to it initially by the Government.

The sales of Chinthamani have reached phenomenal heights during the last five years. Starting from a sale of Rs. 77 lakhs in 1967-68, it has achieved a sale of

Rs. 560 lakhs in 1971-72. During 1972-73, it expects to establish a new record with a sale figure of about Rs. 700 lakhs. Such a large turnover in a small town speaks of the department store's efficiency. The secret behind this is that the Store provides the 'better buy in Chinthamani' incentive. Almost the whole town turns up for shopping in it. The Store has consequently provided a special omnibus service for its members living in distant areas. One can purchase tokens worth Rs. 5 for a journey to and from and exchange them for goods in various sections of the Store.

All healthy practices that go with sound business are strictly followed in the Chinthamani. Besides, the Society has undertaken manufacture of oils, ice cream, popcorn, spice powdering, dal milling, coffee grinding, etc. to assure unadulterated quality goods. The inventory control and management policies of the Chinthamani are advanced. Like a modern business organisation, Chinthamani follows scientific personnel management policies. It offers on-the-job training, incentives, etc. to its employees.



"Chinthamani" in Coimbatore is a model co-operative Super Market that is the envy of even well-run large, private departmental stores. Not merely provisions and grocery but a wide variety of engineering goods, such as pumpsets and fertilizers marketed over a vast area around the blooming Coimbatore, attracts customers even from far off villages. Picture shows an array of pumpsets on display at "Chinthamani."

The Chinthamani and the Society are not content over its own prosperity and success. They have as well gone to the rescue of neighbouring super markets, which are not doing well. The Chinthamani took over management of the Trichy Co-operative Super Market recently. The services of Chinthamani's well proved staff were placed at the disposal of the Tiruchi Unit.

Encouraged by the success of Chinthamani, similar projects are being undertaken on a selective basis in other States as well under the Central Sector Scheme for development of consumer co-operatives having growth and employment potential. Sixteen other projects have been initiated in different States including Mysore, Andhra Pradesh, Tamil Nadu, Maharashtra, Gujarat, Haryana, West Bengal, Assam, Bihar, Orissa and Goa.

EXPANDING ROLE OF CO-OPERATIVES

The Agricultural Credit Co-operative Societies advanced loans of over Rs. 581 crores in 1970-71 to approximately 118 lakh farmers as against Rs. 203 crores in 1960-61.

The number of agricultural co-operative credit institutions of all types in 1971 stood over 1.62 lakhs with a membership of 325 lakhs.

The primary agricultural credit societies now cover 95 per cent of the villages, 43 per cent of the agricultural families and 36 per cent of the rural population.

The membership of all types of primary co-operative societies increased to 620 lakhs in 1969-70 from 137 lakhs in 1950-51.

27.5 per cent of the total loans were given to land holders of upto 2 hectares each.

Co-operative societies, through a net work of over 36,000 retail depots, distributed fertilizers worth over Rs. 250 crores during 1970-71, accounting for nearly 60 per cent of the fertilizers used by the farmers.

By the end of March 1972, licences had been issued to 125 co-operatives for establishing sugar factories which is nearly 47 per cent of the total licensed capacity of the sugar industry as a whole.

The number of co-operative cold storages increased from 13 in 1955-56 to 111 in March 1972. At the same time their capacity went up from 12,000 tonnes to 1,72,000 tonnes.

Out of 108 dairy plants in operation in the country, 32 are in the co-operative sector.

A Spectacular Exposure of Industrial Development

By Dr. (Mrs.) SUMITRA CHISHTI

Inauguration of the Third Asian Trade Fair by Prime Minister Indira Gandhi on November 3, 1972, is an important step in the direction of placing India effectively on the trade map of the world.

The trade fair is a triennial institution created by the Economic Commission for Asia and the Far East as an important instrument in the strategy of regional economic co-operation. Asia '72 is the Third Asian Fair to be held in pursuance of this objective, the first two having been held in Bangkok and Teheran.

A large number of Asian and other countries representing six continents are participating in the Fair. These countries account for nearly 65 per cent of world exports. They are also important trading partners of India taking nearly 55 per cent of her exports. It is indeed significant that, for the first time, some of the co-developing countries of Latin America and Africa are also participating.

Progress Through Co-operation

The theme of the Fair is peace and progress for Asia through economic co-operation. It is a befitting theme and a compliment for 25th anniversary of India's independence.

India has taken textiles as her theme of the Fair. For, textile industry in India is not only an important one but also a significant foreign exchange earner. It is expected that various magnificent dimensions of this age old industry of the country will be displayed.

The usefulness of this Fair for India and other developing countries has to be appreciated in the wider context of the aspirations of the developing countries to attain better standards of living through modernisation of their economies and consequently securing for them economic independence to complete their political freedom. In this endeavour, trade is playing a crucial role.

Exports Vital to Growth

It is expected that in the coming years of the second development decade, the

expansion of exports by developing countries is vital for sustaining the growth of these economies. While the share of developing countries in the ever enlarging world exports is drastically declining from 25 per cent in the early years of the decade of 60's to insignificant level of 17 per cent in recent years, there is an accelerated demand for foreign exchange to pay for increasing imports as well as for debt repayment.

The climate for flow of international economic aid is no longer encouraging. The task of earning this increasing foreign exchange obviously, therefore, has to be taken by the developing countries themselves. As the Prime Minister has pointed out, the developing countries cannot afford to be mere helpless onlookers of these developments in world trade, but they have got to endeavour to arrest this detrimental trend.

Co-operation Among Developing Countries

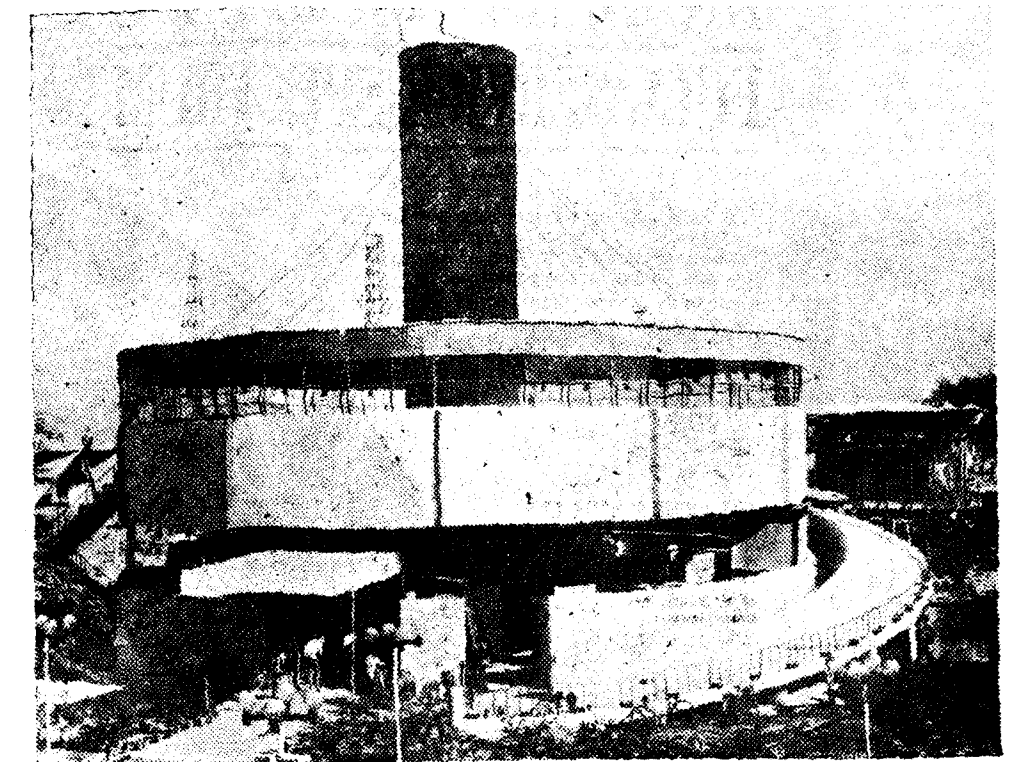
One of the most significant steps in this direction is mutual co-operation among

the developing countries. All along, co-operation among these countries has been to a large extent inhibited by the conflict of interests in operation. As a result, the developing countries are made to be more aware of their competitiveness rather than their complementarity. This has been accompanied by a persistent tendency to look towards the advanced countries of the West to meet their needs.

Consequently, the knowledge about the progress made in various fields among developing countries is rather inadequate resulting in limited cooperation in achieving their common goals. The Third Asian Trade Fair is expected to provide an excellent opportunity for many developing countries to know the tremendous capabilities in technological and other fields of each individual participating country and the scope for mutual cooperation.

Technological Advances

By highlighting the potential of participating developing countries to the critical gaze of the world, the Trade Fair



A view of the Tamil Nadu Pavilion at the Fair in which is represented a wide cross-section of the products of the State.

will also enable them to identify their weaknesses and strength and help to correct the lacunae in various areas. In this exposure, the most important element will be the technological advances that have been made in the world industries.

One of the main limitations in the export of developing countries and their economic growth has been the widening of technological gap between developing and developed countries. The Prime Minister has rightly emphasized the need to bridge this gap by the transfer of technology not only from the developed countries to the developing countries but also mutual exchange among developing countries.

The Fair by providing the facilities for a gathering of modern technologies in different fields is expected to open up a new outlet for smoother technological flow between the participating countries.

Scope for Joint Ventures

In the global expansion of export trade, trade fairs are increasingly becoming an important instrument. They will provide

at the outset, scope for exchange of goods. Asia '72 is expected to bring traders in closer direct contact and increase their business. It will also provide scope for increasing co-operation in joint ventures. India has already joint ventures in Malaysia, Singapore, Ethiopia, etc. The Trade Fair by exposing the advances made by India and other developing countries in various industries will definitely provide new basis for joint ventures.

The direct effects of the Trade Fair for India in particular are mainly three. Through this endeavour, it is expected that India will earn foreign exchange to the tune of Rs. 8 crores. Further, as a result of this Trade Fair India has built a permanent fair site entitling her to the membership of the International Union of Trade Fair which will enable India to hold regularly five commodity fairs and one general fair in a year. This provides an intense exposure to the developments of world industries to Indian manufacturers and traders. No less important impact will be the arrival of tourists. This will undoubtedly help to increase the foreign exchange earning from tourist traffic. ○

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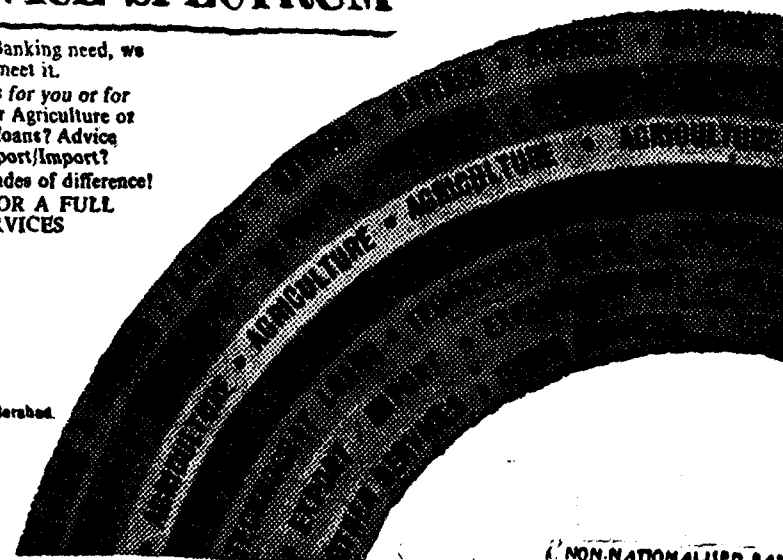
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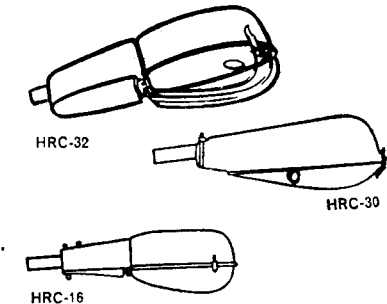
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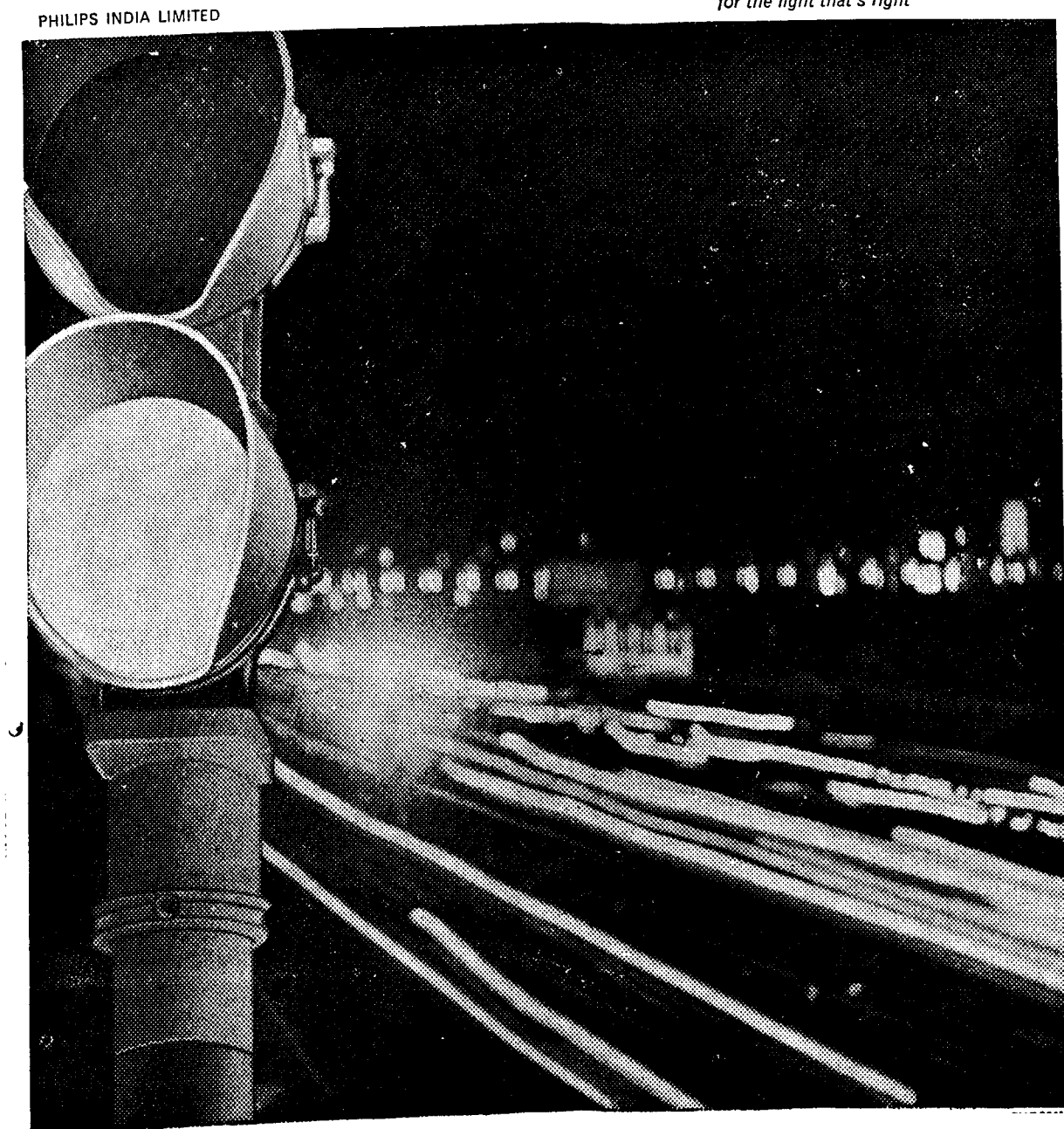
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Industrial Relations in Maharashtra: An Adverse Trend

(BY A SPECIAL CORRESPONDENT)

Industrial relations in Maharashtra have worsened in the last two years. Not a day passes by when there is not a 'morchha' or other forms of demonstration. This is evident from the number of mandays lost which has risen from 1.3 million in 1969 to 2.4 million in 1970. There was a slight drop in 1971 when the time lost went down to 2.1 million, but again the trend seems to have been reversed in the current year. The time lost due to stoppage of work between January and July this year has already touched 1.9 million mandays and in the remaining portion of the year, one can assume that the total will reach the 1970 figure at least, if not higher,

The causes of industrial unrest are naturally to be found in the spiralling of prices of essential commodities. But in some cases the underlying motivation has been either inter-union rivalry or a clash of personalities within the same union, while in others it is merely political.

The situation has become so bad that even the Prime Minister herself had reason to be upset and in one of her recent talks with trade union leaders she was forced to speak out against the spate of strikes and lock-outs and consequent interruption to production.

Several labour experts feel that the intensification of the militant attitude of labour is only a deliberate attempt by political parties who had control of these unions to twist the tail of the ruling party for various concessions like setting up new wage boards, higher minimum bonus, inclusion of semi-Government and Government bodies for payment of bonus under the Act, etc. Incidentally, it was also an attempt to spotlight the public's attention on the ever-rising price line and erosion of real wages. The consumer price index for working class has risen from 100 in 1960 to 208 in December 1971 in the case of food and from 100 to 195 in the case of general items.

Rapid Growth of Registered Unions

Yet another factor responsible for the rising industrial unrest is the growth in the number of registered trade unions, which have increased from 11416 in 1962 to over

17000 by 1969. A new union, once it is recognised by the management, tries to keep up its image and put in a fresh charter of demands. Generally managements are reluctant to give in too easily and the net result is a prolonged struggle culminating in strike, lock-out and loss of production.

A classic example of a needless strike initiated by a new trade union is provided by the 40-day strike and lock-out in the factory of the Automobile Products of India Ltd., Bhandup, which in fact had much wider repercussions in the automobile industry than what was imagined by the union itself.

Till 1970 the API workers had a representative union controlled by Bombay Labour Union (BLU) of the Socialist Party. It had entered into a four-year old agreement with the management in August 1968. The agreement provided that the company would pay an increased D.A. of 10 per cent to monthly-rated and daily-rated workers if the sales of the company increased to Rs. 9.50 crores.

In 1970, the INTUC affiliated Auto Engineering Workers led by Mr. Prabhakar Kunte, a Congress MLA, secured the support of nearly 60 per cent of the workers and became a recognised union. In July this year AEW put forward a demand that the workers be paid increased DA with retrospective effect from 1969, the year in which the company had reached a sales target of Rs. 9.50 crores. The total backlog of arrears came to nearly Rs. 10 lakhs. The management contended that the Rs. 9.50 crores target was achieved due not only to the efforts of the workers, but also because the company had streamlined production methods and purchased new machines for factory.

The company was prepared for arbitration on the issue. But meanwhile a clash between Mr. Kunte and Mr. Dutta Samant, another Congress MLA, over the leadership of the union arose and ultimately Mr. Dutta Samant got control and gave out a call for strike. What have these 40-day strike and lock-out achieved?



Morchas are the order of the day in Bombay. They are probably tamasha for the young, as could be seen from the joyous faces of the youngsters who lead the procession and hold the banner above probably without knowing the cause of the agitation!

Management and Workers Lose Alike

The company suffered a production loss of nearly Rs. 1.25 crores. Several hundred scooters which could have been manufactured during this period were not made at a time when one has to wait as long as seven years for delivery of a scooter after registration of order. The workers lost a sizable amount in wages and ultimately returned to work without any material gain. What is worse, the echo of this strike was felt in the factory of Premier Automobiles Ltd. whose Fiat assembly line was completely thrown out of gear by the stoppage in supply of brake and clutch linings from the API. The Premier factory had to temporarily discontinue manufacture of Fiat cars and lay off as many as 7,000 workers.

Another example of the intra-union rivalry leading to production loss without any economic benefits to the workers is the Godrej strike where also Mr. Dutta Samant was the chief director behind the scenes. This strike had a delayed action like a time-bomb and ultimately led to violence, arson and murder.

The strike by 90,000 civic workers was peculiar in that all the leftist unions had come together on a common platform to fight with the Government on the bonus issue. In effect this strike was a test salvo fired against the Government and if the Government had yielded to the pressure similar demands would almost certainly have followed from other Government bodies.

The BEST undertaking's engineering staff strike was organised by Mr. George Fernandes around the same time that he instigated the civic workers to go on strike on the bonus issue. A total of 21500 BEST staff went on strike—the engineering staff for 17 days and the traffic staff, who joined later not out of sympathy for their colleagues but under pressure from the leadership, for eight days.

Industrial Disputes in Manufacturing Sector

	1961	1966	1969	1970	1971
Mandays lost per 1000 workers	1022	2041	2903	3353	2103
Index 1961=100	100	200	284	228	206
Severity rate	345	808	1151	1631	1029

P. S.: Ratio of Mandays lost to one lakh mandays scheduled to work is the severity rate. (Source: Indian Labour Statistics—1972)

Labour Situation at a Glance

	1961	1966	1969	1970	1971
Population (millions)	442.7	498.9	537.2	550.6	564.2
Employment ('000s)					
Public Sector :	7050	9364	10095	10374	10711
Private Sector :	5040	6513	6528	6696	6743
No. of Industrial disputes	1357	2556	2627	2889	2137
Workers Involved ('000s)	512	1410	1527	1588	1227
Mandays lost ('000s)	4919	13845	19348	20563	12750

Source: Indian Labour Statistics—1972

Mandays Lost in disputes resulting in work stoppages in Maharashtra

	1968	1969	1970	1971	1972 Jan-July
Maharashtra	1697	1272	2364	2053	1862
All-India	17244	19048	20563	12750	N.A. (not available)

Futility of Strikes in Public Utility Services

Mr. Fernandes is a fallen idol among the workers that he once led with such authority. Ever since he lost his seat in the Parliament, he has been trying to resurrect his image by the same methods which he used so successfully in the past to get him a ticket and a berth in the Parliament. But he should have realised the futility of organising strikes in public utility services. The striking workers immediately lost the sympathy of the public who are harassed and consequently the authorities get the strength to put their foot down firmly.

Both the civic workers and the BEST workers' strike ended in an unconditional surrender by the striking leaders and any concessions made by the authorities at a later stage are more in the nature of crumbs thrown to the staff as a gesture of goodwill and towards maintaining

industrial peace rather than a concession to coercion.

The current year also saw an effort at polarisation of political forces in the trade union movement. The INTUC, AITUC and HMS have already formed the National Council of Trade Unions. In Maharashtra, units of three central labour organisations known for their militant character have joined hands and set up the Samyukta Trade Union Council (STUC). The unions which have come together are the Marxist-controlled Centre of Indian Trade Union (CITU), the United Trade Union Congress (UTUC) and the Hind Mazdoor Panchayat (HMP), which is in the hands of the old Samyukta Socialist Party leaders. The STUC will launch joint agitations on issues concerning the working class such as bonus, rising prices, unemployment and closure of mills and factories.

Problem of Unemployment

The issue of sudden unemployment as a result of closure of mills and factories is bound to assume prime importance in the trade union movement. In the first six months of 1972 alone, there have been as many as 656 closures all over India affecting as many as 160,744 workers. In Maharashtra the number of closures were 26, with 650 workers being involved. The main reasons for the closures are shortage of raw materials, lack of orders and work, loss of business, financial losses, labour troubles and last but not the least, mismanagement.

Growth of Trade Unions and Membership

	1962	1966	1967	1968	1969
No. of registered unions					
(a) Employers' unions	198	316	290	303	312
(b) Workers' unions	11416	14370	15024	16552	17023
Average membership	561	606	602	579	478

As an example of how even well-paid workers indulge in fissiparous labour activities, the case of Philips Employees' Union may be cited. Philips organisation is one of the best paymasters in the country and the bonus declared by the company is the highest allowed under the Bonus Act—20 per cent. But for the first time in the labour movement after the passing of the Bonus Act in 1965, the 'set on' funds have become a bone of contention. Under the Act, the company is allowed to 'set on' any available surplus from profits after paying the highest percentage of bonus, for compensating the bonus payment in a later year when it falls short of the maximum. This 'set on' is only a notional amount but the PEU has been contending that this 'set on' itself has come to over 20 p.c. of the wages and as such a higher bonus should be paid to the workers.

An important question which arises here is whether affluent companies and industrial organisations should go on paying more and more to their workers? Instead, why should they not bring down the prices of their products for the benefit of the millions of poor people in the country?

Effectiveness of Agitational Approach

Another aspect which the labour unions would do well to consider is whether agitational approach to problems is the only remedy or whether recourse to normal methods of adjudication and arbitration would not be equally effective. These latter methods, even if time consuming, would at least have the merit of maintaining production while the dispute is being settled in court or outside it. As an illustration, one can cite the case of Asbestos Cement Co. whose 1700 workers

were recently awarded Rs. 20 lakhs by way of interim relief in their basic wage by the Industrial Tribunal. The Union had claimed interim wages of 20 per cent with retrospective effect from April 1962. And for the first time in the history of industrial adjudication the workmen's demand has been conceded by the Court in full and with such long retrospective effect.

These are all problems which cannot be solved by unilateral action. These matters concern the economy as a whole. Central Labour organisations as well as economists and policy makers should strive for solutions to these issues before things take a different turn.

Industrial relations are a two-way traffic and the labour as well as the management must be prepared to give as much as take. The labour on its side will have to strive to keep production going and at a higher rate with every new concession from the management. The management will have to take the labour into confidence and give it its due share in the profits of the concern. Without this attitude of co-operation and co-ordination, there will be no victors in the battle between the labour and the management—only one loser and that is the country's economy. **O**

A New Gear Plant in Bombay...

There is considerable technical talent in the country and scope for accelerating production is immense, observed Mr. V. P. Naik, Chief Minister of Maharashtra, while laying the foundation stone for Bharat Gears Ltd. on October 29, 1972.

Shortfall in Auto Gears

Presiding over the function, Maharashtra Industries Minister N. M. Tidke hoped that with the commissioning of the gear project, shortfall in indigenous supply of automobile gears would be overcome substantially. Mr. Tidke said that the Indian automobile ancillary industry had progressed considerably, producing annually Rs. 133 crores worth of auto components.

Dr. Bharat Ram, who participated in the function, said that economic growth in the country was slow and there was

a big gap between promise and performance. The nation must push the programmes of development, industrial and agricultural, with all strength and dynamism. Dr. Bharat Ram said that the products manufactured in the new project would make a substantial cut in our import bill, thereby strengthening the goal of self-reliance.

Earlier, welcoming the gathering, Mr. Raunaq Singh, Chairman of the Raunaq Group of Companies, announced that the Rs. 5-crore project would have an installed capacity of 1000 tonnes per annum and the range of products would include Spiral Bevel, Straight Bevel, Spur, Helical, and Worm Gears, Crown wheel and Pinions. Mr. Singh hoped that the plant would go into production by 1973.

Mr. Raunaq Singh said that arrangements had been made for procurement of

equipment, 50 per cent of which would be from indigenous sources. The rest of the equipment would be supplied by Gleason Works of the U.S.A., world famous manufacturers of gear equipment.

The demand for gears for automobile and tractor industries alone will be of the order of 17,000 tonnes by 1973-74 as against the present installed capacity of 5,000 tonnes. The potential for gear is limitless because it is a versatile product. It is used in all kinds of transportation. The contemplated projects for the manufacture of small cars, tractors and trucks, power tillers and scooters are bound to increase the demand for automobile gears, crown wheels and pinions. In view of the rich potential for the growth of vehicle population in the country and the consequent demand for gears which is estimated to increase around 8 per cent per annum, the prospects for the project of Bharat Gears Ltd. is quite promising. —PS

INDUSTRIAL ECONOMIST

Depressing Power Situation in South India

India is in a fortunate position in respect of energy resources. Its coal reserves are among the largest and most accessible in the world. Its water resources are large and well-distributed. Though proven reserves of oil and natural gas are modest, there is considerable scope for getting additional reserves through exploration schemes which are under implementation in the country.

The present continuing power crisis spread all over the country has raised the question whether sufficient priority had not been given to power generation in our developmental plans. It cannot be denied that much of the great energy wealth of India remains unexplored. With coal reserves far more accessible than those of United Kingdom, India exploits only one quarter of coal reserves as compared to the exploitation of reserves by Britain. Less than one per cent of India's tremendous water resources has been harnessed. Even the limited availability of natural gas in our country has been put into marginal use.

The present shortage of electric power has far-reaching effects. It results in low productivity and under-utilisation of investments. It also causes social strains in the form of lay-offs and partial retrenchments. It further acts as a powerful disincentive for the prospective entrepreneurs. Experts, therefore, urge that speedy steps should be taken to provide facilities for power generation.

Inadequate Power Generation

Power generation in India now amounts to nearly 25 billion kilowatt hours per annum which corresponds to the quantity currently generated in a small country like Switzerland. It constitutes less than one per cent of world's total power generation. Of this, 45 per cent is obtained from India's water power resources. The remainder is generated in steam, electric or diesel electric plants fired by coal or oil. The sources of thermal power in India include coal/lignite, light diesel oil and furnace oil.

The four Southern States viz., Tamil Nadu, Mysore, Andhra Pradesh and Kerala have some interesting common characteristics: The most important resource is man-power which is active, intelligent and industrious. The region does not possess metallurgical coal and hence it can be said to be backward in respect of heavy indus-

tries as compared to the eastern and western India and parts of Uttar Pradesh and Bihar. The rivers in the region are a veritable storehouse of hydro power and the resources have been fairly well tapped except perhaps in Kerala. The per capita consumption of power in the region is below the national average and the power shortage in the region, especially Tamil Nadu is acute.

25 per cent Shortage in Tamil Nadu

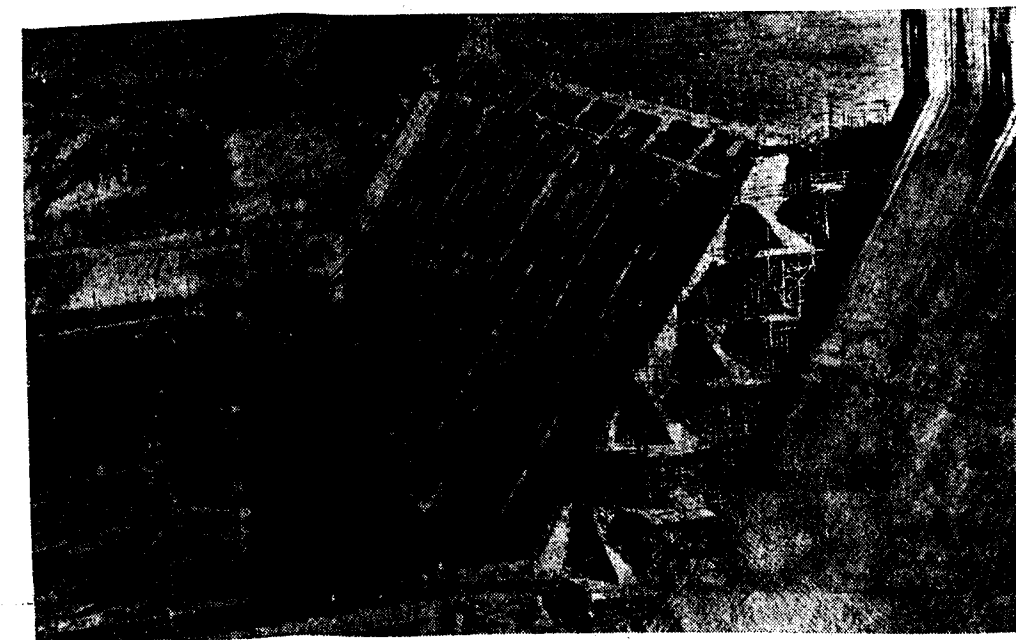
Tamil Nadu has always depended on power supply from Kerala and Mysore. Its average daily consumption has been about 23 million units and some five to six million units have had to come from outside sources. Practically all the water resources for power generation have fully been tapped—over 1,500 MW of the total of 2200 MW capacity in the State is hydel. Kodayar, the ninth among the hydroelectric projects to be undertaken by the State Electricity Board, has just been commissioned with an installed capacity of 100 MW, in two power houses. Its formal inauguration will come later though it has started feeding the grid. A few more hydro-power schemes for the generation of a total capacity of 450 MW have been submitted to the Planning Commission and the Union Ministry

of Irrigation and Power and are yet to be cleared.

Need for Fresh Thermal Capacity

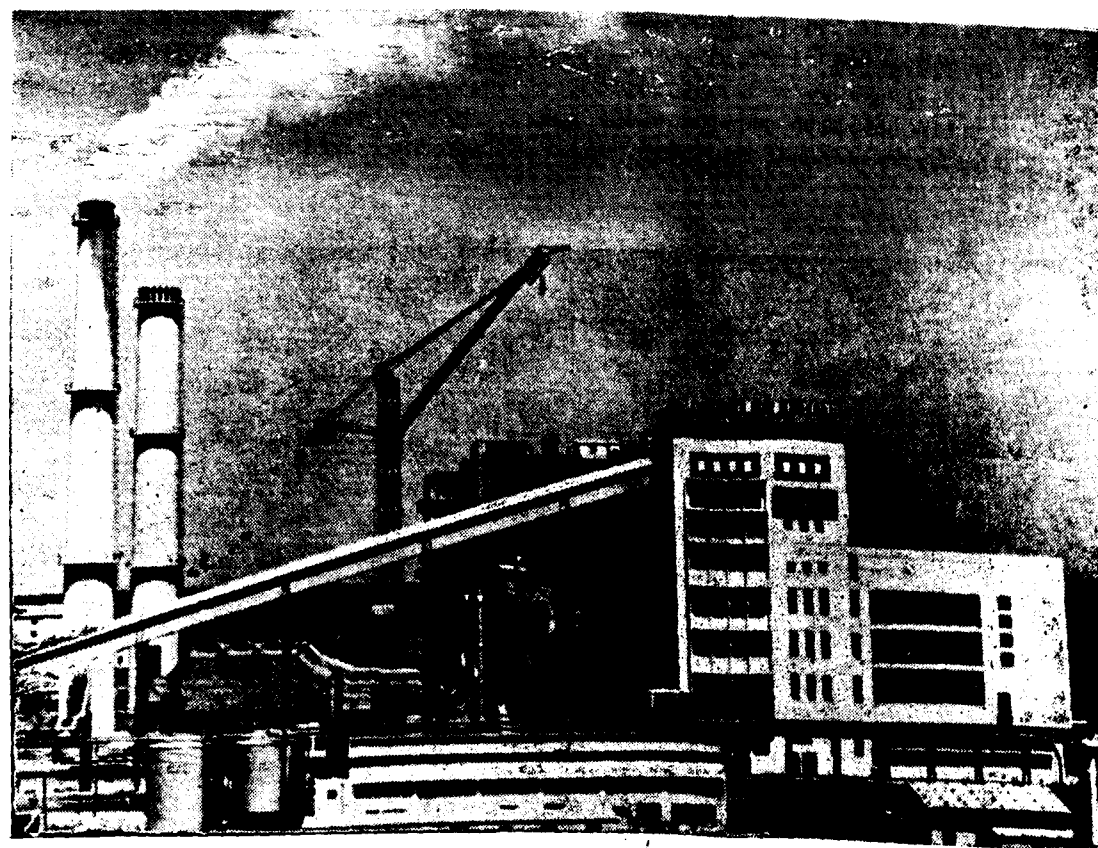
It took quite sometime for the Southern States including Tamil Nadu to recognise that hydel power generation alone cannot deliver the goods. Power potential available from hydel generation is currently subject to severe fluctuations depending on monsoon in the catchment areas of the reservoirs, and therefore needs to be firmed up by thermal stations. Massive projects like Idikki (Kerala) and Kalinadi (Mysore) hydro power schemes, now in progress, will generate power only in the distant future. A good deal of thermal capacity is being planned in Andhra Pradesh also at Kothagudem and Ramagundam (both pithead stations). Tamil Nadu has to depend on coal (brought from Northern States) and the lignite of Neyveli in a greater measure supplemented by power from the neighbouring states.

Neyveli Thermal Plant with its installed capacity of 600 MW, affords an instance of under-utilisation. Replacements involving foreign exchange should be promptly allowed so as to extract larger quantities of lignite needed for optimum power generat-



The giant Sharavathi hydel station will ultimately have a capacity of 891 MW. Mysore State is heavily dependent on this one source of power. Goa and Tamil Nadu have been able to get large quantities of power from Mysore largely because of this giant power station. The recent shut down of the turbines for a while to attend to unforeseen repairs to the penstock seriously upset the power equilibrium of this region.

ion and other purposes. Imports cannot be avoided until domestic capacity is created in the M.A.M.C. or in Ranchi towards which nothing seems to have been done by the Government of India. The crisis is accentuated by frequent labour troubles. In the present circumstances the alternatives open to Tamil Nadu for augmenting power supply are to step up lignite production for the full utilisation of its installed capacity, to open a second mine cut and instal a further 500 MW or 1,000 MW, capacity based on that. Ennore, where a 340 MW coal-fired station is under erection, should be the venue of a massive thermal capacity. As the construction of new thermal plants involves long periods, power shortage can be eliminated by expanding the existing installed capacities at the present thermal plants. Thus there is considerable scope for the Ennore Plant to generate an additional capacity of 500 MW. There are some snags in the creation of additional capacity. Once these snags are solved—a number of measures are presently being taken to solve them—there is no reason why a super power house with a capacity of 1,000 MW. could not be located there.



The Ennore Thermal Station, owned by the Tamil Nadu Electricity Board, is being built for an ultimate capacity of 340 MW. Two 60 MW sets are already operating. The third unit of 110 MW capacity is undergoing trial runs.

With its location in the midst of a fast growing industrial centre and its location as the nearest point in the State to the coal mines in the north, this thermal station has rich growth potential. Ultimately its capacity can be raised even to a 1000 MW.

Mettur and Tuticorin: Thermal Plants Needed

Tamil Nadu Electricity Board's demand for thermal stations at Mettur and Tuticorin deserves very urgent consideration. With a huge industrial complex emerging and with a deep sea harbour coming up at Tuticorin, there will be endless troubles if urgent steps are not taken to set up a 400 MW thermal station (based on coal brought from Bengal-Bihar) at Tuticorin. Already the region complains of poor voltage because it is in the far end of the State and transmission losses are quite considerable. Similarly, Mettur is another area where there is a cluster of industries and Mettur power (using irrigation flows) is only seasonally available and needs to be firmed up by a thermal station.

In view of the need to set up coal and other fossil fuel-based power stations in the South, the coal resources of region should be exploited to reach a target of 25 million tonnes. Likewise, the lignite deposits at Neyveli should be exploited to reach 15 million tonnes. The enormous hydro potential of Kerala should be developed on an

emergency basis in cooperation with the Tamil Nadu Government.

Kalpakkam Should be Expedited

The Centre is planning for an additional power capacity of 22,000 MW by the end of the Fifth Plan taking the total capacity to 42,000 MW. This would involve an investment of over Rs. 6,000 crores on power generation alone and another Rs. 2,000 crores on transmission. But the power equipment manufacturing and the mining machinery industries are not performing well. Furthermore, they have not been given the necessary encouragement to produce equipment to generate the additional 22,000 MW. While the plants at Hardwar and Hyderabad have capacities ranging from 1,500 to 2,000 MW, the Tiruchi plant which is supposed to match the turbosets produced in the sister plants has upto now developed the capacity for boilers for a total of 1,100 MW. only. With collaboration from the world-famous Combustion Engineering Co. of U.S.A., the Tiruchi factory is now planning to make 200 MW and higher capacity boilers. It is expanding its capacity to 1,400 MW and later on to 2,400 MW at a cost of

Rs. 18 crores. While everybody agrees that the power equipment manufacturing industry of the country cannot quickly augment the power generation capacity, it is pointed out that orders have still not been placed on the units for the country's requirements during 1974-80 which should have been placed by now. Also, there should be greater coordination among the sister plants.

One thing must be said about the thermal plants. Their efficiency of generation is low and steps must be taken for a proper maintenance of the stations and the improvement of the load factor. In this respect nuclear plants are much more efficient. The construction of Kalpakkam plant must be expedited so that it generates 400 MW at least by 1976-77 which is going to be a difficult year. Further additions should be planned for it for relieving the power shortage in Tamil Nadu as well as the rest of the Southern region.

—V.M.

Teleprinters for Export Markets

By A. M. YUSUF

Sales Manager, Hindustan Teleprinters Ltd. Madras.

Indian economy was and is heavily dependent on the export of primary products such as jute, cotton textiles and tea for earning the much needed foreign exchange. The exports of traditional goods are very badly threatened because of the growing competitions and global tendency for the substitution of natural products by synthetics. Though the export earnings which stood at Rs. 9,470 million at the beginning of the First Plan period in 1951 have increased to Rs. 15,240 million by the end of 1970-71, our overall share in the world market declined from about 2 per cent in 1947 to about 0.6 per cent in 1970. This was because of increased exports of engineering goods by other countries which rose at a high rate of 10 per cent per annum.

Big Increase in Engineering Exports

The export of engineering goods which stood at \$20 million in 1955 touched a figure of \$81.5 billion in 1969 of which 87 per cent of the exports were from the industrialised countries. East European countries accounted for about a little less than 12 per cent of exports and all the developing countries together shared the balance of a little over 1 per cent. If the present growth rate of 10 per cent continues, the export of engineering goods in 1980 would exceed \$200 billion opening out vast new areas for exports. The developing countries like ours should work up to get a good share of this new market especially when our markets for traditional goods are showing signs of decline. In a highly protected Indian market, a mere increase of output of engineering goods would not ensure higher exports but would greatly depend on relative profitability of the home and export markets. Because of these factors, the Public Sector which controls about 90 per cent of the capacity in the manufacture of capital goods has a great part to play.

Rapid Growth of HTL

Hindustan Telprinters Limited, a public sector undertaking under the Ministry of Communications of Government of India, was set up in 1960 in technical collabora-

tion with M/s. Ing. C Olivetti of Italy with the primary objective of manufacturing and selling teleprinters and ancillary equipment of the required quality and



Mr. A. M. Yusuf

sufficient quantity to meet the requirements of the country which was depending solely on imports for the needs of her telecommunication networks. The factory to manufacture the equipment required for high speed telegraphy was set up with an initial capacity of 1300 tape teleprinters and to have an ultimate capacity of 2700

units per annum. This capacity was expanded in the year 1964 to 5400 units with a view to meeting the increased requirement of teleprinters for expansion of telex, gentex, etc.

Only a Few Countries Produce Teleprinters

At present the teleprinters are manufactured only in a few countries in the world. The major manufacturers are Creek of UK, Siemens of West Germany, Lawrence of West Germany, Great Northern Telegraphs of Denmark, Hasler of Switzerland, Sagem of France, Teletype of America, Sumitomo of Japan, Neplan Electric of Japan and OKI of Japan. Most of the countries though manufacture primarily for meeting the domestic requirements, have enough capacities to meet their export commitments and they have shared the market of the developing countries among themselves. The major consumers of this professional communication equipment are largely public telegraph networks either owned or operated by the state or run under the state control. In most of the countries, the manufacturers



INDIAN EXHIBITION, JEDDAH—1971

Mr. C. T. V. Chari, Director, Exhibition, explains the working of an Indian Teleprinter unit to Dr. Omer Faquih, Deputy Minister for Commerce and Industry, Saudi Arabia.

T. T. P. Abdullah, Indian Ambassador looks on.

have agreements with the local governments for guaranteed offtake of machines as well as on prices.

Since exports of teleprinters to other developing countries are for meeting the needs of the public telegraph networks, keen competition exists among the manufacturers in influencing the governments of the buying countries by offering attractive terms for buying their products. The aid-giving countries are also in a position while entering into agreements with the governments of developing countries to promote the sales of equipments through aids. Their selling forces are very strong and effective. They could influence buying decisions by inviting the people for holidays, offering valuable presents, offering deferred payments, concessions,.....

Exports Despite Severe Competition

Thus the export of teleprinters from India to the developing countries has to be against keen competition and also against the preferences of the customers to buy only from known sources. The brand

loyalty plays significant part. The product of leading manufacturers incorporates all the latest technology as any feature provided by any one maker could be easily copied by others as the machines of various manufacturers are available in the free market. The performance of HTL in the export market has to be viewed in the light of these circumstances and its achievements should be assessed in this context.

The company entered the export market for the first time in the year 1968-69 when it supplied complete teleprinter communication system worth Rs. 2.38 lakhs and installed them at the new international airport at Katunayake in Colombo which was constructed under Canadian aid. Till the end of 1972, the company has exported equipment worth Rs. 42 lakhs to various countries like Kuwait, Ceylon, Singapore, Southern Yemen, Thailand, Nigeria, Lebanon, Jordan, New Zealand, Iran, West Germany, Nepal and Bhutan.

EXHIBITIONS BOOST EXPORTS

The products of any manufacturer may have excellent quality, have been priced at the right level, distribution channels would have been planned well, but still it may fail in the market if promotional strategies are not adopted correctly to introduce the products to the customers. Among various media adopted to stimulate sales, exhibitions have a place of pride. It is a very effective weapon in the armoury of a publicity man. By this medium, a seller can direct persuasive communication to the prospective buyers by showing them what he proposes to sell. He can enter into a dialogue with the prospective buyers and place before them the benefits that they will derive by purchasing the products offered to them. The buyers will also have the benefit of closely examining the products exhibited and the could compare them with the products of other competitors before they come to a buying decision.

It is with this aim that our country has been participating in international exhibitions and the Ministry of Foreign Trade is organising India Exhibitions at different parts of the world where there are prospects of creating new markets or improving the existing markets.

KERALA'S BIGGEST POWER PROJECT TAKES SHAPE

In a remote part of Kerala, Canadian and Indian engineers are jointly engaged in constructing a project which holds promise of changing the face of the State. They are giving concrete shape to the concept of international co-operation for development which the Colombo Plan embodies.

A new symbol of this co-operation is emerging in the shape of the Idikki Power Project, the biggest hydro-electric scheme to be undertaken in Kerala. The Canadian Government is assisting this project under the Colombo Plan with an outright grant of \$7.8 million and a long-term loan of \$11 million. The total cost of the project is estimated at Rs. 85 crores.

To be constructed in two stages, the project will treble the power generating capacity of Kerala. It will generate 780 Megawatts of power. The first stage itself, when commissioned in 1974, will add 50

lakh units per day to the energy potential of the State, contributing a revenue of Rs. 10 crores a year.

Unique Features

Idikki Project has several unique features. Its name is derived from the narrow gorge formed between two solid rock hills on either banks of the Periyar river. The project envisages the creation of a big reservoir of 21.07 million cu.m. capacity spread over 60 sq. km on the high ranges of the Western Ghat.

Taking advantage of the topography, three dams will be constructed. The dam across Idikki gorge is an arch dam and modern in its conception. It is among the first ten arch dams in the world and the second highest in India. Another gravity dam of 138 metres height across Cheruthoni river is the second largest concrete gravit dam in India. The third—100 metres high and also a gravity dam of stone

masonry across Kulamavu—is the highest and largest stone masonry dam ever to be constructed in Kerala.

Idikki reservoir has capacity to store a little more than the required annual quantity so that water from a plentiful year can be carried over to a bad year. This will guard against the risk of power cut due to monsoon failure.

Although Idikki project will benefit Kerala in several ways its usefulness will go beyond the boundaries of the State. The project will be able to supply power to the Southern Grid to meet its growing needs.

The commissioning of Idikki project will enable all rural areas to be electrified and power made available to Kerala's expanding industrial undertakings. Even with Idikki, Kerala would have tapped only about one-third of its hydro-electric potential.

Godrej sheet metal working machines. We'll give you the tonnage you want.

Godrej presses, press brakes and shears are built with the famous Godrej dependability to your specific needs.

Godrej's experience with sheet metal forming machines goes back to 1942. In that year Godrej gave India its first power press and press brake. Like all Godrej products they had that built-in dependability which Godrej products are famous for.

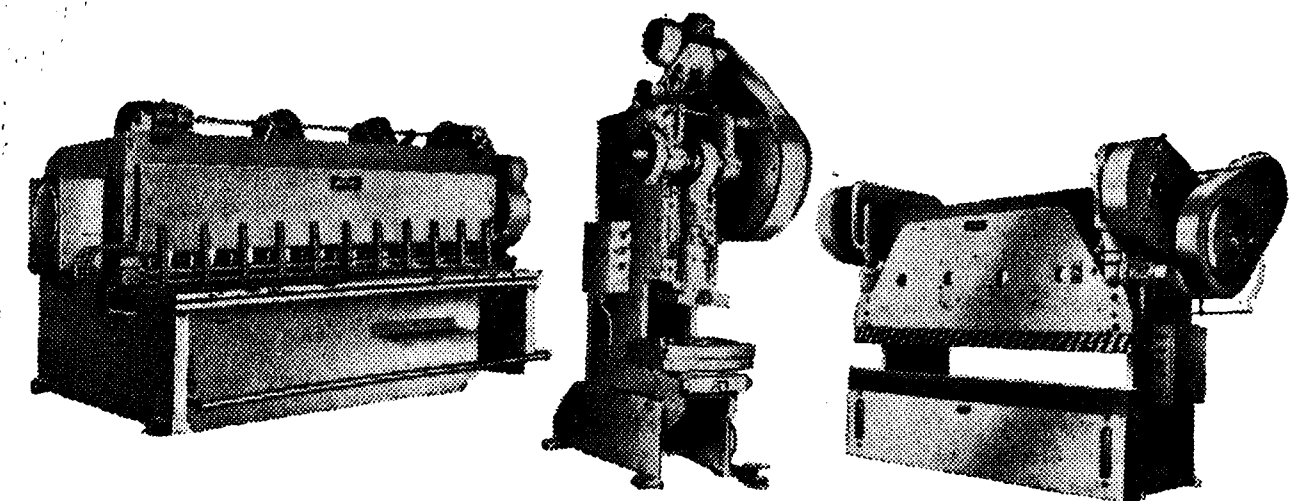
Today Godrej make a wide range of presses, press brakes and

shears in tonnages and capacities to suit your manufacturing needs—from as low as 10 tonnes to as high as you'd like to go. You can select from a variety of stroke, speeds, shut height, throat depth and table area.

All Godrej machines surpass generally accepted standards of excellence. You can depend on them to make your tooling ideas come true. Our machines assure you of dimensional accuracy and long tool life and fewer regrinding interruptions.

That's why Godrej machine tools are used by India's leading manufacturers who are known to maintain the very highest in standards. Godrej machine tools made in India have in fact, proved that dependability is a result of experience—not collaboration.

For details or help in selection and tooling, write to: Godrej & Boyce Mfg. Co. Pvt. Ltd., Godrej Bhavan 4A Home Street, Bombay 1



We're more experienced, so we're more dependable *Godrej*

Advertising - Some Vital Questions Answered

By BRINSTON MIRANDA

Those who are intimately connected with the purchase and the creation and placement of advertising have always wanted to know the answers to some key questions. Here are some definitive views:

Do people read long copy?

People will read almost any amount of text if they are interested. One classic example: the 6000-word full page all-type ad for Merrill, Lynch, Pierce, Fenner & Beame in the New York Times with the headline "What everybody ought to know... about this stock and bond business." The ad was seen by half of the New York Times audience and 20 per cent read more than half of the text. Although the ad was not designed to produce enquiries, two offers were made in the text. Within the first week over 4000 replies had been received and within a month the total had reached 5,033 requests for 20,000 copies of the items offered.

In India, Siemens product advertising (contactors, switches, switchboards, motors, tropodur cables) has had a radically increased amount of text as compared with any competitive advertising. The Company reports a good response to this form of presentation. The Televista ads also have detailed text, so also the various offers from Bullworker, Sauna Belt, Reader's Digest, and Memorex Systems.

In the U.S., a 800-word ad for Alexander Hamilton Institute entitled "A wonderful two years' trip with full pay—but only men with imagination can take it," ran for seven years and out-sold all the other ads that ran for the Institute at that time. Daniel Starch & Staff did a study on the subject. They checked over 1000 full page 4-colour ads—automobile ads for men, food ads for women—in the Saturday Evening Post and they concluded "If for a typical one page 4-colour ad with 75 words of text we assume a 'seen-associated' score of 40 per cent and a 'read-most' score of 8 per cent the 'seen-associated' score for an ad with 500 words (influenced only by amount of text) would be 32 per cent and the 'read-most' score would be 6 per cent."

Hence at this level of readership, as a broad rule, you may say that for each additional hundred words of copy, obser-

vation scores "noted" and "seen-associated," decline by about 2 percentage points, and the "read-most" scores, half a percentage point.

The fact is that people do read long ads, and that with increase in text, readership tends to decline only moderately.

How often can you repeat a good ad?

The Colgate Dental Cream ad ran in unchanged form for over 10 years 1956-1966. Even then, they changed only the female model. Today, the same basic theme still runs, only the visual depiction has changed.

The Lux toilet soap campaign with film stars' endorsements is running since 1937.

"Do you make these mistakes in English?" This ad ran for at least 15 years without any message change. It outpulled all ads tested against it and it is said to have produced enquiries running into millions. John Caples' famous ad for the USA School of Music, "They laughed when I sat down at the piano but when I started to play!" ran for over 20 years and also outpulled all the ads tested against it.

Rosser Reeves in "The multi-million dollar error," says: "Too frequent change of your advertising campaign destroys penetration": 3 great basic principles of advertising reality emerged from our research:

- (1) Changing a story has the same effect as stopping the money so far as penetration is concerned.
- (2) Thus, if you run a brilliant campaign every year, but change it every year, your competitors can pass you with a campaign that is less than brilliant, provided he does not change his copy.
- (3) Unless a product becomes out-moded, a great campaign will not wear itself out.

How much does ad position matter?

The study conclusions here are contradictory. Gallup's Media Factor Report of May 1968 was based on a series of reading and noting studies carried out in the UK over a 4-year period with readers

of 3 weekend colour magazine. Noting scores were collected from 1212 full-page colour ads and 438 black and white ads appearing in one or other of the 3 magazines. The Gallup Report says that premium rates are not justified. It explains that people are now reading ads rather than accidentally catching sight of them while reading an article. Noting scores are highest for:

- (a) Ads opposite other ads
- (b) Ads surrounded by other advertising
- (c) Ads in issues where editorial relates to products and services advertised.

The Report says: "Within the observed limits of British journal sizes, the more magazines simulate the high street situation by clustering ads in the way that shops in the high street huddle together, the better both for readers and advertisers." The Report continues, "Black and white ads benefit more than colour from the company of other advertising and they benefit especially from facing colour ads".

On the other hand, in the USA, Starch has found that for magazines, ads on the second cover, the page facing the 2nd cover, and the 3rd cover, have a 30 per cent higher readership than inside pages. The fourth cover had a 64 per cent higher readership.

For newspaper ads, the most significant factor is said to be placing ads beside editorial matter dealing with the same subject: Cookery ads on a women's page, gardening ads on gardening pages, and so on. If you place your ad near the front of the publication on a right hand page facing editorial, Starch says, you do get a significant gain in performance.

Does my ad get as much readership in 'fat' publications?

Strangely enough, it seems people devote more time to fatter publications so that, although readership of ads does tend to decline as the magazines and news papers get fatter, it does not decline as much as you might expect.

A study of Life and Saturday Evening Post by Starch revealed that within the range of 101 to 160-page magazines, the decline in readership is about 10 per cent. This means that an ad with readership

scores of 40 per cent in an issue of 100 pages would have a score of 36 in an issue of 160 pages. This looks a pretty small difference in comparison with the effects of good creative work, which can double or treble the readership of an ad.

What happens if we double the size of our ad?

"A quarter page ad with a real message exceedingly well done and in creative fashion, can outdo a two-page spread which has nothing to say and use 4 colours." Using the same size space, some advertisers in the same publications received as much as 20 times the readership of others, and in one extreme case the ratio was over 50 to 1.

"While larger ads do bring in more enquiries, the number is not quite in proportion to the larger space." And in the case of newspapers, doubling the space does not automatically double the number of readers attracted. For example, in a study of national magazines, over 3 years, it was found that if returns from full pages were pegged at 100, half page ads bring returns equal to around 60, and quarter pages produce returns equal to around 33."

Relative Effectiveness of Space Size

According to an analysis, the relative effectiveness of space size on an index basis is as follows:

1—pg=100

1—pg bleed=116—137

$\frac{1}{4}$ pg=29

$\frac{1}{8}$ pg=33

$\frac{1}{2}$ pg=44

$\frac{3}{8}$ pg=64—75

2—pg. spread=132—150

2—pg insert=211—241

3—pg=171

5—pg=163—186

The better a small-size ad pulls, the more difficult it would be to produce a large size one that pulled proportionately better. For example, if a half page attracts 60 out of 100, the corresponding whole-page could not possibly attract 120 readers as there are only 100 in total. Instead, in similar conditions, the full page ad would attract 60 per cent of the remaining 40, i.e., 24 readers of the readership score for full page would be 84. In a study covering ad sizes, type of product advertised, relation of pictures to copy space, and number of items in the ad: the size and product advertised were found to explain three-fifths of the variation in readership. Size alone explained 40 per cent.

In a study of factor analysis of 34 advertising variables, covering business magazines, it was found that ads' sizes with colour and amount of illustrations

seemed to be the chief determinants of attention value:

	per centage of total variants
1. Pictorial and colour aspects of ads	... 41
2. Size of ad	... 12
3. Typographic size and variety	... 8
4. Informative nature of ad	... 3
5. Influence of surrounding matter	... 3
6. Influence of previous schedule	... 1
Total	... 68%

Starch's other conclusion: "While the reader audience of a two-page ad is only 50 per cent larger than that of a one-page space, its prestige and illustrative values appear to be 150 per cent (Magazine readers are impressed for prestige by this kind of size)."

Advertising in the March

By NIRAJ

A CONTEST WITHOUT TEARS

One has to buy a Prestige Pressure Cooker to qualify for a free gift of an Idli Stand. The same way, you must get two big boxes of Super Surf to become entitled for a plastic bucket at a concessional price. Godrej's 'Biz' (a multi-purpose cleaning powder) showers on the prospect the blessing of a sample packet of Magic Powder besides concessional coupons for a tin of Fresca Face Powder and a jar of vanishing cream.

Tube Investments of India has broken new grounds in their sales promotion of Hercules Cycle with their free contest announcement. "Win Rs. 5,000! It is free for all; Everyone can join." So reads their ad copy in bold print. What a refreshing and soothing news to the contest-hungry

patrons! And what a welcome departure on the part of the promoters! The entry form appears underneath the ad. Out of the twelve attributes of the Hercules Cycle, the contestant has to select ten in their order of importance.

An excellent manner of acquiring a mailing list, which can be put to a thousand and one use at a later stage by the promoter. Contest without tears, eh? Three cheers to TI.

THE FORTY-YEAR YOUNG MAHARAJAH

In the annals of advertising, the most provocative and at times most controversial ads have emanated from Air-India. Yet there is no venom inside nor any malice shed outside. Harmless, innocent, funny and all the same pregnant with wit and wisdom, the

copy themes are topical and the visuals perfectly match the theme. How true rings the saying, 'Age cannot wither her, nor custom stale her infinite variety' with Air-India.

Air-India recently came out with an image-projection ad. And this time strangely enough, the ad has a serious tone. J.R.D. Tata was the pilot of the first air-craft that took off from Karachi and landed at Juhu, Bombay on October 15, 1932. So begins the copy in a reminiscent mood and catalogues, interestingly of course, the vicissitudes and achievements in Air-India's flying career.

The editorial type ad reads like a fascinating story. The boss was the pilot then and a tender tribute has been given to the drive, enthusiasm and enterprise of Mr. Tata, which gains our instant acceptance.

A well-knit, arresting ad from HTA.

TAMIL NADU SMALL INDUSTRIES DEVELOPMENT CORPORATION LTD.

(AN UNDERTAKING OF THE GOVERNMENT OF TAMIL NADU)

"Kannammai Building," No. 122, Anna Salai, Madras-6.

Chairman's speech delivered by Thiru R. Natarajan, I.A.S., Chairman & Managing Director, Tamil Nadu Small Industries Development Corporation Limited, at the Second Annual General Meeting of the Company held at 4-00 p.m. on the 31st October, 1972, at Madras.

Friends,

I have great pleasure in welcoming you to the Second Annual General Meeting of the Company.

The annual accounts and audited Balance Sheet and Directors' Report for the year ended 31st March, 1972 have been circulated to all the shareholders, and, with your permission, I shall take these as read.

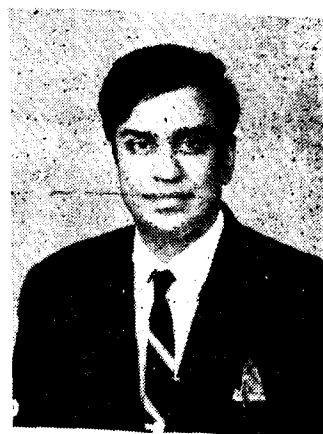
As the Report of the Directors would reveal, the year 1971-72 has been one of consistent consolidation. This was the first full working year of the Company. Even in the earlier five and a half months of its existence in 1970-71, the Company had shown splendid signs of promise. The working of the Company during 1971-72 has not only revealed to us the golden vistas that lie ahead of the Company, but has also given us confidence in our ability to surmount difficulties and discover the open sesame to industrial prosperity. The realisation that the SIDCO has been entrusted with the keys of the kingdom of small industries adds to our sense of determination to fulfil the trust that the Government have placed in us in entrusting us with their development.

During the first five and a half months, the Company was still finding its feet. It had confined its activities to the procurement and distribution of iron and steel so vitally needed by the small scale industries of the State. During the second year 1971-72, the Company not only stepped up the value of iron and steel distributed by it to Rs. 379 lakhs but also started procuring and distributing other important raw materials like Mutton Tallow and Caustic Soda. The value of such materials distributed during the year 1971-72 was as substantial as Rs. 43 lakhs.

Side by side with the distribution of raw materials, other far reaching steps were taken by the Company to assist small industries in the State. One of the biggest steps taken by the Company was to formulate a scheme for the procurement and distribution of machinery to small industries on really attractive terms. Within a period of one year in 1971-72, the Company has assisted as many as 165 entrepreneurs to purchase machines worth Rs. 84 lakhs. There has been a heartening and heavy response to this scheme which has encouraged

the Company to step up the value of assistance thereunder, for it is these machines which serve as sinews of industrial production. The number of entrepreneurs assisted by the Company upto 30th September, 1972 is 305 and the value of assistance sanctioned comes to as much as Rs. 139 lakhs.

One of the special features of assistance given by the Company was the provision of concessional assistance to the educated unemployed. As many as 45 educated unemployed persons were helped under the special terms envisaged by this scheme, which has amply alleviated the present, pressing problem of technical unemployment.



Thiru R. NATARAJAN, I.A.S.

The Company has also instituted a scheme of construction of workshops on a Hire Purchase Basis. Within a record period of five months, the Company completed its first phase of construction of 17 workshops at its estate at Ambattur. The sheds were allotted to small industrialists on a hire purchase basis. Timely assistance for machinery was also extended to the occupants of these sheds simultaneously, so that production could start right from the date of completion of the sheds.

A second phase of 50 workshops has been put on hand at Ambattur. A special feature of this II Phase is that a contiguous area has been allotted to cycle ancillaries.

Further, the SIDCO is taking steps to put up Artisan Sheds at Madurai, an export oriented functional industrial estate at Ooty and a multipurpose industrial estate at Tiruvavur as also in other districts, with particular references to development of backward areas.

An industrial complex serving as ancillaries to the textile industry has also been taken on hand by the Company near Coimbatore. The SIDCO has undertaken these ancillary units as a part of its sure fire strategy to ensure that there are no marketing problems which usually plague the small industry.

The Company has also taken on itself the responsibility of encouraging industries which have a potentiality for growth in specific areas. Taking into account the paucity of chemical industries in Tamil Nadu, the Company has commissioned studies for development of functional chemical complexes in the following areas:

1. In and around Madras;
2. In and around Mettur;
3. In and around Tuticorin inclusive of Sahupuram;
4. In Coimbatore-Mettupalayam area; and
5. In Neyveli-Panruti area.

The company has also constituted an Expert Committee on Chemicals in which some of the top experts in the field have been associated. The technical advice of the expert committee will be kept in view by the Company. As advised by the Committee, studies have already been instituted for examining the feasibility of the manufacture of Chlorinated Paraffin Wax and liquid fertiliser in the State.

Another area in which there is tremendous potential for growth in the small scale sector is Electronics, consequent on the recent explosion in the field. The Company has constituted a high power Committee on Electronics, consisting of Experts from all over India. The expert advice of this high-power Committee is being availed of by the Company in establishing new industries in the field of Electronics.

Shareholders would be glad to know that the Company is in close liaison with the State Trading Corporation of India in regard to meeting the needs of imported raw materials of small scale industries and in regard to finding export markets for the finished products of small industries. I have every confidence that these longstanding liaison arrangements with the State Trading Corporation of India would go a fruitful way to assist small industries of the State. In furtherance of these arrangements, specific studies of a few select sections like leather, processed foods, and ceramics have been taken up.

SIDCO can also take legitimate pride for being one of the public sector organisations which have started earning profits right from the very inception. The profit for the year under review was higher than for the previous one.

The development of Small Industries in the State is a tremendous task, which will test the steel of any organisation. Problems like procurement of raw materials, marketing, power-cut, etc. hang like a Damocles' sword, ever ready to take a terrible toll of any unwary small industrialist.

But, then, the SIDCO realised that "Problems are the price of progress" which can be surmounted through both long term planning and short term, specific solutions. While perspective planning is required to promote small industries centring round self-reliant and self-employed educated unemployed personnel, with a view to minimising spatial disparities in development, planning and providing long term employment opportunities and dispersing the various spread effects of industrialisation—economic, social and attitudinal—the SIDCO realises that nobody "lives in and for the long term" and short-term measures yielding quick results should be the best strategy to motivate a missionary movement in Small Scale industrialisation. The SIDCO realises only too well that a crash plan to develop ancillary industries is most essential as part of a planned programme to realise all the economic and technical possibilities of a complementary and rewarding relationship between the large and small scale industries, so as to give self-employment to the educated unemployed. A reorganisation of rural industries based on intermediate technology in semi-urban and rural areas, through a phased creation of functional industrial complexes on a hire purchase

arrangement, will have to be yet another part of the SIDCO strategy to help the evolution of an industrial synthesis of the large, small and rural industries, which will be a modern meshwork and no patent patchwork.

If the past is any indication, there is no doubt that the SIDCO will embark on its voyage of aims and achievement for 1972-73 with cheer, courage and confidence.

Before I conclude, it is my privilege and pleasure to thank the Directors, Officers and Staff of the SIDCO for their unstinted efforts and dedication, but for which the year under review would not have been this successful.

To the Government of Tamil Nadu, and particularly to our dynamic Minister for Industries, Thiru S. Madhavan, the Company owes a deep debt of gratitude for all the advice and assistance received by the Company at every stage of its formative operation. The many achievements to the credit of the Company would not have been possible but for this sovereign specific.

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

Tamil Nadu's Pivotal Role in Pump Industry

Addressing the first quarterly conference of the Indian Pump Manufacturers Association at Madras recently, Mr. Shreekanth S. Kirloskar, the President of IPMA, said that the Planning Commission should set up a task force committee to make a complete survey of the pump industry.

Excise Duty on Power-Driven Pumps

Mr. Kirloskar observed that pump manufacturers were put to some difficulties on account of the ten per cent 'ad valorem' excise duty on power-driven pumps. Representations had been made to the Central Board of Revenue on this subject and yet no remedy was forthcoming. There has been confusion about the applicability of excise duty on certain types of pumps.

Mr. Kirloskar appealed to the Government to fix tariff values without any further delay. In this connection he referred to the enhancement of tariff rates on August 12, 1972, which created some difficulties for pump manufacturers. Notification about this rise in tariff was received by the manufacturers and trade only ten days later. But the manufacturers were asked to pay the extra duty arising out of the motor tariff values on all clearances effected from their factories on and after August 12. It

was impossible, however, to realise the extra duty from those who had purchased electric motors and pumpsets before August 26. Mr. Kirloskar hoped that the Union Finance Minister would look into this matter.

Non-availability of Hard Coke

Mr. Kirloskar pointed out that enough B.P. hard coke was not available to the pump manufacturers, though premium quality bye-product coke was exported. Acute shortage of coke had hit the pump industry and Mr. Kirloskar appealed to the government to permit export of quality hard coke only after meeting the domestic needs.

Earlier in his speech, Mr. Kirloskar referred to the existence of a large number of pump manufacturing units in Tamil Nadu. He said that Coimbatore was the birth place of pump industry in the country. Of the four pioneer units in the field of pump manufacture in the country, two belonged to Coimbatore. Mr. Kirloskar said that there were 151 pump manufacturing units in the small scale sector in Tamil Nadu. The units in the State account for a third of the total production of power-driven pumps in the country.

Inaugurating the conference, Tamil Nadu Governor K.K. Shah wanted the IPMA

to start a research and development institution. He said that research should be conducted to manufacture pumps suited to different areas in the country. He suggested that the Association could organise co-operatives for small agriculturists to encourage the use of pumpsets.

Need to Develop Cost Consciousness

Mr. Shah said that the pump industry should develop cost consciousness and produce pumps at cheap cost. Indian pumps, the Governor observed, had a large market abroad and the pump manufacturers should join together to exploit the opportunity.

Mr. V. Ramamurthy, Managing Director of the Tamil Nadu Agro-Industries Corporation Ltd., spoke on the occasion and appealed to the manufacturers to diversify and develop new types of equipment suited for use in areas where the water table had fallen low. Mr. Ramamurthy said his Corporation had supplied to farmers a large number of pumpsets during these years. He said that dealers should offer advisory service to farmers in the correct use of pumpsets.

Mr. K. Srinivasan, Vice-President, IPMA earlier welcomed the gathering. Mr. T.P.K. Nayar, Chairman of the Southern Regional Council, gave a review of the activities of the Association. —P.S.R.

STATE INDUSTRIES PROMOTION CORPORATION OF TAMIL NADU LTD.

"MECO HOUSE" Madras-2.

CHAIRMAN'S SPEECH

Speech delivered by Thiru M. G. Raja Ram, I.A.S. Chairman, SIPCOT, at the First Annual General Meeting of the Company, held at 3-30 p.m. on Wednesday, the 18th October, 1972 at Madras.

Friends,

I have great pleasure in welcoming you to the First Annual General Meeting of the Company.

The Annual Accounts, Balance Sheet and the Directors' Report for the year ended 31st March, 1972, have been circulated to all the Shareholders and I trust, I can take them as read.

As you all know the First Year of the Company's activities has coincided with one of the most eventful years in the history of our Country. A decisive victory over Pakistan and the conclusion of the Simla Pact have assured the Country a spell of durable peace. With the emergence of stable Governments at the Centre and the States, the outlook for progress is bright.

As far as Tamil Nadu is concerned, the outlook for progress appears much more promising. The State has become marginally surplus in food grains and the rate of growth in Industry has been ahead of the average rate of growth in the Country. Though the State is not endowed with natural resources to any significant extent and the capital formation has also been poor, yet we have been able to achieve an encouraging rate of growth in recent years. This is in no small measure due to the bold and progressive entrepreneurship of the people of the State, the dynamic promotional role of the State Government and the excellent infra-structural facilities. Though the Industrial development has been confined so far to a few Districts of the State, the basic infra-structure is available throughout the State. In fact, the State leads the rest of the Country in urban development.

With a view to quicken the pace of industrial growth, the Government have initiated a series of measures. The most important of such measures is the setting up of the State Industries Promotion Corporation of Tamil Nadu Ltd., to play a more effective promotional role and to hasten the industrialisation of the backward areas of the State by offering direct stimuli through a Package Scheme of incentives, liberal financial assistance and other ancillary services. SIPCOT's role is to supplement the activities of the existing financial institutions and act as a catalyst for the growth of the Medium and Major Industries particularly in the backward areas of the State. Various Institutions set up by the Government for the promotion and development of industries have distinct functions and roles

assigned to them. TIDCO has been entrusted with the task of setting up Medium and Major Industries in the State and Joint Sectors. TANSI owns and manages Small Scale Industrial Units in the State Sector. SIDCO is in charge of development of Small Scale Industries in the Private Sector. TIIC is the State Financial Corporation which confines itself to the provision of financial assistance to Industries. Thus, there is absolutely no room for overlapping of functions. I think that such clear cut demarcation of functions of the various institutions is not found anywhere else in the Country.

With the none-too-bright a Capital Market and the increasing costs of the projects, joint financing by more than one Institution has become necessary. Further, the role of tradi-



THIRU M. G. RAJA RAM, I.A.S.

tional financing institution has been passive in the sense that it assisted only those projects which came to it for assistance. In order to achieve a more rapid industrial development, there is need for an institution to provide the balancing finance over and above what can be obtained from the existing financial institutions which are governed by certain norms of margins, etc. Such an institution should nurse the schemes and help new entrepreneurs by giving them all ancillary facilities from the idea formulation stage and help them to obtain necessary finance from the existing institutions and also provide supplemental finance. SIPCOT has been set up to meet this need. To fulfil these objectives, SIPCOT has adopted a marketing approach to the task of industrial

promotion. SIPCOT would like to render any kind of assistance for the development of Medium and Major Industries which no other institution feels specifically responsible for.

Coming to the operations of SIPCOT, as you are aware, we commenced our activities only during the last quarter of the year under review. The Directors' Report has covered elaborately SIPCOT's activities during this short period. I would, therefore, confine my remarks to a brief review of our operations since the close of the year and our plans for the future.

FINANCIAL ASSISTANCE:

We have so far decided to assist 9 Industrial Projects two of which are Large Scale Projects and the remainder Medium Scale. Term Loans have been sanctioned to four projects for an aggregate amount of Rs. 24 lakhs and other cases are being processed.

CREDIT GUARANTEE SCHEME:

The Government of Tamil Nadu have approved our proposal for a Credit Guarantee Scheme for Medium Scale Industries. The object of the Scheme is to afford a degree of protection to Commercial Banks in respect of Term Loans advanced by them to Medium Scale Industries. I hope the Commercial Banks will now come forward to extend Term Loans to Medium Scale Industries in a big way.

While the principle of joint lending with TIIC has already been put into practice, we are also in touch with other All India Financial Institutions with a view to ensure that no worthwhile Project is allowed to languish for want of Institutional support. We have also formulated a Consortium Aid Scheme in consultation with Commercial Banks and the Scheme awaits Government's approval.

UNDERWRITING:

Realising that mere soft loans would not be enough to attract Entrepreneurs to backward areas and taking into account the difficulty of new Entrepreneurs in finding risk capital for any medium or Major Project, SIPCOT has decided to provide risk capital by underwriting capital issues of all worthwhile Projects to be started in backward areas. We are, however, prohibited from Underwriting more than 10 per cent of the Subscribed Capital of the applicant Company without prior approval of the Government of India. We have represented to the Government of India that as a Promotional Institution, we

should also be entitled to the exemption available to All India Financial Institutions from this restriction.

FEASIBILITY STUDIES:

In keeping with the Government's policy of encouraging new Entrepreneurs, who have neither the means nor the expertise needed to conduct Feasibility Studies before embarking on new ventures, SIPCOT has taken upon itself the task of identifying viable and profitable projects and preparing Feasibility Studies. These Studies costing less than Rs. 10,000 will be made available to Entrepreneurs free of cost. Studies costing more than Rs. 10,000 are to be given at a subsidised cost. We have already commissioned seven feasibility studies on the following projects:

1. Salicylic Acid,
2. Sarbitol,
3. Steel Technological Equipment,
4. Fibre Glass,
5. Hard Boards,
6. Glass bottles and vials, and
7. Dehydration of onions.

We have also taken on hand preliminary study of 12 more projects. We are examining the demand and supply position, market trends and availability of raw material, etc. Once we are able to establish a prima facie case, we will consider the question of commissioning Feasibility Studies. SIPCOT will also commission feasibility studies at the request of entrepreneurs and subsidise the cost of the studies. We invite Entrepreneurs who wish to start new Projects to make use of this facility freely.

PROVISION OF INFRA-STRUCTURAL FACILITIES AND DEVELOPMENT OF GROWTH CENTRES:

SIPCOT is actively considering the question of developing a few growth centres by providing the necessary infra-structural facilities. These growth centres are proposed to be selected in consultation with the State Planning Commission. To begin with, we intend taking up the development of about 700 acres of land available in Ranipet. A few Entrepreneurs have already proposed to locate new Industries in this area.

INTEREST FREE SALES TAX LOAN:

With a view to encourage the development of Medium and Major Industries in the Backward Districts of the State, the State Government have formulated a Scheme of Interest Free Sales Tax Loans to new Units as well as expansion or diversification of existing units to be located in the Backward Districts. SIPCOT has been appointed as the Agent of the Government to implement this Scheme. The Loans under the Scheme are Interest Free and are repayable after 18 years.

We have already sanctioned a loan of Rs. 23.18 lakhs under this Scheme to the Expansion Unit of the Enfield India Limited

which is coming up fast in Ramanathapuram District. A Provisional Eligibility Certificate for a sum of Rs. 7.5 lakhs has also been issued to a Major Synthetic Detergents Project to be set up in North Arcot District. More applications are under scrutiny.

10 PER CENT GRANT OR SUBSIDY:

The State Government have entrusted to SIPCOT the task of implementing the 10 per cent Outright Grant or Subsidy Scheme, 1971, of the Government of India. Under this Scheme, 10 per cent of the Fixed Assets created by a new unit or an Expansion Unit in any of the 10 Backward Taluks of the State is given as Outright Grant. We have so far registered 49 applications under this Scheme. Within a short period of six months since the Scheme was entrusted to us for implementation, we have scrutinised 23 applications and sanctioned a total subsidy of Rs. 15,11,896. You will be happy to know that this is the highest amount of Subsidy sanctioned by any State in India so far. The remaining applications are under various stages of scrutiny.

The Government of India is expected to extend the area eligible for this Subsidy shortly by notifying additional Taluks under the Scheme. We intend launching a vigorous campaign in all these Taluks in due course.

As a promotional Institution, we have been doing considerable spadework in respect of a number of new Projects. We are in constant touch with Entrepreneurs who have expressed their willingness to start new ventures and we have been helping them from the idea formulation stage.

We have compiled a list of the Letters of Intent issued to the entrepreneurs in Tamilnadu. We are getting in touch with Entrepreneurs who have not so far implemented the Projects for which they hold Letters of Intent. We intend helping them in all possible ways with a view to see that they succeed in the implementation of the Projects.

We have taken note of the dearth of competent Technical Consultants in this part of the Country. To meet this need, we are examining a proposal to set up a Consultancy Organisation in collaboration with other Term Lending Institutions and leading Industrial Houses. I am sure, with the co-operation of all concerned, this scheme will fructify before long and meet a long felt need of Tamilnadu.

You will agree with me that the promotional work we have undertaken takes time to yield results. We have now built up the necessary organisation and formulated the details of the various schemes of assistance. I will be able to report to you more about our achievements when we meet next year.

Before I conclude, I would like to refer to some of our problems. Firstly, I would refer to

the problem of resources. As you are aware resources available with the promotional institutions are meagre especially in the initial stages and their capacity to raise resources of their own is very much limited. Hence it may be necessary to consider why such promotional institutions also should not be made eligible for refinancing by an Apex institution like the I.D.B.I.

Secondly, I would like to emphasize that there is need to minimise procedural delays and the traditional adoption of excessive caution and conservatism in Industrial Financing. In this connection, I venture to suggest that it is time that Chief Executives of Financial Institutions including Commercial Banks put their heads together and work out a sound but simple procedure for expeditious consideration of applications for assistance. It would also be better if the institutions can think of a common application form. As joint lending has become one of the compulsions of industrial financing in the Country, a co-ordinated approach by the various institutions has become all the more necessary. I am sure, the various institutions concerned with industrial financing will be able to come together and devise measures to avoid dilatory procedures and duplication of efforts and help entrepreneurs get the assistance they need speedily.

When we consider that even after 25 years of our political Independence, we have still not been able to achieve economic Independence and nearly 50 per cent of the people continue to live below poverty line, the task is stupendous! Herculean efforts are therefore needed to achieve our goal of economic Independence. We face both a challenge and an opportunity. I am sure with the co-operation of all concerned, we will be able to face the challenge and use the opportunity in achieving the goal of rapid development and faster economic growth.

ACKNOWLEDGEMENTS:

I wish to place on record, our appreciation for the dynamic lead, given by the Government at all times and the encouragement and suggestions given to us by the Hon'ble Minister for Industries Thiru S. Madhavan, right from the start. I also wish to place on record our appreciation for the valuable assistance given to us by our Directors, Sister Corporations in the State and the Department of Industries and Commerce. And, last but not the least, the fine band of your Company's Officials and Staff, who by their hard work and devotion have spared no efforts in fulfilling the responsibilities given to them with all the teething difficulties at the formative stage, deserve your approbation.

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

INDUSTRIAL ECONOMIST

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Record Crushing at Sakthi Sugars

Sakthi Sugars Limited has expanded the crushing capacity of its sugar mills at Appakudal near Erode to 2500 tonnes daily from the initial capacity of 1250 tonnes. There had also been a significant increase in area under cane cultivation and scientific methods adopted to improve the yield and sucrose content per acre. During the year ended June 30, 1972, the working results have been extremely rewarding for the Company due to a new record in respect of the quantity of cane crushed, a higher level of recovery and the policy of partial decontrol. Indeed, Sakthi Sugars can boast of crushing the largest quantity of cane for any single unit in the whole country in the 1971-72 season though in respect of sugar production it occupied the second place because of a lower recovery generally in Tamil Nadu than that obtainable in Maharashtra. It also accounted for the highest level of earnings for any sugar mill in the Southern Region in 1971-72 after allowing for generous payments to cane growers.

BIG JUMP IN SALES

During the year ended June 30, 1972 the net profit, before depreciation and taxation, recorded a big rise to Rs. 135.34 lakhs from Rs. 55.06 lakhs in 1970-71. This was due to an increase in the quantity of cane crushed to 5.26 lakh tonnes (4.35 lakh tonnes) and the output of sugar to 50,063 tonnes (40,159 tonnes). The quantity of cane crushed for the whole of 1971-72 season was 5.91 lakh tonnes with a recovery of 9.42 per cent. Sales during 1971-72 jumped to Rs. 10.55 crores from Rs. 6.48 crores in 1970-71.

In view of the encouraging operating results the Directors have decided to recommend payment of the highest dividend in the history of the company viz., 15 per cent taxable (12 per cent for 1970-71). The equity shareholders, old and new, will also be benefited by the decision that Bonus share should be issued, subject to the consent of the Controller of Capital Issues and the approval of the shareholders, by capitalising Rs. 38.40 lakhs out of reserves and allotting them in the ratio of two shares for every five equity shares he'd. It is expected that the new equity shares will get fully paid up and be eligible to participate fully in the bonus issue.

The amount of profits set aside for depreciation increased to Rs. 29.89 lakhs (Rs. 20.05 lakhs). The transfer to development rebate reserve is higher at Rs. 13.50 lakhs (Rs. 7.22 lakhs). Dividend reserve is also higher at Rs. 12.95 lakhs (Rs. 10.56 lakhs) while gratuity fund gets Rs. 6.50 lakhs for the first time. There is a big transfer of Rs. 72.50 lakhs to general reserve (Rs. 17.19 lakhs). The estimated liability of Rs. 50 lakhs (nil) on the taxation

account will be met out of general reserve when the need arose.

FURTHER EXPANSION

The future prospects are quite promising as a distillery with an initial capacity of 2 million gallons annually started functioning in the later half of June this year. The capacity of this unit is being increased to 3 million gallons annually and after completion of the expansion scheme the total cost of the project will be about Rs. 75 lakhs. There will be a further increase in the crushing capacity to 4,000 tonnes daily. Negotiations in this regard are under way with the authorities concerned.

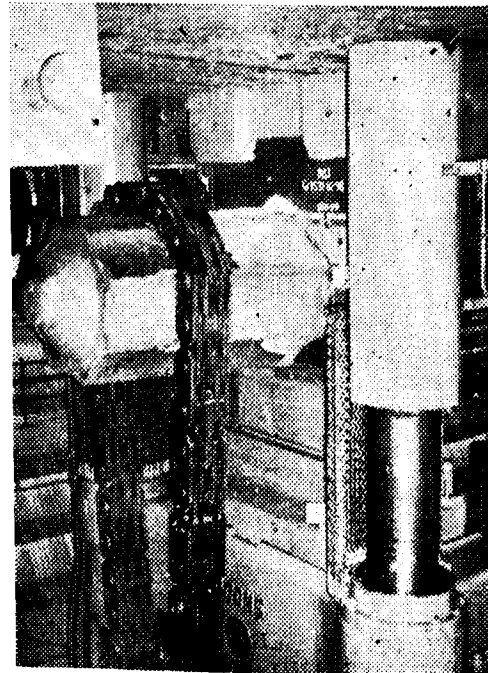
6000-TONNE HEAVY FORGE PRESS FOR HEAVY ENG. CORPN.

The 6000-Tonne Heavy Forge Press of the Heavy Engineering Corporation was formally inaugurated for trial operation by its Managing Director, S. C. Vadera, Ranchi, recently. The Press was formally handed over to the Foundry Forge Plant of HEC by Mr. Marsalek on behalf of the Czech experts working with the Corporation.

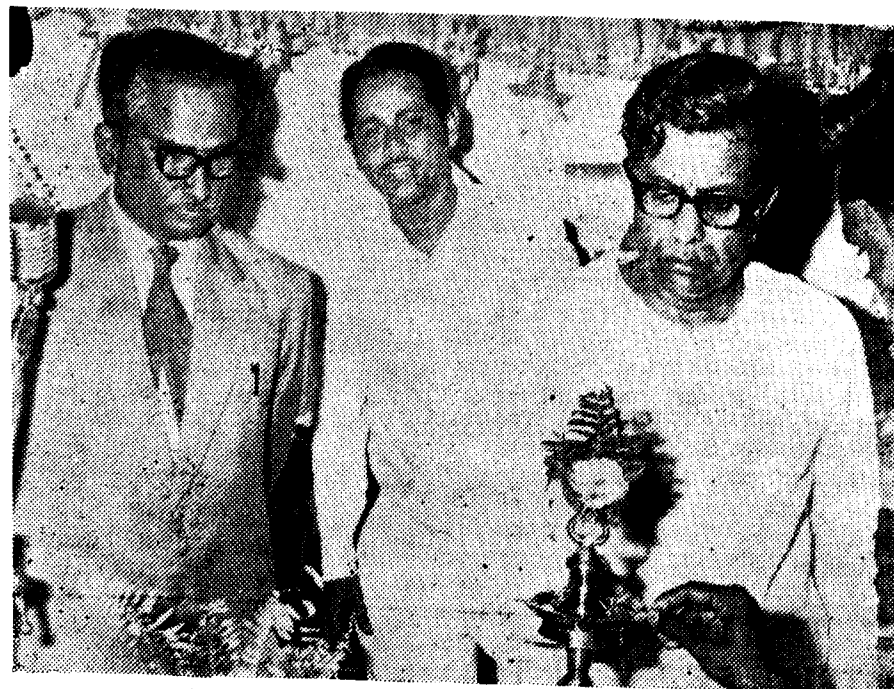
The Press will be able to forge generator rotors of 110 megawatts capacity, propeller shafts for big naval ships, big crank shafts, large pressure vessels, back

rolls for rolling mills and forgings for nuclear power plants.

Main equipment for the Foundry Forge Press weighing 24,000 tonnes has been imported from Czechoslovakia. The other equipment has been designed and manufactured in the Foundry Forge Plant. The Press cost Rs. 7.7 crores approximately.



The 6000-tonne heavy forge press recently commissioned at the Heavy Engineering Corporation, Ranchi.



Mr. C. Subramaniam, Union Minister for Industrial Development, opened the 72nd branch of the Tanjore Permaquent Bank Ltd., at T. Nagar, Madras. Here he is seen lighting the 'Kuthuvilakku' to symbolise the beginning of successful banking operations. With him are Mr. N. Kanagarajan, Agent of the Branch and Mr. B. K. Madhavan, Chairman of the Bank. The total deposits of the Bank amount to Rs. 7 crores.

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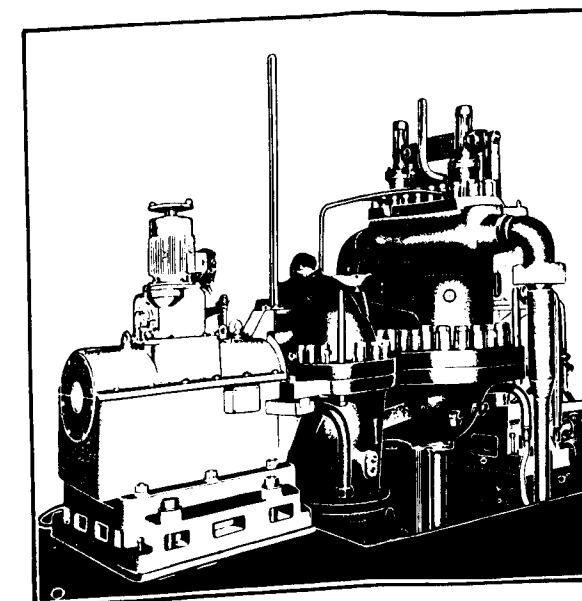
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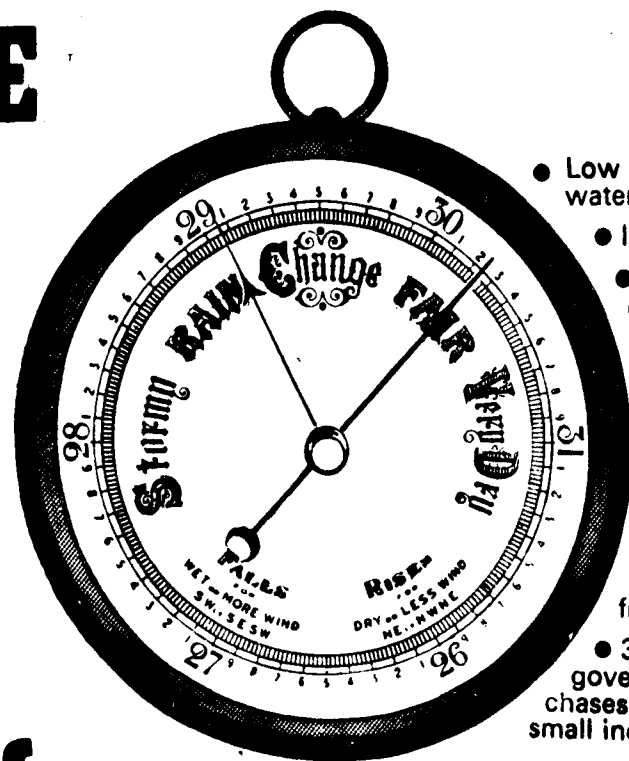
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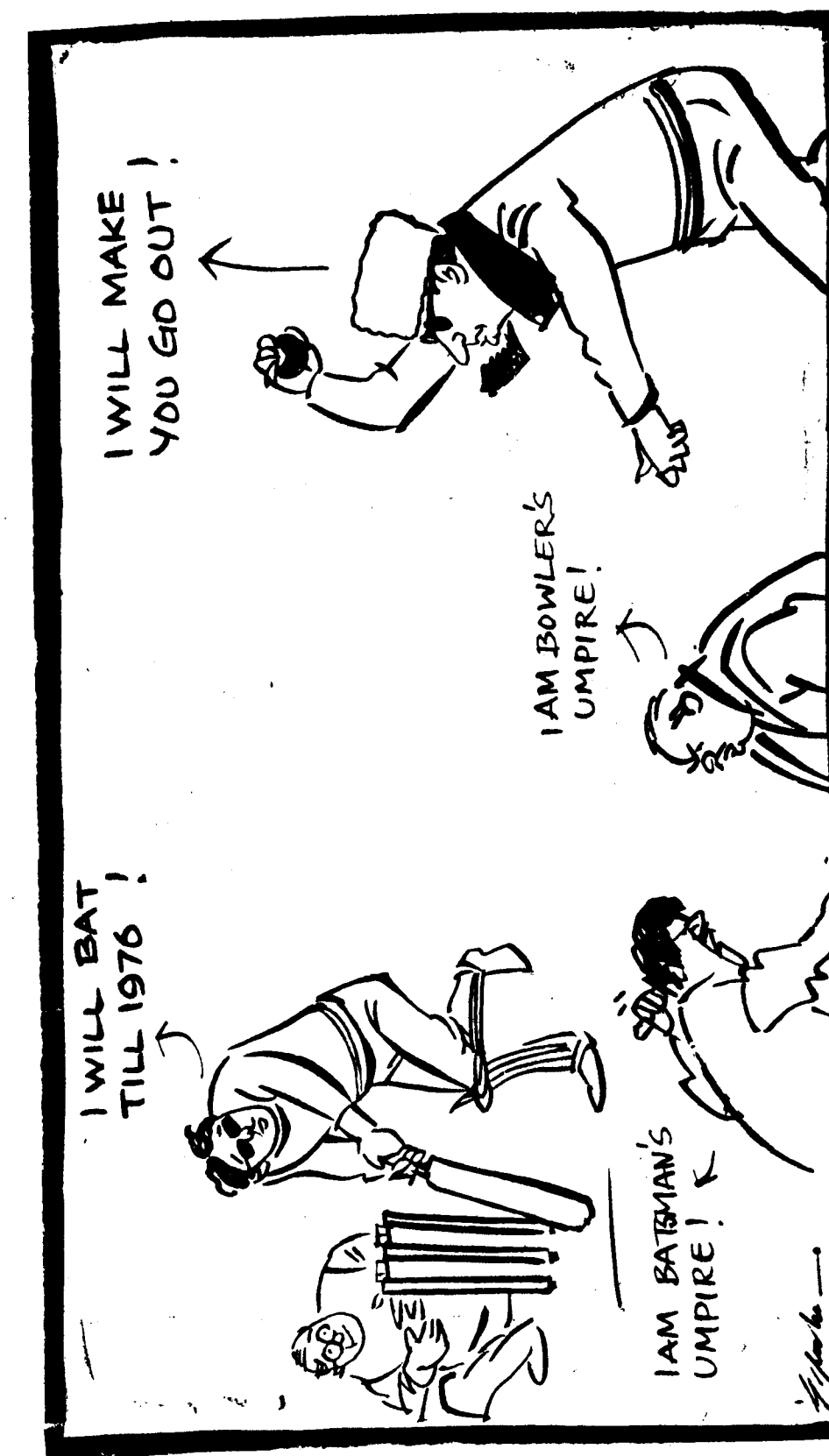
FILIBUSTER

One often did not come across a filibuster in Indian Legislatures. The Assembly session on December 2 provided the close equivalent of this when member after member from the Treasury side was waxing eloquence on the achievements of the Electricity Board. The all-throated speeches provided a continuation of subjects ranging from the achievements of the Electricity Board to the hoary traditions of

Most of these, M. G. Chandran, it appeared, was making a long speech which extended over 100 minutes. In the absence of any acoustic arrangement one could see only his gesticulations and a movement of the lips which reminded one of the long monologues he delivers in his films.

The opposition leaders appeared more active outside the Assembly. In the thick of the happenings they seemed to have been overtaken by the events and vocal members like Dr. H. V. Hande and T. N. Ananthanayaki made their voices heard more in the lobbies than in the Assembly. Dr. Hande was quite pre-occupied during his statement to be

One of the MK M.P.s. who was present in the Assembly precincts, when questioned about the need for hustling through the ouster of the Speaker, stated that it was inevitable. He also stated that one of the most distinguished constitutional experts of the country has told him during a recent consultation on the subject, that the measure contemplated was quite constitutional.



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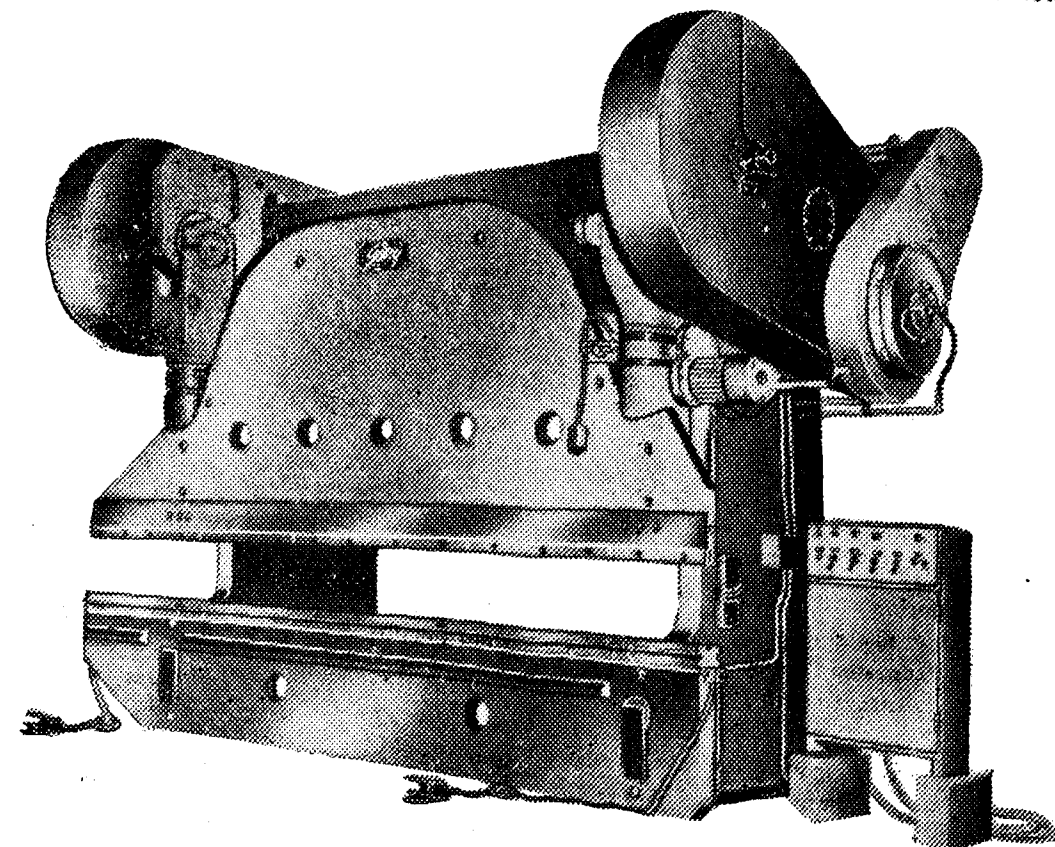
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The Citadel Needs a Long Siege!

The unprecedented scenes witnessed in the Tamil Nadu Legislative Assembly on December 2, have tarnished the reputation of the State for its sobriety. There were parallel sessions in which there were two presiding officers and two sets of participants, one speaking on the no-confidence motion brought against the Karunanidhi Ministry and the other, dealing in all seriousness, with the demands for grant for Tamil Nadu Electricity Board. The Speaker K. A. Mathiahagan was thus relieved of office by the same suddenness with which he adjourned the House till December 5.

Karunanidhi Could have Waited

The question of legality or otherwise of the methods adopted by the ruling party to remove the Speaker has been taken to the High Court by Mathiahagan. What was surprising was the unseemly haste with which the DMK Executive precipitated the issue. The Speaker stated that he would take up the question of the no-confidence motion against him with the Business Advisory Committee of the Legislature at 1.35 p.m., after the conclusion of the sitting for the day. Insofar as the Assembly session has been convened by the Governor requiring it to consider specific items and "other business for which notice has been given under the Legislative Assembly Rules," Mathiahagan could not have adjourned the Assembly session without taking up these items; even if he attempted the repetition of the "benevolent" advice he gave to the DMK Government to meet the people as he did on November 13 before adjourning the session by three weeks, the Executive could have ignored it and continued the session with the Deputy Speaker in the chair. As per the rules, Mathiahagan could not have completely evaded the issue of taking up the no-confidence motion against him, though he could have postponed taking up the matter to some extent. Once the issue is taken up, with the large majority the ruling party commands in the House (in a house of 234 members DMK has 176 and the allied parties of Forward Block and Muslim League have 7 and 6 members respectively), it could have ousted Mathiahagan without difficulty.

Karunanidhi seemed to have been in a hurry. The altercation between him and the Speaker when both were challenging each other appeared unbecoming of the office each was holding.

Karunanidhi did not anticipate events that took place on November 13 and must have been smouldering with wrath over the partiality of the Speaker. He appeared determined to oust him, and in consultation with the party's front-liners and the Legislative Assembly Secretariat, carefully planned the entire manoeuvre. The proposal of party member Veerasamy moving for the Deputy Speaker to take the chair to take up the no-confidence motion against the Speaker, the prompt seconding of this by the Leader of the House and the General Secretary of the party V. R. Nedunchezian, the prompt provision of a chair next to that of the Assembly Secretary for Deputy Speaker to conduct the proceedings, the switching-off of the mike for the Speaker and extending it to the Deputy Speaker and the members called upon by him to speak, the prompt publication of the news relating to the removal

of the Speaker in an Extraordinary Gazette, all appeared part of a well-planned manoeuvre. If Karunanidhi and his colleagues were stupefied by the sudden action of Mathiahagan on November 13, Mathiahagan and the opposition parties were more than stunned by the calculated move of the ruling party.

Mathiahagan Should have Stepped Down with Grace

Even without going into the legality of the issues involved one cannot help feeling that in the context of the overwhelming opposition against his continuing in office, the Speaker should have stepped down with grace. After all the majority of the Assembly elects its Speaker and notwithstanding the legal quibbles involved, he forfeits his claim for continuing in office once his decisions smack of partisanship.

It is also an unfortunate precedent set up by the DMK that the Speakers elected by it refused to relinquish their party membership. It might be recalled that Sanjiva Reddy announced his resignation from Congress after his election as Speaker of the Lok Sabha. Unfortunately S. B. Aditan, who was the first Speaker from the DMK party and his successors, Govindan and Mathiahagan did not do so; what was worse, these were actively participating in party activities. The Legislature should consider seriously the question of selecting only such of those members as Speakers who would agree to desist from party activities during their tenure of office.

It was also felt Karunanidhi should have anticipated trouble from Mathiahagan when he compromised into making him the Speaker. It might be recalled that Mathiahagan, who was once the Finance Minister of Tamil Nadu, was forced to relinquish his post along with two of his colleagues, under the serious cloud of corruption charges on their part. Even before his ouster then, Karunanidhi and Mathiahagan crossed swords on the floor of the Assembly on their individual assets' building. It was obvious after the 1971 elections that Mathiahagan was eager to get back into the Ministry and Karunanidhi appeared determined not to let this happen. Thus only as a compromise he was made the Speaker. The recent happenings have the lesson: In future a Chief Minister could compromise into taking a not-very-acceptable party member even as a minister but not make him the Speaker!

Poor Quality of Opposition

The single factor that appeared most significant in the episode was the vast differences in the capabilities of ruling party and opposition members that were put to the test by the events of the day. Immediately after the dethronement of the Speaker and the installation of the Deputy Speaker, a number of DMK Legislators

THE BATTLE FOR THE BELL

The bell of the Speaker was pinched by the DMK member Vedachalam who placed it before the Deputy Speaker P. Srinivasan when the two parallel sessions were in progress.

spoke on the performance of the Tamil Nadu Electricity Board. Starting from Rama Arangannal and followed in quick succession by Krishnamurthi, Kandappan, Rajagopal, Srinivasan, Ganapathi... one could hear clear exposition of the points made by almost everyone of these fluent speakers. The DMK has justly earned a reputation for rearing a large cadre of excellent speakers, who could hold big audiences for hours together. This has helped them get access to vast masses. In contrast, the quality of the opposition appeared to be far from adequate. While one can understand any deficiencies arising on account of sheer numbers, one cannot equally reconcile to the deficiency in regard to quality. One was reminded of an equally significant failure on the part of the opposition when Karunanidhi announced during the budget session of 1971 the

The Plight of the Reporters

That section of the people which was put to a good deal of strain during the Assembly session on December 2 included the newspaper reporters. The switching off of the mikes for the Speaker K. A. Mathiazhagan and for the members called upon by him to speak (these included M. G. Ramachandran, T. N. Ananthanayaki, K.T.K. Thangamani, Munu Adhi...) contributed to the drowning of the voices of these in the full-throated speeches of the members from the Government side—the sound system worked to the utmost efficiency after the Deputy Speaker was inducted into the chair!

The Speaker repeatedly ruled the expunction of the speeches made by P. Srinivasan and the DMK members made after 11.45 a. m. The Deputy Speaker also likewise stated that the speeches of those not authorised by him had been expunged from the proceedings. At the instance of the Chief Minister, he added special emphasis to this ruling: Turning to the side of the newspaper reporters he warned that those speeches should not be reported in the newspapers or broadcast over the radio.

The reporters were thus in a dilemma. In the absence of a clear cut lead as to the legality of the situation it was difficult for them to decide who really presided over the Assembly after 11.45 a. m.

scrapping of prohibition. There were thunderous claps, mostly from the ruling party benches; but there was not even a single spontaneous voice of protest from the opposition benches, many of whom swore by their faith to prohibition.

The only vocal elements among the opposition are Dr. H. V. Hande (Swatantra), Mr. Ponnappa Nadar (Cong-O), T. N. Ananthanayaki (Congress), James (Congress-O) and K.T.K. Thangamani (Communist). None of these has a command over the language—quite a few of these often resort to English to supplement their Tamil—that is comparable to that of even a third-liner of the DMK.

Some Ludicrous Demands

The demand of the opposition parties for the resignation of the DMK Government lacks conviction and justification. After all the party was voted to power only in 1971. If a handful number of opposition could present a petition to the President or the Prime Minister and consider it sufficient to demand the resignation of the Ministry, it only proves lack of maturity on the part of these to uphold the principles of democracy. Their only hope is to cause discomfiture to the Government whose strong majority unfortunately is too much for them. The plea of Dr. Hande to the Chief Minister

for his stepping down from office again appears unconvincing. This appeared a large cry from the claim of the ADMK leaders on the eve of the presentation of the petition to the President that the DMK Ministry will be thrown out in three days. Equally ludicrous was the suggestion to the Government to appoint a commission of inquiry on the corruption charges levelled against it. While one can understand the demand of the opposition for setting up a commission of inquiry to be appointed by the Centre, one is surprised on the naivete of the opposition in suggesting to the Chief Minister to appoint a Commission that will enquire into the charges against him and his colleagues.

The attempt of ADMK and the other opposition groups to bank on mass movements to remove the DMK from power appears a bit over-extended at this stage. These parties perhaps see a precedent in the overthrow of the Communist Government headed by E. M. S. Nambudripad. Then the Congress Party supported by the Nair Service Society and others overthrew the Government. But the Kerala Government was then a coalition none of whose constituents commanded an absolute majority in the Legislature. In the case of the DMK it has a very comfortable majority—the combined strength of the Opposition in the Assembly is less than 18 per cent of the total membership of the House. Once the hopes of ADMK of weaning away a large chunk of DMK following in the Assembly have not come true, the only other course open to them is to reduce dependence on the element of drama and concentrate on nursing the people. After all seasoned political leaders such as Kamaraj place faith on nursing the voters and are waiting for the turn in the next elections. Whatever be the gravity of the charges of corruption against the DMK Ministry, the Opposition has to proceed only on the basis of getting the verdict of the people at the elections. Any short-cut method cannot contribute to the stability of the Government in future.

Opposition Parties have a Long Way to go...

The Opposition parties have a long way to go. They have to train a cadre of devoted workers and talented speakers. They must attract more educated persons into their ranks and prepare themselves for the confrontation with the DMK at the polls. The opposition parties whose present strength in the Legislature is so low, would do well to embark on a planned programme of cultivating the voters right from now on to aspire for power in 1976. Except perhaps the Congress (O) other parties seem to be wholly ill-equipped to take the reins of the Government even if it comes their way, at this stage of their development.

INDUSTRIAL ECONOMIST

A Fortnightly on Industry & Finance, Madras.

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INDUSTRIAL ECONOMIST

Nandini's Victory May Cleanse Orissa Politics

The thumping victory of Mrs. Nandini Satpathy in the Cuttack by-election to the State Assembly is significant both in the national and State politics. In assessing its importance one must ignore both the charges of naked misuse of power by Central and State Governments and the strength and possible upshot of the defections and new alignments which are endemic to Orissa politics.



Mrs. NANDINI SATPATHY

The former have now become a common slogan of the defeated parties after any election and the latter are likely to be influenced as much by the possibilities at a later stage as by the initial reactions to a sensational victory at the polls. One thing is clear now. The ruling party at the Centre has arrested the decline in its popularity which started with the outcome of elections at Ahmedabad and Mysore. Mrs. Gandhi and her colleagues in the Party and the Government did not want to take the risk of a further setback and hence they must have put forth their best efforts to see that Mrs. Nandini Satpathy is victorious at the Cuttack Poll. Hence the broad hints of liberal Central assistance to Orissa.

And hence, too, the room for charges of corruption. But the fact

remains that the Congress has won hands down where for years it has been on the defensive. For Mrs. Satpathy, the by-election is a personal triumph in view of the circumstances in which she has had to face the challenge. Pitch-forked into an uneasy position by the decision of the High Command, possibly in the face of a natural reluctance to quit Delhi in favour of Orissa, her opponents have clung to the notion that she must inevitably fail when she has to face the challenge of an election which is a constitutional condition required to be met within a period of six months by a Minister who is not a M.L.A. This hope

was strengthened by the fact that all the opposition groups were set against her and her rivals at the polls were either ex-Chief Ministers or former veteran Congressmen.

That in such a contest Mrs. Satpathy coming out successful at the poll with a majority of more than 10,000 over her rival must be interpreted as a decisive swing away from rightist leanings and an expression of confidence in the new Chief Minister. Where defections are chronic, one must expect renewed efforts at new groupings and protests even from the members, of the Congress Party to New Delhi against their nominee.

Defection-ridden Orissa Politics

After the general elections of 1971 in the State, the Congress Party with its 52 members in the legislature had remained in the opposition. It did not join hands with Biju Patnaik's Utkal Congress, which had a strength of 36 members to form the Ministry. Patnaik, who abused Congress as not being a radical socialist party, nevertheless formed a coalition with Swatantra headed by Biswanath Das.

Subsequently, Patnaik changed his mind and decided to merge the Utkal Congress party with the Congress. Nilamani Routray, leader of the Utkal Congress Legislature Party and Home Minister in the erstwhile Das Ministry brought about a collapse of the ministry by merging his party with the Congress. Then the Congress High Command recommended Mrs. Nandini Satpathy as the Chief Minister of Orissa. The High Command decided to keep Patnaik out of the party.

Faced by the hardened chances of victory for Mrs. Satpathy at the Cuttack by-election, the High Command opened a dialogue with Patnaik for his party's support in ensuring her victory. Mrs. Satpathy, pressurised by leaders like Surendranath Dwivedy and Bhanka Behari Das requested

the High Command to give up its decision to take back Patnaik and other kept-out leaders into the Congress.

Meanwhile Patnaik decided to revive the Utkal Congress and outvote Mrs. Satpathy. He was able to muster the support of almost all opposition parties in backing Biren Mitra, Mrs. Satpathy's chief opponent at the poll. Then the Congress High Command got the support of Sham Sunder Mahapatra by revoking its earlier order suspending him. This order was previously served on him for his refusal to heed to the advice of the party to resign his Lok Sabha seat. Thus the Congress was able to get the help of the youth wing led by Mahapatra.

The stability of her government was further threatened by Muralidhar Kunar, a Congress MLA, who alleged that 40 Congress MLAs had signed and sent a letter to the Congress President. This letter, he alleged, wanted the change in the leadership of Mrs. Satpathy. Dr. Mahatab and Routray were behind the scene to plot against Mrs. Satpathy.

Mrs. Satpathy braved all these opposition strategies and came out with a large majority.

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INDUSTRIAL ECONOMIST

Glimpses

By P. R. SRINIVAS

Willy Brandt Back to the Saddle

The success of the coalition led by Willy Brandt in the West German election is not only a personal triumph for the Chancellor, but also a clear popular sanction for the Potopolik and an indication of the growth in the popularity of the Social Democrats. The electorate showed itself fully alive to the importance of Chancellor Brandt's detente with East Germany and turned up at the polling booths to the extent of 90 per cent of the total on the voters' list, the highest ever recorded.

The high price of bread and beer and the prevalent inflation are of no consequence for them beside the issues on which the Chancellor boldly staked his chances at the polls. Facing the election for the first time as the party in office, the Social Democrats have emerged as the largest single party. Though he has still need for a coalition in order to continue in office, the Chancellor's personal prestige and the party's standing with the people should help Willy Brandt to continue his constructive efforts to promote

good relations between the two Germanys and world peace and prosperity. Not the least of the welcome signs of the German elections is the support accorded to the Government by the 18-year olds who voted for the first time, along with the trade unions and the intellectuals. Herr Brandt is as definitive in his ideas of his relations with the other members of the E.C.M. and the U.S. in the economic and financial spheres as in his relations with East Germany. It is not too much to hope for a parallel improvement in former spheres as well.

March Towards Simla Agreement

Mr. Swaran Singh's statement on foreign policy in the Rajya Sabha stressing India's devotion to friendly and peaceful relations with all countries, particularly the U.S. and China, would at first make any feel that there lies in the background an uneasy consciousness of military inferiority. Though the inferiority is there, it is not the kind which should compel India to bend the

knee to any great power. Mr. Swaran Singh has taken a bold step in reaffirming India's recognition of Chinese suzerainty over Tibet. There is perhaps no similar point to emphasise as an incentive to the U.S. to promote cordial relations with this country. But in both cases alike, it should make a big difference if India succeeds in putting her relations with Pakistan on a basis of genuine friendship and baulks the two great powers of the advantage of a cat's paw in this part of the globe. The see-saw of improvement and set-back in the talks between the military commanders over the delineation of the line of control is no doubt a serious disappointment calculated to raise the fear of a relapse into the conditions of a year ago. But Mr Swaran Singh is prepared to regard it as a result of the differences in the interpretation of Clause 4 of the Simla agreement and is ready for discussing the issue with Pakistan at different governmental levels. The exchange of prisoners of war on the western front which has been carried out smoothly with even a gust of feeling for the enemy should pave for further progress in the implementation of the Simla Agreement.

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Subsidy for Employment of Engineers and Diploma Holders

An important scheme for providing employment to the technically qualified persons aims at the same time at improving the productivity of the employing units. This is the Punjab Government's scheme for the grant of subsidy to industries for employment of engineers and technically qualified persons, which the Planning Commission has commended to other State Governments for adoption.

Under the scheme, industrial units having a fixed capital investment of up to Rs. 25 lakhs are granted subsidy for employing engineers and other technically qualified persons equivalent to 50 per cent of their salaries for a period of one year without break. The subsidy is, however, limited to Rs. 200 in the case of graduate

engineers and Rs. 125 in the case of diploma holders. This is applicable only when the graduate engineers and diploma holders are paid minimum monthly salaries of Rs. 400 and Rs. 250 respectively. The employer units are required to employ the technically qualified persons for at least one year, to qualify for the subsidy.

One of the inherent advantages of the scheme is that, once an engineer or diploma holder is employed for a year and paid half the salary for the year by an industrialist, he is likely to be put on useful work which would give him good training, experience and confidence. At the end of the period, the employer may find it useful to retain his services.

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Rs. 100 Crore Naval Project At Vizag

By Rear Admiral R. TANDON,
Director-General, Naval Project, Visakhapatnam.

When the Government of India decided to build up the Eastern Fleet for the protection of the vital Bay of Bengal and our island territories, a concurrent decision was taken that logistic facilities for the maintenance and refit of these ships and craft should be created at Visakhapatnam where these ships will be based. This Project came into being in the year 1967 and Visakhapatnam was chosen as it was the intention to dovetail these new facilities with the existing Naval Base at Visakhapatnam. The Project outlay was envisaged at Rs. 100 crores.

The Naval Project, as it is called, consists of three principal components, viz., (a) The Base Complex; (b) The Training Complex; and (c) The Dockyard.

The Base Complex consists of office, living accommodation, berthing facilities and workshop buildings required for maintenance support of operational ships, namely those ships that are otherwise fit to remain out at sea on operational commitments but periodically come back to harbour or their base ports, for such minor repairs as may be required and collection of fuel, water, fresh rations and rest/recreation of personnel, to enable them to proceed to sea once again. These facilities are provided in the Base Complex. Repair facilities in the nature of assistance a car needs such as servicing, cleaning plugs, distributor points, carburettor, oil change, battery charging and so on.

Facilities for Sophisticated Training

An important aspect of manning the warships of such sophisticated nature is training. Hitherto, lot of training used to be conducted on board sea going ships. Though this had its advantage in that personnel received training under battle conditions, there are certain inherent disadvantages. Equipment life was to an extent wasted only on training and not on operations. There used to be shortage of accommodation on board ships which in any case have accommodation in confined spaces. To obviate this a fairly extensive Training Complex has been planned and is under execution,

which besides containing offices, class rooms and living accommodation for staff,



Rear Admiral R. TANDON

Admiral Nanda Inaugurates Work on Naval Dry Dock

Admiral S. M. Nanda, Chief of the Naval Staff inaugurated the Naval Dry Dock Project at Visakhapatnam on November 10, 1972.

Brig P. H. Narurkar, Chief Engineer Dry Dock, in his welcome speech gave a resume of the whole project from its inception upto this date. He particularly mentioned about the complexity of the design and execution of a project of this magnitude which has been undertaken by the Corps of Engineers. The design of Dry Dock has been done entirely by Indian engineers, thereby saving a large amount of foreign exchange.

The Chief Engineer thanked Vice Admiral Krishnan and his staff and all other Naval Organisations at Visakhapatnam for the co-operation extended in commencing this vital project.

Admiral Nanda in his inaugural address stressed the importance of having a Dry Dock at Visakhapatnam for the efficient functioning of the Eastern Naval Fleet. He also congratulated Brig Narurkar and his staff on undertaking this challenging job of design and construction of the Dry Dock.

The Largest Dry Dock in the Country

Design and construction of the Dry Docks has always been a challenge to the

contains near duplicate replica of all equipment fitted on board warships and submarines in various class rooms, so that these officers and men who have training in such simulated class rooms equipment will be fully conversant with all those equipment and when they come out and serve on board ships they shall be fully trained in all operational and maintenance aspects. The Training Complex also includes provision of play grounds, swimming pool, amenity halls, information room which form part of the extra curricular activities of trainees.

The most important of the three complexes is the Dockyard Complex in that it has the major portion of the outlay of the Naval Project. This consists of: (a) The Apprentices Training Work-

shop, School and Hostel, (b) Dry Dock, (c) Slipway, (d) Repair Berths, (e) Workshop buildings, (f) Test Houses and (g) Administrative and other technical buildings.

skill of engineers and remains so today. The difficulties stem not only from the proximity to sea water but also from the very nature of the dock as an earth retaining, as well as an earth supported structure; soils being notoriously the most variable, and their behaviours least susceptible to rational calculations. So far in our country dry docks have been both designed and constructed by foreign consultants and contractors. The Military Engineers, true to their pioneering spirit, have taken a step towards self-reliance and undertaken both design and construction of the largest dry dock in the Country, with entirely indigenous know-how and machinery.

This dry dock, when completed, will provide the essential repair facility to ship on the East Coast. In the whole country, we have just ten dry docks worth being called so; as such this dry dock will not only relieve pressure on other commercial dry docks but will contribute greatly towards saving of foreign exchange. The dock is designed to take upto 80,000 tonnes DW ships; it is, however, being built with two chambers so that it cannot only be used for simultaneous repairs of more than one ship but at a later date, can also be used for ship building if necessary. It is estimated to cost Rs. 20.29 crores and likely to be completed in four years.

The proposed Dockyard is meant to carry out major overhauls of ships and its equipment. This is distinct from assistance rendered to operational ships in the Base Complex in that ships are kept in Dockyard hands for long periods of time, equipments are removed from the ships and taken to the various workshops in the Yard for overhaul, repair, testing and finally installed and commissioned on board ships. Besides various workshops and administrative buildings, there are also some test houses where sophisticated machinery like diesel engines and gas turbines, after repairs, will be tested on stands to ensure satisfactory and designed performance, before being installed back on board ships for further use. The Dockyard in a

sense is like a hospital which treats sick or disabled ships (including those disabled in action) giving new life to the old.

The Dry Dock, as the name implies, is where a ship can be put on chocks and the water pumped out so that one can get to the hull of the ship for maintenance and repair. Since the Dry Dock is a very expensive marine structure, a slipway is also used where ships of limited tonnage whilst still water-borne are put on cradles which are then pulled up an inclined slipway by winches thereby attaining the same state viz come on dry land so that the hull can be easily approached for examination and repair. Repair berths near the Workshops of the Dockyard are also provided where ships to be refitted are put alongside and their equipment and machinery removed into the respective workshops for repair, testing and re-installation.

It is well known that the Dockyard and other facilities are being created

in the Port of Visakhapatnam by dredging a channel so that a water-way is created where Naval Ships can come in and get the necessary support facilities. Dredging therefore, has also formed a very essential part of this Project. It was in fact one of the first items taken on hand as much of the area where construction work has either started or is being undertaken is on reclaimed land where the spoil pumped out by the dredge has been used.

The Base Complex is nearing completion and a fair amount of progress in the Training Complex has also been made. Works in connection with the Dockyard facilities have already started and it is anticipated that in the next few years these would also be completed. The Indian Navy would by and large be then self-sufficient to undertake all kinds of repairs to Hulls, Machinery, Equipment and Armament of Eastern Fleet Ships.

Widening Horizons of Electronics Industry

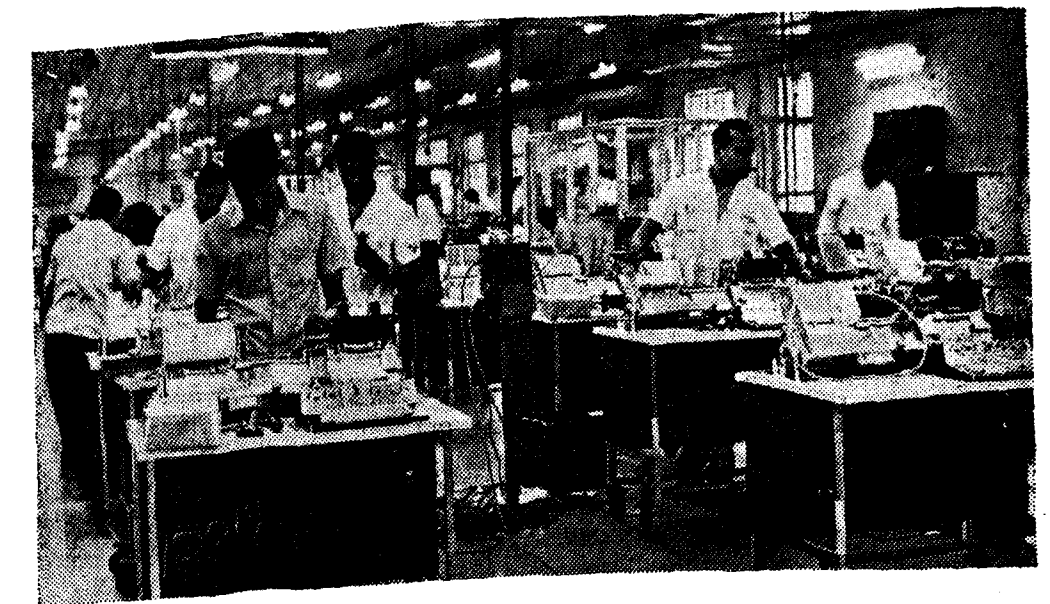
India is today a leader in the field of electronics among developing nations. In fact, she belongs to that select group of countries in the world which are using, manufacturing and exporting Data Processing Machines. It has been IBM's privilege to participate in and actively contribute to the growth of the Indian Data Processing industry.

IBM made a modest beginning in India in 1951 when it established its first unit under the arches of Bombay's Mahalakshmi Bridge. This unit gradually grew into a full-fledged Plant which in 1963 started manufacturing a wide range of Data Processing Machines. These include punches, verifiers, collators, sorters, accounting machines and reproducing punches.

A breakthrough was achieved in 1966 when the Plant turned out India's first commercial computer, an IBM 1401 System. This has been followed by a dynamic manufacturing programme. Besides being used at home, IBM's India-built Data Processing Machines have been exported to over 40 countries. Many people pool their efforts to make these machines. Big and small manufacturers located all over the country supply the required components. IBM provides its world-wide technological know-how and expertise to them to make computer-age components of international standards.

The 129 Card Data Recorder occupies a place of pride amongst IBM exports. Being manufactured for exports alone, it is expected to substantially step up India's foreign exchange earnings in the field of

electronics. The estimated annual export of the 129 is valued at Rs. 6,00,00,000. The value of exported IBM India-built Data Processing Machines to date exceeds Rs. 8,00,00,000.



The spectrum of computer applications in India is growing wider and richer every day. Computers are behind a number of success stories in commerce and industry, science and agriculture, planning and administration. IBM has been playing an important role in the manufacture of computers, actively contributing to the growth of the Indian Data Processing Industry.

Picture shows the 129 Assembly Line at the IBM Plant in Bombay.

A Crash Programme for Fertilizer Promotion

By
Dr. S. R. Barooah,
Commissioner, Fertilizer Promotion

The Government of India has sanctioned the Centrally-sponsored Fertilizer Promotion Programme drawn up by the Union Ministry of Agriculture at a cost of Rs. 2.19 crores for the remaining period of Fourth Five year Plan. As this is a Centrally-sponsored scheme, it will be supported hundred per cent by the Centre but will be implemented through the State Departments of Agriculture.

In view of the short time at our disposal for the implementation of the programme for the year 1972-73, it would be implemented initially in 25 selected districts only. In the year 1973-74, the scheme will be implemented in additional 45 districts.

Ten-point Programmes

Ten-point programmes under this scheme have been drawn for implementation during the course of the year. Priority would also be given under the scheme to the demonstration programme for the use of balanced fertilizers along with micro-nutrients such as zinc.

There is a great imbalance in the use of fertilizers in India. Ratio of NPK is at present of the order of 6: 2: 1. The Fourth Five Year Plan target was 4: 2: 1. In some States the imbalance is as high as 29: 3: 1 in Haryana, 18: 4: 1 in Punjab, 15: 3: 1 in Rajasthan, 16: 8: 1 in Gujarat, 13: 2: 1 in Bihar, 13: 5: 1 in Madhya Pradesh, 6: 1: 1 in U.P., 9: 2: 1 in Orissa and 7: 3: 1 in Andhra Pradesh. Because of this imbalance in the use of NPK, the farmer is not getting the full benefit of the fertilizers that he is using and is not getting profit according to the investment made in this scarcity source. Imbalanced use of phosphates and potash is acting as a limiting factor in the proper use of fertilizers. This imbalance has to be corrected. In this particular programme, highest priority has been given to this factor.

Zinc deficiency has been noticed in Punjab, Madhya Pradesh, Haryana, Uttar Pradesh, Bihar, Gujarat and Delhi. In these areas unless zinc is applied in the

from of zinc sulphate where high yielding varieties are being grown, the production is bound to suffer. As such, under this programme, promotion of use of zinc in the States where zinc deficiency has been noticed, use of zinc should be a must, so that fertilizers that are available in the country can give the maximum food production.

Priority For Soil Testing

Soil testing has been given the highest priority in this programme. There are at present 80 standard soil testing laboratories in the States. It is proposed to strengthen 70 of these laboratories at a cost of Rs. 40 lakhs during the Plan period. In the year 1972-73, 35 laboratories will be strengthened and the other 35 will be strengthened in 1973-74. At present 2 million soil samples are analysed every year. The scheme will help in increasing the number of samples to 2.5 million by the end of Fourth Five Year Plan.

Record Production of Cotton

With an area of 78 lakh hectares under cultivation India is the largest cotton growing country in the world.

In 1971-72 the cotton production in India registered an increase of about 50 per cent by touching a new record of 65 lakh bales (of 180 kg each), as against 45 lakh bales in 1970-71.

The average yield of cotton has increased from 87 kg. per hectare in 1950 to 123 kg. hectare by 1970.

Maharashtra has 24 lakh hectares which is over one third of the total area of 78 hectares under cotton cultivation.

Gujarat recorded the highest production of cotton—23 lakh bales, as against total production of 65 lakh bales in India.

The country has embarked on a very big programme of production of pulses in rabi season more particularly gram. This requires application of phosphatic fertilizers. In order to increase the production of pulses which is in great short supply in the country, emphasis must be laid on the use of phosphates in the pulses in the rabi season as recommended by the State Governments. This is a must for increased production of pulses. Otherwise we will face shortage of pulses, the common man's source of protein in the country.

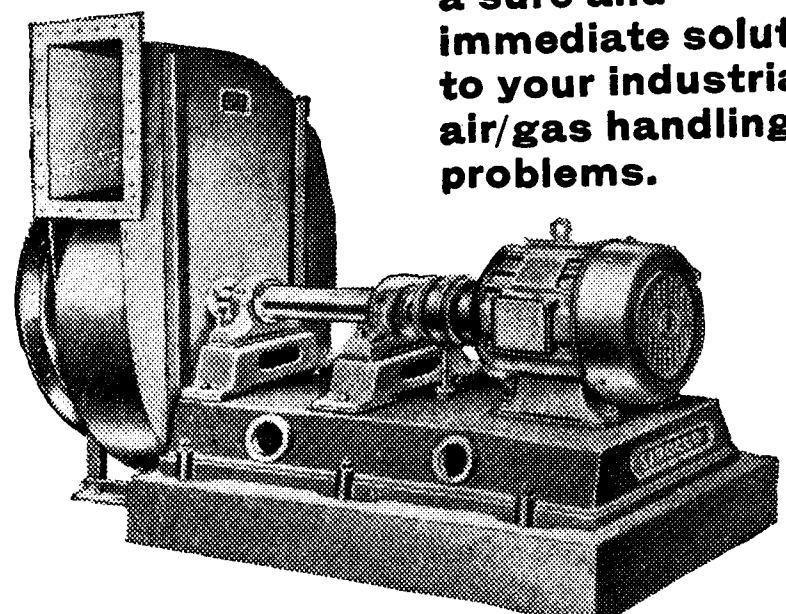
This is a time-bound programme. This fertilizer promotion programme is to be implemented in all the States with the utmost speed. Signals to go ahead are already given in the districts which are selected for implementation of the programme in 1972-73. The States who will implement the programme with utmost speed and will show definite results, will be given due consideration in allotment of more districts in 1973-74.

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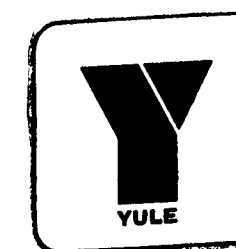
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A Fair Solution to a Complex Problem

Though it is obviously too early to ascertain the considered response as distinct from the immediate reactions of the parties concerned over the Prime Minister's statement in Parliament on the Mulki Rules, there can be no questioning the spirit of sympathy for the rival views, respect for the different conflicting viewpoints and intense awareness of immediate expediencies as well as the more distant aims. Of the various embarrassments and dilemmas that the Centre has had to face since the dawn of Independence, particularly the problems posed by Visalandhra, the Mulki Rules are unique because of the conflict of two sets of more or less equally just claims and the consequent difficulty of working out a compromise, complicated further by the mounting distrust of each party in the other.

The past history of relations between the Andhra and the Telengana regions in general and the Mulki Rules in particular, far from being a help to a settlement, present the gravest obstacles. The original cause of the upheaval in Telengana was the failure over a number of years to come to an understanding over the utilisation of the surplus resources to the development of Telengana. And when the fires of violent agitation were extinguished, both regions kept it smouldering in regard to sharing of government jobs and enjoying special privileges in the matter of admissions to colleges. The most disconcerting feature of the situation which confronts the Centre is that, while formerly the people of the Telengana region could be regarded as the aggrieved party, the people of the coastal region have now reason to apprehend that any solution which will satisfy the people of the backward region will involve violence to achieve their legitimate rights. Just grievances or the need for redress are not confined to any one party.

"Boot Shifted to the Other Leg"

When the State of Andhra Pradesh was formed in 1956, the need for safeguarding the Telengana people's interests led to an agreed formula, evolved by the representatives of both parties, for representation in the public services, in the two regions. Though as a matter of

national policy residential qualification for public employment was removed, the enactment of the Public Employment Act by the Parliament created facilities for filling the subordinate services in the Telengana area.

In 1969, the Supreme Court held that section 3 of the Act and the rules framed under it for retaining the 15 year

Far-Reaching Implications in Enforcing Mulki Rules

The Mulki Rules owe their origin to a decree of the Nizam of Hyderabad issued about 50 years ago. The above decree reserved all government posts in old Hyderabad State for those who have been residents there for at least 15 years. The Rules also required candidates to take out a "Mulki Certificate" from the Collector that they do not have any intention of returning to their previous place of residence.

The Parliament passed a bill in 1958 which restricted the Mulki rights only to subordinate services. This was struck down by the Supreme Court some years ago. When the Andhra employees (non-Mulkis) of the State Government challenged the validity of the Mulki Rules against the High Court's ruling, recently in the Supreme Court, the Supreme Court upheld these Rules. It observed that until the formation of Visalandhra by the merger of Telengana and Andhra regions on November 1, 1956, the Mulki Rules were "law in force" and protected by article 16 (3) of the Constitution. The Bench observed that there was no reason why the Mulki Rules should not be allowed to be upheld in the Telengana region since they were valid at the commencement of the Constitution and that they continue to be valid until and otherwise they are altered, amended or repealed by the Parliament. By upholding the Mulki Rules, it has also conferred employment protection to Telengana residents in respect of both subordinate service posts upto the tahsildar's level and superior posts above the level of tahsildars.

Thus the Court maintained that the half-century old regulation of the Nizam should be respected and that the 15 years' residential requirement for appointment to government jobs in the former Hyderabad region of Andhra Pradesh had not been affected by the merger of Telengana with Andhra. This would mean that all senior and other government posts in the State Secretariat should be reserved for officials

residence requirement was **ultra vires**. And in its verdict in the current year, the Supreme Court struck down Section 2 of the Act as well on the ground that it is an abridgement of the original Mulki Rules which are deemed to be still in force. While the Court's judgment obviates the need for the safeguards envisaged in the 1969 formula, it has also the effect of denying the

from the Telengana region because the State capital, Hyderabad, is situated in Telengana. Thus the future of the non-Mulki Andhra employees who are currently employed in the Secretariat and directorates has become a question mark.

Another grievance is the denial of higher educational facilities in colleges in Hyderabad. A situation is likely to arise where Andhra employees not only have no place in the State services but also have no place in colleges of advanced learning and training. It was also feared by non-Mulkis that while Andhras amounting to nearly two-thirds of the State's population would be denied equal employment opportunities and equality of rights, whereas the Mulkis would have precedence over non-Mulkis in these respects.

The Mulki rules could be considered a form of the "sons of soil" thesis. The Government of Mysore recently issued instructions which provided that posts carrying a salary upto Rs. 500 should be filled from among permanent local residents of Mysore State. Few other States like West Bengal prefer this thesis and have gone ahead in its implementation.

The Mulki Rules might have far-reaching effects which would induce residents of larger States to clamour for reservation of government posts and college admissions to residents of their own regions. For example, in Maharashtra State, residents of Vidarbha region might demand preference of employment opportunities to its residents over others in the State. Likewise eastern U. P. residents may demand a similar demand in favour of them. One might think that days are not far off when the above ugly situation would develop all over the country at the cost of principles of equality of rights for all as guaranteed in the Constitution.

Mulki—a native of the region.

people of the non-Telengana region certain natural rights in their own capital city. In other words, a situation is created in which the boot has, so to say, shifted to the other leg.

Solution Based on Five Points

A just solution is by no means impossible to devise or adopt for implementation. But the change has released so much of pent up passion, and violence that an intrinsically complex problem has been made far more difficult. The statements of the leaders of the two sides had added fuel to the fire. Their consequent failure to come to an agreement has, however, proved a blessing in disguise, since they were obliged to leave the settlement in the hands of the Prime Minister. In the statement which she made in Parliament on November 27, Mrs. Indira Gandhi put forward a compromise formula based on five points.

The residential qualification prescribed in the Mulki Rules will apply only to

recruitments for non-gazetted posts and posts of Tahsildar, Civil Assistant Surgeons and Junior Engineers in the Telengana region. In the case of composite offices and common institutions of the State Government, these rules will apply only for filling the second vacancy in every unit of three direct recruitment vacancies in non-gazetted posts. Various cadres of services will be regionalised upto the first or second gazetted level with a view to providing adequate avenues of promotion to government servants in each of the two regions. A composite police force will be constituted for the twin cities of Hyderabad and Secunderabad. And the problem of educational facilities for the backward will be solved by their adequate expansion in the twin cities without any residential qualification for availing of the additions.

Need for Upholding Equality

The principle of setting a time limit to these special provisions which was accepted in the Public Employment Act

is now improved by the distinction between the twin cities and the rest of the Telengana region and setting the limit at 1977 in the case of the former and 1980 in the case of the latter. The distinction stands to reason since the capital city must be deemed to be on a special footing. The time limit is of course essential for safeguarding all kinds of special interests, since the notorious violation of the principle of equality of rights of citizenship must be ended as early as possible.

The idea that backwardness carries with it special rights and privileges which nobody shall dare question has thrown its vicious roots deep into the soil of our public and political life. The backward wave their backwardness as a charter of inviolate rights. It would be a great gain if the principle of the time limit triumphs in the settlement of the Andhra-Telengana problem. That Mrs. Gandhi has satisfied both parties equally is indeed a proof of the impartiality of her proposals. —PRS

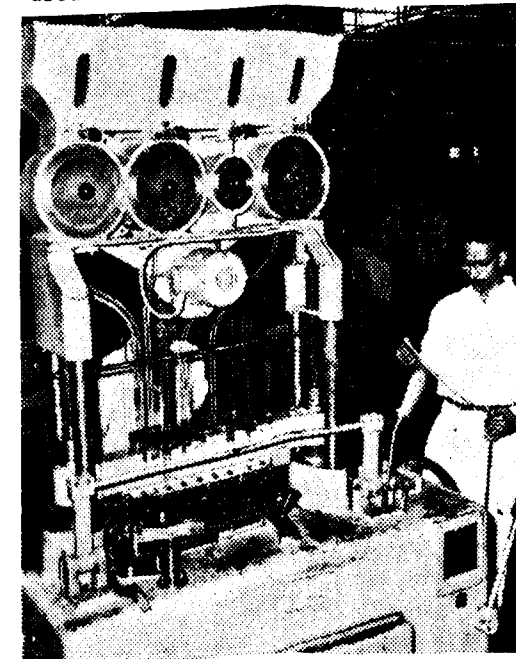
TI PLANS BIG EXPANSION IN ROLLER CHAIN OUTPUT

The TI Group of Madras has established facilities in Malaysia for manufacture of ancillary products such as exhaust systems, seat frames, press work for engineering industries, bicycle and industrial chains... Cycle chain is already being produced and production of industrial chains will commence soon. The project has a capital outlay of 2 million Malaysian dollars of which 50 per cent is owned by the natives and the balance jointly contributed by Raleigh Industries, U.K., Diamond Chain Co. of Indiana, USA, and Tube Investments of India.

This information was disclosed to pressmen at the time of the visit of Mr B. K. Sollars, President of the Diamond Chain Co., USA, to Madras. The Diamond Chain Company of Indiana which holds 27½ per cent of equity shares of the Madras company, is the largest roller chain manufacturer in the USA. The company, established some 75 years ago, has been producing over 12,000 designs of special chains. Mr Sollars said that his parent company has been taking the products of the Ambattur plant and that he has not heard any complaint from any of the bicycle manufacturers in the USA on the quality of these products. He disclosed that the Board of TI Diamond Chain

approved appropriations for a substantial expansion of their production, which will enable it to take up manufacture of ¾" and 1" size chains.

The expansion is estimated to cost about a crore of rupees and envisages the



Production of roller chains at TI Diamond Chain, Ambattur.

doubling of output of industrial chains and a 30 per cent increase in the production of

cycle chains, said TI Managing Director A. M. M. Arunachalam. AMM said that the expanded facilities will come into operation by mid-1973.

TI Diamond Chain was awarded a Certificate of Merit by the Engineering Export Promotion Council for its record in exports. The company has been exporting its products to the sophisticated markets of USA, UK, West Germany, Australia and Italy among others. There has been a tremendous increase on the export of chains which made a beginning only recently: in 1968 TI Diamond Chains exported 45,000 bicycle chains and 28,000 feet of industrial chains. In 1972, its exports rose to 4,30,000 bicycle chains and 1,50,000 feet of industrial chains.

There has been a continuous expansion in the output of TIDC which is maintaining its lead as the largest producer of bicycle and industrial chains in the country. During 1971, the company produced 17 lakh units of bicycle chains and 16 lakh feet of industrial chains. In 1973, when the company will make use of its expanded facilities, TIDC is expected to turn out 20 lakh units of bicycle chains and 25 lakh feet of industrial chains.

The Rags to Riches Story

(By a Special Correspondent)

The Union Government's decision to entrust the CBI with the task of conducting a detailed inquiry into the woollen rags scandal is to be welcomed. But whether the Government will display the same courage in punishing the offenders who may be exposed by the CBI, however higher up in the administrative ladder they might be, remains an open question.

That administrative connivance is partly responsible for the import of ready-made garments under the guise of "rags" is clearly evident from the fact that for the last three years the import of this commodity has been canalised through the STC.

For the importers it has been veritably a 'rags to riches' story. But they put the blame squarely on the Government for its failure to keep up its promise of supplying the hosiery sector with raw wool at international prices. This has forced them to buy raw wool in the open market at 'fancy' prices thus putting up their cost of production considerably. According to a spokesman of the exporters, the cost of production of Rs. 100 worth of hosiery exports works out to Rs. 140 or Rs. 150. The exporters were only trying to recoup their losses through the import of "rags."

It is learnt that the import of these rags has shot up from about Rs. 36 lakhs three years ago to nearly Rs. 2.5 crores now.

The Government has now belatedly taken a decision to ban further imports. But surely it cannot hope to escape its share of responsibility in a scandal which has assumed the proportions of the 'jeep scandal' years ago.

More Monetary Restraint

The busy season credit policy announced by the Reserve Bank recently seeks to raise the overall statutory liquidity ratio of banks by one per cent to 34 p.c. and the minimum net liquidity ratio which governs the banks' cost borrowing from RBI, by two per cent to 36 p.c.

The RBI's own explanation is that these measures have been taken "in the light of the overall liquidity situation and

the need for continued monetary restraint against the background of the present price situation."

Other measures of the new policy are changes in the selective credit controls relating to cotton, food grains, oilseeds, sugar, gur and khandsari.

Briefly, the major highlights of these modifications are as under :

COTTON AND KAPAS : The permissible level of credit to trade which has been pegged at 100 per cent of the peak level of credit maintained by the party in the corresponding four-month period during October 70 to September 71 will be changed to the peak level of advances outstanding per party in any of the three preceding seasons of 1971-72, 1970-71 and 1969-70.

The second important provision is that the distinction between the new crop and old crop as well as different marketing periods has been removed for purposes of margins on advances. The margin will now uniformly be levied at 50 per cent.

For mills in Bombay and Ahmedabad, a minimum margin of 25 p.c. has been prescribed for stocks of 12 weeks' consumption and 50 p.c. above that. In the case of mills in Bihar and West Bengal the existing margins are to continue, and for other mills the minimum margin of 25 per cent will be applicable for stocks up to 14 weeks' consumption and 50 p.c. thereafter.

SUGAR, GUR AND KHANDSARI : The margin will continue to be at 65 p.c. in respect of free market sugar which have left the factory or mill premises and on which excise duty has been paid.

In respect of advances to mills, the minimum margin will be 10 p.c. on levy sugar and 15 p.c. on free sale sugar. The basis of valuation will be notified price for levy sugar and tariff value for free sale sugar.

FOODGRAINS : The basis for the permissible limit for advances against foodgrains is being changed from bankwise to

partywise. The existing provision of 110 p.c. of the average aggregate level of credit maintained in the corresponding period of two months in the preceding year is now being changed to 100 p.c. of the peak level of advances outstanding per party in any of the three previous seasons 1971-72, 1970-71 and 1969-70.

OILSEEDS : As in the case of cotton and foodgrains, the basis for permissible level of credit has been changed to peak level of advances in any of the previous three seasons. The higher margin of 75 p.c. now applicable to Gujarat will be extended to Maharashtra.

Crisis in Seafood Industry

The Indian seafood industry, one of the leading export earners, is heading towards a major crisis. On the one hand the domestic cost of production is constantly rising because of poor catch of shrimps—the principal export commodity—and on the other, the export realisations are going down day by day because of a slump in the Japanese and American markets.

The foreign buyers have as usual been quick to exploit the plight of the Indian exporters. The Japanese are not holding on to their contracts and have been trying to force the Indian exporters to sell at prices which are 30 to 40 per cent lower. The American importers are not renewing their letters of credit or the purchase orders even for those parties with whom they have regular dealings.

Huge stocks are accumulating in cold storages of the processors and several of the weaker parties face the grim prospect of closing down their factories.

The whole trouble stems from the fact that there is no organised body to dictate terms to the foreign buyer. Here is a good case for the Government to set up a separate corporation to canalise seafood exports.

There has also lately been considerable over exploitation of the inshore waters, leading to premature catching of even tiny shrimps without giving them time to mature and breed.

Regulatory measures will have to be evolved to prevent shrimp fishing during the breeding season. Also the big companies will have to be asked to take

their trawlers to greater distances in the sea and leave the inshorewaters to smaller crafts.

The big companies will also have to be asked to diversify their product mix to cover other varieties of fish. For example, they could take to tuna fishing which involves special type of vessels and is highly capital-intensive. They could also set up fish meal plants either on shore or on large factory vessels. Fish meal has also great demand abroad. Dried fish like shark fins, fish maws, sea weed, etc. can also turn out to be good export earners.

A complete reorientation of the attitudes of the industrialists and Government policies can only help to put the industry on a sound footing.

Costly Raw Materials Affect Biscuit Industry

By C. VEERARAGHAVAN

From its humble origins in 1886 the Indian biscuit industry has come a long way. In that year the first unit set up in Bengal by Sett & Company (now Lilly Biscuits) was commissioned. Three years later the Gupta Brothers set up a small unit. Subsequently an Englishman joined them as their partner. This unit was the predecessor to the now Britannia Biscuit Company. The Delhi Biscuit Company was started in 1898 and was absorbed by Britannia in the middle of this century. Mangharam's was started in 1918, Sathes in 1920 and Parle Biscuit Company in 1939.

Ten-fold Growth

In 1946 production was only around 6000 tonnes. It has since registered more than ten-fold growth with output around 65,340 tonnes in 1969. In 1970 production dipped to 63,460 tonnes due to the steep rise in the price of raw materials which account for 60 to 65 per cent of the total costs.

The present installed capacity of the organised sector is 72,000 tonnes. The unorganised sector's production matches that of the organised sector. The industry provides employment for 35,000 people directly and at least five times as many in the retail outlets and ancillary industries.

The two giants of the industry are Britannia and Parle. The foreign owned Britannia Biscuit Company Ltd. accounts for a little less than half of the output of the industry. Britannia produced about 30,000 tonnes of biscuits in 1970-71 valued at Rs. 14 crores.

Should We do it for Temporary Gains ?

The Asia-72 trade fair, now being held in Delhi, could easily net substantial export orders for the country. Already deals worth Rs. 100 crores are being talked of.

Some of the items which have attracted the attention of the foreign buyers are electronics components, car radios, hand tools, bicycles, textile machinery, automobile components, scientific instruments, readymade garments, leather goods, processed food, stainless steel cutlery, etc.

Some of the foreign buyers have no doubt shown their approval of the quality of the products displayed. But they are as usual quick to take advantage of the eagerness of the Indian sellers by insisting on such conditions that the product should

not carry any brand name. The idea is to buy at cheaper prices in the Indian market and palm it off as their own products in the home market at fantastic profits. To cite just one example, a set of hand tools is being offered a purchase price of about 69 cents to the Indian seller and the same is being disposed of in a super market in America at \$2.50.

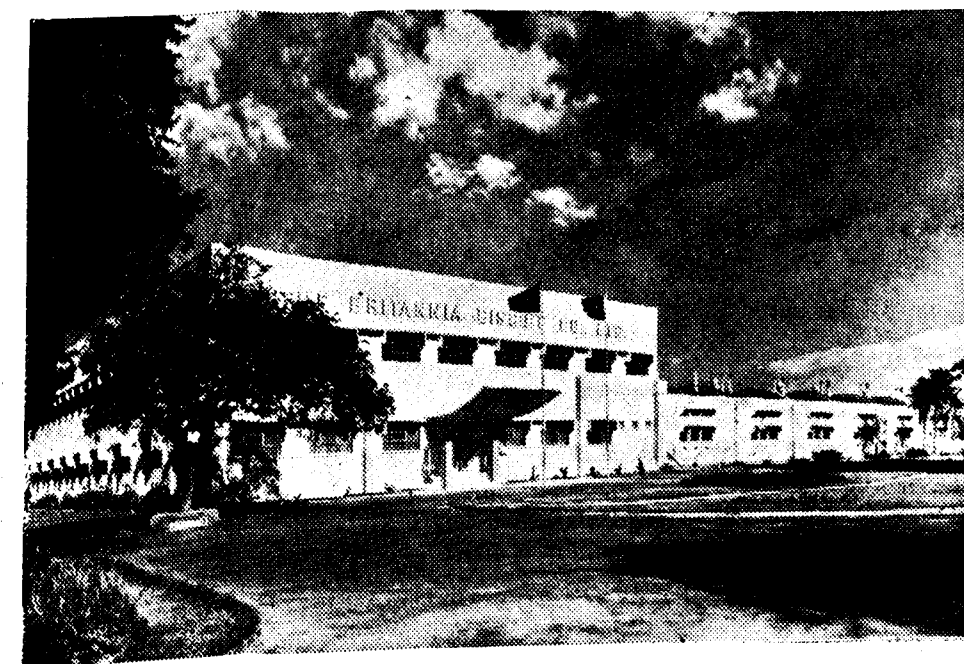
This kind of selling may be all right for the Indian manufacturer in the short run, as it will help him with a quicker turnover. But in the long run, it will not only be harmful to the individual exporter's interests but the image of the country will also be not properly projected abroad. It is worthwhile considering whether such deals should be allowed for the sake of temporary gains.

A, B, B2, Calcium, Phosphorous, Iron, and Folic Acid.

Insignificant Export

Out of the total estimated output of of about 65 crores by the organised sector, exports are less than 1 per cent. Rs. 46 lakhs worth of biscuits have been exported in 1970. Britannia, the largest exporter, earned Rs. 10 lakhs in 1970-71. Parle's export earnings were around Rs. 5 lakhs.

Constraints on the increase in production of the organised sector are many. The foremost is the rise in the price of raw materials. Wheat flour, sugar and vanaspati have all along shown an uptrend in prices. There have also been frequent shortages of packaging materials like cellophane paper and tin. Though costs have gone up more than 15 per cent price increase had been only of the order of 5 per cent.



Front view of Britannia Biscuit Factory Building in Padi, near Madras.

Improving Travel Conditions

The bulk of rail travellers belongs to the lower income strata of our society. In keeping with the spirit of democratisation, the Railways introduced special trains with third class accommodation only, popularly known as the 'Janata Trains.' These trains run on seventeen trunk routes throughout the length and breadth of the country. They seem to be 'express' only in name and are, otherwise, accorded a very low priority in the operational field. For a long time now, no thought has been given for improving the conditions of travel in these trains nor any efforts made in really speeding them up.

In tune with the pervading crusade for improving the status of the common man, the Janata Expresses are to be given a face-lift. They would now be hauled by the more powerful diesel locos, replacing the steam giants. The advantage here is two-fold. The speeds of these trains would increase, leading to curtailment of overall journey time. The hauling capacity of diesel traction being more than the steam traction, additional bogies will be attached to these trains thereby relieving the chronic overcrowding.

A plan is also being explored under which on each route on which Janata trains run, a pair of such trains will be run within half-an-hour of each other. The first train will stop at selected stations and the second train will stop at other selected stations, stopping only at the stations at which the first train did not stop. This experiment is designed to cover the travelling public en route without entailing loss of running time for the Janata train as such. Another proposal under consideration of the authorities seeks to introduce tape-recorded music for the Janata traveller. This should indeed go some way in providing relaxation to the passengers who have to travel in really not very ideal conditions!

Rail Echo in Jammu

Jammu, the winter capital of Jammu & Kashmir was linked by rail with the rest of the undivided country. This link was snapped by the partition, as the connecting link, Sialkot, formed part of Pakistan. The importance of bringing back Jammu on the rail map of India was never lost sight of. And the fruit of labour and patience was manifest on the Gandhi Jayanti Day when the 77 kilometre rail link from Kathua, a

station near Pathankot (the hitherto railhead for the Kashmir valley) to Jammu was declared open by Union Railway Minister T.A. Pai. The project that cost Rs. 10.8 crores was completed during record period of three years, despite the 14-day Indo-Pakistan war in December last and many other hardships. The difficult mountainous terrain, criss-crossed with furious rivers, rivulets and streams has been bound with steel ribbons to permit uninterrupted flow of goods and passenger traffic.

The first goods train signalled into Jammu by the Railway Minister carried gift wagons of wheat for the people of J & K. The line is to be opened to passenger traffic by the beginning of December 1972. This will greatly facilitate flow of tourist traffic who would not have to seek night's shelter en route when they travelled by road from Pathankot to Srinagar. The Railway Minister also held out the possibility of extending the rail system deep into the valley. It is indeed significant that within one month of the opening of work on connecting Kanyakumari in the south, this inauguration has come about, thereby giving absolutely concrete shape to the idea of a rail link from Kashmir to Kanyakumari.

The Railway Minister assured the people of the region 'maximum opportunities' in the expansion of the rail network in the State. The economy of this northern-most state of the Union, marked by high element of transport costs, will now perhaps come alevel and pave the way for increased tempo of all round development.

Steep Rise in Passenger Traffic

According to the figures available for the period April to July 1972, there has been an upswing in the passenger traffic on the Railways. Over ninety and a quarter crores of people have travelled by trains during this period. This figure is nearly five per cent more than what the budget-man foresaw. Again, the comparison with the corresponding period of last year yields a plus percentage of nearly eight. The figure for the month of July alone is over 10 per cent more than what it was in July 1971.

But the revenue earning capacity of the Railways lies in their ability to move as much freight as possible. In this there is a disturbing trend. The Railways have not

been able to adhere to the budget-man's estimates. During the period in question, there was a shocking shortfall of 3.10 million tonnes. The materialisation was 55.3 million tonnes to the budgeted 58.4 million tonnes. The July 1972 figure likewise also falls short of the budget figure by 0.51 million tonnes. Efforts are afoot to correct the situation by attracting more traffic, specially the high-rated one, and it is hoped that by the end of the financial year the Railway's performance would conform to what the budget stipulated.

The Corporate Enterprise

Practical shape is being given to the idea of labour participation in Railway management, with the formation of a Committee of Railway Board officials and representatives of the two recognised labour unions, the National Federation of Indian Railwaymen and the all India Railwaymen's Federation. The body has been designated to be known as the Corporate Enterprise of General Management and Labour—CEGML for short. Three representatives from each union, eight members of the Railway Board (five full-fledged members and three additional members) and the Secretary of the Board make up the Committee.

The Committee will meet periodically for review of the working of the railway system as a whole and discuss other allied matters of real importance so as to come to a better understanding and take into account the views of each side.

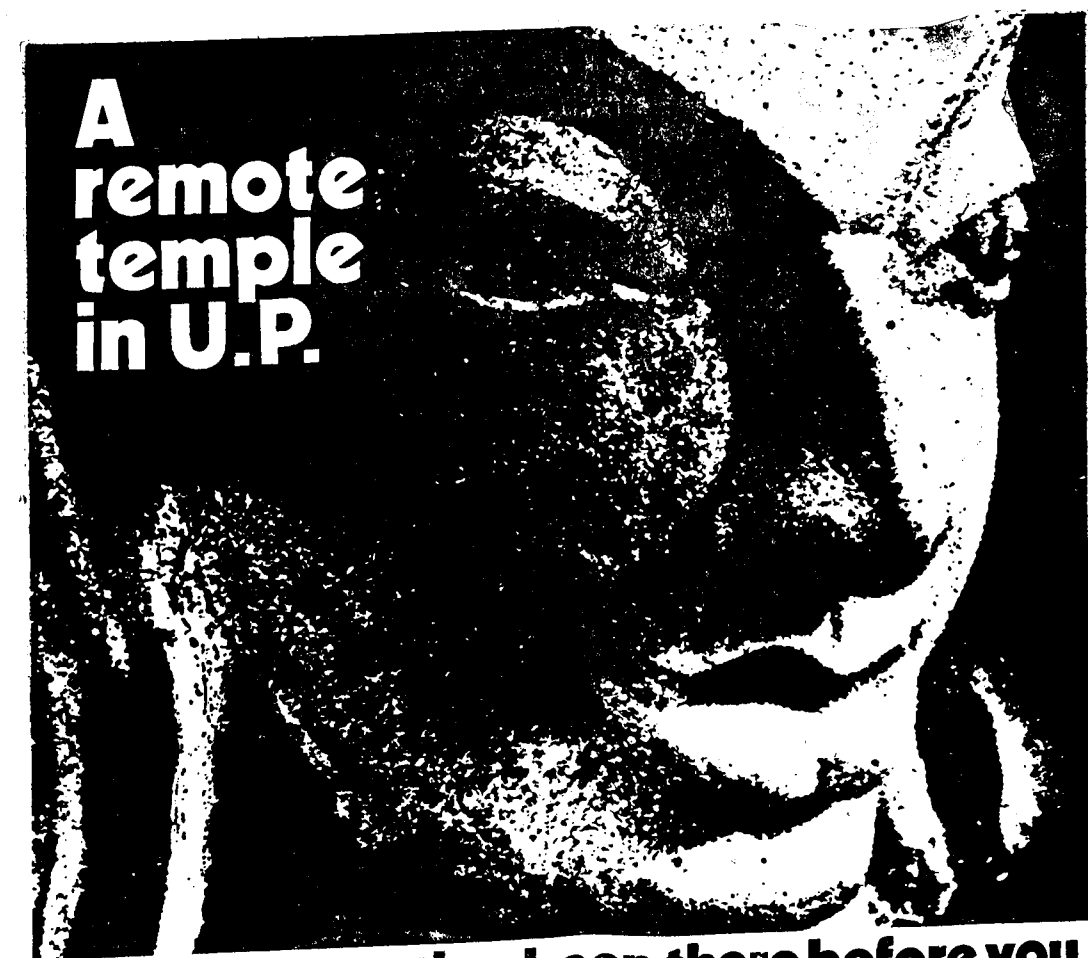
Own Your Container

A scheme is being launched by the Railways in terms of which the industrial, business and commercial circles will be able to own their own containers for transportation of their merchandise. A freight reduction is stipulated for those who opt for the scheme in addition to the assurance of prompt supply of containers whenever required by them.

The container service, at present operative on nine trunk routes, is proposed to be extended to about 20 routes within the next about two years. Because of the inherent advantages against pilferage and damage-free movement of freight, the container is increasingly becoming a popular mode for transportation of goods. From its humble beginning in 1966, the scheme has proved tremendously successful with 32,000 containers loaded in 1971-72 accounting for movement of over 102,600 tonnes of freight, netting an earning of Rs. 1.44 crores.

—Rail Master

INDUSTRIAL ECONOMIST



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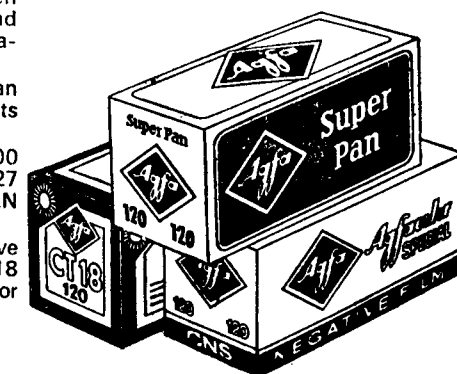
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INDUSTRIAL ECONOMIST

Philips Issue Evokes Great Interest....

The stock markets have been starved of good scrips for over five years now. But for occasional spurts of activity caused by the issue of some good blue scrips, there has been little activity in the stock markets which are in a state of suspended animation. With the restrictions placed on expansion of large industrial houses under the provisions of the MRTP Act, the large and frequent expansions of the equity base of the companies witnessed during 'fifties and the first half of the 'sixties have almost grounded to a halt. Excepting Delhi, where some efforts are made by new entrepreneurs to go to public, and in the traditionally active centres of Bombay and Calcutta, there has not been any worthwhile change in stock exchange activity in other parts of the country.

It is, therefore, no wonder that the prospectus of Philips India over the issue of 13.30 lakhs equity shares has evoked widespread interest. Considering the excellent record of the company the issue is bound to be over-subscribed many times the amount offered. The difficulty will only be in respect of allotment.

Philips India has an authorised capital of Rs. 10 crores, of which the issued, subscribed and fully paid up capital amounted to Rs. 5.46 crores. Of the present issue of Rs. 1.33 crores, Rs. 29.40 lakhs is to be issued and allotted, subject to the approval of Reserve Bank of India, to N.V. Philips' Gloeilampenfabrieken, Holland, in conversion of their foreign currency loan to the company; Rs. 12 lakhs have been offered for subscription in cash to those members resident in India whose names are on the Register of members of the company at the close of business on September 27, 1972, in the proportion of approximately one equity share for every four existing equity shares; Rs. 9.24 lakhs has been reserved to be offered for subscription in cash for whole-time Indian Directors and Indian employees of the company; the balance of Rs. 52.36 lakhs has been offered for public subscription in cash. The issue will be in equity shares of Rs. 10 each at a premium of Rs. 15 per share for all the four categories mentioned above. Announcing the issue to the press in Madras on November 4, 1972, Mr. J. Krul, Mr. V. Ramamrutham and Mr. M. K. Varma, Directors of the company and Mr. K. K. Dutt, Managing Director of the issue, said that the present issue will raise the Indian participation to 40 per cent of the paid-up capital which will increase to Rs. 6.79 crores.

The record of the company in the past ten years has indeed been spectacular: there had been a near five-fold increase in sales—it increased from Rs. 885 lakhs in 1962 to Rs. 4656 lakhs in 1971. Though 1972 has been rather a difficult year, sales are expected to be higher than those

of last year; the profits before tax which amounted to Rs. 120 lakhs for 1962 increased to Rs. 1157 lakhs in 1971; the profit after tax were respectively Rs. 35 lakhs and Rs. 400 lakhs for the two years mentioned above. The dividend per equity share has also been showing a steady increase (but for a drop in 1970) from Rs. 1.30 in 1962 to Rs. 2.40 last year. Philips shares command over 300 per cent premium; the market value of the shares at the end of last year was Rs. 40.37.

Group Turnover Over Rs. 4500 Crores...

Philips India is part of the multinational Philips concern which has been the biggest electronic industry outside the USA over a number of years now. The turnover of the Philips group of companies last year was in excess of Rs. 4500 crores. The manufacturing operations of Philips commenced in India in 1938 when its first lamp factory was set up in Calcutta. From this start Philips has set up eight factories which produce a wide range of professional and consumer products to serve the common man, science, medicine and industry. The Philips range of products include a large variety of lamps and lamp components, radios, electronic components, electronic measuring apparatus and scientific instruments, electroacoustic and telecommunication equipment, electrodes and many other products. The manufacturing operations of Philips has so far been confined to West Bengal and Maharashtra. The plans of the company to expand its manufacturing operations in Madras for the production of some technical products have not succeeded so far. It is, however, gathered that the company has submitted plans for expanding its line of production in

a number of sophisticated lines involving a massive investment. If the plans are approved, it is gathered the manufacturing operations would also be dispersed over a large area.

Tape Recorders will be the next new product that will be introduced in the Indian market in the not distant future. The company has also taken up on hand the manufacture of halogen lamps which are high efficient incandescent lamps used in flood-lighting, studios, films etc.

One was, however, surprised by the relatively low level of exports recorded by the company. It is gathered that the current volume of exports made by the company are in the region of a crore of rupees which forms just around two per cent of the total turnover of the company. Marketing Director V. Ramamrutham provided the answer for this: Lamps are almost among the first items that are taken up for manufacture by any country; thus one of the important product lines of the company does not have much of a scope for exports; radios and transistors, which are the other set of important products manufactured in the country, require certain critical parts such as loudspeakers whose level of sophistication has not been perfected to the same degree as has been done by the competitors in highly developed countries. However, Mr. Ramamrutham said, that a breakthrough on the export of components is imminent and he expected exports would raise at a fast rate in the near future.

One more reason, possibly a more important one, may be the high level for demand of the products within the country at a comfortable price! —S.V.



Mr. J. Krul, Director of Finance and Administration, Philips India Ltd., is seen explaining the salient features of the issue. Mr. V. Ramamrutham, Marketing Director (Right) and Mr. M. K. Varma, Director—Personnel and Industrial Relations are also seen in the picture.

INDUSTRIAL ECONOMIST

A Welcome Face-Lift for Standard Cars

Standard Motor Products of India Limited, Madras, has introduced a new model of car. Named the "Gazel," it is a modified version of the Herald Mark III manufactured by the company in recent years. Some of the modifications include: A new front grille and redesigned rear; wrap around bumpers at the front and rear; bench seat in the front; locking of bonnet made possible from inside; piano-key type switches for the panel; a lid for the glove box and a rigid rear axle with coil springs in the rear.

The changes, coming from the most conservative of the Indian car manufacturers, augur well for further modifications and improvements. At the time when the decision was taken to take up progressive manufacture of cars in the country, the production at Standard Motor Products of India Limited was almost equal to that of the other two car manufacturers. But in the succeeding years when Hindustan Motors and Premier Automobiles expanded production, SMPI's output stagnated; after the introduction of the Herald two door saloon, the demand for Standard cars fell steeply—the average Indian family being much larger than that of U.K., the Indian buyer could not take to this car with the same enthusiasm as did his counterpart in UK where the Herald was a success. Hindustan Motors introduced a lot of modifications to the original British design which also attracted customers due to its much roomier interior. In contrast, Standard Motor Products of India Limited attempted few changes. Even the introduction of the Herald Mark III four door saloon could not improve the demand for Standard cars! For the last four years Herald is the only car for which there has been no waiting list—one can literally drive away the chassis.

The low demand resulting in production at much below sanctioned capacity naturally contributed to high unit costs. The result of this was the long period of labour discontent which culminated in the closure of the factory for nearly 10 months during 1970-71. It is in this backdrop that the attempts of the manufacturers to effect changes in the design appear interesting. The company had been faithfully following the designs evolved by its collaborators, which as explained above did not find ready acceptance in India. Had these changes been made at the time of introduction of the two-door Herald, it could perhaps have helped maintain the demand for Standard cars at a high level.

Reputation for Quality

Standard cars have been known for the excellent performance of the engine. Infact as per the report of the Motor Car Quality Inquiry Committee, among Indian cars the

least number of complaints had been received in respect of Standard cars. But the low level of the chassis, two independent seats in the front, relatively poor quality of body frame particularly the doors—made the car less attractive. The sheet metal working of the frame is little proof against corrosion and for a number of Herald cars tinkering work is required even within three years of usage.

Gear Handle Position Inconvenient

The changes introduced in the Gazel appear attractive; still some more changes will be needed. The conventional independent gear arrangement used in Standard cars is more effective in that it ensures direct transmission to the gear box—the steering gear system involving quite a few complicated transmissions and counter-transmissions till the hand change is transmitted into the gear box is by its very nature prone to a greater degree of failures. But providing a bent and longer handle does not reduce the discomfort for a third passenger who can be squeezed into the bench seat of the Gazel in the front. A structural change of a more fundamental nature involving the re-positioning of the gear box a little further ahead and towards the driver could have been attempted.

The boot-space at the rear though appears roomier is less convenient in that the protrusion above the level of the boot will be difficult to negotiate in case of heavy luggage. The entry point for luggage should be on level with the interior of the boot space. The bonnet locking

arrangement from inside the car is a positive improvement—this gives for the first time the facility to lock the bonnet without paying more!

The on-the-road-price of the Gazel in Madras including registration, road tax, and full comprehensive insurance is Rs. 22,120.76, which includes a price increase of Rs. 459 sanctioned by the Government of India over that of the Herald.

It was explained by SMPI Director S. Muthukrishnan that the company has capacity to produce 3500 cars and 1000 one-ton trucks. During 1973 the company plans to produce 2000 Gazels. Production of Herald of course will be discontinued soon.

An area where this 'small big car' can score over the other two Indian cars lies in ensuring less running costs. While the owner of a Standard car has relatively less expensive expenditure on maintenance repairs and replacements, the mileage given by this smaller car is just about the same—about 10 km. per litre—which is comparable to the Ambassador and Fiat. The company should attempt to get for the user a higher mileage from the relatively less powerful engine.

In the context of new manufacturers taking up 100 per cent Indian vehicles, an experienced manufacturer of a quality product like SMPI should attempt to incorporate many more design improvements that can result in the consumer getting a constantly improving version of a quality car. —S.V.



The Standard Gazel

INDUSTRIAL ECONOMIST

Advertising in the March

By "NIRAJ"

A War on Mosquitoes

In a country where sanitary conditions are poor and civic sense at dismally low ebb, diseases of all sorts have a heyday. And the credit for carrying diseases like malaria and filaria goes to mosquitoes and flies. While the problem of 'how to keep mosquitoes away' has been from time immemorial engaging the attention of the sanitary authorities, manufacturers have been active in preparing repellent creams to ward off the mosquito menace. 'Odomos Cream,' first, followed by 'Dinet' and more recently Flit Mosfree.

It is at this hour Bombay Chemicals Private Ltd. have come out with the novel innovation of their 'Tortoise Brand Mosquito Coil.'

The visual is that of a child enjoying sound sleep, while the coil is presented in action. The body text gives the reasons why. One can spot out the specially strong point, viz., no application on the skin as with a cream and hence no allergy—a more concrete point to sway the prospect to their product. One however wishes that this aspect has found place in the headline copy itself as an instant attention-arrester.

A new product, well worth a trial. By the way, is it not time that mosquito-net manufacturers do something on their part?

Ever at Your Service!

The child is making hell of a cry. It is the feeding time. The mother rushes to the milk can only to find it empty. The cat had had its fill earlier. 'What will she do? The hubby is in a hurry for his cup of coffee. The milkman has not come yet. What will she do? Unexpected guests. No milk. Don't worry, have a tin of Amul Milk Powder handy. Amul Milk projected itself thus as a friend in need to help you out of an embarrassing situation.

More ads followed, each with a set purpose. 'Cheese out of milk' was focussed through the caricature of an 'Amul Cheese Boy'. 'Amul Processed Cheese' that accounts for health and energy was projected in a logical sequence through mini-illustrations. 'Amul Cheese Book' was offered free. The latest one 'Bal-amul' as the ideal baby's first solid food finds its press release of late.

One fully knows the variety of uses of milk. It is however the presentation that scores and wins the hearts of the prospects. 'The child-mother instinct' is used to great advantage by Amul. And with little competition in the field, 'Amul' has a safe sail with its intensive campaign, one can safely say.

Seminar to Strengthen R & D in the Rubber Industry

The Rubber industry in our country has achieved substantial progress on account of the almost total self-sufficiency attained in raw materials and the indigenous development of a practically complete range of the manufacture of rubber products. This success would not have been possible but for the result of national R & D efforts of several institutions like the IRMRA, the Rubber Board, raw material and tyre manufacturers, national laboratories...

A seminar will be held in Madras for the first time in Madras - from December 18 to 20, 1972. It will be inaugurated by Mr. S. Madhavan, Industries Minister, Tamil Nadu, and attended by eminent scientists, technologists, engineers, administrators... from all over the world. The seminar would highlight the progress of the rubber industry and would strengthen the national research and development facilities in the field.

Mr. Mammen Mappillai, Chairman of the Organising Committee for the VI Technical Seminar of the Indian Rubber Manufacturers Research Association (IRMRA) has pointed out in a press

release that the IRMRA represents the joint effort of Indian industry and the Government towards establishing research and development capabilities for the rubber industry. The governing council of this association consists of representatives from the Rubber Board, Indian Standards Institution, members of the Industry and the Council for Scientific and Industrial Research.

Thana Research Institute

The setting up of IRMRA R & D Institute at Thana (Bombay) has accounted for the application and development work, particularly in areas of polymers and compounding ingredients. The main achievements of this institute include patenting and prospective commercial exploitation of the essential ingredients of rubber compounding and development of manufacturing processes and techniques, such as for nylon conveyor beltings. Furthermore, it has planned to undertake a process for making butyl rubber which is the single largest import of any material by the rubber industry. On the similar lines of the Research Institute at Thana, new research institutes will be set up in Madras, Delhi and Calcutta in future.

Silver Jubilee of Everest Advertising

Pioneered in 1946 as a fully Indian market-oriented advertising unit, in a field then monopolised by foreigners, Everest Advertising was dedicated to making a total professional contribution. As such, besides providing efficient client servicing, the Agency through its present Chairman, Mr. Adi Patel, went on to be founder-patron of CAG and to play an active role in ABC, AAA of I, IENS, Printers', Blockmakers' and other associations.

Everest has been a valuable training ground for young men and women seeking to make a career in Advertising or Marketing in all its branches. Every few months, batches of students from the various advertising and marketing



Mr. A. M. PATEL,
Chairman, Everest Advertising

colleges pass through its portals to feel the throb of an advertising agency at work. In all this the aim has always been to make the advertising profession in India big, rather than make Everest big.

Started on a meagre capital of Rs. 25,000, the agency has weathered successfully many storms thanks to its far-sighted directors and dedicated staff.

In a field where personnel turnover is unusually high, Everest is proud of a staff that is near 100 per cent permanent. The reasons are not far to seek. Employee benefits at Everest are perhaps unsurpassed in any advertising agency or for that matter, in any private limited Indian company. The concept of employees holding shares began right from the inception of the Company. Today, practically every employee is a shareholder.

BUSINESS BRIEFS:

SIPCOT's Operations and Future Plans

The State Industries Promotion Corporation of Tamil Nadu started its activities only during the last quarter of the year ended March 31 1972. It has so far decided to help nine industrial projects, two of which are large scale ones and the rest in the medium scale. Four projects have been sanctioned term loans for an aggregate amount of Rs. 24 lakhs and other cases are being processed. It is in touch with other All India Financial Institutions with a view to ensuring that no worthwhile project is to be allowed to suffer for want of financial and institutional support. It has also decided to provide risk capital by underwriting (not exceeding 10 per cent of the subscribed capital) capital issues of all worthwhile projects to be started in backward areas. With a view to encouraging new entrepreneurs who lack the means and the expertise to conduct feasibility studies before embarking on new ventures, it has not only commissioned seven feasibility studies on certain specific projects but has also taken on hand preliminary study of 12 more projects.

Regarding the question of developing a few growth centres by providing the necessary infra-structural facilities, it intends taking up the development of about 700 acres of land available in Ranipet. Under the scheme of extending loans to new units and expansion of existing units to be located in the backward districts, it has so far sanctioned a loan of Rs. 23.18 lakhs to the expansion unit of the Enfield India Limited, coming up in Ramnad District. Not only a provisional eligibility certificate for a sum of Rs. 7.5 lakhs has been issued to a major Synthetic Detergents Project to be set up in North Arcot District, but also it is scrutinising more applications. Under the 10 per cent outright grant or subsidy scheme, 1971, it has scrutinised 23 applications and sanctioned so far a total subsidy of Rs. 15,11,896. It is also examining a proposal to set up a consultancy organisation in collaboration with other term lending institutions and lending Industrial Houses.

SIDCO Makes Good Progress

The Tamil Nadu Small Industries Development Corporation Limited has recorded satisfactory results for the year 1971-72. It can boast of being one of the public sector organisations which have started earning profits right from the very inception. The profit for the year under review was higher than for the previous one. The value of iron and steel and other important raw materials like Mutton Tallow and Caustic soda during the said year increased to Rs. 43 lakhs. One of the main achievements of the company was the formulation of a scheme for the procurement and distribution of machinery to small industries on really attractive terms. During the period under review, 165 entrepreneurs were assisted by the company to purchase machines worth Rs. 84 lakhs.

Another special achievement of the company was to provide concessional assistance to 46

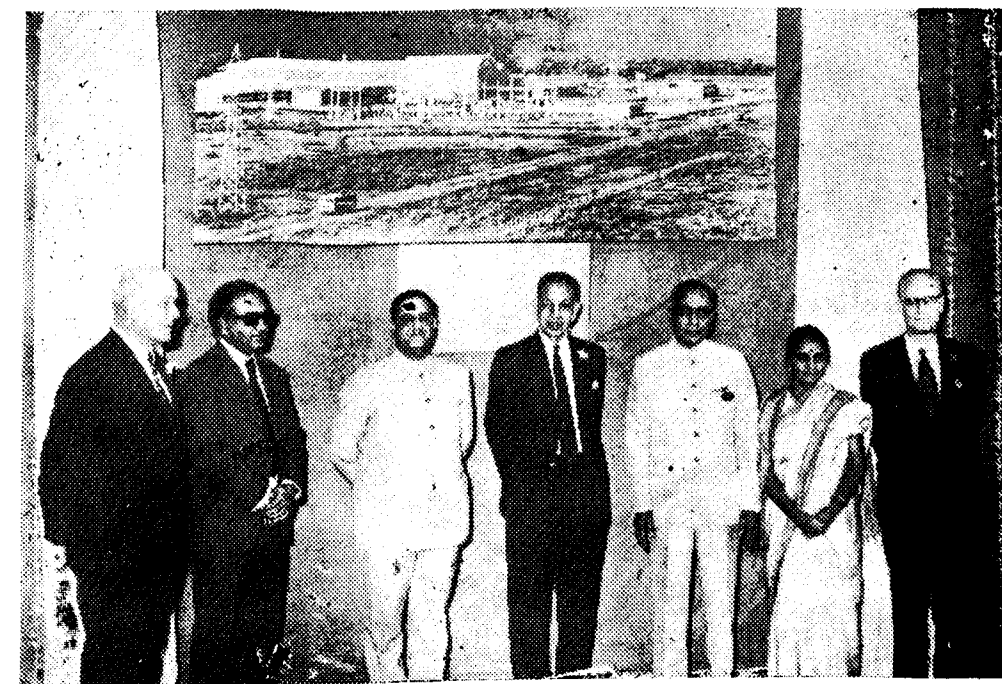
further help to increase the turnover of the company to reach Rs. 10 crores or more.

It has now proposed to issue 3 bonus shares for every share held. Furthermore it has decided to declare a dividend of sixteen and half per cent, totally exempt under 80 K. of the Income Tax Act, from the profits pertaining to the period 1971-72. It has also contemplated to enlist their shares on the stock exchange. This would reduce its holding to 40 per cent and enable the public to acquire 60 per cent ownership in the company.

In the export front, its subsidiary in the very first year has started exporting non-traditional items like Plastic Luggage to more than 32 countries, about 10,000 pieces. The company has the record of an excellent contribution towards defence requirements right from the beginning in a big way. Total sales till date exceeds Rs. 102 lakhs.

Today the company and its subsidiary provides direct employment to as many as 3,500 persons and indirect employment to more than 1,500 people. Furthermore, it has been paying regularly 20 per cent bonus to its employees every year, i.e., maximum permissible under the Bonus Act. Thus it can be proud of its humble accomplishment of providing maximum employment opportunities to the people with its limited financial resources and complete indigenous know-how.

INDAL'S SHEET-ROLLING MILL AT TALOJA



The aluminium sheet-rolling mill of Indian Aluminium at Taloja, near Bombay, was inaugurated on November 25, 1972 by Mr. Shah Nawaz Khan, Union Minister of State for Steel and Mines. Maharashtra Chief Minister V. P. Naik presided over the function.

This mill is part of INDAL's ambitious Rs. 460 million West Coast Project. Set up at a cost of Rs. 150 million, it will roll 11,500 tonnes of aluminium sheet annually—the fastest, most modern aluminium rolling complex in India.

Seen in the picture are Mr. Shah Nawaz Khan (third from left), Mr. V. P. Naik (third from right) and Mr. Keshub Mahindra, Chairman of Indian Aluminium (second from left). Former Chairman Mr. H. V. R. Iengar is in the centre.

Dry Cell Batteries Plant in Nellore

Dry Cell Batteries as a source of energy have a wide range of applications including torchlights, transistors, household appliances.....In our country the supply of cells is outweighed by the demand for them. To quote figures, our country could supply only 481 million cells in 1971 while the demand was of the order of 787 millions for the period. It is estimated that the demand for



Mr. P. OBUL REDDY
Managing Director, Indo National Ltd.

them will shoot up to 1350 millions and hence the Government is prompt in issuing many new licences which would bring production capacity to 1200 million by that time. Of these, the Indo National Limited has been granted licence to produce 60 millions annually.

The Indo National Limited is in collaboration with Japan's largest manufacturer of dry cell batteries, the Matsushita Electric Industrial Company Limited. The Indo National plant will be set up in Nellore. This is a very advantageous location in many respects including transportation of raw materials and finished goods.

The Company which will commence its regular production by July 1973 is coming out with a public issue at par in order to partly finance the project. The production targets set for the company are 20 million cells in 1973-74, 40 million in 19 4-75 and the full capacity of 60 millions in 1975-76. It has also been planned to export 5 per cent of the total production with the cooperation of Matsushita. They have estimated the gross profit to touch Rs. 100 lakhs under the projected production programme (fourth year of operation). They expect that they would start declaring dividends in the financial year 1975-76 and grant bonus shares to other shareholders by 1977-78.

J. Stone & Co. Enters Capital Market

J. Stone and Company (India) Limited, a wholly owned subsidiary of the well-known Stone-Platt Group of U. K., was incorporated in West Bengal in 1931 as a private company. Today over 12,000 persons are employed by some 50 different companies of the Group all over the world and the Group produces a very wide range of industrial products.

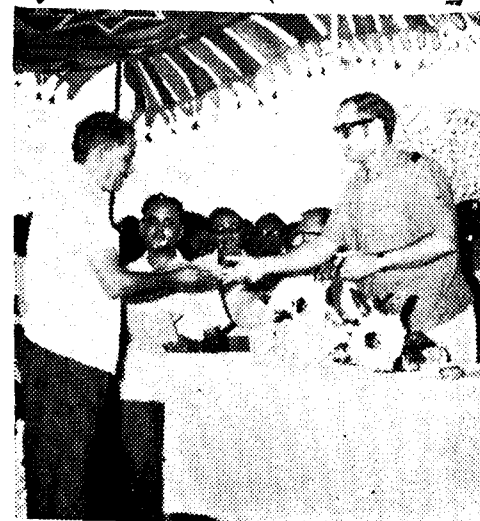
J. Stone and Company can boast of having a number of "firsts" to its credit in its own specialised field of engineering. To cite an instance, it was responsible for the introduction of electrical lighting in Railway carriages in 1897 and complete electro mechanical airconditioning for Railway carriages in 1937.

The production policies of the company are aimed at keeping abreast of developments and helping to achieve self-sufficiency in various essential equipments specially for the Railways. The products manufactured by the company include train lighting equipment and ancillaries, brake regulating equipment for Railway rolling stock, pantographs for electric locos and electric multiple units, superheater elements and associated items for steel locos, rail and road airconditioning and refrigeration equipment, fractional horse power motors, traction motors and certain classified equipment for the Ministry of Defence Supplies.

Consequent on its negotiations with the Government of India, Letters of Intent and manufacturing licences are being granted to it. For the year 1971, the company's sales and profits rose by 13 per cent and 22 per cent respectively as compared to the previous year's figures. The company's order book for products currently manufactured is full upto the end of 1973. It is shortly going to enter the capital market by issuing shares to the Indian Public. It is hoped by the company that it will recommend the payment of not less than 10 per cent dividend on the equity capital (as increased by the forthcoming issue) for the period ending December 29, 1973.

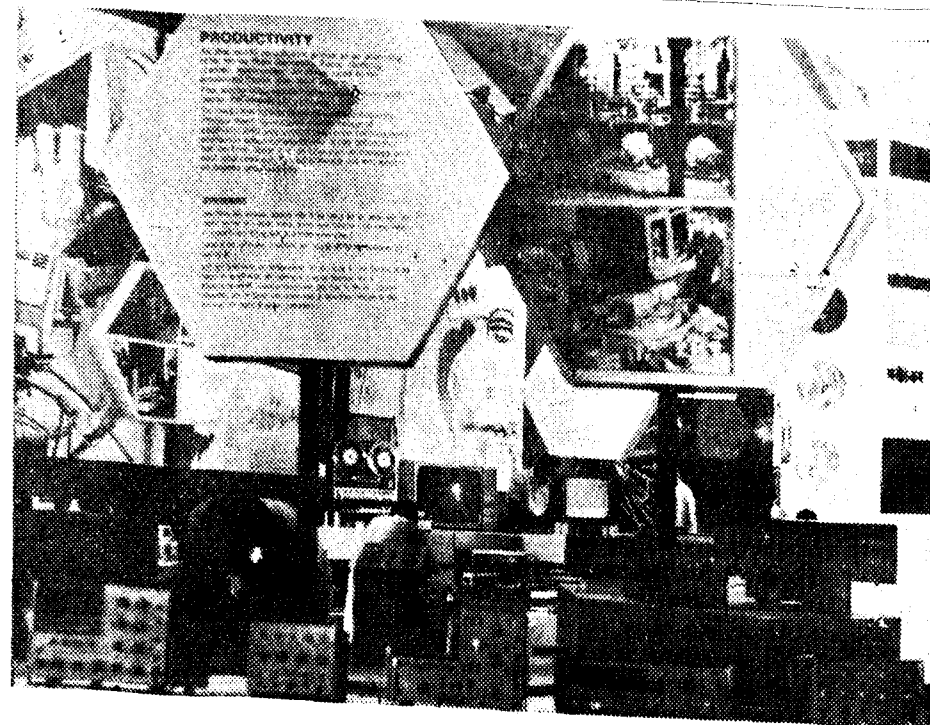
Promoting Industrial Relations

The Management of the Dhrangadhra Chemical works Limited, Sahapuram, recently arranged a function at which Mr. P. C. Jain, Managing Director, presided. Each member of the staff and workmen of the plant who had completed 13 years of service as on March 31, 1972 was favoured with a wrist watch by Mr. S. K. Jain.



At the function, seven workmen of the Electrical Department of the complex were awarded special mementos by Mr. D. K. Sitarmayya Works Manager for having been successful at the Electrical Supervisory Competency Certificate Examination of the Government of Tamil Nadu.

Picture shows Mr. S. K. Jain presenting a wrist watch to an employee.

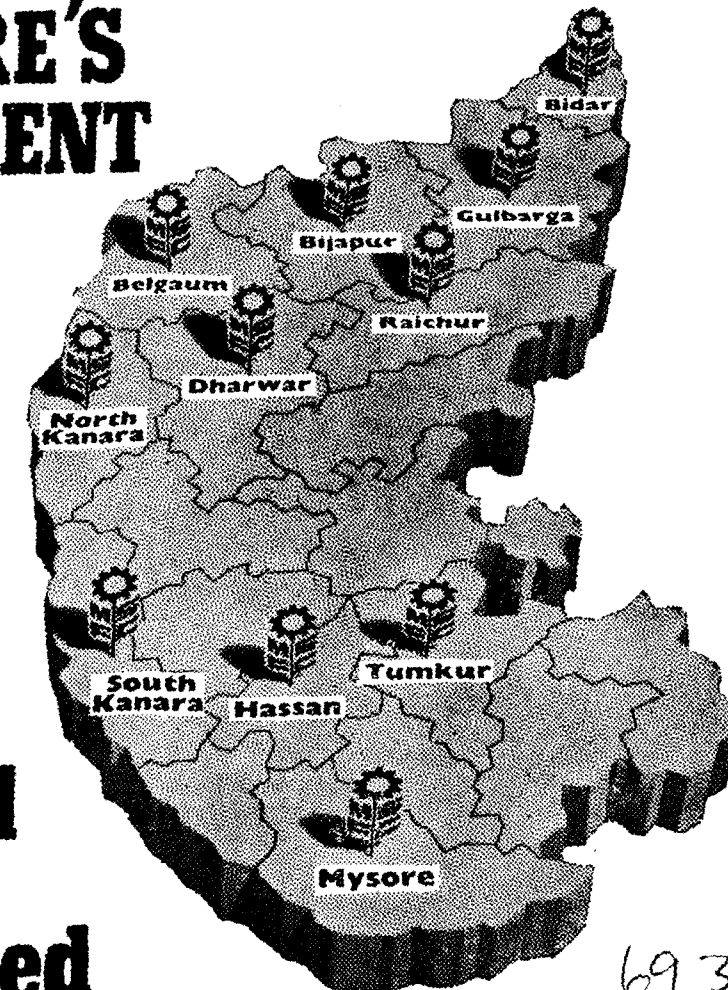


The Philips Pavilion 'Visum Electronikum' at the Asian Trade Fair stresses the vital role that electronics plays for the benefit of mankind. The approach has been very selective. Six areas of human activity which have particular relevance to the Indian situation have been chosen. They are education, communication, production, healthcare, mobility and entertainment. Products have been carefully selected and displayed to depict how electronics technology is made to serve man in these six areas of activity.

Picture shows a view of the interior of the Pavilion.

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MSFC has your industrial finance programmed for you



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Industrial expansion in Mysore's eleven Development Areas is a sound economic proposition. Industries located here qualify for maximum grants, resources and co-operation from the State Government. Financial incentives and assistance from the Mysore State Financial Corporation include :-

- 10% subsidy of the total capital cost of the project, by the Government of India, in selected areas.
- Concessional rate of interest subsidised by the State Government by 1%.



For further details contact :

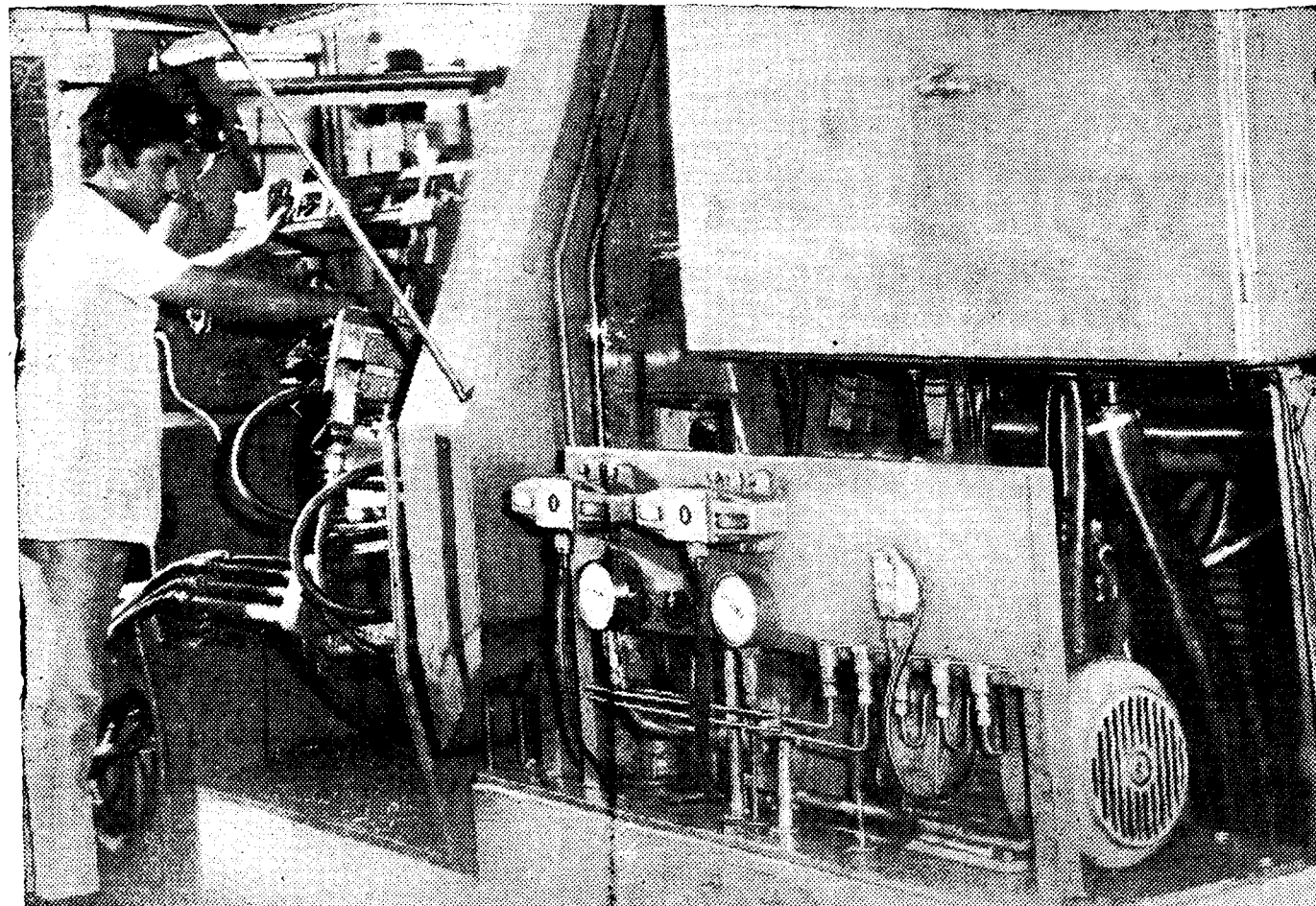
Mysore State Financial Corporation

1/1, 2nd Main Road, Malleswaram, Bangalore-3. Phone: 71169

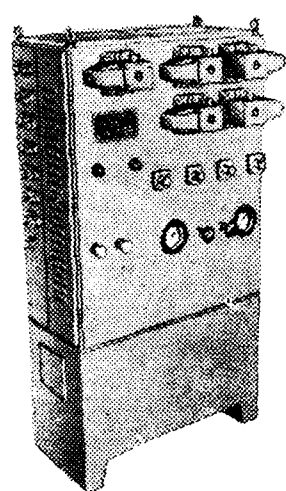
Since 1959, MSFC has assisted over 1000 industries with finance totalling Rs. 55 crores. And also underwrites capital issues of companies. MSFC's industrial finance program is specially mapped out for new and expanding industries. In collaboration with the Mysore Small Industries Corporation and the Small Industries Service Institute which offer added facilities like locating sites and buildings, project evaluation and obtaining licences for your industries.

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