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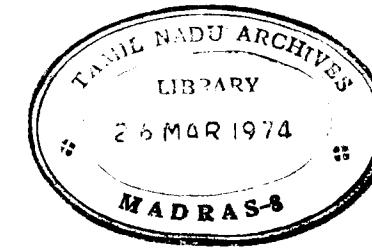
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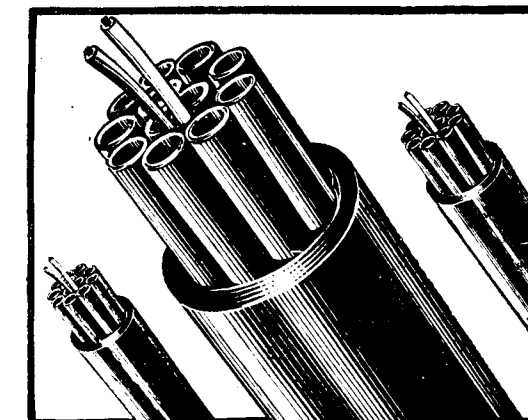


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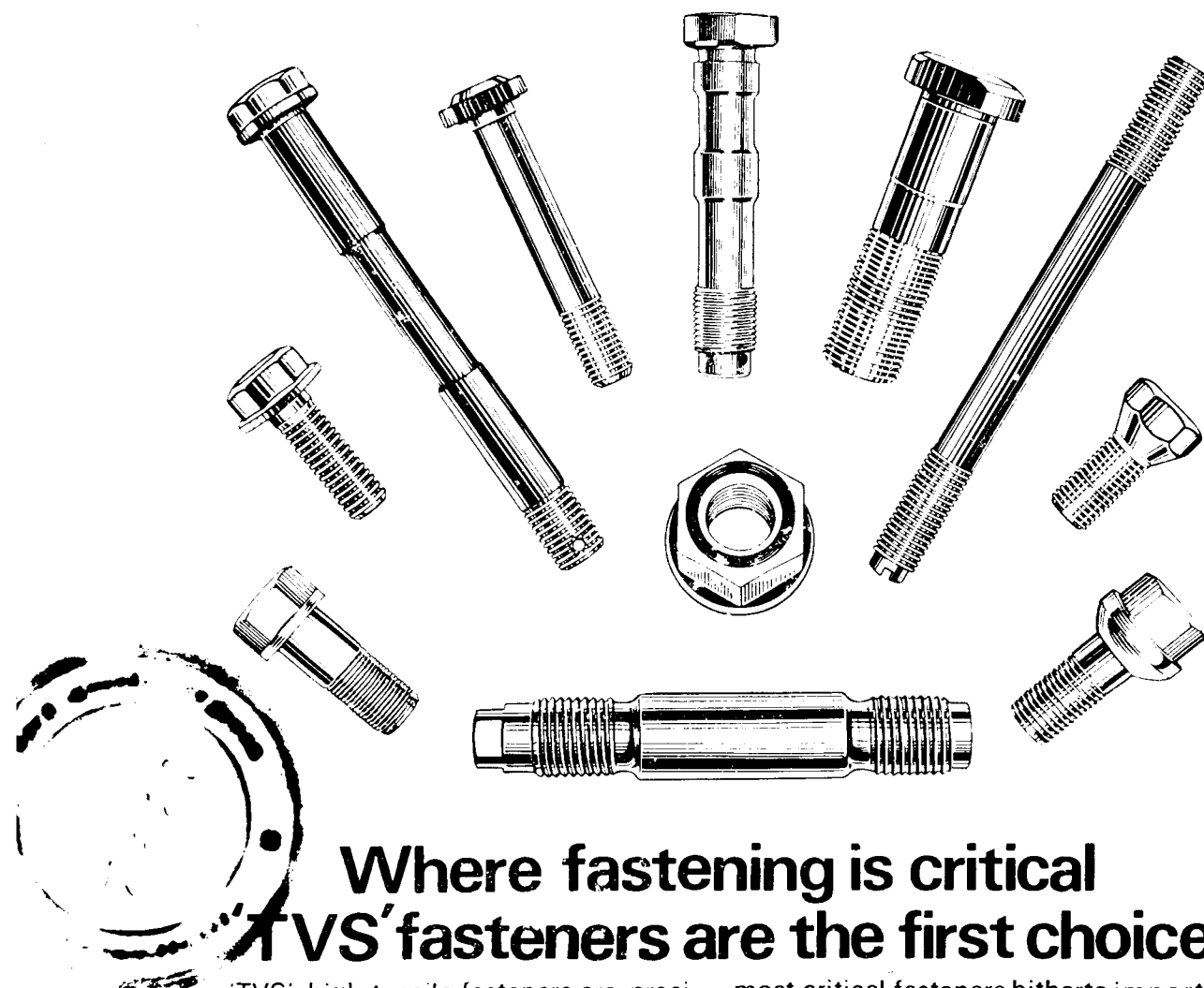
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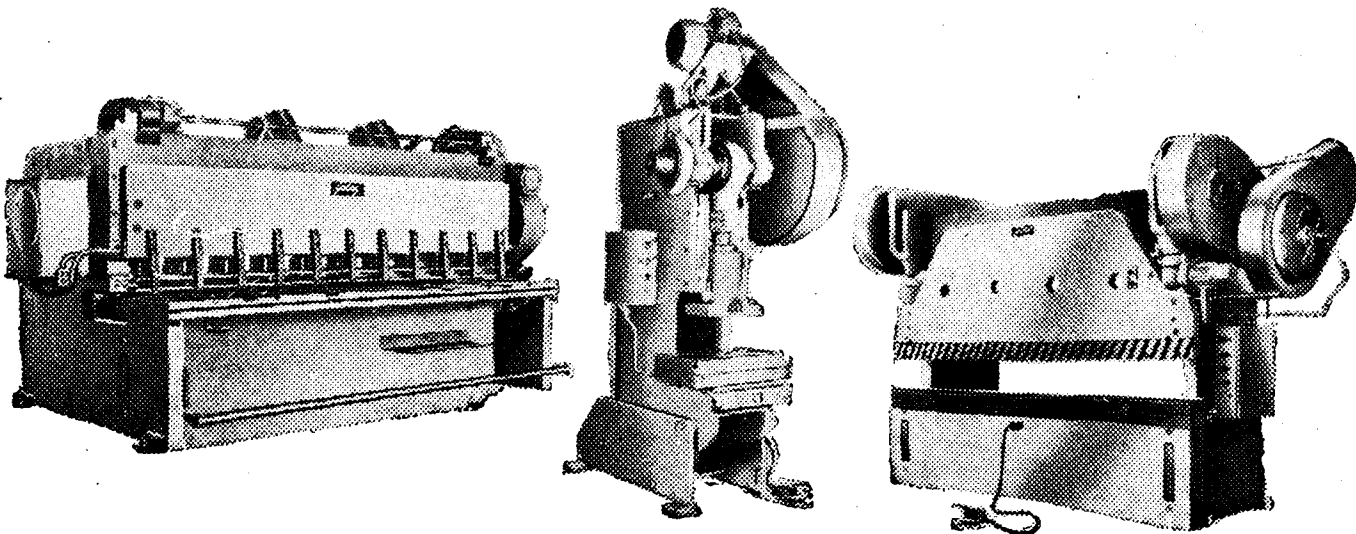
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Charter for inflation

V. Balasubramanian

Planning, Mr D.P. Dhar, about the claims of the fifth Plan, or by the Finance minister, Mr Y.B. Chavan, about his party's self-advertised commitment to the removal of poverty, can succeed in concealing this harsh and urgent reality by raising a cloud of demagogic dust.

Ordinarily the people should be not only enthusiastic but even anxious about the country's long-term economic growth. Thanks however to the misconceived or wrongly motivated economic policies of the central government, this otherwise valid objective of long-period economic growth has temporarily become irrelevant to the current and true needs of the people as they have come to feel them in their bones. About one in every three families in this country is just not able to buy its subsistence with what it is able to earn. About three in every four urban households are unable to afford sufficient nutrition even for their children in spite of having a regular monthly income from white-collar jobs or employment in organised industry or trades. This is a situation which must arouse our emotions. Indeed, in some parts of the country, notably Gujarat, the plight of our people has even incited passions such as anger and resentment which are often exploding into destructive fury. Let us however use here only the dull drab language of the government's own *Economic Survey*, presented to Parliament last month to indicate the nature of this national distress:

"The strong upward pressure on prices which developed in 1972 was accentuated in 1973. Compared to an average increase of 7.8 per cent in 1972, the wholesale price index went up by 19.2 per cent in 1973. The seriousness of the price situation gets magnified if, instead of looking at the average increase in the price level over the year, we compare the level of the wholesale price index at the beginning and end of the year. Thus, whereas between December 1971 and December 1972 the wholesale price index increased by 13.7 per cent, the index in December 1973 was 24 per cent higher than in December 1972. Although prices rose almost every month in 1973, the largest increase took place in the period May to July. The index registered a mild decline for a brief period in August-September. However, from October 1973 onwards, the index again rose every month, though at a much smaller pace than in May to July.

"Inevitably, the increase in wholesale prices had its repercussions on the cost of living. The All India Consumer Price Index, which went up by an average of 6.3 per cent in 1972, registered a further increase of 16.8 per cent in 1973. The index for December, 1973, at 260 was 24 per cent higher than the index for December, 1972".

Let us turn once again to the *Economic Survey*, for an account of possibly the most important part of the explanation for this behaviour of prices:

"The Indian monetary scene in recent years has been characterised by an unusually large expansion in money supply with the public. The annual rate of growth of money stock increased from 10.8 per cent in 1969-70 to 11.2 per cent in 1970-71. In 1971-72 and 1972-73 there was a further acceleration in the rate of growth of money supply. Thus, whereas in 1971-72 money supply increased by 13.1 per cent in 1972-73 the observed growth rate was 15.9 per cent. During the current financial year, money supply increased by 9.6 per cent between March 31, 1973 and January 25, 1974.

"The strong expansionary impact of monetary developments in recent years is also reflected in the behaviour of aggregate monetary resources with the public, consisting of money supply with the public and time deposits. The annual rate of growth of aggregate monetary resources went up from 12.4 per cent in 1969-70 to 17.7 per cent in 1972-73. In the current fiscal year, there was a further expansion of 14.1 per cent until January 25, 1974.

"Although there is no mechanical relationship between the growth of money supply and the behaviour of prices in a short period, it cannot be denied that a sustained increase in money supply far in excess of the rate of growth of real output during the fourth Plan period has exerted a strong upward pressure on prices. In the first two years of the Plan i.e., 1969-70 and 1970-71, the impact on prices was cushioned by a sizeable growth of real output. However, in 1971-72 and 1972-73 while the growth of money supply accelerated, the rate of growth of real output declined. In the current fiscal year, as a result of a considerable increase in real output, the divergence between the rate of growth of money stock and that of real output is likely to be reduced. However, the divergence is still large and considering also the impact of disproportionate increases in money stock during the last two years, the imbalance between aggregate demand and aggregate output remains".

This official point of view reflects the consensus in this country on this issue. For instance, in a memorandum submitted to the prime minister last month by Professor C.N. Vakil on behalf of a nation-wide group of academic economists, the opening paragraph goes like this:

"The extraordinary rate of increase in the price level of commodities, and in particular of consumption necessities, which is being witnessed since 1969-70, a nearly 50 per cent rise during

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vant provisions, as it stands at present, was brought into force.

(Since this tax concession was originally introduced in the Income-tax Act with effect from 1st April, 1968, an independent provision is also being made in the Bill, retrospectively, from that date to secure that, even under the relevant provision as it stood during the period 1st April, 1968 to 31st March, 1972, this tax concession will be allowed only to the extent that such income is received in or is brought into India in accordance with the law regulating payments and dealings in foreign exchange.)

(b) With the proposed reduction in the rates of personal taxation, there is little justification for the continuance of this tax concession in the case of non-corporate taxpayers. The Bill, therefore, seeks to discontinue this deduction in the case of resident non-corporate taxpayers. The withdrawal of the concession will take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years.

(Clauses 9 & 17)

44. *Ancillary provisions for computation of "advance tax" in certain cases.*—Under the Income-tax Act, "advance tax" is to be paid during every financial year in equal instalments on specified dates on the taxpayer's income (other than capital gains and certain casual and non-recurring incomes) liable to tax for the assessment year next following the financial year. In the case of persons who have been assessed to tax by way of regular assessment, "advance tax" is ordinarily required to be paid with reference to the last assessment income of the taxpayer on the issue of a notice of demand by the Income-tax Officer. Persons who have not previously been assessed by way of regular assessment are required to send an estimate of their current income to the Income-tax Officer and pay "advance tax" thereon at the rates in force. In cases where

the total income of the latest previous year on the basis of which tax has been paid by the assessee on self-assessment under section 140A exceeds the total income of an earlier year assessed by way of regular assessment, the 'advance tax' is demanded by the Income-tax Officer on the basis of the total income of such previous year.

45. The Bill provides that in the case of individuals, Hindu undivided families and certain other categories of non-corporate taxpayers, the net agricultural income of the assessee shall be taken into account for the purposes of computing "advance tax" payable during the financial year. The Bill also specifies separate rates for computing "advance tax" in the case of Hindu undivided families having at least one member whose total income of the relevant previous year exceeds the maximum amount not chargeable to tax in his case. With a view to facilitating the proper implementation of these provisions, the Bill also seeks to make certain ancillary provisions in this regard in the Income-tax Act. According to one of the provisions, where the order of the Income-tax Officer under section 210 of the Income-tax Act requiring a person to pay "advance tax" is made on the basis of the total income of the latest previous year for which regular assessment has been made in the case of the taxpayer, the Income-tax Officer will have to compute the "advance tax" on the basis of the net agricultural income which has been taken into account for the purposes of charging income-tax for that year. In cases where the order under section 210 is made by the Income-tax Officer on the basis of the total income of any previous year for which tax has been paid by the assessee on self-assessment under section 140A, the Income-tax Officer will compute the "advance tax" on the basis of the net agricultural income as returned by the assessee in the return of income for that year. In cases where an estimate of "advance tax" is sent

by the taxpayer under section 212 of the Income-tax Act, the taxpayer will have to compute the "advance tax" payable by him by taking into account his estimated net agricultural income for the period which would be the previous year for the immediately following assessment year.

46. In cases where the order of the Income-tax Officer under section 210 requiring a Hindu undivided family to pay "advance tax" is made on the basis of the total income of the family for the latest previous year for which the family has been assessed by way of regular assessment, the separate rates of rates of tax prescribed for Hindu undivided families will apply to the family if the total income of any member of the family for the assessment year relevant to that latest previous year exceeds the maximum amount not chargeable to tax in his case. In cases where the order of the Income-tax Officer

tion of dividends received by Indian companies and resident non-corporate taxpayers on shares allotted to them in a foreign company for the provision of technical "know-how" or technical services to the foreign company.—Under the Income-tax Act, Indian companies or resident non-corporate taxpayers deriving income by way of dividends on shares allotted to them in a foreign company in consideration for the provision of technical 'know-how' or technical services to such foreign company are entitled to a deduction of the whole of such income by way of dividends in the computation of the taxable income. This tax concession is available only if the agreement under which the technical 'know-how' or technical services are provided to the foreign company is approved by the Central Board of Direct Taxes. The main objective of this tax concession is to encourage Indian companies and resident non-corporate taxpayers to develop technical 'know-how' and make it available

under section 210 is made on the basis of the total income of the family for a previous year for which the family had paid tax on self-assessment under section 140A, the separate rates prescribed for Hindu undivided families will apply if the total income of any member of the family for the assessment year relevant to such previous year exceeds the maximum amount not chargeable to tax in his case.

47. These amendments will take effect from 1st April, 1974 and will accordingly apply for the purposes of computing "advance tax" during the financial year 1974-75.

(Clause 11)

48. *Carry forward and set off of losses from horse races.*—Under an amendment made by the Finance Act, 1972, the exemption available under the Income-tax Act in respect of casual and non-recurring re-

to foreign companies so as to augment our foreign exchange resources. The Bill seeks to make the following two changes in the relevant provision in the Income-tax Act:

(a) As one of the main objects of the aforesaid tax concession is to augment our foreign exchange resources, it is proposed to make a retrospective amendment in the law from 1st April, 1968, i.e., the date from which this provision was brought into force, to specifically provide that the deduction under this provision will be allowed only to the extent that the income by way of dividends is received in or is brought into India by the taxpayer in accordance with the law regulating payments and dealings in foreign exchange.

(b) With the proposed reduction in the rates of personal taxation, there is little justification for the continuance of this tax concession in the case of non-corporate taxpayers. The Bill, therefore, seeks to dis-

Pay Commission's recommendations as liberalised by government, and the grant of three increases in dearness allowance during the year have substantially added to the railways' expenditure. The impact is over Rs 109 crores for a full year. Out of the estimated liability of Rs 94 crores during the current year, about Rs 52 crores are expected to be disbursed to the employees during the current financial year. The balance of Rs 42 crores has been thrown forward and provided for in the budget for 1974-75.

Against the background of the unprecedented shortfall in performance, Mr Mishra said, the gross traffic receipts are expected to be Rs 93.20 crores less at Rs 1170 crores, against the budget estimate of Rs 1263.20 crores. "Due to the combination and conjunction of heavy additional expenditure and substantially short earnings the year 1973-74 has been the worst year for railway finances for many decades", Mr Mishra said.

Exchequer control

In recognising the gravity of the situation "exchequer control" on all spending units was imposed during the year to regulate their cash disbursements against the budget allotment. Other economy measures were intensified which have yielded appreciable results—Rs 17 crores.

The anticipated budget surplus of Rs 23.86 crores in 1973-74 has turned into a deficit of Rs 99.75 crores. This amount, Mr Mishra said, is proposed to be covered by obtaining a loan from the general revenues. The indebtedness of the railways to the general revenues which was expected at Rs 111.01 crores, would in the circumstances, rise to Rs 208.02 crores.

Apart from the economy of Rs 17 crores in revenue expenditure a saving of Rs 13.5 crores in works expenditure was also achieved making a total of Rs 38.5 crores against the promised amount of Rs 20 crores. The Railways Plan expenditure in the current

year would be Rs 324.19 crores against Rs 337.54 crores as budgeted.

Gross receipts

Referring to the budget estimates for the next year, the minister said gross traffic receipts have been estimated, at the existing level of the fares and freights, to be Rs 1290.77 crores. This is based on the hopeful assumption that railways will carry 25 million tonnes of additional originating traffic over the expected performance of the current year. Mr Mishra said this assumption may be considered optimistic considering the 1973-74 performance. "I am, however, not despondent but look forward to the new year with hope and confidence".

Working expenses have been placed at Rs 1148.37 crores which include Rs 99 crores for payment of increase in wages and allowances arising out of the Pay Commission's recommendations, together with the additional dearness allowance. The estimates also provide for an increase in the fuel bill of the railways of Rs 40.78 crores and Rs 44.76 crores for repayment of indebtedness and Rs 42 crores which is a liability thrown forward from the current year arising from the Pay Commission's recommendations and the increase in dearness allowance.

Taking all these and other relevant items into account, railway revenue will fall short of expenditure by Rs 7.5 crores. But for the throw-forward liability of Rs 42 crores, the revenue receipts should have exceeded the expenditure including the appropriation to the Depreciation Reserve Fund and to the Pension Fund, by Rs 34.5 crores. But to be able to meet dividend liability, the requirements of debt servicing charges etc., and to restore the financial health of the railways, "I have most reluctantly come to the conclusion that the adjustment in the level of fares and freights is inescapable," Mr Mishra added.

Referring to the key role of railwaymen in the economic

life of the community, Mr Mishra said, a very special responsibility was placed on their shoulders "I must place on record my warm appreciation of the loyal services being rendered by most of them to the community. I have a word of commendation for the valuable services rendered by officers and other supervisory staff and the railway personnel embodied in the Territorial Army, in conditions of considerable stress and strain and even occasional personal risk."

Pressure groups

The minister, however, noted with great regret and concern that lately a small number of railwaymen have organised themselves into pressure groups among essential staff. These groups have intermittently sought to paralyse railway working in sensitive areas and off and on held the community to ransom. The agitations were politically motivated and divorced from normal trade union activities.

The minister said, trade unionism was the corner-stone of any democratic system but the need for the development of healthy trade unionism was imperative. Leaders of political parties have a responsibility to ensure that trade unions are not exploited merely for earning cheap popularity and to see that the unions take an integrated view of the national economy. The workers also owe obligation to the community and strikes should be the last weapon in their armoury.

Mr Mishra pointed out that the Railway Board and the General Managers of the Zonal Railways had reviewed labour relations in depth and broad decisions had been arrived at. The principle of 'no work, no pay' would be enforced and other disciplinary action may be taken when staff goes on illegal strike.

The services of loyal workers would be recognised by grant of extension, rewards, advance increments and favourable consideration, within administrative rules, for appointment of children dependent on loyal workers. Effective

protection will be given to the loyal workers and their families from violence and intimidation.

Mr Mishra pointed out, there are 700 categories of railwaymen and it is not possible for any organisation to negotiate at all levels with the representatives of such a large number of categories. This would also lead to fragmentation of trade union activity and concessions to one category would create an imbalance and general demands from other categories. At a recent conference convened by him, a general consensus had emerged that there should be only one union which should be broad based and popular and represent all crafts and categories of railway workers. It would be his endeavour to give this concept a practical shape in consultation with the two railway labour federations, ministry of Labour and other concerned people. At the same time, there was need for enlightened management for happy industrial relations and increased productivity. The railways must set an example in this direction.

Promises fulfilled

In this context the minister said, whatever promises and assurances were made to the Loco Running Staff when they called off their strike in August 1973 have been fulfilled both in letter and spirit. An agreement has been reached in the Qureshi Committee for working out the mode and manner of implementation of the 10-hour rule. Crash plans and programmes are being formulated by the Zonal Railways in fulfilling this commitment.

The magnitude of the problem, however, involved recruitment and training of 20,000 additional staff and a programme of capital expenditure entailing an outlay of about Rs 38 crores for laying additional loolines, rest rooms and crew vans. The Zonal Railways have been asked to plan for these works. This programme cannot be completed within a period of 30 or 90 days. The minister appealed to the locomen and other staff

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in this matter, however, was available within hours of the ritual presentation of the budget papers to Parliament. On the morning following budget day, the Chief Economic Adviser to the ministry of Finance found himself compelled to admit at a press conference that only a notional provision had been made in the budget estimates for a major item of expenditure such as food subsidy. This is the proverbial grain of rice which indicates the stage of cooking in the pot on the fire.

Difficult year ahead

We have not been told at all what assumptions have been made regarding price trends in the budget year for drawing up the estimates of expenditure. As has been seen earlier, the increase in the wholesale price index has been of the order of 20 per cent in 1973. The government's *Economic Survey* has itself admitted that 1974 may be the worst year yet for the national economy and possibly the most difficult year ever for government management of the economy. In the circumstances it is not at all open to the government to take an optimistic view of price behaviour. It is therefore supremely important for public opinion to be informed of the basis, in terms of price trends, which the government has adopted for framing its expenditure estimates.

Unfortunately, the public has not only been kept in the dark but, considering the government's record in such matters, the country has every reason to be apprehensive of the expenditure estimates having been drawn up in terms of a refusal or at least a reluctance on the part of the government to adopt meaningful projections of price behaviour over the next twelve months. It follows that if the government's expenditure programmes are carried out in physical terms at the levels estimated in the budget, the financial liability could be much greater than what the monetary estimates of outgoes, whether on the revenue side or on capital account, may suggest. The meaning of this is clear and it is that there is a not so inarticulate major premise of escapism in the budgetary syllogism from which the Finance minister has hopefully derived his initial budgetary gap of Rs 311 crores (subsequently sought to be reduced through additional taxation to Rs 125 crores).

While the expenditure estimates are escapist, the estimates of revenue receipts are projections of wishful thinking. The gross tax revenue, at the existing rates of taxation, has been assumed at Rs 5,286.69 crores for 1974-75 as against the corresponding budget estimate of Rs

5,111.56 crores for 1973-74. The revised estimates for the latter year stand at Rs 5,051.99 crores which means a drop of about Rs 60 crores. As against this lower figure the Finance minister expects a gain of Rs 235 crores in the new fiscal year through the "natural growth" in tax revenue. This would imply that Mr Chavan is placing substantial reliance on a boost in the level of economic activity. It is difficult to know who or what is encouraging Mr Chavan here in his optimism.

It is true that the *Economic Survey* notes that while it is probable that national income (at constant 1960-61 prices) had shown a small decline in 1972-73, in spite of industrial production having increased by over five per cent in that year, the rate of growth of national income is likely to be about six per cent in 1973-74, thanks to a substantial increase in agricultural production. There is however considerable doubt that the official expectation regarding agricultural production in 1973-74 relates closely enough to the actuals of grain production, particularly the wheat output. In any case it is significant that the revised estimate of union excise duties for the year 1973-74 is about Rs 107 crores less than the budget estimate for that year. As against all this the Finance minister expects the union excise duties, at the existing rates of taxation, to yield Rs 219 crores more in the budget year over the revised estimate for the current financial year. This is in spite of the fact that the *Economic Survey* has not only acknowledged frankly that "it is difficult at this stage to forecast the course of economic activity in 1974-75," but has also noted that it is beyond doubt that 1974-75 would be another very difficult year for the Indian economy.

Less reassuring outlook

The National Council of Applied Economic Research, taking a view of the economic outlook for 1974, is even less reassuring. In fact the NCAER contests the assumption of the *Economic Survey* that the increase in national income in 1973-74 is likely to have been of the order of six per cent. Its opinion is that "with insufficient growth in agriculture, hardly any at all in industry and a declining railway transport, there would have been little or no growth in the national income in 1973-74 compared to 1971-72." As for the year that lies ahead, the NCAER grants that there is no reason why there should not be reasonable progress in agriculture but is quick to add that this expectation would come true only if supplies of fertilizers and seeds are adequate and timely attention is given to more

economic and effective ways of applying fertilizers. Against this guarded optimism must be set its pronounced pessimism about the course of industrial production. Saying that there are a number of question marks to be taken into account here, the NCAER emphasizes that "industry today is faced with so many difficulties — transport, coal and other fuels, electric power, shortage and irregular supply of raw materials, difficulties and delays in securing the approval and cooperation of public authorities at numerous points and, above all, unsatisfactory industrial relations—that there is serious danger of there setting in a kind of despair sapping the very will to go forward."

Unwarranted assumption

Considering this background, is the Finance minister justified at all in assuming that the tax revenue at existing rates of taxation would necessarily increase and that too mainly under the union excise duties? Mr Chavan has estimated with justified caution the revenue from customs at existing rates at Rs 916 crores in 1974-75 as against the budget as well as the revised estimate of Rs 974.20 crores for 1973-74. He should have contented himself surely with estimating the net improvement under other tax heads at an amount which would have just covered this anticipated loss (at existing rates) under customs.

There is also an interesting detail in the Finance minister's revenue arithmetic which needs to be critically examined. In spite of the across-the-board reduction in the rates of income-tax on personal incomes, which he has rightly announced, Mr Chavan expects the yield from income-tax to go up from the revised estimate for 1973-74 of Rs 673 crores to the budget estimate of Rs 709 crores for 1974-75. Although he has estimated that the lower income-tax rates "would ordinarily have resulted in a loss of about Rs 60 crores in a full year and Rs 36 crores in the financial year 1974-75", the Finance minister, with an innocence nothing short of the angelic, has explained that he, however, is "not taking any loss into account for budgetary purposes as I expect that the reduction in the rates of taxes will lead to better tax compliance and full disclosure of incomes by all taxpayers."

Now it is easy to agree that more reasonable rates of income taxation would benefit revenue by better tax compliance and would moreover provide more revenue even more positively by encouraging the willingness and ability to work, earn, save and invest. But surely these beneficial results cannot come about over-

night or even in the case of a single fiscal year. It is only over a period of time, when the community has gained full confidence in the government's fidelity to the principle and practice of reasonable income taxation, that the incentives to better tax compliance or to work and earn more will come into full play. It is rather amusing to find the Finance minister going on record to the effect that he solemnly believes that he has turned the hordes of taxpayers into a saintly army of honest men by a stroke of his budgetary pen. In fairness to the public revenues, Mr Chavan should certainly have allowed for the effect of the reduction in the rates of income-tax on personal incomes while estimating the yield from this tax in the budget year.

Credibility gap

This, however, is a minor matter. What does matter is that the Finance minister, while projecting his expenditure estimates, has presumably not allowed for the inflationary course of prices and, in estimating tax revenue at the existing rates of taxation, he has evidently assumed a higher level of economic activity in the new financial year than may be warranted by objective data or a degree of responsibility in economic forecasting. This disturbing combination of a sin of omission and a sin of commission must cast devastating doubt on the credibility of his assessment of the budgetary gap (exclusive of new taxation) at Rs 311 crores.

What that gap would be is anybody's guess, but almost anybody's guess is likely to be nearer the truth than that of the Finance minister, his colleagues in the government or his aides or advisers in the administration who have an obvious vested interest in trying to play down this gap. Roughly speaking, the gap would not be Rs 311 crores or anywhere near that sum, but about thrice as much as that figure on the assumption that the investment or other programmes contemplated in the expenditure estimates are implemented in the main in physical terms. This being the case, the Finance minister's proposals for raising additional funds will have to be dismissed not only as ridiculously inadequate but, where some of them are concerned, condemned as positively harmful.

Take, for instance, the self-defeating policy for market borrowings. Normally, genuine market loans are a legitimate and meaningful way of syphoning off surplus purchasing power in the hands of the people as an anti-inflationary measure, but where self-perpetuating and self-accelerating inflation is being built into the economy by a whole body of govern-

mental economic policies, market borrowing in the way it is now being practised is, in anti-inflationary terms, as pointless as the antics of a dog trying to chase its tail. Worse still, as expert studies, both official and non-official, have shown, market borrowing, which is now nothing else than an euphemism for compulsory loans to the government from the nationalised commercial banks, is itself contributing enormously to the inflationary expansion of money supply.

The *Economic Survey* has described the situation in the following words:

"In 1969-70, net bank credit to the commercial sector was the most important factor contributing to the expansion of money supply. However, since 1970-71, net bank credit to government has exercised far more expansionary influence on money supply than net bank credit to the commercial sector. Moreover, since 1970-71, the Reserve Bank credit to government has accounted for a much larger proportion of the increase in net bank credit to government than net commercial bank credit (to government). The Reserve Bank credit to government increased by Rs 671 crores in 1971-72 and Rs 784 crores in 1972-73. The corresponding figures for the increase in commercial banks' net lending to government are Rs 301 crores and Rs 523 crores respectively.

"Judging by the data for the period March 31, 1973 and January 25, 1974, net bank credit

to government is likely to remain a predominant influence on the growth of money supply in the current fiscal year as well. Thus whereas between March 31, 1973 and January 25, 1974 net bank credit to government increased by Rs 1,032 crores, net bank credit to the commercial sector declined by Rs 171 crores. It should be pointed out, however, that the decline in net bank credit to the commercial sector was not due to any fall in commercial banks' credit (in fact it rose much faster in 1973-74 than in 1972-73), but due to a larger expansion in time deposits with banks. Further, it is worth noting that as compared to 1972-73, net Reserve Bank credit to government in the current fiscal year has assumed a much larger role than net commercial bank credit to government. During the period March 31, 1973 and January 25, 1974, net Reserve Bank credit to government increased by Rs 816 crores, and commercial banks' net lending to government went up by Rs 216 crores. This is to be compared with an increase of Rs 480 crores in net Reserve Bank credit to government and of Rs 594 crores in net commercial banks' lending to government during the corresponding period of 1972-73.

"Commercial banks' lending to government takes the form of investments in government securities, including treasury bills. The fact that, despite a substantial increase in deposits, commercial banks' investments in government securities increased much less in the current year as compared to the previous year, may be partly due to impounding by the Reserve Bank in 1973 of a part of commercial banks' deposits (through an increase of four percentage points in the statutory cash reserve ratio). In the absence of this impounding, it is likely that a part of the immobilised bank reserves may have been invested by banks in government securities.

This has to be borne in mind in interpreting the monetary data as well as the figures of budget deficit for 1973-74.

"The events of 1973 also cast some doubt on the validity of the usual economic distinction between commercial bank and Reserve Bank credit to government. To the extent that impounding of bank's deposits and commercial banks' investments in government securities are substitutable, it is arguable whether there is much difference in the monetary impact of a government expenditure financed by borrowings from the Reserve Bank as against commercial banks' investments in government securities. In retrospect, it appears that the relative inflationary impact of government spending cannot always be properly assessed by making a distinction between borrowing from the commercial banks as against borrowing from the Reserve Bank. For a sound anti-inflationary policy, it is essential that government investment in excess of government savings ought to be matched by excess of private savings over private investment. The manner in which excess private savings are transferred to the public sector is of much less significance for the control of inflation than is sometimes assumed in discussions of monetary policy."

We may now turn to what Professor Vakil and his fellow economists have to say on this issue:

"The increase in bank credit to the government and the industrial-commercial sectors, in excess of the increase in net time deposits with the public, is the outstanding proximate factor in determining the rate of annual variation in the money stock. During the end of 1969 and of the third week of January 1974, bank credit had increased by 87 per cent. The high rate of growth of money supply which has currently accelerated to a 20 per cent annual increase, is thus due to the excessive rate of issue of bank credit to the government and the industrial-commercial sectors.

"The explosion in bank credit to the government sector is due to the continuous process of step-up in government outlays without a corresponding step-up in non-inflationary sources of receipts; in fact, such sources as a proportion of government expenditures have been shrinking. Whereas bank credit financed six per cent of government expenditure in 1968-69, this proportion had risen to 13 per cent in 1972-73. With a stable government expenditure ratio to GNP (based on officially reckoned prices and incomes) of about 20 per cent, a stable tax-revenue ratio to GNP of 12 per cent to 13 per cent, a dwindling ratio of non-tax revenue (and aid) receipts to GNP, the accumulation component of government expenditure has slumped to 4.5-5 per cent of GNP from 7.6 per cent in 1965-66. The large budgetary deficits that we are witnessing year by year have very limited relation to the goal of capital accumulation. They involve a draft on the surplus of basic goods in the economy with only a meagre contribution to the growth of capacity to produce such materials. Basic goods are wage-goods and inputs for wage-goods.

"The credit upsurge to the commercial sector is largely emanating from the augmentation of the cash and liquidity base of the commercial banks, as a result of the secondary impact of increase in bank credit to the government sector; also from the rising base for borrowing due to the increase in collateral values, from the high and rising ratio of bank credit to inventories on the part of large medium-sized

private firms, from the high levels in the ratios of inventories to sales in public industrial and commercial undertakings, and from the growing extent of bank credit dependence on the part of state trading organisations, whose number and scope of operations are expanding, without a corresponding mobilisation by banks of the cash resources thus released from the role of inventory-finance to the privately trading sector. The rate of growth of bank credit to the industrial-commercial sector bears no meaningful relation to the rate of growth of manufacturing output or of total output."

We may now listen to Dr V.K.R.V. Rao and the team from the Institute of Economic Growth:

"This increase in money stock, which we are treating as a proxy for the increase in aggregate effective demand, is not ascribable to any liberality in lending to the private sector or a run-away credit expansion in favour of the private sector. Even the deficit financing by state governments through overdrafts has been brought under control during the last year though its effect on the inflationary situation has perhaps been offset by large central loans to them for drought relief and the so-called crash agricultural programmes. The real and the most conspicuous single factor behind the increase in the money stock is the borrowings of the central government from the Reserve Bank or deficit financing by the government of India."

Proceeding, Dr Rao and his group argue:

"The Reserve Bank has no provision for controlling the volume of currency which is expandable with the addition of rupee securities of government and government can add to the volume of its rupee securities at will with the Reserve Bank because of its power to create *ad hoc* securities. The Reserve Bank has the power and does try to control the volume of bank money by regulating the rate of interest and cash reserve ratios and liquidity ratios; but it has no real rule about the permissible limits of currency expansion and contraction as far as government requirements are concerned. The Bank does its job fairly efficiently as far as seasonal requirements for expansion and contraction are concerned, but it has no real policy as far as the secular growth of the money stock is concerned, especially that of the high-powered money created by deficit financing which does not liquidate itself over time but keeps on increasing the money stock and adding to its multiplier effect."

Although the various sources quoted here differ in phrasing, emphasis or even in some respects argument, there is clearly striking unanimity of opinion among these authorities that the government's market loans cannot be accepted mechanically as anti-inflationary financing and that, on the contrary, they have been adding positively to the inflationary expansion of money supply. An extremely interesting point emerging from this discussion is that the impounding by the Reserve Bank of a part of commercial banks' deposits through an increase in the statutory cash reserve ratio is less significant than it may seem as a measure of monetary discipline since the Reserve Bank itself has "no real rule", as Dr Rao and

his associates put it, "about the permissible limits of currency expansion and contraction as far as government requirements are concerned." This group emphasizes in this connection the point that "the Reserve Bank has no provision for controlling the volume of currency which is expandable with the addition of rupee securities of government and government can add to the volume of its rupee securities at will with the Reserve Bank because of its power to create *ad hoc* securities."

Considered in the light of these views the Finance minister's decision to raise Rs 498 crores of net receipts from market borrowing as against the sum of Rs 472 crores figuring on this account in the revised estimates for the current financial year does not at all carry reassuring implication about the government's willingness or ability to arrest the rot of the continuous inflationary financing of its expenditure in the course of 1974-75. On the contrary, a higher level of market borrowings, in association with a budgetary deficit of large and really unpredictable dimensions, must arouse the most profound concern in the country about the prospective trends in money supply.

Multiplier effect

Dr Rao and the economists from the Institute of Economic Growth believe that the economic crisis posed by inflation demands that there should be a combination of fiscal and monetary policies which would ensure that the level of money stock would keep pace with the growth in real output or national income at constant prices. Defining the Finance ministry's role in this matter they have recommended that the ministry should accept the constraining influence of the relation of deficit financing to the money stock and the effects thereof on the price levels and its own future expenditure. They advocate that there should be a clear understanding on the part of the Finance ministry of the multiplier effect resulting from the increase in money stock by deficit financing and the limits that should be maintained of the volume of deficit financing. It is argued that, just as the Finance ministry does not go in for unlimited increases in the rates of taxation, it must also explicitly recognize the limits of deficit financing, as had been done earlier by the concept of 'safe deficit financing'.

According to Dr Rao and the associated economists this is where the Reserve Bank should also be brought into the picture by investing both the Finance ministry and the Reserve Bank with the obligation for practising combined dis-

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cipline for regulating the secular growth of the money stock. Two considerations are put forward here. First, the level of money stock should take note of the increased demand for money resulting from the extending monetization of the economy and at the same time take into account the decrease in demand resulting from the more efficient operation of the monetized economy in respect of the use of cash for transactions. Secondly, the level of money stock should allow for the increased expenditure requirements of government during exceptional years of stress and strain but should provide for the automatic extinction of the increased money supply by treating the addition as short-dated loans to be repaid within one or two years of its creation. They point out that the policy that would then emerge would be a rule limiting the expansion of currency on government account and providing for automatic extension of any addition to this level within a very short period, say, a year or so.

Drastic remedies needed

Professor Vakil and the other academic economists who have joined him in prescribing a policy to contain inflation however are convinced that more drastic remedies are called for. They demand that a national ceiling, an effective target-ceiling, on the annual rate of increase in money supply should be set with due regard to the maximum forecast-rate of visible expansion in the output of basic consumption necessities in the short period. In their view, under our conditions, the latter rate, taking the good years along with the bad, falls between two per cent and four per cent. After discussing various assessments of what the annual rate of increase in money supply should be, they have proposed provisionally a ceiling of five per cent per annum in the annual growth rate in the money supply during the fifth Plan. They recommend that, given this ceiling and the target of an incentive-determined rate of growth of fixed deposits with banks, it should be the task of the fiscal and monetary authorities to apportion the resulting expansion in credit potential between the needs of the government and the commercial sectors.

On a more detailed plane they advocate a substantial reduction in government borrowing from the commercial banks, a considerable reduction in the overall dependence of industry on bank credit and finally a once-over, single-step cut in money supply and consequently incomes and money prices. They believe that, without this heroic remedy, an effective and enduring traverse from a hyper-inflationary phase to a non-inflationary

phase cannot be successfully accomplished under current Indian conditions.

Differing from the Wanchoo Committee they reject demonetization and in its place they propose that all the outstanding currency with the public and the banks, (excluding low denomination notes), as well as of bank deposits (current accounts only) should be reduced in value by 30 per cent. Holders of currency notes of high denomination may be given special savings certificates of the value of the cut; no time limit need be imposed for the obtaining of these certificates. Holders of bank accounts should be credited with blocked accounts of the value of the cut. The above certificates and blocked accounts may be cashed or released after 20 years and should carry an interest of five per cent which can be taken in cash or credited to the account of the parties each year. In this way a significant part of the money supply will be immobilized.

Whether an absolute cut in money supply should immediately become the target of economic policy could be doubted, but it is clear that unless the inflationary phase in the economy is brought under control through sound fiscal and monetary policies starting with the new financial year, even more desperate measures may well become necessary for recapturing economic stability for the nation; it should be obvious, of course, that the restoration of economic stability under such conditions could only be at a low level of economic activity.

Indifference to inflation

Viewed in this perspective, the scheme of the central budget ought to tighten us because of its evident indifference to the implications or demands of the inflationary phase in the economy. The projection of a residual deficit of Rs 125 crores means that Mr Chavan is lavishly giving hostages to fortune. Dr Minhas, whom it has become fashionable to appeal to, has caustically remarked that this estimate of the deficit would only acquire some much-needed credibility if a zero were to be added at the end. Whether he is exaggerating or not is beside the point. What is absolutely relevant to the present discussion is that the Finance minister is taking impermissible risks with the possibility of an explosive expansion in money supply as a direct consequence of his failure to frame a budget which adequately takes into account the nature and scale of the inflationary phase in our economy.

The across-the-board cut in the rates of income-tax on personal incomes is

wholly justified, but there is surely no warrant for Mr Chavan casually wishing away the resultant revenue loss. On the contrary, he ought to have made an attempt here and now to ensure that this reform is paid for. One way of doing this could be a suggestion which the Vakil group has made. The relevant recommendation is that stricter guidelines should be prescribed for differentiating between permissible and non-permissible business expenses for tax purposes. This could be useful but it may not be enough.

Widespread perquisites

It is well known that the provision of perquisites in the form of entertainment, housing or conveyance allowance or other forms of remuneration has become widespread in the corporate sector and the situation is even worse in the case of legislators and ministers in whose case a whole range of perquisites are exempt from tax. It should certainly be considered whether this category of tax privileges enjoyed through perquisites by individual assesseees, whether they are executives in the corporate sector or legislators or ministers, should not be totally abolished. In order that genuine hardship may be avoided, a children's education allowance at a flat rate of Rs 1,000 per year may be considered for individual assesseees with taxable incomes of Rs 18,000 per year or less. This allowance should be in lieu of conveyance or other allowances now provided for in the income-tax law and it should be available for all married assesseees irrespective of the number of children or even if they have no children at the given time. This condition is necessary if family planning is not to be discouraged.

The Vakil group has rightly stated that there is "scope for a reduction in various subsidies which amounted in 1971-72 to nearly Rs 1,000 crores or about three per cent of the Gross National Product in that year." It argues that, unless these subsidies serve a definite fiscal purpose in achieving crucial socio-economic goals, there is room for pruning them drastically. It may be said that there are at least two categories of subsidies to which the surgeon's knife may be taken. The first is the various forms of export subsidies, particularly cash subsidies. There is reason to believe that international supply and price situations have materially changed in the case of a number of export commodities or goods making it possible for the government to review critically the need for the continuance of several incentive schemes of subsidies.

It is even more important that the issue of food subsidies should be realistically



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dealt with. It is not at all clear that the food subsidies are really subsidies for the benefit mainly of the poorer sections of the community, or even for consumers as a whole. On the contrary, it is becoming more and more a subsidy for the Food Corporation of India or the failures in government's food policy. It has been pointed out that the food subsidy is based on the difference between the issue price fixed by the government of India for indigenous foodgrains and the economic cost worked out by the Corporation. The economic cost includes the procurement price paid to the producer and the average procurement, storage and other incidentals. The budget provision for the subsidy in 1973-74 was stepped up to Rs 130 crores from Rs 117 crores in 1972-73. In the revised estimate for 1973-74, the corresponding figure stands at Rs 251 crores. For the new financial year Mr Chavan has provided Rs 100 crores for this purpose, but it has been freely admitted by official spokesmen that this is a notional figure to which not much importance can be attached.

Middlemen's charges

It is not untrue to say that much of the food subsidy is nothing but the middlemen's charges of the Food Corporation of India and it is also broadly true to say that the only service rendered by the Corporation is the storage and movement of grain from surplus areas to deficit areas. A question has been raised whether a margin of the order of 30 per cent is a fair payment for this operation. It is indeed most desirable that the food subsidy in its present form should be abolished. The government's food procurement and distribution policies have been demonstrably ill-conceived and mismanaged. The food subsidy only enables the government to shift to the taxpayer the financial burden of its political pig-headedness or administrative incompetence. There is no justification at all for believing that the food subsidy, as it is being operated at present, has helped to ease the load of the high food prices on the people at large. There is even less proof that it has any appreciable anti-inflationary effect. It is, at the best, the conscience money which a guilt-conscious government pays to the public and, at the worst, a premium on corruption, waste and general inefficiency in government's food policy.

To the extent that a limited scheme of subsidy could be operated for the benefit of people at or near subsistence levels, it is quite reasonable that the finance should be found by charging more for food provided through controlled distribution to slightly better placed sections of the community. For the rest of the popula-

tion a free market in foodgrains served by an efficiently regulated system of food movement across the country would easily be the best bet under the circumstances. There is no reason to believe that the general level of food prices will be higher under the scheme than it is under the existing corrupt and inefficient formulation or administration of food policy. To the extent that the elimination of the food subsidy in its present form helps to reduce deficit financing or an expansion of money supply, the net benefit to the public may well be more than the benefit such as it is from the present food subsidy.

Open-ended commitment

The government's commitment to compensate its employees for rises in the cost of living index is an even more impossible open-ended commitment which ought to be ended at once. To what extent this policy has helped to compensate its beneficiaries for the damage done to their living standards by inflation is clearly open to debate. But what cannot be doubted is that the rising, non-productive outlays in the government sector are certainly contributing to the inflationary character of the government's budgetary operations, and since the expenditure on the salaries and other emoluments of government employees is a substantial and fast-growing item in the government's spending on civil administration or the running of its public utilities, it is surely right that its growth should be brought under strict control. Given the grave economic crisis in the country, there is complete justification for the government suspending for the time being the operation of the Pay Commission formula for the periodic revision of the dearness allowance in terms of the rise in the cost of living.

Referring to customs duties the Finance minister stated that "in view of the mounting world-wide shortages and unprecedented rise in international prices of a wide array of imported goods, my proposals in regard to import duties are no more than marginal." The validity of this approach is by no means self-evident. Unless it is assumed that the elasticity of supply in the case of imported goods is complete as also the inelasticity of demand, there is no reason for believing that rising international prices must necessarily rule out increases in import duties. On the contrary, in a situation which so obviously calls for economy in the use of imported goods, the national interests may well be better served by import duties also contributing to this end.

While customs duties are at present be-

ing levied at three differential rates of 20 per cent, 10 per cent and five per cent, the Finance minister's proposal has been restricted to raising the rate applicable to the middle slab from 10 per cent to 15 per cent. It is worth considering whether the differential rates should not be reduced to two, namely, five per cent and 20 per cent, with the five per cent duty being limited to as few items as possible. Simultaneously, if the government would scrap its policy of canalizing imports through state trading agencies and allow normal trade channels at least to compete with the STC, MMTC or other agencies or sub-agencies in the import trade, the nation may well be able to obtain its supplies of essential imports at reasonable prices even in the face of a substantial increase in customs duties. Once again, similar to the case of the Food Corporation of India, the real beneficiary of any fiscal moderation or liberality on the part of the government would well be the state trading agencies where the Finance ministry's practice of restraint with regard to customs duties are concerned.

Making bad worse

The central budget then has ignored the available evidence pointing to the grave character of the inflationary phase through which the economy is now passing. Consequently, it is attempting to spend either what it has not got or what it can get only at the expense of the country, that is, at the risk of making a bad inflationary situation worse. By adopting this casual attitude towards the ailing national economy, the Finance minister has done a disservice not only to the government by rendering its economic policies more than ever suspect, but also to the country by forcing it to lose whatever faith it still has in the seriousness or relevance of the government's concept or practice of development planning.

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Direct taxes: a case of the curate's egg

S.P. Chopra

DURING THE last 24 years, the share of direct taxes in the total tax revenue (including the share of the states) of the government of India has been steadily declining. As Table I below shows, direct taxes constituted 43.3 per cent of the total tax revenue in 1950-51; in 1974-75, their share had fallen to 27.9 per cent only. It means that roughly out of every four rupees raised by the government through taxation, only one was raised through direct taxes. Among the direct taxes, income tax on individuals, Hindu undivided families, partnerships etc. commanded the top position in 1974-75 (budget estimates) with a yield of Rs 709 crores followed by corporate tax at Rs 661 crores; wealth tax, estate duty, gift tax and others are expected to yield no more than Rs 64.90 crores. The rates of direct taxes, both on individuals and the corporate sector, were raised to penal levels almost a decade ago and offered little room for increase; the yield from these taxes increased through expansion in business activity and the consequent increased incomes and profits.

A secular 10 to 15 per cent rate of annual increase under direct taxes has been witnessed in recent years but no further scope exists for increasing the tax rates. In the case of well-run companies, the impact of corporate taxes is as high as 70

TABLE I

Tax Revenue (including the share of the states)
(Rs crores)

Year	Direct taxes	Indirect taxes	Total taxes
1950-51	175.23 (43.3)	229.31 (56.7)	404.54 (100.0)
1955-56	171.16	313.97	485.13 (100.0)
1960-61	292.06	603.45	895.51 (100.0)
1965-66	598.30	1462.37	2060.67 (100.0)
1970-71	869.52	2337.27	3206.79 (100.0)
1974-75 (Budget)	1434.90 (27.9)	4063.81 (72.1)	5498.71 (100.0)

Source: Indian Economic Statistics,
Ministry of Finance

per cent and some of the foreign companies are called upon to pay even higher rates of taxes.

That direct taxation in this country had reached the saturation limit has been accepted by all except the government. Year after year the Finance minister was urged at budget time to provide some relief to the harassed taxpayer but all such pleadings in the past had fallen on deaf ears. It was the Direct Tax Enquiry Committee (popularly known as the Wanchoo Committee) which in its report submitted to the government in December 1971 had brought out in unmistakable terms the evil effects of the policy of confiscatory rates of taxation. Among other reasons causing tax evasion, creation of black money and its proliferation, high rates of taxation under the direct tax laws were given the top position. Here is the finding of the Wanchoo Committee:

"When the marginal rate of taxation is as high as 97.75 per cent, the net profit on concealment can be as much as 4,300 per cent of the after-tax income. The implication of 97.75 per cent income tax is that it is more profitable at a certain level of income to evade tax on Rs 30 than to earn honestly Rs 1,000. We will not be surprised that placed in such a situation, it would be difficult for a person to resist the temptation to evade taxes".

It may be recalled that after the Wanchoo Committee report was published more than two years ago, it was the central ministry of Finance which had tried to put together all the arguments at its disposal in order to counter the plea for a reduction in direct taxes. It was argued that those individuals who had evaded taxation through fraudulent means because the rates of taxation were high, would not all of a sudden become honest if the marginal rate of tax was lowered by 10 to 20 per cent. Happily, the Finance minister had at last realised the extent of harm caused by penal rates of taxation to the economy and has, in the latest budget, consented to reduce the highest marginal rate of taxation from 97.75 per cent to 70 per cent. With a surcharge of 10 per cent on income tax, the highest marginal rate of tax would be 77 per cent as against 75 per cent recommended by the Wanchoo Committee. As suggested by the Wanchoo Committee, the tax rates at the middle and lower levels of incomes have also been reduced. Also, the exemption limit has been raised from Rs 5,000 to Rs 6,000.

As Table II shows, the reduction in tax liability progressively increases beyond an income of Rs 12,500. At the lowest level i. e. Rs 6,000, the raising of

the exemption limit would mean a fall in the tax incidence by Rs 110 but this benefit would dwindle to Rs 77 at Rs 7,500 and to Rs 22 only at Rs 10,000. At Rs 12,500 it would once again rise to Rs 77. No reason has been advanced for the regression in the tax benefit allowed between the levels of income between Rs 6,000 and Rs 10,000.

TABLE II

Incidence of Tax at Selected
Levels of Income
(Individuals)

Income (Rs)	Tax at 1974-75 rates (Rs)	Tax at 1975-76 rates (Rs)	Reduction in tax liability (Rs)
5,000	—	—	—
6,000	110	—	110
7,500	275	198	77
10,000	550	528	22
12,500	1,018	941	77
15,000	1,485	1,353	132
20,000	2,875	2,453	422
40,000	12,650	11,803	847
50,000	19,550	17,303	2,247

Mr S. Bhoothalingam, formerly secretary in the ministry of Finance, made out a strong case for raising the exemption limit to Rs 7,500 in his report on rationalisation and simplification of the tax structure submitted to the government in 1967. Two reasons had been advanced by him in support of his contention. First, prices had more than doubled since 1948 when the exemption limit was Rs 3,000. Second, practical administrative consideration demanded the raising of the exemption limit because the amount collected by way of taxation from the lower income-brackets was small while the number of assessments was significantly large. He had based his assessment on the 1963-64 data but the most recent figures in Table III (p. 407) support his thesis. In 1969-70, the number of individuals assessed to income tax was 1.7 millions out of which more than half — 902,871, to be precise — were in income ranges below Rs 7,500. The total tax payable in respect of these assesseees was Rs 12.48 crores — less than five per cent of the total tax assessed. Surely, the cost involved in assessing to tax such a large number of assesseees absorbed the bulk of tax collected from them. It was, therefore, not a fruitful exercise.

While the Finance minister has not raised the exemption limit to Rs 7,500 as suggested by Mr S. Bhoothalingam — there was added reason for doing so in view of the more than doubling of prices

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since 1967 — he has provided certain other concessions including the reduction in tax rates which will no doubt result in providing substantial relief to all income-tax assesseees including those in the lowest income ranges. Special mention needs to be made of the standard deduction — maximum Rs 3,500 — which will take the place of deductions in respect of purchase of books, fees and taxes on professions, trades and conveyance allowance.

This deduction will be related to the salary drawn by an individual. In the case of persons drawing Rs 10,000 or less a year, the standard deduction would be 20 per cent of the salary. In cases where the salary exceeds Rs 10,000, the standard deduction would be Rs 2,000 plus 10 per cent of the salary in excess of Rs 10,000 subject to the ceiling of Rs 3,500. In this way, the expenditure incidental to employment has been made a function of the salary drawn and the irksome procedure of maintaining vouchers for such expenditure has been done away with. This is indeed a welcome step because many an income-tax officer insisted upon proof of having spent Rs 500 on books, failing which he used his discretionary power to scale down this benefit. This also applied to other expenditure incurred by an assessee in the discharge of his official duties.

Exemption for the salaried

Since the standard deduction would be available to every salaried person, it would result in tax exemption up to Rs 9,500 (the exemption limit having been raised to Rs 6,000); in addition, those who have earnings from interest on deposits, dividends etc., will enjoy tax exemption up to Rs 3,000. All these changes do add up to a substantial benefit to income-tax assesseees but how much of it would be saved and invested, is a different question; the current galloping inflation in the economy might wipe out all the reliefs provided by the Finance minister.

The wealth tax which was levied for the first time in the assessment year 1957-58, has been made relatively more harsh for net wealth above the level of Rs 500,000. The rate of tax on the slab of Rs 500,001 to Rs 1,000,000 will be raised from two per cent to three per cent and on the next slab of Rs 1,000,001 to Rs 1,500,000 from three per cent to four per cent. In the case of Hindu undivided families having at least one member with net wealth exceeding Rs 100,000 the rate of tax on the first slab of Rs 500,000 will be increased from two per cent to three per cent and on the next slab from three per cent to four per cent (See Table IV). The increase in tax liability in the case of HUFs has been made much

TABLE III

Classification of Income Tax payable by individuals

Assessment by ranges of total income assessed—1969-70

Range of total income assessed (Rs)	Number of assesseees (Number)	Total income assessed (Rs lakhs)	Total income tax payable (including super tax and surcharge (Rs lakhs))
Below	4,000	11125	306
4,001	5,000	271837	12277
5,001	7,500	618909	38228
7,501	10,000	256319	22207
10,001	12,500	159391	17794
12,501	15,000	105673	14586
15,001	17,500	66911	10776
17,501	20,000	47927	8956
20,001	25,000	60698	13483
25,001	30,000	34895	9498
30,001	40,000	38002	13094
40,001	50,000	15325	6799
50,001	60,000	9189	4997
60,001	70,000	4998	3221
70,001	100,000	6617	5462
100,001	200,000	3678	4862
200,001	300,000	615	1485
300,001	400,000	228	786
400,001	500,000	114	507
Over	500,000	238	2191
Total	1712689	191515	26653

NOTE: The data relate to demand raised on regular assessments.

Source: All India Income Tax Statistics.

TABLE IV

Incidence of Wealth Tax

(In thousands of rupees)

Net Wealth	Individuals and HUFs (other than those having at least one member with net wealth over Rs 1,00,000)			HUFs (having at least one member with independent net wealth over Rs 1,00,000)		
	A	B	C	A	B	C
300	3	3	—	6	9	3
400	4	4	—	8	12	4
500	5	5	—	10	15	5
600	7	8	1	13	19	6
700	9	11	2	16	23	7
800	11	14	3	19	27	8
900	13	17	4	22	31	9
1,000	15	20	5	25	35	10
1,500	30	40	10	65	75	10
2,000	70	80	10	105	115	10

A: Wealth tax at existing rates.

B: Wealth tax at rates proposed in the Finance Bill 1974.

C: Increase in tax liability.

steeper than in the case of individuals because the government wishes to discourage the formation of HUFs.

The argument advanced in favour of the rise in wealth-tax rates is the desire of the government to reduce disparities in income and wealth. On the one hand the Finance minister has conceded the point that confiscatory rates of tax tend to encourage evasion and lead to increase in black money, while on the other he has made wealth tax still more harsh. In selected cases, income tax and wealth tax together would equal almost the whole of the income in a year. Surely, the Finance minister has not shown consistency in his approach to the problem of taxation.

At the higher levels of income, the impact of the drop in the marginal rates of taxes would be counterbalanced by the upward revision in the wealth tax rates. If the Finance minister was convinced about the harmful effects of high rates of taxes on the economy, he should have resisted the temptation to raise wealth-tax rates. As Table V shows, the total yield from this tax is expected to be no more than Rs 40 crores in 1974-75 — less than one per cent of the total tax revenue of the country. This tax would hardly

promote savings in the economy as it is designed to penalise the wealthy for not having recklessly squandered their earnings or acquisitions gained over one or more generations.

TABLE V
Wealth Tax
(Rs crores)

1950-51	Nil
1955-56	Nil
1960-61	8.15
1965-66	12.05
1970-71	11.11
1974-75	15.62
(Budget)	40.00

There was little justification for the increase in the rate of surtax from 30 per cent to 40 per cent in respect of the chargeable profits exceeding 15 per cent of capital. The reason advanced by the Finance minister, Mr Y.B. Chavan, was that some of the industrial companies were making windfall profits as a result of the change in pricing policies and he felt that the exchequer should also secure a larger share of these profits. According to his computations, this enhancement in the rate of

surtax would yield additional five crores of rupees in a full year which would accrue in 1975-76. The most forthright condemnation of this tax was made seven years ago by Mr S. Bhoothalingam, formerly secretary in the ministry of Finance and presently Director-General, National Council of Applied Economic Research, in his report on Rationalisation and Simplification of the Tax Structure. Said Mr Bhoothalingam:

“The surtax in effect introduces the progressive principle which, while eminently appropriate in the case of individuals as reflecting both capacity to pay and social justice, is completely inappropriate in the case of impersonal organisations. The base of the surtax corresponds pretty closely to capital effectively employed. A higher discriminatory rate of tax, therefore, penalises the more effective use of capital”.

The Direct Taxes Enquiry Committee headed by Mr K.N. Wanchco had examined the pros and cons of this discriminatory tax and had recommended that “surtax on companies should be abolished”. The Finance minister has ignored the recommendation of two special committees in this regard and instead of

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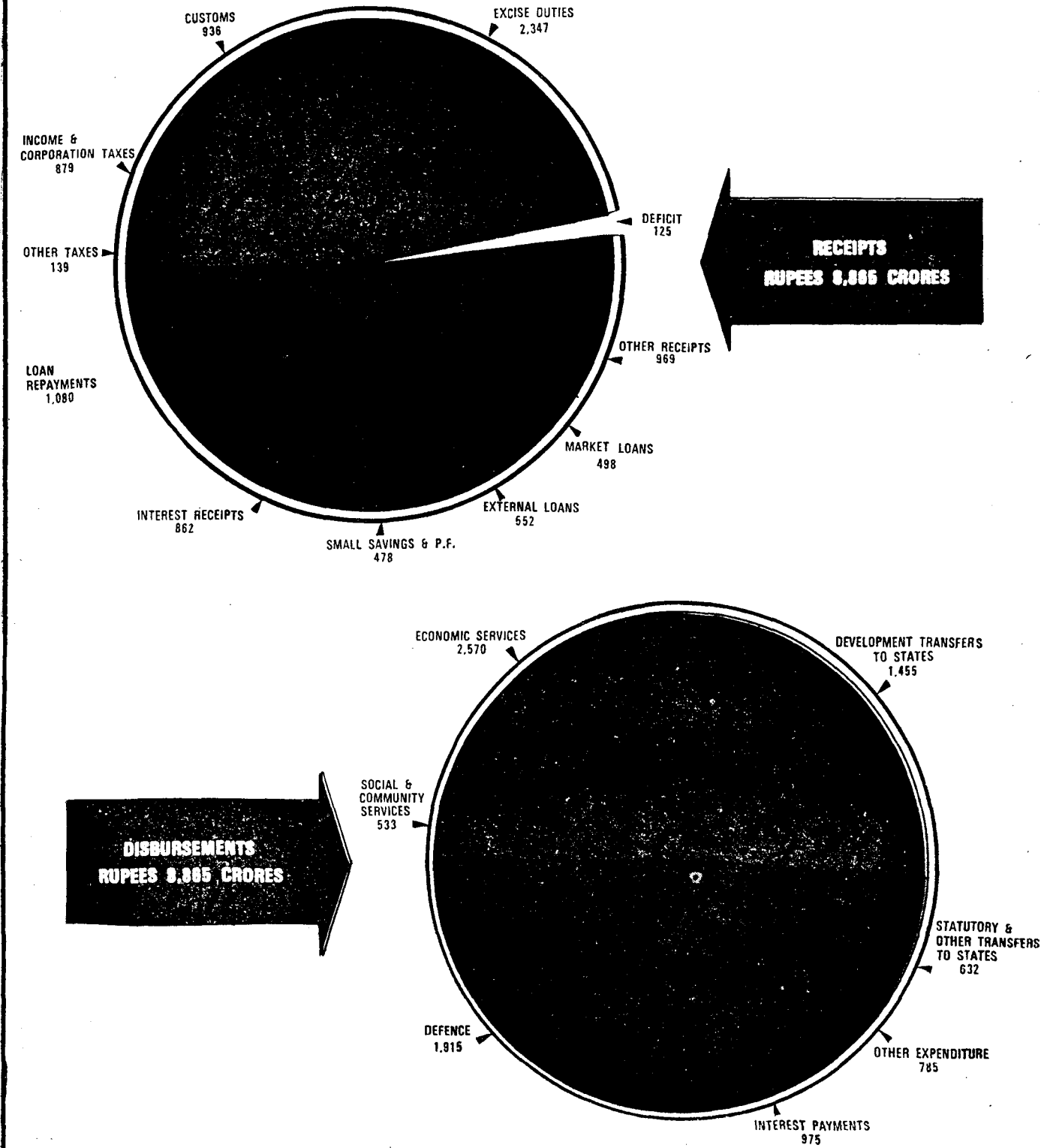
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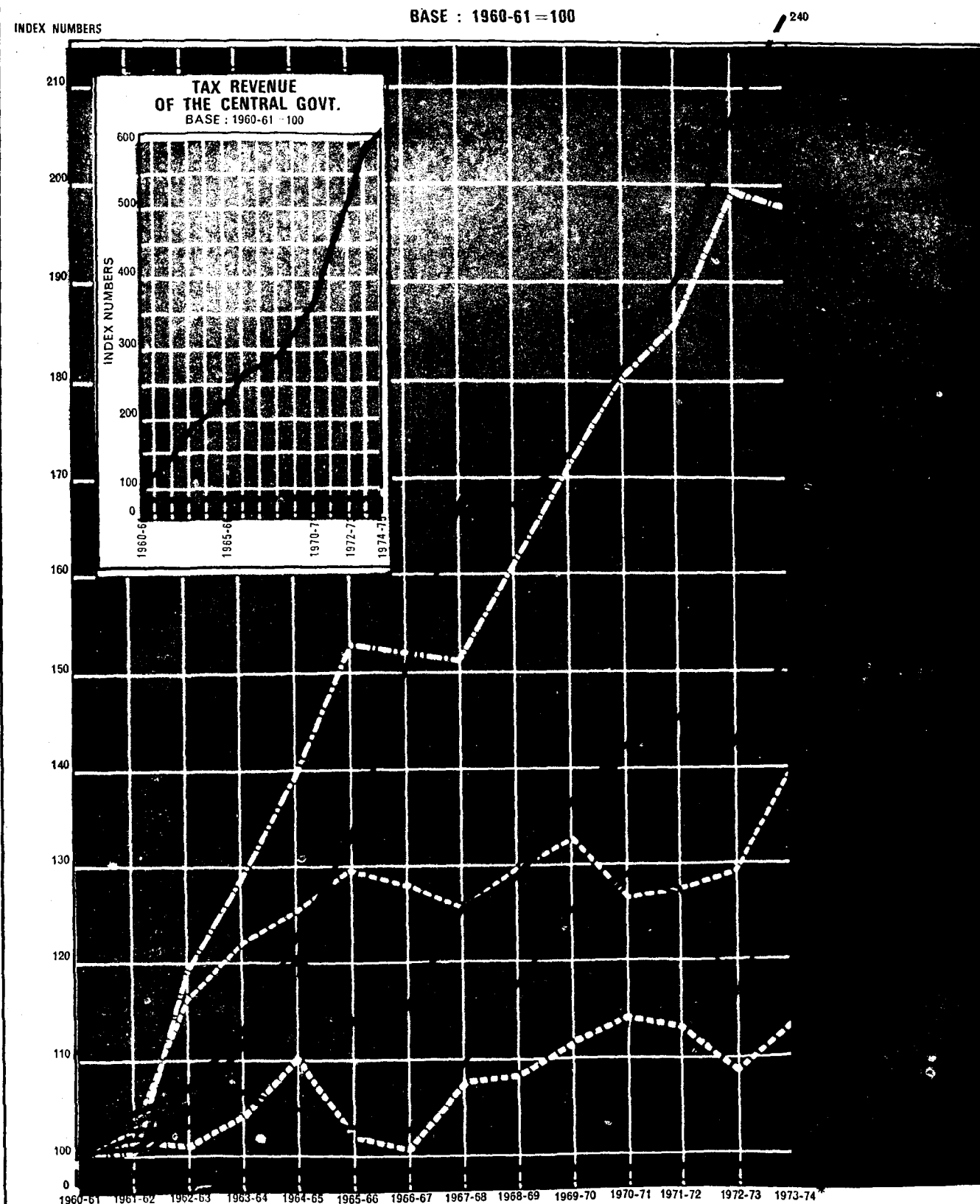
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BUDGET 1974-75 RUPEES CRORES



TAXATION GROWTH AND PRICES : 1960-61 TO 1974-75



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scrapping the surtax, has thought it fit to enhance it.

In a recent study made by *The Economic Times*, it has been demonstrated that on the basis of working results of industrial companies ending in 1972 and 1973, the impact of the increase in surtax would be nominal. The balance sheets of 40 companies from which the relevant data were available indicated that the increase in tax liability on a provision of Rs 83.80 crores would be around Rs 0.60 crores. It is highly probable that the profitability of these companies would be much improved consequent upon the emergence of shortages and increase in prices witnessed in the past 12 months, and the additional tax yield might be equivalent to five crores of rupees but the Finance minister has made a grievous error in increasing the tax burden on the corporate sector. The necessity of increasing production in the economy required a reduction in the tax of the corporate sector as had been done for personal taxes. While Mr Chavan has conceded that the reduction in the personal tax rates is likely to increase the tax yield from this sector, he has failed to see the validity of the same principle while applied to the corporate sector.

— a concession enjoyed by industry since 1955 — would be withdrawn on machinery installed and ships acquired after May 31, 1974. The budget for 1974-75 has however provided for the continuance of development rebate for a limited period in certain special cases. This relaxation has been allowed on the basis of the representation made by industry that due to a number of reasons, it had failed to receive timely delivery of plant and machinery from foreign suppliers as well as indigenous manufacturers.

The major causes which delayed the delivery of machinery and equipment were as follows:

(i) The uncertainty in the international markets had hindered the fulfilment of commitments by foreign suppliers.

(ii) The paucity of shipping space had thrown out of gear all delivery schedules.

(iii) Due to the shortage of power and the non-availability of critical raw materials, the indigenous machinery manufacturers had also failed to honour the delivery schedules.

The budget for 1971-72 had given an advance notice that development rebate

Taking all these factors into consideration, the Finance Bill 1974 has extended the

development rebate benefit in the following special cases:

(a) For ships and machinery and equipment acquired after May 31, 1974, but before June 1, 1975, if they were purchased before December 1, 1973, the income tax officer will have to be satisfied in this regard.

(b) In all cases where coal-fired boilers are installed before June 1, 1975.

While these limited concessions are welcome, the whole question of the withdrawal of development rebate needs to be reviewed. The industry today is passing through a critical period of stagnation in production. It needs incentives to raise installed capacity in almost all major sectors.

The Finance minister's decision to do away with the development rebate was based on the opinions of the Wanchoo and Bhoothalingam committee. Mr S. Bhoothalingam had felt that the development rebate might "create a tendency to use capital a little too liberally, even wastefully". The Wanchoo Committee had said: "We are convinced that development rebate has outlived its utility and has been rightly withdrawn". Thus, both these committees were against concessions linked with investment of capital as they

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were considered to be inappropriate in a labour-surplus and capital-hungry country.

It may be stated here that development rebate in this country was introduced consequent upon the recommendation of the Taxation Enquiry Committee which had opined that the initial and additional depreciation allowances were not adequate to meet the replacement requirements of certain industries. The depreciation allowance at best replaces the original capital invested in the plant and machinery, the experience of the last two decades has shown that it is hardly adequate to replace the equipment for two reasons. First, the cost of machinery and equipment continues to rise year after year. Second, the technological breakthrough in all the major sectors of industry involves replacement of improved and modernised machinery. Both these factors tend to in-

crease the cost of replacement several-fold for which the depreciation allowance is highly inadequate.

The development rebate facilitated each industrial unit to build up its reserves from income generated by it and could ultimately be used to meet the replacement cost of fixed assets. It has hitherto been used not only as a corrective factor for the rise in prices of plant and machinery but also for stimulating the inflow of capital for industrial expansion. Initially it had been allowed at the flat rate of 25 per cent for all new plant and machinery but later this concession was made more liberal for priority industries. In the case of the shipping industry, it was raised to 40 per cent.

The charge that development rebate allows wasteful use of capital has not been proved. In fact some studies made recently

have demonstrated that it is neutral between techniques of different capital intensities. The truth of the matter is that this is hardly the time to withdraw this concession which has proven its worth in the past and is thought to be vitally necessary not only for the expansion of priority industries but also such traditional industries as textiles, sugar, paper and cement wherein grave shortages have already emerged with the exception of sugar.

Again, a study of the balance sheets of 701 companies made recently by the Reserve Bank of India has shown that gross asset formation has received stimulus in recent year due to the development rebate. It is feared that the withdrawal of development rebate would result in a fall in the rates of growth of capital and assets which would ultimately slow down the pace of expansion in industry.

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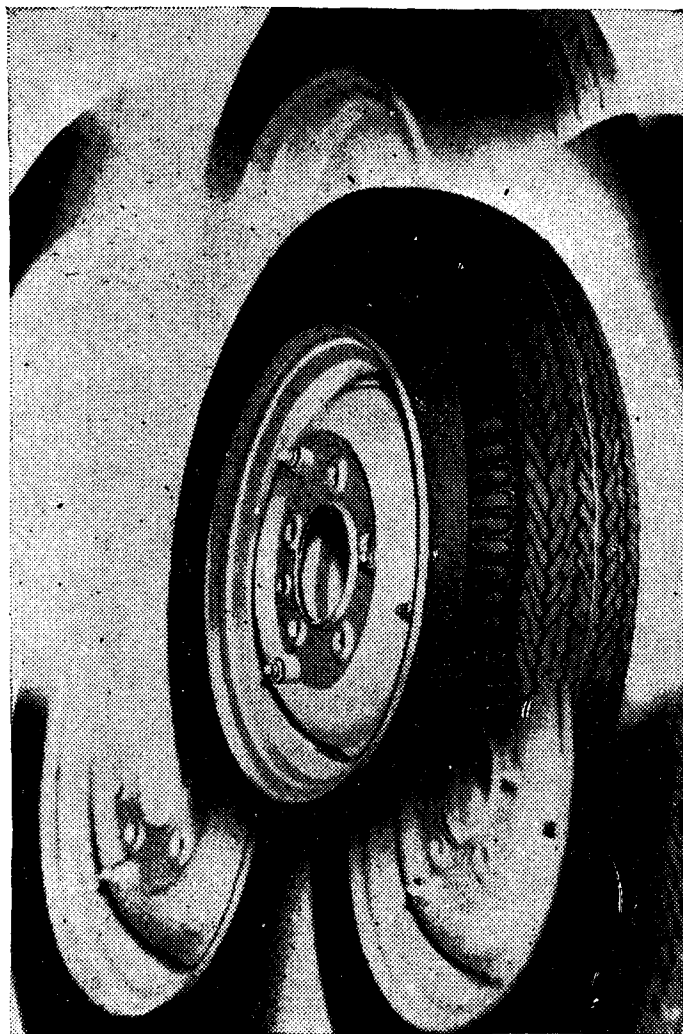


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Indirect taxes: considerate approach

R. C. Ummat

ALTHOUGH WHILE presenting the 1974-75 central budget on February 28, the Finance minister, Mr Y.B. Chavan, proposed a number of changes in direct taxes, he did not expect that they would yield any additional revenue next year. In the subsequent year, these changes, he anticipated, would, however, net about Rs 14.5 crores.

The effort at mobilising additional resources next year, thus, has been confined to indirect taxes — customs and excise duties. The total additional revenue expected from the modifications proposed in these taxes is nearly Rs 212 crores. Of this, a sum of about Rs 26 crores would accrue to the state governments. The net accretion to the central revenue would be approximately Rs 186 crores. As a result, the anticipated budgetary deficit of nearly Rs 311 crores would get reduced to about Rs 125 crores.

Limited choice

Even though the fears about the projected gap between the revenue and the expenditure of the central government next year being widened are not unfounded, Mr Chavan apparently could not leave the deficit uncovered. Further, there being very limited scope for raising direct taxes — in fact, as has been recognised by the Finance minister himself, there was a good case for lowering the incidence of these taxes in the overall interests of the economy — there was no choice left to the Finance minister. He had to go in for indirect taxation measures for containing deficit financing which is inequitable in its incidence on the various sections of society.

In view of the fact, however, that the estimate of the budgetary gap next year considerably errs on the low side due to the inadequate provisions made for food subsidy and increases in the dearness allowance of government personnel and no provision being made for supplying imported fertilizers to farmers on subsidised rates — not to speak of the too optimistic trends in production taken into account for making revenue projections next year — it is felt that the Finance minister has been considerate in proposing new taxation. If deficit financing is to be contained, he will have to exercise great restraint on governmental expenditure. Larger market

borrowings than have been envisaged in the budget too can be resorted to with a view to siphoning off excess money with the public as well as for containing the deficit. A more effective collection of taxes — both direct and indirect — can also yield wholesome results. As these issues have already been dealt with at length in an earlier section of this volume, they need not be argued further in this piece, which aims at discussing primarily the indirect taxation proposals of Mr Chavan.

Of the additional indirect taxation burden proposed to be cast by Mr Chavan on the nation next year, an overwhelming proportion is in the form of excise levies. They are estimated to yield an additional revenue of nearly Rs 192 crores. So far as the central exchequer is concerned, it will benefit to the extent of about Rs 166 crores. The balance additional proceeds (approximately Rs 26 crores) from this source would accrue to state governments. Customs duties are expected to yield Rs 20 crores — entirely to the central exchequer.

As a result of the new taxation proposals, the net tax revenue of the union government next year would go up to Rs 4300.45 crores. Of this, direct taxes — taxes on income and expenditure as well as those on property and capital transactions — would account for Rs 935 crores (21.7 per cent). The yield from taxes on commodities and services would be Rs 3,365.44 crores — 78.3 per cent of the total. Customs duties would net approximately Rs 936 crores and excise levies nearly Rs 2,347 crores — 21.7 and 54.58 per cent of the total net tax revenue, respectively.

In 1950-51, when the total net tax reve-

nue of the centre was Rs 357, crores direct taxes (Rs 129.51 crores) accounted for 36.3 per cent and taxes on commodities and services (Rs 227.49 crores) for 63.7 per cent. In 1955-56, when greater reliance in taxation came to be placed on indirect taxes, the share of direct taxes in the net central tax receipts dwindled to 27.5 per cent and that of taxes on commodities and services grew to 72.5 per cent. The shares of the two types of taxes in the net tax revenue of the centre next year, as pointed out above, will be 21.7 and 78.3 per cent, respectively. The union Finance ministers, thus, have been taking increasing resort to indirect taxation to mobilise resources.

The total revenue of the centre next year will be Rs 5,640.86 crores. The non-tax sources will yield Rs 1,340.40 crores. The receipts from taxes would be Rs 4,300.45 crores. The share of non-tax revenue in the aggregate revenue, therefore, will amount to approximately 23.8 per cent and that of tax revenue 76.2 per cent. In 1950-51, the two sources accounted for 12 and 88 per cent, respectively, of the aggregate Rs 405.86 crores revenue of the centre. The two percentages have been changing progressively since then. The share of non-tax revenue in the total revenue has been going up and that of tax revenue going down. The non-tax revenue accrues from interest receipts, currency and mint, administrative services, social and developmental services, irrigation and electricity schemes, public works, etc.

As between the indirect taxes, the union Finance ministers have been relying more and more on excise duties than on customs levies. Till about the middle of the fifties, the position was just the reverse; customs duties then used to yield much more than excise levies. This reversal in the trend has

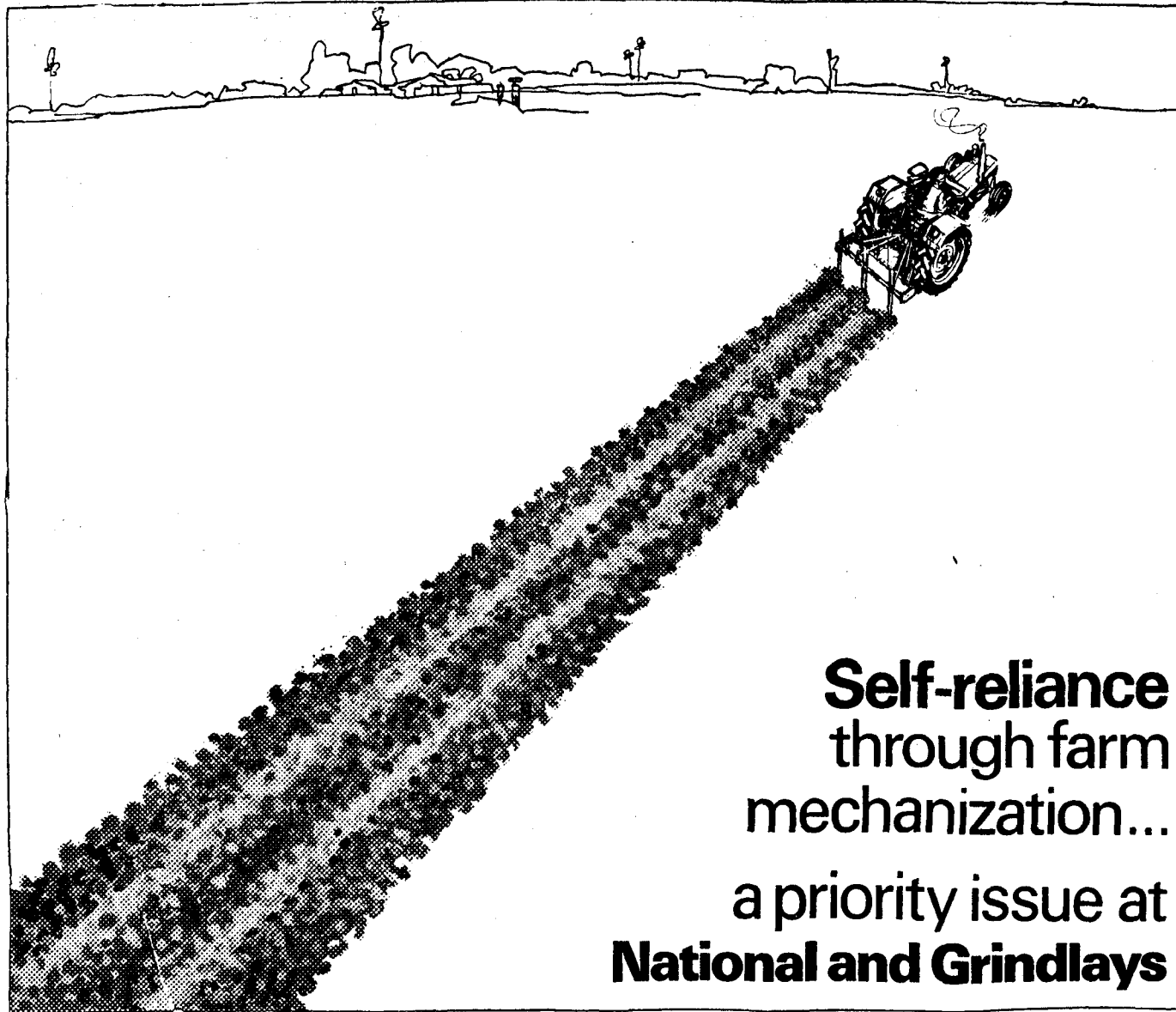
Eastern Economist 30 Years Ago

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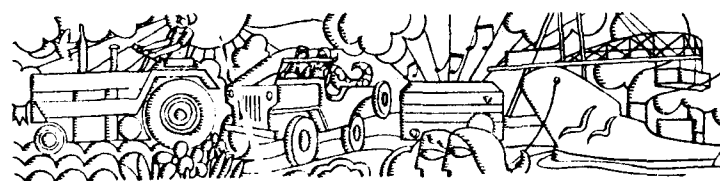
The seventeenth annual meeting of the Federation of Indian Chambers of Commerce and Industry held last week-end at New Delhi was in many ways a notable event. It endorsed unanimously and enthusiastically the industrialists' plan or, as Mr G.D. Birla happily put it, the non-official plan for the Economic Development of India not only with a clear sense of responsibility but with a full awareness of the implications of the plan in its varied aspects. The horizon of the Indian business community has undoubtedly widened in recent years, and the acceptance of the Fifteen-Year Plan is an expression of this widened outlook. The emphasis on agriculture and rural

prosperity in the speech of the President and in the resolution was happily laid. The recognition that despite the predominantly agricultural character of our economy, agriculture is yet very backward and unable to meet the demands made on it by the population for its food and other requirements was very significant coming from the business community who, one might expect, would only think of industry and industrialization. On the other hand, the opinion was quite definitely expressed that only on the basis of prosperous agriculture with guaranteed fair minimum prices to the cultivator could the structure of industrial construction be strongly built.

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not been surprising. With the development of the economy, the situation could not have been any other way. Customs duties have been relied upon to yield more additional revenue than excise levies in a particular year only twice in the past 24 years. The first attempt in this direction was made in the first half of the sixties and the second one last year. Next year, the changes in customs duties would be yielding an additional revenue (to the central exchequer) of Rs 20 crores and those in excise duties as much as Rs 166 crores.

The entire additional revenue next year from customs imposts is proposed to be raised through modifications in the import duties. The export levies have been left untouched, presumably in deference to the need for boosting exports.

Of the Rs 20 crores additional revenue expected from the changes in import levies, 75 per cent revenue will accrue from the enhanced auxiliary duty imposed last year. This duty has been raised on items in the middle group which attracts a basic import levy of 60 per cent *ad valorem* or more but less than 100 per cent *ad valorem*. The increase in the auxiliary duty is from 10 per cent to 15 per cent. The auxiliary duty on the items of import in the case of which the basic customs duty is less than 60 per cent has been maintained. So also

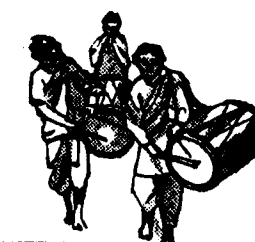
this duty on imports which attract a basic customs duty of more than 100 per cent. The auxiliary duty in the former case is five per cent *ad valorem* and in the latter case 20 per cent *ad valorem*. The existing exemptions from the auxiliary duty on imports also have been maintained. Such imports as those of foodgrains, books, family planning appliances, raw cotton, tallow, machinery, etc., thus, are not to attract any auxiliary duty.

Another Rs 3.7 crores yield from customs duties is expected from additional (countervailing) duties consequent on the changes in the central excise levies. The additional (countervailing) duties, however, are not proposed to be imposed on ferrous and non-ferrous metals and artificial or synthetic resins and plastic materials and articles thereof, although the excise burden on these items has been raised. The basic import duty on brandy, gin and other spirits has been stepped up from Rs 60 per litre or 20 per cent *ad valorem*, whichever is higher, to Rs 80 per litre or 270 per cent *ad valorem*, whichever is higher. This will yield additional revenue to the extent of Rs 35 lakhs.

In view of the fact that import substitution has assumed heightened significance as a result of the sharp rise in the import bill for crude oil and petroleum products

as well as owing to the sharp rise in the prices of most of the other imported goods, the stepping up of the auxiliary duty on imports which attract the basic import levy of 60 per cent *ad valorem* or more but less than 100 per cent *ad valorem*, cannot be objected to seriously even though it will raise the cost of production of industries based on materials subjected to the enhanced auxiliary duty. If with the improvement in the world economic situation, the prices of imported goods tend to go down, as is expected, in not very distant future, the increase in the cost of production of the industries concerned may actually turn out to be only marginal. The raise in the import levy on liquors would affect only the very affluent. This proposal of the Finance minister too cannot, therefore, be taken exception to. Mr Chavan, of course, has done well in not imposing additional (countervailing) duties on ferrous and non-ferrous metals as well as artificial or synthetic resins and plastic materials, including articles thereof, as they would have unnecessarily pushed up the prices of these materials in the country. The domestic production of these materials is grossly inadequate at present owing to various reasons and imports already are much more expensive.

As regards excise duties, a sum of Rs 62.38 crores is proposed to be raised for



HOPE COMES TO PALI



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the benefit of the central exchequer alone through addition of several items to the list of commodities which attract auxiliary duty on excises. The new items added to this list are unmanufactured tobacco, cigarettes, smoking mixtures, plywood, cement, dyestuffs, optical bleaching agents, gases, rubber products, plastics, paints and varnishes, aerated waters, glycerine, cosmetics and toilet preparations. The auxiliary duty has been imposed at the rate of 10 per cent of the effective basic excise duty on unmanufactured tobacco, cigarettes, smoking mixtures, plywood and cement. The rate in the case of dyestuffs, optical bleaching agents, gases, rubber products and plastics is to be 20 per cent of the effective basic excise levy. Paints and varnishes will attract an auxiliary duty of 33.33 per cent of the effective basic excise on them. Auxiliary duty has been imposed at the rate of 50 per cent of the effective basic excise levy on aerated waters, glycerine, cosmetics and toilet preparations.

The excise burden by way of increase

in basic duties has been raised quite steeply on several items. These include: special boiling point spirits; raw naphtha (intended for the production of methanol and petrochemicals); benzene, benzol, toluene, etc.; mineral turpentine oil; waxes; passenger cars and jeeps; commercial vehicles; refrigerators; air-conditioners; refrigerating and air-conditioning machinery, appliances and their parts; television sets; extended play-records and superfine cotton and blended fabrics. They have been raised moderately in the case of asphalt and bitumen, blended or compounded lubricating oils, greases, fine and medium cotton and rayon fabrics, cotton and rayon yarn, unmanufactured tobacco, iron and steel products produced with the aid of electric furnaces, paper and paper board, surface active agents, office machines and apparatus (including typewriters, calculating machines, etc.), metal containers, roller bearings, welding electrodes, coated abrasives, grinding wheels, dry batteries and certain categories of glass and glassware, chinaware and

porcelainware.

The incidence of excise levies has also been stepped up to some extent in the case of coffee and some items of confectionery.

Several items have been brought into the excise net for the first time. These include tooth-paste (including dental cream), electrical stampings and laminations, specified cutting tools, tape and cassette recorders, cast-alloy permanent magnets and sensitised paper and board.

The total yield from the increases in the basic excise duties and the extension of the excise net to cover new items, after allowing for a loss of Rs 35 lakhs on account of exemption of mosaic tiles from excise levy, is expected to be Rs 129.59 crores. The share of the state governments in this will be Rs 25.92 crores. The central exchequer will, thus, benefit to the extent of Rs 103.67 crores.

While stepping up the excise burden on the above items, the Finance minister,

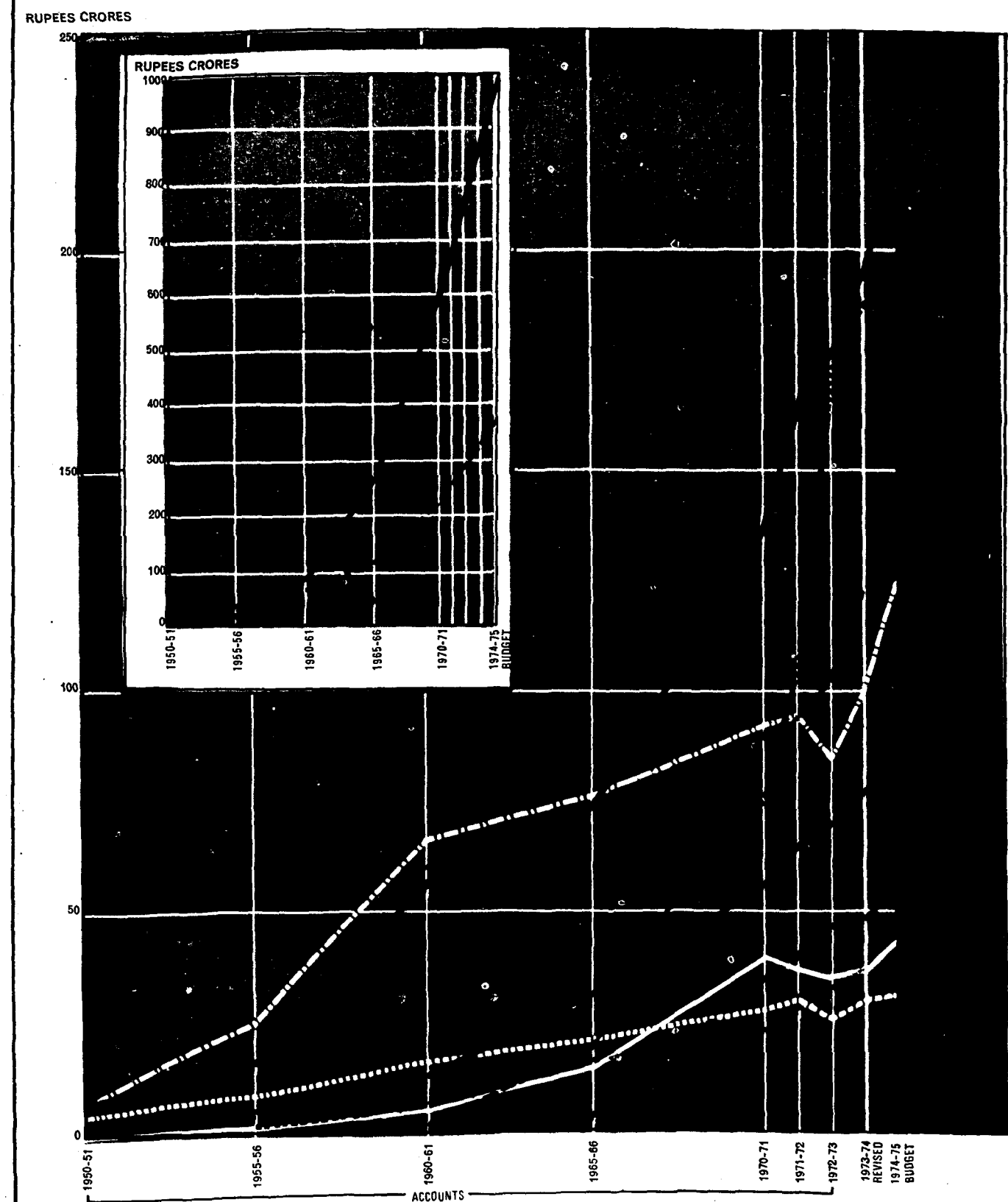
Revenue of Union Government

(Rs crores)

	1950-51	1955-56	1960-61	1965-66	1970-71	1973-74	1974-75
						Budget	Revised Budget
Total Net Tax Revenue of Union Government	357.00	411.47	730.14	1,784.62	2,451.36	3,933.51	3,878.43
Of which:							
Taxes on Income and Expenditure	125.70	113.23	191.97	453.72	484.60	742.73	768.36
Taxes on Property and Capital Transactions	3.81	2.55	13.49	19.83	26.86	57.42	55.01
Taxes on Commodities and Services	227.49	295.69	524.68	1,311.07	1,939.90	3,133.36	3,055.06
(i) Customs	157.15	166.70	170.03	538.97	524.02	974.20	974.20
(ii) Union Excise Duties	67.54	128.68	341.25	752.00	1,368.50	2,049.87	2,003.15
Non-tax Revenue	48.86	69.72	147.32	535.77	890.50	1,145.83	1,224.53
Total Net Revenue of Union Government	405.86	481.19	877.46	2,320.39	3,341.86	5,079.34	5,102.95
States' share in Union Taxation*		73.59	165.38	276.05	755.44	1,178.05	1,173.57
Of which:							
Excises, including additional levy in lieu of Sales Tax, account for		16.57	75.01	145.92	390.05	653.39	630.69

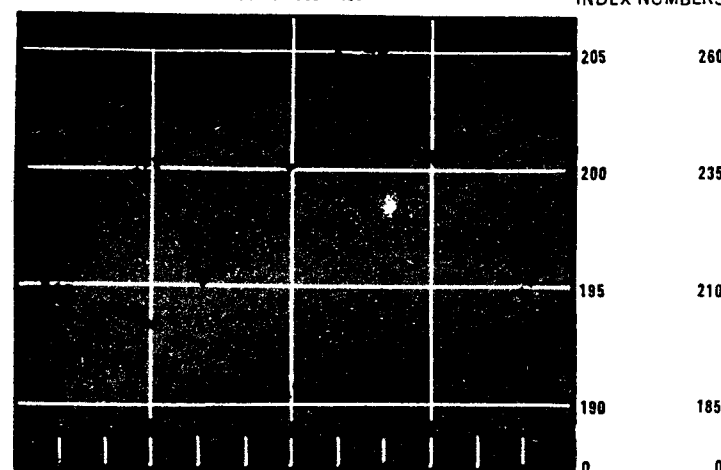
*The union government's revenue has been deducted; so also for the total taxation effort of the union government.

EXCISE LEVY ON SELECTED COMMODITIES 1950-51 TO 1974-75

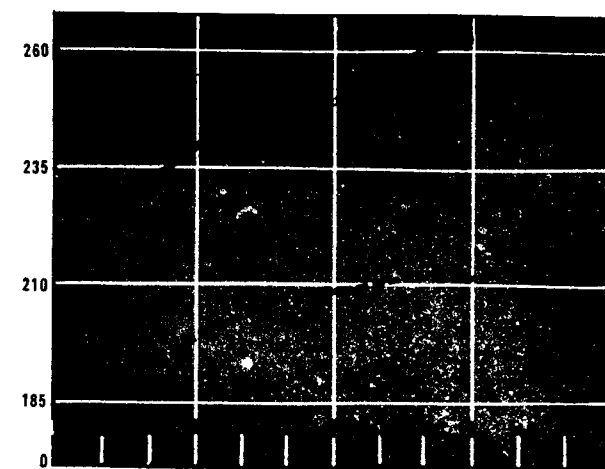


SELECTED ECONOMIC INDICATORS

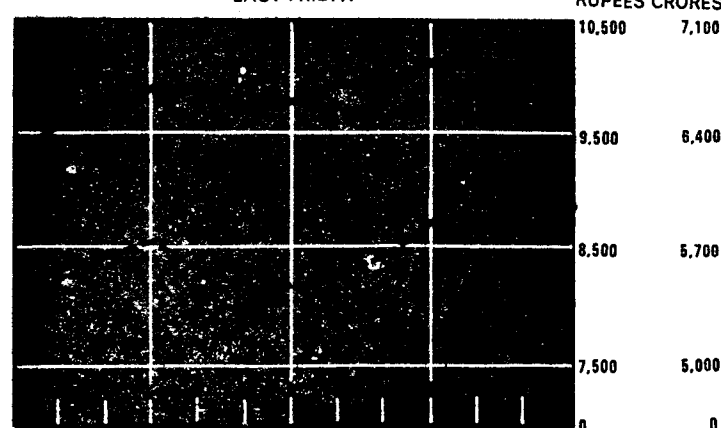
INDUSTRIAL PRODUCTION
BASE : 1960 = 100



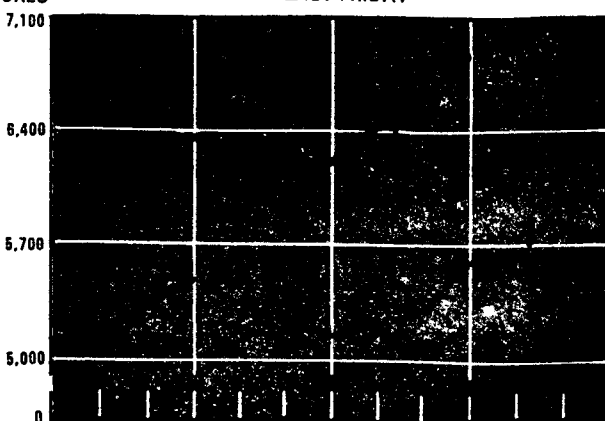
WHOLESALE PRICES
BASE : 1961-62 = 100



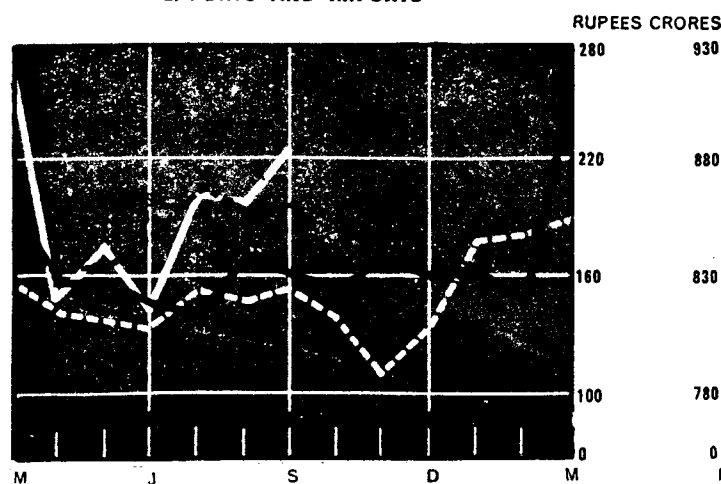
MONEY SUPPLY
LAST FRIDAY



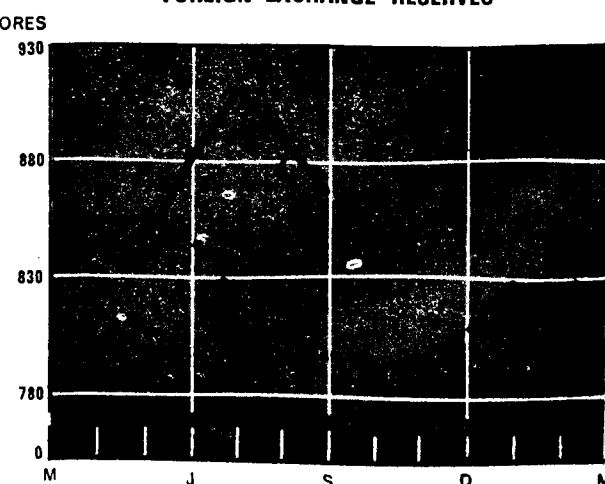
SCHEDULED COMMERCIAL BANK CREDIT
LAST FRIDAY



EXPORTS AND IMPORTS



FOREIGN EXCHANGE RESERVES



however, has refrained from affecting the products of the smaller manufacturers. The existing exemptions from the various excise levies also have been maintained in most cases. In the case of wireless receiving sets, even a concession has been given. Hitherto such sets produced by small manufacturers were exempted from excise duty if their sale price to the consumer did not exceed Rs 165 per set. Now they will not attract any duty if their sale price does not exceed Rs 220 per set. The excise levy on cinematograph films has also been rationalised, without any significant effect on revenue.

Of the various proposals of Mr Chavan in the field of excise duties, the ones that deserve pertinent notice are those relating to petroleum products, automobiles, textiles, paper and construction materials.

So far as petroleum products are concerned, there is no denying the fact that in view of the hike in the prices of crude oil in west Asia, there is continuing need for exercising vigorous restraint on the consumption of these products. The recent strikes of oil in the Bombay High area offshore and near Rudrasagar in Assam on land, though welcome, cannot be expected to ease the situation on the oil front in the near future. It will take at least a year or so to establish the dimensions of these new oil finds. Commercial exploitation of these resources cannot be expected for still another two or three years. By then our requirements of petroleum products would also have grown, despite the efforts being made to contain this growth. As a result of the sharp increases effected in the last six months in the prices of motor spirit, the tendency to misuse other petroleum products has also grown. The rationalisation in the excise duties on petroleum products, therefore, was called for.

Levy on automobiles

As regards automobiles, the step-up in the excise levies on them, similarly, cannot be taken exception to. The demand for motor spirit can be checked through making automobiles costlier. Further, automobiles, by and large, are a luxury item. In fact, there is a good case for allowing the prices of automobiles find their own level by lifting control on them. As automobiles, by and large, are a luxury item, there never was a sound case for controlling their prices. The price control has not only induced demand for them but also led to deterioration in their quality. If price control is lifted, it will help in improving the quality and restraining demand. The cost of operation of automobiles, indeed, has become prohibitive. The automobiles market, thus, is no longer a sellers' market, it has become a buyers' market. Only the

very affluent now can afford to own automobiles. They can be expected to pay even for this status symbol.

Along with the decontrol of the prices of automobiles, another important measure that ought to be taken is the stopping of loans for purchasing them. It passes comprehension how the government, which has stopped the grant of loans for such socially desirable ends as house-building, still goes on making sizeable provision in the budget for loans to its employees for car purchases. The commercial organisations, both in the private and the public sectors, too, need to be asked to restrain loans for this purpose. In case this is not considered desirable, they should be asked to charge adequate interest on such loans. Simultaneously, an all-out effort, of course, is needed to improve the public transport system.

Coarse cloth spared

Coming to textiles, it is encouraging to note that Mr Chavan has spared the coarse varieties of cloth from any significant increase in tax burden. While the excise levy on such cloth has been left untouched, some marginal effect on its prices will be there on account of the increases in the levies on dyestuffs and bleaching agents. A significant point to be noted in regard to the excise duty on fabrics, however, is that the medium, fine and superfine fabrics of cotton and blended fabrics on which the impost has been raised are no longer consumed only by the affluent sections of society. The middle and lower middle classes are taking to them rapidly because of such advantages as their easy washability and longer life. Due to these qualities and the high prices of cotton, there is, in fact, a case for popularising blended fabrics. The recent setback to our exports to the Sudan and Egypt also warranted a scaling down of the burden of import levy on extra long staple cotton which we buy from these countries. The imports of this cotton should not be a burden on the economy as our exports of textiles can be stepped up a great deal.

The increase in the excise levies on paper, obviously, could be expected in view of the fortuitous gains made by this industry in the last seven months during which prices have been raised sharply. The case of the paints and varnishes industry is no different. The prices of paints and varnishes too have been put up to levels which do not appear to be justified by the increases in the cost of production. The paper and the paints and varnish industries, thus, should be in a position to absorb the increased excise levies on their products.

The construction costs have been raised

considerably through increases in the excise duties on steel products made with the aid of electric furnaces and glass and sanitaryware and the imposition of auxiliary duty on plywood and cement. Construction activity, therefore, can be expected to suffer further setback.

It must, however, be conceded that Mr Chavan has been very selective in his approach to raising the burden of excise and customs duties. He has, indeed, attempted to spare the less affluent sections of society from increased taxation to the extent he could. He must now exercise utmost restraint on government spending so that deficit financing can be contained and the pressures on the price level obviated.

Notice

THE CALCUTTA ELECTRIC SUPPLY CORPORATION LIMITED

(Incorporated in England)

7½% DEBENTURE STOCK 1980

Interest for the Half-Year Ending

14TH APRIL, 1974.

Notice is hereby given that Interest at the rate of Rs. 38.75P (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th April, 1974 to Debenture Stockholders registered in the books of the Company on 2nd April, 1974. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 2nd April, 1974 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Books will be closed from 3rd April, 1974 to 14th April, 1974 both days inclusive.

By Order of the Board
S.K. Niyogi,
Secretary

Victoria House,
Calcutta-1.
28th February, 1974.

Rising cost of communication

Hardev Singh

PERHAPS NEVER before had a Finance minister of this country proposed to raise as big a sum as Rs 57 crores through increased postal and telecommunication rates in a single year. However, the low-key initial protest over increased postal rates indicates that the gross inflation of the last two years has made people less sensitive to price increases of relatively less expensive items. The price of a post card at 15 paise is as nominal today as it was at 10 paise two years back. The low-income groups, urban and rural alike, use this service so sparingly that they will hardly notice the rise.

Obvious reasons

The reasons advanced for raising the postal rates are not unexpected. On behalf of the minister for Communications, the minister for Finance pleaded in his budget speech that the postal rates have been proposed to be raised primarily because they had not kept pace with the rising costs of this service. Mr Chavan pointed out that the frequent increases in dearness allowances and the heavy additional expenditure incurred on account of implementation of the Pay Commission's recommendations have pushed up the establishment cost in the postal branch, which is highly labour-oriented. On the Telecommunications side too, he added, the operational costs as well as the cost of equipment required for various projects had been going up steadily. The department's developmental programme to improve the trunk telephones by provision of high grade media such as microwave and co-axial systems, to install new exchanges and expand existing ones for meeting the fast growing demand for telephone connections and to expand the trunk dialling and teleprinter facilities entail heavy investments. An upward revision of tariffs in the postal, telegraph and telephone branches of the department were, therefore, expected. A detailed examination of the performance of various branches of the department reveals that considerable scope existed for bringing in various economies.

Table I reveals that the postal section of the Posts and Telegraphs Department has been recording deficits since 1964-65, which fluctuated annually between Rs 5 crores and Rs 40 crores. The postal receipts increased both on account of enhanced rates and increased turnover, but

the department was not able to keep expenditure under control to balance it with the receipts. The other three sections — telegraphs, telephones and radios — have however, shown surpluses during the last several years. In fact the telephones section of the department has recorded a fairly rapid rate of increase in earnings, so that from Rs 57 crores in 1965-66 the figure went up to Rs 195 crores in 1973-74. The expenditure also increased but the surplus has more or less continuously expanded so that from Rs 6.75 crores in 1965-66 it went up to Rs 55.09 crores in 1973-74. This nine fold increase in surplus confirms the fact that the telephones section of the department is really run on commercial lines.

It appears that a reasonably small deficit in the postal section is a part of the department's philosophy because this section is aimed to be run 'primarily and essentially as a public utility service'. The postal tariffs are expected to yield revenues equal or nearly equal to the total operational costs of the postal branch. With this basic aim the department has continued to expand its net-work of post offices in rural areas which are increasingly recording losses. These uneconomic post offices in the rural areas showing persistent losses have gone on without a stringent assessment of their viability.

Rural post offices

In fact the Posts and Telegraphs Tariffs Enquiry Committee reported in July 1968 that the policy of expanding rural post offices should be reviewed but it seems the department is still continuing its previous policy in respect of extending post office facilities to rural areas. The committee very clearly stated that "normally a period of four years or so should be considered enough for assessing whether a post office has developed traffic and has become remunerative. If it has not, the conclusion is clear that such an office is not likely to justify its continuance and further expenditure on it can hardly be regarded as developmental expenditure". The committee went on to say that these continuing "losses sap the resources generated in other areas of the department's activities. Little is left for the development and expansion of services". The committee considered that no organisation "even with a public-utility bias, professing to run on sound commercial lines, would continue a losing activity for such long period as ten years and accept such activity as a permanent liability". The continuation of this policy was, therefore, considered by the committee as "altogether indefensible".

Table II reveals that already there are

more than 100,000 post offices or branches in rural areas and many of these are remunerative. In fact the department proposes to open additional 31,000 new post offices in villages with the objective of improving postal facilities during the fifth Plan. A question need be asked at this stage, whether it would not be advisable to change the status of rural post offices, particularly of those which record persistent losses, into agents of the union government working for its various departments, including the department of Family Planning. These rural workers can be paid for their services some honorarium by the other departments concerned.

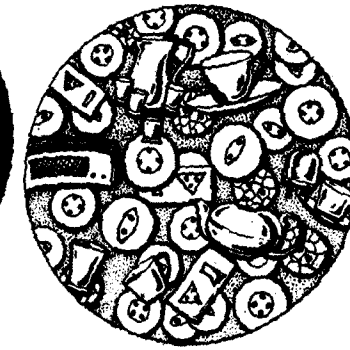
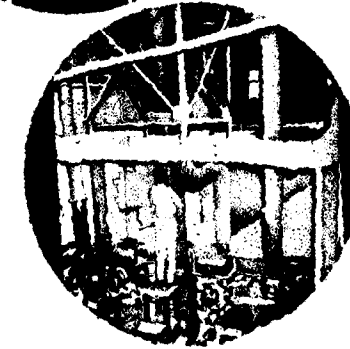
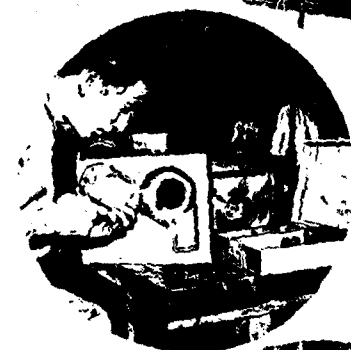
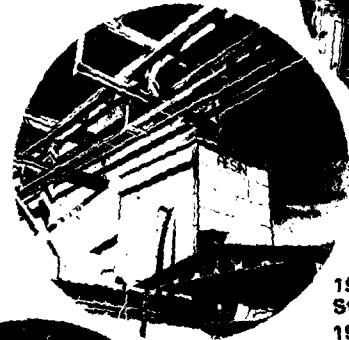
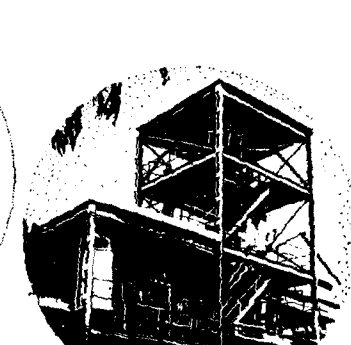
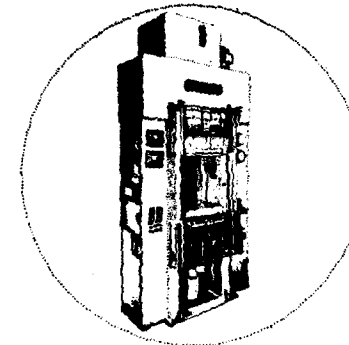
Substantial increase

The increase in postal tariffs in respect of book packets containing periodicals registered with the Registrar of Newspapers of India by 100 per cent from five paise to 10 paise per 50 grams is evidently quite substantial. It seems the postal department is slowly withdrawing its policy of subsidising the postal distribution of newspapers and periodicals. In fact the Small Newspapers Enquiry Committee had recommended that the postal rates be reduced to one paise from the then two paise for each single copy up to 50 grams. The Posts and Telegraphs Enquiry Committee in this context had observed that there was little justification in keeping the postal rates at 2 paise for every 50 grams and had argued that the prices of newspapers too had gone up considerably compared to the postage payable on them. But the committee did support the view held by the department that periodicals should be subsidised in their postal distribution.

While it is reasonable to give a substantial subsidy to registered periodicals, the tariffs could not have been left altogether unrelated to the trend of costs, to the detriment of the general users of the postal services. In fixing the postage rates for registered periodicals, the government was advised by the Posts and Telegraphs Enquiry Committee to prescribe a maximum limit upto which concession could be granted. The maximum limit for this subsidy was proposed at 66 2/3 per cent of the cost of this service. Even if the department has decided to raise the rates according to this formula, it could have adjusted the rates gradually over a period of two to three years to bring them to the required level.

It is quite likely that this 100 per cent increase may prove really harsh for mar-

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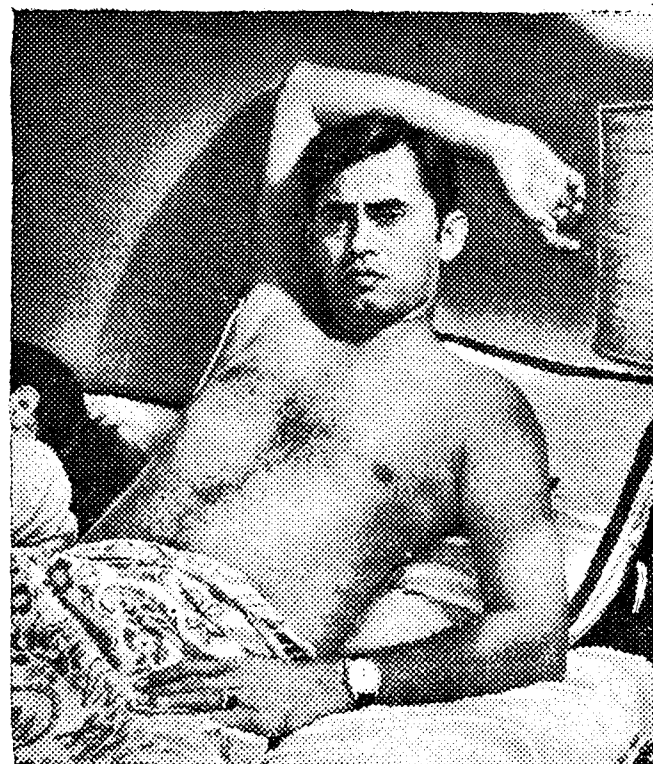
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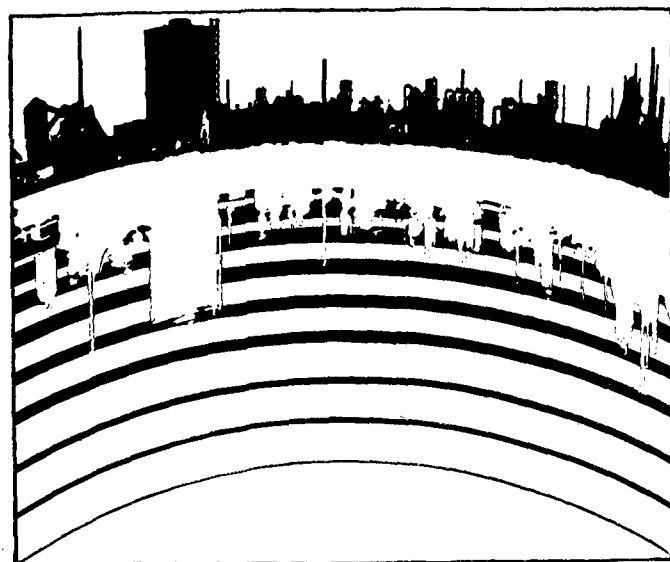
□ Technologists, Skilled Craftsmen and Artisans to set up and run small industries/business of their own. □ Transport-Operators to purchase vehicles and operate a transport business of their own. □ Farming Entrepreneurs to develop farms and allied activities, to set up Custom Service Units, to operate Sales & Distribution Centres. □ Professionals—Doctors, Dentists, etc. to purchase equipment and set up practice.

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THE RIPPLES OF INDUSTRY...

Industry is like a pool of clear water: its ripples spread out in ever-widening circles—cooling, healing and nourishing wherever they spread. The ripples of the industries established by Tatas similarly have spread out all over the country—providing employment, new industries and engineering expertise wherever they have spread.

TELCO, for example, has fostered the growth of 350 suppliers all over the country for manufacturing auto-ancillaries. TISCO again has led to the establishment of the Indian Tube Company, Belpahar Refractories, Tata-Yodogawa, and Tata-Robins-Fraser.

There is no end to the ripples of industries pioneered by Tatas.

TATA ENTERPRISES

ginal cases where the rise of 5 paise per copy may not be easily transferred to readers without a reduction in circulation. This could hardly be justified in view of the fact that journals and newspapers encourage literacy in a developing country. In this context the situation is different in advanced countries, where the dissemination of literacy does not depend on the priorities of the governments. The postal departments are gradually shedding the policy of subsidising the postal distribution of periodicals. The postal authorities in the United States, for instance, believe that most classes of mail should pay their own way and contribute a reasonable share to the services' general overheads. As a result of this policy the postal rates for journals in the United States were revised to eliminate any element of subsidy. A large number of readers refused to pay the additional postage charges, leading to reduced circulation. The closure of *Life* has largely been due to increased postal rates.

Effect on revenue

In this country too a fall in circulation following increased postal rates can have adverse effect on advertisement revenue. Already the rival advertising media such as films, film slides and commercial radio are making a dent into the advertisement revenue of the periodicals. In fact, in the present climate of newsprint shortage and reduced revenue, this additional imposition is likely to be felt by various periodicals in this country.

The uniform increase of postal tariffs in respect of letters, letter cards and post cards by 5 paise each cannot be much disputed under the present circumstances. But it must be pointed out that this increase after all is not going to effect the three inter-competitive services to the same extent. This is for the simple reason that the rise in case of post cards is 50 per cent while that in case of letters is 25 per cent. In other words, post cards have been made disproportionately costly. The relative advantages and utility offered by these services cannot be forgotten while fixing relative tariffs for these three services. Considering that the post card does not ensure the secrecy of communication given by a letter and that the post card and the letter card have limited space as compared with the letter, the Posts and Telegraphs Enquiry Committee had rightly laid down a ratio for the tariffs of three services of 2:3:4. Although the Finance minister was not expected to adhere strictly to this concept, he could have considered a rise in post cards tariff of less than five paise, say two paise. This would have partly spared the large-scale users of

post cards for reminders and short circulars.

In line with the increasing expenditure on telephone exchanges, the telephone branch has earned increased revenue yielding substantial surplus not only to cover losses in other branches of the department but also to add sizeable resources for im-

provement and expansion of telecommunications services. (Table III) The Finance minister has proposed to raise substantial additional revenue from this branch for the simple reason that the users of this facility can afford to pay for the cost of research and development. Another reason for raising rates at regular intervals seems to be that the value of

TABLE I

Receipts and Expenditure of Posts and Telegraphs Department

(Rs crores)

	Posts	Telegraphs	Radio	Telephones
1965-66				
Receipts	65.99	14.44	0.24	57.10
Expenditure	76.01	17.88	0.29	50.35
Deficit (—) or Surplus (+)	—9.02	—3.33	—0.05	+6.75
1966-67				
Receipts	70.15	16.96	0.32	71.92
Expenditure	84.90	20.35	0.18	56.81
Deficit (—) or Surplus (+)	—14.75	—3.39	+0.14	+15.11
1967-68				
Receipts	74.23	19.95	0.36	79.76
Expenditure	95.12	24.45	0.16	69.04
Deficit (—) or Surplus (+)	—20.89	—4.35	+0.20	+10.72
1968-69				
Receipts	93.98	22.52	0.44	92.26
Expenditure	107.22	26.80	0.44	76.36
Deficit (—) or Surplus (+)	—13.34	—4.48	—	+15.90
1969-70 (Revised)				
Receipts	97.81	24.50	0.56	110.88
Expenditure	110.80	28.03	0.53	85.5
Deficit (—) or Surplus (+)	12.99	—3.97	+0.03	+25.38
1970-71				
Receipts	110.54	26.80	0.63	118.91
Expenditure	122.18	31.53	0.50	95.78
Deficit (—) or Surplus (+)	—10.30	—4.73	+0.13	+23.13
1971-72				
Receipts	110.64	35.76	0.67	152.74
Expenditure	129.77	28.20	0.46	114.14
Deficit (—) or Surplus (+)	—19.13	+7.56	0.27	+38.60
1972-73 (Revised)				
Receipts	118.25**	36.28	0.49	166.65
Expenditure	142.50**	30.90	0.33	122.56
Deficit (—) or Surplus (+)	—24.25**	+5.28	0.16	+44.48
1973-74 (Budget)				
Receipts	121.04†	39.72	0.51	195.57
Expenditure	160.80†	32.93	0.38	140.48
Deficit (—) or Surplus (+)	—39.76†	+6.79	0.13	+55.69
1974-75 (Budget)				
Receipts	146.80	*	*	283.01
Expenditure	172.52	*	*	201.85
Deficit (—) or Surplus (+)	—25.72	*	*	+81.16

*Included in Telephones to make estimates for entire Telecommunications department

**Actuals.

†Revised Estimates. Revised estimates for Telegraphs, Radios and Telephones not given separately in Budget Memorandum for 1974-75.

the telephone service to the subscriber increases with the size of a particular network. Tariffs for the basic telephone service can possibly be based on its utility value, which increases with the size of the network, rather than merely on the cost of providing it.

The rental for direct exchange lines has been increased from Rs 100 per quarter to Rs 125 per quarter and the call charges beyond the initial 300 has been raised from 20 paise to 25 paise each. This is not a minor increase and is likely to discourage many superfluous calls. Along with other increases in tariffs of such services as extra charges for telephone connections extending beyond the local area, extension of departmental exchange connections, trunk call charges and STD tariffs, the telephone section will earn an additional revenue of nearly Rs 29.24 crores in a year.

Efficient use of resources

While the telephone branch has increased rates to be able to operate on commercial lines, it should have shown some sense of responsibility through efficient use of resources. The Public Accounts Committee (PAC) in its sixty-eighth report made a pointed reference to the fact that the department has consistently resisted a commitment to raise the utilisation of the present installed capacity of its telephone exchanges to 94 per cent (a standard laid down by the department itself, allowing for six per cent reserve). The PAC refused to accept the department's view that for practical purposes an overall target of 85 per cent utilisation of capacity would be reasonable. The PAC, therefore, pointed out that the number of connections that were not provided were quite large and the loss of potential revenue during the three years ended 1969-70 was of the order of Rs 45.18 crores.

The department also has to eliminate considerable wasteful expenditure. One glaring example of absence of control over production and inventory culminating in accumulation of 170,000 channel iron brackets worth Rs 35.76 lakhs has been cited by the PAC. It seems that no basis for the production of these items in the telecommunication factories could be provided by the department. It is indeed strange that no acceptable method of forecasting requirements had been evolved by the department. One moral of such instances is that the department should be a little more vigilant while the tax-payer is being asked to pay more.

The Finance minister has proposed to raise an estimated additional revenue of Rs 2.08 crores through the increase of telegraph tariffs from Rs 1.20 for the first eight words for an ordinary telegram to Rs 1.50

and from Rs 2.40 for an express telegram to Rs 3. Copying fee, which was 50 paise for every group of 50 chargeable words in the case of multiple telegrams, has been proposed to be doubled. This increase is likely to be felt more by the commercial users than those who use this facility for personal messages. The latter being small in number. It may be added that the use of inland telegraph service has expanded slowly as compared to the expansion of other telecommunication services. During the last twenty years (1950-

1970) the turnover of inland telegrams just doubled while the number of trunk calls multiplied 16 times. The introduction of telex, the expansion of telephone services and increased carriage of postal articles by air services had its natural effect on the telegraphic traffic. The importance of the telegraph service cannot, however, be minimised because this service still has to meet the requirements of areas not yet covered by telephones or by air postal services. The additional revenue if used for the expansion of this service can, therefore, be justified.

TABLE II
Post Offices in the Country
(As on 30-9-1973)

	Urban	Rural	Total
1. Head Offices	524	1	525
2. Sub Offices	9091	9984	19,075
5. E.D. Sub Offices	394	477	871
4. Deptl. B. Offices	6	20	26
5. E.D. Branch Offices	1101	94648	95,749
	11116	105130	116,246

TABLE III
Outlay on Communications in the Fifth Plan
(Rs crores)

Programme	Outlay
Posts and Telegraphs Department	
Postal Services	57.50
Telecommunications	1030.00
Total—Posts & Telegraphs	1087.50
Other Communications	
Indian Telephone Industries	57.50
Overseas Communications Service.	26.50
Hindustan Teleprinters	3.00
Monitoring Organisation	1.50
Total—other Communications	88.50
Grand Total	1176.00

TABLE IV
Details of Outlay on Telecommunications in the Fifth Plan
(Rs crores)

Programme	Outlay
Local telephones system	487.00
Long distance system	344.00
Open wire and telegraphs	53.00
Land and building etc.	146.00
Total	1030.00



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Railway budget: off the rails

R. C. Ummat

WITH NO provision made for the impact of the third Pay Commission's recommendations in the 1973-74 railway budget presented last year and the state of the economy leaving much to be desired since September, 1972, the estimated surplus of Rs 23.86 crores in railway finances this year could be expected to turn into a moderate deficit. But the sharp setback to these finances surely could not be anticipated at the time of the presentation of the last budget. As the year went by and indiscipline among several categories of railway employees grew, fears came to be entertained that railways would end up the year with a large deficit.

These fears have come out to be true. Presenting the next year's budget on February 27, the minister for Railways, Mr L.N. Mishra, revealed that his charge would be showing this year a loss of as much as Rs 99.75 crores. The gross traffic receipts at Rs 1,170 crores will fall short of the budget estimate by Rs 93.20 crores. The ordinary revenue working expenses would go up to Rs 953.02 crores from the budget estimate of Rs 918.25 crores. The net miscellaneous expenditure, including the cost of works charged to revenue, is expected to go down marginally by Rs 58 lakhs to Rs 17.13 crores. There would be a reduction of Rs 4.01 crores (Rs 172.61 crores minus Rs 168.60 crores) in the dividend liability (due to the arrears of relief provided by the Railway Convention Committee for the years 1969-70 and 1970-71) to the general revenues.

Decline in traffic

The sharp decline in the gross traffic receipts is attributed to a substantial fall in the originating freight traffic as well as the passenger traffic not materialising according to anticipations. The situation has worsened owing to the traffic lead also going down. The originating freight traffic in 1973-74 is now estimated to be of the order of only 192 million tonnes, as against 201.3 million tonnes in the previous year. Compared to the budget projection (10 million tonnes additional traffic), the shortfall in the originating freight traffic is expected to be as much as 19.3 million tonnes (upto December-end, it had been of the order of 15.3 million tonnes). The traffic lead has gone down by 2.4 per cent in comparison with the lead in 1972-73. In terms of tonne-kilometres, the freight

traffic this year would be only 129.42 million, as against 136.542 million in 1972-73—no budget projections were made in this regard. The originating passenger traffic this year is not expected to exceed 2,663 million, as against 2653 million in 1972-73. In terms of passenger-kilometres, it is likely to be of the order of 131.1 million, as against 133.527 million last year. The 1973-74 budget projection envisaged an increase of about 3 per cent in the originating passenger traffic.

Some pertinent facts to be noted in regard to freight traffic this year are :

- (i) the increase in the heavily subsidised movement of food-grains to as much as 2.4 million tonnes, as against 1.64 million tonnes in 1972-73;
- (ii) shortfalls in almost all important categories of freight traffic such as coal, raw materials for and finished products from steel plants, iron ore for export, cement, fertilizers, petroleum products and other general goods—coal movement alone at 61 million tonnes is expected to fall short of the budget estimate by nearly 10 million tonnes; and
- (iii) a good deal of high-rated traffic moving on to road transport because of uncertainty of movement by railway.

The increase in expenditure has been primarily caused by the implementation of the third Pay Commission's recommendations, as modified by the government in the interest of employees, even though the implementation by the end of the year would not be done fully. The Pay Commission's recommendations, along with the three increases of dearness allowance already announced, are estimated to cost railways this year Rs 94 crores and in a full year Rs 109 crores. Out of this year's burden, payment to staff would be only of the order of Rs. 52 crores. The remaining Rs 42 crores would be disbursed next year, along with the next year's liability of Rs 109 crores and some additional liability which may accrue on account of the further increases in dearness allowance. Part of the burden cast by the Pay Commission's recommendations, as also the increase in fuel costs, of course, has been absorbed by the economies effected during the year under the economy drive launched in August last with a view to containing the prices spiral.

As a result of this year's heavy deficit of Rs 99.75 crores, which amount is being made good by a loan from the

general revenues, after utilising about Rs 0.02 crores available in the revenue reserve fund, this fund of the railways will owe on March 31 a liability of Rs 99.72 crores to the general revenues. The development fund of the railways too is in the red. At the end of 1972-73, it had an outstanding liability of Rs 85.65 crores to the general revenues. With an additional loan of Rs 22.65 crores during the year, this fund will owe to the general revenues at the end of the year Rs 108.30 crores. The total liability of the railways to the general revenues, thus, will be Rs 208.02 crores. An overwhelming proportion of this liability, it may be pointed out, has been incurred in the last two years, even though the revenue reserve fund started borrowing from the general revenues, in the current phase, in 1968-69 and the development fund had to bank upon such accommodation a year earlier.

Unhealthy State

The above suggests that railway finances, in fact, have been in an unhealthy state of affairs for nearly six years, notwithstanding the fact that both passenger fares and freight rates have been put up substantially during this period, even though the deterioration has been steep in the current year.

For the coming year, the Railway Minister has estimated that on the hopeful assumption of an increase of 25 million tonnes in the originating freight traffic over that expected during the current year, an increase of about Rs 10 crores in other coaching earnings and the passenger traffic reviving to yield the customary growth of three per cent per annum, the gross traffic earnings of railways at the existing fares and freight rates would be Rs 1290.77 crores. The ordinary working expenses have been estimated at Rs 1148.37 crores, after providing for Rs 99 crores for payment of increases in wages and allowances arising out of the third Pay Commission's recommendations, together with the additional liability of dearness allowance that may have to be met in view of the continuing rise in prices, Rs 40.78 crores on account of increase in fuel bill and Rs 29.29 crores for additional expenditure for carrying out repairs to railway assets, including permanent-way, rolling stock, equipment, etc. The allocation to the depreciation fund has been maintained at Rs 115 crores and that to the pension fund at Rs 16 crores. The miscellaneous expenditure, including the cost of works charged to revenues, is estimated to go up by Rs 18.90 crores. Including these three allocations, the total expenses are estimated at Rs 1,298.27 crores.

On the current level of fares and freight

rates, the railways, thus, would be losing approximately Rs 7.5 crores even before meeting the dividend liability of Rs 181.67 crores. If the fares and freight rates were not raised, railways would have had to resort next year to borrowing from the general revenues, after taking credit of the interest on the sum available in the fund and certain other accruals to it, to the extent of slightly over Rs 180 crores.

It is to contain this borrowing that Mr Mishra has come up with proposals to increase fares and freight rates to the extent of Rs 136.38 crores. If the expected revenue after raising of the fares and freight rates goes upto the estimated level of Rs 1,427.15 crores, railways will still have to borrow a substantial amount from the general revenues next year to discharge the dividend liability. The indebtedness of the revenue reserve fund to the general revenues after all adjustments is expected to go up to as much as Rs 157.03 crores by March 31, 1975. The development fund too is envisaged to borrow from the general revenues next year Rs 24.39 crores net. So its indebtedness to the general revenues will go up to Rs 132.69 crores. The total sum railways would be owing to the general revenues at the end of 1974-75, thus, comes to Rs 289.72 crores.

If the railway operations next year become normal and the economy revives,

the estimated additional 25 million tonnes freight traffic can surely be expected to accrue, for in effect, after making up of the shortfall of about 19.5 million tonnes in this year's originating freight traffic, the additional originating traffic is expected to be only 5.5 million tonnes. The passenger traffic also can go up significantly, exceeding even the anticipation of three per cent growth over the current year's traffic. The increase of Rs 10 crores in earnings from other coaching traffic as well is not something which cannot be realised.

But the crucial question is whether railway operations can be normalised and the tempo of economic activity stepped up. As mentioned earlier, and also admitted by the Railway Minister himself, the sharp setback to the finances of railways this year has been due primarily to three factors: (i) the unsatisfactory state of the national economy; (ii) the impact of the third Pay Commission's recommendations; and (iii) the sharp deterioration in staff discipline. The unhealthy state of the national economy during the current financial year can be attributed to a number of factors. These include (i) acute shortage of power; (ii) disturbed industrial relations, (iii) inadequacy of several raw materials for industry; (iv) unsatisfactory movement of raw materials to and of finished products from industrial units;

and (v) the general deterioration in the law and order situation in the country.

The deterioration in the law and order situation as well as industrial relations, apparently, has its genesis in the sharp uptrend in prices in the last 20 months or so and the confrontation in several parts of the country between the ruling party and some opposition groups. It is difficult to say whether after the recent UP elections, this confrontation would end. As regards prices, although there is a growing awareness on the part of the government to contain the prices spiral, it is anybody's guess whether the rise in prices can be moderated without an appreciable increase in production, both agricultural and industrial.

This year's output of foodgrains has been estimated at 110 million tonnes. The last kharif crop is estimated to have yielded about 65 million tonnes. The balance approximately of 45 million tonnes is expected to be yielded by the current rabi crop. This estimate may turn out to be wide off the mark if the fears about the crop having been seriously affected by inadequate winter rains and frost and scarcity of fertilizers and diesel oil come out to be true. The supply of fertilizers, according to knowledgeable circles, fell short of requirements by nearly 50 per cent. The fertilizer situation is expected to grow

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even worse in the coming months and it is feared that the requirements of the next kharif crop, which will be of crucial importance to the national economy, would be met only to the extent of about 40 per cent. Shortages of food, therefore, cannot be obviated unless the domestic output is adequately augmented through imports.

As regards industrial production, much will depend on whether the power shortage can be mitigated and industrial peace restored. If these difficulties are overcome at least to some extent, industrial production indeed, can be stepped up significantly, as the supply of several agricultural raw materials for industry, especially jute, cotton and oilseeds, is expected to be much better next year than it has been in the current year. The output of steel and cement also can be raised considerably. The supply of raw materials will remain a constraint on production in only those industries which have to depend on imported materials to a substantial extent. This is due to the fact that the mounting import bill on account of crude oil and foodgrains will not only adversely affect the availability of foreign exchange for other imports but also the prices of imported materials have gone up sharply in the recent past. In the case of some imported materials, there are even physical shortages in the world market. It is,

therefore, difficult to secure them in adequate quantities.

With a view to easing the power situation, the output of coal next year is sought to be raised to about 95 million tonnes, as against about 80 million tonnes this year. The general budget has made a special provision for improving coal supply. But the crucial fact about coal situation is the frequent strikes in the mining areas as well as on the railways which, along with power shortage in the mining areas in east India, are acting as a drag on the output of coal.

Unless coal production is raised to the above extent and the movement bottleneck is broken, it will not only stand in the way of easing power supply but also hinder the switchover of the furnace oil-based industrial units to coal. The supply of furnace oil next year, it is estimated, will fall short of demand by about 10 per cent. So industrial units based on this fuel are being encouraged to switch over to coal. Not all such units can switch over to coal. Yet a saving of nearly 0.8 million tonnes of furnace oil can be easily affected in six to eight month's time. If coal is available, it can substitute furnace oil immediately, without any extra cost, to the extent of 0.5 million tonnes, for the industrial units consuming this quantity of furnace oil have facilities for using

either coal or furnace oil. Boilers in several units can be converted into coal-fired ones in six to eight months. This will save the remaining 0.3 million tonnes of furnace oil. An all-out effort at raising coal output and breaking the bottleneck of movement of this fuel, thus, can have a very wholesome effect on the economy as well as on railway finances.

Even if the thrust of the price spiral next year is moderated, the provision made in the railway budget for increase in the dearness allowance of employees, however, does not appear to be adequate. Already a fourth instalment of increase in dearness allowance has fallen due and fears are being expressed that next year, at least three more increases will have to be effected. This can be expected to widen the gap between railways' earnings and expenses. Relentless efforts will have to be made by railways for improving productivity so that the increase in the gap can be contained. The railway employees ought to realise their responsibilities to the nation. Of course, their grievances should be looked into expeditiously and sympathetically, especially when they do not involve any significant extra financial burden on the organisation.

Coming to the budget proposals of the Railway minister, the most pertinent fact

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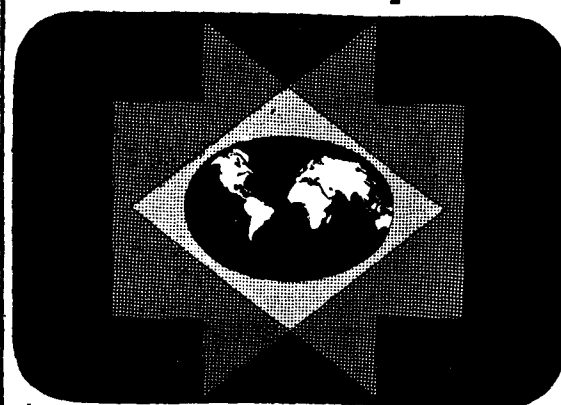
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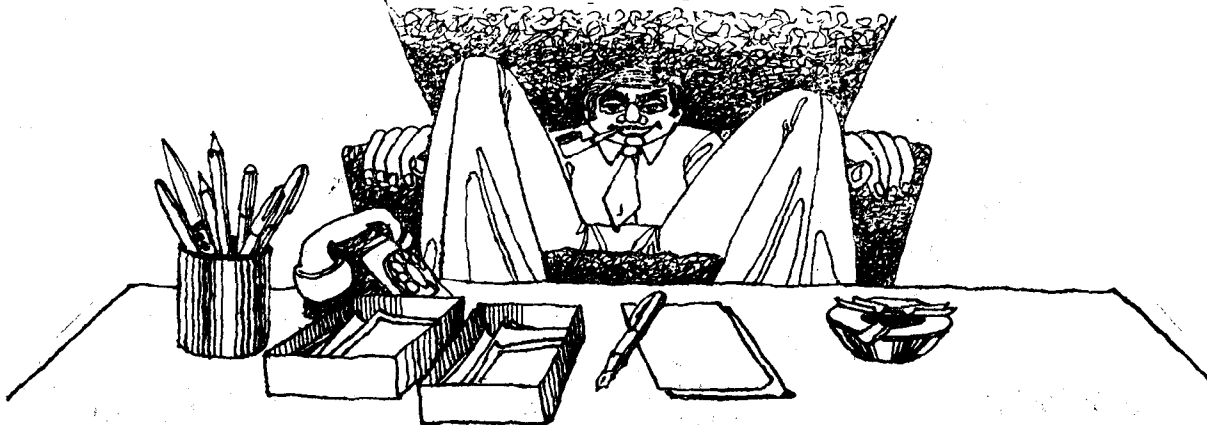
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that is to be noticed is that as, in the recent past, an attempt has been made to raise nearly 70 per cent of the additional revenue through increases in freight rates and only about 30 per cent through the stepping up of passenger fares and other charges affecting passengers. This obviously could not be avoided in view of the need to raise large additional resources, for freight earnings account for approximately 60 per cent of the total revenue of railways.

It is encouraging to note that in his proposed changes in passenger fares, Mr Mishra, while increasing the burden on first class passengers, has not succumbed to the temptation of leaving the third class travellers untouched. He is bound to be assailed for this by politicians. But it has to be recognised that he could not raise substantial revenue from passenger traffic without putting some additional burden on third class travel as well.

The minimum fare for third class travel by mail and express trains has been doubled to 50 paise for distances upto 50 kilometres. Thereafter, the fares have been progressively increased by amounts upto Rs 8 for distances beyond 3,000 kilometres. The minimum fares for ordinary third class passengers has been stepped up from 25 paise to only 30 paise for

distances upto 25 kilometres. For distances between 26 and 49 kilometres, the fare has been raised by 10 paise. The longer distances will attract an increase ranging between 25 paise and a maximum of one rupee per ticket. These two measures are expected to yield Rs 18.06 crores and Rs 16.48 crores per annum, respectively. The charges for travel in third class sleeper coaches also have been raised from Rs 4 to Rs 5 for the first night and from one rupee to Rs 3 for each subsequent night in respect of the 3-tier coaches and from Rs 4 to Rs 5 per night in the case of two-tier coaches.

Significantly enough, Mr Mishra has held his hand from charging more from the season ticket-holders, even though the loss to railways on this account is appreciable. This has been done presumably for fears of agitations from suburban passengers which, indeed, are a volatile lot. The reservation charges for third class travel too have been kept unchanged.

The cost of platform tickets has been raised from 25 paise to 50 paise. This raise apparently has created an anomaly. Since the minimum fare will be only 30 paise, the proceeds from platform tickets should fall short of expectations. The increases in the charges for travel in sleeper coaches and the sale of platform

tickets along with the enhanced reservation charges for AC chair from 50 paise to one rupee, for first class from one rupee to two rupees and for air-conditioned class from one rupee to Rs 5, are expected to fetch an additional sum of Rs 3.68 crores.

In pursuance of his declaration last year that the passenger fares of first class air-conditioned travel would be raised to the level of air tariffs, the sharpest increase in fares has been effected by Mr Mishra in ACC first class fares, the increase being Rs 15 to Rs 160 per ticket depending on distance. Similar increases have been effected in the first class fares of the two Rajdhani expresses. The fares for air-conditioned chair cars and first class have been raised by Rs 2 to Rs 16 per ticket, inclusive of the surcharge imposed recently. These changes are estimated to yield an additional revenue of Rs 4.44 crores. The reservation charges for travel in AC chair car, first class and air-conditioned class too have been raised.

The need to spare some additional capacity for carrying freight traffic in view of the burden cast on railways by the global oil crisis and the loss incurred on carrying passengers, do provide justification for raising fares. But the full benefit

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of the increases can accrue to railways only if malpractices by the staff are curbed with a heavy hand and ticketless travel is relentlessly checked.

Freight rates have been increased for a number of commodities. These include oilcakes, firewood, charcoal, coal, sugarcane, salt, gypsum, ammonium sulphate and superphosphate, urea, cement, caustic soda, manganese ore (other than for export), iron ore, pig iron, iron and steel billets, wires and rods, castor seeds, mustard oil, paper, sugar, kerosene, diesel oil, petrol, raw cotton, hydrogenated oil and aluminium utensils. The increases in freight rates of these items, barring coal, range between five per cent at a lead of 40 kilometers and 11 per cent at a distance of 3,000 kilometers. In the case of coal, the freight rate has been raised steeply which will affect the consumer price to as much as 5 to 6 per cent. The effect of the enhancement of freight rates on other commodities is estimated to be less than one per cent on their prices. These increases in freight rates are anticipated to bring in an additional revenue of Rs 84.22 crores per annum—Rs 39.33 crores from coal alone.

Transshipment charges

The existing supplementary charge of 5 per cent on parcels and luggage has been raised to 15 per cent, except in the case of fruits, vegetables and milk. Transshipment charges have been stepped up from a minimum of 10 paise and the maximum of 20 paise per quintal, depending upon the nature of the commodity, to a minimum of 25 paise and a maximum of 50 paise a quintal. These charges for coal have been raised from 60 paise to Rs 1.50 a tonne. The yield from these changes in anticipated around Rs 9.5 crores.

The above increases in freight rates admittedly can be expected to add to the inflationary tendencies in the economy, even though the effort is to bridge the gap between the cost of carrying goods and the existing freight rates. But this could not be avoided. The impact of increase in freight rates on the price level, however, can be mitigated a good deal if adequate wagon supplies and expeditious movement are ensured. The price level is disturbed to a much greater extent by disruption in the movement of goods, leading to emergence of artificial scarcities. Some part of the increase in freight rates, of course, can be expected to be absorbed by the consumers of these materials who have been obliged to pay high premia on their purchases, leading to increases in their costs of production. Ensuring of supplies of coal particularly can help in better utilization of installed capacity. To

that extent the higher incidence of fuel costs ought to be mitigated by increase in production in general. Wagon supplies admittedly have fallen short of requirement in the past few months. The mistakes of the past ought to be rectified. There is a good case for the stepping up of production of railway wagons.

Foodgrains spared

Mr Mishra has refrained from stepping up the freight rates on foodgrains on the movement of which the railways expect to suffer a loss of Rs 47.49 crores next year, as against about Rs 26 crores in 1972-73. This has been done with a view to containing the prices of foodgrains. Even a marginal increase in the freight rates for foodgrains, however, could have yielded a substantial revenue. This would not have affected the prices in the open market which shot up this year to unprecedented levels. There can be no justification for subsidizing the movement of foodgrains on trade account. Even the issue prices of controlled foodgrains are bound to be raised in the near future to contain food subsidy. The railways ought to have expected some relief in the burden of carrying foodgrains at heavily subsidised rates. By not raising freight rates for foodgrains, the railways are not only subsidising the private trade but also the Food Corporation of India in the working of which malpractices are not wanting.

In view of the fact that, owing to the sharp increase in the import bill of the country, particularly, because of the hike in oil prices, exports have to be stepped

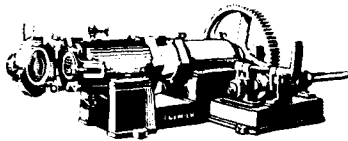
up a great deal so that the essential import requirements can at least be met, there, indeed, is called for an expeditious study of the impact of increase in freight rates on exports. No doubt, export prices are quite remunerative for many items, there can still be several items in the case of which the increased cost of production will have to be compensated for.

The foremost problem that has to be tackled today apparently is the containment of the price spiral. The woes of the Railway minister have their genesis primarily in the ever-expanding prices spiral. Not only the cost of materials such as cement and steel are mounting rapidly but also the wages of employees. Unless concerted efforts are made by the government to contain the prices spiral, the sacrifices the nation is being asked to make would go waste. An overwhelming proportion of the raises effected in the passenger fares and freight rates this year as well as in the last three years have gone to meet the increases in these two elements of railway costs. Not much could be spared for developmental purposes.

The operations of railways this year particularly have been very adversely affected by wildcat strikes, go-slow tactics and work-to-rule and work-to-designation agitations. It is time that railway employees realised their responsibilities to the national economy. They are not an ordinary work-force.

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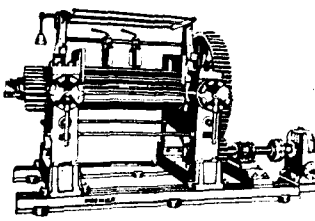
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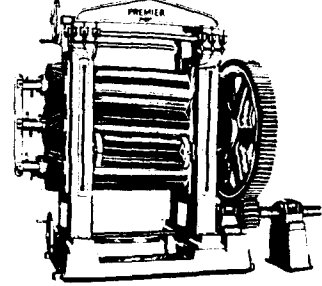
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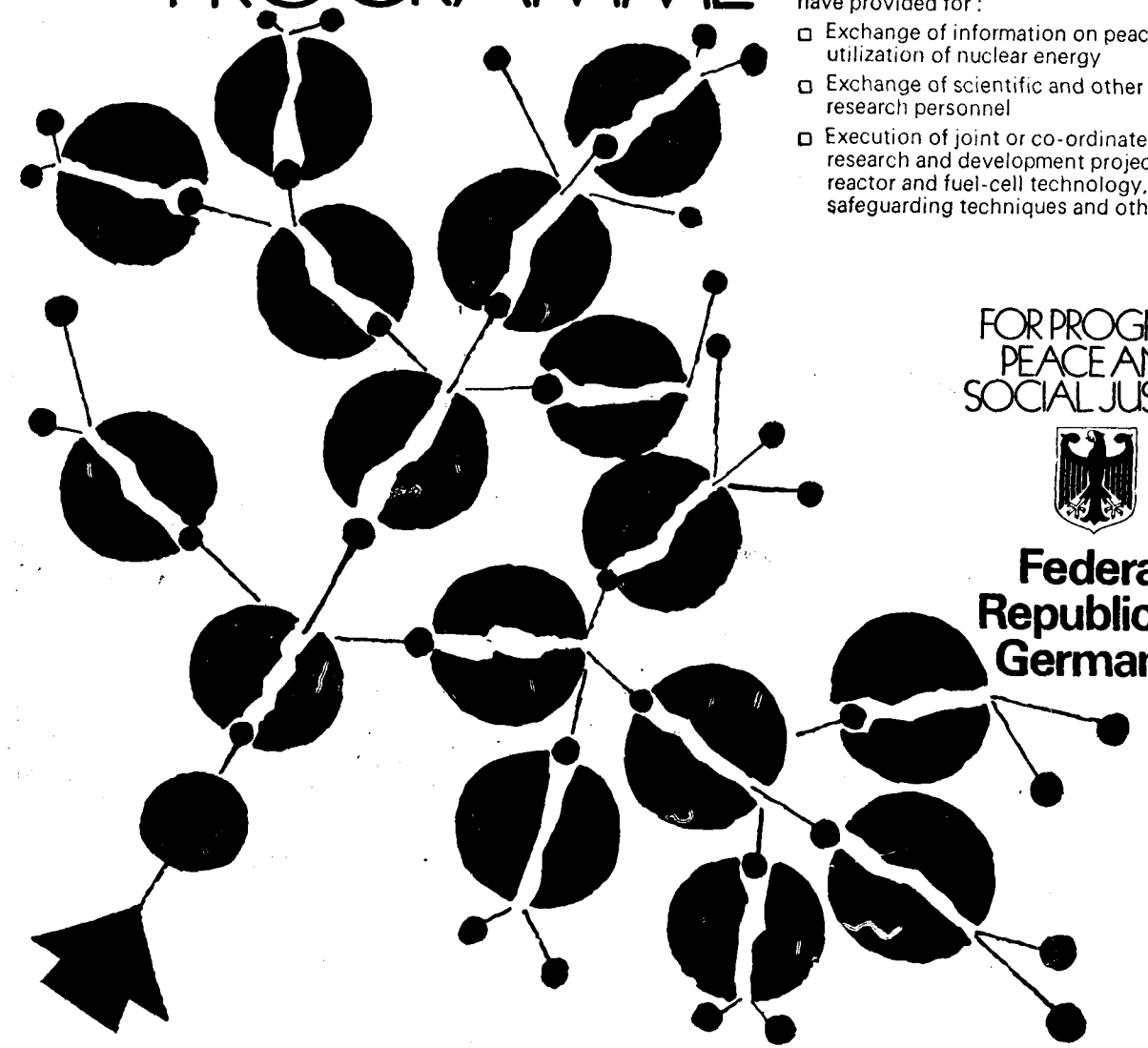
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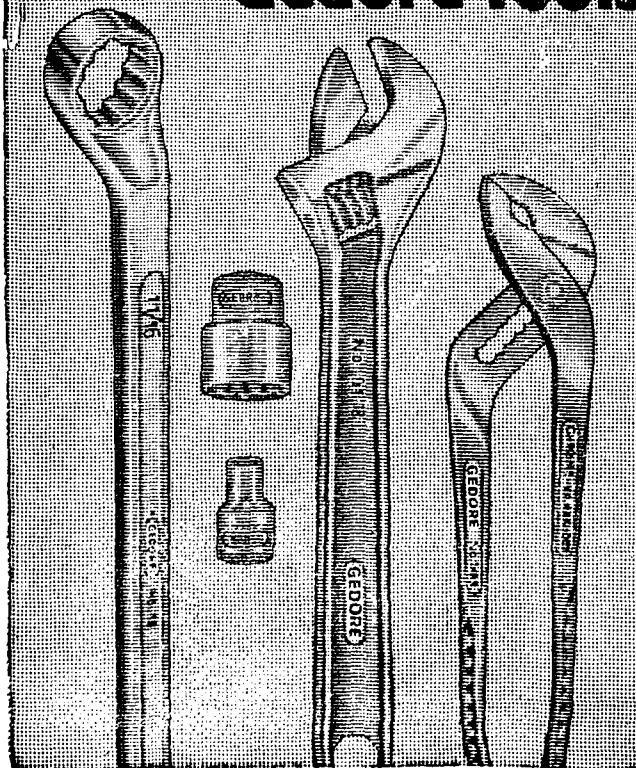
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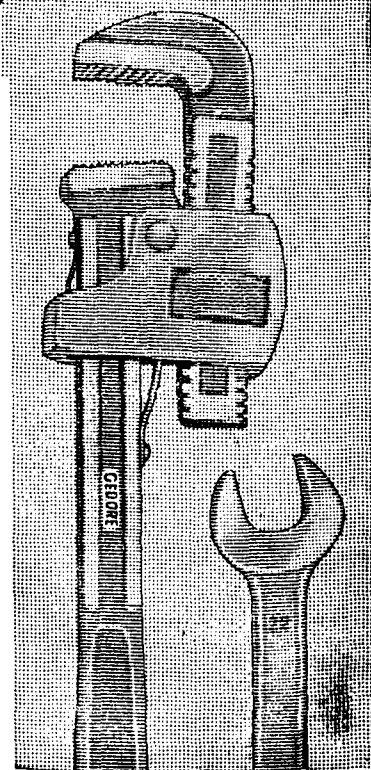
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BUDGET DOCUMENTS

Progress Below Expectations

PRESENTING the budget of the government of India on February 28, 1974, for 1974-75, the Finance minister, Mr Y.B. Chavan, said that the budgetary gap at existing rates of taxes would amount to Rs 311 crores. He listed the difficulties which the economy was facing including the energy crisis, the sluggishness in the industrial sector, the financial imbalance in the railways, the shortages of essential commodities and the paucity of funds for developmental schemes due to the excessive rise in non-developmental expenditure.

Larger Plan

Despite these hurdles, Mr Chavan said that the government had decided in favour of a larger Plan to enable the country to move faster towards the twin objectives of removal of poverty and attainment of economic self-reliance. The total provision for the central Plan in the budget inclusive of union territory Plan of Rs 81 crores will amount to Rs 2,136 crores excluding central assistance of Rs 830 crores for the Plans of the states. In addition, extra budgetary resources for financing the central Plan will be of the order of Rs 574 crores. The resources for state Plans will be equal to Rs 2059 crores. Thus, the total Plan outlay during 1974-75 is expected to be around Rs 4,769 crores as against Rs 4,364 crores in 1973-74.

The full text of part 'A' of the budget speech is given below:—

I rise to present the revised estimates for 1973-74 and the budget estimates for 1974-75.

This is the fourth regular budget of the Union Govern-

ment which I have been privileged to present to this House. The principal concern of every Central budget has to be to strike a proper balance between the requirements of accelerated growth, stability, greater social justice and self-reliance. In the long run, these objectives are self-reinforcing. In the short run, however, a reconciliation of these objectives is not an easy task even under favourable conditions. During the last three years conditions have not been favourable; in fact they have been far from normal in many ways. In each of these years, we had to face new challenges of extraordinary dimensions. We have tried to meet those challenges to the best of our ability. I shall, however, readily admit that, because of unusually severe strains caused by a combination of certain national and international factors beyond our control, progress in achieving our objective has fallen short of expectations.

Challenges to economy

I would like to state frankly that in the coming financial year the economy will be faced with even greater challenges. Its strength and adaptability will be severely tested. The steep rise in the price of crude oil and also some other commodities has turned the terms of trade sharply against us and has rendered our tasks exceptionally difficult. Recent developments must, however, be viewed in a wider historical perspective. Nowhere in the world has the process of social and economic change been smooth or free from ups and downs. I find no reason, therefore, to lose heart or to start questioning our basic goals and objectives. Our socio-

economic objectives remain as relevant as before. Our commitment to our goals is as resolute as ever. We cannot give up the war against poverty, ignorance and disease because the going is more difficult than anticipated, though our tactics may need to be re-adjusted to changing circumstances.

Inflationary pressures

As the House is aware, the Government has been deeply concerned about the acute inflationary pressures that have prevailed in the economy during the last two years. The measures that have been adopted to deal with these inflationary pressures are well known to the Honourable Members. It is a matter of deep regret to me that despite these measures prices have continued to rise. The House will appreciate that the pressure on prices was inevitable as a result of the unsatisfactory performance in the field of agricultural production in two successive years, 1971-72 and 1972-73. The steep fall of 9.5 per cent in agricultural output in 1972-73 was bound to upset the delicate balance between demand and supply. Because of a much sharper increase in international prices, the substantial imports of foodgrains that we arranged were also unable to exercise a stabilising influence on domestic prices. Even with a more normal kharif crop in 1973, the pressure on prices has not abated in view of other inflationary forces at work in the economy.

It appears certain that the national income in 1973-74 will record a significant growth; this will help to neutralise the unsatisfactory behaviour of national income in

the two previous years. It is, however, a matter of deep concern to us that in the Fourth Plan our overall rate of growth has been much lower than the Plan target. It is also a matter of deep regret that the upsurge in industrial production that was evident in 1972 was not sustained in 1973. The available indicators suggest that there was hardly any increase in the rate of growth of industrial production in 1973. It will be a major objective of our economic policy to revive the tempo of industrial activity in 1974. To secure an adequate rate of growth is the challenge that we face in the Fifth Five Year Plan.

Import of foodgrains

As the House is aware, in order to supplement domestic supplies, Government imported significant quantities of foodgrains and vegetable oil from abroad during 1973-74. These imports were necessary for the well-being of the nation, but have naturally greatly inflated our import bill. Fortunately, our exports have grown at a satisfactory rate and, as a result, the deterioration in our balance of payments has been contained within manageable proportions. However, it is no use minimising the likely adverse effect on our balance of payments which will inevitably arise as a result of the steep increase in the prices of crude oil and of commodities like fertilizer and non-ferrous metals. In the long run, among the most important steps by which our economy can adjust to this massive structural shift in our terms of trade, without affecting our growth prospects, is by replacing oil, wherever possible by other domestically

available sources of energy, and by intensifying the programme for oil exploration. In this context, the highest priority attaches to secure a significant increase in the production of coal in the shortest possible time. Even so, a large increase in our import bill is inevitable, and this will necessitate a significant increase in our export earnings. The oil crisis, while no doubt adding to our difficulties, has already created new export opportunities in respect of products such as jute textiles, cotton textiles and leather goods. We must grasp this opportunity and do everything in our power to maximise our export earnings. A comprehensive review of our export prospects has been undertaken. This review will enable us to launch a well articulated programme for exploiting fully our export potential.

In my budget speech last year, I had listed control of

inflation, promotion of higher levels of savings and investment, greater viability of our external payments, and generation of new employment opportunities as the most pressing immediate tasks before the nation. The steep increase in prices in the last one year, the severe pressure on the balance of payments that will inevitably arise in the wake of higher prices of oil and other international commodities, and the stagnation of industrial production in 1973 have lent an added urgency to these tasks. The relatively poor performance of the economy last year should not give rise to a growing feeling of doubt, uncertainty and cynicism. We must combat these attitudes and preserve the people's faith in our democratic polity as an effective vehicle of social change.

The House will recall that the budget estimates for 1973-74 had envisaged a deficit of Rs 87 crores. This excluded

provision for expenditure arising out of the recommendations of the Third Pay Commission, since the Commission's report was not available at the time of formulation of the budget proposals. It was anticipated that the acceptance of these recommendations would raise the budget deficit to a level substantially higher than Rs 87 crores. However, subsequent events, largely an out-growth of the steep fall in agricultural output in 1972-73, have led a much greater deterioration in the budgetary position than was originally anticipated.

Drought relief

As Honourable Members are aware, extensive drought relief operations, started on account of the widespread and unprecedented drought in 1972-73, had to be continued to a large extent in 1973-74 also. At the peak of these operations 1,43,740 relief works were opened over the entire country, and 93 lakhs of people were employed. It was hoped that with the onset of the monsoon in 1973-74, and increasing involvement of the labour force in agricultural operations, the number of people employed on relief works would diminish appreciably. Unfortunately this did not happen. Consequently the Central Government had to continue massive assistance to State Governments on this account. Honourable Members will recall that a sum of Rs 100 crores was provided in the current year's budget for this purpose. This provision proved to be wholly inadequate and had to be stepped up by another Rs 220 crores.

In this connection I would invite the attention of Honourable Members to the observations of the Finance Commission regarding expenditure on relief for natural calamities. The Commission has urged that instead of incurring expenditure on relief on an *ad hoc* basis, provision should be made on a much larger scale for development of drought and flood-prone areas in the Fifth Plan, both in the State and Central sectors. Follow-

ing these recommendations it has been decided to integrate these programmes with development plans to the extent possible.

Apart from larger assistance provided to State Governments for expenditure on natural calamities relief, provision for special assistance to States to meet gaps in their resources, and for specified projects, had also to be increased. The budget provided an amount of Rs 198 crores for this purpose, and this will have to be stepped up by nearly Rs 91 crores.

The Central exchequer had to bear other burdens as well. The expenditure on food subsidy will be higher than the provision of Rs 130 crores by Rs 121 crores despite some revision in the issue prices of foodgrains. This is essentially due to the high cost of imported foodgrains.

Dearness allowance

The direct impact of the price rise on Government spending arises from the increased quantum of dearness allowance provided to Government employees this year. Honourable Members will recall that in accepting the recommendations of the Third Pay Commission we had agreed to a liberalised formula for dearness allowance to enable low paid Government employees to get adequate compensation for the rise in the cost of living. On this basis, the four instalments of dearness allowance we have sanctioned will cost the exchequer nearly Rs 100 crores.

The impact of the recommendations of the Third Pay Commission was estimated at Rs 150 crores. This was a large commitment, particularly in the context of the difficult economic situation prevailing in the country, and was based on the expectation that we would accept most of the Commission's recommendations. We have in fact agreed to make some significant improvements in the Pay Commission's recommendations regarding the pay structure of Government employees; these improvements alone are likely to

cost the exchequer Rs 61 crores a year on a recurring, and Rs 25 crores on non-recurring basis. The Government has stretched its resources to the utmost in order to meet the demands of its employees. I sincerely hope that they will appreciate this, and do their best to improve their efficiency and productivity.

On the receipts side, there have been shortfalls. The stagnation in production in a number of major sectors of industry, caused by shortage of raw materials and power cuts, has adversely affected receipts from excise duties. Shortfall on this account is estimated to be Rs 107 crores.

Railway finances

As the Railway Minister stated yesterday, the finances of the Railways in 1973-74 have been under considerable strain for reasons dealt with at length in his speech. The net additional impact of the financial working of the Railways on the general budget in the current year is expected to be around Rs 109 crores.

In order to meet the additional and inescapable demands on the Central Budget, and to contain the deficit to the minimum, Government had made serious efforts both to tap additional resources and to restrict expenditures. The net market borrowing by the Centre this year will amount to Rs 472 crores, as against the Budget provision of Rs 326 crores. The expenditure requirements of the various Ministries were carefully reviewed and savings were located in their administrative and other non-developmental expenditure. In view of the difficult resource position, a review of the Plan outlays was also undertaken, particularly in regard to schemes which were not vital to the core of the Plan.

Despite all these efforts, the year-end deficit will be of the order of Rs 650 crores. We are deeply concerned about the deleterious effects of deficit financing. But no Government can overlook its obliga-

tion to alleviate the hardships and sufferings of large sections of the people. It is this obligation that has rendered a larger deficit inescapable.

The next financial year is the first year of the Fifth Plan. A significant step-up in the rate of investment is clearly an essential condition for the realisation of basic objectives of the Plan. At the same time, the general economic situation renders the task of raising the needed financial resources more difficult. The sharp rise in prices in the last two years has greatly increased non-developmental expenditure, particularly on pay and allowances, thereby reducing the surpluses for development. In addition, the continued sluggishness of industrial production has affected the growth of revenues. In framing the budget for 1974-75, we also have to take into account the likely impact of the oil crisis and very high prices of many imported commodities on the country's balance of payments, the pattern of imports, and the growth of agricultural and industrial output on government revenues. I would be the last to deny that there are many sources of uncertainty and anxiety in the present situation. Nevertheless, I am convinced that a legitimate concern with our immediate problems must not lead to a neglect of our long term growth objectives. That would be a self-defeating exercise. In my view, recent events have only further vindicated the soundness of a development strategy which must succeed in strengthening the country's industrial and energy base.

Plan outlay

The Budget for 1974-75 provides for a total outlay of Rs 2966 crores for the Plan. Out of this Rs 911 crores have been provided as assistance to State and Union Territories Plan, while the provision for the Central Plan is Rs 2055 crores. This provision represents a difficult compromise between two conflicting considerations, namely to keep deficit financing to the minimum and to keep the wheels of production



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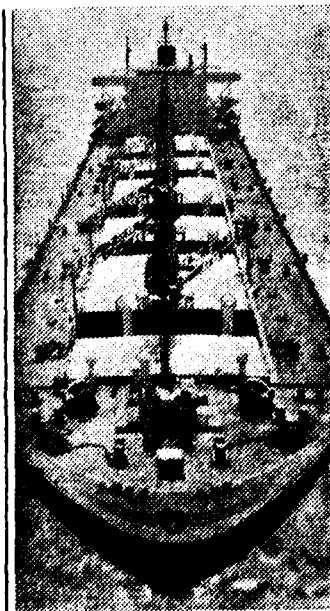
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moving. Particular care has been taken to make adequate provision for such industrial and agricultural schemes and projects as are essential for the future growth of the economy, and are likely to be completed in the first two years of the Fifth Plan, so that the economy derives the benefits from investments early enough in the Plan period.

Coal shortage

The role of coal as the most important source of commercial energy has been underlined by the current shortage of oil and the resultant energy crisis. The development of coal has, therefore, been accorded very high priority in the budget for 1974-75. Rs 97 crores have been earmarked for this purpose. In other words the outlay on coal has been increased four times as compared to the provision of Rs 24 crores last year. Later in my speech, I shall outline certain fiscal measures which are designed to encourage industry to switch over, as early as

possible, from the use of oil to coal as a source of energy.

No less critical is the role of steel in our economic development. The availability of steel has a major influence not only on the pace of industrial development, but also on the viability of our international payments. For all these reasons, the budgetary provision for steel production has been fixed at Rs 162 crores. If one adds to this figure the internal resources available the total figure amounts to Rs 276 crores, which is Rs 75 crores more than the total of Rs 201 crores available this year.

In order to reduce the country's acute dependence on imported supplies of non-ferrous metals, it is also necessary to push ahead with the development of domestic resources as fast as we can. Accordingly, a provision of Rs 75 crores is being made in the budget for 1974-75 for the development of this vital sector. This is against Rs 56 crores provided this year.

In view of the predominant

role the railways play in our transport economy, we have ensured that adequate finances are provided for the development of railways. As Honourable Members are aware, the railways have run into serious financial difficulties and their own resources may not be sufficient to finance a Plan of an order which will meet the requirements of our economy. I have, therefore, considerably stepped up the budgetary support for the Railways to Rs 342 crores next year, as against Rs 181 crores in the current year.

Power a vital input

Power is the vital input for both industry and agriculture. The power shortages that developed during recent years have had a crippling effect on the economy and have highlighted the urgent need for augmenting our generating capacity and improving the operational performance of existing plants. The Fifth Plan envisages that installed capacity of power generation will be stepped up

to 33 million k. w. by the end of the Plan. The strategy is to expedite the completion of projects which are already under construction, and to go in for new thermal schemes which have short gestation periods. The importance of rural electrification in developing the rural economy can hardly be over-emphasised. Though many of the rural electrification schemes fall in the State Plan Sector, as a special case, I am providing Rs 40 crores for the Rural Electrification Corporation over and above Rs 790 crores of assistance provided to States for their Plans. The total budgetary provision for power in the Central Budget during 1974-75 will be Rs 121 crores.

Considering the current shortage of fertilizers and difficulties in procuring these from abroad, the thrust of next year's Plan will be to maximise production from installed capacity and to speed up the implementation of projects already under way. The budget provides Rs 163 crores for this sector as against Rs 94 crores

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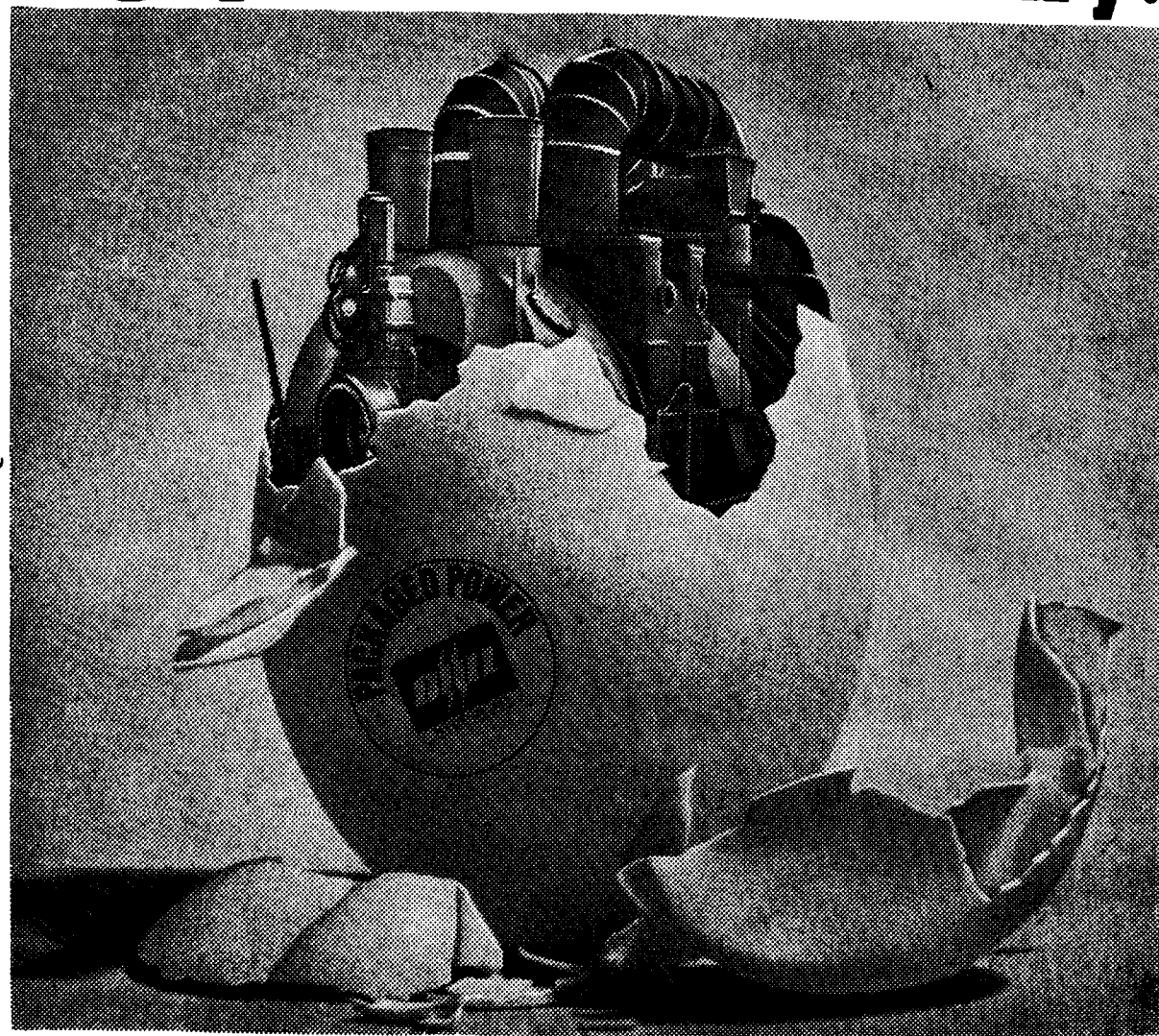
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in the current year which is a substantial increase.

While every effort has been made to provide resources to stimulate industrial production, the requirements of the agricultural sector have not been ignored. We are providing Rs 246 crores as budgetary support of agricultural programmes. The behaviour of agriculture has a crucial impact on the growth of national income, prices, industrial production, balance of payments and the distribution of income. Accordingly, we shall not allow paucity of resources to stand in the way of maximising our agricultural output. Honourable Members will be happy to note that various agricultural schemes which we have undertaken in the last few years such as schemes for small and marginal farmers, tribal development, development of hill areas, provision of institutional credits, drought-prone areas programmes, and the applied nutrition programme are making satisfactory progress.

Within the overall constraints of resources, and after meeting the minimum needs of the core sectors of development I have attempted to provide as large funds as possible for social services like education, health, family planning, social welfare and housing. The provisions made in earlier Plans for meeting minimum essential needs for social consumption did not achieve the desired results, mainly because related programmes were not given due priority, and an effective integration of facilities was not attempted. Honourable Members are aware that the draft Fifth Plan has provided for a National Programme of Minimum Needs to achieve a certain minimum level of social consumption in the form of elementary education, rural health, drinking water, provision for slum clearance, rural roads and rural electrification. I hope that the State Governments will be able to ensure effective utilisation of the resources allocated for this programme.

The total provision for the Central Plan in the Budget inclusive of Union Territory

Plan of Rs 81 crores will amount to Rs 2136 crores excluding Central assistance of Rs 830 crores for the Plans of the States. In addition, extra budgetary resources for financing the Central Plan will amount to Rs 574 crores. The resources for State Plans for 1974-75 will be of the order of Rs 2059 crores. Thus, the total Plan outlay during 1974-75 will amount to Rs 4769 crores as against Rs 4364 crores in 1973-74.

We have decided in favour of a larger Plan outlay to enable us to move faster towards the twin objectives of removal of poverty and attainment of economic self-reliance. I am however convinced that Plan investments can yield benefits on the scale anticipated only if the Plan is implemented efficiently and all the participants in the productive process—management and labour—accept the larger obligations they owe to the community. Maintenance of satisfactory industrial relations particularly in key sectors is absolutely essential if the Plan targets are to be achieved. Monetary and fiscal policies should be directed towards the achievement of Plan objectives. These policies will have to be supplemented by the adoption of effective management techniques in the allocation of resources, proper selection and phasing of projects and programmes and close monitoring of programmes. The productivity of public expenditure programmes can be enhanced considerably if continuous attention is paid to the flow of expenditure so that appropriate corrective action is taken well in time to ensure that the benefits expected are fully realised. This can be achieved only if financial control and management accounting functions are dovetailed with the responsibility for execution of programmes. We are, therefore, contemplating some structural changes in the financial management system so as to match the authority for taking decisions with the responsibility for producing results.

The new accounting classi-

fication prescribed by the Comptroller and Auditor General reflects more meaningfully the functions, programmes and activities of the Government. The Budget is framed on the basis of this new classification. With this, Performance Budgeting, which is already in vogue, will, I believe, receive a further impetus and it will be made an effective instrument to measure the efficiency of the allocation of resources and the returns therefrom.

The outlay on Defence has been provided at Rs 1915 crores which includes the provision for additional funds required on account of the acceptance of the recommendations of the Third Pay Commission. Keeping in view the large requirements of national defence and security, the provision for Defence could not possibly be kept at any lower level.

On the side of resources, we have to reckon with the likely adverse impact of the energy crisis on revenues, though it is difficult to estimate the impact at this stage with

any degree of certainty. As an allowance for this factor, we have assumed some deceleration in the growth of revenues from excise and customs. Together, these two sources are expected to yield Rs 3769 crores in 1974-75 as compared to Rs 3608 crores in 1973-74 according to the revised estimates. The estimated yield from direct taxes is Rs 1423 crores as against Rs 1354 crores in 1973-74 revised estimates.

The progress in small savings collections is gratifying and estimates for 1974-75 are placed at Rs 360 crores. The estimated net receipts from market borrowings at Rs 498 crores also show a marginal improvement over 1973-74.

Taking into account all the provisions for expenditure and the estimates of resources, the budgetary gap at existing rates of taxes will amount to Rs 311 crores. The House will naturally be anxious to know as to how I propose to meet this gap. I now turn to this task.

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The Uncovered Budgetary Gap

DISCUSSING THE taxation proposals for 1974-75 the Finance Minister, Mr Y.B. Chavan, said that the additional revenue accruing to the government as a result of the new imposts would be Rs 186 crores as against the budgetary gap of Rs 311 crores. The total additional tax revenue will be equivalent to Rs 212 crores while the share of the states will amount to Rs 26 crores. No addition to tax revenue is expected from the direct taxes; the highest additional yield at Rs 191.47 crores is anticipated from union excise duties followed by Rs 20.05 crores from customs.

The full text of part "B" of the Finance Minister's speech follows:

Direct taxes

I come first to the proposals in the field of direct taxes. As Honourable Members are aware, the Direct Taxes Enquiry Committee has made a number of recommendations in regard to direct taxes. Several of these recommendations have already been implemented. Provisions to give effect to some other recommendations are included in the Taxation Laws (Amendment) Bill, 1973 which is at present before a Select Committee of this House. One of the important recommendations of the Committee relates to reduction in the rates of taxes. The Committee has expressed the view that prevalence of high rates is the first and foremost reason for tax evasion, because this is what makes the evasion, in spite of attendant risks, profitable and attractive. The Committee has, accordingly, recommended that the maximum marginal rate of income-tax, including surcharge, should be brought down from its present level of 97.75 per cent to 75 per cent. Simultaneously, there should be a reduction in tax rates at the middle and lower levels. This recommendation of the Committee has been accepted by Government with

minor modifications. I accordingly propose to lower taxes at all levels of personal incomes. Under the proposed rate schedules, no income-tax will be payable by individuals or Hindu undivided families having income not exceeding Rs 6,000. The marginal rate of basic income-tax will stand at 70 per cent on the income in the slab over Rs 70,000. In the case of Hindu undivided families having at least one member with an independent total income exceeding the minimum exemption limit, the marginal rate of 70 per cent will be attracted at income levels over Rs 50,000. The rate of surcharge will be reduced to a uniform level of 10 per cent in the case of all categories of non-corporate tax-payers. The combined incidence of income-tax and surcharge, in the case of individuals and Hindu undivided families, will stand at 77 per cent of the taxable income in the highest slab.

In view of the reduction in taxes on personal incomes, I do not think it is necessary to continue the preferential tax treatment in respect of incomes derived by non-corporate tax-payers through providing technical 'know-how' and technical services to Indian or foreign enterprises. I, accordingly, propose to withdraw the existing concession in this regard.

Reducing disparities

In order to ensure that the effectiveness of the fiscal instrument for reducing disparities in incomes and wealth is not impaired, I propose to increase the rates of wealth-tax on the slabs of net wealth over Rs 5,00,000 in the case of individuals and Hindu undivided families, where no member has net wealth exceeding Rs 1,00,000. The rate of wealth-tax on the slab of Rs 5,00,001 to Rs 10,00,000 will be increased from 2 per cent to 3 per cent, and on the slab of Rs 10,00,001 to Rs 15,00,000 from 3 per cent to 4 per cent.

In the case of Hindu undivided families having at least one member with net wealth exceeding Rs 1,00,000, the rate of wealth-tax on the first slab of Rs 5,00,000 will be raised from 2 per cent to 3 per cent and on the slab of Rs 5,00,001 to Rs 10,00,000 from 3 per cent to 4 per cent.

Wealth tax

I also propose to rationalise some of the exemptions available at present under the Wealth-tax Act. I propose to withdraw the separate exemption in respect of farm houses. Taxpayers will, however, have the option to claim exemption in respect of one farm house, or one other house property within the existing limit of Rs 1,00,000. Exemption in respect of agricultural land will be linked with the exemption in respect of specified financial assets, so that the total exemption in respect of agricultural land and specified financial assets will be limited to Rs 1,50,000. At present, the value of the taxpayer's interest in insurance policies before their maturity is completely exempt from wealth-tax. A similar exemption is also available in respect of the taxpayer's right in any annuity which is not commutable into a lump sum grant. These exemptions have been exploited by certain individuals by taking out single premium policies of very large amounts. I propose to modify these provisions so that complete exemption will be available in respect of insurance monies only where premia have been paid over a period of 10 years or more. As regards annuities, I propose to withdraw the exemption in respect of non-commutable annuities if such annuities have been purchased by the taxpayer himself, or by any other person in pursuance of a contract with him.

The changes in the Wealth-tax Act will yield about Rs 9.5 crores in a full year, which will accrue in the financial year

1975-76. The reduction in the rates of income-tax on personal incomes would ordinarily have resulted in a loss of about Rs 60 crores in a full year and Rs 36 crores in the financial year 1974-75. I am, however, not taking any loss into account for budgetary purposes as I expect that the reduction in the rates of taxes will lead to better tax compliance, and full disclosures of incomes by all taxpayers.

In the case of registered firms, two surcharges are presently levied. I propose to merge the ordinary surcharge payable by such firms with the basic income-tax, and specify only one surcharge at the uniform rate of 10 per cent. In order to retain the liability in respect of basic income-tax in the case of professional firms as well as other firms at more or less the existing levels, I propose to prescribe two separate rate schedules in the case of such firms.

Relief extended

In my budget speech for 1971-72, I gave notice of Government's intention to withdraw the development rebate in respect of ships acquired or machinery and plant installed after May 31, 1974. It now appears that industry has in some cases not been able to secure timely delivery of plant and machinery both from foreign and indigenous manufacturers which has caused a setback to the timely completion of some of the industrial projects which would in the normal course have been completed before May 31, 1974. Several unforeseen factors are responsible for this, such as uncertainty prevailing in the international market, dependence of indigenous manufacturers on imports in respect of critical parts or raw materials, difficulties in the availability of shipping space, power shortage etc. Relief is deserved in such cases, and I propose to extend the operation of the development rebate

by one year in cases where there is conclusive evidence to show that contracts for purchase of machinery and plant were finalized before December 1, 1973. This extension will also be available in respect of ships acquired up to May 31, 1975, if the contracts for purchase were made before December 1, 1973.

The critical shortage of petroleum products has resulted in an unexpected crisis as a result of which industry has to be encouraged to switch over to other sources of energy. I, accordingly, propose to allow development rebate in respect of coal-fired boilers or any machinery or plant for converting oil-fired boilers to coal-fired boilers where these are installed before June 1, 1975.

In order to simplify the assessment procedure in the case of salaried tax-payers, I propose to substitute the separate deductions in respect of travelling, books, taxes on professions and expenditure incurred in the performance of duties by a standard deduction up to a maximum of Rs 3,500. Simultaneously I propose to place the valuation of perquisites of employees on a more realistic basis. I also propose to liberalise the tax treatment of retirement benefits in certain directions. The retiring gratuities payable under the Payment of Gratuities Act, 1972 will be completely exempt from income-tax. In the case of employees not covered by that Act, the alternative ceiling limits on the exempted amount of gratuities will be raised from Rs 24,000 to Rs 30,000 and from 15 months' salary to 20 months' salary.

Financial corporations

In order to enable State financial corporations to build up reserves at an accelerated pace, I propose to raise the ceiling limit in respect of amounts transferred to tax exempt reserves to 40 per cent of the current profits.

There are a large number of public charitable trusts and registered societies engaged in the development of khadi and village industries. These trusts

and societies are doing commendable work under the direct supervision of the Khadi and Village Industries Commission. I propose to exempt all such institutions from income-tax provided they are approved by the Khadi and Village Industries Commission.

As a result of the change in pricing policies, some of the industrial companies are making windfall profits. I feel that the exchequer should also secure a larger share of these profits. I, accordingly, propose to increase the rate of surtax from 30 per cent to 40 per cent in respect of chargeable profits of companies exceeding 15 per cent of the capital. This measure will yield Rs 5 crores in a full year and this will accrue in 1975-76.

No net effect

To sum up, in the field of direct taxes no effect is expected on tax revenues during the next financial year as a result of the proposals outlined by me. In the financial year 1975-76, there will be an addition of Rs 14.5 crores as a result of these changes.

Sir, I will now move on to the proposals relating to indirect taxes.

As in the past, I have necessarily to rely more heavily on indirect taxes, particularly excise duties. The scope for raising resources from other measures having become severely limited, the choice before me has really been between raising indirect taxes and resorting to deficit financing and the former, I feel, is the better alternative.

Taking up Central Excises, I shall first deal with some important measures for raising resources exclusively for the Centre. Honourable Members are aware that a new provision was made last year for levying auxiliary duties of excise on all excisable goods at an amount equal to 20 per cent of the value of the goods. These levies were restricted to certain selected items at a level needed to meet the demands of the Centre then. I propose to continue this provision for another year. While the effective

levies on the items chosen last year will remain unchanged, I propose to add selectively some more to the list.

Briefly, my proposal is to levy auxiliary duties at the rate of ten per cent of the effective basic duty on unmanufactured tobacco, cigarettes, smoking mixtures, plywood and cement; at the rate of twenty per cent of the effective basic duty on dyestuffs, optical bleaching agents, gases, rubber products and plastics; at the rate of thirty-three and one-third per cent of the effective basic duty on paints and varnishes; and at the rate of fifty per cent of the effective basic duty on aerated waters, glycerine, cosmetics and toilet preparations. Through these proposals and as a result of the modifications of the basic excise duties I am proposing on the existing items, I expect to raise Rs 62.38 crores in a year, by way of auxiliary duties.

In the case of steel as well as other metals, the auxiliary duties are proposed to be applied only to indigenous production and will not be

attracted by way of countervailing duty on imports, as hitherto. I propose to extend a similar exemption in the case of plastics.

Wider range

In the sphere of basic excise duties, my proposals naturally cover a wider range and have been made with the multiple objects of rationalisation, curbing consumption, mopping up fortuitous gains and, not the least important, I must confess, raising revenue. In November, 1973, following successive increases in crude oil prices and cuts in crude oil supplies, and as one of a series of measures, the basic excise duty on motor spirit was raised from Rs 1000 per kilolitre to Rs 2000 per kilolitre. In view of the continuing need for exercising restraint and economy in the consumption of a number of other petroleum products, and to prevent their misuse, I propose to increase substantially the basic excise duties in respect of "special boiling point" spirits, raw naphtha intended for methanol and

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petro-chemicals, benzene etc. used for a variety of purposes, asphalt and bitumen, mineral turpentine oil, waxes and blended or compounded lubricating oils and greases. Through these proposals, I expect to raise an additional revenue of Rs 22.48 crores from the petroleum group.

The rates of excise duty on various types of motor vehicles have remained unchanged for some years now. I, therefore, propose to rationalise the rates of duty by replacing the existing alternative rates by *ad valorem* rates. I intend imposing a uniform rate of 9 per cent *ad valorem* on vehicles like scooters, motor-cycles, mopeds, auto-rickshaws and other three-wheelers. Motor vehicles of not more than 16 H.P. by R.A.C. rating, which cover passenger-cars, jeeps, etc., are at present assessable at a rate of duty of 13.33% *ad valorem*. I propose to increase this rate to 20% *ad valorem* in respect of vehicles with body and to 25% *ad valorem* in respect of others, including those cleared as drive-away chassis. Big-sized cars will pay a higher duty at 40% *ad valorem*.

Commercial vehicles

Commercial vehicles have had the benefit of concessional 'specific' rates fixed some years ago. I propose to discontinue these and impose a uniform *ad valorem* rate of 12½ per cent. In that process, certain extra-heavy vehicles, which are at present paying duty at the tariff rate, will get an incidental benefit of 2½ per cent. I do not, however, propose to change the existing rates on tractors and trailers.

The proposals relating to motor vehicles are estimated to net an additional revenue of Rs 16.25 crores.

As part of the socio-economic objectives of the Government, I have some proposals to restrain consumption by the more affluent section of the community. The existing rates of duty on refrigerators, air-conditioners, refrigerating and air-conditioning machinery, appliances, and parts, are being

stepped up, with certain modifications in respect of a few existing exemptions. The present concessional rates in favour of public-run hospitals, cold-storage plants and factory establishments are not, however, being disturbed. These changes are expected to bring in additional revenue of Rs 5 crores in a year.

Anxiety for entertainment

Some of the manufacturers of T.V. sets have been regaling us with advertisements exhorting the public to "budget for a T.V. set" to forestall the Central Government Budget. As a compliment to these soothsayers on the accuracy of their prediction, I propose to increase the duty on T.V. sets from 10 per cent *ad valorem* to 20 per cent *ad valorem*. Extended play records are also being brought within the dutiable category. While these proposals will make entertainment costlier for the wealthy, I am anxious that music, entertainment and knowledge should reach the less privileged in wider measure at lesser cost. To this end, I propose to exempt totally all radio-sets produced in the small-scale sector and sold to the consumer at a price of not more than Rs 225 per set. These measures are estimated to bring in a net revenue of Rs 1.20 crores.

I have been avoiding major changes in the rates of duties on various cotton textiles, including cotton yarn, except to the limited extent of raising resources for the States. The rates of duty are 'specific' and were fixed in 1969 at a time when the industry was beset with difficulties. There is, therefore, a clear need for revision, especially as the industry has since recovered. Cotton textiles being an item of mass consumption, I am quite alive to the need for forbearance in increasing the rates of duty on certain categories of yarn and fabrics. My proposals, therefore, cover only super-fine, fine and medium-A fabrics, which are subjected to sophisticated processes, such as, mercerising/shrink-proofing/sanforizing. In the case of

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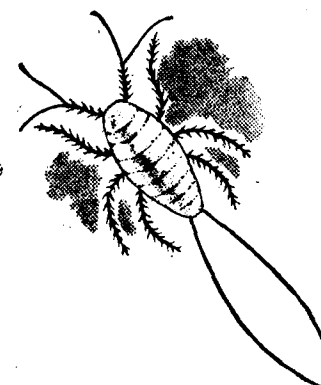
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cotton yarn, the escalations are confined to higher count groups.

I have, however, not disturbed the existing exemptions and concessional rates in respect of yarn in straight-reeled hanks mostly consumed by the handloom sector. I have also rationalised certain exemptions and compounded levy rates. These measures relating to cotton yarn and cotton fabrics are estimated to yield an additional revenue of Rs 22.05 crores.

As a measure of rationalisation, which will also earn revenue, I propose to increase the existing two rates of duty on polyester fibre to a uniform rate of Rs 40 per kilogram. Suitable increases in the existing rates applicable to different denier groups of polyester filament yarn, sympathetic revisions in the rates of duty on staple fibre spun yarn, certain categories of blended yarn, and an increase in the rate of duty on resin-bonded slagwool, are also being proposed. These

proposals would bring in an additional revenue yield of Rs 13.99 crores.

In regard to iron or steel. I propose to rationalise certain exemptions relating to pig iron, steel ingots and products produced with the aid of electric furnace, and to products made out of duty-paid cut-pieces of steel ingots, which will result in an additional revenue of Rs 7.20 crores.

The rates of duty for various categories of paper and board are 'specific' and require review from time to time. I propose to make suitable upward revisions in the existing rates on paper and paper board, apart from rationalising certain exemptions and classifications. The concessional rate of 15 paise per kilogram applicable to the commoner varieties of printing and writing paper falling within the grammage limit not exceeding 65 grammes per square metre, the total exemption in favour of newsprint, hand-made paper and board, as well as existing concessions for smaller paper

mills and newly established units will, however, continue. These measures will result in an additional revenue of Rs 10 crores.

As straight revenue-raising measures, I propose to increase by 5 per cent *ad valorem* the existing rates of duty on surface active agents, office machines, metal containers, rolling bearings, welding electrodes, coated abrasives and grinding wheels, dry batteries, certain categories of glass and glassware, chinaware and porcelainware and thereby raise an additional revenue of Rs 20.17 crores.

Excise on toothpaste

As a part of our efforts to mobilise resources, I propose to levy for the first time excise duties at varying rates on tooth-paste (including dental cream), electrical stampings and laminations, specified cutting tools, tape and cassette recorders, cast-alloy permanent magnets and sensitised photographic paper and board. In the matter of new levies, Members will be reassured to

know that suitable exemptions for smaller manufacturers have been provided wherever necessary. These new levies would bring in an additional revenue of Rs. 8.20 crores.

Some minor proposals for changes in excise duty will yield an additional Rs 3.05 crores. The proposals relating to excise duties account for a net gain in revenue of Rs 191.97 crores in 1974-75 of which Rs 25.92 crores will accrue to the States and Rs 166.05 crores to the Centre.

In the matter of customs duties, in view of the mounting world-wide shortages and unprecedented rise in international prices of a wide array of imported goods, my proposals in regard to import duties are no more than marginal. Briefly, I propose to continue for another year the auxiliary duties of customs and the exemptions relating to them, with a slight modification. At present, these duties are levied at three differential rates of 20%, 10% and 5%. I propose to raise the rate applicable to the middle slab

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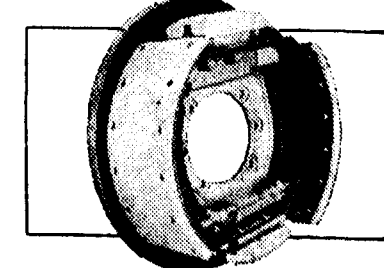
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from 10% to 15%. This modification will yield an additional revenue of Rs 16 crores in a full year.

The only other proposal I have to make concerns whisky, brandy, gin and certain other spirits by way of an increase in the basic duty from Rs 60 per litre to Rs 80 per litre. While society at higher levels may, as a result, have to pay a little more for their spirituous relaxation, it will help me in getting some revenue for the exchequer.

Inclusive of additional duties, consequential to the changes in excise duties, the additional revenue from im-

port duties will amount to Rs 20.05 crores annually.

Taking Customs and Central Excise together and exclusive of States' share, the additional revenue accruing to the Centre will be of the order of Rs 186.10 crores in a full year.

I need now to say a word on behalf of my colleague the Minister of Communications. As the House is aware, postal rates have not kept pace with rising costs. The frequent increases in dearness allowance and the heavy additional expenditure incurred on account of implementation of the Pay

Commission's recommendations have further pushed up the establishment cost in the Postal Branch which is highly labour oriented. On the Telecommunications side, also, the operational costs as well as the cost of equipment required for various projects have been going up steadily. The Department's developmental programme to improve the Trunk Telephone Service by provision of high grade media like Microwave and Co-axial systems, to install new exchanges and expand existing ones for meeting the fast growing demand for telephone connections and to expand the Trunk Dialling and Teleprinter facilities all entail heavy investments. These various factors necessitate an upward revision of tariffs in the Postal, Telegraph and Telephone Branches of the Department. A Memorandum showing the proposed changes in the Posts and Telegraphs Tariffs is being circulated along with the Budget papers. I shall therefore mention only the more important changes.

Hike in postcards

The tariff for Postcards is proposed to be increased from 10 Paise to 15 Paise. Even after this revision, the Department will be incurring a loss of Rs 2.43 crores per annum in running this service. It is proposed to raise the rate of Lettercards from 15 Paise to 20 Paise and that of Letters weighing upto 15 grams from 20 Paise to 25 Paise.

The Registration Fee is being increased from Re 1/- to Rs 1.25 and the Parcel rate from Re 1/- for every 400 grams to Rs 1.50 for every 500 grams. The Posting Fee for Value Payable Post and the tariff for Business Reply Permits are being revised. The minimum charge for a Non-Press Telegram of 'Ordinary' category from Rs 2.40 to Rs 3.00. The charge for each additional word will, however, remain the same. It is also proposed to increase the rental for telephone connection both in the 'measured rate systems' and the 'flat rate systems'. As against this, the

number of free calls allowed during a quarter will be raised from 250 to 300. The rate for each additional call after 300 will be increased from 20 Paise to 25 Paise. The Trunk call rate structure is being rationalized. While this will involve increase in Trunk Call charges for distances between 100 and 1300 kilometers, in respect of calls between stations within 20 kilometers, only the unit fee of 25 Paise will be charged for an 'ordinary' call as against the present 50 Paise for such calls.

Additional revenue

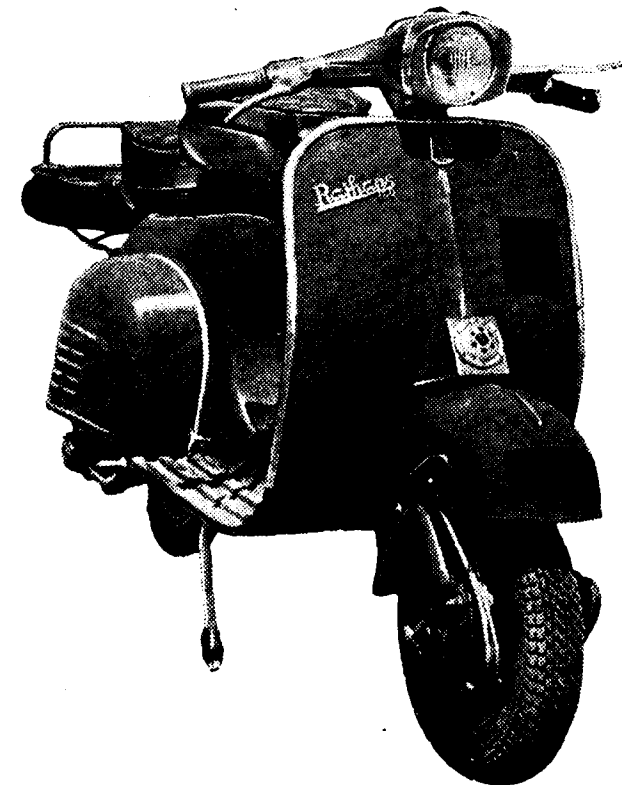
These tariff revisions are estimated to bring in additional revenue of Rs 57.08 crores per annum. The changes would be given effect to from dates to be notified after the Finance Bill is passed by Parliament. The yield during the financial year 1974-75 will be of the order of Rs 42.80 crores.

The results of these changes have been accounted for in reckoning the internal resources of Posts and Telegraphs Department.

So far as the Union Budget is concerned, the various proposals would imply, for 1974-75 additional revenue aggregating Rs 186 crores. The budgetary gap of Rs 311 crores I had indicated earlier will accordingly be now scaled down to Rs 125 crores.

In conclusion, I would like once again to draw the attention of the House to the developments of last two years which have shown how certain events can greatly upset the original budgetary calculations. In the year ahead lie more sources of uncertainty than ever before, which must be tackled speedily and with flexibility. I would however, like to say that we do not propose to allow these uncertainties to blur our vision of the future. The social and economic problems that we currently face can be resolved in the long run only in the framework of a rapidly expanding economy with socialist objectives. I trust this budget is one more step in that direction.

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Budget at a Glance

REVENUE RECEIPTS				REVENUE DISBURSEMENTS (In crores of rupees)			
	1973-74 Budget	1973-74 Revised	1974-75 Budget		1973-74 Budget	1973-74 Revised	1974-75 Budget
Tax Revenue	5,111	5,052	5,287 +212*	General Services	1,235	1,301	1,566
Less—States' Share of Tax Revenue	1,178	1,174	1,172 +26*	Defence Services	1,405	1,551	1,680
Net—Centre's Tax Revenue	3,933	3,878	4,115 +186*	Social and Community Services	432	324	451
Non-Tax Revenue	1,146	1,224	1,340	Economic Services	706	660	604
Total—Centre's Revenue	5,079	5,102	5,455 +186*	Grants-in-aid to States etc.	1,000	1,118	1,107
				Total Revenue Disbursements	4,778	4,954	5,408
				Revenue Surplus	+301	+148	+47 +186*
				CAPITAL DISBURSEMENTS			
				General Services	30	21	25
				Defence Services	195	202	235
				Social and Community Services	43	42	64
				Economic Services	607	669	899
				Loans and Advances	1,973	2,550	2,234
				Total—Capital Disbursements	2,848	3,484	3,457
				Deficit on Capital Account	—388	—798	—358
				Overall Deficit	—87	—650	—311 +186*
CAPITAL RECEIPTS							
Market Loans (Net)	326	472	498				
External Loans (Net)	400	470	552				
Loan Repayments	1,145	1,385	1,080				
Other Receipts	589	359	969				
Total—Capital Receipts	2,460	2,686	3,099				

*Effect of Budget Proposals.

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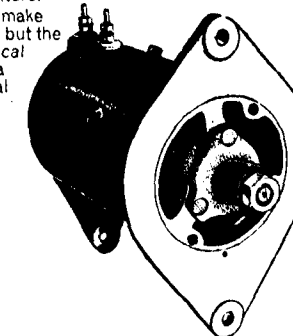
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Details of Revenue Receipts				Details of Revenue Disbursements			
(In crores of Rupees)				(In crores of Rupees)			
	1973-74 Budget	1973-74 Revised	1974-75 Budget		1973-74 Budget	1973-74 Revised	1974-75 Budget
A. Tax Revenue				1. General Services	2640.62	2851.82	3246.17
Customs	974.20	974.20	916.00	Organs of State	50.34	51.19	56.90
Union Excise Duties	2741.05	2633.84	2852.94	Fiscal Services	85.34	88.75	114.24
			+20.05*	Interest Payments	834.84	897.48	975.13
Corporation Tax	608.00	627.00	661.00	Administrative Services	233.55	235.37	389.09
Income Tax	650.60	673.00	709.00	Pensions and Misc. Gene- ral Services	31.73	27.90	31.08
Estate Duty	9.25	10.00	9.00	Defence Services (net)	1404.82	1551.13	1679.73
Taxes on Wealth	43.00	40.00	40.00				
Gift Tax	3.50	4.50	4.00	2. Social & Community Ser- vices	431.77	324.38	450.81
Other Heads	81.96	89.45	94.75				
Gross Tax Revenue	5111.56	5051.99	5286.69	3. Economic Services	705.83	660.08	603.56
			+212.02*	General Economic Ser- vices	272.92	126.41	137.22
Less—States' share of Taxes and Duties	1178.05	1173.57	1172.29	Agriculture and Allied Ser- vices	222.38	327.83	222.31
			+25.92*	Industry and Minerals	101.54	100.87	119.94
Income Tax	515.87	531.64	491.26	Water and Power Develop- ment	36.09	29.15	52.31
Estate Duty	8.79	11.24	8.63	Transport and Communi- cations	72.90	75.82	71.78
Union Excise Duties	653.39	630.69	672.40				
			+25.92*	4. Grants-in-aid and Contri- butions etc.	999.69	1118.47	1107.34
Net Tax Revenue	3933.51	3878.42	4114.40	Grants-in-aid to State and Union Territory Go- vernments	869.20	995.61	1046.55
			+186.10*	Aid to other countries	53.18	45.74	43.16
B. Non- Tax Revenue				Transfer to local bodies	16.76	16.72	17.63
Interest Receipts	771.05	785.88	862.16	Write back of Capital Ex- penditure	60.55	60.40	
Dividends and Profits	184.27	183.09	190.92				
Other Non-Tax Revenue	190.51	255.56	287.28	Total—Revenue Disburse- ments	4777.91	4954.75	5407.88
Total Non-Tax Revenue	1145.83	1224.53	1340.36				
Total—Revenue Receipts	5079.34	5102.95	5454.76				
			+186.10				

*Effect of Budget Proposals

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Details of Capital Receipts

(In crores of Rupees)

	1973-74 Budget	1973-74 Revised	1974-75 Budget
1. Market Loans	326.41	471.84	498.36
Gross Borrowings	880.00	1025.43*	700.00
Less Repayments	553.59	553.59	201.64
2. External Loans	399.61	1294.17	552.47
Gross Borrowings	661.80	712.24	849.79
Less Repayments	262.19	2006.41@	297.32
3. Repayment of Loans and Advances	1145.00	1385.00	1080.00
State and Union Territory Governments	850.00	900.00	520.00
Others	295.00	485.00	560.00
4. Small Savings	325.35	350.35	360.35
5. Provident Funds	115.03	97.79	118.20
6. Other Receipts	148.85	1675.15@	489.64
Total — Capital Receipts	2460.25	2685.96	3099.02

*Excludes Rs 100 crores of ad hoc treasury bills converted into dated securities.

@Under Indo-US Agreement 1974, government of India have pre-paid PL 480 and other US Rupee loans totalling Rs 1764.44 crores and the US government have given grant to government of India of Rs 1664.00 crores. The figures under External Loans and Other Receipts are net of these transactions.



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Details of Capital Disbursements

(In crores of Rupees)

	1973-74 Budget	1973-74 Revised	1974-75 Budget
1. General Services	225.09	223.21	259.79
Defence Services	195.18	202.00	235.27
Other General Services	29.91	21.21	24.52
2. Social and Community Services	43.50	41.79	63.97
3. Economic Services	607.13	669.29	899.37
General Economic Services	33.23	33.19	77.26
Agriculture and Allied Services	—5.57	40.17	20.41
Industry and Minerals	256.96	275.78	342.87
Water and Power Development	87.10	74.71	90.28
Transport and Communications (Other than Railways and Posts and Telegraphs)	112.77	109.81	126.19
Railways	172.00	166.80	227.00
Posts and Telegraphs	11.00	29.00	15.36
Write back to Revenue	—60.36	—60.17	..
4. Loans and Advances	1973.18	2550.00	2233.91
Loans and Advances to State and Union Territory Governments	1342.01	1591.38	1040.38
Loans for Social and Community Services	17.28	12.16	18.52
Loans for Economic Services	516.06	489.16	766.21
Advances to Foreign Governments	55.51	298.08*	236.76*
Other loans	42.32	159.22	172.04
Total—Capital Disbursements	2848.90	3484.29	3457.04

*Include Rs 274 crores in 1973-74 Revised and Rs 186 crores in 1974-75 Budget for technical credits under Trade Agreements.

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Resources Transferred to State and Union Territory Governments (In crores of Rupees)

	1973-74 Budget	1973-74 Revised	1974-75 Budget
1. States' Share of Taxes & Duties	1178	1174	1198
Income Tax	516	532	491
Union Excise Duties	653	631	698
Estate Duty	9	11	9
2. Statutory and Other transfers			
Grants	566	960*	632*
Loans	208	312	528
3. Assistance for Development outside Plan	358	648	104
Grants	420	449	372
Loans	92	81	70
4. Assistance for State and Union Territory Plans	328	368	302
Grants	864	777	813*
Loans	259	253	247
5. Assistance for Central & Centrally Sponsored Plan Schemes	605	524	566
Grants	373	402	270
Loans	322	350	202
6. Total Grants and Loans (2+3+4+5)	51	52	68
Grants	2223	2588	2087
Loans	881	996	1047
7. Less Repayment of Loans and Advances	1342	1592	1040
8. Net Resources Transferred to State and Union Territory Governments (1+6-7)	-850	-900	-520
	2551	2862	2765

Plan Outlay (In crores of Rupees)

	1973-74	1974-75
1. Central Plan	1,924	2,055
2. Central assistance for State Plans	920	830
3. Union Territory Plan provision in the Budget		81
4. Total Plan provision in the Budget	2,844	2,966
5. Extra Budgetary Resources for Central Plan	518	574
6. Total Central Plan (1+5)	2,442	2,629
7. Central Plan Provision in the Budget		
General Services	9	8
Social and Community Services	442	352
Economic Services:		
General Economic Services	192	36
Agriculture and Allied Services	217	216@
Industry and Minerals	520	731
Water and Power Development	136	97*
Transport and Communications	408	615†
	1,924	2,055

N.B. The Union Territories included in this statement are those with legislatures.

*In addition, Rs 58 crores are provided for Union Territories without Legislatures and Rs 40 crores for Rural Electrification Corporation; thus, the total provision in the Budget for State and Union Territory Plans will amount to Rs 911 crores.

@Excludes Rs 30 crores for agricultural cooperatives provided under General Economic Services.

*Excludes Rs 40 crores for Rural Electrification Corporation provided as part of Central Assistance for State Plans.

†Includes Rs 342 crores for Railways.

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Finance Bill 1974: Proposals Explained

THE TEXT of the official memorandum explaining the provisions of the Finance Bill 1974 is given below:

The provisions in the Finance Bill, 1974 in the sphere of direct taxes relate to the following matters:

(i) Prescribing the rates of income-tax (including surcharges) on incomes liable to tax for the assessment year 1974-75; the rates at which tax will be deductible at source during 1974-75 from interest (including interest on securities), dividends, salaries, insurance commission, winnings from lotteries and crossword puzzles and other categories of income liable to such deduction under the Income-tax Act; and the rates for computation of "advance tax" and charging of income-tax on current incomes in certain cases for the financial year 1974-75.

(ii) Amendment of the Income-tax Act, 1961 with a view to simplifying the assessment procedure in the case of salaried employees; liberalising the tax treatment of retirement benefits in certain directions; providing for tax relief in certain cases; and a few other matters.

(iii) Amendment of the Wealth-tax Act, 1957 with a view to increasing the rates of wealth-tax and rationalising some of the exemptions available under that Act.

(iv) Amendment of the Companies (Profits) Surtax Act, 1964 with a view to increasing the rate of surtax in respect of chargeable profits of companies exceeding 15 per cent of the capital.

(v) Making an independent provision for continuance of development rebate for another year in respect of ships and machinery and plant in certain cases.

2. The Bill broadly follows the principle (adopted since 1967) that changes in the rates of tax as also other provisions

of the tax laws should ordinarily be made operative prospectively in relation to current incomes and not in relation to incomes of past year. The substance of the main provisions in the Bill relating to direct taxes is explained in the following paragraphs.

Income Tax

1. Rates of income-tax in respect of incomes liable to tax for the assessment year 1974-75

3. In respect of the incomes of all categories of assessee (corporate as well as non-corporate) liable to tax for the assessment year 1974-75, the rates of income-tax under the Bill are the same as laid down in Part III of the First Schedule to the Finance Act, 1973 for purposes of computation of "advance tax", deduction of tax at source from "Salaries" and retirement annuities payable to partners of registered firms engaged in specified professions and computation of the tax payable in certain special cases during the financial year 1973-74. The rates of income-tax (including surcharges on income-tax) for the assessment year 1974-75 in the case of all categories of taxpayers have been specified in Part I of the First Schedule to the Bill.

II. Rates for deduction of tax at source during the financial year 1974-75 from incomes other than "salaries" and retirement annuities

4. The rates for deduction of tax at source from incomes other than "Salaries" (i.e., interest on securities, other categories of interest, dividends, insurance commission, winnings from lotteries and crossword puzzles, and other categories of non-salary income of non-residents) have been specified in Part II of the First Schedule to the Bill. As explained later in this Memorandum, the rate of surcharge on income-tax in the case of

non-corporate taxpayers is proposed to be reduced to a uniform level of 10 per cent in all cases. The rate at which surcharge will be deductible, in the case of resident non-corporate taxpayers, from their winnings from lotteries and crossword puzzles and on other incomes (not being interest on securities and insurance commission) is proposed to be reduced from 4.5 per cent to 3 per cent and from 3 per cent to 2 per cent respectively. Likewise, in the case of all non-resident non-corporate taxpayers, the rate of surcharge deductible at source will be reduced from 15 per cent to 10 per cent of the income-tax. In order, however, to maintain the rate of tax deductible at source from dividends in the case of domestic companies and resident non-corporate taxpayers at the same level, the rate at which income-tax will be deductible from incomes received by resident non-corporate taxpayers (not being income by way of interest on securities, winnings from lotteries and crossword puzzles and insurance commission for which separate rates have been specified), will be raised from 20 per cent to 21 per cent.

III. Rates for deduction of tax at source from "salaries", computation of "advance tax" and charging of income-tax in special cases during the financial year 1974-75

5. The rates for deduction of tax at source from "Salaries" in the case of individuals during the financial year 1974-75 and also for computation of "advance tax" payable during that year in the case of all categories of taxpayers, have been specified in Part III of the First Schedule to the Bill. These rates are also applicable for deduction of tax at source during 1974-75 from retirement annuities payable to partners of registered firms engaged in certain professions (chartered accountants, solicitors, lawyers, etc.) and for

charging income-tax during 1974-75 on current incomes in special cases where accelerated assessments have to be made, e.g., provisional assessment of shipping profits arising in India to non-residents, assessment of persons leaving India for good during the financial year 1974-75, assessment of persons who are likely to transfer property to avoid tax, etc.

6. The Direct Taxes Enquiry Committee, under the chairmanship of Mr. K.N. Wanchoo, ex-Chief Justice of India, has recommended several measures for unearthing black money and preventing its proliferation through further tax evasion. The Committee was of the view that 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 Committee was also of the view that high rates of taxation create a psychological barrier to greater effort and undermine the capacity and the will to save and invest. In this view of the matter, the Committee had suggested that the maximum marginal rate of income-tax, including surcharge, should be brought down from its present level of 97.75 per cent to 75 per cent coincidentally with the reduction in rates at the middle and lower levels. This recommendation of the Wanchoo Committee has been accepted by the government in principle. The rate schedules applicable in the case of non-corporate taxpayers for the computation of "advance tax", deduction of tax at source from "Salaries" and charging of income-tax in special cases during the financial year 1974-75 have been evolved in the light of this decision. The salient features of these rate schedules are explained in the following paragraphs.

7. Individuals, Hindu undivided families (other than those having at least one member

with independent total income exceeding the minimum exemption limit), unregistered firms, associations of persons, etc. having no agricultural income. — The rate schedule applicable in the case of individuals, Hindu undivided families (other than those having at least one member with independent total income exceeding the minimum exemption limit), unregistered firms, associations of persons, bodies of individuals and artificial juridical persons has been set forth in Sub-Paragraph I of Paragraph A of Part III of the First Schedule to the Bill.

The rates as per this rate schedule are as under:

Income slab	Proposed rate of income-tax
Rs	%
Up to 6,000	Nil
6,001—10,000	12
10,001—15,000	15
15,001—20,000	20
20,001—25,000	30
25,001—30,000	40
30,001—50,000	50
50,001—70,000	60
Over 70,000	70

The income-tax calculated on the above basis will be increased by a surcharge of 10 per cent of such income-tax.

8. Table I shows the comparative incidence of income-tax (including surcharge) at selected levels of income (a) at rates specified in Part I of the First Schedule to the Bill and (b) at rates specified in Part III of the First Schedule to the Bill.

9. Hindu undivided families having at least one member with independent total income exceeding the exemption limit but having no agricultural income—Under the Finance Act, 1973, a separate rate schedule was prescribed in the case of Hindu undivided families having at least one member with independent total income exceeding Rs 5,000. The rates applicable under this schedule in

respect of any slab of income were the same as those applicable on the next higher slab in the case of individuals. In line with the above provisions, the rate schedule prescribed in Sub-Paragraph II of Paragraph A of part III of the First Schedule to the Bill, for the purposes of computation of "advance tax" and charging of income-tax in certain cases during the financial year 1974-75 are as follows:

Income slab	Proposed rate of tax
Rs	%
Up to 6,000	Nil
6,001—10,000	15
10,001—15,000	20
15,001—20,000	30
20,001—25,000	40
25,001—30,000	50
30,001—50,000	60
Over 50,000	70

The Income-tax calculated at the above rates will be increased by a surcharge thereon equal to 10 per cent of the income-tax.

10. Table II shows the comparative incidence of income-tax (including surcharge) at selected levels of income (a) at rates specified in Part I of the First Schedule to the Bill and (b) at rates specified in Part III of the First Schedule to the Bill.

II. Individuals, Hindu undivided families, unregistered firms, associations of persons, etc. having agricultural income. — The Finance Act, 1973 provided that in the case of individuals, Hindu undivided families, unregistered firms or other associations of persons or bodies of individuals and artificial juridical persons, the net agricultural income would be taken into account for determining the rate of income-tax to be applied to the total income for the purposes of computing "advance tax" and charging income-tax on current incomes in certain cases. The net agricultural income was required to be taken into account in cases where the total income of the assessee exceeded Rs 5,000. As

TABLE I
Comparative Incidence of Tax at Selected Levels of Income in the Case of Individuals, etc.

Income	Tax (including surcharge) at the rate specified in Part I of the First Schedule to the Bill	Tax (including surcharge) at the rates specified in Part III of the First Schedule to the Bill	Reduction in tax liability
Rs	Rs	Rs	Rs
5,000	Nil	Nil	Nil
6,000	110	Nil	110
7,500	275	198	77
10,000	550	528	22
12,500	1,018	941	77
15,000	1,485	1,353	132
20,000	2,875	2,453	422
25,000	4,600	4,103	497
40,000	12,650	11,803	847
50,000	19,550	17,303	2,247
60,000	26,450	23,903	2,547
70,000	34,500	30,503	3,997
80,000	42,550	38,203	4,347
90,000	51,175	45,903	5,272
1,00,000	59,800	53,603	6,197
1,50,000	1,05,800	92,103	13,697
2,00,000	1,51,800	1,30,603	21,197
2,50,000	2,00,675	1,69,103	31,572
3,00,000	2,49,550	2,07,603	41,947
5,00,000	4,45,050	3,61,603	83,447
10,00,000	9,33,800	7,48,603	1,87,917

TABLE II
Comparative Incidence of Tax at Selected Levels of Income in the Case of a Hindu Undivided Family having at least One Member with Independent Total Income Exceeding Rs 6,000

Income	Tax (including surcharge) at the rates specified in Part I of the First Schedule to the Bill	Tax (including surcharge) at the rates specified in Part III of the First Schedule to the Bill	Reduction in tax liability
Rs	Rs	Rs	Rs
5,000	Nil	Nil	Nil
6,000	196	Nil	196
7,500	489	248	241
10,000	978	660	318
12,500	1,639	1,210	429
15,000	2,300	1,760	540
20,000	4,025	3,410	615
25,000	6,325	5,610	715
30,000	9,200	8,360	840
40,000	16,100	14,960	1,140
50,000	24,150	21,560	2,590
60,000	32,200	29,260	2,940
70,000	40,825	36,960	3,865
80,000	49,450	44,660	4,790
90,000	58,650	52,360	6,290
1,00,000	67,850	60,060	7,790
1,50,000	1,16,725	98,560	18,165
2,00,000	1,65,600	1,37,060	28,540
3,00,000	2,63,350	2,14,060	49,290
5,00,000	4,58,850	3,68,060	90,790

the minimum exemption limit is proposed to be raised to Rs 6,000, the net agricultural income will be taken into account for the purposes of computing "advance tax" and charging of income-tax on current incomes in certain cases during the financial year 1974-75 only if the total income exceeds Rs 6,000.

12. Another change proposed to be made this year is that losses in agriculture incurred in the previous year relevant to the assessment year 1974-75 will be allowed to be set off against agricultural income of the previous year relevant to the assessment year 1975-76. The result will, therefore, be that in computing the net agricultural income for purposes of determining "advance tax" payable during the financial year 1974-75 or the income-tax payable in certain cases, losses incurred in agriculture in the previous year relevant to the assessment year 1974-75 will be set off against agricultural income of the previous year. In the case of an unregistered firm having agricultural income, share of agricultural loss of a partner who has retired or died will not be set off against the income of the firm. A person succeeding to another person will also not be allowed to set off the loss of the predecessor against his own agricultural income, unless the successor inherited the source of agricultural income of the deceased. It is also being provided that no loss in agriculture will be set off unless it has been determined by the Income-tax Officer.

13. *Registered firms.*—At present, in the case of registered firms, income-tax payable is increased by two surcharges as follows:

(A) Ordinary surcharge:

- (i) In the case of a professional firm (that is, a firm whose total income includes income derived from a profession carried on by it and the income so included is not less than 51 per cent of such total income) 10 per cent of income-tax.
- (ii) In the case of any other firm 20 per cent of income-tax.

(B) Special surcharge:

The rate of the surcharge is 15 per cent of the aggregate of the tax plus ordinary surcharge.

14. With a view to rationalising the surcharges in the case of registered firms, it is proposed to merge the ordinary surcharge payable by such firms with the basic income-tax and specify only one surcharge for purposes of the Union at the uniform rate of 10 per cent. In view of the merger of ordinary surcharge with the basic income-tax, the Bill seeks to prescribe two separate rate schedules in the case of professional firms and other firms. These rate schedules are set forth in Sub-Paragraph I and Sub-Paragraph II of Paragraph C of Part III of the First Schedule to the Bill.

15. Table III shows (a) the existing rates of income-tax in the case of registered firms and (b) the rates of income-tax specified in the case of professional firms and other firms in Part III of the First Schedule to the Bill.

16. Table IV shows the comparative incidence of income-tax (including surcharge) at selected levels of income in the case of registered firms having income from profession exceeding 51 per cent of their total income (a) at rates specified in Part I of the First Schedule to the Bill and (b) at rates specified in Part III of the First Schedule to the Bill.

17. Table V (p.467) shows the comparative incidence of income-tax (including surcharge) at selected levels of income in the case of a registered firm other than a professional firm (a) at rates specified in Part I of the First Schedule to the Bill and (b) at

rates specified in Part III of the First Schedule to the Bill.

18. *Co-operative societies and local authorities.*—In respect of incomes of co-operative societies and local authorities, the rates of basic income-tax for the purposes of computation of "advance tax" and charging of income-tax in certain cases specified in the Bill are the same as laid down in Part I of the First Schedule to the Bill for the purposes of computation of income-tax payable for the assessment year 1974-75. The rate of surcharge, however, will be 10 per cent as against 15 per cent specified in Part I of the First Schedule to the Bill.

19. *Life Insurance Corporation of India and other companies.*—The rates of income-tax (including surcharge) applicable in the case of Life Insurance Corporation of India

and other companies for purposes of computation of "advance tax" payable during the financial year, have been specified in Paragraphs E and F of Part III of the First Schedule to the Bill respectively. These rates are the same as were prescribed under the Finance Act, 1973 for the purposes of computation of "advance tax" payable during the financial year 1973-74 in the case of these categories of taxpayers.

(Clause 2 and the First Schedule)

IV—Proposed Amendments to the Income-tax Act

Rationalisation and simplification of the assessment of salaried taxpayers

20 Replacement of the existing provisions for separate deductions in respect of expenses

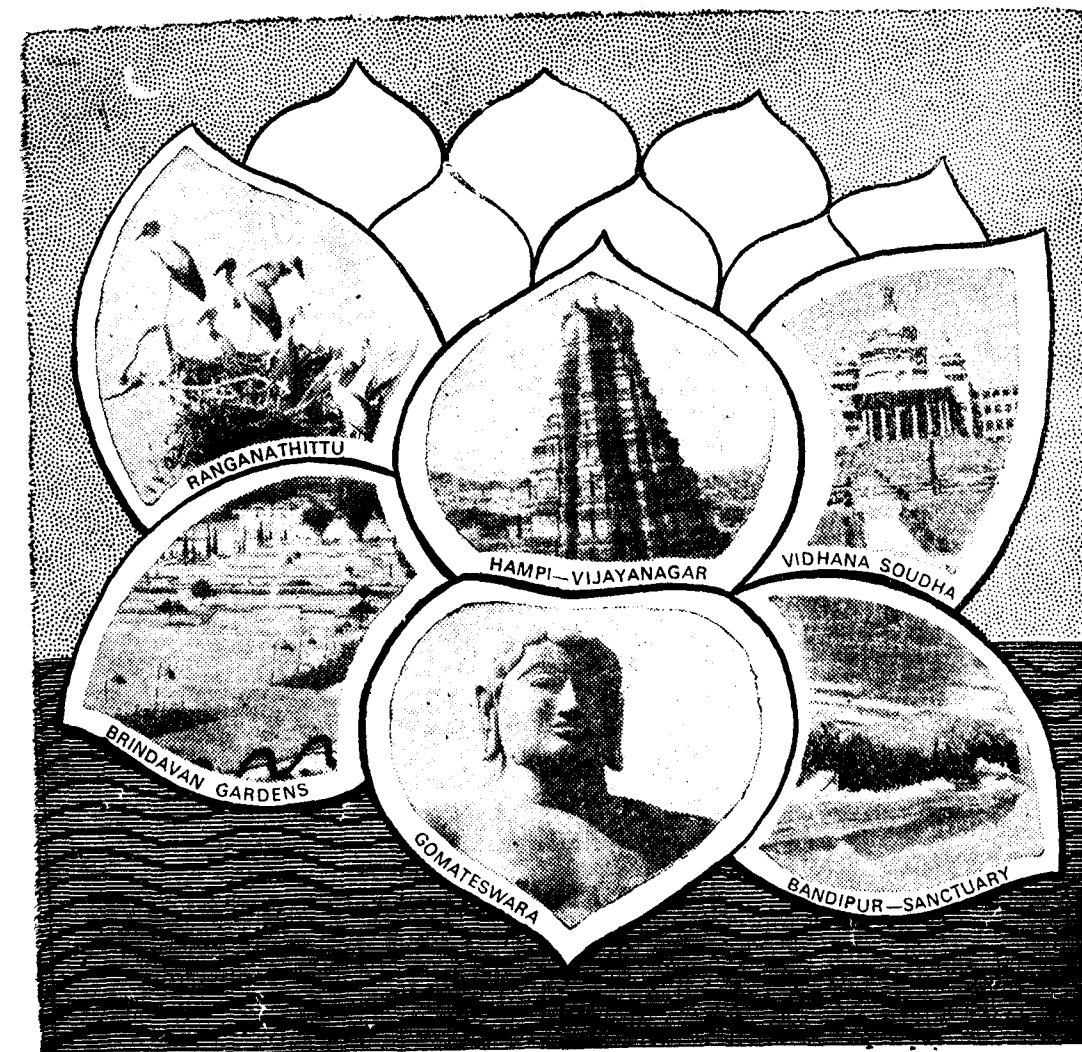
Table III

Slab of income (Rs)	Existing rate of income-tax	Proposed rate of income-tax in the case of firms	Proposed rate of income-tax in the case of firms
1—10,000	Nil	Nil	Nil
10,001—25,000	4%	4%	5%
25,001—50,000	6%	7%	7%
50,001—1,00,000	12%	13%	15%
Over 1,00,000	20%	22%	24%

Table IV

Comparative Incidence of Income-tax (including surcharge) in the Case of Registered Firms having at least 51 per cent Income from Profession

Income	Tax (including surcharge) at rates specified in Part I of the First Schedule to the Bill	Tax (including surcharge) of the rates specified in Part III of the First Schedule to the Bill	Reduction in tax liability
Rs	Rs	Rs	Rs
10,000	Nil	Nil	Nil
15,000	253	220	33
20,000	506	440	66
25,000	759	660	99
35,000	1,518	1,430	88
40,000	1,897	1,815	82
50,000	2,656	2,585	71
60,000	4,174	4,015	159
80,000	7,211	6,875	336
1,00,000	10,246	9,735	511
2,00,000	35,546	33,935	1,611
4,00,000	86,146	82,335	3,811



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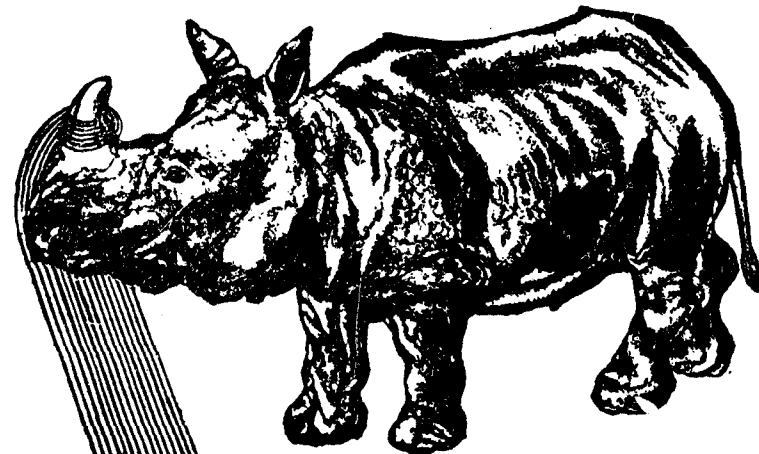
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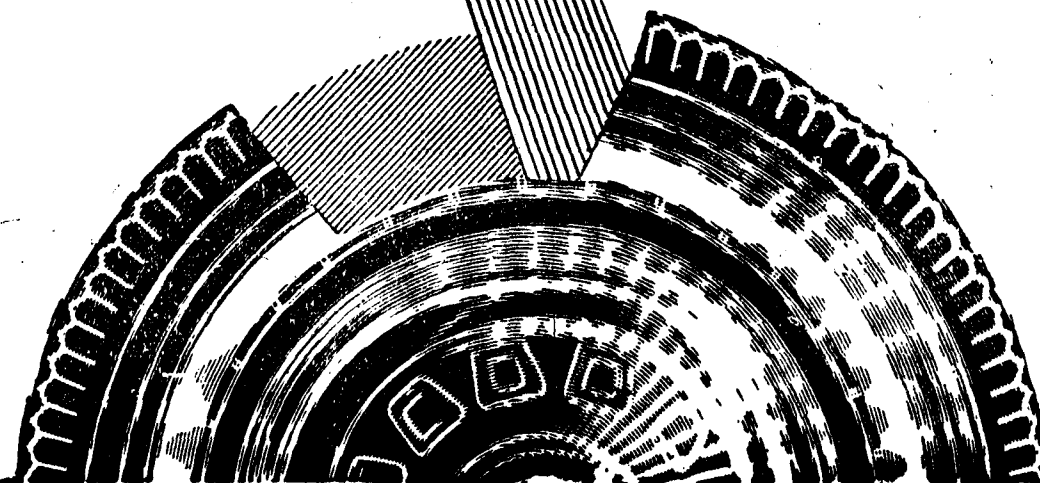


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on travelling, taxes on professions, books, etc. by a standard deduction. — At present, the taxable salary of a person is computed after making the following deductions:

(i) Deduction up to Rs 500 in respect of expenditure incurred by the taxpayer on the purchase of books and other publications necessary for the purposes of his duties.

(ii) Deduction in respect of expenditure incurred by the taxpayer in respect of taxes on professions, trades, callings or employments levied by any State Government.

(iii) Where the taxpayer is not in receipt of a conveyance allowance, a deduction in respect of expenditure on travelling for the purposes of employment, calculated as under—

- (a) where the taxpayer owns a motor car at the rate of Rs 200 which is used for the purposes of his employment.
- (b) where the taxpayer owns a motor cycle, scooter or other moped which is used for the purposes of his employment at the rate of Rs 75 per month.
- (c) in any other case at the rate of Rs 50 per month.

(iv) Deduction in respect of other expenditure incurred by the taxpayer, which, by the conditions of his service, he is required to spend out of his remuneration wholly, exclusively and necessarily in the performance of his duties.

Apart from the aforesaid deductions, a taxpayer is also

allowed a deduction in respect of the entertainment allowance received by him from his employer, within the limits specified in this behalf in the Income-tax Act.

21. With a view to simplifying the assessment procedures of salaried taxpayers, the separate deductions in respect of the items referred to in (i) to (iv) above are proposed to be substituted by a standard deduction in respect of expenditure incidental to employment to be allowed in the computation of the taxable salary. The standard deduction will be allowed in an amount equal to 20 per cent of the salary up to Rs 10,000 and 10 per cent of the salary in excess thereof, subject to a maximum of Rs 3,500. In cases where the em-

ployee is in receipt of a conveyance allowance, or where he is provided with any motor car, motor cycle, scooter or other moped by his employer (for use otherwise than wholly and exclusively in the performance of his duties) or where he is allowed the use of any one or more motor cars (otherwise than wholly and exclu-

sively in the performance of his duties) out of a pool of motor cars owned or hired by the employer, the deduction under the proposed provision will be limited to Rs 1,000 only.

22. The amendment will take effect from 1st April, 1975 and will accordingly apply in relation to the assessment year 1975-76 and subsequent years. (Clause 4)

23. Filing of returns of income by certain salaried taxpayers to be optional. — Under an existing provision in the Income-tax Act, person having a taxation income is required to voluntarily furnish the return of his income before the date specified in the law in this behalf. In the case of salaried taxpayers, the return is required to be furnished before the 30th June of the relevant assessment year. In view of the position that the appropriate tax due on the salary income is required to be deducted at source by the employer, taxpayers deriving only salary income do not ordinarily have to pay any

further tax on filing the return of income. The existing requirement of law whereunder even such salaried taxpayers are obliged to voluntarily file their return of income before the due date does not result in any particular benefit to the revenue and, on the other hand, adds infructuous workload on the staff and officers of the Income-tax Department and also imposes an unnecessary burden on the salaried taxpayers. With the replacement of the separate deduction in respect of books, travelling, taxes on professions and expenditure incurred in the performance of duties by a standard deduction, the tax authorities will not be required to even verify the correctness of the claims in respect of these expenses. In view of this position, the Bill seeks to make optional the filing of voluntary returns of income by salaried taxpayers who do not have large income. Under the proposed provision, it will not be necessary for a person to furnish a voluntary return of his income (or the income of any other

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Table V
Comparative Incidence of Tax at Selected Levels of Income in the Case of a Registered Firm other than a Professional Firm

Income	Tax (including sur-charge) at rates specified in Part I of the First Schedule to the Bill.	Tax (including sur-charge) at rates specified in Part III of the First Schedule to the Bill.	Reduction in tax liability.
Rs	Rs	Rs	Rs
10,000	Nil	Nil	Nil
15,000	276	275	1
20,000	552	550	2
25,000	828	825	3
35,000	1,656	1,595	61
40,000	2,070	1,980	90
50,000	2,898	2,750	148
60,000	4,554	4,400	154
80,000	7,866	7,700	166
1,00,000	11,178	11,000	178
2,00,000	38,778	37,400	1,378
4,00,000	93,978	90,200	3,778

person in respect of whose total income he is assessable), if his total income (or the total income of such other person) consists *only* of income chargeable under the head "Salaries" or of income chargeable under that head *and also* income of the nature of dividends or interest or the income from units in the Unit Trust of India referred to in clauses (i) to (ix) of sub-section (1) of section 80L. The requirement of furnishing a voluntary return in such cases will be waived only if certain conditions specified in this behalf are fulfilled. These conditions are:—

(a) If the person concerned was employed by a company at any time during the relevant year, he should not have been at any time during that year, a director of the company or a person having a substantial interest in the company.

(b) The salary of the person concerned (exclusive of the value of all benefits or amenities not provided for by way of

monetary payment) should not exceed Rs 18,000.

(c) The income, if any, of the person concerned of the nature referred to in clauses (i) to (ix) of sub-section (1) of section 80L should not exceed Rs 3,000 in the aggregate (that is, the amount exempt from income-tax under that section).

(d) The tax deductible at source under section 192 of the Income-tax Act from the income chargeable under the head "Salaries" should have been deducted.

(The requirement of filing a voluntary return of income is not being waived in the case of directors of companies, persons holding substantial interest in companies and persons receiving salary exceeding Rs 18,000 because the value of the benefits or amenities provided to such taxpayers in kind has to be determined by the Income-tax Officer and assessee to income-tax).

24. The amendment will take

effect from 1st April, 1975 and will apply for the assessment year 1975-76 and subsequent years.

[Clause 10(a)]

25. *Tax treatment of gratuities.* — Under an existing provision in the Income-tax Act, death-cum-retirement gratuity received under the revised Pension Rules of the Central Government or under any similar scheme of a State Government or a local authority is completely exempt from income-tax. Similarly, retiring gratuity received under the new Pension Code applicable to the members of the Defence Services, also qualifies for tax exemption without any ceiling limit. In the case of any other gratuity, the exemption is available to the extent such gratuity does not exceed one-half month's salary for each year of completed service, calculated on the basis of the average salary for the three years immediately preceding the year in which the gratuity is paid, or 15 months' salary so calculated, or Rs 24,000 whichever is the least. (No ceiling limits have been laid down in the law in regard to death-cum-retirement gratuities received by civilian government servants covered by the new Pension Rules or the retiring gratuity received by the members of the Defence Services because such gratuities are subject to ceiling limits under the relevant rules which are similar to those specifically laid down in the Act.). The Bill seeks to make a number of modifications in the existing provisions relating to exemption of gratuities with a view to liberalising these provisions in certain directions and removing certain unintended anomalies. The proposed changes are explained in the following paragraphs.

26. Section 4 (2) and (3) of the Payment of Gratuity Act, 1972 provides for the payment of minimum gratuity to an employee at the rate of 15 days' wages based on wages last drawn by the employee, sub-

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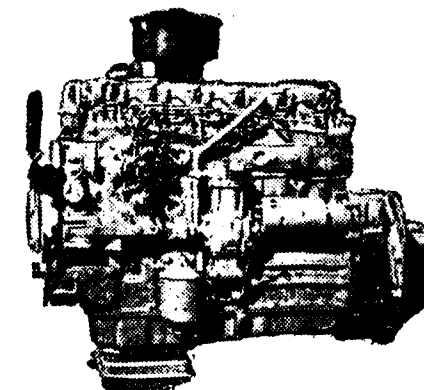
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Fact No. 2

CESC's ownership is widely diffused in the form of holdings which are either institutional, as for example the 22% equity holding between Life Insurance Corporation of India and Unit Trust of India, or individual in the hands of people of modest means who have, in many cases, invested their entire savings in the business in the expectation of a modest but assured return from a well managed Company. The Debenture of Rs. 7.5 crores is almost entirely held by L.I.C., I.C.I.C.I., U.T.I., and the nationalised Banks.



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Fact No. 3

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Fact No. 4

CESC is subject to a scheme of rigid statutory controls both in the matter of its obligations as a Public Utility and the profits it can earn. The Electricity (Supply) Act currently limits the Company's return on the Capital Base to a maximum of 7% but in the preceeding three years CESC has earned a nett return of only 4½%. Over the years CESC has invested over Rs. 15 crores out of its earnings to meet the growing demand for electricity in the Calcutta area.

ject to a maximum of 20 months' wages. In view of the position that the scales for payment of gratuity laid down in the Payment of Gratuity Act are more liberal than the ceiling limits over the exempt amount of gratuity under the Income-tax Act, the entire amount of gratuity received by an employee under the first mentioned Act will not be exempted from income-tax. With a view to avoiding the hardship arising from the taxation of a part of the gratuity received by employees under section 4 (2) and (3) of the Payment of Gratuity Act, it is proposed to make a specific provision in the law for the complete exemption of gratuity received under the said provisions. In the case of those employees of statutory corporations and employees in the private sector who are not covered by the Payment of Gratuity Act, 1972, it is proposed to increase the alternative ceiling limit over the exempt amount of gratuity, from 15 months' salary or Rs 24,000, to 20 months' salary or Rs 30,000, whichever is less. It is also proposed to specifically provide that for the purposes of this provision, the term salary includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites.

27. At present, the ceiling limits laid down in the Income-tax Act over the exempt amount of gratuity operate in relation to the gratuity received by an employee from a particular employer. Hence, where a person works successively or simultaneously with more than one employer, the aggregate amount of gratuity exempt from income-tax in such a case may exceed the existing monetary ceiling of Rs 24,000, or the proposed monetary ceiling of Rs 30,000. The Bill seeks to make a specific provision to secure that the aggregate amount of tax exempt gratuity in such cases will not exceed Rs 30,000. It is accordingly proposed to provide that where gratuity is received by the employee from two or more employers in the same year, the maximum amount of gratuity

exempt from income-tax will not exceed Rs 30,000. In cases where an employee who has received gratuity in any earlier year from his former employer or employers, receives gratuity from another employer in a later year, the ceiling limit of Rs 30,000 will be reduced by the amount of gratuity which has been exempted in any earlier year or years.

28. The amendments referred to in paragraphs 26 and 27 will take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years.

29. At present, gratuities received by civilian employees of the Central Government who are not covered by the revised Pension Rules of the Central Government, as for instance, members of the All-India Services, do not qualify for full exemption from tax. As the existing legal position is clearly unintended, the Bill seeks to make a specific provision in the law, retrospectively, from 1st April, 1962, i.e., the date of commencement of the Income-tax Act, to secure that death-cum-retirement gratuities received by all categories of Central Government employees (as also employees of State Governments) are exempted from income-tax in full.

30. The Bill also seeks to make a formal amendment in the relevant provision of the Income-tax Act for including a reference to the Central Civil Services (Pension) Rules, 1972 (which have replaced the revised Pension Rules) from the date those rules came into force, i.e., 1st June, 1972.

[Clause 3 (a) and b)]

31. *Exemption of payments in commutation of pensions received by Government employees.* — Under an existing provision in the Income-tax Act, payments in commutation of pension received under the Civil Pensions (Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the Defence Services, employees of State Governments, local

authorities or statutory corporations are completely exempt from tax. In the case of payments in commutation of pensions received under any scheme of any other employer, the exemption is available within certain limits. These limits are (i) commuted value of one-third of the pension, where the employee also receives a gratuity from his employer, and (ii) commuted value of one-half of the pension, where no gratuity is received by the employee. These limits have been laid down on the consideration that Government employees are normally entitled to have their pensions commuted within these limits.

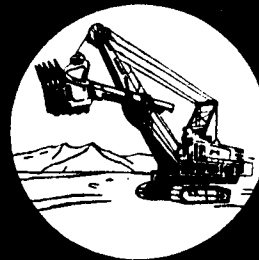
32. Under the existing provisions in the law, in the case of civilian employees of the Central Government, payments in commutation of pensions covered by the Civil Pensions (Commutation) Rules of the Central Government alone qualify for tax exemption. In the result, payments in commutation of pensions received by

other categories of employees, as for instance, members of the All-India Services, do not qualify for exemption from income-tax. As the existing position in law is clearly unintended, the Bill seeks to make a specific provision in the law, retrospectively, from 1st April, 1962, i.e., the date of commencement of the Income-tax Act, to secure that payments in commutation of pension received by all categories of Central Government and State Government employees will be completely exempt from income-tax.

[Clause 3 (c)]

33. *Relaxation of the provisions relating to recognised provident funds to enable transfer of amounts from the account of an employee in one recognised provident fund to another.* — Under the existing provisions of the Income-tax Act, recognised provident funds can consist of contributions by the employee and the employer (including accumulations thereof),

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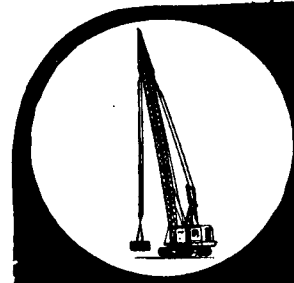
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ption in such cases will result in hardship to the employees participating in the fund, the Bill seeks to make a specific provision in the law permitting the transfer of amounts from the individual account of an employee in a recognised provident fund maintained by his former employer and the interest in respect thereof, to another recognised provident fund. This amendment will take effect from 1st April, 1974.

34. Under the existing provisions in the Income-tax Act, the amount of the accumulated balance due and becoming payable to an employee on the termination of his employment is excluded from the computation of his taxable income if the employee has rendered continuous service with his employer for a period of 5 years or more, or if the services of the employee are terminated by reason of his ill-health or by the contraction or

discontinuance of the employer's business or other cause beyond the control of the employee. If the accumulated balance due to an employee participating in a recognised provident fund is paid to him otherwise than in the circumstances referred to above, as for instance, in cases where the employee voluntarily resigns from his post before the completion of 5 years' service with the employer, the amount paid to the employee is brought within the ambit of taxation. In such cases, the employee is required to pay, in addition to the normal tax payable by him, an amount equal to the difference between the aggregate tax which would have been payable by him if certain tax concessions allowed to employees participating in recognised provident funds had not been allowed to the employee in the years in which he was making contributions to the fund and aggregate tax actually paid by him for these years. The

effect of the existing provision in the law, therefore, is that the tax relief allowed to an employee is withdrawn in cases where the amount of the accumulated balance due to him is transferred from the recognised provident fund maintained by his former employer to a recognised provident fund maintained by the new employer. In view of the position that an employee does not receive any immediate benefit by the mere transfer of the amounts to his credit from one account to another and remains in virtually the same position as he would have been, had the amounts continued to remain in the provident fund maintained by his former employer, the withdrawal of the tax relief in such cases results in hardship to the employees. With a view to avoiding this hardship, the Bill seeks to make a specific provision in the law to secure that exemption from income-tax is not withdrawn in such cases. Fur-

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ther, it is also proposed to provide that in cases where the accumulated balance due and becoming payable to an employee includes any amount transferred from any other recognised provident fund maintained by his former employer, then, in computing the period of continuous service of 5 years for the purposes of the aforesaid provision, the service rendered by the employee with such former employer will also be taken into account.

35. These amendments will take effect from 1st April, 1975 and will accordingly apply to the assessment year 1975-76 and subsequent years.

(Clause 12)

OTHER AMENDMENTS TO THE INCOME-TAX ACT

36. *Higher deduction of Profits transferred to special reserve in the case of Financial Corporations or Joint Financial Corporations established under the State Financial Corporations Act, 1951*—Under the Income-tax Act financial corporations engaged in providing long-term finance for industrial or agricultural development in India are entitled to a deduction in the computation of their taxable profits, of the amounts transferred by them out of such profits to a special reserve account, up to a specified percentage of their taxable income. This concession is admissible only where the financial corporation is approved by the Central Government for this purpose. In the case of a financial corporation having a paid-up share capital not exceeding Rs 3 crores, an amount up to 25 per cent of the current profits can be taken to the special reserve account, whereas in the case of a financial corporation having a paid-up share capital exceeding Rs 3 crores, tax exemption in respect of the amount credited to the special reserve account is limited to 10 per cent of the current profits. With a view to facilitating the building up of internal resources of Financial Corporations or Joint Financial Corporations established under the

State Financial Corporations Act, 1951, it is proposed to increase the aforesaid limits on the deductible amount in the case of such corporations from the existing levels to 40 per cent of the current profits.

37. This amendment will take effect from 1st April, 1975 and will accordingly apply to the assessment year 1975-76 and subsequent years.

(Clause 5)

38. *Exemption from tax of profits of institutions established for development of khadi and village industries*.—A large number of public charitable trusts and societies registered under the Societies Registration Act, 1860 are doing commendable work for the development of khadi and village industries under the direct supervision and control of the Khadi and Village Industries Commission. With a view to providing encouragement and support to these institutions, it is proposed to make a specific provision in the law for exempting them from income-tax income derived by such institutions from the production, sale, or marketing, of khadi or products of village industries. The exemption will be available only to institutions constituted as public charitable trusts or registered under the Societies Registration Act, 1860 or under any law corresponding to that Act in force in any part of India, and existing solely for development of khadi and village industries. The exemption will not be allowed unless the institution applies its income, or accumulates it for application, solely for the development of khadi or village industries. Further, institutions will qualify for this tax exemption only if they are approved for the purposes of this provision by the Khadi and Village Industries Commission. The Khadi and Village Industries Commission will have power to accord approval to such institutions for a period of three years at a time.

39. The amendment takes effect from 1st June, 1974 and will accordingly apply for the

assessment year 1975-76 and subsequent years.

[Clause 3(d)]

40. *Discontinuance of the exemption in respect of royalties, commission, fees, etc. received by resident non-corporate taxpayers for provision of technical 'know-how' or technical services to an Indian concern*.—

Under the Income-tax Act, an Indian company or a resident non-corporate taxpayer deriving income by way of royalties, commission, fees, etc. from an Indian concern in consideration for the provision to the Indian concern of technical 'know-how' or technical services, is entitled to a deduction of 40 per cent of such income in the computation of the taxable profits. This tax concession is available only if the agreement under which the technical 'know-how' or technical services are provided and is approved by the Central Board of Direct Taxes. In the case of resident non-corporate taxpayers, the deduc-

tion is not allowed unless the accounts of the taxpayer for the relevant assessment year have been audited by a chartered accountant or any other accountant authorised in law to audit the accounts of companies and the taxpayer furnishes the report of such audit in the prescribed form along with the return of income.

41. With the proposed reduction in the rates of personal taxation at all levels of income, there is little justification for the continuance of this tax concession in the case of non-corporate taxpayers. The Bill, therefore, seeks to discontinue this concession in the case of resident non-corporate taxpayers. The withdrawal of the concession will take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years.

(Clause 7)

42. *Modification of the provisions relating to exemp-*

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tion of dividends received by Indian companies and resident non-corporate taxpayers on shares allotted to them in a foreign company for the provision of technical 'know-how' or technical services to the foreign company.—Under the Income-tax Act, Indian companies or resident non-corporate taxpayers deriving income by way of dividends on shares allotted to them in a foreign company in consideration for the provision of technical 'know-how' or technical services to such foreign company are entitled to a deduction of the whole of such income by way of dividends in the computation of the taxable income. This tax concession is available only if the agreement under which the technical 'know-how' or technical services are provided to the foreign company is approved by the Central Board of Direct Taxes. The main objective of this tax concession is to encourage Indian companies and resident non-corporate taxpayers to develop technical 'know-how' and make it available

to foreign companies so as to augment our foreign exchange resources. The Bill seeks to make the following two changes in the relevant provision in the Income-tax Act:

(a) As one of the main objects of the aforesaid tax concession is to augment our foreign exchange resources, it is proposed to make a retrospective amendment in the law from 1st April, 1968, i.e., the date from which this provision was brought into force, to specifically provide that the deduction under this provision will be allowed only to the extent that the income by way of dividends is received in or is brought into India by the taxpayer in accordance with the law regulating payments and dealings in foreign exchange.

(b) With the proposed reduction in the rates of personal taxation, there is little justification for the continuance of this tax concession in the case of non-corporate taxpayers. The Bill, therefore, seeks to dis-

continue this deduction in the case of resident non-corporate taxpayers. The withdrawal of the concession will take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years.

(Clause 8)

43. *Modification in the provisions relating to concessional taxation of royalties, commission, fees, etc. received by Indian companies or resident non-corporate tax-payers for provision of technical 'know-how' or technical services to foreign enterprises.*—Under the Income-tax Act, an Indian company or a resident non-corporate taxpayer deriving income by way of royalties, commission, fees etc. from a foreign government or a foreign company in consideration for the provision of technical 'know-how' or technical services is exempted from taxation in India on the whole of such income. This tax concession is available only if the agreement under which the technical 'know-

how' or technical services are provided is approved by the Central Board of Direct Taxes. The main objective of this tax concession is to encourage Indian companies and resident non-corporate taxpayers to develop technical 'know-how' and make it available to foreign governments and foreign companies so as to augment our foreign exchange resources. The Bill seeks to make the following two changes in this provision:

(a) As one of the main objects of the aforesaid tax concession is to augment our foreign exchange resources, it is proposed to specifically provide that the deduction under this provision will be allowed only to the extent the income by way of royalty, commission etc. is received in or is brought into India by the taxpayer in accordance with the law regulating payments and dealings in foreign exchange. The existing provision in the law is being amended, retrospectively, from 1st April, 1972, i.e. the date from which the rele-

vant provisions, as it stands at present, was brought into force.

(Since this tax concession was originally introduced in the Income-tax Act with effect from 1st April, 1968, an independent provision is also being made in the Bill, retrospectively, from that date to secure that, even under the relevant provision as it stood during the period 1st April, 1968 to 31st March, 1972, this tax concession will be allowed only to the extent that such income is received in or is brought into India in accordance with the law regulating payments and dealings in foreign exchange.)

(b) With the proposed reduction in the rates of personal taxation, there is little justification for the continuance of this tax concession in the case of non-corporate taxpayers. The Bill, therefore, seeks to discontinue this deduction in the case of resident non-corporate taxpayers. The withdrawal of the concession will take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years.

(Clauses 9 & 17)

44. *Ancillary provisions for computation of 'advance tax' in certain cases.*—Under the Income-tax Act, 'advance tax' is to be paid during every financial year in equal instalments on specified dates on the taxpayer's income (other than capital gains and certain casual and non-recurring incomes) liable to tax for the assessment year next following the financial year. In the case of persons who have been assessed to tax by way of regular assessment, 'advance tax' is ordinarily required to be paid with reference to the last assessment income of the taxpayer on the issue of a notice of demand by the Income-tax Officer. Persons who have not previously been assessed by way of regular assessment are required to send an estimate of their current income to the Income-tax Officer and pay 'advance tax' thereon at the rates in force. In cases where

the total income of the latest previous year on the basis of which tax has been paid by the assessee on self-assessment under section 140A exceeds the total income of an earlier year assessed by way of regular assessment, the 'advance tax' is demanded by the Income-tax Officer on the basis of the total income of such previous year.

45. The Bill provides that in the case of individuals, Hindu undivided families and certain other categories of non-corporate taxpayers, the net agricultural income of the assessee shall be taken into account for the purposes of computing 'advance tax' payable during the financial year. The Bill also specifies separate rates for computing 'advance tax' in the case of Hindu undivided families having at least one member whose total income of the relevant previous year exceeds the maximum amount not chargeable to tax in his case. With a view to facilitating the proper implementation of these provisions, the Bill also seeks to make certain ancillary provisions in this regard in the Income-tax Act. According to one of the provisions, where the order of the Income-tax Officer under section 210 of the Income-tax Act requiring a person to pay 'advance tax' is made on the basis of the total income of the latest previous year for which regular assessment has been made in the case of the taxpayer, the Income-tax Officer will have to compute the 'advance tax' on the basis of the net agricultural income which has been taken into account for the purposes of charging income-tax for that year. In cases where the order under section 210 is made by the Income-tax Officer on the basis of the total income of any previous year for which tax has been paid by the assessee on self-assessment under section 140A, the Income-tax Officer will compute the 'advance tax' on the basis of the net agricultural income as returned by the assessee in the return of income for that year. In cases where an estimate of 'advance tax' is sent

by the taxpayer under section 212 of the Income-tax Act, the taxpayer will have to compute the 'advance tax' payable by him by taking into account his estimated net agricultural income for the period which would be the previous year for the immediately following assessment year.

46. In cases where the order of the Income-tax Officer under section 210 requiring a Hindu undivided family to pay 'advance tax' is made on the basis of the total income of the family for the latest previous year for which the family has been assessed by way of regular assessment, the separate rates of rates of tax prescribed for Hindu undivided families will apply to the family if the total income of any member of the family for the assessment year relevant to that latest previous year exceeds the maximum amount not chargeable to tax in his case. In cases where the order of the Income-tax Officer

under section 210 is made on the basis of the total income of the family for a previous year for which the family had paid tax on self-assessment under section 140A, the separate rates prescribed for Hindu undivided families will apply if the total income of any member of the family for the assessment year relevant to such previous year exceeds the maximum amount not chargeable to tax in his case.

47. These amendments will take effect from 1st April, 1974 and will accordingly apply for the purposes of computing 'advance tax' during the financial year 1974-75.

(Clause 11)

48. *Carry forward and set off of losses from horse races.*—Under an amendment made by the Finance Act, 1972, the exemption available under the Income-tax Act in respect of casual and non-recurring re-

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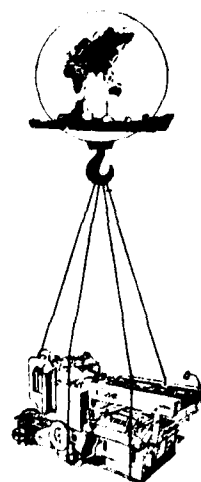
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nings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever, were made chargeable to tax under the head "income from other sources". The taxable income from these sources is computed after allowing a deduction in respect of expenditure (not being in the nature of capital expenditure) incurred by the taxpayer wholly and exclusively for the purpose of making or earning such income. Under a specific provision made in the law, losses relating to these sources are allowed to be set off only against income from the same source. Further, losses relating to these sources incurred in one year are not allowed to be carried forward and set off against the income of a subsequent year. Race horse owners have to incur regular expenditure on the maintenance of horses. In

ing horses and running them in races is somewhat akin to a business carried on by a taxpayer in an organised manner. Under the existing provisions of law, however, while the losses incurred by a taxpayer in his business or profession are allowed to be carried forward and set off against the profits of the business or profession in subsequent years up to a period of eight assessment years, a race horse owner is not allowed to carry forward and set off the losses attributable to maintenance of such horses in subsequent years.

With a view to mitigating the hardship arising from this position, the Bill seeks to provide that owners of race horses will be entitled to carry forward and set off the loss incurred by them on maintenance of race horses against their income from the source "races including horse races" in subsequent years. However, unlike

taxpayers engaged in business or profession who are allowed to carry forward business losses up to eight years, the benefit of carry forward in such cases will be allowed only for four assessment years next following the assessment year for which the loss was first computed. Certain consequential amendments have also been proposed for this purpose.

49. The Bill also seeks to make an amendment of a drafting nature to the relevant provision in the Income-tax Act for clearly bringing out the intention that the loss incurred from certain specified sources of income, namely, winnings from lotteries, crossword puzzles, races, card games, etc. will be set off only against income, if any, crossword puzzles, races, card games, etc. will be set off only against income, if any, from the same source.

50. These amendments will take effect from 1st April, 1975 and will accordingly apply for

the assessment year 1975-76 and subsequent years.

[Clause 6, 10 (b) and 13]

V. Proposed Amendment to the Wealth-tax Act

51. Increase in the rates of ordinary wealth-tax in the case of individuals and Hindu undivided families:—Under the existing provisions of the Wealth-tax Act, wealth-tax is charged in the case of individuals and Hindu undivided families (other than Hindu undivided families having one or more members with independent net wealth exceeding Rs 1 lakhs) at the rate of 1 per cent on the first slab of net wealth up to Rs 5,00,000; 2 per cent on the next slab of Rs 5,00,001-10,00,000; 3 per cent on the next slab of Rs 10,00,001-15,00,000; and 8 per cent on the net wealth in excess of Rs 15,00,000. A separate rate schedule of ordinary wealth-tax was prescribed by the Finance Act, 1973 in the

case of Hindu undivided families having one or more members with independent net wealth exceeding Rs 1,00,000, i.e., the maximum amount not chargeable to wealth-tax in the case of an individual. In the case of such Hindu undivided families, wealth-tax is charged at the rate of 2 per cent on the first slab of net wealth up to Rs 5,00,000; 3 per cent on the next slab of Rs 5,00,001-10,00,000; and 8 per cent on the net wealth over Rs 10,00,000. No wealth-tax is, however, payable where the net wealth does not exceed Rs 1 lakh in the case of an individual and Rs 2 lakhs in the case of a Hindu undivided family. Individuals and Hindu undivided families are also chargeable to additional wealth-tax in respect of their urban assets.

52. With a view to reducing disparities in incomes and wealth, the Bill seeks to raise the rates of wealth-tax in the case of individuals and Hindu undivided families (including Hindu undivided families having one or more members with independent net wealth exceeding Rs 1 lakh). In the case of Hindu undivided families having one or more members with independent net wealth exceeding Rs 1 lakhs, the existing rate of 2 per cent is being raised to 3 per cent and the existing rate of 3 per cent is being raised to 4 per cent. In the case of individuals and other Hindu undivided families, the existing rate of 2 per cent is being raised to 3 per cent and the existing rate of 3 per cent is being raised to 4 per cent. The Tables VI and VII show the comparative incidence of ordinary wealth-tax in the case of individuals and Hindu undivided families on the basis of the existing rates and the proposed rates at selected levels of net wealth:

53. The new rate schedules will take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years. The rates of additional wealth-tax on urban assets remain unchanged.

54. Modification of some of the

existing exemptions under the Wealth-tax Act. The Wealth-tax Act provides exemption from wealth-tax in respect of a number of assets. One of the exemptions is in respect of the value of one house or part of a house belonging to the taxpayer, the value so exempt being limited to Rs 1 lakh. In addition, one building or one group of buildings owned by a cultivator of, or receiver of rent or revenue of, agricultural land is also exempted from wealth-tax without any monetary limit. This exemption is available only if the building or group of buildings is on or in the immediate vicinity of the agricultural land and is required by the cultivator, etc by reason of his connection with the land, as dwelling house, store-house or outhouse. Agricultural land belonging to the taxpayer is also exempt from wealth-tax up to a value of Rs 1,50,000. In cases where the taxpayer also owns a house situated in a place with a population exceeding ten thousand, the limit of the exemption in respect of the value of agricultural land is reduced by an amount equal to the difference between Rs 1,50,000 and the value of the house property which is exempted from wealth-tax. Apart from the various immovable assets referred to above, a taxpayer is also entitled to exemption in respect of certain financial assets up to an aggregate value of Rs 1,50,000.

55. The Bill seeks to rationalise these exemptions by making the following modifications in the existing provisions:

(a) The separate exemption available in respect of one building or one group of buildings owned by a cultivator of, or receiver of rent or revenue of, agricultural land and used as a dwelling house is being withdrawn. In the result, a taxpayer who owns a farm house in addition to a house property will be able to claim exemption only in respect of one of these properties, up to a value of Rs 1 lakh.

(b) The separate exemption in respect of agricultural land

is also being withdrawn and linked with the existing exemption in respect of specified financial assets. Under the proposed provision, a taxpayer will be able to claim a maximum deduction of up to Rs 1,50,000 in the aggregate in respect of any one or more of the specified financial assets and agricultural land.

56. Under another provision in the Wealth-tax Act, the value of the right or interest of the assessee in any policy of insurance before the maturity of the policy is exempt

from wealth-tax. Besides, the right of a person to receive an annuity is not regarded as the asset of the taxpayer for the purposes of wealth-tax if the terms and conditions of the annuity preclude the commutation thereof into a lump-sum grant. The aforesaid exemptions have been largely used by taxpayers for reducing the incidence of wealth-tax. With a view to circumventing tax avoidance through the device of single premium insurance policies or non-commutable annuity contracts, the Bill seeks to make two modifica-

TABLE VI

Comparative Incidence of Ordinary Wealth-tax at Selected Levels of Net Wealth in the case of Individuals and Hindu Undivided Families (other than those having at least one member with independent net wealth exceeding Rs 1 lakh)

Net wealth	Wealth-tax at existing rates	Wealth-tax at the rates proposed in the Bill	Increase in the tax liability
1	2	3	4
Rs	Rs	Rs	Rs
3,00,000	3,000	3,000	Nil
4,00,000	4,000	4,000	Nil
5,00,000	5,000	5,000	Nil
6,00,000	7,000	8,000	1,000
7,00,000	9,000	11,000	2,000
8,00,000	11,000	14,000	3,000
9,00,000	13,000	17,000	4,000
10,00,000	15,000	20,000	5,000
15,00,000	30,000	40,000	10,000
20,00,000	70,000	80,000	10,000

TABLE VII

Comparative Incidence of Ordinary Wealth-tax at Selected Levels of Net Wealth in the case of Hindu Undivided Families having at least One Member with Independent Net Wealth exceeding Rs 1 lakh

Net wealth	Wealth-tax at the existing rates	Wealth-tax at the rates proposed in the Bill	Increase in the tax liability
1	2	3	4
Rs	Rs	Rs	Rs
3,00,000	6,000	9,000	3,000
4,00,000	8,000	12,000	4,000
5,00,000	10,000	15,000	5,000
6,00,000	13,000	19,000	6,000
7,00,000	16,000	23,000	7,000
8,00,000	19,000	27,000	8,000
9,00,000	22,000	31,000	9,000
10,00,000	25,000	35,000	10,000
15,00,000	65,000	75,000	10,000
20,00,000	1,05,000	1,15,000	10,000

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tions in the existing provisions of the Wealth-tax Act in this regard. Under one of these amendments, the value of the taxpayer's right or interest in a policy of insurance will be exempt from tax only if the premia thereon are payable over a period of 10 years or more. In cases where the premia are payable over a period of less than 10 years, only a proportionate amount of the value of the taxpayer's right or interest in the policy of insurance will be exempt from wealth-tax. Under the second amendment, the value of the taxpayer's right to receive an annuity purchased by him, or purchased by another person in pursuance of a contract with the taxpayer, will be regarded as his asset for the purposes of wealth-tax, irrespective of whether the annuity is commutable or not.

57. The amendments to the Wealth-tax Act take effect from 1st April, 1975 and will accordingly apply for the assessment year 1975-76 and subsequent years.

(Clause 14)

VI—Proposed Amendments to the Companies (Profits) Surtax Act

58. *Rates of surtax*—Under the provisions of the Companies (Profits) Surtax Act, 1964, surtax is leviable on so much of the chargeable profits of a company as exceeds the statutory deduction, at the rate or rates specified in the Third Schedule to that Act. The term "statutory deduction" is defined to mean an amount equal to 10 per cent of the capital of the company as computed in accordance with the provisions of the Second Schedule to that Act or an amount of Rs 2,00,000, whichever is greater. At present, surtax is levied in two slabs on the amount by which the chargeable profits exceed the amount of the statutory deduction at the following rates:

(i) On the amount of such excess up to 5 per cent of the amount of capital as computed in

accordance with Second Schedule 25%
(ii) On the balance of such excess 30%

It is now proposed to increase the rate of surtax applicable to so much of the chargeable profits as exceeds 15 per cent of the amount of capital, from 30 per cent to 40 per cent.

59. It is, however, proposed to provide that in the case of an Indian company in which the public are substantially interested and whose paid-up share capital (subscribed and paid for in cash) is not less than 25 per cent of the amount of its capital (including reserves) as ascertained for the purpose of surtax, the aggregate amount of the liability of the company in respect of income-tax and surtax will be limited to 70 per cent of its total income for the relevant year. Where such aggregate liability exceeds 70 per cent of the total income of the company, the surtax payable by it will be reduced by the amount of such excess. This ceiling of 70 per cent, will not apply in the case of foreign companies or closely-held Indian companies.

60. These amendments will take effect from 1st April, 1975 and will accordingly apply to the assessment year 1975-76 and subsequent years.

(Clause 15)

VII—Miscellaneous

61. *Continuance of development rebate for a limited period in certain cases*.—Under notification of the government of India in the Ministry of Finance (Department of Revenue & Insurance) No S.O. 2167 dated 28th May, 1971, issued under sub-section (5) of section 33 of the Income-tax Act, development rebate will not be allowed in respect of ships acquired or machinery or plant installed after May 31, 1974. It has been represented that due to several unforeseen factors, industry has not been able to obtain timely delivery of plant and machinery from foreign suppliers also

from indigenous manufacturers. Foreign manufacturers have not fulfilled their commitments because of a state of uncertainty prevailing in the international market. Indigenous machinery manufacturers have not fulfilled their commitments because of non-availability of some of the critical imported parts and raw materials, power shortage, etc. Difficulties in the availability of shipping space is another factor which has further aggravated the situation. In view of those unforeseen factors, installation of machinery and plant has been delayed for reasons beyond the control of the taxpayers.

62. In view of these considerations, it is proposed to continue the tax concession by way of development rebate for a limited period in certain cases. The Bill accordingly seeks to provide that development rebate will be admissible in respect of ships acquired after the 31st May, 1974 but

before the 1st June, 1975 if the taxpayer had either purchased the machinery or plant or had entered into a contract for the purchase of such machinery or plant from the manufacturer owner or dealer thereof, before the 1st December, 1973. The taxpayer will have to furnish evidence to the satisfaction of the Income-tax Officer that the contract for the purchase of the ship, machinery or plant had been entered into or that the machinery and plant had been purchased before December 1, 1973. In view of the critical shortage of petroleum products, it is necessary to encourage a change over of industrial boilers, from oil-fired boilers to coal-fired boilers. It accordingly proposed to provide that development rebate will be admissible in all cases where coal-fired boilers or machinery or plant for converting oil-fired boilers into coal-fired boilers is, installed before 1st June, 1975.

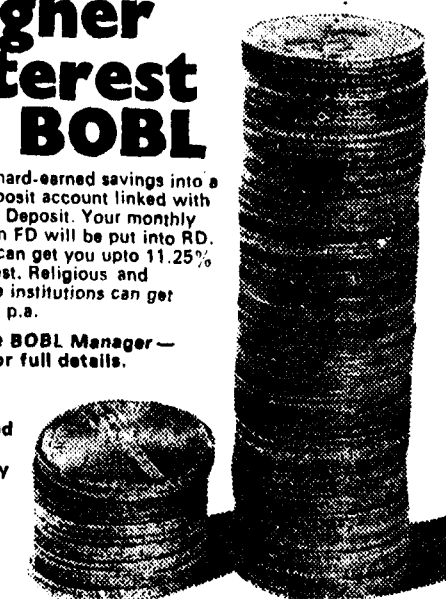
(Clause 16)

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CUSTOMS

The proposals include :

- (a) Increase in the basic import duty on brandy, gin, whisky and other spirits from Rs 60.00 per litre or 200 per cent, *ad valorem*, whichever is higher, to Rs 80.00 per litre or 270 per cent *ad valorem*, whichever is higher. The additional revenue expected is Rs 35 lakhs in a year.
 - (b) Continuance upto 31.3.1975 of the provision for the levy of auxiliary duties of customs, similar to the provision in section 25 of the Finance Act, 1973. The effective rates are being maintained at the existing level except that the effective rate of 10 per cent, applicable to articles on which the effective rate of basic customs duty is 60 per cent, *ad valorem* or more but less than 100 per cent *ad valorem*, is being raised to 15 per cent. All the existing exemptions in respect of auxiliary duties of customs are also being continued. This measure is expected to yield an additional revenue of Rs 1600 lakhs per annum.
 - (c) Additional revenue amounting to Rs 370 lakhs per annum is also expected from additional (countervailing) duties, consequent on the changes in Central excise duties. Auxiliary duties of excise indicated in Part B of 'Union Excise Duties' will be attracted by way of additional (countervailing) duties on like imported articles with the exception of:
 - (i) ferrous and non-ferrous metals, which will continue to be exempted from the additional (countervailing) duty equal to the auxiliary duty of excise as hitherto; and
 - (ii) artificial or synthetic resins and plastic materials, and articles thereof, which are also being exempted from the additional (countervailing) duty equal to the auxiliary duty of excise.
 - (d) Section 3 of the Indian Tariff Act, 1934 is being amended to empower the Central Government to discontinue or increase or decrease the preferential rate of duty by notification. This is only an enabling provision and has no immediate revenue effect.
2. There will thus be a net increase in customs revenue of Rs 2005 lakhs per annum made up as under:

	Rupees lakhs
Basic import duties	(+) 35
Auxiliary duties:	(+) 1600
Additional (countervailing) —duties:	(+) 370
Total:	(+) 2005
	(Clauses 18 and 19)

UNION EXCISE DUTIES

General Notes

- (1) Percentage indicated under the "Rate of duty" column are "*ad valorem*"
- (2) Abbreviations:

B	=	Basic duty
AY	=	Auxiliary duties
E	=	Exempted from duty
NC	=	No Change
DR	=	Different Rates
T	=	Metric tonne
KL	=	Kilolitre
Qtl.	=	Quintal
Rs	=	Rupees
d	=	denier
sq. m	=	square metre
Kg.	=	Kilogram
mm	=	millimetre
NOS	=	Not Otherwise Specified
NES	=	Not Elsewhere Specified
gms.	=	grammes
H.P.	=	Horse Power
cc.	=	cubic capacity
N.F.	=	New French

(J) Indicator	=	Revenue measure
*	=	Rationalisation with revenue significance
†	=	Rationalisation with little or no revenue significance

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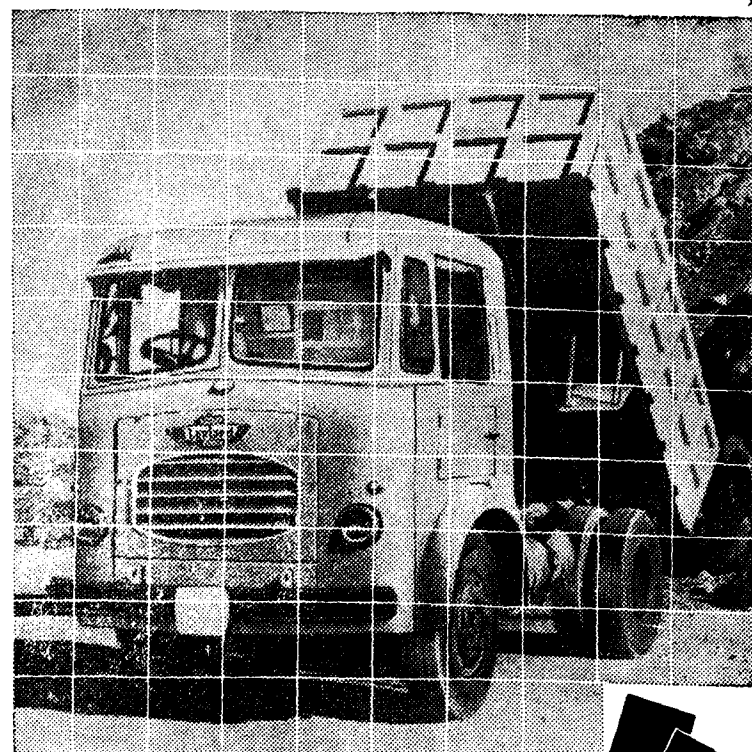
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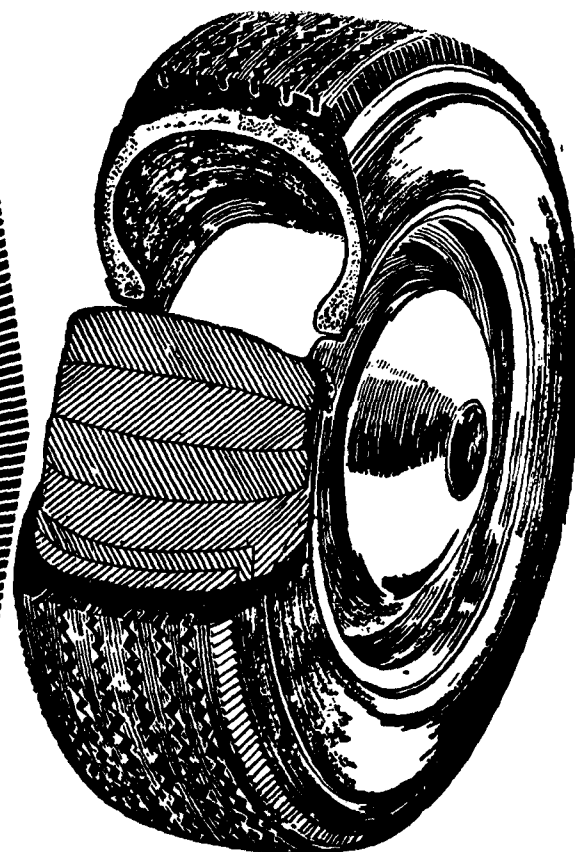
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SHRIRAM RAYONS, Kota (Rajasthan)



S. No.	Tariff Item No	Commodity	Unit	Rate of duty (Basic)		Estimated additional revenue in one full year
				Existing	Proposed	
1	2	3	4	5	6	7

(Rs Lakhs)

A—Changes Proposed by Bill

1.	† IA	Confectionary, Chocolates, etc.— (1) Boiled sweets, toffees, caramels, etc. (4) Chocolates in the form of blocks, slabs, tablets etc.		Re. 1.00 per Kg. Re 1.00 per Kg.	10% 10%	120
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Effective rates

(1) Boiled sweets, toffees, caramels, etc.	Rs 0.30 per Kg.	10%
(4) Chocolates in the form of blocks, slabs, tablets etc.	Rs 0.80 per Kg.	10%

The existing specific rates have been changed to *ad valorem*, at a rate corresponding to the normal rate for food products.

(Sl. No. (i) of Part I of the Second Schedule to the Finance Bill).

2.	11A	All products derived from refining of crude petroleum, etc. N.O.S.— †(1) Mineral Turpentine oil *(3) Waxes		20% plus Rs. 100/-T 20% plus Rs 200/-T	20% plus Rs. 400/-T 20% plus Rs 400/-T	350
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The proposed increase relating to Mineral turpentine oil seeks to rationalise the duty so as to prevent its adulteration with Kerosene.

(Sl. No. (ii) of Part I of the Second Schedule)

3.	*15AA	Organic Surface Active Agents		10%	15% (Sl. No. (iii) of Part I of the Second Schedule)	250
4.	† 17	Paper, all sorts (including millboards, - strawboards, etc.), etc. (1) Cigarette tissue (2) Blotting, toilet, target, bank, bond, art paper, etc. (3) Printing & Writing paper; Packing & Wrapping paper: Straw-board & Pulp-board, etc. (4) All other kinds of paper and paper board, N.O.S.	Kg. Kg. Kg. Kg.	Rs 2.00 Re 1.00 Rs 0.50 Re 1.00	Rs 3.00 Rs 1.20 Rs 0.60 Rs 1.20	1000

1. It is proposed to amend the tariff description of sub-item (2) of this Item to include waxed paper and polyethylene coated paper which were hitherto classifiable under sub-item (3).

2. The present concessional rate of 15 paise per Kg. continues in respect of commoner varieties of printing and writing paper of the grammage limit not exceeding 65 gms. per sq. m. The existing grammage limit of 75 gms. per sq. m., for purposes of exemption, is being reduced to 65 gms. per sq. m. to encourage further the production of such paper of lower grammage for exercise books and text-books.

3. The slabs and rates of duty for mill-board and straw-board are proposed to be rationalised with suitable upward revision.

4. Hand-made paper, newsprint and paper of prescribed specifications intended for use in the printing of newspapers, etc. continue to be exempted.

5. Existing concessions for (i) smaller paper mills, (ii) new paper mills and (iii) encouraging the use of non-conventional type of raw material, such as, bagasse etc. remain unchanged.

Effective Rates on Paper and Paper Boards

S.No.	Brief description	Effective basic duty	
		Pre-Budget	Post-Budget
1	2	3	4
		(Rs per kg)	
(1)	All varieties of paper, other than board, of a substance of 40 gms or more but not exceeding 45 gms per sq. m. falling under sub-item (2) of Tariff Item No. 17.	0.45	0.60
(2)	Waxed paper, polyethylene coated paper and board	Nil	1.20 (Set-off of duty paid on base paper/Board is allowed).
(3)	Printing and Writing paper—		
	(i) Unbleached, badami, cream laid and creamwoven varieties but not including other coloured or tinted varieties		
	(a) of a substance not exceeding 65 gms per sq m	0.15	N.C.
	(b) of a substance exceeding 65 gms but not exceeding 75 gms per sq m.	0.15	0.60
	(ii) others, falling under sub-item (3) of Tariff Item No 17	0.45	0.60
(4)	Packing and wrapping paper	0.45	0.60
(5)	Mill board/Straw board cleared by any manufacturer for home consumption in any financial year (with effect from 1.4.74)—		
	(ii) on the first 500 T	0.10	0.14
	(ii) on the next 500 T	0.14	0.20
	(iii) on the next 500 T	0.22	0.30
	on the next 500 T	0.31	
	(iv) on quantity in excess of 2000 T	0.31	0.40
(6)	Corrugated board—		
	(i) If manufactured out of duty paid corrugated board	Nil	Nil
	(ii) if manufactured out of duty paid paper falling under sub-item (3) of Tariff Item No 17.	0.10	0.20
	(iii) if manufactured partly out of duty paid paper falling under sub-item (3) of Tariff Item No 17 and partly out of duty paid corrugated board.	0.10	0.20
		(Duty chargeable on the resulting weight, after deduction of the weight of duty-paid corrugated board content).	
(7)	Other paper boards falling under sub-item (3) of Tariff Item No 17	0.45	0.60
(8)	Solid fibre board	0.40	0.50
(9)	Pressed jute felt sheets	0.45	0.55
		(Sl No (iv) of Part I of the Second Schedule]	

S. No	Tariff Item No	Commodity	Unit	Rate of duty (Basic)		Estimated additional revenue in one full year
				Existing	Proposed	
1	2	3	4	5	6	7
5	*23A	Glass and glassware—				(Rs lakhs) 260
		(1) Sheet glass and plate glass		20%	25%	
		(4) Other glassware including tableware		20%	25%	
		There is no change in the present effective rates of duty on laboratory glassware and glass shells, glass globes and chimneys for lamps and lanterns.				
6.	*23B	Chinaware and porcelainware, all sorts—				[Sl. No (v) of Part I of the Second Schedule]. 105
		(1) Tableware		20%	25%	
		(2) Sanitaryware		25%	30%	



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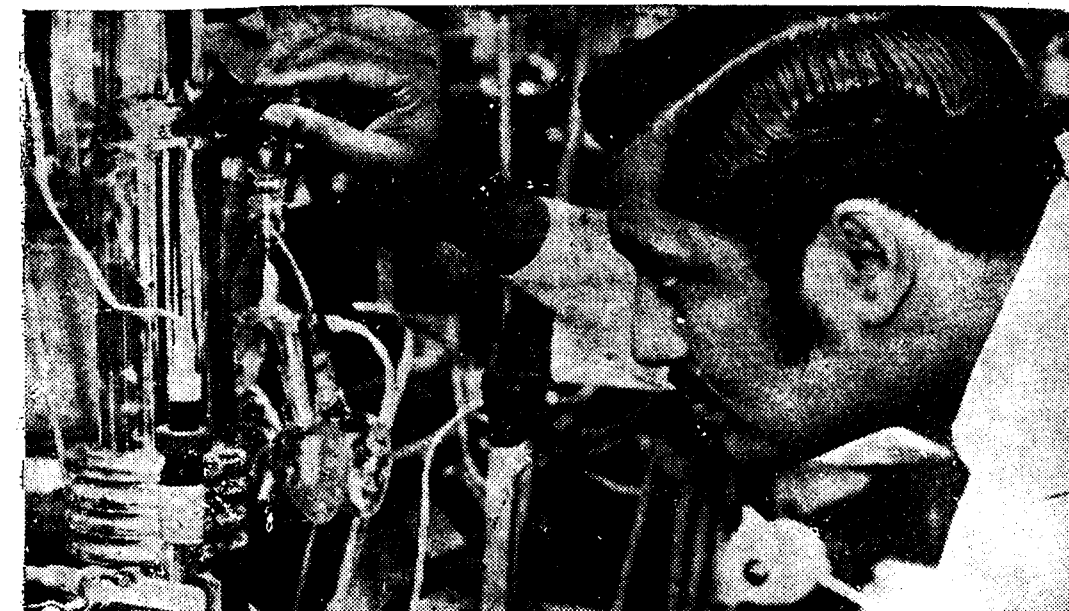
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1	2	3	4	5	6	7
						(Rs lakhs)
		(3) Glazed tiles	25%	30%		
		There is no change in the present tariff rate for sub-item (4) and the concessional rate of duty of 10% on electrical insulators made of porcelain, classifiable under this sub-item.				
					(SI No (vi) of Part I of the Second Schedule).	
7.	*29A	Refrigerating and Air-conditioning—appliances and machinery, all sorts and parts thereof—				500
		(1) Refrigerators, etc.	60%	75%		
		(2) Air-conditioners, etc.	60%	75%		
		(3) Parts of refrigerators, air-conditioners, etc. and refrigerating and air-conditioning appliances and machinery	75%	100%		
		Effective rates				
		(e) Refrigerators, etc.				
		Domestic Refrigerators—				
		(i) of a capacity not exceeding 100 litres	40%	N.C.		
		(ii) of a capacity exceeding 100 litres but not exceeding 165 litres	40%	50%		
		(iii) other Refrigerators	60%	75%		
		(b) Air-conditioners, etc.				
		(i) Evaporative type of coolers	25%	40%		
		(ii) Others	60%	75%		
		(i) The present concessional rate available to air-conditioners for use in hospitals by the Central or State Government, a local authority or a public charitable institution, remains unchanged.				
		(ii) The present concessional rates on parts of refrigerating and air-conditioning machinery (a) for cold storage plants, (b) for hospitals run by the Central or State Government, a local authority or a public charitable institution and factory establishments, remain unchanged.				
					(SI No (vii) of Part I of the Second Schedule).	
8.	*31	Electric batteries and parts thereof—				260
		Dry batteries	20%	25%		
		The present effective rates of duty on storage batteries and parts of storage batteries will continue unchanged.				
					(SI No (viii) of Part I of the Second Schedule).	
9.	*33D	Office machines and apparatus including typewriters, calculating machines, etc.	10%	15%		107
					(SI No (ix) of Part I of the Second Schedule).	
10.	† 34	Motor vehicles				1625
		(1) Auto-cycles, motor-cycles, scooters, auto-rickshaws and any other three-wheeled motor vehicles	Rs 250.00 each or 10% whichever is higher.	10%		
		(2) Motor vehicles of not more than 16 H.P. by Royal Automobile Club (R.A.C.) rating.	Rs 1500.00 each or 15% whichever is higher.	25%		
		(3) Motor cars of more than 16 H.P. by Royal Automobile Club (R.A.C.) rating adapted to carry not more than 9 persons	Rs 4000.00 each or 20% whichever is higher	40%		
		(4) Motor vehicles, N.O.S.	Rs 3000.00 each or 15% whichever is higher.	15%		
		Effective rates				
		Sub-Item (1)				
		Auto-cycles, motor-cycles, etc.				
		(i) if the cubic capacity of the engine of such vehicle does not exceed 75 cc	Rs 120.00 each or 10% whichever is lower	9%		

1	2	3	4	5	6	7
						(Rs lakhs)
		(ii) Others	Rs 210.00 each or 9% whichever is higher.	9%		
		Sub-Item (2)				
		Motor vehicles of not more than 16 H.P. by R.A.C. rating				
		(i) Motor vehicles with body	Rs 1333.33 each or 13½% whichever is higher.	20%		
		(ii) Others (including chassis)	Rs 1333.33 each or 13½% whichever is higher.	25%		
		Sub-item (4)				
		Motor vehicles, not otherwise specified.				
		(i) motor vehicles hitherto assessed at tariff rate (such as extra heavy vehicles, dumpers, etc.).	Rs 3000.00 each or 15% whichever is higher.	12½%		
		(ii) Others (commercial vehicles)	Different specific rates or 15% whichever is lower.			
		There is no change in the existing rates of duty on tractors (including agricultural tractors), and trailers.				
			[Sl No (x) of Part I of the Second Schedule]			
11.	*46	Metal containers not elsewhere specified	16%	15%	625	
12.	*49	Rolling bearings	10%	15%	210	
13.	*50	Welding electrodes all sorts	10%	15%	125	
14.	*51	Coated abrasives and grinding wheels	10%	15%	75	
			[Sl No (xi) of Part I of the Second Schedule]			
15.	*14FF	Tooth-paste (including dental cream)	—	10%	140	
16.	*28A	Electrical stampings and laminations, all sorts	—	10%	420	
17.	*37AA	Tape recorders (including Cassette recorders)	—	Rs 250.00 each	20	
18.	*37C	Photographic goods and apparatus	20%		60	
		(1) Photographic cameras	—	N.C.		
		(2) Sensitised papers (including Diazotype papers) and sensitised paper boards.	—	The duty for the time being leviable on the base paper or paper board as the case may be if already paid, plus 10%.		
19.	*51A	Cutting tools, namely:	—	10%	120	
		(i) files and rasps				
		(ii) hacksaw blades				
		(iii) twist-drills				
		(iv) reamers				
		(v) milling cutters				
20.	*66	Permanent magnets	—	50%	60	
		(i) Tariff Item Nos 14FF, 28A, 37AA, 51A and 66 are for New levies.				
		(ii) In the case of Item No 37C, tariff description is proposed to be enlarged so as to include sensitised photographic papers/boards.				
		(iii) For obviating assessment difficulties, it is proposed to fix tariff values for certain specified types of electrical stampings.				
		(iv) Permanent magnets, other than cast-alloy magnets containing (a) cobalt or (b) nickel or (c) both, have been exempted.				



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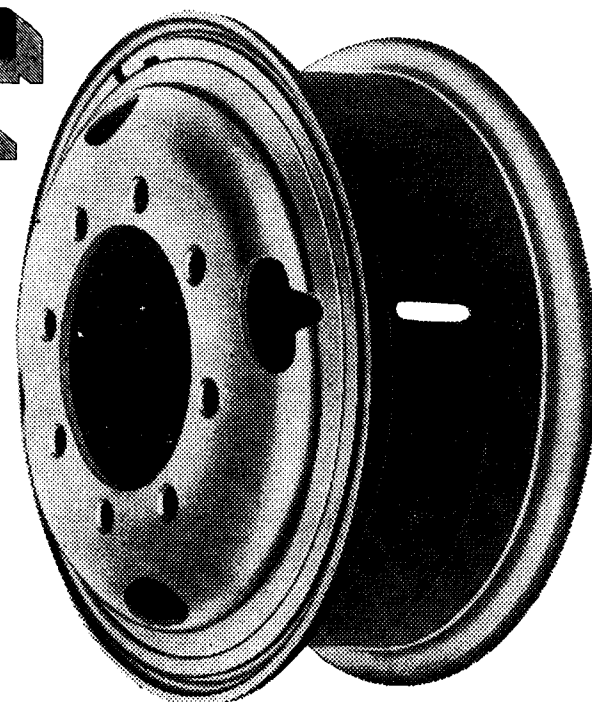
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- (v) Suitable relief has been provided to smaller manufacturers of tooth-paste and specified cutting tools.
- (vi) Tape recorders including Casette recorders produced in a small scale unit judged by the criterion of capital investment on plant and machinery not exceeding Rs 7.5 lakhs are being exempted.

(Sl Nos (i) to (vi) of Part II of the Second Schedule).

B—Auxiliary Duties of Excise

Estimated additional
revenue in one full (Rs lakhs)
year 6238

Under Clause 22 of the Finance Bill, 1974, the provisions for levy of auxiliary duties of excise on all excisable goods mentioned in Central Excise Tariff Schedule at an amount to 20% of the value of the goods is being continued.

2. There is no change in the present level of auxiliary duties of excise on goods covered under Central Excise Tariff Items Nos. 16AA, 18D, 22A (2), 26, 26A, 26AA, 26B, 27 and 28. However, on account of changes in the basic duties of excise on steel ingots and iron or steel products (vide Sl Nos 14 and 15 of Part D), consequential accruals under auxiliary duties of excise have been taken into account under this head.

3. It is now proposed to levy for the first time auxiliary duties of excise on the following goods at the effective rates indicated against each of them through notifications.

S No	Tariff Item No	Brief description of goods	Rate of duty as percentage of the basic effective duty
(i)	(ii)	(iii)	(iv)
1.	1D	Aerated Waters	50
2.	4-I	Unmanufactured tobacco	10
3.	4-II (2)	Cigarettes	10
4.	4-II (4)	Smoking mixtures for 'pipes and cigarettes	10
5.	14	Paints and varnishes	33½
6.	14C	Glycerine	50
7.	14D	Synthetic organic dye-stuffs	20
8.	14DD	Optical bleaching agents	20
9.	14F	Cosmetics & toilet preparations	50
10.	14H	Gases	20
11.	15A	Plastics, all sorts	20
12.	16A	Rubber products	20
13.	16B	Plywood	10
14.	23	Cement	10

4. All excisable goods other than those specified in paras 2 and 3 above have been totally exempted from the levy of auxiliary duties through notification.

C—Additional Duties of Excise and Customs on Mineral Products

S. No.	Tariff Item No	Commodity	Unit	Rate of duty		Estimated additional revenue in one full year
				Existing	Proposed	
1	2	3	4	5	6	7
1.	8	Refined diesel oils and vaporising oil	KL at 15° Centi- grade ther- mometer	Rs 850.00	Rs 2000.00	Nil
2.	11A	All products as described in Item 11A of the First Schedule to the Central Excises and Salt Act, 1944.	T	Rs 850.00	Rs 2000.00	Nil

1	2	3	4	5	6	7
						(Rs lakhs)

It is proposed to increase the ceiling rates prescribed under the Mineral Products (Additional Duties of Excise and Customs) Act, 1958 so as to enable the mopping up of any over-recoveries in the hands of oil companies as a result of the operation of the pricing formula for fixation of product prices.

[Sl Nos (i) and (ii) of the Third Schedule.]

D—Changes Proposed by Notification

1. †1D Aerated Waters 10 B
(5) AY

The criterion for charging duty on aerated waters sold under a brand name or trade mark registered under the Trade and Merchandise Marks Act, 1958 is being revised to cover all aerated waters bearing on their containers or caps any brand name or trade mark or symbol etc. whether registered or not under the aforesaid Act.

Note:—Additional revenue under 'AY' has already been taken into account under Part B.

2. †2 Coffee 5
(1) Coffee, cured Qtl Rs 100.00 N.C.
(2) Coffee commercially known as "Instant Coffee". 20%+duty on cured coffee used in its manufacture, if not already paid. N.C.

Effective rates

- (1) Coffee of the varieties known as robusta, liberia, etc. Qtl Rs 66.00 Rs 100.00
- (2) Instant Coffee 17½% plus duty on cured coffee used in the manufacture, if not already paid. 20% plus duty on cured coffee used in its manufacture, if not already paid.

3. †4-I(8) Unmanufactured tobacco 40 B
(4) AY
Stalks Kg Rs 0.50 (Rs 0.10) Rs 0.50 (Rs 0.10)
Effective rates Kg Rs 0.40 (Rs 0.10) Rs 0.50 (Rs 0.10)

Note:—(i) Figures in double brackets in the Rates column indicate the rates of additional duty of excise in lieu of sales-tax.
(ii) Additional revenue under "AY" has already been taken into account under Part B

4. 6 Motor Spirit KL Rs 2000.00 N.C. 1243

Effective rates

- (1) Special boiling point spirits with nominal boiling point ranges.
(a) 55-155°C—
(i) for use in the manufacture of rubber KL Rs 425.00 Rs 1921.55
(ii) for other uses KL Rs 845.00 Rs 1921.55
(b) 63-70°C—
(i) for use in the manufacture of solvent extracted V.N.E. oils, etc. KL Rs 425.00 Rs 1763.20
(ii) for other uses KL Rs 845.00 Rs 1763.20
(c) Other special boiling point spirits (other than Benzene, Benzol, Toluene and Toluol).

1	2	3	4	5	6	7
						(Rs lakhs)

- (i) 40—65°C
50—110°C,
60—80°C,
60—120°C,
70—80°C, and
80—100°C } KL Rs 845.00 Rs 1900.00

- (ii) others KL Rs 425.00 Rs 1900.00
(2) Raw Naphtha intended for use in the manufacture of methanol. KL Rs 25.00 Rs 450.00

- (3) Raw Naphtha intended for use in the manufacture of petro-chemical products. KL Rs 4.15 Rs 25.00

- (4) Benzol used with coke-oven gas as fuel for the manufacture or processing of steel. KL E Rs 450.00

- (5) Benzene, Benzol, Toluene and Toluol for certain specified industrial uses. KL Rs 150.00 Rs 450.00

Increase in duty on special boiling point spirits is to prevent their misuse as adulterants with petrol. In the case of Raw Naphtha and Benzene, Benzol, etc., the increase is to bring about economy in their consumption, particularly in the context of the present oil crisis. There is no increase in the duty on Raw Naphtha used as feed stock for fertiliser production.

5. †11 (1) Asphalt and Bitumen T Rs 100.00 N.C. 155

Effective rates

- (i) Straight grade bitumen/asphalt
(a) packed in drums T Rs 60.00 Rs 75.00
(b) in bulk T Rs 25.00 Rs 30.00
(ii) Cut-back bitumen/asphalt (packed in drums) T Rs 55.00 Rs 7.

6. *11B Blended or compounded lubricating oils and greases 20% N.C. 500

Effective rates

- Blended or compounded lubricating oils and greases. 15% 20%

7. †15A Artificial or synthetic resins and plastic materials and articles thereof. 80 B
(16) AY

The provision for granting uniform discount on consumer price list of artificial synthetic resins and plastic materials for the purpose of assessment to duty is proposed to be withdrawn as a measure of rationalisation.

Note:—Additional revenue under "AY" has been taken into account under Part B.

8. †18 Rayon and synthetic fibre and yarn Kg Rs 60.00 N.C. 1074

Effective rates

- (1) Staple fibre and tow—of non-cellulosic origin polyester fibre—
(a) of not more than 2 d Kg Rs 36.90 Rs 40.00
(b) of more than 2 d Rs 31.90 Rs 40.00
(2) Synthetic filament yarn — polyester filament yarn

of and above	below			
—	30 d	Kg	Rs 41.90	Rs 55.00
30 d	75 d	Kg	Rs 36.90	Rs 50.00
15 d	100 d	Kg	Rs 26.90	Rs 45.00
100 d	but not above 750 d	Kg	Rs 21.90	Rs 35.00
above 750 d	—	Kg	Rs 6.90	Rs 15.00

1	2	3	4	5	6	7
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(Rs lakhs)

- (3) Yarn spun either wholly out of staple fibre of cellulosic origin or such staple fibre in admixture with cotton where cotton content is not more than 10%.

New French counts

	of and more than	less than			
(i)	84	—	Kg	Rs 1.50	Rs 2.50
(ii)	69	84	Kg	Rs 1.50	Rs 2.00
(iii)	51	69	Kg	Rs 1.25	Rs 1.75
(iv)	40	51	Kg	Rs 1.10	Rs 1.50
(v)	34	40	Kg	Rs 0.20	Rs 1.00
(vi)	29	34	Kg	Rs 0.80	Rs 0.90
(vii)	22	29	Kg	Rs 0.32	Rs 0.40
(viii)	14	22	Kg	Rs 0.20	N.C.
(ix)	—	14	Kg	Rs 0.10	N.C.

- (4) Mineral fibres or yarn whether continuous or otherwise (other than glasswool, fibre and yarn), such as rockwool, slagwool and the like.

(a) Slag Wool

(i) in loose form	Kg	Rs 0.20	N.C.
(ii) in resin bonded form	Kg	Rs 0.20	Rs 0.90
(b) Others		Nil	N.C.

9. 18A

Cotton twist, yarn and thread, all sorts, etc.

1419

- (1) of counts 29 or more Kg Rs 5.00 N.C.
 (2) of counts less than 29 Kg Rs 1.00 N.C.
 (i) The present effective rates of duty on all types of cotton yarn (excluding cotton yarn of less than 22 NF counts—mostly used in medium-B and coarse fabrics) cleared in any form (other than in the form of straight-reeled hank) are proposed to be increased.
 (ii) The present exemption from duty on cotton yarn used in the manufacture of specified types of cotton fabrics assessed to duty under Item No 19-1 (I) is proposed to be withdrawn.
 (iii) There is no change in the existing exemptions and concessional duty on cotton yarn cleared in straight-reeled hank which is mostly used by handloom sector.

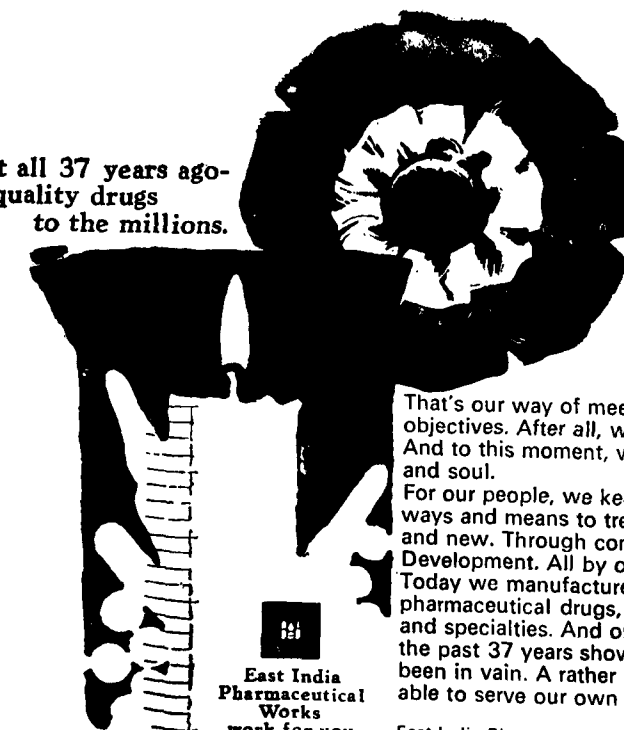
Effective rates on cotton twist, yarn and thread

- (1) Cotton twist, yarn and thread (other than straight—reeled hank yarn and yarn used for weaving by composite mills)

	of and above counts	below counts			
(i)	84	—	Kg	Rs 1.50	Rs 2.50
(ii)	69	84	Kg	Rs 1.50	Rs 2.00
(iii)	51	69	Kg	Rs 1.25	Rs 1.75
(iv)	40	51	Kg	Rs 1.10	Rs 1.50
(v)	34	40	Kg	Rs 0.80	Rs 1.00
(vi)	29	34	Kg	Rs 0.70	Rs 0.90
(vii)	22	29	Kg	Rs 0.32	Rs 0.40
(viii)	14	22	Kg	Rs 0.20	N.C.
(ix)	—	14	Kg	Rs 0.10	N.C.

- (2) Cotton twist, yarn and thread used for weaving cotton fabrics in composite mills working under normal procedure.

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1	2	3	4	5	6	7
						(Rs lakhs)
		(i) of less than 22 counts	Kg	Rs 0.60	N.C.	
		(ii) of and above 22 counts but less than 29 counts.	Kg	Rs 0.60	Rs 0.80	
		(iii) of and above 29 counts but less than 34 counts	Kg	Rs 1.55	Rs 2.00	
		(3) Yarn used by composite mills working under special procedure for making—				
		(i) Super-fine fabrics	sq m	Rs 0.20	Rs 0.20	
		(ii) Fine fabrics	sq m	Rs 0.12	Rs 0.20	
		(iii) Medium-A-fabrics	sq m	6.60 paise	Rs 0.10	
		(iv) Medium-B-fabrics	sq m	4.40 paise	N.C.	
		(v) Coarse fabrics	sq m	2.20 paise	N.C.	
		(4) Cotton yarn intended to be used in the manufacture of cotton fabrics, such as coating, suiting, etc. falling under sub-item 19-1(1).	sq m	Exempted	5 paise	
		(5) Yarn contained in fents arising out of cotton fabrics produced by factories working under special procedure—				
		(i) Fents of superfine fabrics	Kg	Rs 2.00	Rs 4.00	
		(ii) Fents of fine fabrics	Kg	Rs 0.80	Rs 1.40	
		(iii) Fents of Medium-A fabrics	Kg	Rs 0.45	Rs 0.70	
		(iv) Fents of <i>ad valorem</i> -assessed fabrics falling under sub-item 19-1(1).	Kg	Exempted	Rs 0.30	
10.	18E	Yarn, all sorts, N.E.S.	Kg	Rs 60.00	N.C.	
		Effective rates on yarn, all sorts, N.E.S.				
		(1) Blended yarn containing any two or more of (a) staple fibre of cellulosic origin, (b) less than 50% of jute and (c) cotton—				
		of and above counts	below counts			
		(i) 84	—	Kg	Rs 1.50	Rs 2.50
		(ii) 69	84	Kg	Rs 1.50	Rs 2.00
		(iii) 51	69	Kg	Rs 1.25	Rs 1.75
		(iv) 40	51	Kg	Rs 1.10	Rs 1.50
		(v) 34	40	Kg	Rs 0.80	Rs 1.00
		(vi) —	34	Kg	Rs 0.70	Rs 0.90
		(vii) 22	29	Kg	Rs 0.32	Rs 0.40
		(viii) 14	22	Kg	Rs 0.20	N.C.
		(ix) —	14	Kg	Rs 0.10	N.C.
		(2) Blended yarn containing any two or more of (a) staple fibre of cellulosic origin, (b) less than 50% jute and (c) cotton, used by mills availing special procedure laid down in rule 96 (w) for making—				
		(i) Superfine fabrics	sq m	Rs 0.20	Rs 0.30	
		(ii) Fine fabrics	sq m	Rs 0.12	Rs 0.20	
		(iii) Medium-A fabrics	sq m	6.60 paise	Rs 0.10	
		(iv) Medium-B fabrics	sq m	4.40 paise	N.C.	
		(v) Coarse fabrics	sq m	2.20 paise	N.C.	
		(3) Blended yarn containing any two or more of (a) staple fibre of cellulosic origin, (b) less than 50% of jute and (c) cotton, used in the manufacture of cotton fabrics assessed to <i>ad valorem</i> duty under Item No 19-1(1)—	sq m	Exempted	5 paise	

1	2	3	4	5	6	7
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(Rs lakhs)

- (4) Blended yarn containing any two or more of (a) staple fibre of cellulosic origin (b) less than 50% jute and (c) cotton, contained in fents of cotton fabrics produced by factories working under rule 96 (w)—

(i) in fents of superfine fabrics	Kg	Rs 2.00	Rs 4.00
(ii) in fents of fine fabrics	Kg	Rs 0.80	Rs 1.40
(iii) in fents of Medium-A fabrics	Kg	Rs 0.45	Rs 0.70
(iv) in fents of fabrics assessed to <i>ad valorem</i> duty under Item No 19-1(1).	Kg	Exempted	Rs 0.30

- (5) Blended yarn containing partly staple fibre of non-cellulosic origin and partly any other fibres (excluding wool)—if non-cellulosic fibre content of it is—

(i) 60% or more	Kg	Rs 15.00	N.C.
(ii) More than 58% but less than 60%	Kg	Rs 12.00	Rs 15.00
(iii) More than 50% but not more than 56%	Kg	Rs 10.00	Rs 15.00
(iv) Containing 50%	Kg	Rs 10.00	Rs 15.00
(v) Of and more than 40% but less than 50%	Kg	Rs 8.00	Rs 12.00
(vi) Of and more than 25% but less than 40%	Kg	Rs 6.00	Rs 12.00
(vii) Of and more than 20% but less than 25%	Kg	Rs 6.00	Rs 10.00
(viii) More than 10% but less than 20%	Kg	Rs 4.00	Rs 10.00
(ix) 10% or less	Kg	Rs 4.00	Rs 7.50

Note:—Present rates of duty in respect of yarn covered by categories at (iii) to (ix) of S. No (5) above are reduced by Rs 2 per Kg if the said yarn is of 34 NF counts or less.

11. *19

Cotton Fabrics—

There is no change either in Tariff description or in the ceiling rates of this Item.

2. The following changes have, however, been made under this Item.

- Increase proposed in duty by 9 paise per sq m in respect of super-fine and fine fabrics and by 5 paise per sq m in respect of medium-A fabrics when mercerised, etc. whether printed or not;
 - Increase proposed in duty by 17 paise per sq m in respect of superfine and fine fabrics and by 12 paise per sq m in respect of medium-A fabrics when shrink-proofed, etc. whether printed or not;
 - As a consequence, suitable changes are proposed in the rates of duty when mercerised/shrink proofed etc. whether printed or not with or without power/steam by independent processors in respect of fabrics, mentioned in (a) and (b) above.
 - Suitable increases have also been made in the rates of duty applicable to "fents" and "rags" of super-fine/fine/medium-A fabrics, other than grey/bleached/dyed.
- (3) There is, however, no change in the existing specific rates of duty on:
- grey bleached/dyed printed fabrics of any category
 - medium-B and coarse fabrics even if mercerised, etc./shrink-proofed, etc.
- (4) Controlled varieties of medium-B and coarse fabrics continue to be exempted from basic excise duty.

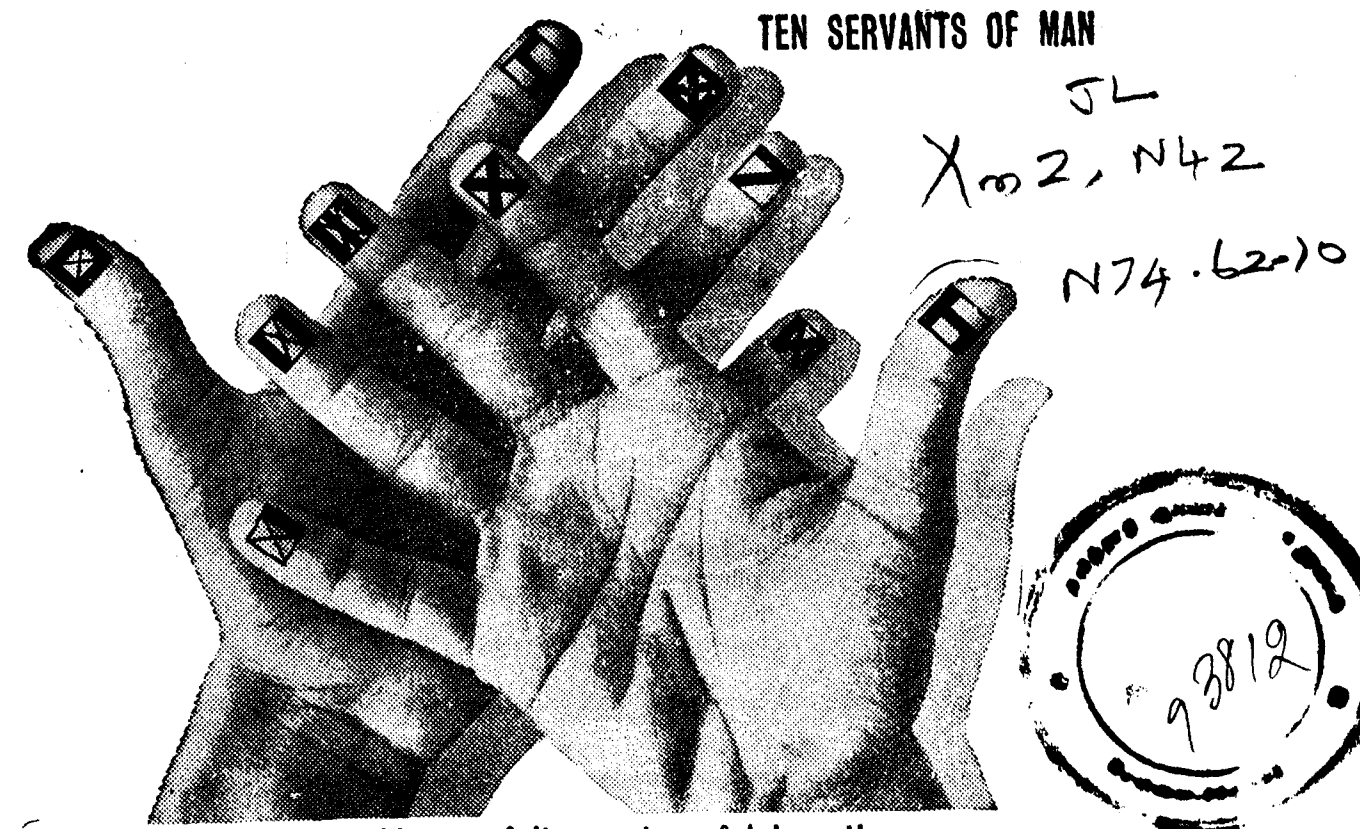
Effective rates on cotton fabrics

I. Fabrics subjected to specific rates of duty

(a) Super-fine

(i) mercerised or/and water-proofed etc. but not printed.	sq m	42 paise	51 paise
(ii) mercerised or/and water-proofed etc. and printed.	sq m	47 paise	56 paise
(iii) shrink-proofed etc. but not printed	sq m	57 paise	74 paise
(iv) shrink-proofed etc. and printed	sq m	62 paise	79 paise

786



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1	2	3	4	5
6	7	8	9	0

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IMPLEMENTATION OF GARIBI HATAO PROGRAMME IN PUNJAB

Giani Zail Singh Ministry has taken the following steps to implement "Garibi Hatao" Programme in Punjab.

- * Land Reforms Act promulgated. Steps are being taken to distribute surplus land among the landless. Land Advisory Committees constituted at State & District level.
- * Free developed house-sites allotted to 1,84,531 homeless and landless workers in the rural areas. Financial assistance is being extended for the construction of houses over these sites.
- * New Industrial Centres have been set up at 22 key stations in addition to the existing focal points of Mohali, Dhandari Kalan and Rajpura with a view to providing more job opportunities to the people of the State.
- * Minimum Wages fixed for workers employed in 31 trades. Minimum wages for agricultural labour fixed to benefit 9 lakh persons which is the highest number of India.
- * 20,000 rickshaw pullers being extended financial assistance to enable them to buy their own rickshaw.
- * 1,54,500 small and marginal farmers got financial assistance through Co-operative societies and banks.
- * Nutritional food is being distributed to 19,000 children belonging to the weaker sections of the society in slum areas of the cities having a population of more than one lakh.

LET US REDEDICATE OURSELVES TO THE SERVICE OF THE NATION

PPR/73-74/132

1	2	3	4	5	6	7
		(b) Fine				
		(i) mercerised or/and water-proofed, etc. but not printed.	sq m	41 paise		50 paise
		(ii) mercerised or/and water-proofed, etc. and printed.	sq m	46 paise		55 paise
		(iii) shrink-proofed etc. etc. but not printed	sq m	56 paise		73 paise
		(iv) shrink-proofed etc. and printed	sq m	61 paise		78 paise
		(c) Medium-A				
		(i) mercerised or/and water-proofed etc. but not printed	sq m	20 paise		25 paise
		(ii) mercerised or/and water-proofed etc. and printed.	sq m	22.5 paise		27.5 paise
		(iii) shrink-proofed, etc. but not printed	sq m	35 paise		47 paise
		(iv) shrink-proofed etc. and printed	sq m	37.5 paise		49.5 paise
		II. Fents				
		(i) fents of super-fine fabrics other than grey bleached dyed.	Kg	Rs 4.00		Rs 5.20
		(ii) fents of fine fabrics other than grey bleached dyed	Kg	Rs 2.00		Rs 2.60
		(iii) fents of medium-A fabrics other than grey bleached dyed.	Kg	Rs 0.50		Rs 0.65
		III. Rags				
		(i) rags of super-fine fabrics other than grey bleached dyed.	Kg	Rs 2.00		Rs 2.60
		(ii) rags of fine fabrics other than grey/bleached/dyed.	Kg	Rs 1.00		Rs 1.30
		(iii) rages of medium-A fabrics other than grey/bleached/dyed	Kg	Rs 0.25		Rs 0.35
		IV. Sprcial procedure (compounded levy) rates for units processing without the aid of power/steam—			(Rs per month per machine installed)	
		(i) Stentering machine		Rs 3000.00		Rs 4500.00
		(ii) Mercerising machine with 2 rollers		Rs 2000.00		Rs 5000.00
12.	23D	Mosaic tiles				(—) 35
		It is proposed to exempt this item wholly from excise levy.				
13.	† 25	Iron in any crude form (pig iron, etc.)	T	Rs 50.00	N.C.	160
		Effective rates	T	Rs 40.00	Rs 50.00	
		Pig iron etc. used in the manufacture of steel continues to be exempted.				
14.	† 26	Steel ingots				150 B (112 AY)
		The present exemption in basic duty to the extent of Rs 50 Ton steel ingots produced with the aid of electric furnaces out of old iron or steel melting scrap etc. has been withdrawn, thus making such ingots pay the full rate of Rs 100 T. These ingots will in addition pay auxiliary duty of 75% of the higher effective basic excise duty.				
		Note: Additional revenue under AY has been taken into account under Part B.				
15.	† 26AA	Iron or steel products.				410 B (208 AY)
		Consequent on the withdrawal of partial exemption on ingots produced with the aid of electric furnace out of old iron or steel melting scrap etc., the products made out of ingots from electric furnace units will pay correspondingly higher effective duties. As in the case of ingots, the products will also pay auxiliary duty at appropriate rates of the higher effective basic duty.				
		(ii) It is proposed to withdraw the present exemption from product duty on iron or steel products like bars, rods, structurals etc. manufactured out of duty paid ingots out or broken (but not rolled) into pieces resembling the shape of semi-finished steel.				
		Note—Additional revenue under AY has been taken into account under Part B.				
16.	† 33A	Wireless Receiving sets				80
		The present lower effective rate of duty of 10% on broadcast television receiver sets is proposed to be withdrawn, thus making them pay the tariff rate of 20%.				

1	2	3	4	5	6	7
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(Rs lakhs)

2. Wireless receiving sets manufactured in industrial units with capital investment on plant and machinery not more than Rs 7.5 lakhs and whose price at the point of sale to the consumer does not exceed Rs 165 per set is presently exempted from excise levy. It is proposed to enlarge the scope of this exemption to sets whose price at the point of sale to the consumer does not exceed Rs 225 per set.

3. There is no change in the existing rates of duty applicable to other sets whether produced by organised sector or small scale sector.

17. + 37

Cinematograph films—

Existing		Proposed	
of a width of 30 mm or higher	below 30 mm. in width	of a width of 30 mm or higher	below 30 mm. width

II. Exposed—

(1) news-reels and shorts not exceeding 500 metres	Re 1.00	Rs 0.50 (per metre)	N.C.	N.C.
(2) feature films, advertisement shorts and films N.O.S.	Rs 2.00	Re 1.00 (per metre)	N.C.	N.C.

Documentary films falling under sub-item II (1) above are proposed to be completely exempted subject to appropriate certification by the Film Censor Board. It is also proposed to afford relief in excise duty to low-budget films made in colour by suitable readjustment of slabs and the effective rates thereto. The proposals do not have much of revenue significance.

Effective rates on Films Exposed

Films of width			Films of width		
less than 30 mm.	30 mm.	or more	less than 30 mm.	30 mm.	or more
	does not exceed 4000 metres in length	exceeds 4000 metres in length		does not exceed 4000 metres in length	exceeds 4000 metres in length
(i)	(ii)	(iii)	(i)	(ii)	(iii)

(paise per metre)

I. Films made in Colour

(1) Cleared for home consumption within 12 months from the date of certification by the Central Board of Film Censors

(i) First 8 prints	10	15	20	Nil	Nil	Nil
(ii) Next 4 prints	15	20	30	Nil	Nil	Nil
(iii) Next 8 prints	15	20	30	10	15	20
(iv) Next 15 prints	25	35	50	20	25	40
(v) Next 15 prints	40	50	70	35	50	75
(vi) Next 10 prints	60	75	100	60	90	125
(vii) On the balance	85	100	150	85	150	200

(2) Cleared for home consumption after 12 months from the date of certification by the Central Board of Film Censors.

Nil	Nil	Nil	Nil	Nil	Nil
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II. Films made in Black & White

(1) Cleared for home consumption within 12 months from the date of certification by the Central Board of Films Censors

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In spite of a long coastline and seas teeming with seafood, we net only 14% of our marine wealth. The rest is waiting to be hauled in!

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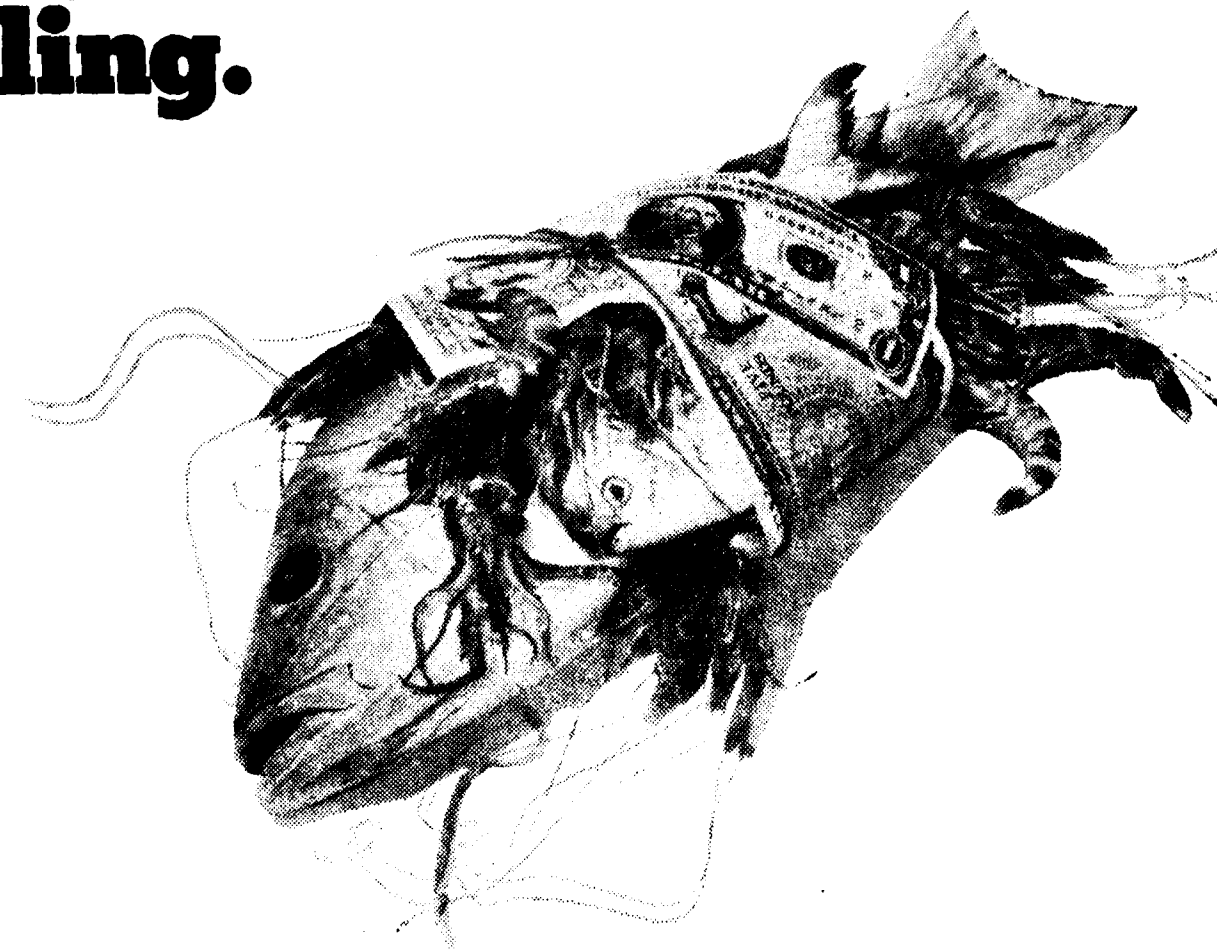
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1	2	3	4	5	6	7
						(Rs lakhs)
(i) First 12 prints		Nil	Nil	Nil	Nil	Nil
(ii) Next 8 prints		10	15	25	10	15
(iii) Next 15 prints		15	25	40	15	25
(iv) Next 15 prints		25	40	60	25	40
(v) Next 25 prints		40	60	85	40	60
(vi) On the balance		60	80	100	60	80
(2) Cleared for home consumption after 12 months from the date of certification by the Central Board of Film Censors.		Nil	Nil	Nil	Nil	Nil
18. *37A Gramophone records—E.P. (Extended Play records)				15%	N.C.	40
Effective rate				Exempted	10%	

ABSTRACT—CENTRAL EXCISES

S No	Tariff Item No	Commodity	Additional Revenue		
			Basic	Auxiliary	Total
1	2	3	4	5	6
I. Existing Items			(Rs lakhs)		
1.	1A	Confectionery	120	—	120
2.	1D	Aerated Waters	10	355	365
3.	2	Coffee	90	—	90
4.	4-I	Unmanufactured tobacco	40	809	849
5.	4-II(2)	Cigarettes	—	1720	1720
6.	4-II(4)	Smoking mixtures	—	8	8
7.	6	Motor spirit	1243	—	1243
8.	11	Asphalt and Bitumen	155	—	155
9.	11A	Petroleum products, N.O.R.	350	—	350
10.	11B	Blended/compounded lub. oils	500	—	500
11.	14	Paints and varnishes	—	373	373
12.	14C	Glycerine	—	30	30
13.	14D	Synthetic organic dye-stuffs	—	240	240
14.	14DD	Optical bleaching agents	—	19	19
15.	14F	Cosmetics	—	410	410
16.	14H	Gases	—	105	105
17.	15A	Plastics	80	776	856
18.	15AA	Surface active agents	250	—	250
19.	16A	Rubber products	—	280	280
20.	16B	Plywood	—	53	53
21.	17	Paper	1000	—	1000
22.	18	Rayon and synthetic fibre and yarn	1074	—	1074
23.	18A	Cotton yarn	1419	—	1419
24.	18E	Yarn, N.E.S.	325	—	325
25.	19	Cotton fabrics	786	—	786
26.	23	Cement	—	640	640
27.	23A	Glassware	260	—	260
28.	23B	Chinaware	105	—	105
29.	23D	Mosaic tiles	(—) 35	—	(—) 35
30.	25	Iron in crude form	160	—	160
31.	26	Steel ingots	150	112	262
32.	26A A	Iron and steel products	410	308	718
33.	29A	Refrigerators and air-conditioners	500	—	500
34.	31	Electric batteries	260	—	260
35.	33A	W.R. sets (including T.V. sets)	80	—	80
36.	33D	Office machines	107	—	107
37.	34	Motor vehicles	1625	—	1625
38.	37	Exposed films	—	—	—
39.	37A	Gramophone records	40	—	40
40.	46	Metal containers	625	—	625
41.	49	Rolling bearings	210	—	210

1	2	3	4	5	6
42.	50	Welding electrodes	125	—	125
43.	51	Coated abrasives	75	—	75
Total of I			12139	6238	18377
II. New Levies					
1.	14FF	Tooth paste	140	—	140
2.	28A	Electrical stampings and laminations	420	—	420
3.	37AA	Tape recorders	20	—	20
4.	37C	Photographic paper	60	—	60
5.	51A	Specified cutting tools	120	—	120
6.	66	Permanent magnets	60	—	60
Total of II			820	—	820
Grand Total of I & II			12959	6238	19197

ABSTRACT

	(Rs in crores)		
	Centre	States	Total
(i) Basic duties	103.67	25.92	129.59
(ii) Auxiliary duties	52.38	—	62.38
Total	166.05	25.92	191.97

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Madras • Bombay • Calcutta
New Delhi

MEMORANDUM SHOWING THE PROPOSED PROVISION OF POSTAL, TELEGRAPH AND TELEPHONE TARIFFS (1974)

SECTION—1

POSTAL (Inland)

S. No	Item	Existing Tariff		Proposed Tariff	
1.	Letters	Upto 15 grams Per 15 grams thereafter	20 Paise 15 P. 15 P.	Upto 15 grams Per 15 grams thereafter	25 paise 15 P. 20 P.
2.	Letter Cards				
3.	Post Cards	Single Reply paid	10 P. 20 P.	Single Reply paid	15 P. 20 P.
4.	Parcels	Per 400 grams	Re. 1/-	Per 500 grams	Re 1.50
5.	Book Packets containing Periodicals registered with the Registrar of Newspapers of India	Upto 100 grams Per 50 grams thereafter	10 P. 5 P. Re 1/-	Upto 100 grams Per 50 grams thereafter	15 P. 10 P. Re 1.25
6.	*Registration Fee				
7.	Value Payable articles—Posting Fee	Value not exceeding Rs 10/- Exceeding Rs 10/-	10 P. 25 P.	Value not exceeding Rs 10/- Exceeding Rs 10/-	20 P. 50 P.
8.	Business Reply Permit— (i) Fee (ii) Handling charges		Rs 100/- p.a. —	(i) Fee (ii) Handling charges	Rs 200/- p.a. 10 P. per article delivered.

Section I—Estimated additional revenue in a year.....Rs. 25.76 crores.

*The proposed tariff will apply to registered articles in the foreign post also.

SECTION II

TELEGRAPHS (Inland)

Sl No	Item	Existing Tariff		Proposed Tariff	
1.	Non-Press Telegrams	Ordinary	Express	Ordinary	Express
		Rs	Rs	Rs	Rs
	First 8 words	1.20	2.40	1.50	3.00
	Each additional word	0.15	0.30	0.15	0.30
2.	Multiple Telegrams Copying Fee	50 Paise for every group of 50 chargeable words or part thereof.		Re 1/- for every group of 50 chargeable words or part thereof.	

Section II—Estimated additional revenue in a year....Rs 2.08 crores.

SECTION III

TELEPHONES

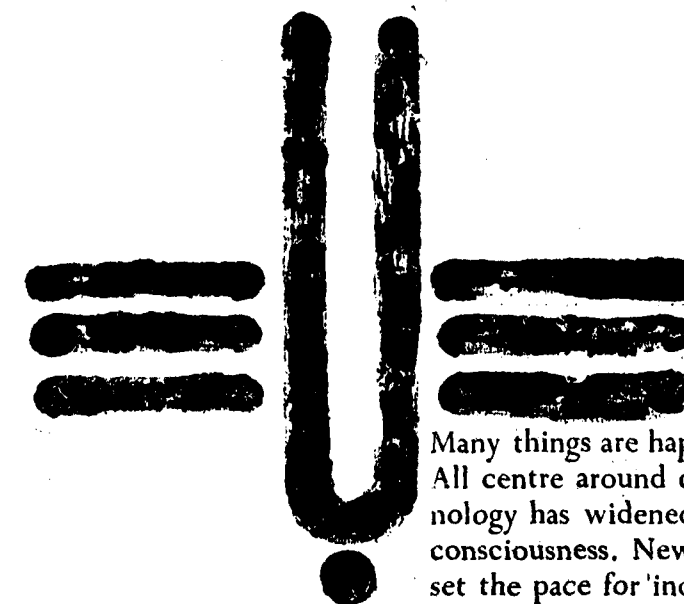
Sl No	Item	Existing Tariff		Proposed Tariff	
1.	Rental for Direct Exchange lines within the local area.				
	(A) Measured Rate Systems				
	(i) Exchange systems of 10,000 lines capacity and above.	Rs 100.00 per quarter		(i) Exchange systems of 10,000 lines capacity and above.	Rs 125.00 per quarter.
	(ii) Exchange systems of less than 10,000 lines capacity.	Rs 80.00 per quarters		(ii) Exchange systems of less than 10,000 lines capacity	Rs 100 per quarter

Sl. No.	Item	Existing Tariff		Proposed Tariff	
(B)	Flat Rate Systems	Annual Rs	Monthly Rs	Annual Rs	Monthly Rs
	(i) Exchange of 100 lines and above capacity providing 24 hrs. service	400.00	35.00	(i) Exchange of 100 lines and above capacity providing 24 hrs. service	500.00 45.00
	(ii) Exchange of less than 100 lines capacity providing 24 hrs. service	340.00	30.00	(ii) Exchanges of less than 100 lines capacity providing 24 hrs. service.	400.00 35.00
	(iii) Exchange providing restricted hours of service:— (a) Manual exchanges of capacity of over 20 lines.	250.00	23.00	(iii) Exchanges providing restricted hours of service:— (a) Manual exchanges of capacity of over 20 lines	300.00 27.00
	(b) Manual exchanges of capacity 20 lines or less	180.00	17.00	(b) Manual exchanges of capacity of 20 lines or less.	200.00 20.00
	Measured Rate Systems				
	Call charges	First 250 calls per quarter. Thereafter.	No charge. 20 P per call	First 300 calls per quarter Thereafter	No charge 25 P per call
	Extra charges for Telephone connections extending beyond the local area:—				
	(i) Measured Rate Systems		Rs 30/- per km per qr. Rs 120/- p.a. or Rs 12/- p.m. per km.	(i) Measured Rate Systems	Rs 40/- per km. per qr.
	(ii) Flat Rate Systems			(ii) Flat Rate Systems	Rs 160/- p.a. or Rs. 16/- p.m. per km.
	Extensions to Departmental exchange connections and PBX Connections:—				
	(a) Internal extension without inter-communication facility and internal PBX connection.	Rs 100/- p.a.		(a) Internal extension without inter-communication facility and internal PBX connection.	Rs 150/- p.a.
	(b) Internal extension with inter-communication facility.	Rs 150/- p.a.		(b) Internal extension with inter-communication facility.	Rs 200/- p.a.
	(c) External extension and external PBX connection lying outside the subscriber's premises:—				
	(i) Not exceeding one km radial distance.	Rs 250/- p.a.		(i) Not exceeding 1 km radial distance.	Rs 350/- p.a.
	(ii) Exceeding 1 km radial distance	Rs 250/- p.a. for the first km. plus Rs 75/- p.a. for each addl. km. or part thereof.		(ii) Exceeding 1 km radial distance	Rs 350/- p.a. for the first km. plus Rs 150/- p.a. for each addl. km. of part thereof.
	(iii) External extension and external PBX connection which lie entirely within the subscriber's premises and no portion of which crosses a public road.	Rs 200/- p.a. for the first km. and Rs 50/- p.a. for each addl. km. or part thereof.		(iii) External extension and external PBX connection which lie entirely within the subscriber's premises and no portion of which crosses a public road.	Rs 300/- p.a. for the first km. and Rs 100/- per annum for each additional km. or part thereof.

Sl No	Item	Existing Tariff	Proposed Tariff
5.	Private Branch Exchanges:— Rental for each equipped termination on the Switch Board:—		
	(a) Automatic	Rs 75/- p.a.	(a) Automatic Rs 150/- p.a.
	(b) Manual	Rs 50/- p.a.	(b) Manual Rs 100/- p.a.
6.	Private Wires and non-Exchange lines:—		
	(i) Internal private wires	Rs 150/- p.a.	(i) Internal private wires Rs 200/- p.a.
	(ii) External private wires without relay set:		
	(a) Not exceeding 1 km. chargeable distance	Rs 250/- p.a.	(a) Not exceeding 1 km. chargeable distance. Rs 300/- p.a.
	(b) Exceeding 1 km	Rs 75/- p.a. for each additional km or part thereof	(b) Exceeding 1 km. Rs 150/- p.a. for each additional km or part thereof.
	(iii) External private wires with relay set:		
	(a) Not exceeding 1 km chargeable distance	Rs 300/- p.a.	(a) Not exceeding 1 km. chargeable distance Rs 300/- p.a.
	(b) Exceeding 1 km	Rs 75/- p.a. for each additional km or part thereof.	(b) Exceeding 1 km Rs 150/- p.a. for each additional km or part thereof.
	(iv) External private wires which lie entirely within the subscriber's premises and no portion of which crosses a public road:—		
	(a) Not exceeding 1 km (without relay set)	Rs 200/- p.a.	(a) Not exceeding 1 km (without relay set). Rs 250/- p.a.
	(b) Not exceeding 1 km (with relay set)	Rs 250/- p.a.	(b) Not exceeding 1 km (with relay set) Rs 300/- p.a.
	(c) Exceeding 1 km (with or without relay set)	Rs 50/- p.a. for each additional km or part thereof.	(c) Exceeding 1 km (with or without relay set) Rs 100/- p.a. for each additional km for part thereof.
	(v) Non-exchange lines		
	(a) Not exceeding 1 km. radial distance	Rs 250/- p.a.	(a) Not exceeding 1 km. distance. Rs 300/- p.a.
	(b) Exceeding 1 km radial distance	Rs 75/- p.a. for each additional km or part thereof.	(b) Exceeding 1 km radial distance. Rs 150/- p.a. for each additional km or part thereof.
	(vi) Non-exchange lines which lie entirely within the subscriber's premises and no portion of which crosses a public road:—		
	(a) Not exceeding 1 km radial distance	Rs 200/- p.a.	(a) Not exceeding 1 km radial distance. Rs 250/- p.a.
	(b) Exceeding 1 km radial distance	Rs 50/- p.a. for each additional km or part thereof	(b) Exceeding 1 km radial distance Rs 100/- p.a. for each additional km or part thereof.
7.	Trunk Call charges and STD Tariffs:—		
	(a) Trunk Call Charges		

Distance in km		Charges for an ordinary call of Unit duration	Distance in Km		Charges for an ordinary call of Unit duration
Above 0	Upto 20	Rs P. 0.50	Above 0	Upto 20	Rs P. 0.25
20	50	1.00	20	50	1.00
50	100	2.00	30	100	2.00
100	200	3.00	100	200	4.00
200	500	5.00	200	500	7.00
500	900	8.00	500	1000	11.00
900	1300	12.00	1000	1000	15.00
Above 1300		16.00			

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S. No.	Item	Existing Tariff					Proposed Tariff				
(b) Subscriber's Trunk Dialed (STD) Tariffs.											
Radial distance between ex-changees in kms		Periodicity of STD pulses in second per pulse			Radial distance between ex-changees in kms		Periodicity of STD pulses in seconds per pulse				
		Week days					Week Days				
		Day	Night 7 PM to 8 AM	Sundays and three National Holidays			Day	Night 7 PM to 8 AM	Sundays & three National Holidays		
Above	Upto				Above	Upto					
0	20	72	72	72	0	20	—	—	—		
20	80	38	72	72	20	50	36	72	72		
50	100	18	36	36	50	100	18	36	36		
100	200	12	24	24	100	200	12	24	24		
200	500	6	12	12	200	500	6	12	12		
500	900	4	8	8	500	1000	4	8	8		
Above	900	2	4	4	Above	1000	2	4	4		
(c) Fixed Tie, Call & Subscription Fixed Time Call.		Available for both ordinary and urgent calls. Additional surcharge equal to 50% of Trunk Call charge for an ordinary call of unit duration is levied in addition to the the total Trunk Call charge.					This facility will not be available for ordinary calls.				
Section III—Estimated additional revenue in a year Rs 29,24 crores.											

8. Own Your Telephone Scheme		Capacity of Exchange System				Capacity of Exchange System		
		10,000 lines and above	1,000 lines and above but below 10,000 lines	300 lines and above but below 1,000 lines	Below 300 lines	10,000 lines and above	1,000 lines and above but below 10,000 lines	Below 1,000 lines
		Rs	Rs	Rs	Rs	Rs	Rs	Rs
(a) Initial payment		3,000	2,500	2,000	1,000	5,000	4,000	3,000
(b) Initial period during which a reduction in rental is admissible		20 years	20 years	15 years	10 years	20 years	20 years	20 years
(c) Rebate in result:—								
(i) On rentals paid annually		Rs 144	Rs 120	Rs 128	Rs 96	Rs 240	Rs 192	Rs 144
(ii) On rentals paid quarterly		Rs 36	Rs 30	Rs 32	Rs 24	Rs 60	Rs 48	Rs 36
(iii) On rentals paid monthly		—	—	Rs 10	Rs 8	—	—	Rs 12
Section IV—Not a revenue item, Hence no additional revenue.								

SUMMARY OF ESTIMATED ADDITIONAL REVENUE IN A YEAR

Section I	Postal Tariffs	Rs 25.76 crores
Section II	Telegraph Tariffs	Rs 2.08 crores
Section III	Telephone Tariffs	Rs 29.24 crores
Total		Rs 57.08 crores

PUBLIC DEBT OF THE CENTRAL GOVERNMENT

As at the end of

Particulars	1950-51	1955-56	1960-61	1965-66	Revised 1973-74	Budget 1974-75
1	2	3	4	5	6	7
(In crores of Rupees)						
A—Internal Debts						
(i) Market Loans-Current (details in Appendix A)	1438.46	1508.63	2555.72	3417.28	5851.56	6338.63
(ii) Compensation Bonds	..	..	..	..	83.80	83.80
(iii) Prize Bonds	..	..	15.63	11.35	1.00	0.80
(iv) 15-Year Annuity Certificates	..	.96	3.45	3.78	1.80	1.40
(v) Current Loans in course of repayment	6.49	12.22	22.73	33.72	61.68	61.68
(vi) Treasury Bills	358.02	595.25	1106.29	1611.82	4498.39	4809.39
(vii) Special Floating Loans	212.60	212.60	274.18	340.70	730.09	734.12
(viii) Treasury Deposit Receipts and other floating loans	6.73	.06	..	..	..	..
Total—Internal Debt	2022.30	2329.72	3878.00	5418.65	11228.32	12029.82
B.—External Debt						
(i) Defence Certificates	..	..	..	.09	.04	..
(ii) England—	..	..	..	..	..	..
India Stocks, Rly. Debentures and Annuities	12.37	2.61	0.12	.04	..	..
UK Govt. loans	..	..	106.52	263.41	882.57	903.39
Lazard Bros. & Co. Ltd.	..	..	15.33	..	..	..
(iii) USA—	..	..	..	..	..	..
P.L. 480 and other Rupee Loans	..	91.72	288.72	1277.91	..	..
Other Loans	..	..	..	..	1884.40	1891.64
US Export-Import Bank	..	..	25.41	101.30	63.54	50.13
(iv) USSR	..	..	57.48	243.47	266.95	229.66
(v) Canada	..	..	14.07	17.95	217.63	257.93
(vi) Federal Republic of Germany	..	..	103.19	206.25	485.32	481.30
(vii) Japan	..	..	9.93	62.29	365.51	371.47
(viii) Switzerland	..	..	..	5.70	14.84	13.88
(ix) Czechoslovakia	..	..	..	9.96	28.52	31.42
(x) Yugoslavia	..	..	..	7.92	6.37	4.45
(xi) Poland	..	..	..	4.49	13.54	12.69
(xii) Austria	..	..	..	2.98	16.07	13.79
(xiii) Netherlands	..	..	..	7.56	69.31	82.39
(xiv) Denmark	..	..	..	.50	10.80	13.65
(v) Northern Rhodesia	..	..	..	.53	..	..
(xvi) New Zealand	..	..	..	.27	..	..
(xvii) Sweden	..	..	..	..	21.07	37.18
(xviii) Kuwait	..	..	..	19.28	3.08	3.08
(xix) Italy	..	..	..	..	4.86	4.21
(xx) Bahrain	..	..	..	7.86	2.47	1.73
(xxi) France	..	..	..	..	87.94	111.49
(xxii) Belgium	..	..	..	..	10.95	12.79
(xxiii) Qatar	..	..	..	..	4.68	3.70
(xxiv) Norway	..	..	..	..	0.15	0.15
(xxv) Hungary	..	..	..	..	..	2.14
(xxvi) Internal Bank for Reconstruction and Development	19.66	19.30	140.19	179.77	198.48	180.84
(xxvii) International Development Association	..	..	..	171.09	1170.82	1447.28
(xxviii) New credits	..	..	..	..	..	220.00
Total B—External Debt	32.03	113.63	760.97	2590.62	5829.91	6382.38
Total—Public Debt	2054.33	2443.35	4738.96	8009.27	17058.23	18412.20

Investments in Government Commercial and Industrial Undertakings

This section shows at one place the investments in and the profits of the Government Commercial and Industrial Undertakings whether run departmentally or set up under a statute or under the Indian Companies Act, 1956, and the returns accruing to government therefrom. It has been divided into two parts — Part A showing the investments in the major departmentally run undertakings and returns therefrom and Part B showing the investments in the other commercial and industrial undertakings and returns and therefrom. Concerns which are not of a commercial or industrial nature, like the Reserve Bank of India, Industrial Finance Corporation, Life Insurance Corporation etc. are excluded. Likewise concerns in which government of India do not have a majority investment are also excluded. For a proper appreciation, Part B of this section has been divided into three sections, viz., Section I—Undertakings which are still under construction; Section II—Running concerns; and Section III—Undertakings which are of promotional and developmental nature.

INDUSTRIAL UNDERTAKINGS RUN DEPARTMENTALLY BY THE CENTRAL GOVERNMENT

(In lakhs of Rupees)

Serial No	Name of Undertaking	1972-73 (Actuals)										Revised 1973-74	
		Capital Invested up to end of 1972-73	Gross Receipts	Working expenses (excluding interest on Capital and Depreciation)	Interest on Capital Outlay	Depreciation	Total working expenses (5+6+7)	Net Profit (4-8)	Capital invested upto end of 1973-74	Cross Receipts			
1	2	3	4	5	6	7	8	9	10	11			
1.	Railways	32,25,81	11,62,42	8,87,99	1,61,51*	1,10,00	11,59,50	2,92	38,86,41	11,70,00			
2.	Posts and Telegraphs Department	3,42,97	3,20,97	2,44,01	1,14,39	25,45	2,83,85	37,12	3,71,97	3,48,00			
3.	India Security Press	7,34	7,13	6,11	29	7	6,47	66	9,04	7,02			
4.	Currency Note Press	5,22	5,82	6,62	18	6	6,86	2,96	8,26	10,06			
5.	Bank Note Press	7,52	...	...	...	...	...	...	12,15	...			
6.	Overseas Communications Service	16,66	9,02	3,35	66	1,06	5,07	3,95	18,93	9,47			
7.	Light Houses and Light Ships	11,96	1,40	1,04	7	17	1,28	12	13,54	1,39			
8.	Delhi Milk Scheme	5,23	12,40	12,78	12	34	13,24	-84	5,24	12,51			
9.	Forest Department Andamans	9,09	2,47	2,48	42	7	2,97	-50	9,15	2,29			
10.	Electricity Department Andamans	59	15	28	1	2	31	-16	83	16			
11.	Electrical Sub-Division Lakshadweep	27	2	5	1	1	7	-5	30	2			
12.	Security Paper Mill	10,30	3,18	2,36	57	56	3,49	-31	10,53	3,31			
13.	Neemuch Opium Factory	1,94	8,40	4,22	...	...	4,22	4,18	1,42	8,42			
15.	Ghazipur Opium Factory	2,13	9,45	4,90	...	...	4,95	4,50	2,45	7,98			
16.	Ghazipur Alkaloid Works	2	1,58	1,18	...	1	1,19	39	36	1,49			
17.	Electricity Department Chandigarh	3,59	1,06	79	8	6	93	13	3,71	1,21			
18.	Tarapur Atomic Power Station	90,89	6,89	-3,45	4,12	2,35	9,92	-3,03	84,86	14,44			
19.	Electricity Department, Dadra & Nagar Haveli	31	3	5	...	...	...	-2	43	5			
20.	Vijaynagar Steel Plant	86	...	...	...	...	...	...	1,00	...			
	Vishakhapatnam Steel Plant	36	...	...	...	...	...	...	65	...			
	Total	37,43,06	15,56,39	11,81,66	1,82,47	1,40,24	15,04,37	52,02	44,41,23	15,97,82			

Industrial Undertakings run departmentally by the Central Government—Contd.

Budget 1974-75												Sl. No.
Working expenses (excluding interest on Capital and Depreciation)	Interest on Capital Outlay	Depreciation	Total working expenses (12+13+14)	Net Profit (11-15)	Capital invested upto end of 1974-75	Gross Receipts	Working expenses (including interest on Capital and Depreciation)	Interest on Capital Outlay	Depreciation	Total working expenses (19+20+21)	Net Profit (18-22)	
12	13	14	15	16	17	18	19	20	21	22	23	24
9,86,15	1,68,60*	1,15,00	12,69,75	-99,75	40,95,41	14,27,15	11,83,27	1,81,67*	1,15,00	14,79,94	-52,79	1
2,86,95	21,58	28,31	3,36,84	11,16	3,87,33	4,29,81	3,14,00	18,50	32,47	3,64,97	-64,84	2
5,94	30	8	6,32	70	11,06	6,90	5,75	36	10	6,21	69	3
8,71	28	6	9,05	1,01	10,74	9,89	8,50	30	10	18,90	99	4
...	...	...	...	...	15,65	5,45	5,13	1,01	45	16,59	-1,14	5
4,14	73	1,24	6,11	3,36	22,73	10,93	4,85	70	1,30	6,85	4,08	6
75	12	18	1,05	34	15,29	1,40	78	18	19	1,15	25	7
13,47	12	85	14,44	-1,93	5,76	19,93	18,75	12	35	19,22	71	8
2,77	45	8	3,30	-1,01	9,35	229	277	45	8	3,30	-1,01	9
31	1	3	35	-19	1,31	18	40	2	3	45	-27	10
6	1	1	8	-6	30	2	6	1	1	8	-6	11
2,42	58	57	3,57	-26	10,96	3,91	3,11	60	59	4,30	-39	12
5,06	...	...	5,06	3,36	1,78	10,26	6,08	...	...	6,08	4,18	13
4,98	4	1	5,03	2,95	2,37	9,59	5,26	4	1	5,31	4,28	14
1,47	...	1	1,48	1	7	1,50	81	...	1	82	68	15
82	8	6	96	25	4,17	1,22	86	8	6	1,00	22	16
5,33	4,11	2,38	11,82	2,62	90,46	14,60	5,74	4,20	2,40	112,34	2,26	17
6	...	...	6	-1	43	5	6	...	...	6	-1	18
...	...	...	...	...	2,00	...	...	...	...	...	...	19
...	...	...	...	...	2,00	...	...	...	...	...	...	20
13,29,39	1,97,01	1,48,87	16,75,27	-77,45	46,89,17	19,55,08	15,66,18	2,08,24	1,53,15	19,27,57	27,51	

*Represents dividend payable to General Revenues, including the element of the contribution for transfer to states in lieu of tax on railway passenger fares and also the contribution to finance railway safety works.

Part B—Commercial and Industrial Undertakings run outside the Central Government

(In lakhs of Rupees)

Name of the Undertaking	Central Government's investment in share capital upto 1972-73	Net profit earned during 1972-73	Appropriations			Dividend/Profit received by Govt. during 1972-73	Revised 1973-74		Budget 1974-75	
			Dividend	General and other Reserve Funds	Development Rebate		Capital Investment by central government	Dividend/Profits expected to accrue to Govt.	Capital Investment by Central Government	Dividend/Profits expected to accrue to Govt.
1	2	3	4	5	6	7	8	9	10	11
I.—UNDERTAKINGS UNDER CONSTRUCTION										
<i>Ministry of Agriculture</i>										
1. Banana and Fruit Development Corporation	...	...	...	...	...	...	20	...	10	...
2. Kerala Oil Plantation Ltd.	...	...	...	...	...	...	...	...	15	...
3. State Cashew-nut Corporation	...	...	...	...	...	...	...	...	5	...
4. Andaman Plantation Corporation	...	...	...	...	...	...	...	...	5	...
5. State Seed Corporation	...	...	...	...	...	...	...	...	30	...
6. Corporation for Manufacture of Vaccine and Drugs for Foot and Mouth Diseases	...	...	...	...	...	...	...	...	10	...
7. Cattle-cum-Dairy Development Corporation	...	...	...	...	...	...	...	...	62	...
8. Sheep & Wool Development Corporation	...	...	...	...	...	...	...	...	5	...
9. State Forest Corporation	...	...	...	...	...	...	...	...	50	...
10. Oil Seed Corporation	...	...	...	...	...	...	...	...	1,75	...
<i>Ministry of Heavy Industries</i>										
1. Scooter India Ltd.	76	...	...	...	...	...	60	...	68	-36
<i>Ministry of Defence</i>										
1. Misra Dhatu Nigam Ltd.	...	...	...	...	...	...	75	...	3,00	...
<i>Department of Electronics:</i>										
1. Computer Maintenance Corporation	...	...	...	...	...	...	...	...	15	...

1	2	3	4	5	6	7	8	9	10	11
2. Complex for production & R & D of Semi Conductor Devices	..	..	..	..	..	..	..	..	50	..
3. Electronics Trade & Technology Corporation	..	..	..	..	..	..	..	..	15	..
4. Unit for the Production of Trans-receivers	..	..	..	..	..	..	..	..	30	..
<i>Ministry of Industrial Development</i>										
1. Hindustan Paper Corporation	4,03	..	..	..	..	..	4,40	..	13,25	..
2. Leather Development Corporation	..	..	..	..	..	..	..	..	5	..
3. Precision Tool Factory	..	..	..	..	..	..	..	..	5	..
4. Tasar Development Corporation	..	..	..	..	..	..	..	..	30	..
<i>Ministry of Petroleum and Chemicals</i>										
1. Indian Petro-Chemicals Corporation, Ltd.	26,73	..	..	..	..	..	24,08	..	30,00	..
<i>Ministry of Steel & Mines</i>										
1. Bharat Aluminium Co. Ltd.	29,59	..	..	..	..	..	24,04	..	36,00	..
2. Mineral Exploration Limited	45	..	..	..	..	..	2,90	..	4,25	..



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THE MADRAS PENCIL FACTORY

3. STRINGERS STREET, MADRAS-1



1	2	3	4	5	6	7	8	9	10	11
(In lakhs of Rupees)										
<i>Ministry of Shipping and Transport</i>										
1. Cochin Shipyard Ltd.	567	..	..	..	..	..	8,00	..	..	..
Total	67,23	..	..	..	..	..	64,97	..	92,35	—36

II—RUNNING CONCERNS

Ministry of Defence

1. Garden Reach Workshops Ltd.	450	—104	..	..	..	24	100	..	1,50	..
2. Hindustan Aeronautics Ltd.	54,41	4,14	136	203	75	101	250	142	..	142
3. Mazagon Docks Ltd.	3,80	102	29	..	73	24	60	36	50	42
4. Bharat Electronics Ltd.	5,96	313	72	247	66	66	100	74	..	84
5. Praga Tools Ltd.	2,33	—109	..	..	..	..	..	—40	120	26
6. Goa Shipyard Ltd.	28	6	4	1	1	4	..	4	..	4
7. Bharat Earth Movers Ltd.	11,90	315	59	171	85	59	10	60	..	60
8. Bharat Dynamics	1,60	22	..	..	4	..	..	..	50	..

Ministry of Agriculture

1. Modern Bakeries (India) Ltd.	100	63	6	10	..	..	..	..	1,66	..
2. Food Corporation of India	82,86	40	..	30	10	..	54	..	1,48	..
3. State Farms Corporation	340	4	..	4	..	..	15	58	15	..
4. Central Fisheries Corporation Ltd.	51	—32	..	..	..	..	13	..	25	..
5. Central Warehousing Corporation Ltd.	17,34	110	47	108	..	..	1,85	41	2,75	51
6. State Agro-Industries Corporation	..	..	..	..	..	..	2,00	..	150	..

Ministry of Commerce

1. State Trading Corporation	800	593	160	561	..	1,40	600	..	..	..
2. Minerals and Metals Trading Corporation	450	525	54	526	..	36	..	72	..	72
3. Cotton Corporation of India	100	13	..	..	..	..	..	..	1,00	..
4. Tea Trading Corporation of India Ltd.	4	..	..	..	..	..	6	..	8	..
5. Jute Corporation of India	75	5	3	..	..	..	..	..	1,00	..

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SPECIAL BUDGET NUMBER

MARCH 8, 197

	1	2	3	4	5	6	7	8	9	10	11
<i>Ministry of Health and Family Planning</i>											
1. Hindustan Latex Ltd.	70	16	3	13	..	3	..	1	10	1	
<i>Ministry of Works and Housing</i>											
1. Hindustan Housing Factory Ltd.	49	1	..	..	1	5	1	..	1,59	..	
2. National Buildings Construction Corporation	250	14	..	..	..	..	45	..	50	..	
<i>Ministry of Heavy Industry</i>											
1. Hindustan Machine Tools Ltd.	21,79	25	..	28	34	..	266	..	3,53	..	
2. Bharat Heavy Electricals Ltd.	1,30,00	14,72	..	..	..	..	..	..	..	..	
3. Machine Tools Corporation of India	400	—29	..	..	4	..	..	..	..	..	
4. Tungabhadra Steel Products	51	4	..	1	3	..	10	..	..	..	
5. Triveni Structural Ltd.	153	—55	..	..	..	..	..	..	..	..	
6. Bharat Heavy Plates and Vessels Ltd.	10,12	—89	..	..	..	..	19	—51	..	1,34	
7. Heavy Engineering Corporation	1,60,05	—16,57	..	..	..	..	74	..	70	..	
8. Mining and Allied Machinery Corporation Ltd.	20,00	41	..	..	12	..	..	..	..	..	
9. Jessop & Co.	6,34	..	..	..	..	..	..	..	..	..	
10. Richardson & Crudas Ltd.	1,00	..	..	..	..	..	50	..	25	..	
11. Bharat Pump & Compressors Ltd.	2,88	..	..	..	..	..	225	..	12	9	
<i>Ministry of Industrial Development</i>											
1. Hindustan Cables Ltd.	902	—33	..	22	11	..	101	46	45	60	
2. Hindustan Salts Ltd.	179	..	..	..	..	..	..	..	..	..	
3. National Instruments Ltd.	137	—42	..	..	..	..	15	..	3	..	
4. National Newsprint and Paper Mills, Ltd.	2,55	2	..	..	..	..	..	..	..	..	
6. Instrumentation Ltd.	3,89	1,33	31	100	2	31	35	34	1,30	41	
7. Hindustan Photo Films Manufacturing Co. Ltd.	6,32	—2,97	..	..	..	..	..	..	..	..	

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	1	2	3	4	5	6	7	8	9	10	11
8. Tannery Footwear Corporation of India.	43	—95	..	..	..	..	..	15	..	25	..
9. National Industrial Development Corporation	10	13	2	8	..	2	..	6	..	..	6
10. Cement Corporation of India	10,94	—40	..	..	50	..	3,20	..	10,00	..	..
11. Bharat Ophthalmic Glass Ltd.	2,86	—94	..	..	..	..	5	—1,02	21	—79	..
12. National Textile Corporation Ltd.	8,84	26	..	26	..	..	2,44	..	3,95	..	..
13. Delhi Small Industries Development Corporation	20	..	1	..	..	..	..	..	20	..	..
Ministry of Irrigation of Power											
1. National Projects Construction Corporation Ltd.	151	7	..	..	..	..	..	..	..	..	..
2. Water and Power Development Consultancy Services (India)	30	..	..	..	..	..	..	..	..	..	..
Ministry of Petroleum and Chemicals											
1. Cochin Refineries Ltd.	370	52	1,00	54	—6	34	..	..	..	..	..
2. Fertilizers Corporation of India	2,03,06	18	..	23	4,16	..	96,26	..	86,65	..	..
3. Indian Oil Corporation Ltd.	71,08	22,17	4,98	15,20	2,00	4,98	..	..	..	..	..
4. Indo-Burma Petroleum Co.	1,75	56	15	38	4	12	..	12	..	12	..
5. Oil India Ltd.	14,00	5,20	4,90	..	30	2,41	..	1,32	..	4,72	..
6. Lube India Ltd.	2,40	2,40	82	95	79	36	..	..	..	..	..
7. Indian Drugs and Pharmaceuticals Ltd.	33,70	—3,70	..	..	..	..	50	..	..	..	..
8. Madras Refineries	953	625	1,55	..	5,23	86	..	..	..	..	..
9. Lubrizol India Ltd.	31	40	4	36	..	..	..	2	..	2	..
10. Oil and Natural Gas Commission	1,35,15	6,76	..	19	—400	..	195	..	..	..	..
11. Fertilizers and Chemicals, Travancore Ltd.	46,53	—2,04	..	..	..	..	10,68	..	344	..	..
12. Hindustan Antibiotics Ltd.	247	24	12	..	12	12	..	12	100	12	..
13. Hindustan Insecticides Ltd.	1,25	9	..	8	1	10	..	..	..	10	..
14. Engineers India Ltd.	25	27	3	27	..	..	..	2	..	2	..

	1	2	3	4	5	6	7	8	9	10	11
15. Hindustan Organic Chemicals Ltd.		9,14	..	..	..	21	..	54	46	..	2,34
16. Pyrites, Phosphates, and Chemicals, Ltd.		6,09	—3	..	..	..	..	..	..	..	..
<i>Ministry of Shipping and Transport</i>											
1. Hindustan Shipyard Ltd.		9,86	65	..	..	35	..	1,45	..	1,80	..
2. Central Road Transport Corporation Ltd.		1,10	—38	..	..	..	..	..	..	..	..
3. Shipping Corporation of India Ltd.		27,95	8,08	1,68	6,50	3,61	1,53	..	1,68	..	1,68
4. Mogul Lines Ltd.		81	13	..	19	1,66	..	..	..	18	..
5. Central Inland Water Transport Corporation		3,50	2	..	..	..	..	56	..	1,84	..
6. Delhi Transport Corporation		..	..	..	..	..	..	..	..	7,87	..
<i>Ministry of Steel and Mines</i>											
1. Steel Authority Of India Ltd.		13,03,53	—35,94	..	..	..	..	24,42	..	7,68	..
2. National Coal Development Corporation		1,40,92	—2,43	..	..	..	..	11,03	..	26,47	..
3. Neyveli Lignite Corporation		1,00,97	—9,95	..	..	..	..	20,97	..	20,48	..
4. Hindustan Zinc Ltd.		13,40	17	..	..	..	..	5,60	..	4,25	..
5. Bharat Gold Mines		30	—56	..	..	2	..	30	..	63	..
6. Hindustan Copper Ltd.		63,86	2,56	..	..	1,21	..	7,48	..	7,48	..
<i>Ministry of Tourism and Civil Aviation</i>											
1. Air India		23,41	—94	..	..	2,85	..	5,00	..	5,00	..
2. Indian Airlines		24,64	—1,03	..	..	..	..	3,50	..	..	..
3. India Tourism Development Corporation		9,02	48	..	..	33	18	1,50	..	1,40	..
4. International Airport Authority of India Ltd.		12,00	1,58	62	96	..	..	44	..	1,38	..
<i>Department of Atomic Energy</i>											
1. Indian Rare Earths Ltd.		1,75	32	14	13	5	14	11	14	13	15
2. Electronics Corporation of India Ltd.		3,75	65	19	8	37	..	1,00	19	1,20	38

	1	2	3	4	5	6	7	8	9	10	11
3. Uranium Corporation of India, Ltd.		8,26	17	..	..	8	..	..	..	..	..
<i>Ministry of Communications:</i>											
1. Indian Telephone Industries Ltd.		3,88	2,71	62	1,11	30	48	..	48	..	48
2. Hindustan Teleprinters, Ltd.		82	74	10	64	1	10	..	14	..	15
Total		29,10,35	22,57	23,01	48,40	23,95	16,67	2,23,47	8,50	2,15,63	16,81
III.—PROMOTIONAL AND DEVELOPMENTAL UNDERTAKING —											
<i>Department of Science and Technology</i>											
1. National Research Development Corporation		44	5	5	..	..	..	..	..	..	..
<i>Ministry of Agriculture</i>											
1. National Seeds Corporation		2,50	1	..	..	..	..	30	..	38	..
2. Salughter Houses Corporation		..	..	..	..	..	..	10	..	10	..
3. Indian Dairy Corporation		1,00	9	..	..	..	..	..	..	..	..
<i>Ministry of Irrigation and Power</i>											
1. Rural Electrification Corporation		20,00	1,66	20	1,47	..	12	11,75	20	11,00	32
<i>Ministry of Industrial Development</i>											
1. National Small Industries Corporation Ltd.		3,50	66	..	..	..	..	2,00	..	..	..
<i>Ministry of Supply and Rehabilitation</i>											
1. Rehabilitation Industries Corporation		3,35	—77	..	..	..	..	5	..	..	..
Total		30,79	1,70	25	1,47	..	12	14,20	20	11,48	32
Grand Total		30,08,37	24,21	23,26	49,87	23,95	16,79	3,02,64	8,70	3,19,46	16,77

External Loans
Statement of Receipts

(In lakhs of Rupees)

Details of Loans	Amount of Loans author- ised	Actuals upto 1968-69	Actuals 1969-70	Actuals 1970-71	Actuals 1971-72	Actuals 1972-73	Budget 1973-74	Revised 1973-74	Estimated Balance as on 31-4-74 at post- devaluation rate of exchange	Budget 1974-75
1	2	3	4	5	6	7	8	9	10	11
A. COUNTRIES										
I. Loans from U.S.A. :										
(i) American Wheat Loans	90,31	90,31	..	..	..	..	..	..	..	..
(ii) Development Assistance Loans	61,91	61,91	..	..	..	..	..	..	..	..
(iii) D.L.F./A.I.D. Loans	18,93,12*	12,90,26	1,11,42	1,84,87	1,52,54	37,39	9,97	42,22	34,85	34,85
(iv) Asian Economic Development Fund Loan	8,74	8,85	..	..	..	..	..	..	..	..
(v) P.L. 480 Rupee Loans	15,24,00	11,00,25	60,50	50,00	..	12,12	..	..	..	..
(vi) P.L. 480 Convertible Local Currency Credit	3,30,35	1,03,88	71,60	44,40	1,03,09	4,46	..	..	..	..
(vii) U.S. Export Import Bank Loans:										
(a) First Loan	71,43	71,43	..	..	..	..	..	..	..	..
(b) Second Loan	23,81	23,81	..	..	..	..	..	..	..	..
(c) Third Loan	11,90	11,90	..	..	..	..	..	..	..	..
(d) Fourth Loan	11,90	16,20	..	..	..	..	..	..	..	..
(e) Credit for Diesel Loco Works, Varanasi (I Tranche)	9,05	9,76	..	..	..	..	..	..	..	..
(f) Credit for Diesel Loco Works, Varanasi (II Tranche)	8,10	8,57	..	..	..	..	..	..	..	..
(g) Credit for Diesel Loco Works, Varanasi (III Tranche)	9,57	9,68	4	..	..	..	..	..	..	..
(h) Fifth Loan	15,00@	..	4,02	10,98	..	..	..	..	..	..
(i) Loans to Air India :										
First Loan	2,29	2,29	..	..	..	..	..	..	..	..
Second Loan	4,53	4,53	..	..	..	..	..	..	..	..
(j) Sixth Loan	11,25@	..	..	91	9,67	..	..	..	..	..
(viii) Debt Relief	21,86@	..	..	..	..	..	..	21,86	..	..
(b)302										..
Total	41,09,12	35,13,29	2,47,58	2,91,16	2,65,30	54,51	9,97	64,08	34,85	37,87
II.—Loans from U.S.S.R. :										
(i) Bhilai Loan	64,74	64,74	..	..	..	..	..	..	..	..
(ii) Industrial Enterprises	59,53	46,50	36	30	21	1	18	2	20,71	3
(iii) Drugs Credit	9,52	9,54	..	..	..	..	..	..	..	..
(iv) Barauni Credit	11,91	11,86	2	..	1	..	..	..	..	..
(v) 337.5 million Roubles Credit	1,78,58	1,57,15	3,02	1,14	61	56	81	65	39,71	1,50
(vi) 112.5 million Roubles Credit	59,53	43,03	2,14	3,26	1,07	2,64	13,50	37,75	26,37	3,50
(vii) Bokaro Credit	1,05,82	72,08	43,53	31,18	8,44	4,28	2,58	83	6,32	1,00
(viii) 300 million Roubles Credit	2,50,00@	13,64	48	87	3,69	1,03	3,05	3,01	22,79	8,00
Total	7,39,63	4,18,54	49,55	36,75	14,03	8,52	20,12	8,26	3,20,40	14,03

*Rs. 8,99,00 lakhs at pre-devaluation rate of exchange and Rs. 9,94,12 lakhs at post-devaluation rate of exchange.

NOTES : (i) Figure upto 1965-66 are at pre-rupee devaluation rate (except where otherwise specified) and figures for later years are at post-rupee devaluation rate.

(ii) Figures shown in Columns 2 to 7 are departmental actuals.

@ at Post-devaluation rate of exchange.

(b) Exchange variations.

	1	2	3	4	5	6	7	8	9	10	11
—U.K. Credits :											
(a) U.K. Government Loans :											
(i) Durgapur Credit	20,00	20,00	..	..	..	..	..	..	..	..	..
(ii) Second E.C.G.D. Credit	38,00	38,00	..	..	..	..	..	..	..	..	..
(iii) U.K. India (Oil Pipe Line) Credit	4,00	4,00	..	..	..	..	..	..	..	..	..
(iv) U.K. India (General) Credit, 1959	25,33	25,33	..	..	..	..	..	..	..	..	..
(v) First U.K. India (General) Credit, 1960	13,33	13,33	..	..	..	..	..	..	..	..	..
(vi) Second U.K. India (General) Credit, 1960	6,67	6,67	..	..	..	..	..	..	..	..	..
(vii) First U.K. India (General) Credit, 1961	13,33	13,33	..	..	..	..	..	..	..	..	..
(viii) U.K. India (Five-Year Plan) Credit, 1961	40,00	41,34	..	..	..	..	..	..	..	..	..
(ix) Second U.K. India (General) Credit, 1961	6,67	6,67	..	..	..	..	..	..	..	..	..
(x) First U.K. India (General) Credit, 1962	13,33	14,83	..	..	..	..	..	..	..	..	..
(xi) U.K. India (Durgapur Extension) Credit, 1962	29,33	22,49	2,24	1,47	59	2,05	..	..	..	..	..
(xii) Second U.K. India (General) Credit, 1962	6,67	6,67	..	..	..	..	..	..	..	..	..
(xiii) U.K. India (Five-Year Plan) Credit, 1962	17,33	18,57	97	..	..	..	..	..	..	..	..
(xiv) U.K. India (Steel) Credit, 1963	4,67	4,88	..	..	..	..	..	..	..	..	..
(xv) First U.K. India (General) Credit, 1963	13,33	13,33	..	..	..	..	..	..	..	..	..
(xvi) Second U.K. India (General) Credit, 1963 (Kipping Loan I)	5,33	5,53	143	56	..	..	..	..	..	..	..
(xvii) First U.K. India (General) Credit, 1964	6,67	6,67	..	..	..	..	..	..	..	..	..
(xviii) First U.K. India (Bhopal) Credit, 1964	3,33	4,26	..	..	..	..	..	..	..	..	..
(xix) First U.K. India (Five-Year Plan) Credit, 1964	6,67	6,47	81	1,49	..	..	..	..	..	..	..
(xx) Second U.K. India (General) Credit, 1964	13,33	13,33	..	..	..	..	..	..	..	..	..
(xxi) Second U.K. India (Five Year Plan) Credit, 1964 (Oil India Ltd.)	2,00	2,93	13	..	..	..	..	..	..	..	..
(xxii) Third U.K. India (Five Year Plan) Credit, 1964	2,03	1,54	99	34	..	..	..	..	..	..	..
(xxiii) Fourth U.K. India (Five Year Plan) Credit, 1964	1,33	95	94	..	..	..	..	..	..	..	..
(xxiv) Third U.K. India (General) Credit, 1964 (Loan II)	5,33	5,39	1,70	48	..	..	..	..	..	..	..
(xxv) Fifth U.K. India (Five Year Plan) Credit, Kipping 1964 (For Singareni Collieries)	1,67	1,97	24	..	..	..	..	..	..	..	..
(xxvi) Second U.K. India (Bhopal) Credit, 1964	2,67	3,72	11	..	..	..	..	..	..	..	..
(xxvii) Sixth U.K. India (Five Year Plan) Credit, 1964	4,30	5,97	21	..	..	..	..	..	..	..	..

	1	2	3	4	5	6	7	8	9	10	11
(xxviii) First U.K. India (General) Credit, 1965		6,67	6,62	..	..	..	..	..	..	..	..
(xxix) U.K. India (Five Year Plan) Credit, 1965		67	84	..	..	..	..	..	..	..	..
(xxx) Second U.K. India (General) Credit, 1965		6,67	6,67	..	..	..	..	..	..	..	..
(xxxi) U.K. India (General Purpose) Loan, 1965		13,33	13,33	..	..	..	..	..	..	..	..
(xxxii) U.K. India (Non-Project) Loan, 1965 (III Kipping Loan)		5,33	6,42	34	3	78	..	..	..	..	..
(xxxiii) U.K. India Food Emergency Loan, 1966		10,00	5,98	94	23	61	..	..	..	..	..
(xxxiv) First U.K. India (Bhopal) Loan, 1966		5,37	7,64	43	41	49	..	..	..	..	..
(xxxv) U.K. India (General Purpose) Loan, 1966		1,33	24,34	..	..	..	..	..	..	..	..
(xxxvi) First U.K. India (Non-Project) Loan, 1966 (IV Kipping Loan)		5,33	1,36	1,09	54	93	..	..	..	..	..
(xxxvii) Second U.K. India (Non-Project) Loan 1966		28,35@	28,35	..	..	..	..	..	..	..	..
(xxxviii) Second U.K. India (Bhopal) Loan, 1966		4,00@	2,63	1,95	57	25	..	..	..	..	..
(xxxix) U.K. India Sindri Loan, 1966		36@	..	9	9	13	..	..	..	..	..
(xl) U.K. India Non-Project Loan, 1967 (V Kipping Loan)		12,60@	2,44	4,09	3,45	2,62	..	..	..	..	..
(xli) U.K. India Debt Refinancing and General Purpose Loan, 1967		25,20@	25,20	..	..	..	..	..	..	..	..
(xlii) U.K. India General Purpose Loan, 1967		21,60@	21,60	..	..	..	..	..	..	..	..
(xliii) U.K. India General Purpose Loan, 1968		15,30@	15,30	..	..	..	..	..	..	..	..
(xliv) U.K. India Debt Refinancing Loan, 1968		13,50@	13,50	..	..	..	..	..	..	..	..
(xlv) U.K. India—Capital Investment Loan, 1968		15,30@	..	11	4,39	7,96	2,84	..	..	..	..
(xlvi) U.K. India—Non-Project Loan, 1968 (VI Kipping Loan)		12,60@	..	4,40	4,24	2,66	1,13	..	18	..	..
(xlvii) U.K. India—Mixed Project Loan, 1968		3,60@	..	..	2,10	1,50	..	..	..	..	..
(xlviii) U.K. India—General Purpose Loan, 1968		2,70@	2,70	..	..	..	..	..	..	..	..
(xlix) U.K. India—Loan for I.C.I.C.I. 1968		1,80@	..	..	27	58	70	9	24	..	..
(l) U.K. India Debt Refinancing Loan, 1969		13,50@	..	13,50	..	..	..	..	..	..	..
(li) U.K. India Maintenance Loan, 1969		28,80@	..	18,38	10,42	..	..	..	..	..	..
(lii) U.K. India Capital Investment Loan, 1969		13,50@	..	..	..	4,99	8,51	..	..	..	..
(liii) U.K. India Mixed Project Loan, 1969		3,60@	..	..	..	2,97	63	..	..	..	..
(liv) U.K. India Mixed Imports Loan, 1969 (VII Kipping Loan)		7,20@	..	..	1,17	1,53	2,29	2,25	1,66	55	55

	1	2	3	4	5	6	7	8	9	10	11
(lv) I.C.I.C.I. Loan, 1969		1,80@	..	..	..	..	..	1,80	49	1,31	1,31
(lvi) First Maintenance Loan, 1970		16,20@	..	12,65	3,55	..	..	..	..	..	..
(lvii) Second Maintenance Loan, 1970		46,80@	..	..	38,64	8,15	..	..	..	..	..
(lviii) Durgapur, 1970		5,58@	..	..	42	1,58	31	1,33	22	3,05	1,73
(lix) Debt Relief Loan, 1970		13,50@	..	13,50	..	..	..	..	..	..	..
(lx) Mixed Project Loan, 1971		5,40@	..	..	..	..	5,40	..	..	..	..
(lxi) VIIth Kipping Loan, 1971		3,60@	..	..	..	..	..	1,80	1,04	2,56	1,80
(lxii) Capital Investment Loan, 1971		21,60@	..	..	..	..	3,37	13,50	6,17	12,06	1,80
(lxiii) I.C.I.C.I. Loan, 1971		1,80@	..	..	..	..	..	..	..	1,80	47
(lxiv) Mixed Project Loan, 1971-72		14,40@	..	..	..	..	8,01	..	6,39	..	..
(lxv) Capital Investment Loan, 1971-72		21,60@	..	..	..	..	..	3,60	3,93	17,67	9,57
(lxvi) Debt Refinancing Loan, 1971		13,50@	..	..	..	13,50	..	..	..	..	..
(lxvii) Maintenance Loan, 1971-72		48,60@	..	..	..	39,60	9,00	..	..	..	..
(lxviii) Debt Relief, 1972-73		14,40@	..	..	..	..	14,40	..	..	..	..
(lxix) Mixed Project Loan, 1972		28,80@	..	..	..	..	..	25,25	28,80	..	..
(lxx) Maintenance Loan, 1972		60,30@	..	..	..	..	60,34	..	..	..	..
(lxxi) Capital Investment Loan, (£ 14 million)		25,20@	..	..	..	..	..	..	..	25,20	3,60
(lxxii) Mixed Project Loan (£ 18 million)		32,40@	..	..	..	..	..	..	6,83	25,57	25,49
(lxxiii) Maintenance Loan, 1973-74 (25 million)		45,00@	..	..	..	..	..	..	45,00	..	..
(lxxiv) Debt Relief (£ 8 million)		14,40@	..	..	..	..	..	..	14,40	..	..
(b) Lazard Brothers		15,33@	15,33	..	..	..	..	..	..	..	..
(c) Barclays Bank		4,59@	..	1,07	..	..	36	..	..	..	..
										(b)	4,56
Total		10,51,66	5,09,75	82,31	75,16	91,42	1,19,34	49,62	1,15,35	89,77	50,88

IV.—Loans from Canada :

(i) Wheat Loan	15,71	15,71	..	..	..	..	..	..	..	..	..
(ii) Rana Pratap Sagar Hydro Electric Project	3,52	3,56	1	2	..	..	..	..	..	..	..
(iii) Diesel Locos for Indian Railways	3,39	3,39	..	..	..	..	..	..	..	..	..
(iv) Rajasthan Atomic Power Project (Candu Atomic Power Project)	31,58	21,77	3,67	2,87	55..	1,03	16	16	15	15	15
(v) Wind Tunnel Project	1,85	1,98	18	1	1	..	..	..	..	..	..
(vi) Durgapur Alloy Steel Project (Amco Furnace)	87	95	..	..	..	..	..	..	..	..	..
(vii) Indalco Expansion	83	83	..	..	..	..	..	..	..	..	..
(viii) Kota Dam Hydro Electric Project	3,89	3,20	2	1	..	2	10	10	15	15	15
(ix) Development loans :											
(a) Diesel Locos for Calcutta Port, 1966	97	1,54	1	..	..	..	..	..	..	..	..
(b) Diesel Locos for Railways, 1966	4,86*	4,75	..	..	..	1,87	..	..	..	..	..
(c) Geological Survey of India, 1967	1,39*	..	..	21	21	11	28	31	55	3	3
(d) Iddiki Hydro Electric Power Project, 1967	7,63	..	..	2,86	2,12	39	97	28	1,98	28	28

@at post-devaluation rate of exchange.

(b) Exchange Variations.

	1	2	3	4	5	6	7	8	9	10	11
(e) Purchase of Fertiliser and Fertiliser Material, 1967		6,94*	6,67	27	5	..	..	..	..	..	..
(f) Purchase of Industrial Commodity, 1967		6,94*	4,35	1,19	86	9	..	..	..	..	..
(g) Non Project Development Loan, 1967		8,22*	6,87	1,18	80	2	..	..	..	..	..
(h) Non Project Non-Commodities Loan, 1968		14,67*	4,60	2,45	2,45	1,20	..	..	..	..	..
(i) Industrial Commodities Credit, 1968		10,41*	..	8,95	75	1	..	..	..	..	..
(j) Fertilizer Credit, 1968		10,41*	80	5,12	4,42	1	..	..	..	..	..
(k) Fertilizer Credit, 1969		5,55*	..	45	2,93	2,62	..	..	..	..	..
(l) Non-Project Non-Commodity Loan, 1969		15,47	..	6,25	9,34	32	..	..	..	..	..
(m) Telecommunication Equipment for P&T, 1969		27,75	..	..	..	5,24	13,71	6,94	4,69	4,11	4,11
(n) Non Project Commodities Loan, 1970		11,80	..	..	9,29	2,52	..	..	..	..	..
(o) Non Project Commodities Loan, 1970		9,02	..	..	2,77	6,09	16	..	..	..	..
(p) Purchase of Components for D.L.W. Varanasi		4,16	..	..	..	..	2,34	1,32	74	..	..
(x) Rajasthan Atomic Power Project II		26,72*	4,14	5,23	4,60	4,84	3,36	1,57	1,57	4,30	3,05
(xi) Oil & Natural Gas Commission, 1971 (in three tranches C\$ 12 million)		8,33*	..	..	..	..	1,19	1,74	1,73	5,41	2,78
(xii) Purchase of Commodities, 1971		27,75*	..	..	..	19,54	7,81	..	..	..	..
(xiii) Purchase of Equip./Machinery, 1971		13,88*	..	..	..	..	23	6,45	2,77	10,88	3,47
(xiv) Fertilizer Bulk Handling facility at Kandla		2,50*	..	..	..	..	11	87	83	1,56	58
(xv) Non-Project Loan, 1972		34,69*	..	..	..	..	17,74	13,88	13,88	3,07	3,02
(xvi) Second Satellite Earth Station		1,21*	..	..	..	..	..	41	79	42	..
(xvii) Misc. Capital Goods		3,47*	..	..	..	..	..	70	..	3,47	..
(xviii) Synthetic Rubber Project		5,20*	..	..	..	..	..	2,22	1,00	4,20	1,39
(xix) New Commodity Loan, 1973		13,72*	..	..	..	..	2,52	..	..	11,20	..
(xx) Fertilizer Loan, 1973		6,94*	..	..	..	..	..	..	5,55	1,39	1,39
(xxi) Tamil Nadu Electricity Board, 1973		2,75*	..	..	..	..	..	..	1,98	77	77
(xxii) Non-Project Loan		34,69*	..	..	..	..	..	..	10,41	24,28	17,34
(xxiii) Debt Relief		1,38*	..	..	..	..	..	..	1,38	..	(b)7,70
Total		3,91,06	85,12	34,98	44,24	47,26	50,72	37,61	48,17	77,89	46,21

V.—Loans from Federal Republic of Germany :

** (i) D.M. 660 million Rourkela Credit	75,50	74,57	..	..	..	..	..	..	..	..	..
** (ii) D. M. 68 million Credit	19,05	19,05	..	..	..	..	..	..	..	..	..
** (iii) First D. M. 125.1 million Credit	14,18	14,18	..	..	..	..	..	..	..	..	..
** (iv) Second D. M. 125.1 million Credit	14,18	14,18	..	..	..	..	..	..	..	..	..
** (v) D. M. 98.36 million Credit —Rourkela Prolongation Credit (First)	11,16	11,16	..	..	..	..	..	..	..	..	..

*At post-devaluation rates of exchange.

**Due to revaluation of DM from 6-3-1961, the actual amount repaid or to be repaid is more than the amount actually drawn

(b) Exchange variations

	1	2	3	4	5	6	7	8	9	10	11
(vi) D. M. 230 million Credit, 1961—Rourkela Prolongation Credit (Second)	27,38	27,38	..	..	..	..	..	..	..	..	..
(vii) D. M. 70 million Credit, 1961	8,33	8,33	..	..	..	..	..	..	..	..	..
(viii) D. M. 170 million Credit, 1961	20,24	20,24	..	..	..	..	..	..	..	..	..
(ix) D. M. 85 million Credit, 1962—Rourkela Prolongation Credit (Third)	10,12	10,12	..	..	..	..	..	..	..	..	..
(x) D. M. 100 million Credit, 1962	11,90	11,90	..	..	..	..	..	..	..	..	..
(xi) D. M. 264 million Credit, 1964	31,43	31,43	..	..	..	..	..	..	..	..	..
(xii) D. M. 400 million Credit for Rourkela Repayments	47,62	53,19	2,01	45	4	..	..	..	..	..	..
(xiii) D. M. 61.4 million Credit, for Rourkela Refinancing	7,31	7,31	..	..	..	..	..	..	..	..	..
(xiv) D. M. 40 million Credit, 1964	4,76	5,40	..	..	..	15	..	..	..	..	..
(xv) D. M. 28.1 million Credit, 1964	3,35	3,35	..	..	..	..	..	..	..	..	..
(xvi) D. M. 90 million Credit, 1965	10,71	10,71	..	..	..	..	..	..	..	..	..
(xvii) D. M. 55 million Credit, 1965	6,55	10,29	..	..	..	..	..	..	..	..	..
(xviii) D. M. 40 million Credit, 1965 (Selected Project I)	4,76	4,67	4	(—)12	13	..	41	31	94	61	..
(xix) D. M. 93.6 million Credit, 1965 (Consolidation of Rourkela Liabilities)	11,14	11,14	..	..	..	3	..	..	..	..	..
(xx) D. M. 10 million Credit, 1965 (Extension of Neyveli Mining Scheme)	1,99	1,23	3	8	8	..	10	4	6	5	..
(xxi) D. M. 6.4 million Credit, 1965 (Coal Washery, Sawang)	76	79	..	9	20	1	..	..	..	..	..
(xxii) D. M. 23.5 million Credit, 1966 (Commodities V.)	2,80	4,21	..	..	..	..	..	..	..	..	..
(xxiii) D. M. 7.25 million Credit, 1966 (Telco Tool Factory)	86	1,03	7	12	14	..	2	..	3	3	..
(xxiv) D. M. 18 million Credit, 1966 (Indian Railway I)	2,15	2,81	3	..	6	3	13	4	6	6	..
(xxv) D. M. 60 million Credit, 1966 (Commodities VI)	7,14	10,40	19	..	9	32	..	1	..	..	..
(xxvi) D. M. 12 million Credit, 1966 (Fertilisers)	1,43	2,27	..	..	..	..	..	..	..	..	..
(xxvii) D. M. 52.16 million Credit, 1967	10,69*	5,25	..	21	7	80	2,24	2,24	1,62	1,62	..
(xxviii) D. M. 180 million Credit, 1967	33,75*	33,61	14	..	..	..	..	..	..	..	..
(xxix) D. M. 28.25 million Credit, 1967 (Indian Railways II)	5,79*	2,11	94	1,74	20	41	16	15	..	..	..
(xxx) D. M. 30 million Credit, 1967	26,25	18,87	6,50	..	2,41	..	..	..	..	..	..
(xxxi) D. M. 40 million Credit, 1967											
(xxxii) D. M. 70 million Credit, 1967											
(xxxiii) D. M. 16 million Credit, 1968/(Indian Railways III)	3,28*	14	57	1,18	56	78	4	28	9	8	..

*At post-devaluation rate of exchange.

1	2	3	4	5	6	7	8	9	10	11
(xxxiv) D. M. 17.4 million Credit, 1968 (Neyveli Lignite Project)	3,49*	75	35	78	45	39	61	40	37	31
(xxxv) D. M. 102 million Credit for Commodities	19,13*	6,08	12,71	1,22	..	1	..	..	..	..
(xxxvi) D. M. 58.94 million Credit for Debt Rescheduling	11,05*	10,83	..	..	..	..	..	..	..	..
(xxxvii) D. M. 62 million (Debt Reschedule)	12,70*	..	12,70	..	..	..	..	..	..	..
(xxxviii) D. M. 39 million Credit (Gujarat Aromatic)	7,99*	..	2,93	2,21	1,23	1,31	26	31	..	..
(xxxix) D. M. 35 million Credit (Capital Goods)	7,17*	..	..	..	2,29	3,43	2,02	1,04	41	41
(xl) D. M. 99 million Credit (Commodities)	20,28*	..	6,22	14,06	..	..	..	..	..	..
(xli) D. M. 28.97 million Credit (Interest Rescheduling)	5,43	543	..	..	..	..	..	..	..	..
(xlii) D. M. 101.5 million Credit 1970	20,80*	..	..	3,89	17,70	..	..	..	..	..
(xliii) D. M. 76.3 million Credit	15,63*	..	..	15,63	..	..	..	..	..	..
(xliv) D. M. 25 million Credit, 1970	5,12*	..	..	..	1,04	2,90	1,43	77	41	41
(xlv) D. M. 30 million Credit, 1969 (Ships)	6,15*	..	..	3	..	33	..	..	..	..
(xlvi) D. M. 9 million Credit, (N.L.C.)	1,84*	..	..	..	87	55	21	13	28	28
(xlvii) D. M. 100 million Credit, 1971	20,49*	..	..	..	..	20,49	..	..	..	..
(xlviii) D. M. 71 million Credit, 1971	14,55*	..	..	..	14,55	..	..	..	..	..
(xlix) D. M. 4 million Credit, 1971	82*	..	..	..	54	9	..	7	14	7
(l) D. M. 30 million Credit, 1972 (Capital Goods)	6,15*	..	..	..	..	..	1,62	1,64	3,71	2,05
(li) D. M. 21.36 mil. Credit, 1972 (MICO Expansion)	4,38*	..	..	..	..	..	1,49	2,50	1,88	70
(lii) D. M. 17.6 mil. Credit 1972 (Bihar Alloy Steel Pr.)	3,61*	..	..	..	..	5	1,87	2,53	1,03	45
(iv) D. M. 27.1 mil. Credit, 1972 (Tyre Plan)	5,55*	..	..	..	..	10	2,00	2,00	3,45	2,90
(liv) D. M. 4 mil. Credit, 1972 (Gujarat Acetate Pr.)	82*	..	..	..	..	..	25	82	..	..
(lv) D. M. 80 mil. Credit, 1972 (Commodities)	16,39*	..	..	..	..	6,98	11,89	9,42	..	..
(lvi) D. M. 30 mil. Credit, 1972 (Capital Goods)	6,15*	..	..	..	..	80	1,50	41	4,94	1,64
(lvii) D. M. 98 mil. Credit, Debt Relief	24,18*	..	..	..	..	24,18	..	..	..	..
(lviii) D. M. 12 million Credit, 1971 (Travancore Cochin)	2,46*	..	..	..	..	..	..	51	1,95	1,46
(lix) D. M. 10.9 million Ramon and Demm	2,23*	..	..	..	..	..	..	22	2,01	1,67
(lx) D. M. 10 million Gujarat Caustic Soda	2,05*	..	..	..	..	..	..	61	1,44	1,03
(lxi) D. M. 577 million Telco Expansion	11,82*	..	..	..	..	..	..	..	11,82	2,36
(lxii) D. M. 12 million MISL	2,46*	..	..	..	..	..	..	..	2,46	62
(lxiii) D. M. 100 million Commodity Loan	20,49*	..	..	..	..	..	..	6,15	14,34	14,34
(lxiv) D. M. 20 million Capital Loan	4,10*	..	..	..	..	..	..	..	4,10	82
(lxv) D. M. 98 million Debt Relief, 1973 and D. M. 20 million liquidity assistance	24,18*	..	..	..	..	..	..	24,18	..	(b)19,90
Total	7,46,22	4,48,78	50,86	41,57	42,65	64,14	28,61	56,78	57,54	53,87

*At post-devaluation rates of exchange.
(b) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11
VI.—Loans from Japan :										
(i) First Yen Credit	21,93	21,93	..	..	..	..	..	..	..	..
(ii) Second Yen Credit	45,24	45,12	..	..	..	..	..	..	..	..
(iii) Third Yen Credit	30,95	29,42	..	..	..	..	..	..	..	..
(iv) Fourth Yen Credit	28,57	33,08	..	..	..	..	..	..	..	..
(v) Fifth Yen Credit	28,57	28,51	12,71	1,48	..	..	..	..	..	..
(vi) Sixth Yen Credit	32,11*	31,41	..	..	..	..	..	..	..	..
(vii) Seventh Yen Credit	29,40*	23,90	5,05	..	..	..	..	..	..	..
(viii) Eighth Yen Credit	21,30*	..	13,20	7,60	24	..	..	..	..	..
(ix) Ninth Yen Credit	19,22*	..	..	8,30	8,59	1,48	4	7	..	..
(x) Food Aid	5,29*	5,29	..	..	..	..	..	..	..	..
(xi) Vizag Outer Harbour	5,25*	..	..	11	1,69	13	1,89	1,36	1,96	98
(xii) Tenth Yen Credit	19,04*	..	..	..	7,53	9,11	3,70	1,71	86	68
(xiii) Deep Sea Oil Exploration	10,99*	..	..	..	8,24	..	..	2,53	..	..
(xiv) Eleventh Yen Credit	64,10*	..	..	..	..	19,40	22,00	29,28	15,90	10,79
(xv) Twelfth Yen Credit	27,56*	..	..	..	..	..	21,00	6,90	20,66	15,05
(xvi) Thirteenth Yen Credit	37,55*	..	..	..	..	..	..	..	37,55	10,83
(xvii) Debt Relief	31,20*	..	..	..	..	..	..	31,20	..	(b) 16,95
Total	4,58,27	2,18,66	30,96	17,49	26,29	30,12	49,07	73,35	76,75	55,28
VII.—Loans from Switzerland :										
(i) Credit for Third Plan	22,88	18,26	2,02	2,91	2,12	1,56	2,62	1,35	1,34	1,34
(ii) Development Loan, 1973 for SF 35 million	6,43*	..	..	..	..	..	..	..	6,43	91
(iii) Third swiss credit for 1973 for SF 55 million	10,10*	..	..	..	..	..	..	..	10,10	(b) 89
Total	39,41	18,26	2,02	2,91	2,12	1,56	2,62	1,35	17,87	3,14
VIII.—Loans from Czechoslovakia :										
(i) First Credit for Third Plan	23,10	23,65	2,24	12	..	..	..	..	..	..
(ii) Second Credit for Third Plan	40,00	25,22	5,94	1,22	1,40	6,71	7,12	6,82	1,25	11,12
Total	63,10	48,87	8,18	1,34	1,40	6,71	7,12	6,82	15,25	11,1
IX.—Loans from Yugoslavia :										
(i) First Credit	21,43	15,83	27	30	..	..	..	..	..	..
(ii) Second Credit	60,00*	8	10	..	..	..	..	..	..	..
Total	81,43	15,91	37	30	..	..	..	..	..	..
X.—Loans from Poland :										
(i) First Credit	14,30	13,93	12	26	25	7	39	63	1,51	64
(ii) Second Credit	15,50	1,35	23	1	2	8	90	58	21,87	1,00
(iii) Third Credit	10,50	6	3,82	2,52	2,15	40	..	4	30	..
Total	40,30	15,34	4,17	2,79	2,42	55	1,29	1,25	23,68	1,70
XI.—Loans from Austria :										
(i) First Credit	2,38	2,26	8	11	..	..	..	..	..	..
(ii) Second Credit	1,83	2,00	1	3	..	..	..	..	..	..
(iii) Third Credit	1,90	2,08	1	12	8	1	1	1	1	..
(iv) Fourth Credit	1,90	2,89	..	..	2	..	4	..	4	..
(v) Fifth Credit	3,52	2,69	64	12	1	4	..	..	2	..
(vi) Sixth Credit	1,92	1,08	73	11	..	..	..	..	..	..

*At post devaluation rates of exchange,
(b) Exchange variations

	1	2	3	4	5	6	7	8	9	10	11
(vii) Food Assistance Loan		75	73	..	..	..	..	..	..	..	..
(viii) Capital Repayment, 1968-69		66	66	..	..	..	..	..	..	..	..
(ix) Capital Repayment Loan 1969-70		81*	..	81	..	..	..	..	..	..	..
(x) Capital Repayment, 1970-71		1,11*	..	..	1,11	..	..	..	..	..	..
(xi) Capital Repayment, 1971-72		66*	..	..	..	..	66	..	..	..	..
(xii) Debt Relief		1,70*	..	..	..	..	1,70	..	..	..	..
(xiii) Financial Aid, 1972		37*	..	..	..	..	..	7	..	30	15
(xiv) Debt Relief		1,70*	..	..	..	..	..	..	1,70	..	..
											(b) 6
Total		21,21	14,39	2,28	1,60	77	1,75	5	1,78	37	21
XII.—Loan from Kuwait Government		34,19	34,19	2,28	1,60	77	175	5	1,78	37	21
XIII.—Loans from Netherlands :											
(i) General Purpose Loan		67,44	25,92	6,86	12,28	6,24	7,49	..	..	..	..
(ii) Agreement, 1972 for DG 68 million		14,09	..	..	..	..	2,68	7,27	11,41	..	..
(iii) Agreement, 1973 for DG 68 million		14,09	..	..	..	..	..	..	6,42	7,67	7,67
											(b) 710
Total		95,62	25,92	6,86	12,28	6,24	10,17	7,27	17,83	7,67	14,77
XIV.—Loans from Denmark :											
(i) First Credit		1,03	1,16	..	..	..	..	..	..	..	..
(ii) Second Credit		1,38	1,69	9	12	..	..	..	..	..	..
(iii) Third Credit		4,00*	4	27	1,12	1,34	78	..	10	35	10
(iv) First Food Loan		2,07	1,36	89	19	7	..	..	..	..	..
(v) Second Food Loan		3,00*	1,34	..	19	7	..	..	..	..	..
(vi) Fourth Credit		4,00*	..	..	..	..	9	1,15	1,39	2,52	2,50
											(b) 83
Total		15,48	5,59	1,25	1,43	1,41	87	1,15	1,49	2,87	3,43
XV.—Loan from New Zealand :											
Credit for purchase of wool		33	33	..	..	..	..	..	..	..	..
XVI.—Loans from Sweden											
(i) First Credit, 1964-65		3,48	3,43	6	..	..	..	..	..	..	..
(ii) Second Credit, 1965-66		3,48	1,46	48	62	39	42	35	11	..	..
(iii) Third Credit		5,07*	..	19	67	3,61	41	14	21	..	..
(iv) Fourth Credit		5,80*	..	19	2,59	2,44	29	10	27	..	..
(v) Fifth Credit		18,13*	..	..	..	2,00	2,34	3,63	3,22	10,55	5,80
(vi) Sixth Credit		25,37*	..	..	..	..	..	2,18	2,18	23,19	7,25
(vii) New Project Loan, 1973 for S K 70 million		10,15*	..	..	..	..	..	..	..	10,15	..
											(b) 306
Total		17,48	4,89	92	3,88	8,44	3,46	6,40	5,99	43,89	16,11

*At post-devaluation rates of exchange.
(b) Exchange variations.

The first auto ancillary plant in MALAYSIA

A PROUD TESTIMONIAL TO A JOINT EFFORT BETWEEN TWO DEVELOPING NATIONS

India Pistons, a pioneer piston assembly manufacturer in India has joined hands with Malaysian interests to start a new manufacturing venture—MALAY-SIA PISTONS SDN. BHD. The plant which is now under construction at the Senawang

industrial estate in the State of Negri Sembilan will shortly commence manufacture of Pistons and Cylinder liners to meet the fast expanding needs of the automobile industry in Malaysia.

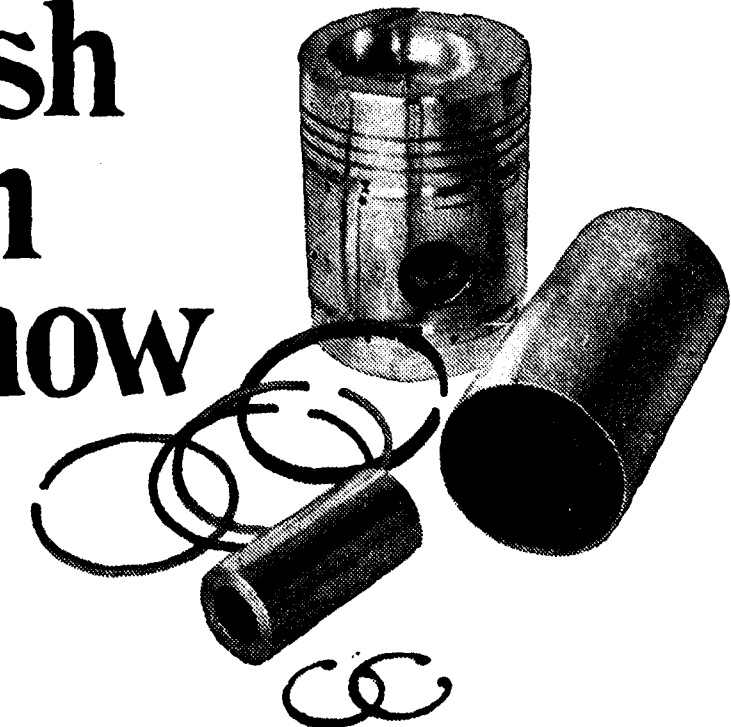
It is significant that two developing nations have joined hands in communicating know-how which will eventually make Malaysia self-sufficient for this vital range of auto ancillaries.

INDIA PISTONS LIMITED
Madras 600 011
INDIA



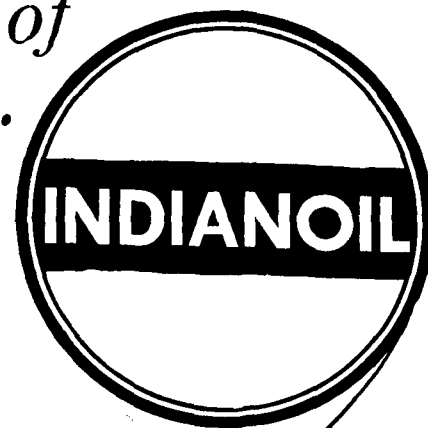
MALAYSIA PISTONS SDN. BHD.
Jalan Sulaiman Kuala Lumpur
MALAYSIA

has fresh Indian know-how





*When we accept
a challenge, our
generation must forgo something.
This is a time when each one
of us has to make a sacrifice
for the sake of
a better future.*



Indianoil has assumed a dual role—
as a pace setter for economy and
austerity and as a torch bearer in
fulfilling social objectives.

INDIAN OIL CORPORATION LIMITED

	1	2	3	4	5	6	7	8	9	10	11
VII.—Loan from Bahrain		7,86	7,86	..	..	..	..	..	..	..	..
VIII.—Loans from Italy :											
(i) Italian Fertilizer Credit		1,50	1,46	..	..	..	..	..	3	..	..
(ii) First Italian Debt Relief, 1969		4,13*	..	..	4,13	..	..	..	..	..	..
(iii) Second Italian Debt Relief, 1969		5,51*	..	..	..	..	5,51	..	..	..	..
(iv) Third Italian Debt Relief		5,51*	..	..	..	..	5,51	..	..	..	..
(v) Debt Relief, 1973		4,20	..	..	..	..	..	..	..	4,20	..
Total		20,85	1,46	..	4,13	..	11,02	..	3	4,20	..
IX.—Loans from Belgium :											
(i) First Belgian Credit		90*	90	..	..	..	..	..	..	..	..
(ii) Second Belgian Credit		1,88*	1,79	9	..	61	..	..	..	..	..
(iii) Third Belgian Credit		1,88*	83	1,03	1	81	..	..	..	..	..
(iv) Fourth Belgian Credit		2,25*	..	1,12	79	34	..	..	2	..	..
(v) Fifth Belgian Credit		2,63*	..	..	1,77	1,12	4	..	..	..	..
(vi) Sixth Belgian Credit		3,00*	..	..	..	..	1,11	35	43	..	..
(vii) Debt Relief		1,13*	..	..	..	..	1,13	..	..	..	..
(viii) Seventh Credit		2,25*	..	..	..	..	10	..	58	1,57	1,57
(ix) Debt Relief		1,12*	..	..	..	..	..	1,12	..	..	..
Total		17,04	3,52	2,24	2,57	2,88	2,38	35	2,15	1,57	2,09
X.—Loans from France :											
(i) \$17 million Credit, 1966		12,75*	9,94	1,16	50	56	2	37	..	..	..
(ii) F.F. 150 million Credit, 1968		20,25*	4	4,95	6,86	5,55	1,87	1,63	1,03	1,24	94
(iii) F.F. 25 million Credit, 1968 (Debt Relief)		3,75*	2,84	94	..	..	..	..	..	..	..
(iv) F.F. 125 million Credit, 1969		16,88*	..	1,09	1,09	6,41	1,88	1,35	1,35	1,77	1,62
(v) F.F. 27.7 million Credit, 1970 (Debt Relief)		3,74*	..	..	3,74	..	..	..	..	..	..
(vi) F.F. 27.7 million Credit, 1970 (Debt Relief)		3,74*	..	..	3,74	..	..	..	..	..	..
(vii) F.F. 125 million Credit, 1970		16,88	..	..	..	6,76	1,86	2,70	5,46	54	54
(viii) F.F. 130 million Credit, 1971		17,55*	..	..	..	8,11	4,83	2,19	1,32	5,34	4,05
(ix) F.F. 150 million Credit, 1971		20,25*	..	..	..	93	9,87	4,73	5,14	12,41	3,19
(x) F.F. 27.7 million Credit, 1971 (Debt Relief)		3,74*	..	..	..	3,74	..	..	..	..	..
(xi) F.F. 150 million Credit 1972		20,25*	..	..	..	..	4,40	9,45	9,49	6,36	3,24
(xii) F.F. 35 million, Credit, 1972		4,73*	..	..	..	..	20	2,70	40	4,13	1,62
(xiii) Debt Relief, 1972-73		4,49*	..	..	..	..	4,49	..	..	..	..
(xiv) Debt Relief, 1973-74 (FF. 147.29 million)		6,36*	..	..	..	..	..	..	6,36	..	..
(xv) Atomic Energy Credit, 1973 (FF 56 million)		7,56*	..	..	..	..	..	..	29	7,27	1,76
(xvi) FF 180 million Credit, 1973		24,30*	..	..	..	..	..	..	5,93	18,37	6,75
Total		1,87,22	12,82	8,14	15,93	32,07	29,42	25,12	36,77	57,43	33,16

*At post-devaluation rates of exchange.

(b) Exchange variations

1	2	3	4	5	6	7	8	9	10	11
XXI.—Loan from Hungary	12,50	..	..	..	..	..	1,00	..	12,50	2,14
XXII.—Loan from Bulgaria	11,25	..	..	..	..	..	..	..	..	..
XXIII.—Loan from the Government of Qatar	12,88	12,88	..	..	..	..	..	..	..	..
XXIV.—Loan from Romania	1,58*	..	..	..	10	7	..	..	1,41	..
XXV.—Loan from Norway	..	..	..	..	..	..	..	..	..	..
B.—INTERNATIONAL AGENCIES :										
XXVI.—I.B.R.D. Loans :										
(i) Agricultural Machinery Project Loan	3,43	3,43	..	..	..	..	..	..	..	..
(ii) Railway Project Loan I	15,62	15,62	..	..	..	..	..	..	..	..
(iii) Railway Project Loan II	42,86	42,86	..	..	..	..	..	..	..	..
(iv) Railway Project Loan III	40,48	40,48	..	..	..	..	..	..	..	..
(v) Railway Project Loan IV	23,81	23,81	..	..	..	..	..	..	..	..
(vi) Railway Project Loan V	33,33	33,33	..	..	..	..	..	..	..	..
(vii) Railway Project Loan VI	23,81	23,81	..	..	..	..	..	..	..	..
(viii) D.V.C. I	7,96	7,96	..	..	..	..	..	..	..	..
(ix) D.V.C. II	5,00	5,00	..	..	..	..	..	..	..	..
(x) D.V.C. III	10,48	10,48	..	..	..	..	..	..	..	..
(xi) Koyna Project Loan (First Stage)	8,90	8,90	..	..	..	..	..	..	..	..
(xii) Coal Industry	13,71	13,71	..	..	..	..	..	..	..	..
(xiii) Power Transmission	43,50*	21,09	7,80	8,44	..	..	..	..	..	..
(xiv) Kothagudem Power Project II	6,67	7,62	1,04	64	2	..	..	..	..	..
(xv) Third Telecommunication	20,63*	..	..	..	9,81	9,32	32	1,51	..	..
(xvi) Tarai Seed	9,75*	..	..	1,55	35	39	3,75	37	7,09	3,00
									(b) 26	
Total	3,09,94	2,58,24	8,84	20,63	10,18	9,71	4,07	1,88	7,09	3,26
XXVII.—I.D.A. Credits :										
(i) Roads Project	28,32	29,59	..	..	..	..	..	..	..	..
(ii) U.P. Tubewell Project	2,86	2,86	..	..	..	..	..	..	..	..
(iii) Shetrunji Irrigation Project	1,61	1,61	..	..	..	..	..	..	..	..
(iv) Salandi Irrigation Project	3,57	5,03	16	..	..	..	..	..	..	..
(v) Punjab Drainage Project	4,76	4,91	..	..	..	..	..	..	..	..
(vi) D.V.C. IV	7,98	8,51	36	..	3	..	..	..	..	..
(vii) Sone Irrigation Project	7,14	8,07	..	..	..	..	..	..	..	..
(viii) Purna Irrigation Project	6,19	7,16	..	86	..	..	..	..	..	..
(ix) Koyna Project (Second Stage)	8,33	7,47	2,31	1,10	..	..	..	..	..	..
(x) Bombay Port Project	7,76	10,17	35	..	..	..	..	..	..	..
(xi) Telecommunications Project I	19,90	19,70	..	..	..	..	..	..	..	..
(xii) Railway Project Loan VII	32,14	32,14	..	..	..	..	..	..	..	..
(xiii) Kothagudem Power Project	9,52	11,31	..	..	..	..	..	..	..	..
(xiv) Industrial Imports I	42,86	42,86	..	..	..	..	..	..	..	..
(xv) Telecommunications Project II	15,71	18,50	..	..	..	..	..	..	..	..
(xvi) Railway Project Loan VIII	29,52	29,52	..	..	..	..	..	..	..	..
(xvii) Industrial Imports II	47,62*	67,37	..	..	..	..	..	..	..	..
(xviii) Beas Project	17,25*	7,29	1,53	1,43	90	3,65	2,40	2,45	..	..
(xix) Railway Project Loan IX	51,00*	51,00	..	..	..	..	..	..	..	..
(xx) Industrial Imports III	1,12,50*	1,12,50	..	..	..	..	..	..	..	..
(xxi) Industrial Imports IV	48,75*	48,75	..	..	..	..	..	..	..	..
(xxii) Industrial Imports V	93,75*	21,60	72,15	..	..	..	..	..	..	..
(xxiii) Third Telecommunications	20,62*	..	4,53	7,52	7,32	1,26	..	..	..	..
(xxiv) Railways X	41,25*	..	3,53	17,71	20,23	..	..	..	..	..
(xxv) Kadana	26,25*	..	..	83	2,84	5,10	6,00	7,50	9,98	6,00
(xxvi) Industrial Imports VI	56,25*	..	..	15,29	41,04	..	..	..	..	..

*At post devaluation rate of exchange.
(b) Exchange variations.

1	2	3	4	5	6	7	8	9	10	11
(xxvii) Gujarat Agricultural Project	26,25*	..	..	..	1,50	18,58	6,75	3,75	2,42	2,42
(xxviii) Punjab Agricultural Project	20,62*	..	..	..	..	..	..	75	19,87	1,50
(xxix) Andhra Pradesh Agricultural Project	18,30*	..	..	..	83	7,24	6,00	3,75	6,80	6,00
(xxx) Agricultural Aviation	4,50*	..	..	..	..	..	1,50	..	4,50	2,25
(xxxi) Telecommunications Project IV	58,50*	..	..	..	..	5,33	37,50	30,00	23,17	22,50
(xxxii) Power Transmission II	56,25*	..	..	..	2	22,50	15,00	41,23	41,23	22,50
(xxxiii) Haryana Agricultural Project	18,75*	..	..	..	..	3,38	1,50	1,50	13,87	7,50
(xxxiv) Tamil Nadu Agricultural Project	26,25*	..	..	..	3,51	7,50	7,50	15,24	15,24	7,50
(xxxv) Cochin II Fertiliser Project	15,00*	..	..	..	25	47	6,00	6,00	8,28	7,50
(xxxvi) Wheat Storage	3,75*	..	..	..	..	..	3,00	75	3,00	2,25
(xxxvii) Pochampad Irrigation	29,25*	..	..	..	..	106,6	7,50	7,50	11,09	7,50
(xxxviii) Railways XI	56,25*	..	..	..	4,58	24,60	24,00	27,10	..	..
(xxxix) Mysore Agricultural Project	30,00*	..	..	..	..	2,54	7,50	7,50	19,96	7,50
(xl) Gorakhpur Fertiliser Expansion	7,50	..	..	..	..	47	3,38	3,38	3,65	3,65
(xli) Maharashtra Agricultural Credit Project	22,50*	..	..	..	..	3,46	3,75	6,00	13,04	6,00
(xlii) Bihar Agriculture Project	10,50*	..	..	..	..	..	1,50	..	10,50	1,50
(xliii) Population Project	15,90*	..	..	..	..	..	3,75	1,50	14,40	3,75
(xliv) Shipping Project	62,25*	..	..	..	..	11,42	38,83	38,83	12,00	12,00
(xlv) Industrial Imports VII	56,25*	..	..	..	..	34,60	22,50	21,65	..	..
(xlvi) Education Project	9,00*	..	..	..	..	..	1,50	..	9,00	1,50
(xlvii) I.B.I.I.	18,75*	..	..	..	..	..	3,75	..	18,75	3,75
(xlviii) Nangal Fertilizer	43,50*	..	..	..	..	..	3,75	3,75	39,75	11,25
(xlix) Third Power Transmission Project	63,75*	..	..	..	..	..	..	..	63,75	6,50
(xlx) Mysore Agr Wholesale Market	6,00	..	..	..	..	..	..	..	6,00	..
(xli) Bombay Water Supply and Sewage	41,25*	..	..	..	..	..	..	7,50	33,75	7,50
(xlii) Madhya Pradesh Agr. Project	24,75*	..	..	..	..	..	..	3,75	21,00	6,00
(xliii) U.P. Agricultural Project	28,50*	..	..	..	..	..	..	3,00	25,50	7,50
(xliv) Fifth Telecommunication Project	60,00*	..	..	..	..	..	..	..	60,00	7,50
(xlv) Eight Industrial Credit	75,00*	..	..	..	..	..	..	45,00	30,00	30,00
(xlvi) Calcutta Urban Development Project	26,25*	..	..	..	..	..	..	1,50	24,75	7,50
(xlvii) Railway Project	60,00*	..	..	..	..	..	..	12,00	48,00	26,25
(xlviii) H.P. Apple Project (Us \$ 13 million)	9,75	..	..	..	..	..	..	..	9,75	1,43
(xlvi) Bihar Agricultural Project (Us \$ 32 million)	24,00	..	..	..	..	..	..	..	24,00	3,75
									(b) 29,27	
Total	17,72,48	5,47,92	84,92	44,74	79,52	1,36,29	2,22,36	2,68,91	6,47,00	2,80,50
XXVIII.—New Credits	..	..	..	..	..	..	1,88,00	..	..	2,20,00
Grand Total	103,12,11	57,22,53	6,26,43	6,10,90	6,34,50	5,41,31	6,61,80	7,12,24	15,00,00	8,49,79

*At post-devaluation rates of exchange.
(b) Exchange variations.

II. Statement of Repayments

(In lakhs of Rupees)

Details of Loans	Actuals, upto 1955-56	Actuals, from 1956-57 to 1960-61	Actuals, from 1961-62 to 1965-66	Actuals, 1966-67 to 1968-69	Actuals, 1969-70	Actuals, 1970-71	Actuals, 1971-72	Actuals, 1972-73	Actuals, 1973-74	Budget Revised, 1973-74	Budget 1974-75
1	2	3	4	5	6	7	8	9	10	11	12
A.—COUNTRIES											
r.—Loans from U.S.A. :											
(i) American Wheat Loan	..	1,63	..	2,22	..	..	..	5,00	5,12	5,12	5,25
(ii) Development Assistance Loans	..	7	90	2,20	98	1,10	1,23	1,36	1,51	1,51	..
(iii) D.L.F./A.I.D. Loans	..	5,14	42,15	56,17	19,30	19,19	18,39	24,79	33,74	2,51,87	22,95
(iv) Asian Economic Development Fund Loan	..	..	48	2,06	90	90	1,20	1,20	1,20	1,20	..
(v) P.L. 480 Rpee Loans	..	..	48	4,13	3,11	4,22	5,33	6,76	7,65	15,25,40	..
(vi) Commodity Credit Corporation	..	..	..	..	..	..	..	..	..	3,91	..
(vii) U.S. Export-Import Bank Loans:											
(a) First Loan	..	..	17,85	33,75	11,25	11,25	11,25	11,25	5,63	5,63	..
(b) Second Loan	..	..	..	11,25	3,75	3,75	3,75	3,75	3,75	3,75	3,75
(c) Third Loan	..	..	99	4,40	1,56	1,56	1,57	1,56	1,56	1,56	1,56
(d) Fourth Loan	..	..	..	3,12	1,56	1,56	1,57	1,56	1,56	1,56	1,56
(e) Fifth Loan	..	..	..	..	..	..	1,25	1,25	1,25	1,25	1,25
(f) Sixth Loan	..	..	..	..	..	..	56	1,01	1,01	1,01	1,01
(g) Credit for Diesel Loco Works, Varanasi (I Tranche)	..	..	..	3,35	1,19	1,19	1,19	1,19	1,19	1,19	1,19
(h) Credit for Diesel Loco Works, Varanasi (II Tranche)	..	..	..	1,59	1,06	1,06	1,06	1,06	1,06	1,06	1,06
(i) Credit for Diesel Loco Works, Varanasi (III Tranche)	..	..	..	96	96	96	96	95	96	96	96
(j) Loans to Air India:											
First Loan	..	..	1,48	82	..	..	..	..	..	..	..
Second Loan	..	..	2,27	2,87	51	..	..	..	..	..	..
										(b) 3,51	
Total	..	6,84	66,60	1,28,89	46,13	46,74	49,31	62,69	67,18	18,06,98	44,05
II.—Loans from U.S.S.R. :											
(i) Bhilai Loan	..	16,73	26,98	27,05	4,70	1,32	5	..	..	..	..
(ii) Industrial Enterprises	..	..	3,44	22,52	5,82	7,15	5,40	6,08	6,08	6,08	6,08
(iii) Drugs Credit	..	..	5	564	4,10	2,26	..	2,12	..	@	..
(iv) Barauni Credit	..	..	90	460	1,56	1,54	1,55	1,55	1,55	1,55	1,56
(v) 337.5 million Roubles Credit	..	..	5,36	39,13	18,02	21,88	16,78	20,01	20,01	20,08	19,72
(vi) 112.5 million Roubles Credit	..	..	1	6,82	4,45	5,85	3,92	5,07	5,18	5,15	5,17
(vii) Bokaro Credit	..	..	..	1,56	4,98	18,02	2,85	12,79	13,40	13,24	13,54
(viii) 300 million Roubles Credit	..	..	..	..	1,12	2,26	8	1,24	1,45	1,27	1,27
Total	..	16,73	36,74	1,07,32	44,75	60,28	30,63	48,86	47,67	47,37	47,34
III.—U.K. Credits :											
(a) U.K. Government Loans :											
(i) Durgapur Credit	..	..	..	22,49	6,75	..	..	..	..	..	..
(ii) Second E.C.G.D. Credit	..	..	8,45	18,53	2,28	2,28	2,28	2,27	2,28	2,28	2,28
(iii) U.K. India (Oil Pipe Line) Credit	..	..	2,66	2,10	..	..	..	..	..	..	..

b. Exchange variations. @ In thousands only

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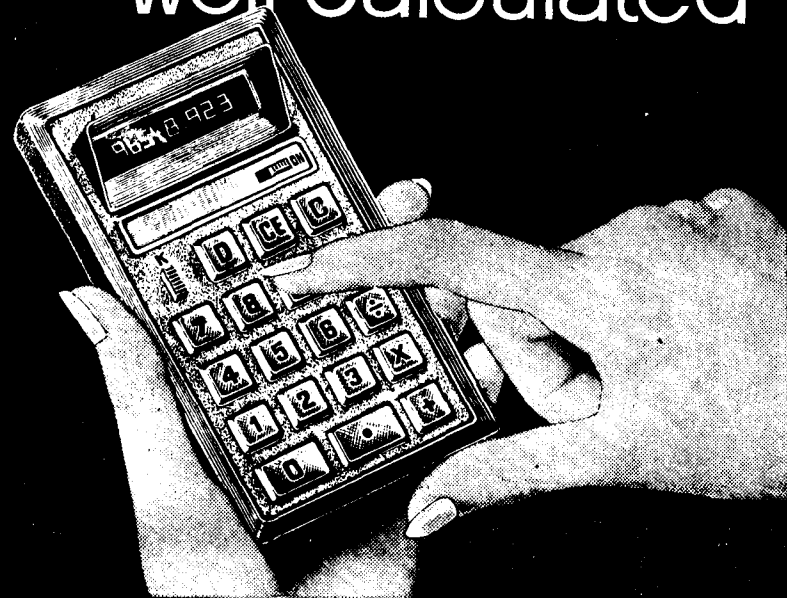


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	1	2	3	4	5	6	7	8	9	10	11	12
(iv) U.K. India (General) Credit, 1959	..	..	2,81	11,52	3,79	1,52	1,52	1,53	1,52	1,52	1,52	1,52
(v) First U.K. India (General) Credit, 1960	..	..	..	6,04	1,99	1,99	80	79	80	80	80	80
(vi) Second U.K. India (General) Credit, 1960	..	..	..	1,60	60	60	60	61	60	60	60	60
(vii) First U.K. India (General) Credit, 1961	..	..	..	2,74	90	90	90	90	90	90	90	90
(viii) First U.K. India (Five Year Plan) Credit, 1961	..	..	..	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92
(ix) Second U.K. India (General) Credit, 1961	..	..	..	49	49	49	49	49	49	49	49	49
(x) First U.K. India (General) Credit, 1962	..	..	..	..	97	97	97	97	97	97	97	97
(xi) U.K. India (Durgapur Extension) Credit, 1962	..	..	..	..	2,14	2,14	2,14	2,16	2,14	2,14	2,14	2,14
(xii) Second U.K. India (General) Credit, 1962	..	..	..	..	24	49	49	49	49	49	49	49
(xiii) U.K. India (Five Year Plan) Credit, 1962	..	..	..	..	63	1,27	1,27	1,26	1,27	1,27	1,27	1,27
(xiv) U.K. India (Steel) Credit, 1963	..	..	..	..	..	..	34	34	34	34	34	34
(xv) First U.K. India (General) Credit, 1963	..	..	..	..	..	49	97	97	97	97	97	97
(xvi) Second U.K. India (General) Credit, 1963 (Kipping Loan I)	..	..	..	..	..	19	39	39	39	39	39	39
(xvii) General Credit, 1964	..	..	..	..	..	..	49	49	49	49	49	48
(xviii) U.K. India (Bhopal) Credit, 1964	..	..	..	..	..	..	25	25	25	25	25	25
(xix) First Five Year Plan Credit, 1964	..	..	..	..	..	..	49	49	49	49	49	49
(xx) 2nd General Credit, 1964	..	..	..	..	..	..	97	97	97	97	97	97
(xxi) 2nd Bhopal Credit, 1964	..	..	..	..	..	..	10	20	19	19	19	19
(xxii) 2nd Five Year Plan Credit, 1964	..	..	..	..	..	..	7	14	14	14	14	14
(xxiii) 3rd Five Year Plan Credit, 1964	..	..	..	..	..	..	8	14	15	15	15	15
(xxiv) 4th Five Year Plan Credit, 1964	..	..	..	..	..	..	5	11	10	10	10	10
(xxv) 5th Five Year Plan Credit, 1964	..	..	..	..	..	..	6	11	12	12	12	12
(xxvi) 6th Five Year Plan Credit, 1964	..	..	..	..	..	..	16	32	32	32	32	32
(xxvii) Third U.K. General Credit, 1964 (Kipping II)	..	..	..	..	..	..	19	39	39	39	39	39
(xxviii) U.K. General Credit, 1965	..	..	..	..	..	..	24	49	48	48	48	48
(xxix) U.K. Five Year Plan Credit, 1965	..	..	..	..	..	..	2	4	5	5	5	5
(xxx) 2nd U.K. General Credit 1965	..	..	..	..	..	..	..	49	49	49	49	49
(xxxi) UK General Purpose Credit, 1965	..	..	..	..	..	..	..	50	1,00	1,00	1,00	1,00
(xxxii) Non-Project Loan (IIIrd Kipping) 1965	..	..	..	..	..	..	..	..	40	40	40	40
(xxxiii) First Bhopal Credit, 1966	..	..	..	..	..	..	..	..	24	24	24	48
(xxxiv) Sindri Loan, 1966	..	..	..	..	..	..	..	..	1	1	1	2
(xxxv) Non-Project Loan, 1966 (IVth Kipping)	..	..	..	..	..	..	..	..	..	20	20	40
(xxxvi) Second Bhopal Credit, 1966	..	..	..	..	..	..	..	..	..	15	15	30
(xxxvii) General Purpose Loan, 1966	..	..	..	..	..	..	..	..	..	50	50	100
(xxxviii) Food Emergency Loan, 1966	..	..	..	..	..	..	..	..	..	37	37	75
(xxxix) 2nd Non-Project Credit, 1966	..	..	..	..	..	..	..	..	..	..	..	1,35

(xl) Non-Project-Credit, 1967	..	..	..	..	..	..	..	..	..	..	35
(xli) Debt Refinancing Credit General Purpose, 1967	..	..	..	..	..	..	..	..	..	..	60
(b) Lazard Brothers	..	..	15,33	..	..	..	..	..	..	..	..
(c) Barclays Bank	..	..	..	..	57	57	57	58	57	57	57
										(b) 1,24	
Total	..	..	29,25	68,43	24,27	16,82	19,82	21,80	24,15	24,15	29,16
IV.—Loans from Canada :											
(i) Wheat Loan I	..	1,64	6,58	..	..	..	..	..	..	..	..
(ii) Wheat Loan II	..	..	2,95	..	..	..	..	..	..	..	..
(iii) Diesel Locos for Indian Railways	..	..	..	86	..	..	..	21	43	43	43
(iv) Indalco Expansion	..	..	..	29	11	11	11	11	11	11	11
(v) Rana Pratap Sagar Hydro Electric Project	..	..	..	36	36	36	36	36	36	36	36
(vi) Rajasthan Atomic Power Project (Candu Atomic Power Project)	..	..	..	..	1,04	..	1,07	1,28	2,44	2,44	2,44
(vii) Wind Tunnel Project	..	..	..	..	..	12	25	25	25	25	25
(viii) Durgapur Alloy Steel Project (Amco Furnace)	..	..	..	4	8	8	8	8	8	8	8
(ix) Kota Dam Hydro Electric Project	..	..	..	..	12	25	25	25	25	25	25
(x) Rajasthan Atomic Power Station (Phase II)	..	..	..	..	..	..	..	..	..	..	1,11
											(b) 88
Total	..	1,64	9,53	1,55	1,71	92	2,12	2,54	3,92	3,92	5,91
V.—Loans from Federal Republic of Germany :											
*(i) D.M. 660 million Rourkela Credit	..	5,58	72,06	..	..	..	..	..	..	..	..
*(ii) D.M. 168 million Credit	..	..	2,86	13,64	1,50	1,64	1,64	1,64	1,64	1,64	1,64
*(iii) First D.M. 125.1 million Credit	..	..	1,14	5,00	1,65	1,72	1,72	1,72	1,72	1,72	1,72
*(iv) Second D.M. 125.1 million Credit	..	..	..	7,05	2,35	2,56	2,56	2,56	2,56	2,56	2,56
*(v) D.M. 98.36 million Credit, 1961—Rourkela Prolonga- tion Credit (First)	..	..	11,71	..	..	..	..	..	..	..	..
(vi) D.M. 230 million Credit, 1961—Rourkela Prolonga- tion Credit (Second)	..	..	13,69	13,21	1,86	3,48	4,10	4,10	4,10	4,10	..
(vii) D.M. 100 million Credit, 1961	..	..	90	6,53	94	94	96	96	96	96	96
(viii) D.M. 85 million Credit, 1962—Rourkela Prolonga- tion Credit (Third)	..	..	..	6,75	1,57	1,64	1,64	1,64	1,64	1,64	1,84
(ix) D.M. 100 million Credit, 1962	..	..	..	..	1,45	1,52	1,52	1,52	1,52	1,52	1,52
(x) D.M. 61.4 million Credit (for Rourkela Refinancing)	..	..	..	2,56	1,34	1,40	1,40	1,40	1,40	1,40	1,40
(xi) D.M. 90 million Credit, 1965	..	..	67	3,17	1,10	1,15	1,15	1,15	1,15	1,15	1,15
(xii) D.M. 93.6 million Credit, 1965 (Consolidation of Rourkela Liabilities)	..	..	35	3,50	1,15	1,20	1,20	1,20	1,20	1,20	1,20
(xiii) D.M. 170 million Credit, 1936.	..	..	..	2,25	2,46	2,46	2,46	2,46	2,46	2,46	2,46
(xiv) D.M. 107 million Credit, 1963	..	..	..	2,00	2,10	2,19	2,19	2,19	2,19	2,19	2,19

*Due to revaluation of DM from 6-3-1961, the actual amount repaid or to be repaid is more than the amount actually drawn.
(b) Exchange variations.

	1	2	3	4	5	6	7	8	9	10	11	12
(xv) D.M. 396 million Credit, 1963	..	..	..	4,95	5,18	5,41	5,41	5,41	5,41	5,41	5,41	5,41
(xvi) D.M. 4 million Credit, 1963	..	..	..	..	5	5	6	5	5	5	5	5
(xvii) D.M. 82 million Credit	..	..	..	..	..	65	1,29	1,29	1,29	1,29	1,29	1,29
(xviii) D.M. 40 million Credit (Specialised Project I)	..	..	..	..	..	15	30	40	51	51	51	51
(xix) D.M. 40 million, 1964	..	..	..	..	..	..	23	45	46	46	46	46
(xx) D.M. 28.1 million, 1964	..	..	..	..	..	..	4	9	9	9	9	9
(xxi) D.M. 74 million, 1963	..	..	..	..	..	..	1,18	1,18	1,18	1,18	1,18	1,18
(xxii) D.M. 55 million Credit, 1965	..	..	..	..	..	..	..	63	63	63	63	63
(xxiii) D.M. 6.4 million Credit, 1965	..	..	..	..	..	..	..	4	7	6	6	6
(xxiv) D.M. 52.16 million Credit, 1967	..	..	..	..	..	..	..	18	19	19	61	61
(xxv) D.M. 58.64 million Credit, 1969	..	..	..	..	..	..	..	80	1,60	1,60	1,60	1,60
(xxvi) D.M. 62 million Credit, 1969	..	..	..	..	..	..	..	85	1,69	1,69	1,69	1,69
(xxvii) D.M. 76.3 million Credit, 1970	..	..	..	..	..	..	..	..	1,04	1,04	2,08	2,08
(xxviii) D.M. 23.5 million Credit, 1965	..	..	..	..	..	..	..	..	26	26	26	26
(xix) D.M. 12 million Credit, 1961	..	..	..	..	..	..	..	..	..	7	14	14
(xx) D.M. 10 million Credit, 1965	..	..	..	..	..	..	..	6	11	11	11	11
(xxxi) D.M. 60 million Credit, 1965	..	..	..	..	..	..	..	..	66	66	67	67
(xxxii) D.M. 18 million Credit, 1966	..	..	..	..	..	..	..	..	20	20	20	20
(xxxiii) D.M. 7.5 million Credit, 1966	..	..	..	..	..	..	..	..	8	8	8	8
(xxxiv) D.M. 180 million Credit, 1967 (AC-303)	..	..	..	..	..	..	..	..	..	..	1,02	1,02
(xxxvi) D.M. 289 million Credit, 1967 (AC-382)	..	..	..	..	..	..	..	..	..	..	1,95	1,95
(xxxvi) D.M. 28.25 million Credit (AC-248)	..	..	..	..	..	..	..	..	..	..	16	16
											(b) 19,00	(b) 19,00
Total	..	5,58	1,03,38	70,61	24,70	28,16	31,05	33,97	38,13	38,12	57,89	57,89
VI.—Loans from Japan												
(i) First Yen Credit	..	..	8,21	2,68	..	35	55	..	2,03	2,01	2,16	2,16
(ii) Second Yen Credit	..	..	..	12,09	3,56	..	44	3,88	4,82	8,75	9,54	9,54
(iii) Third Yen Credit	..	..	..	..	..	..	14	..	6,14	6,09	6,64	6,64
(iv) Fourth Yen Credit	..	..	..	..	..	..	1,37	..	4,77	4,73	5,12	5,12
(v) Fifth Yen Credit	..	..	..	..	..	2,08	4,16	..	4,20	4,15	4,15	4,15
(vi) Sixth Yen Credit	..	..	..	..	..	..	1,59	..	3,21	3,19	3,19	3,19
(vii) Seventh Yen Credit	..	..	..	..	..	..	..	..	2,26	2,24	2,24	2,24
(viii) Food Aid	..	..	..	..	..	..	..	..	53	53	52	52
(ix) Eight Yen Credit	..	..	..	..	..	..	..	..	..	..	1,63	1,63
											(b) 14,13	(b) 14,13
Total	..	..	8,21	14,77	3,56	2,43	8,25	3,88	29,76	31,69	49,32	49,32
VII.—Loans from Switzerland :												
Credit for Third Plan	..	..	..	87	1,72	2,54	2,91	3,01	3,01	3,01	2,94	2,94
VIII.—Loans from Czechoslovakia:												
(i) First Credit for Third Plan	..	..	..	4,16	2,98	3,84	4,11	4,12	4,15	4,15	3,56	3,56
(ii) Second Credit for Third Plan	..	..	..	1,77	2,01	3,32	3,41	3,65	3,84	3,76	4,66	4,66
Total	..	..	..	5,93	4,99	7,16	7,52	7,77	7,99	7,91	8,22	8,22
IX.—Loans from Yugoslavia :												
(i) First Credit	..	..	17	5,17	3,46	3,63	3,14	2,68	1,98	3,40	1,91	1,91
(ii) Second Credit	..	..	..	..	..	1	1	1	1	1	1	1
Total	..	..	17	5,17	3,46	3,64	3,15	2,69	1,99	3,41	1,92	1,92

	1	2	3	4	5	6	7	8	9	10	11	12
X.—Loans from Poland :												
(i) First Credit	..	..	11	4,59	1,90	2,38	2,59	2,59	2,46	2,41	1,54	
(ii) Second Credit	..	..	..	..	..	10	10	23	23	22	24	
(iii) Third Credit	..	..	..	..	..	..	..	..	78	38	77	
Total	..	..	11	4,59	1,90	2,48	2,69	2,82	3,47	3,01	2,55	
XI.—Loans from Austria :												
(i) First Credit	..	..	36	1,12	37	37	38	39	39	39	39	
(ii) Second Credit	..	..	..	72	29	29	30	30	30	30	30	
(iii) Third Credit	..	..	..	..	15	30	32	32	32	32	32	
(iv) Fourth Credit	..	..	..	..	..	15	32	32	32	32	32	
(v) Fifth Credit	..	..	..	..	..	..	19	37	37	37	37	
(vi) Sixth Credit	..	..	..	..	..	..	..	..	..	..	8	
(vii) Food Aid	..	..	..	..	..	..	..	..	..	..	2	
Total	..	..	36	1,84	81	1,11	1,51	1,70	1,70	1,70	2,49	(b) 69
XII.—Loan from Kuwait Government	..	..	14,91	13,20	4,34	4,34	4,34	1,08	..	..	..	
XIII.—Loan from Netherlands	..	..	..	..	..	..	71	85	1,21	1,21	1,20	
XIV.—Loans from Denmark :												(b) 48
(i) First Credit	..	..	10	44	15	15	15	15	15	15	11	
(ii) Second Credit	..	..	..	..	..	13	13	13	13	13	3	
(iii) First Food Loan	..	..	..	..	..	..	20	20	20	20	20	
Total	..	..	10	44	15	28	48	48	48	48	59	(b) 15
XV.—Loan from New Zealand :												
Credit for Purchase of wool	..	..	7	31	9	..	..	..	..	..	..	
XVI.—Loan from Bahrain	..	..	..	4,86	71	71	71	70	71	71	71	
XVII.—Loans from France :												(b) 3
(i) \$ 17 million French Credit 1966-67	..	..	..	80	96	1,01	1,10	1,11	1,07	1,11	1,11	
(ii) FF 150 million Credit, 1967-68	..	..	..	..	1	8	33	1,07	1,42	1,34	1,40	
(iii) FF 125 million Credit, 1968-69	..	..	..	..	..	5	26	46	60	55	72	
(iv) FF 125 million Credit, 1969-70	..	..	..	..	..	..	7	28	71	54	82	
(v) FF 130 million Credit, 1970-71	..	..	..	..	..	..	4	28	35	32	52	
(vi) FF 150 million Credit 1971-72	..	..	..	..	..	..	..	23	29	46	67	
(vii) FF 25 million Debt Relief 1968-69	..	..	..	..	..	..	..	38	37	37	37	
(viii) FF 27.7 million Debt Relief 1969-70	..	..	..	..	..	..	..	..	42	42	42	
(ix) FF 150 million Credit 1972-73	..	..	..	..	..	..	..	..	30	35	66	
(x) FF 35 million Credit 1972-73	..	..	..	..	..	..	..	..	11	..	2	
(xi) FF 56 million Credit, 1972-73	..	..	..	..	..	..	..	..	..	..	..	
(xii) FF 27.7 million Credit, 1970-71	..	..	..	..	..	..	..	..	..	..	41	
(xiii) FF 180 million Credit, 1972-73	..	..	..	..	..	..	..	..	..	1	2,2	
Total	..	..	..	80	97	1,14	1,80	3,81	5,64	5,47	9,61	(b) 2,2

(b) Exchange variations.

	1	2	3	4	5	6	7	8	9	10	11	12
XVIII.—Loans from Belgium :												
(i) First Credit	..	..	..	..	..	..	..	..	6	6	6	6
(ii) Second Credit	..	..	..	..	..	..	..	..	13	12	12	12
Total	..	..	..	..	..	..	..	..	19	18	18	24
XIX.—Loan from Qatar	..	..	..	3,52	94	94	94	94	94	94	94	94
XX.—Loan from Italy	..	..	..	..	..	6	12	12	58	58	58	(b) 4
XXI.—Miscellaneous Credits	..	..	..	..	..	..	..	..	4,88	4,88	4,92	(b) 7
B.—INTERNATIONAL AGENCIES												
XXII.—I.B.R.D. Loans :												
(i) Agricultural Machinery Project Loan	2,87	56	..	..	..	..	..	..	..	..	..	..
(ii) Railway Project Loan I	5,40	5,59	4,63	..	..	..	..	..	..	..	..	..
(iii) Railway Project Loan II	..	..	15,36	5,69	..	..	7,56	3,91	..	..	..	..
(iv) Railway Project Loan III	..	..	5,74	5,63	38	90	3,94	4,12	4,36	4,36	4,61	..
(v) Railway Project Loan IV	..	..	3,15	3,61	1,94	2,05	2,24	2,32	2,46	2,45	2,60	..
(vi) Railway Project Loan V	..	..	3,13	6,29	2,58	2,73	2,89	3,06	3,24	3,24	3,43	..
(vii) Railway Project Loan VI	..	..	1,30	3,87	1,74	1,84	1,72	2,06	2,19	2,18	2,31	..
(viii) D.V.C. I	41	2,13	2,60	2,72	1,04	53	..	..	..	..	..	..
(ix) D.V.C. II	..	75	95	35	..	..	46	46	49	48	51	..
(x) D.V.C. III	..	..	2,09	76	..	..	99	1,05	1,11	1,11	1,17	..
(xi) Koyana Project Loan (I Stage)	..	..	25	1,05	28	54	59	61	63	64	67	..
(xii) Coal Industry	..	..	..	3,83	1,83	1,94	2,07	2,17	2,30	2,30	2,43	..
(xiii) Power Transmission (416-IN)	..	..	..	..	..	..	56	1,05	1,11	1,11	1,17	..
(xiv) Kothagudam II (417-IN)	..	..	..	..	..	..	13	30	32	31	33	..
Total	8,68	9,03	39,20	33,80	9,79	10,53	23,15	21,11	18,21	18,18	20,90	(b) 167
XXIII.—I.D.A. :												
(i) Roads Project	..	..	..	..	..	..	45	48	47	54	54	..
(ii) U.P. Tubewell Project	..	..	..	..	..	..	2	5	4	5	5	..
(iii) Shetrunji Irrigation	..	..	..	..	..	..	..	3	3	3	3	..
(iv) Salandi Irrigation	..	..	..	..	..	..	..	6	6	6	7	..
(v) Punjab Drainage	..	..	..	..	..	..	..	8	7	8	8	..
(vi) D.V.C. IV	..	..	..	..	..	..	..	13	13	15	15	..
(vii) Sone Irrigation	..	..	..	..	..	..	..	6	12	13	14	..
(viii) Purna Irrigation	..	..	..	..	..	..	..	5	11	12	12	..
(ix) Koyana Project (IIInd Stage)	..	..	..	..	..	..	..	7	14	16	16	..
(x) Bombay Port Project	..	..	..	..	..	..	..	6	11	14	14	..
(xi) P & T (Telecommunications)	..	..	..	..	..	..	..	..	17	32	38	..
(xii) Railway Project VII	..	..	..	..	..	..	..	..	..	51	58	..
(xiii) Kothagudam Power Project	..	..	..	..	..	..	..	..	..	4	9	..
(xiv) Industrial Imports 52-IN	..	..	..	..	..	..	..	..	..	..	..	..
(xv) II Telecommunication Project	..	..	..	..	..	..	..	..	..	..	..	15
(xvi) VIII Railway Project	..	..	..	..	..	..	..	..	..	..	..	56
Total	..	..	..	..	..	..	47	1,24	2,15	2,51	4,06	(b) 32
Grand Total	8,68	39,82	3,08,63	4,66,90	1,74,99	1,90,28	1,91,68	2,22,25	2,62,15	2,00,641	2,97,32	

*Due to revaluation of D.M. from 6-3-1961, the actual amount repaid or to be repaid is more than the amount actually drawn.
(b) Exchange variations.

Railway Budget: 1974-75



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PRESENTING the Railway Budget for 1974-75 in the Lok Sabha on February 27, 1974, the Railway minister, Mr Lalit Narayan Mishra, proposed revision of freights and fares effective from April 1, 1974, bringing in an additional revenue of Rs 136.38 crores.

The minister said that to restore the financial health of the railways "I have most reluctantly come to the conclusion that an adjustment in the level of fares and freights is inescapable". He assured the House that the increases were the minimum necessary.

Mr Mishra, however, did not propose any change in the current rates of freight on foodgrains in view of the prevailing high prices and hardships undergone by the common man. There would thus be no effect, direct or indirect, on the family budget of the masses. The minister also exempted season ticket holders from any increase in fares.

Uncovered gap

The anticipated revenue in this budget year at the current rate of fares and freights would fall short of the expenses by Rs 7.5 crores. The additional revenue of Rs 136.38 crores will enable the railways to discharge substantially their dividend liability to the general revenues but will still leave an uncovered gap of Rs 52.79 crores in the payment of dividend.

Mr Mishra said that the difference between the cost of carriage and freight income was becoming wider and wider particularly in respect of major commodities moving in bulk, which form nearly 75 per cent of railways cargo. A comprehensive revision of the existing schedule of freight rates was thus called for. He, therefore, proposed to revise the freight structure without disturbing the inter-se classification of goods.

The range of increases in

the revised structure compared to the existing levels of freight would be from about five per cent at a lead of 40 kms to approximately 11 per cent at a distance of 3,000 kms.

Neutralising loss

The railways would suffer a loss of about Rs 37.67 crores in carrying coal at their present concessional rates during 1974-75. It is, therefore, proposed to bring freight rate for coal in alignment with the current cost of fitting it at class 37.5 in the standard freight structure. This would enable the railways to neutralise the loss in the transport of coal. The additional revenue per annum from coal freight would be Rs 39.33 crores and Rs 44.89 crores in respect of other commodities.

Mr Mishra also proposed an increase in transshipment charges which were last revised in 1970. The present rates, which vary from 10 paise to 20 paise per quintal will be increased from a minimum of 25 paise to a maximum of 50 paise per quintal. The transshipment charges for coal will be raised from 60 Paise per tonne to Rs 1.50 per tonne. The new rates are expected to yield an extra revenue of Rs 4 crores per year.

The supplementary charge on parcels and luggage will be raised from five per cent to 15 per cent. Fruits, vegetables and milk, however, will be exempted altogether from the levy of the additional charge. This revision will bring an additional revenue of Rs 5.5 crores.

Coming to passenger fares, Mr Mishra referred to the need to discourage the growth of passenger traffic so that a larger share of available rail transport facilities was allotted to the transport of goods and essential raw materials for agriculture and industry. The situation called for an increase in fares on a rational basis so as to keep the passenger traffic on a lower priority and to contribute

to the reduction in revenue deficits.

Air-conditioned chair car and first class fares would be raised from a minimum of Rs 12 to a maximum of Rs 16 per ticket. Referring to ACC first class fares the minister recalled that he had said in his last budget speech that these fares will be brought closer to the corresponding air fares. Accordingly, he proposed an increase per ticket from Rs 15 to Rs 160 depending upon the distance. Similar increases are proposed in the case of travel by the two Rajdhani Expresses. The additional revenue from increased fares from upper classes is expected to be Rs 4.44 crores.

Overcrowding in trains

Referring to the Mail and Express trains, the minister said overcrowding in third class compartments on these trains was mostly because of short distance passengers. This was partly attributed to the fares up to 50 kilometres being very low, the minimum fare being as low as 25 Paise.

To mitigate this heavy overcrowding and inconvenience to long distance passengers, the minimum fare will be raised from 25 paise to 50 paise on Mail and Express trains. From 50 kms onwards the increase per ticket will be 50 Paise which will gradually increase with the distance travelled. The maximum increase per ticket will be Rs 8 for distances beyond 3,000 kms. These increases are estimated to yield Rs 18.06 crores per year.

Mr Mishra said, he proposed comparatively a very modest increase in the fares of third class ordinary passengers. Up to a distance of 25 kms it will be only 5 Paise and 10 Paise between 26 and 40 kms. The increase will then range from 25 Paise per ticket to a maximum of Re 1 per ticket depending upon the distance. For no distance the new fare will be more than Re 1 per

ticket over the existing fares. The extra collection from this source will be Re 16.48 crores.

The minister, however, proposed to exempt season ticket holders altogether from any increase in fares. Nearly 72 per cent of the passengers travelling in the suburban sections of metropolitan areas, i. e. 99 crores in a year, would derive benefit from this exemption.

The Railway minister proposed an increase in reservation charges from the present 50 paise to Re 1 in the case of ACC chair car, from Re 1 to Rs 2 in the case of first class and from Re 1 to Rs 5 in the case of air-conditioned class. There would be no increase in respect of third class reservations.

The existing sleeper charges for third class travel in three tier coaches would be increased from Rs 4 to Rs 5 for the first night and from Re 1 to Rs 3 for each subsequent night. In 2-tier coaches the charges will be increased from Rs 4 to Rs 5 per night.

Improvement of service

The existing charges, Mr Mishra pointed out, have remained unchanged for some years and it would be his endeavour to continue to enlarge and improve this service further.

The cost of platform tickets will be increased from 25 paise to 50 paise per ticket with a view to curb flocking by visitors of station platforms. The proposals for reservation charges and platform tickets would fetch an additional revenue of Rs 3.68 crores.

Explaining the reasons for the proposed freight increases, The Railway minister said, the cost of inputs, particularly the wage bill, which constitutes 60 per cent of the total working expenses and fuel which accounts for nearly 20 per cent as also the cost of other materials and stores have risen to such levels recently as to

upset fundamentally the value of the constituents in freight rates and fares.

The gap between costs and income is becoming wider and wider. The average lead for haulage of goods has been growing longer over the years, but the distance for the break-even point has fallen steeply during the current year.

Transport of iron ore, for example, was earlier unremunerative only beyond 1300 kms on the broad gauge. It has become totally unremunerative at present with the increasing cost of operation. Similarly, the transport of coal was earlier remunerative up to a distance of 1100 kms, but the existing freight rate does not cover the cost of haulage at any distance.

The minister said the loss in the transport of low-

rated freight traffic, according to the latest assessment, will rise to Rs 115.40 crores in 1973-74. "To remedy this trend, it has become necessary not only to effect suitable escalation in the freight rates but also adjust the taper for rates applicable for longer hauls", Mr Mishra added.

Speaking of foodgrains and pulses, Mr Mishra pointed out that these were carried at non-standard and concessional rates which do not even meet the railways out of pocket expenses. The railways lost nearly Rs 26 crores in 1972-73 on foodgrain traffic and the size of this loss is likely to go up to Rs 74.49 crores in 1974-75 with the increase in costs of operation. However, he had decided against any increase in the freight of foodgrains.

Describing the railways'

performance in 1973-74, the minister said, the working results of the railways during the year had undergone a sea-change due to the confluence of three vital factors—the state of the national economy, deterioration in staff discipline and the impact of the Pay Commission's recommendations.

Stagnating production

Industrial production, which rose significantly in 1972 stagnated during 1973. Extensive load shedding and power cuts, disturbed industrial relations in a number of industries and strikes in the railways also had an adverse effect. The offering of traffic to the railways was at a substantially lower level than anticipated.

At the same time, the railways were called upon to transport on top priority, from May to July last year, 2.4 million tonnes of foodgrains from Punjab and Haryana to the drought affected areas. This was a record movement as only 1.64 million tonnes were moved by rail during the same period in the preceding year. This imposed severe strains on the railway system which undertook the operation on a fire-fighting basis, to reach foodgrains to scarcity areas in time to stave off starvation. A number of passenger trains were cancelled and a considerable amount of high rated general goods traffic was sacrificed in the process. It also involved an increased movement of empty wagons over long distances.

Foodgrains, the minister reminded the House, are carried by the railways at a heavily subsidised rate and the greater the number of wagons pressed into transportation of foodgrains the larger is the loss to the railways. "The railways met the national obligation but not without effecting their pocket," Mr Mishra said.

The minister said, this has been a particularly bad year for the Indian Railways so far as staff discipline was concerned.

From the very beginning the railways have been hit by go-slow, work-to-designation

agitations, mass absenteeism, wild-cat strikes, bandhs, squatting on the track etc. The effect of staff agitations has been crippling.

The minister mentioned in particular the strike of Station Masters and Asstt. Station Masters during April on the Western Railway, the successive strikes and agitations by the loco running staff in May, July-August and December which affected most of the Zonal Railways, the agitation by the staff of the Sholapur Division, the work-to-rule agitation by the Signalling and Telecommunication staff and the carriage and wagon staff.

As a matter of fact not a month has passed on the railways this year during which train operations were not held up or hampered by such agitations sponsored by certain unrecognised category-wise associations.

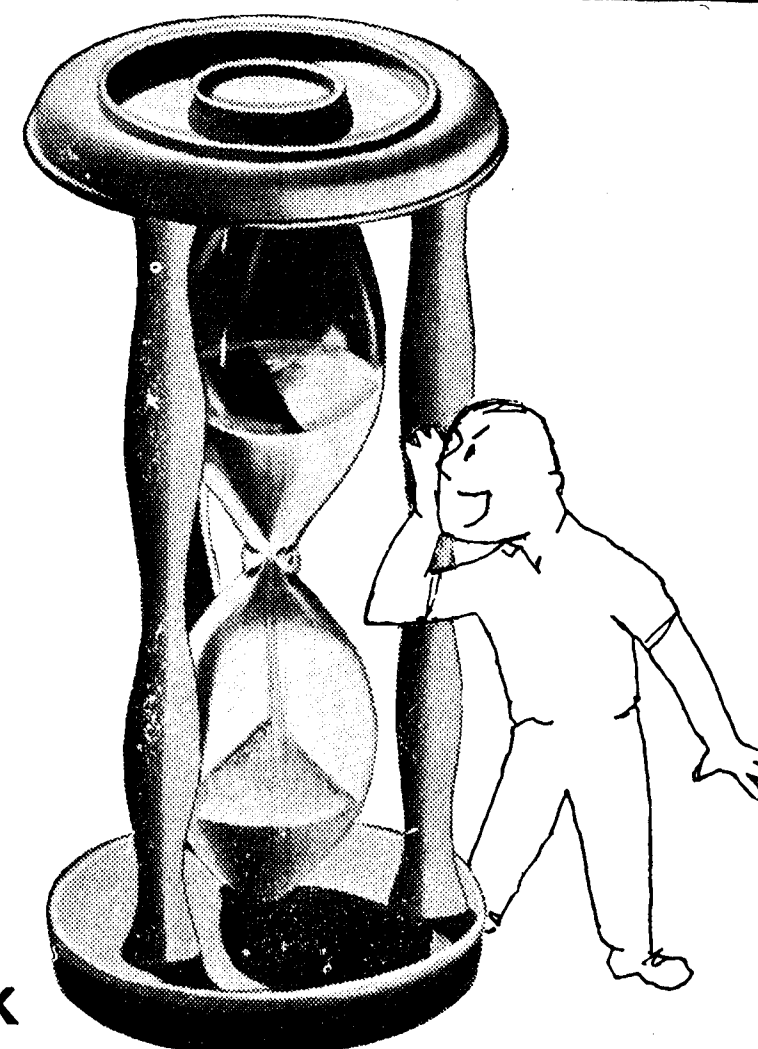
Consequently both the financial and operational targets have been upset. Earnings upto the end of December 1973, fell short of expectations by Rs 81.50 crores. There has been a shortfall of nearly eight million tonnes in originating freight traffic up to the end of December as compared with the same period of last year. As compared to the budget projection, the originating freight traffic has been 15.30 million tonnes less.

Sluggish movement

The movement of coal has been particularly sluggish. Against the anticipated movement of 71 million tonnes, actually only 61 million tonnes of coal are expected to move partly due to non-availability of coal for loading at established rail-heads and partly due to the agitational approach of the staff.

To make matters worse the average lead of traffic during the current year has also decreased by 2.4 per cent over that the last year. The losses in the quantum and load are irretrievable. The signs of return to normalcy are not visible.

The implementation of the



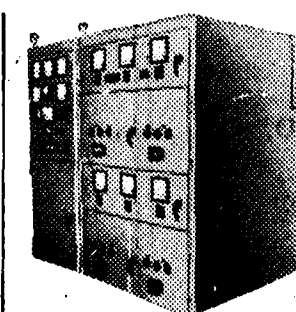
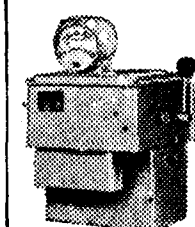
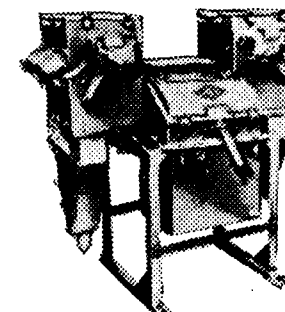
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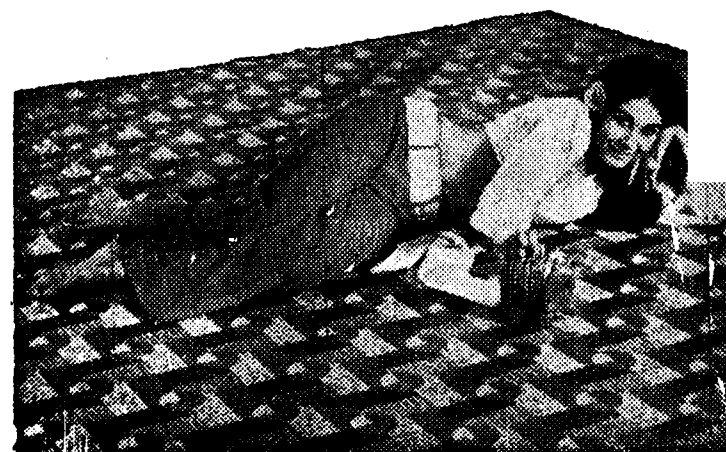
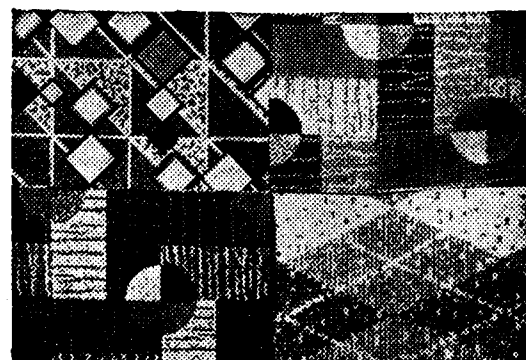
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Pay Commission's recommendations as liberalised by government, and the grant of three increases in dearness allowance during the year have substantially added to the railways' expenditure. The impact is over Rs 109 crores for a full year. Out of the estimated liability of Rs 94 crores during the current year, about Rs 52 crores are expected to be disbursed to the employees during the current financial year. The balance of Rs 42 crores has been thrown forward and provided for in the budget for 1974-75.

Against the background of the unprecedented shortfall in performance, Mr Mishra said, the gross traffic receipts are expected to be Rs 93.20 crores less at Rs 1170 crores, against the budget estimate of Rs 1263.20 crores. "Due to the combination and conjunction of heavy additional expenditure and substantially short earnings the year 1973-74 has been the worst year for railway finances for many decades", Mr Mishra said.

Exchequer control

In recognising the gravity of the situation "exchequer control" on all spending units was imposed during the year to regulate their cash disbursements against the budget allotment. Other economy measures were intensified which have yielded appreciable results—Rs 17 crores.

The anticipated budget surplus of Rs 23.86 crores in 1973-74 has turned into a deficit of Rs 99.75 crores. This amount, Mr Mishra said, is proposed to be covered by obtaining a loan from the general revenues. The indebtedness of the railways to the general revenues which was expected at Rs 111.01 crores, would in the circumstances, rise to Rs 208.02 crores.

Apart from the economy of Rs 17 crores in revenue expenditure a saving of Rs 13.5 crores in works expenditure was also achieved making a total of Rs 38.5 crores against the promised amount of Rs 20 crores. The Railways Plan expenditure in the current

year would be Rs 324.19 crores against Rs 337.54 crores as budgeted.

Gross receipts

Referring to the budget estimates for the next year, the minister said gross traffic receipts have been estimated, at the existing level of the fares and freights, to be Rs 1290.77 crores. This is based on the hopeful assumption that railways will carry 25 million tonnes of additional originating traffic over the expected performance of the current year. Mr Mishra said this assumption may be considered optimistic considering the 1973-74 performance. "I am, however, not despondent but look forward to the new year with hope and confidence".

Working expenses have been placed at Rs 1148.37 crores which include Rs 99 crores for payment of increase in wages and allowances arising out of the Pay Commission's recommendations, together with the additional dearness allowance. The estimates also provide for an increase in the fuel bill of the railways of Rs 40.78 crores and Rs 44.76 crores for repayment of indebtedness and Rs 42 crores which is a liability thrown forward from the current year arising from the Pay Commission's recommendations and the increase in dearness allowance.

Taking all these and other relevant items into account, railway revenue will fall short of expenditure by Rs 7.5 crores. But for the throw-forward liability of Rs 42 crores, the revenue receipts should have exceeded the expenditure including the appropriation to the Depreciation Reserve Fund and to the Pension Fund, by Rs 34.5 crores. But to be able to meet dividend liability, the requirements of debt servicing charges etc., and to restore the financial health of the railways, "I have most reluctantly come to the conclusion that the adjustment in the level of fares and freights, is inescapable," Mr Mishra added.

Referring to the key role of railwaymen in the economic

life of the community, Mr Mishra said, a very special responsibility was placed on their shoulders "I must place on record my warm appreciation of the loyal services being rendered by most of them to the community. I have a word of commendation for the valuable services rendered by officers and other supervisory staff and the railway personnel embodied in the Territorial Army, in conditions of considerable stress and strain and even occasional personal risk."

Pressure groups

The minister, however, noted with great regret and concern that lately a small number of railwaymen have organised themselves into pressure groups among essential staff. These groups have intermittently sought to paralyse railway working in sensitive areas and off and on held the community to ransom. The agitations were politically motivated and divorced from normal trade union activities.

The minister said, trade unionism was the corner-stone of any democratic system but the need for the development of healthy trade unionism was imperative. Leaders of political parties have a responsibility to ensure that trade unions are not exploited merely for earning cheap popularity and to see that the unions take an integrated view of the national economy. The workers also owe obligation to the community and strikes should be the last weapon in their armoury.

Mr Mishra pointed out that the Railway Board and the General Managers of the Zonal Railways had reviewed labour relations in depth and broad decisions had been arrived at. The principle of 'no work, no pay' would be enforced and other disciplinary action may be taken when staff goes on illegal strike.

The services of loyal workers would be recognised by grant of extension, rewards, advance increments and favourable consideration, within administrative rules, for appointment of children dependent on loyal workers. Effective

protection will be given to the loyal workers and their families from violence and intimidation.

Mr Mishra pointed out, there are 700 categories of railwaymen and it is not possible for any organisation to negotiate at all levels with the representatives of such a large number of categories. This would also lead to fragmentation of trade union activity and concessions to one category would create an imbalance and general demands from other categories. At a recent conference convened by him, a general consensus had emerged that there should be only one union which should be broad based and popular and represent all crafts and categories of railway workers. It would be his endeavour to give this concept a practical shape in consultation with the two railway labour federations, ministry of Labour and other concerned people. At the same time, there was need for enlightened management for happy industrial relations and increased productivity. The railways must set an example in this direction.

Promises fulfilled

In this context the minister said, whatever promises and assurances were made to the Loco Running Staff when they called off their strike in August 1973 have been fulfilled both in letter and spirit. An agreement has been reached in the Qureshi Committee for working out the mode and manner of implementation of the 10-hour rule. Crash plans and programmes are being formulated by the Zonal Railways in fulfilling this commitment.

The magnitude of the problem, however, involved recruitment and training of 20,000 additional staff and a programme of capital expenditure entailing an outlay of about Rs 38 crores for laying additional looplines, rest rooms and crew vans. The Zonal Railways have been asked to plan for these works. This programme cannot be completed within a period of 30 or 90 days. The minister appealed to the locomen and other staff

to recognise the reality of the situation and not to indulge in further agitations.

Paying a tribute to railwaymen of the Territorial Army who worked during difficult days to keep the nation's life-line going, the minister said, government have decided to double the number of Railway Territorial Army units immediately. Later on, their cadres could be further strengthened. Some additional incentives may also be given to them.

Referring to the energy crisis, the minister said the pace of electrification of trunk routes was being accelerated to energise 1800 route kilometres by the end of the fifth Plan period. Railways' own generation stations, linked with the grid systems of the states, are proposed to be set up not only in the fifth Plan but in the sixth Plan period also. The railways, Mr Mishra pointed out, consume only about 10 per cent of the total consumption of high speed diesel oil in the country and are a more efficient user of diesel oil in

comparison with road transport—six times better in terms of tonne/kilometres.

It would not be prudent to revert to steam traction as it would require much higher investment on line capacity works and maintenance facilities. The railways demand for HSD should not, therefore, be reduced. Pending further developments at the national level production of diesel locomotives and on-line plan for dieselisation have not been altered.

Mr Mishra said in coordination with the department of Mines, the railways are taking requisite steps to meet the challenge for the increased demand of coal. While it is not advisable to restart the production of steam locomotives it has been decided not to condemn and abandon old steam locomotives for the present. The service life of the existing steam fleet can be prolonged by improved maintenance and rehabilitation.

Reviewing the railways' performance in the fourth Plan the minister said, there was an

increase of 9.11 per cent in the quantum of net tonne/kilometres in the first four years of the Plan. The passenger kilometers increased by 24.86 per cent similarly, but in the current year, the last year of the Plan, both the originating tonnage and load have been at the lowest ebb. The current year had recorded a steep decline in originating traffic.

The year might close with only 192 million against 201.3 million tonnes in the previous year. This will be the lowest since 1963-64. "I hope that the worst is behind us and the railways will now make the maximum possible effort to come up to normal standards of efficiency and service."

The railways' fifth five-year Plan envisages an outlay of Rs 2350 crores for a target of 300 million tonnes of originating traffic, or about 50 per cent more than the existing level. A growth rate of four per cent is forecast in passenger traffic. The railways have to gear themselves for this gigantic task. Action has been initiated during the current year itself

to increase line capacity and production of rolling stock.

For the first year of the Plan the railways have been allotted Rs 368 crores including Metropolitan Transport Project, to carry 217 million tonnes of originating traffic. In view of the appreciable increase in prices, the allocation may prove inadequate for stepping up our Plan activity. However, within the available resources, the programme of rolling stock, line capacity etc. have been drawn up.

Concluding his address, Mr Mishra referred to the difficult times and the challenges and said, "Any institution is as good as its men and this is particularly true in the case of the railways which are the least officered among public and private undertakings." This casts a heavy responsibility on railway workers in the context of the oil crisis. "I appeal to all sections of railwaymen to rise to the occasion, sink their differences and render a good account of themselves in the service of the nation. I sincerely hope that my appeal will not go in vain."

Railway Budget Proposals Explained

THE YEAR 1973-74 will close with a deficit of Rs 99.75 crores, attributable to fall in earnings (Rs 93.20 crores) and rise in expenditure due to Pay Commission's Report plus dearness allowance (Rs 52 crores), offset by a saving of Rs 17 crores.

Budget estimates for 1974-75, even after assuming an increase of 3 per cent in passenger traffic and of 25 million tonnes in freight traffic indicate that at current levels of fares and freight rates—

(i) Railway Revenue will fall short of expenses by Rs 7.5 crores;

(ii) Railways will have no resources to pay dividend amounting to Rs 181.67 crores to General Revenues; and

(iii) In addition, Railways will have to borrow Rs 63.26 crores to meet Development Fund expenditure and debt service charges.

In view of the financial position it is proposed to raise Rs 136.38 crores by adjustment of freight and fares, briefly described as follows:—

- Yield
Rs crores
- (i) **Freight Tariff** — A general restructuring of Freight tariff increasing the current rates by 5 per cent at 40 Kms to 11 per cent at 3,000 Kms 44.89
- (ii) **Coal** — As regards coal, price will increase to the extent of 5 to 6 per cent for an average consumer 39.33
- (iii) **Transshipment charges** — Increase in transshipment charges to cover escalation in cost 4.00
- (iv) **Parcels & Luggage** — The existing supplementary char-

ge of 5 per cent to be increased to 15 per cent, except in the case of fruits, vegetables and milk 5.5

(v) **Passengers**

(a) **Upper Class**

(b) **Air-conditioned I Class** fares to be almost on par with air fares. The increase will range from Rs 15 to Rs 160 per ticket. Rajdhani fares which are higher than air-conditioned First Class to be increased suitably.

(ii) Increases in Air-conditioned Chair Car and First Class fares inclusive of the current surcharge will range from a minimum of Rs 2 to a maximum of Rs 16 dependent on distance 4.4

(b) **Third Class**

(i) The increase in case of Mail and Express trains will range from 25 paise for

Rs crores
short distances to a maximum of Rs 8 for longest distance 18.06

(ii) In case of ordinary trains, the increase proposed is 5 paise per ticket up to a distance of 25 kms. gradually rising to a maximum of Re 1 for distances beyond 1500 kms. 16.48

(c) **Season Ticket fares** — It is proposed to leave the season ticket fares untouched. 72% of commuters who are mostly industrial workers, office employees and petty vendors and are people with inelastic incomes travel by season tickets in suburban sections of metropolitan cities.

(d) **Miscellaneous charges**

(i) Platform tickets to be increased from 25 paise to 50 paise.

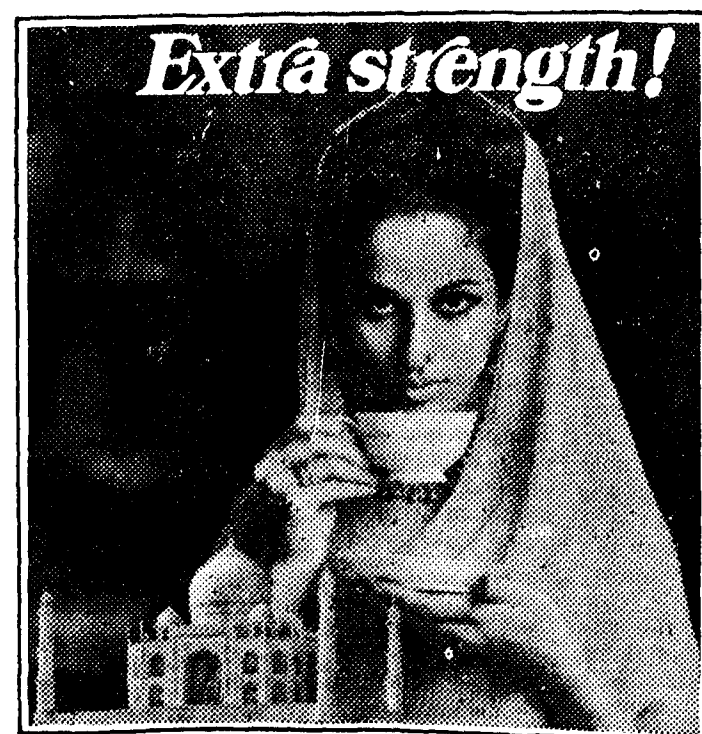
(ii) Reservation char-

Rs crore
ges to be increased by 50 paise in respect of Air-conditioned Chair-car Re 1/- in respect of First Class and Rs 4/- in respect of Air-conditioned First Class. For third class, no enhancement is proposed.

(iii) Sleeper charges to be increased by Re 1/- for the first night and Rs 2 for subsequent nights in 3-tier coaches 3.68

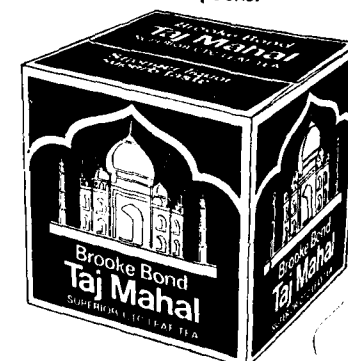
Proposals would still leave an uncovered gap of Rs 52.79 crores in addition to a shortfall of Rs 63.26 crores in cash resources.

The Revised Estimates for 1973-74 show a shortfall of Rs 99.75 crores against a surplus of Rs 23.86 crores envisaged in the Budget Estimates, as approved by Parliament. The Gross Traffic Receipts for the year are now expected to be Rs 93.20 crores less than the Budget Estimates. Ordinary Working Expenses are likely



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	Railway Budget in Figures (Rs crores)			
	Actuals 1972-73	Budget Estimates 1973-74	Revised Estimates 1973-74	Budget Estimates 1974-75
Gross Traffic Receipts	1162.42	1263.20	1170.00	1427.15
Ordinary Revenue Working Expenses (Net) i.e. after taking credit for recoveries	856.63	918.25	953.02	1148.37
Appropriation to Depreciation Reserve Fund from Revenue	110.00	115.00	115.00	115.00
Appropriation to Pension Fund	16.00	16.00	16.00	16.00
Net Miscellaneous Expenditure (including cost of Works charged to Revenue)	15.36	17.48	17.13	18.90
Total	997.99	1066.73	1101.15	1298.27
Net Railway Revenue	164.43	196.47	68.85	128.88
Dividend to General Revenues	161.51	172.61	168.60	181.67
Net Surplus (+)/Shortfall (—)	(+2.92)	(+23.86)	(—99.75)	(—52.79)
Operating Ratio	84.5%	83.1%	92.7%	89.7%

to increase by Rs 34.77 crores over the original Budget.

The implementation of the recommendations of Third Pay Commission, as accepted and liberalised by the government, and the grant of three increases in dearness allowance during the year are estimated to cost Rs 94.60 crores in 1973-74. While every effort is being made to disburse as much payment as possible, it is not possible to discharge the entire accrued liability before the close of the financial year. The government have decided to make *ad hoc* payment of Rs 150 to each Class II and III employee and Rs 100 to each Class IV employee who cannot be paid his full arrears in the current financial year. It is estimated that Rs 52.67 crores will be disbursed during the current year, inclusive of the *ad hoc* payments, leaving a balance of Rs 41.93 crores as throw forward in the next year's Budget. Considering that the Revised Estimate of Working Expenses is only Rs 34.77 crores

more than the original Budget whereas the liability for Pay Commission's recommendations is Rs 52 crores, the Railways have absorbed nearly Rs 17 crores in the Working Expenses through various economy measures.

The contribution to Depreciation Reserve Fund has been maintained at the Budget level of Rs 115 crores and to the Pension Fund at Rs 16 crores. The dividend to General Revenues is expected to be less by Rs 4.01 crores due to lower level of capital expenditure during the year due to economy cut and more loss anticipated on the working of strategic lines.

The Budget Estimates for 1974-75 show a shortfall of 52.79 crores. The Budget assumes an additional 25 million tonnes of revenue earning freight traffic and an increase of 3 per cent in passenger earnings. The revision of freight rates and fares is estimated to bring in net additional revenue of

Rs 136.38 crores; Rs 41.16 crores under passenger; Rs 7.00 crores under other coaching and Rs 88.22 crores under goods. With these increases the gross traffic receipts are expected to be Rs 1427.15 crores against the Revised Estimates of Rs 1170.00 crores.

Ordinary Working Expenses are estimated to be Rs 1148.37 crores i.e. Rs 195.35 crores more than the Revised Estimates. The escalation in staff costs account for Rs 123.05 crores, made up of Rs 99.12 crores to cover payments towards implementation of Pay Commission's recommendations and full year effect of 3 increases in dearness allowance sanctioned in 1973-74. This provision includes Rs 41.93 crores as throwforward liability from the previous year and Rs 57.19 crores as additional provision required for full year's effect in 1973-75. The total effect for 1974-75 on account of implementation of Pay Commission's recommendations is estimated to be Rs 109.86 crores. The other increases in staff costs are the net effect of annual increments (Rs 6.21 crores); implementation of 10-hour duty schedule for loco running staff (Rs 4.00 crores); full year effect of upgradation of certain posts, appointment of minimum additional staff in essential categories (Rs 10.94 crores); more expenditure on contingency, overtime, running allowance, travelling allowance etc. (Rs 1.01 crores). The staff amenities account for additional Rs 0.46 crores on medical facilities, health and welfare etc. Provision has also been made for increased cost of repairs and maintenance of track, rolling stock, electrical and signalling and telecommunication assets amounting to Rs 29.29 crores. The increase of Rs 40.78 crores under fuel is the minimum additional requirement to carry the projected higher level of traffic and to provide for the possible higher cost of fuel.

The appropriation to Depreciation Reserve Fund has been maintained at Rs 115

crores on the recommendations of the Railway Convention Committee, 1973, Rs 16 crores will be appropriated from revenue to the Pension Fund. The Capital-at-charge would increase from Rs 3886.41 crores in 1973-74 to Rs 4095.41 crores in 1974-75.

The dividend to General Revenues will be Rs 181.67 crores against Rs 168.60 crores provided for in the Revised Estimates.

A saving of Rs 13.5 crores is expected in Works expenditure. The annual Plan outlay of Railways, including Metropolitan Transport Projects, during 1973-74 would be Rs 324.19 crores against Rs 337.54 crores provided for in the original Budget. Of this reduced amount, Rs 166.80 crores would be on Capital account, Rs 130.19 crores on renewals and replacements charged to Depreciation Reserve Fund, Rs 20 crores on works chargeable to Development Fund and Rs 7.24 crores on Open Line Works Revenue.

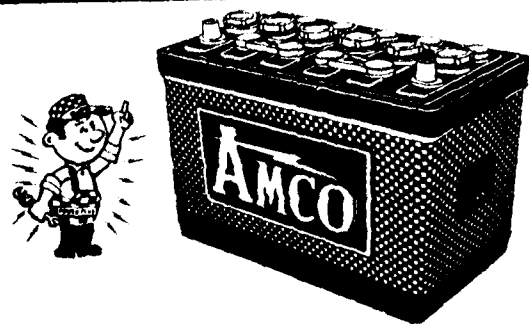
For the first year of the Plan, Railways have been allotted an outlay of Rs 368 crores, including Metropolitan Transport Projects, towards Plan investment to carry 217 million tonnes of originating freight traffic. The break-up of this amount is Rs 227 crores under Capital, Rs 115 crores under Depreciation Reserve Fund, Rs 18.50 crores under Development Fund and Rs 7.13 crores under Open Line Works Revenue.

Adjustments in Freights and Fares

For the reasons explained in the Budget Speech of the Minister for Railways it has become imperative to make a major effort to raise resources. Therefore, revision and adjustments in the present level of freight on goods traffic and in the passenger fares have become inescapable. The revised rates and fares will be effective

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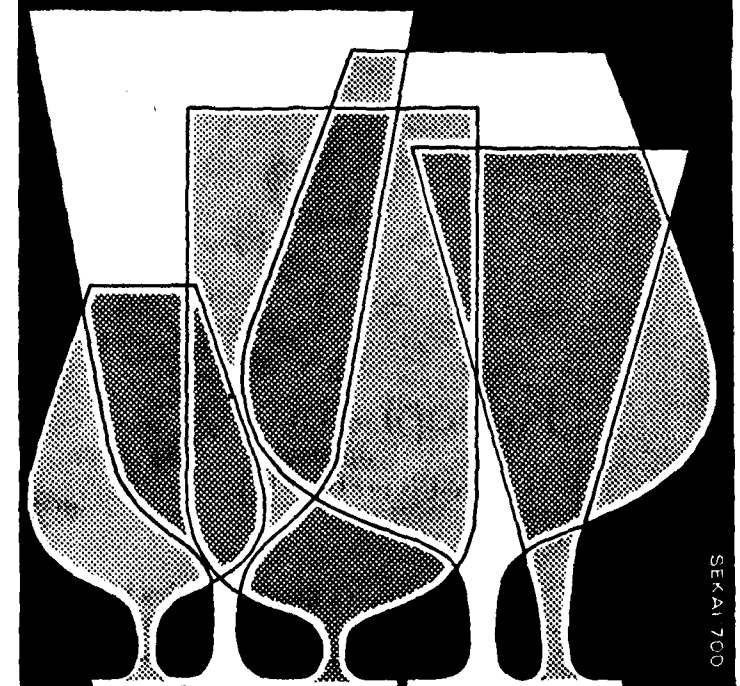
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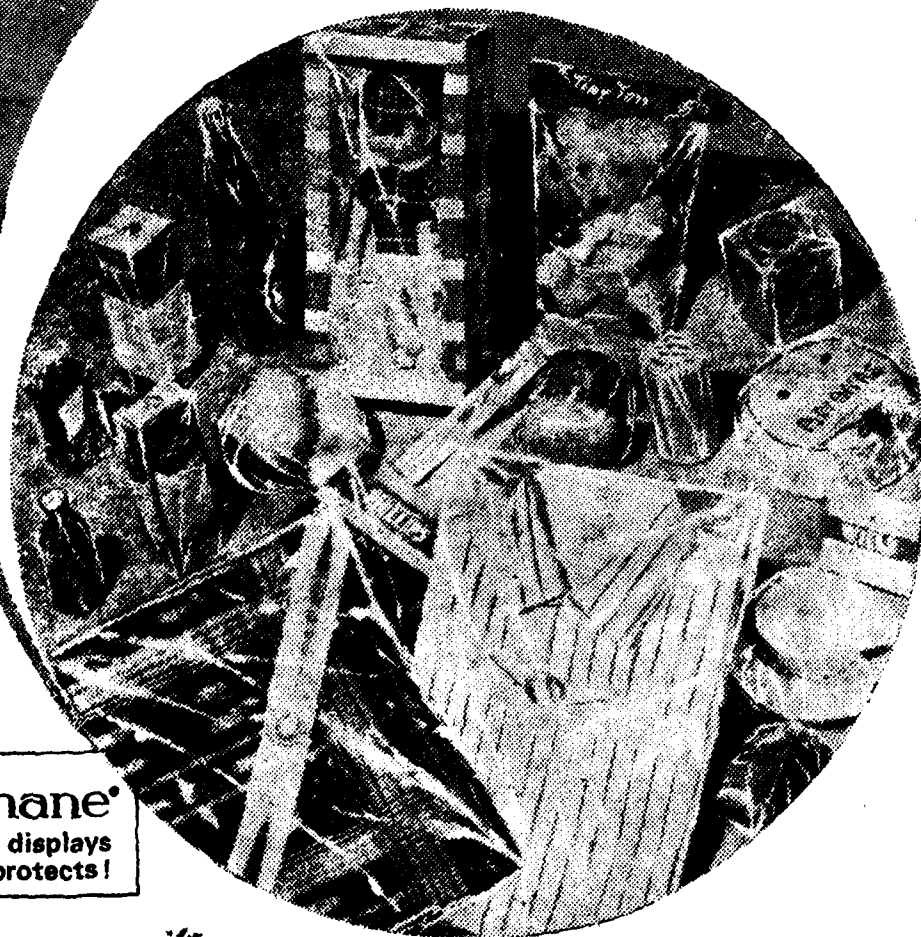
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Freight Rates

General Goods traffic (other than foodgrains and coal)—Revision of the Freight Structure.

The immediate problem is the adjustment of the general rate level to the increased costs of operation brought about by rising costs of personnel, fuel, and other inputs. Further, our recent cost studies have shown that with the increasing distance the revenue curve tapers down more steeply than the cost curve and with the increased costs of operation the gap between costs and earnings, particularly in respect of major commodities transported in bulk which form nearly 75% of the total traffic, has become wider and wider. Such a position coupled with the fact that the average lead of freight traffic has been continuing to register a steadily rising trend—increasing from 561 kms. in 1960-61 to 691 kms. in 1972-73—has indicated a definite need for adjustment of the gradient of the "taper" in the telescopic rates for the medium and long hauls of traffic. In other words, the constituent elements of costs have undergone a radical change, with the result that the taper—the per tonne per kilometre charge decreasing or 'tapering' off as the distance increases—has become more marked, thereby accentuating the excess of costs over receipts with the increasing distances. For example, transport of Iron Ore which was unremunerative beyond a distance of 1300 kms. on the broad gauge has become totally unremunerative at present on account of the increased costs of operation. Similarly, transport of coal was remunerative up to a distance of 1100 kms., but the existing freight rate on this commodity does not cover the cost of haulage at any distance during 1973-74. The loss in the transport of low rated freight traffic has according to latest assessment, risen to nearly Rs. 115 crores in 1973-74. To remedy this trend it has become necessary not only to introduce increase in the freight rates but also to

adjust the taper suitably in respect of rates applicable to longer hauls. Keeping the above factors in view, a revised freight structure has been evolved, without disturbing the classification of goods. It has also been ensured that there are no violent departures from the existing levels at any of the leads for all classes. Broadly, the new freight structure would imply an increase ranging from about 5% at the lead of 40 kms. to about 11% at a lead of 3000 kms.

As in the present freight structure, there will be a base scale and the rates for the commodities will be derived from the base scale—the commodities being accommodated as at present in one of the 29 classes both for wagon loads and smalls. The base scale will be worked out on the following basis:

Distance (Kilometres)	Paise per kilometre per quintal
plus 1—40	3.26
plus 41—100	1.82
plus 101—250	1.31
plus 251—500	1.14
plus 501—800	1.07
plus 801—1200	1.01
plus 1201—1800	0.90
plus 1801—2400	0.68
plus 2401—3000	0.45
plus 3001 and over	0.28

The rates will be calculated for the following blocks of distances, the highest kilometre of each distance block being taken for the purpose of calculating the rates for that distance block.

(Kilometres)	
1—40	One block.
41—250	5 kms. block.
251—800	10 kms. block.
801—2400	25 kms. block.
Beyond 2400	50 kms. block.

The rates for various classes will be derived from the above Base Scale by taking the class No. as a percentage of the base rate for each distance and then adding the following amount

per quintal with each basic class rate :—

At Distance (Kilometres)	Amount to be added to each rate per quintal
1—100	21 paise
101—150	22
151—250	23
251—350	25
351—500	27
501—800	28
801 and above	29

Annexure I shows the rates for the various classes for wagon loads at the existing and proposed basis for certain representative distances. Some of the important commodities falling under the various class levels (wagon loads) are also mentioned in the same statement.

Under the existing rules an additional surcharge of 20% over the "smalls class levels" is levied on very small con-

signments. This will be continued.

Foodgrains (including pulses)

There will be no change in the freight rates for foodgrains and pulses.

Coal and Hard Coke

At present the tariff for coal is outside the framework of the general freight structure and is highly concessional. Having regard to the increase in staff costs and prices of materials, it has become unavoidable to increase the level of coal rates. At the existing freight level, the loss on coal during 1974-75 would amount to nearly Rs. 37.67 crores. Being stable traffic of considerable proportions, it is necessary that the freight rates for coal are such that at least the costs are covered. It is, therefore, proposed to bring the rates for coal in alignment with the current costs and within the framework of the standard freight structure. The existing special scale of charges for coal in wagon loads will be replaced by the class level at 37.5 in the propos-

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ed structure. The minimum charge of Rs. 7.25 per tonne will be increased to Rs. 7.50 per tonne.

At present the rates for hard coke are fixed at 10% higher than the corresponding rates for coal. With the bringing of the coal rates to class 37.5, the level of hard coke will be fixed at class 42.5 for wagon-loads. The minimum charge of Rs 8 per tonne will be increased to Rs 8.30 per tonne.

The existing and the proposed rates for coal and hard coke for certain representative distances are shown in Annexure II

The traffic in livestock is at present charged at special scale of rates on a per wagon plus per extra animal basis. The existing special scale of rates will continue as at present. However, the supplementary charge of 9% which is being levied on such traffic will be increased to 20%.

Transshipment charges

In view of the increased cost at transshipment points, it is

proposed to enhance the rates as under:

	paice per quintal	Exist- ing	Pro- posed
(1) On traffic chargeable at carrying capacity of wagons—			
(a) Dangerous goods	12	30	
(b) Non-dangerous goods	10	25	
(2) On all other traffic, i.e. wagon-load traffic chargeable at any minimum weight other than carrying capacity, as well as smalls—			
(a) Dangerous goods	20	50	
(b) Non-dangerous goods	12	30	
(3) Special charge on liquids in bulk involving transshipment	12	30	

Transshipment charge for coal will be raised from 60 paise per tonne to Rs. 1.50 per tonne.

Parcels and Luggage Traffic

The current scales of charges for coaching (parcels) traffic came into force with effect from 1-4-1970. With effect from 15-4-1972, a supplementary charge of 5% on such traffic including luggage as well as miscellaneous coaching traffic (other than passengers) is being levied. It is now proposed to enhance the supplementary charge from 5% to 15%. However, vegetables, fruits and milk will be exempt from the proposed increase.

Passenger fares

For the reasons explained in the Budget Speech, it is proposed to make adjustments in the passenger fares as follows:

Single-Journey tickets

Air-conditioned class :

The fares will be brought closer to the corresponding air fares and accordingly the proposed increases in fares per ticket will be as given below:—

Distance zone (Kilometres)	Rs.	Proposed increase in fares per ticket.
1—50	15.00	
51—400	21.00	
401—500	35.00	
501—750	50.00	
751—950	65.00	
951—1100	77.00	
1101—1250	90.00	
1251—1400	110.00	
1401—1500	135.00	
1501—1750	150.00	
Beyond 1750	160.00	

between New Delhi and Bombay Central the existing fare of Rs 349 will be increased to Rs 465 per ticket.

For travel by Air-conditioned Chair Car by Rajdhani Express between New Delhi and Calcutta the proposed fare will be Rs 148 per ticket as against the existing fare of Rs 124.10. For travel between New Delhi and Bombay Central the Air-conditioned Chair Car fare will be Rs 144 per ticket replacing the existing fare of Rs 120.10. On a similar basis the fares for travel to and from intermediate points which are at present open for booking will be revised. The existing and proposed fares for Rajdhani Expresses are shown in Annexure IV.

First Class and A.C. Chair Car

In respect of travel by First class and A.C. Chair Car, the increases inclusive of the surcharge recently imposed with effect from 1-1-1974, will range from a minimum of Rs 2 to a maximum of Rs 16 per ticket. The proposed increase in the fares inclusive of surcharge, per ticket will be as given below:

Proposed increase in fares per ticket

Distance zone	First class	A.C. Chair Car
Kilometres		(in Rs.)
1—25	1.50	1.90
26—49	2.50	2.90
50—80	3.50	3.90
81—100	4.50	4.90
101—250	5.50	5.90
251—500	6.50	6.90
501—800	8.50	8.90
801—1000	10.50	10.90
1001—1500	12.50	12.90
1501—2000	15.50	15.90
Beyond 2000		

N.B. In the case of First class the minimum charge will be increased from R 7.00 to Rs 10.00 for travel in Mail/Express.

Third class Mail and Express

At present as many as 30% of the passengers by Mail and Express trains travel within

distance zone of 50 kms. This is partly attributive to the fares up to 50 kms. being very low, the minimum fare being as low as 25 paise. In order to reduce this overcrowding and inconvenience to long distance passengers for whom the Mail and Express trains are primarily intended, it is proposed to revise the very low fares for these trains up to 50 kms., raising the minimum fare from 25 paise to 50 paise. The proposed fares for distances up to 50 kms. as compared to the existing fares are shown in Annexure III. From 50 kms. onwards the increase in fares per ticket will be 50 paise and will gradually increase with the distance travelled, the maximum increase per ticket being Rs 8 for distances beyond 3000 kms. as shown in the table below:—

Distance Zone kms.	Rs.	Proposed increase in fares per ticket
1—25	Will be replaced by a separate table	
26—49		
50—80	0.50	
81—100	0.65	
101—250	0.90	
251—500	1.25	
501—800	2.00	
801—1000	3.00	
1001—1500	4.00	
1501—2000	5.00	
2001—2500	6.00	
2501—3000	7.00	
Beyond 3000 kms.	8.00	

Third Class Ordinary

There will be an increase of only 5 paise per ticket up to a distance of 25 kms. and 10 paise between 26 and 49 kms. Then there will be modest increases on a graduated basis, depending upon the distance, the maximum increase per ticket

being Re 1 only as shown in the table below:—

Distance Zone kms.	Proposed increase in fares per ticket
	Rs. P.
1—25	0.05
26—49	0.10
50—80	0.25
81—100	0.35
101—250	0.50
251—500	0.60
501—800	0.70
801—1000	0.80
1001—1500	0.90
Beyond 1500	1.00

The proposed fares for certain distances and between some important pairs of stations in respect of all classes of travel are compared with the existing fares in Annexures V and VI.

Season Tickets

There will be no revision in the fares for season tickets.

Miscellaneous

(i) Reservation charges

It is proposed to revise the reservation charges on passenger booking as follows:—

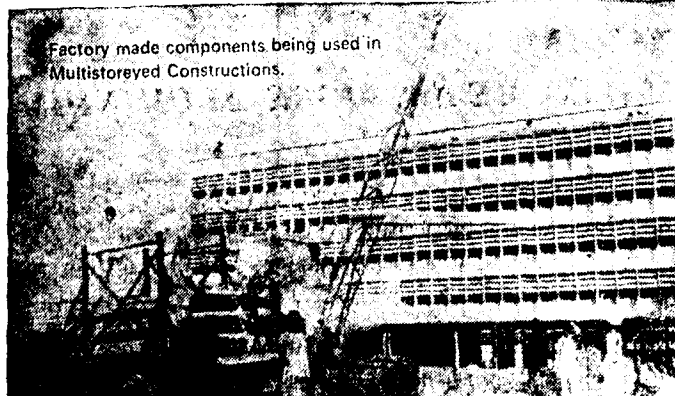
Third class	Ordinary and Mail	No change.
A.C. Chair Car	From Re 0.50 to Re. 1.	
First class	From Re 1 to Rs 2.	
A.C. class	From Re 1 to Rs 5.	
Third class sleeper charges		
(ii) The charges will be revised as follows:—		
	(Rs)	
First night		
For every subsequent night		

	Existing	Proposed
3-tier		
Existing	4.00	1.00
Proposed	5.00	3.00
2-tier		
Existing	4.00	4.00
Proposed	5.00	5.00

Platform tickets

(iii) The charge for a platform ticket will be increased from 25 paise to 50 paise.

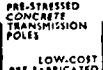
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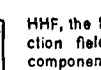
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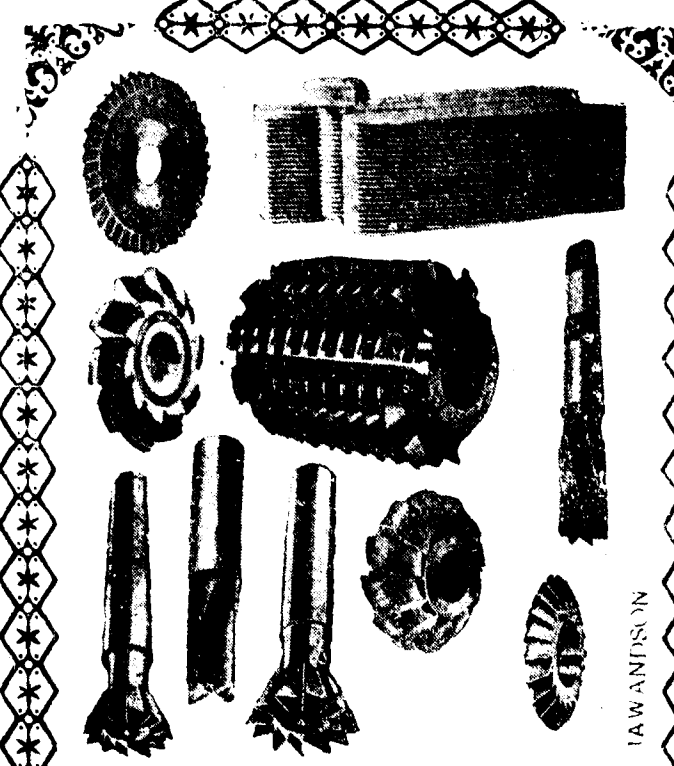
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ANNEXURE I
Statement Showing the Existing and Proposed Rates for Various Classes for Certain Distances for Wagon Loads
(Rates per quintal in rupees)

Distance (Kilometres)	Classification													
	32.5		35		37.5		40		42.5		45		47.5	
	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed
100	0.94	0.99	1.00	1.05	1.06	1.11	1.11	1.17	1.17	1.23	1.23	1.29	1.28	1.35
200	1.35	1.44	1.44	1.53	1.52	1.62	1.61	1.71	1.70	1.81	1.79	1.90	1.88	1.99
300	1.72	1.85	1.84	1.98	1.96	2.10	2.07	2.22	2.19	2.35	2.31	2.47	2.42	2.59
500	2.40	2.61	2.57	2.79	2.74	2.97	2.91	3.15	3.08	3.33	3.25	3.51	3.42	3.69
750	3.20	3.49	3.43	3.74	3.66	3.99	3.89	4.24	4.12	4.48	4.35	4.73	4.58	4.98
1000	3.94	4.33	4.23	4.64	4.52	4.96	4.81	5.27	5.10	5.58	5.38	5.89	5.67	6.20
1500	5.31	5.87	5.70	6.30	6.10	6.73	6.49	7.15	6.88	7.58	7.27	8.01	7.67	8.44
2000	6.48	7.19	6.96	7.72	7.45	8.25	7.93	8.78	8.41	9.31	8.89	9.84	9.38	10.37
2500	7.39	8.22	7.94	8.83	8.50	9.44	9.05	10.05	9.60	10.66	10.15	11.27	10.71	11.88
Commodities	Oil Cake. Organic manures.		Bonemeal, Animal meal.		Firewood, Charcoal fuel. China clay. Fireclay Tiles, (common roofing).		Sugarcane. Iron Ore for export, Salt.		Iron ore (other than export). Limestone, Gypsum, Manganese ore for export. Stones.		Chemical manures Divn. 'B'— (i) Sulphate of ammonia, (ii) Nitrate of ammonia, (iii) Superphos- phate etc.		Bamboos. Caustic soda. Soda ash, Cement, Vegetables.	

ANNEXURE I—Contd.

Distance (Kilometres)	Classification													
	50		52.5		57.5		60		62.5		65		67.5	
	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed
100	1.34	1.41	1.40	1.47	1.51	1.59	1.57	1.65	1.63	1.71	1.68	1.77	1.74	1.83
200	1.97	2.09	2.05	2.18	2.23	2.36	2.32	2.46	2.41	2.55	2.49	2.64	2.58	2.73
300	2.54	2.72	2.66	2.84	2.89	3.08	3.01	3.21	3.13	3.33	3.24	3.45	3.36	3.58
500	3.59	3.88	3.76	4.06	4.10	4.42	4.27	4.60	4.44	4.78	4.61	4.96	4.78	5.14
750	4.82	5.23	5.05	5.47	5.51	5.97	5.74	6.21	5.97	6.46	6.20	6.71	6.43	6.96
1000	5.96	6.51	6.25	6.82	6.82	7.44	7.11	7.75	7.40	8.07	7.69	8.38	7.98	8.69
1500	8.06	8.87	8.45	9.30	9.24	10.16	9.63	10.59	10.03	11.02	10.42	11.44	10.81	11.87
2000	9.86	10.90	10.34	11.43	11.31	12.49	11.79	13.02	12.28	13.55	12.76	14.08	13.24	14.61
2500	11.26	12.49	11.81	13.09	12.92	14.31	13.47	14.92	14.03	15.53	14.58	16.14	15.13	16.75
Commodities	Refractory bricks. Pig Iron. Iron or steel scrap.		Chemical manures Divn. 'A'— Urea, N.P.K. etc. Timber, NOC. Oilseeds.		Paper NOC in rolls or reels. Food for live- stock. Marble, ballast and chips.		Iron & Steel Divn. 'C'— Billets and Blooms. Sugar. Plywood. Hardboard. Tiles, (common roofing).		Kerosene oil. Mineral oils, non-dangerous —Diesel oil, Furnace oil etc.		Lac, crude or refined. Oils, Divn. 'D'— Coconut oil, Gingelly oil, Groundnut oil, Linseed oil, Mustard oil etc.		Ale and beer in bottles or in jars. Grinding Mills (stone).	

(Contd.)

ANNEXURE I—Contd.

Statement Showing the Existing and Proposed Rates for Various Classes for Certain Distances for Wagon Loads
(Rates per quintal in rupees)

Distance (Kilometres)	Classification													
	70		75		80		82.5		85		87.5		95	
	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed
100	1.80	1.89	1.91	2.01	2.02	2.13	2.08	2.19	2.14	2.25	2.20	2.31	2.37	2.49
200	2.67	2.83	2.85	3.01	3.02	3.20	3.11	3.29	3.20	3.38	3.29	3.48	3.55	3.75
300	3.48	3.70	3.71	3.95	3.94	4.19	4.06	4.32	4.18	4.44	4.30	4.56	4.65	4.93
500	4.95	5.32	5.29	5.68	5.62	6.04	5.79	6.22	5.96	6.40	6.13	6.58	6.64	7.12
750	6.66	7.20	7.12	7.70	7.58	8.19	7.81	8.44	8.05	8.69	8.28	8.93	8.97	9.68
1000	8.26	9.00	8.84	9.62	9.42	10.24	9.70	10.55	9.99	10.86	10.28	11.18	11.14	12.11
1500	11.20	12.30	11.99	13.16	12.78	14.02	13.17	14.45	13.56	14.88	13.96	15.31	15.13	16.59
2000	13.72	15.14	14.69	16.21	15.66	17.27	16.14	17.80	16.62	18.33	17.11	18.86	18.55	20.45
2500	15.68	17.36	16.79	18.58	17.90	19.80	18.45	20.31	19.00	21.02	19.56	21.63	21.21	23.46
Commodities	Iron or Steel, Divn. 'B'—Bars, Bolts or Nuts, Fabricated structural steel work, Plates etc. Jute, full-pressed.		Paints and Varnish—non-dangerous, Aluminium ingots and slabs.		Aluminium sheets or rods, Containers tinned un-assembled parts of.		Iron or Steel Division 'A'—Cables chain & wire, Cast-ings, Screws, Tyres etc.		Bell metal (kansa) ingots, sheets or slabs. Drugs, crude or raw. Fibres, machine-pressed. Jute half pressed. Gunnies.		Motor tractors, Cotton raw (full pressed). Handloom products, not press-packed.		Industrial alcohol. Tinned ware.	

ANNEXURE I—Contd.

Distance (Kilometres)	Classification											
	100		105		110		115		120		130	
	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed	Exis- ting	Pro- posed
100	2.48	2.61	2.59	2.73	2.71	2.85	2.82	2.97	2.94	3.09	3.16	3.33
200	3.73	3.94	3.91	4.13	4.08	4.31	4.26	4.50	4.44	4.68	4.79	5.05
300	4.88	5.18	5.11	5.43	5.35	5.67	5.58	5.92	5.82	6.17	6.28	6.66
500	6.98	7.48	7.32	7.84	7.66	8.20	8.00	8.56	8.34	8.92	9.01	9.64
750	9.43	10.17	9.89	10.66	10.35	11.16	10.81	11.65	11.28	12.15	12.20	13.14
1000	11.72	12.73	12.30	13.35	12.87	13.97	13.45	14.60	14.02	15.22	15.18	16.46
1500	15.92	17.45	16.71	18.31	17.49	19.17	18.28	20.02	19.06	20.88	20.64	22.60
2000	19.52	21.51	20.49	22.57	21.45	23.63	22.42	24.69	23.38	27.75	25.32	27.88
2500	22.32	24.68	23.43	25.90	24.53	27.12	25.64	28.34	26.74	29.56	28.96	32.00
Commodities	Boots, Bicycles. Electrical appliances and fittings—Division 'A'—Electric bells, Electric fans, Electric bulbs etc.		Mineral Oils, dangerous—Aviation spirit, Petrol etc.		Household effects. Furniture, Aluminium wares.		Cotton (raw) loose, Matches, safety.		Motor vehicles. Auto-rickshaw.		Glass silk or wool. Refrigerator. Thermocole.	

ANNEXURE II

Statement Showing the Existing and Proposed Rates for Coal/Soft Coke and Hard Coke for Certain Distances in Wagon Loads

(Rates per tonne in rupees)

Distance in Kilometres	Coal/Soft Coke		Hard Coke	
	Existing rates (Spl. scale)	Proposed rates* (37.5)	Existing rates (Spl. Scale)	Proposed rates* (42.5)
40	7.25	7.50	8.00	8.30
100	9.50	11.10	10.45	12.30
200	13.20	16.20	14.55	18.10
300	16.65	21.00	18.35	23.50
500	23.25	29.70	25.60	33.30
750	31.50	39.90	34.65	44.80
1000	38.60	49.60	42.50	55.80
1500	50.70	67.30	55.80	75.80
2000	61.60	82.50	67.80	93.10
2500	71.10	94.40	78.30	106.60

*Subject to minimum charges of Rs. 7.50 per tonne in respect of Coal/Soft Coke and Rs 8.30 per tonne in respect of Hard Coke.

ANNEXURE IV

Fares for Rajdhani Expresses

Pairs of points	Existing Proposed	
	Rs.	Rs.
New Delhi—Howrah (1441)		
A.C. Class.	379.00	520.00
A.C. Chair Car	124.10	148.00
New Delhi—Mughalsarai (782)		
A.C. Class	225.00	295.00
A.C. Chair Car	78.60	95.00
Howrah—Mughalsarai (661)		
A.C. Class	198.00	255.00
A.C. Chair Car	71.10	87.00
New Delhi—Kanpur Central (439)		
A.C. Chair Car	53.10	67.00
Howrah—Kanpur Central (1002)		
A.C. Chair Car	93.10	117.00
Ex. Dhanbad to Howrah (259)		
A.C. Chair Car	33.10	47.00
Ex. Dhanbad to New Delhi (1182)		
A.C. Chair Car	106.10	130.00
New Delhi—Bombay Central (1384)		
A.C. Class.	349.00	465.00
A.C. Chair Car	120.10	144.00
New Delhi—Vadodara (993)		
A.C. Chair Car	92.10	112.00
Bombay Central—Vadodara (392)		
A.C. Chair Car	48.10	62.00

ANNEXURE III

Existing and Proposed Third Class Mail/Express and Ordinary Fares for Journeys upto 50 Kilometres

(in Rs.)

Distance in Kilometres	Third Class Ordinary		Third Class Mail or Express	
	Existing	Proposed	Existing	Proposed
1	0.25	0.30	0.25	0.50
2	0.25	0.30	0.25	0.50
3	0.25	0.30	0.25	0.50
4	0.25	0.30	0.25	0.50
5	0.25	0.30	0.25	0.50
6	0.25	0.30	0.25	0.50
7	0.30	0.35	0.35	0.60
8	0.30	0.35	0.35	0.60
9	0.30	0.35	0.40	0.65
10	0.35	0.40	0.45	0.70
11	0.35	0.40	0.50	0.75
12	0.35	0.40	0.50	0.75
13	0.40	0.45	0.55	0.80
14	0.45	0.50	0.55	0.80
15	0.45	0.50	0.60	0.85
16	0.55	0.60	0.75	1.00
17	0.55	0.60	0.75	1.00
18	0.55	0.60	0.80	1.05
19	0.60	0.65	0.85	1.15
20	0.60	0.65	0.85	1.15
21	0.65	0.70	0.95	1.30
22	0.70	0.75	1.05	1.40
23	0.75	0.80	1.10	1.45
24	0.75	0.80	1.10	1.50
25	0.80	0.85	1.15	1.55
26	0.80	0.90	1.25	1.65
27	0.85	0.95	1.30	1.70
28	0.85	0.95	1.30	1.75
29	0.90	1.00	1.40	1.85
30	0.90	1.00	1.40	1.85
31	0.95	1.05	1.50	1.95
32	1.00	1.10	1.50	1.95
33	1.00	1.10	1.55	2.00
34	1.00	1.10	1.55	2.00
35	1.05	1.15	1.65	2.10
36	1.05	1.15	1.65	2.10
37	1.15	1.25	1.70	2.15
38	1.15	1.25	1.70	2.15
39	1.15	1.25	1.75	2.20
40	1.20	1.30	1.75	2.20
41	1.20	1.30	1.80	2.25
42	1.20	1.30	1.80	2.25
43	1.25	1.35	1.85	2.30
44	1.25	1.35	1.85	2.30
45	1.30	1.40	1.90	2.35
46	1.30	1.40	1.90	2.35
47	1.30	1.40	1.95	2.40
48	1.35	1.45	1.95	2.40
49	1.35	1.45	2.10	2.55
50	1.35	1.60	2.10	2.60

ANNEXURE V										
Proposed Passenger Fares										
Distance	Air-conditioned Class fare		First Class fare		Air conditioned Chair Car fare		Third Class Mail or Express fare		Third Class Ordinary fare	
	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed
1	2	3	4	5	6	7	8	9	10	11
Kms.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
5	19.00	34.00	2.50	4.00*	5.60	7.50	0.25	0.50	0.25	0.30
15	19.00	34.00	3.50	5.00*	5.60	7.50	0.60	0.85	0.45	0.50
25	21.00	36.00	5.50	7.00*	7.10	9.00	1.15	1.55	0.80	0.85
50	21.00	36.00	9.50	13.00	7.10	11.00	2.10	2.60	1.35	1.60
80	28.00	49.00	14.50	18.00	10.60	14.50	3.25	3.75	2.50	2.75
100	32.00	53.00	16.50	21.00	12.10	17.00	3.85	4.50	2.90	3.25
200	55.00	76.00	27.50	32.00	19.60	24.50	7.30	8.20	5.70	6.20
300	81.00	102.00	40.50	46.00	27.60	33.50	10.85	12.10	8.40	9.00
400	103.00	124.00	50.50	56.00	35.10	41.00	14.10	15.35	10.85	11.45
500	125.00	160.00	60.50	66.00	42.10	48.00	17.50	18.75	13.35	13.95
600	150.00	200.00	73.50	80.00	49.60	56.50	20.50	22.50	15.45	16.15
800	186.00	251.00	90.50	97.00	59.60	66.50	26.15	28.15	19.75	20.45
1000	223.00	300.00	106.50	115.00	69.60	78.50	30.70	33.70	23.35	24.15
1200	263.00	353.00	125.50	136.00	79.60	90.50	35.55	39.55	26.95	27.85
1400	300.00	410.00	142.50	153.00	89.60	100.50	39.90	43.90	30.35	31.25
1600	337.00	487.00	159.50	172.00	99.10	112.00	44.00	49.00	33.75	34.75
2000	403.00	563.00	186.50	199.00	115.10	128.00	51.80	56.80	40.50	41.50
2400	469.00	629.00	212.50	228.00	131.10	147.00	59.40	65.40	47.30	48.30
2800	535.00	695.00	239.50	255.00	147.10	163.00	66.80	73.80	54.10	55.10
3200	601.00	761.00	265.50	281.00	163.10	179.00	74.20	82.20	60.90	61.90
3600	667.00	827.00	291.50	307.00	178.60	194.50	81.60	89.60	67.70	68.70
4000	733.00	893.00	318.50	334.00	194.60	210.50	89.00	97.00	74.50	75.50

*For travel in Mail or Express trains in First class, the minimum charge of Rupees Ten per passenger will apply.

ANNEXURE VI											
Existing and Proposed Passenger Fares between Specific Pairs of Stations											
S. No.	Pairs of stations.	Air-conditioned Class		First Class		Air-conditioned Chair Car		Third Class Mail or Express		Third Class Ordinary	
		Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed	Existing	Proposed
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1.	Bangalore—Mysore (139 kms.)	42.00	63.00	21.50	26.00	15.60	20.50	5.25	6.15	4.05	4.55
2.	New Delhi—Agra Cantt (195 kms.)	54.00	75.00	27.50	32.00	19.60	24.50	7.20	8.10	5.55	6.05
3.	Delhi—Chandigarh (266 kms.)	74.00	95.00	36.50	42.00	25.60	31.50	9.95	11.20	7.65	8.25
4.	Delhi—Jaipur (308 kms.)	83.00	104.00	41.50	47.00	28.60	34.50	11.40	12.65	8.65	9.25
5.	Madras—Bangalore (358 kms.)	94.00	115.00	46.50	52.00	32.10	38.00	12.85	14.10	9.85	10.45
6.	Delhi—Kanpur (435 kms.)	110.00	145.00	54.50	60.00	37.10	43.00	15.35	16.60	11.75	12.35
7.	Howrah—Patna (533 kms.)	136.00	186.00	66.50	73.00	45.60	52.50	18.90	20.90	14.10	14.80
8.	New Delhi—Allahabad (631 kms.)	157.00	207.00	76.50	83.00	52.10	59.00	21.70	23.70	16.20	16.90
9.	Howrah—Varanasi (678 kms.)	165.00	215.00	80.50	87.00	54.10	61.00	22.85	24.85	17.30	18.00
10.	New Delhi—Bhopal (701 kms.)	170.00	220.00	81.50	88.00	55.10	62.00	23.70	25.70	17.85	18.55
11.	Madras—Secunderabad (781 kms.)	184.00	249.00	88.50	95.00	59.10	66.00	25.75	27.75	19.40	20.10
12.	Delhi—Ahmedabad (934 kms.)	210.00	275.00	101.50	110.00	66.10	75.00	29.35	32.35	22.25	23.05
13.	Delhi—Patna (988 kms.)	220.00	297.00	106.50	115.00	60.10	78.00	30.55	33.55	23.15	23.95
14.	New Delhi—Nagpur (1090 kms.)	243.00	320.00	116.50	127.00	74.60	85.50	33.10	37.10	24.95	25.85
15.	Bombay—Bangalore (1114 kms.)	248.00	338.00	118.50	129.00	75.60	86.50	33.80	37.80	25.40	26.35
16.	Bombay—Madras (1283 kms.)	279.00	389.00	132.50	143.00	84.10	95.00	37.45	41.45	28.40	29.30
17.	New Delhi—Bombay (1384 kms.)	296.00	406.00	141.50	152.00	89.10	100.00	39.60	43.60	30.10	31.00
18.	Delhi—Howrah (1437 kms.)	306.00	441.90	145.50	156.00	91.10	102.00	40.85	44.85	34.00	31.90
19.	Howrah—Madras (1661 kms.)	349.00	499.60	165.50	177.00	102.60	115.50	45.35	50.35	34.90	35.90
20.	N. Delhi—Secunderabad (1666 kms.)	349.00	499.00	165.50	177.00	102.60	115.50	45.35	50.35	34.90	35.90
21.	N. Delhi—Bhubaneswar (1795 kms.)	370.00	530.00	173.50	186.00	107.60	120.50	47.90	52.90	37.10	38.10
22.	New Delhi—Gauhati (1923 kms.)	392.00	552.00	181.50	194.00	112.60	125.50	50.50	55.50	39.30	44.30
23.	Bombay—Howrah (1968 kms.)	399.00	559.00	184.50	197.00	114.10	127.00	51.20	56.20	40.00	41.00
24.	New Delhi—Madras (2185 kms.)	435.00	595.00	198.50	214.00	123.10	139.00	55.50	61.50	43.75	44.75
25.	New Delhi—Bangalore (2544 kms.)	494.00	654.00	222.50	238.00	137.10	153.00	62.15	69.15	49.85	50.85

Revenue Reserve Fund				
Year	Appropriation to Fund	Withdrawal from Fund	Net accretion to Fund during the year	Closing Balance
1947-48*				
14-4-47 to 14-8-47)	..	(ag)13.60	—13.60	9.42
(15-8-47 to 31-3-48)	..	(ah)12.58	—2.58	6.84
1948-49	(ai) 3	5	—2	6.82
1949-50	..	..	..	6.82
1950-51	5.40	—1	5.41 (aj)	13.38
1951-52	(ak)19.12	—18	19.30 (al)	33.72
1952-53	(am)2.26	—5	2.30 (an)	36.05
1953-54	1.13	..	1.13	37.18
1954-55	1.18	..	1.18	38.36
1955-56	(ao)8.51	—2	8.53	46.89
1956-57	1.52	..	1.52 (ap)	48.07
1957-58	1.61	..	1.61	49.68
1958-59	(aq)1.09	..	1.09 (ar)	49.37
1959-60	1.90	..	1.90 (as)	51.60
1960-61	1.84	..	1.84	53.44
1961-62	1.93	..	1.93	55.37
1962-63	2.02	..	2.02	57.39
1963-64	(at)1.79	..	1.79 (au)	58.57
1964-65	2.25	..	2.25	60.82
1965-66	2.39	..	2.39 (auu)	63.20
1966-67	2.16 (av)	20.66	—18.50	44.70
1967-68	1.18 (aw)	33.68	—32.50	12.20
1968-69	33 (ax)	9.04	—8.71	3.49
1969-70	(ay)8.98 (az)	10.16	—1.18	2.31
1970-71	(ba)25.13 (bb)	23.20	1.93	4.24
1971-72	(bc)9.02 (bd)	12.95	—3.93	31
1972-73	2	..	2	33
1973-74 (RE)	(be)99.73 (bf)	99.75	—2	31
1974-75 (BE)	(bg)91.51 (bh)	91.51	..	31

Notes:

- The closing balances include 26 lakhs from 1947-48 to 1950-51, 28 lakhs in 1951-52, 40 lakhs in 1952-53, 46 lakhs in 1953-54, 50 lakhs in 1954-55, 51 lakhs in 1955-56, 57 lakhs in 1956-57, 48 lakhs in 1957-58 to 1959-60, 44 lakhs in 1960-61 37 lakhs in 1961-62 to 1965-66 and 31 lakhs in 1966-67 to 1974-75 on account of investments in shares of and loans to branch line companies.
- g. To meet Railway deficit.
- h. To meet Railway deficit.
- i. Represents profit accrued on account of cancellation of investments in branch line shares.
- j. Includes 1.35 lakhs (Provisional) on account of ex-Indian States Railways balances taken over from 1-4-1950.

- ak. Includes 18.34 lakhs on account of appropriation from surplus.
- al. Includes 84 lakhs (Provisional) on account of revision of the Indian State Railway balances taken over from 1-4-1950.
- am. Includes, 1.19 lakhs on account of appropriation from surplus.
- an. Includes 3 lakhs (Provisional) on account of revision of the ex-Indian State Railway balances taken over on 1-4-1950.
- ao. Includes 7.14 lakhs on account of appropriation from surplus.
- ap. Excludes 7 lakhs on account of difference between *ad hoc* and revised balance on 15-8-1947 and 21 lakhs representing 25 per cent share of balance in respect of ex-Scindia State Rly. taken over on 1-4-1950 and 6 lakhs interest thereon.
- aq. Excludes refund of 55 lakhs interest to General Revenues on reduction of pre-partition balances vide note (ap).
- ar. Excludes 1.40 lakhs on account of reduction in pre-partition balances on 15-8-1947.
- as. Includes 33 lakhs on account of revision of State Railway balances of ex-GBS Railway.
- at. Excludes refund to General Revenues of 33 lakhs of interest on ex-Scindia State Railway balances.
- au. Excludes Rs 61 lakhs of ex-Scindia State Railway dropped from State Railway balances.
- auu. Excludes 1 due to rounding off.
- av. Includes 2.39 lakhs for amortisation of capital and 18.27 lakhs for equalisation of Dividend to General Revenues.
- aw. Includes 2.15 lakhs for amortisation of capital and 31.53 lakhs for equalisation of Dividend to General Revenues.
- ax. Includes 1.18 lakhs for amortisation of capital and 7.86 lakhs for equalisation of Dividend to General Revenues.
- ay. Includes 8.86 lakhs loan from General Revenues.
- az. Made up of 9.83 lakhs for equalisation of Dividend to General Revenues and 33 lakhs for amortisation of capital.
- ba. Includes 24.92 lakhs loan from General Revenues.
- bb. Made up of 19.84 lakhs for equalisation on Dividend to General Revenues, 2.95 lakhs due to one third loan of 1969-70 repaid and 40 lakhs interest on loan.
- bc. Includes 8.63 lakhs on account of appropriation from surplus.
- bd. Made up of 11.26 lakhs due to repayment of second instalment of first loan taken in 1969-70 and first instalment of second loan taken in 1970-71 and 1.69 lakhs interest on loans.
- be. Includes 99.72 lakhs loan from General Revenues.
- bf. For equalisation of Dividend to General Revenues.
- bg. Includes 90.55 lakhs loan from General Revenues.
- bh. Made up of 52.79 lakhs for equalisation of Dividend to General Revenues, 33.24 lakhs due to repayment of first instalment of the loan of 99.72 lakhs taken in 1973-74 and 5.48 lakhs for interest on outstanding loan.

Depreciation Reserve Fund							(Rs lakhs)
Year	Appropriation to Fund	Withdrawals towards renewals and replacements	Net accretion to Fund during the year	Nominal closing balance	Temporary loans to meet deficit	*Actual closing balance	
1947-48							
(1-4-47 to 14-7-1947)	6,86	2,66	4,20	112,49	..	(g) 112,49	
(15-8-47 to 31-3-1948)	6,81	3,27	3,54	95,74	..	95,74	
1948-49	(i) 23,11	17,28	5,83	101,57	..	101,57	
1949-50	19,17	11,73	7,44	109,01	..	109,01	
1950-51	33,59	26,63	6,96	(j) 123,65	..	123,65	

Depreciation Reserve Fund—(Contd.)							
Year	Appropriation to Fund from				Withdrawal from Fund	Net accretion to Fund during the year	Closing balance*
	Revenue	Capital	Interest on balance	Total			
1951-52	30,00	21	3,58	33,79	35,87	—2,08	(k) 122,02
1952-53	30,00	33	4,09	43,42	40,89	—6,87	(l) 116,36
1953-54	30,00	36	3,61	33,97	38,02	—4,05	(m) 112,79
1954-55	30,00	37	3,35	33,72	45,82	—12,10	100,69
1955-56	45,00	41	3,26	48,67	45,89	2,78	103,47
1956-57	45,00	63	3,27	48,90	43,68	5,22	(n) 103,14
1957-58	45,00	1,23	3,15	49,38	63,62	—14,24	(o) 88,89
1958-59	45,00	87	2,53	48,40	80,72	—32,32	(p) 56,70
1959-60	45,00	85	2,11	47,96	68,36	—20,40	(q) 37,30
1960-61	45,00	79	85	46,64	64,04	—17,40	(r) 19,79
1961-62	65,00	1,77	86	67,63	58,23	9,40	29,19
1962-63	67,00	1,09	93	69,02	75,37	—6,35	22,84
1963-64	80,00	1,54	1,03	82,57	72,40	10,18	(s) 32,97
1964-65	83,00	1,25	1,44	85,69	75,39	10,30	43,27
1965-66	85,00	1,64	1,85	88,49	78,91	9,58	52,85
1966-67	100,00	2,01	2,60	104,61	79,69	24,92	(t) 77,76
1967-68	95,00	2,18	3,15	100,33	93,82	6,51	(u) 79,74
1968-69	95,00	2,40	3,69	101,09	80,39	20,70	(v) 98,17
1969-70	95,00	2,48	4,86	102,34	73,78	28,56	(w) 126,38
1970-71	100,00	2,53	6,01	108,54	90,68	17,86	(x) 144,47
1971-72	105,00	2,55	6,81	114,36	90,87	23,49	(y) 167,61
1972-73	110,00	2,58	7,95	120,53	113,50	6,93	(z) 174,16
1973-74 (RE)	115,00	2,60	8,26	125,86	130,19	—4,33	169,83
1974-75 (BE)	115,00	2,65	8,57	126,22	115,00	11,22	181,05

Notes:

- * These figures are provisional as the balances of the ex-States Railways merged therein have not yet been finalised.
- g. Includes 20,30 lakhs, the estimated balance relating to Pakistan Railways.
- h. Excludes 20,30 lakhs, the estimated share less 1 lakh on account of abandoned assets relating to Pakistan Railways.
- i. Includes 11,80 lakhs appropriated from the surplus.
- j. Includes 7,67 lakhs (Provisional) on account of Indian

States Railways balance taken over from 1-4-1950. Difference of 1 due to rounding off.

- k. Includes 45 lakhs (Provisional) on account of revision of the ex-Indian States Railways balance taken over from 1-4-1950.
- l. Includes 81 lakhs on account of revision of the ex-Indian States Railways balance taken over from 1-4-1950.
- m. Includes 48 lakhs on account of revision of the ex-Indian States Railways balance taken over from 1-4-1950.

Continued

Continued

- n. Excludes 2,76 lakhs on account of differences between *ad hoc* and revised balances on 15-8-1947 and 1,62 lakhs due to downward adjustment of D.R.F. balance of ex-Mysore State Railway taken over on 1-4-1950 and 1,17 lakhs interest thereon.
- o. Excludes 1 lakh on account of difference between the *ad hoc* balance and further revised balance as on 15-8-1947.
- p. Includes 13 lakhs on account of difference between the *ad hoc* and revised balance on 15-8-1947.
- q. Includes 5 lakhs on account of revision of ex-State Railways balances relating to ex-G.B.S. Railways, 97 lakhs due to revision of pre-partition balances on Central Railway and excludes 2 lakhs on account of expenditure met from Development Fund transferred to Depreciation Reserve Fund.
- r. Excludes 30 lakhs on account of difference between *ad hoc* and revised balance on 15-8-1947 on Western Railway and includes 19 lakhs on account of expenditure from 1-4-1955 to 31-3-1960 incurred on quarters for class III and IV staff forming part of a scheme transferred to Development Fund on Central, Northeast Frontier and Southern Railways.

- s. Excludes 4 lakhs due to expenditure transferred from development Fund and Capital on Central Railway.
- t. Excludes 1 lakh due to expenditure transferred from Development Fund on Northeast Frontier Railway.
- u. Excludes 2,60 lakhs due to expenditure transferred from Development Fund on Northern (1,37), Southern (78), South-Eastern (4) and Western Railways (41). Also excludes 1,93 lakhs due to expenditure from Capital transferred on Eastern (1), Northern (1,85) and Southern (7) Railways.
- v. Excludes 30 lakhs due to anticipated write back of the expenditure on the work "Restoration of Bhagalpur-Mandar Hill" from Development Fund and 1,97 lakhs from Capital on Eastern and Southern Railways.
- w. Excludes 35 lakhs credits transferred to Capital on Southern Railway.
- x. Includes 23 lakhs transferred to Development Fund on Southern Railway.
- y. Excludes 35 lakhs transferred to Capital on S. Railway.
- z. Excludes 38 lakhs transferred to capital on Southern Railway.



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Development Fund

Year	Appropriation to Fund from			Withdrawal from Fund	Net accretion to Fund during the year	Closing Balance
	Revenue surplus etc.	Interest on balances	Total			
1946-47	(a) 15,00	24	15,24	42	14,83	14,83
1947-48 (1-4-47 to 15-8-47)	..	18	18	34	—16	14,67
1947-48 (15-8-47 to 31-3-48)	..	30	30	59	—29	14,38
1948-49	84	43	1,27	2,33	—1,06	13,32
1949-50	..	43	43	—5	48	13,80
1950-51	10,00	52	10,52	5,35	5,17	(b) 19,44
1951-52	10,00	65	10,65	7,70	2,95	(c) 22,48
1952-53	12,00	76	12,76	8,10	4,66	27,14
1953-54	2,65	73	3,29	9,81	—6,52	20,62
1954-55	9,10	60	9,70	12,78	—3,08	17,54
1955-56	7,08	49	7,57	12,14	—4,57	12,97
1956-57	20,22	43	20,65	19,84	81	(d) 13,75
1957-58	12,38	25	13,63	25,53	—11,90	1,85
1958-59	(e) 19,91	—99	18,92	27,87	—8,95	(f) —1,69
1959-60	(g) 34,97	—50	34,47	24,89	9,58	(h) 8,91
1960-61	(i) 35,59	—50	35,09	23,32	11,77	(j) 19,13
1961-62	24,40	31	24,71	21,24	3,57	(k) 10,49
1962-63	42,06	70	42,76	23,17	19,59	(l) 29,68
1963-64	49,24	1,54	50,78	29,94	20,84	(m) 52,23
1964-65	13,18	1,72	14,90	28,25	—13,35	(n) 38,99
1965-66	18,56	1,34	19,90	28,91	—9,01	(o) 30,09
1966-67	..	68	68	27,95	—27,27	(p) 3,37
1967-68	(q) 11,24	—5	11,19	19,15	—7,96	(r) 46
1968-69	(q) 14,06	—66	13,40	16,59	—3,19	(s) 1,26
1969-70	(q) 18,14	—1,43	16,71	17,08	—37	(t) 1,18
1970-71	(q) 21,58	—2,37	19,21	18,23	98	(u) 1,34
1971-72	(v) 30,83	—3,23	27,60	20,82	6,78	8,12
1972-73	(w) 18,64	—3,39	15,25	21,49	—6,24	(x) 1,96
1973-74 (RE)	(y) 22,65	—4,61	18,04	20,00	—1,96	..
1974-75 (BE)	(y) 24,39	—5,89	18,50	18,50	..	..

Notes:

- This is made up of 12 crores transferred from Railway Reserve Fund and 3 crores from the Railway Surplus.
- Include 47 lakhs (Provisional), on account of Indian State Railways balances taken over from 1-4-1950.
- Includes 9 lakhs (Provisional) on account of revision of the Indian State Railways balances taken over from 1-4-1950.
- Excludes 2 lakhs on account of difference between *ad hoc* and revised balances on 15-8-1947 and 1 lakh interest therein.
- Includes 88 lakhs on account of interest refunded to the General Revenues on reduction of pre-partition balances and 10,98 lakhs loan from the General Revenues.
- Excludes 2,20 lakhs due to reduction in pre-partition balance on 15-8-1947 and includes 7,61 lakhs due to transfer of the cost of Deesa-Gandhidham and Chunar-Robertsganj lines to Capital.
- Includes 14,85 lakhs loan from General Revenues.
- Includes 102 lakhs due to the transfer of certain wagon

shops at Kotah and Mahalakshmi and of Adipur-Bhuj conversion on Western Railway to Capital.

- Includes 3,58 lakhs loan from General Revenues.
- Includes 3,32 lakhs due to transfer of the cost of the new lines Utratia-Sultanpur Zafarabad and Pathankot-Madhupur on Northern Railway to Capital to the extent of their remunerativeness according to assessment made on the basis of actuals 1 lakh due to transfer of expenditure on Howrah Car Shed to Capital and also covers 4,88 lakhs due to transfer from Capital and Depreciation Reserved Fund to Development Fund of the expenditure from 1-4-1955 to 31-3-1960 relating to quarters forming part of a scheme for Class III and IV Staff.
- Includes 16,81 lakhs due to *ad hoc* transfer of the cost of the new lines under construction in 1-4-1955, viz., Khandwa-Hingoli on Central Railway and Quilon-Ernakulam on Southern Railway to Capital as per the accepted recommendations of the Railway Convention Committee, 1960, 39 lakhs due to erroneous transfer of the cost of the Works Bhagalpur-Mandar Hill restoration to Capital on Eastern Railway and 9 lakhs relating to conversion of Adipur-

Continued

Continued

Bhuj on Western Railway and excludes 29,41 lakhs loans repaid to General Revenues in terms of the accepted recommendations of the Railway Convention Committee, 1960, 9 lakhs on account of write-back of erroneous adjustments relating to quarters for Class III and Class IV staff forming part of a Scheme to Capital and D.R.F.

Includes 11 lakhs due to transfer to Capital of the cost of the new line Bobbili-Saluru on South Eastern Railway since assessed to be remunerative and excludes 48 lakhs due to write-back from Capital of the erroneous adjustments made in 1961-62 relating to the Works 'Restoration of Bhagalpur-Mandar Hill on Eastern Railway, and conversion of Adipur-Bhuj on Western Railway, and also covers 3 lakhs due to write-back of expenditure on the Works providing Crossing Station at Kar-gada and doubling of the Section Godhra-Ratlam from Capital on Western Railway.

Includes, 250 lakhs due to transfer to Capital of the cost of certain works now assessed to be remunerative justifying their charge to Capital, 3 lakhs transferred to D.R.F. on Central Railway and excludes 82 lakhs transferred from Capital and on Western Railway.

Includes 11 lakhs due to transfer of the cost of certain work now assessed to be remunerative justifying their charge to Capital on Eastern Railway.

Includes 15 lakhs due to transfer of the cost of certain work now assessed to be remunerative on Western Railway and excludes 4 lakhs transferred from Capital on Northeast Frontier Railway.

Includes 54 lakhs due to transfer of cost of certain works on

Northeast Frontier (47 lakhs) and Southeastern (7 lakhs) Railways now assessed to be remunerative justifying their charge to capital and one lakh transferred to OLWR and DRF wrongly charged to this Fund on N.F. Railway.

- Represents loan from General Revenues.
- Includes 2,45 lakhs transferred to Capital (Northern (1,49) Northeast Frontier (—12), Southern (90) and Western (18) Railways), and 2,60 lakhs transferred to Depreciation Reserve Fund (Northern (1,37) Southern (78), South-eastern (4) and Western (41) Railways).
- Includes 3,99 lakhs due to expenditure on restoration of Bhagalpur-Mandar Hill on Eastern Railway (54), C.T.G. work on N.F. Railway (3,25) and Gorakhpur-Katihar microwave communications on N.E. Rly. (20) written back to Capital and Depreciation Reserve Fund.
- Includes 29 lakhs due to transfer of expenditure incurred in connection with Sealdah re-modelling phase I to Capital as it is now assessed to be remunerative.
- Excludes 82 lakhs due to transfer of expenditure of certain III class coaches from Depreciation Fund on Southern Railway.
- Includes 9,21 lakhs on account of appropriation from surplus and 21,62 lakhs loan from General Revenues.
- Includes 2,92 lakhs on account of appropriation from surplus and 15,72 lakhs anticipated loan from General Revenues.
- Includes 7 lakhs transferred from capital. Difference of 1 due to rounding off.
- Represents loan from General Revenues.

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