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Relaxing Capacity Curbs

Prospects for Indo-U.S. Relations

Poll Prospects in States

Policy on Retained Earnings

Directive on Company Deposits

6th January, 1972

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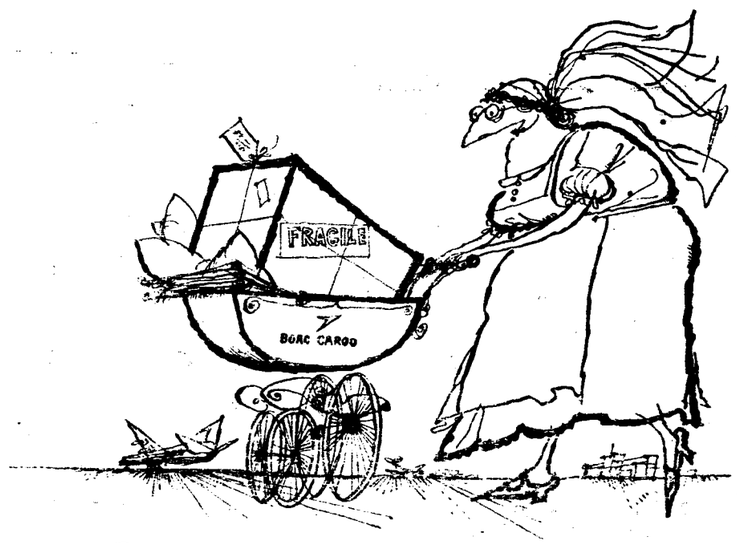

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Relaxing Capacity Curbs

THE Central Government deserves to be complimented for showing prudence and courage in deciding to lift the capacity curbs in 54 important industries and thus setting the pace for industrial revival. The decision reflects not only the serious concern of the Government at the continuing sluggishness in industrial growth but also its determination to counter those factors that are responsible for this state of affairs. In the past, ideological considerations as well as fear of inner-party criticism used to hamstring strong and effective governmental action to promote industrial growth, especially in the private sector. The political stability at the Centre after the elections and the added strength that the Prime Minister, Mrs. Indira Gandhi, has acquired after the recent war with Pakistan now provide the Government the much-awaited opportunity to translate into action its poll promises of bringing greater prosperity to the people through accelerated growth in industry and agriculture.

The highlight of the new decision is that units in these 54 industries will be able to expand their production to double the licensed capacity. So far, units in the priority industries were allowed to expand their output by only 25 per cent of their licensed capacity. By allowing them to expand production by 100 per cent, the Government has undoubtedly taken the right step. Where a licence has been issued to a party specifying capacity on the basis of one or two-shift working, it has now been decided to let such parties increase their licensed capacity on the basis of maximum utilisation of their plant and machinery. In other words, whatever they can produce will be their licensed capacity. This again is a reform of far-reaching importance and will go a long way in augmenting production in several industries.

In selecting the 54 industries, care has been taken to include all vital consumer goods industries, where shortages had developed lately, as also industries that are important for the rapid growth of the economy. Special emphasis has thus been laid on chemicals, heavy industries and metals. It is evident that the list has been made on the basis of the study undertaken by the Planning Commission and the Central Ministry of Industrial Development to identify areas in which growth has been arrested by such inhibiting factors as capacity restraints, demand constraints and raw material shortages.

The industries selected for this special treatment include agricultural tractors and farm machinery, industrial and mining machinery, iron and steel castings, forgings, pipes and structures, internal combustion engines, machine tools and accessories, industrial furnaces, welding electrodes, ball and roller bearings, electrical cables and wires, storage and dry batteries, electronic components, construction and earthmoving equipment, wire ropes, cement, fertilisers, pesticides, organic and inorganic chemicals, pulp, paper and newsprint, synthetic rubber, tyres and tubes, industrial explosives, industrial gases, drugs, refractories, automobile ancillaries, motor-cycles and mopeds (not passenger cars and scooters), commercial vehicles, including jeeps and three-wheelers, jute textiles, paints and varnishes, man-made fibres, telecommunications equipment, wagons, sugar and cotton textiles.

Even a cursory glance at the list will show that the aims of the new policy decision are to facilitate a higher production of essential consumer goods like sugar, cotton textiles, paper and cement and to augment the supply of vital industrial goods and components. It is only too well known that even though several units in the private sector have been seeking expansion of their capacities for the manufacture of these items, their applications did not receive any favourable consideration in the Central Ministry

of Industrial Development for want of political clearance. Even now, it has been made clear that the new relaxations will not apply "automatically" to the larger houses and the foreign majority companies. Such companies, according to the Government notification, may, however, apply to the Central Ministry of Industrial Development for being allowed to increase production, and their applications will be considered quickly by a task force, which will dispose of them on "considerations of public interest", keeping in view also the requirements of the Monopolies and Restrictive Trade Practices Act. Since the majority of the companies in these 54 industries may attract the provisions of restrictions placed under the Industrial Licensing Policy and the Monopolies and Restrictive Trade Practices Act, special care will have to be taken to ensure that the purpose of the relaxation is not defeated by extraneous considerations.

It is to be noted that as a result of the relaxation, the raw material requirements of units in these 54 industries will go up substantially and some of these may have to be imported in view of the inadequate domestic availability. For instance, steel will be a major item that almost all heavy industries will require in substantially larger quantities than before. Similarly, raw cotton may have to be imported to meet the additional requirements of mills that may take advantage of the relaxation to raise their output of cloth. So also with intermediates in the chemical industries. All these will mean a large outgo in foreign exchange at a time when the country is in no mood to accept any foreign aid that smacks of political pressure. But any meaningful programme of self-reliance will naturally have to be based on the import of essential raw materials, intermediates and components to make the final products, not only for domestic use but also for export. To the extent that the present relaxation helps to boost domestic production of essential goods, it will have promoted self-reliance and saved the country avoidable expenditure of foreign exchange on imports. Furthermore, it will have strengthened the economic infra-structure and given a fillip to rapid industrial growth.

The relaxation has been made because of a belated realisation in the Government that it will take some years for new capacities licensed in the past few years to fructify and the better thing to do now is to let the existing units step up production rather than wait for the new production units to come into being and fill the growing gap between demand and supply for several industrial, chemical and consumer goods. Evidently, it was also realised in the highest quarters that unless steps were taken urgently to remove the developing shortages in industrial commodities and consumer goods, the price situation was bound to get out of control. Units in the 54 industries, other than those belonging to the larger houses and foreign majority companies, have been asked to start utilising the relaxation without waiting for any formal approval by the Government. If the same expedition is shown by the task force in dealing with applications from the larger houses and foreign majority companies, there is no reason why the fruits of the new policy should not be available to the economy at large within a reasonable period. The resulting improvement in employment situation should also be a major motivating factor for other similar initiatives in the direction of production and progress.

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Prospects for Indo-U.S. Relations

THE Prime Minister, Mrs. Indira Gandhi's conciliatory message to President Richard M. Nixon after the disastrous collapse of the U.S. policy towards the freedom struggle of Bangladesh is a commendable gesture. It shows magnanimity. The U.S.A., on its part, has been making belated efforts to salvage the wreckage of its south Asia policy by offering monetary aid to Bangladesh on the one hand and political support to Islamabad on the other. The Nixon administration imagines that the existence of West Pakistan is threatened and has declared its intention to save it. This is as great a fallacy as the repeated U.S. declaration that Pakistan was the victim of Indian armed intervention in Bangladesh. If its former eastern wing broke away from Pakistan, it was entirely because of the repressive and colonial policies of Islamabad towards the people of Bangladesh. If there is any threat now to the integrity of the western wing, it is because of the feudal and fascist political structure of its Government. If, even after the well-deserved rejection of this system in Bangladesh, the U.S.A. persists in supporting it in the West under the illusion of a continuing external threat to the truncated Pakistan, it would only be hastening the extinction of that country, although this does not appear to be the American objective in south Asia.

The obvious first step towards realism in the U.S. policy in this region, therefore, has to be the realisation that anything short of true democracy in West Pakistan would further hasten the ruin of that country. The U.S.A. does not certainly have the right to interfere in the internal affairs of a country, but it has an obligation not to assist in its disintegration by continuing to support an anti-people regime which tries to sustain itself by crying wolf whenever its legitimacy is challenged by its own people. To do this the U.S.A. will have first to convince itself that even if—for the sake of argument—an external threat did exist to West Pakistan, it could be met effectively not through American arms but by strengthening the will of the people united under a freely elected and fully democratic Government. For too long has Pakistan suffered under military dictatorships. The U.S.A. should now realise that the policy it has consistently pursued in lending uninhibited support to the military junta in Pakistan has at best served only short-term interests. It has failed at the crucial moment when, virtually ousted from Vietnam, the U.S.A. seems to be anxious to find some foothold in the Indian Ocean *area to counter what it suspects* is the growing Russian naval presence in the region.

It is unlikely that, in its present position, Pakistan can offer much of a foothold to the U.S.A., or for that matter to China. It can at best be America's Albania, a "running dog" who can bark but not bite. It will no longer be possible, nor necessary, for the U.S.A. to try to maintain some kind of "parity" between India and Pakistan in most of its actions and policies in south Asia. The so-called balance maintained between India and Pakistan by the Big Powers could only be irritating to this country, if not also an insult. It would be impossible to hold Pakistan as a "counterpoise" to India any longer.

Clearly, the U.S. south Asia policy will have to undergo many agonising reappraisals before acquiring any recognisable stability. This will not happen soon, for the whole field of American foreign policy is in a state of flux and the U.S. attitude to Asia is only a small part of it. The U.S.A. is perhaps more concerned at present with numerous other problems and, in spite of the war and the breaking up of Pakistan, south Asia has to have low priority. Uppermost seems to be the Vietnam war and the resulting international monetary crisis in the list of priorities of the Nixon administration. Closely linked is the subject of America's relations with Europe where it is fast losing its grip on its N.A.T.O. allies. From the uncertain state of its links with Europe (now including Britain) emerges the search for new equations with Peking and Moscow.

It is, however, too early to assume that a Sino-American axis has come into existence. In spite of the dramatic impact of the secret Kissinger mission to Peking, it seems very unlikely that China and the U.S.A. will come very close to each other in the near future. They are merely probing each other's intentions. Nor can Washington afford to write off prospects of *detente* with Moscow. Thanks to the nuclear deterrent, these two Big Powers have no choice but to seek accommodation. A dialogue between the two must be maintained at all costs if they are to avert a war. The U.S.A., therefore, cannot go too far in fraternising China militarily to a point where America and China can jointly pose a threat to Russia. And yet Moscow cannot entirely rule out such a possibility. Hence its inclination to come closer to India which, it has rightly assessed, can serve as an effective counter-weight to China.

The truth of the matter seems to be that the age of major military alliances seems to be dying out. The divergent attitudes expressed at the recent N.A.T.O. conference bear ample proof of this. So does the slow drifting apart of the Warsaw Pact countries. Rumania's vote against India in the U.N. General Assembly—in defiance of Russia—is the latest example of this phenomenon which has manifested itself in so many ways in recent years. The nations of Europe do not seem particularly keen on joining military alliances. They seem to feel safest when non-aligned. To add to all these uncertainties of international politics is the compulsive factor of the U.S. Presidential election a year hence.

The future Indo-U.S. relations have to be viewed in the context of this international perspective of Big Power politics. For quite some time, these relations may continue to be very bad. Still further deterioration seems possible since President Nixon may make yet another bid to prop up the new regime in Pakistan at India's cost to please China. He may do so in the full knowledge of the effect on his country's relations with India. President Nixon seems to feel that the damage that has already been done to the Indo-U.S. friendship cannot be repaired in a hurry. Therefore, a little more damage to it would not make any material difference. On the other hand, a continued anti-Indian posture might enable him to gain valuable concessions from Peking in Vietnam. Once he has taken America out of Vietnam, there will be enough time to repair broken bridges with India. It is universally acknowledged that the single most important factor in his favour at the next Presidential election could be his possible success in getting America out of Vietnam.

As is obvious from Mrs. Gandhi's latest letter to Mr. Nixon, India realises that sooner or later the U.S.A. will have to recognise India as the biggest power in south Asia. While to all intents and purposes, India's friendship with Russia has come to stay for a considerable period, the U.S.A. can still hope to maintain a close working relationship with India. If, for a long time to come, the U.S.A. can hope for nothing more from this country it has only itself to blame. Where President Nixon seems to have erred is in believing that accommodation with Peking over Vietnam could be achieved only by adopting a blatantly anti-Russian and anti-Indian posture. He has obviously taken a big risk. Having caught him in their trap, the Chinese may not be too eager to release the great American "paper tiger" in a hurry.

Money Market Trends

THIS has always been the time of year for the money market to show its customary cramps. The usual year-end window-dressing by banks adds to an already strong demand for funds. The money market consequently becomes pretty tight. And this year it has been only more so because of the situation created by the recent war. Unscheduled public borrowing through the defence loans to the tune of Rs. 111 crores and the expanded needs for credit to maintain the stepped-up supplies line have made a heavy draft on available funds. The call money rate had climbed steadily to $8\frac{1}{4}$ per cent till it has dramatically come down to $5\frac{1}{2}$ per cent towards the close due to a decline in the demand for funds. The confident prediction made earlier that the money market would become more stringent has, therefore, been belied, although the trend has shown the commendable resilience of the system.

Partly due to the exigencies of the war and the all-engrossing attention to defence needs, the usual busy season demand for bank credit from many industries has been slow to pick up this year. During the week ended 24th December, 1971, scheduled commercial banks credit increased by Rs. 47.51 crores to Rs. 4,872.69 crores. But even this rather modest rise has outstripped the growth in deposits which was only Rs. 13.10 crores, taking the total to Rs. 6,774.59 crores. This may not be an ideal situation and if it persists for much longer, it might induce banks to adopt a more tight-fisted policy. Deposits have been projected to go up by about Rs. 500 crores during the busy season, or nearly as much as the expected credit bulge. But a slower or a smaller deposit growth should not be viewed as the signal for banks to withdraw into their shells.

The Reserve Bank, providing the essential second line of defence, has already assured banks of fairly responsive refinance facilities. The banks have already been forced to tap a part of it to subscribe to the defence loans but a fairly reassuring margin still remains. And nothing perhaps would be more prejudicial to the economy's interest than to overreact to a situation of a seasonal credit-deposit imbalance. A major responsibility thus devolves on the Reserve Bank—the pace-setter for the banking system—to guide the busy season's policy so as to best serve the cause of raising the level of production.

For many reasons, the current busy season appears to be more than usually important for the economy. Industrial activity cannot possibly get any slower than what it is today. On the other hand, except for a

crops—some of which are very important though—agricultural production on the whole is likely to be satisfactory this time also. A breakthrough can perhaps be made during the present busy season provided there is an adequate support from the banking system. The Government's rather simplistic approach that credit restriction alone can check inflation is like barking up the wrong tree. If restricted credit keeps money supply in check and thus helps fight the price rise, it also discourages the propensity to invest and thus leads to a loss of production which, in turn, can be a source of inflation. Because credit is more controllable than many other items with high inflationary potential like overdratts or deficit financing, there is no reason why it alone must bear the main brunt of the authorities' reformist zeal.

In a developing, capital-scarce economy, the cost of capital can play a decisive rôle. Since the risk element is higher because of the inherent weakness and uncertainties of the market, the investor seeks to keep the cost of capital to the minimum. Nothing deters him more than a standing commitment of high capital cost. The Bank rate hike early last year did not actually hold out the promise of a more fruitful phase of monetary policy. But if this failed to bring a semblance of discipline to the price situation, it was more because of the inadequacies of the measure than to the limitations of monetary policy. Anyway, the Reserve Bank has adopted a reasonably expansionist credit policy for this busy season and if followed with determination, it can help stimulate the forces of economic growth. To what extent it will depends on the banking system as much as on the initiative shown by trade and industry. It is a challenge for both sides, and both have to work hard to meet it.

Poll Prospects in States

DEMOCRACY does not demand the postponement of elections to those State Assemblies whose terms expire in March just because the Prime Minister, Mrs. Indira Gandhi, is now on the crest of a wave. The liberation of Bangladesh and the way Mrs. Gandhi outwitted some Big Powers have no doubt created a resplendent image of her, but if anybody argues that in deciding to hold elections now, the Congress(R) is busy banking on its victory in Bangladesh, the charge is clearly facetious. Mrs. Gandhi has herself said that it is a "funny" way of strengthening democracy by not holding elections. The Opposition parties would be flinching from their responsibility and lower themselves in public esteem if they no longer respond to national cause because the day of fighting election battle with the Party in power is not far off. Election campaign will no doubt claim a lot of energy and resources of the political parties, but the scope for co-operating with each other on a constructive endeavour will be always there. If State elections were postponed on the plea that postwar problems had to be tackled on a national, non-party basis, that would have, at the most, created a "false unity".

Originally seven States, namely, Andhra Pradesh, Assam, Madhya Pradesh, Maharashtra, Jammu and Kashmir, Himachal Pradesh and Rajasthan and the Union Territory of Goa, Daman and Diu were scheduled to go to the polls between 5th March and 11th March. But the list has now been enlarged to 13 States and Union Territories. Although the term of Rajasthan Assembly expires on 3rd May, the Election Commission has exercised its discretion to advance the polling date in the State in order to synchronise with the elections in other States. Contrary to earlier reports, it now seems that West Bengal, which is at present under President's rule, will not go to the hustings in March as many political parties in the State are not ready to accept the electoral roll of 1971. The Election Commission requires time to prepare an up-to-date roll because of the presence of so many refugees here. But is another election in the State necessary so soon? Has President's rule outlived its utility? The State can certainly do without another election now, even though it is always desirable in a democracy to have a Government directly answerable to the representatives of the people. In any case, the Government is yet to take a decision about West Bengal.

Law and order in West Bengal has improved, notwithstanding the clashes between the supporters of the C.P.I.(M) and the Congress(R) in certain pockets. Refugees have started returning home, and if there are not any unforeseen developments, they will have all left this country by March. But the Centre did not expect that any of the two problems would take a long time to sort out; the main reason behind its announcement at the time of the proclamation of President's rule that there would be no election before 1974 was that the State badly required a long leave from political instability for the revival of its economy. A modest beginning has been made in this direction. An election now will disturb the process of economic revival, for experience shows that poll preparation claims the administration's attention so much that it can hardly do any other thing. It is uncharitable to say that the State Congress(R) is in favour of elections in March only because the liberation of Bangladesh has created a political atmosphere where the C.P.I.(M)'s line has lost much of its credibility. The State Congress(R) leaders should not be blamed if they have seen an opportunity to restore a popular as well as a stable Government after five years. For those who will say that the approach smacks of opportunism, the simple answer is that opportunism has always been an important element in politics.

The prospects of the Congress(R) in Jammu and Kashmir and Rajasthan—the two States which have courageously withstood the Pakistani attack—are considered good. The tradition of catholicity and liberal approach to politics is being kept high by Mr. G. M. Sadiq's successor, Mr. Mir Qasim. This has yielded rich dividends—the rival factions of the Congress(R) have composed their differences to invigorate the Party, many of the Plebiscite Front members realising the futility of their negative approach have joined the Congress(R) and Mr. Mirwaiz Maulana Farooq's Awami Action Committee, always an uncertain quantity in Kashmir politics, has totally discredited itself on the Bangladesh issue. The drift of the National Conference that started with the election catastrophe of Bakshi Ghulam Mohammad—the only man to lose in the mid-term poll to the Lok Sabha with a Congress(R) ticket—continues. Never has the Congress(R) shown any interest in the merger of the National Conference with it.

Mr. Barkatullah Khan is today a more confident man. The Indian Army's great success in Rajasthan is no doubt a big factor, but the reshuffling of the Cabinet which needed some courage and the infusion of new blood

in the organisational wing of the Congress(R) have also contributed to Mr. Barkatullah's success. If the ruling Party in Rajasthan is not interested in joining hands with other like-minded parties, it is because the latter are of no consequence in the State. Mrs. Gayatri Devi has threatened to revolt against her Party if any attempt is made to thrust an alliance with the Jana Sangh. At the same time, some former Princes have been advocating the desirability of forming a democratic alliance to fight the Congress.

Nothing has done more harm to the Congress(R) in Madhya Pradesh than the prolonged bitter in-fighting. The combination led by the Jana Sangh could not have secured as many as 15 seats in the last Lok Sabha elections if the Congress(R) was a house united. The dissolution of the Pradesh Congress Committee and the formation of an *ad hoc* committee have not improved matters much, but it is too much for the Jana Sangh to hope to come to power because of the weakness of the Congress(R). In Maharashtra it seems that Mrs. Gandhi and the Central Finance Minister, Mr. Y. B. Chavan, have reached an understanding about future set-up and that is going to help the ruling Party in a big way. The Centre may have settled the Telengana problem by appointing a senior leader from the region as Chief Minister, but old factionalism still survives. Mr. Brahmananda Reddi is aiming at getting as many tickets as possible for his trusted people and get them elected. If there were a strong Opposition party in the State, it could have taken advantage of this weakness of the Congress(R).

Can Economists Agree?

ECONOMISTS, and their so-called science, are in disrepute. It would be unreasonable to expect them to forecast in detail the effects of developments that have not been experienced; but if economists are competent in their science, and if, however "inexact", it is a science at all, it is reasonable to expect an approximate consensus of opinion on these effects. What one sees are diametrically opposite conclusions deduced from the same facts. This is not a new experience: the disagreements of economists are notorious. ("I think he's an absolute charlatan; he thinks I'm one. How can they say that economists ever agree?" was the gist of a recent cartoon in *The Times*. But in a crisis that economists should be able to diagnose and remedy a combination of their diagnoses and remedies that makes no sense is exasperating. It is also dangerous; for economic action is one of the main determinants of human progress.

Would a substantial increase in the price of gold improve, or harm, the world economy? If economists cannot answer such a question with a single voice (if not all with the same emphasis), it must be assumed that their silence is not capable of rational deduction or that they are not competent to use it. Economically, going into Europe will be either good or bad for Britain. Some economists say good, others say bad: as a body, they cannot say which. As a body, they cannot recommend procedures for economic control, because they cannot agree the effects of any procedure. The proliferation of economists has sharpened criticism. Before the last World War they were mostly in academic establishments; and most of what they said was unintelligible outside. Now they are in administration, industry, commerce, and finance; while the academics argue even less intelligibly than before. The densest concentrations are, naturally, in sophisticated countries; and these countries' management of economic affairs—directly their own, indirectly the world's—has not enhanced economists' prestige.

It is easy to argue that economists would produce better results if their warnings and advice were duly heeded. In Governments' policies the political element may predominate when political and economic elements conflict. In corporations' policies the aspirations of management are not always conditioned by expert advice. But economists cannot escape blame for having often wrongly predicted the consequences of a policy; and on the national—and international—plane analyses and deductions are so varied that policy-makers must use their own judgement to select from them. A criticism that has recently become fashionable is that economists equate gross national product with national well-being, regardless of social conditions. The quality of life is a concept that some countries more than others can afford to indulge, but its importance is now generally recognised, and economists who discuss problems only in terms of material wealth and expanding trade seem outmoded. This criticism is arguably unfair. A person whose professional function is to interpret economic trends and to advise on policies for economic health or growth should be criticised for interpreting or advising wrongly, not for disregarding the social implications of trends and policies; for these implications are outside his field. But it is necessary to reconsider the status of economists in a world that has become aware of social science, in which economic and psychological and environmental factors are equally important.

Conscious interest in social science is not yet widespread: peoples, and so their politicians, are still largely concerned with material wealth, and with the (personal or national) prestige that is supposedly related to it. But in practice most Governments recognise that "pure", or "crude", economic policies are not enough; as when they try to reduce unemployment by "uneconomic" methods. The British Government's venture into "near-pure" economics (it reverted to the classical theory of "market forces", supply and demand) was nearly disastrous politically, and its policies have been modified. Social scientists believe that the present and urgent need is a total study of society, not only of its economic system; a study that will put into proper perspective national production and international trade and national and international finance—and economics, the science concerned with such matters. But they cannot deny the importance of the economic system—and so, in principle, of economics—in a world where even communist Governments have been obliged to concede some demands for material wealth and to adopt some orthodox methods (including "market forces") for efficiency, and where Governments of advanced countries threatened with recession have been obliged to reassert growth.

So Governments and business need guidance. They will not insist that it will always be right, but from economic analysts they can reasonably require an approximate agreed assessment of the causes of the present condition and of the likely effects of policies. If economic science is too "inexact" to produce any agreed assessment it cannot provide guidance.

There is no reassurance in a recent comment by one of Britain's leading economists, Lord Robbins, that many of the economic arguments of the present time were current in the early 19th century. It may be suspected, however, that the faults are more in economists than in their science. "Scarcity value" is in differentiation, not agreement. So economists, wishing to appear "individual" and "different" (and to earn rewards for their writings accordingly), tend to exaggerate their minor variations on generally-accepted themes. Whatever the explanation, the futile arguing among economists in this critical period is damaging a science whose services the world needs, perhaps more than ever before.

CURRENT COMMENT

INDO-U.S. RELATIONS

Plain-speaking by P.M.

Since the brief war with Pakistan came to an end, the Prime Minister, Mrs. Indira Gandhi, has been speaking with great dignity. This is as it should be. Mrs. Gandhi joined issue with President Nixon over how the cease-fire was effected in the western sector after the Pakistani Army in Bangladesh had surrendered. Since President Nixon had claimed that it was Russia which forced India to offer a unilateral cease-fire in the western sector, and that the Soviet Union, in turn, was pressurised by the United States, Mrs. Gandhi has put the record straight on this issue. In her interviews with *Time* and *Newsweek*, Mrs. Gandhi has maintained that the decision to offer a cease-fire was taken in New Delhi immediately after the surrender of the Pakistani forces in Dacca and since the Russian Deputy Foreign Minister, Mr. Kuznetsov, happened to be here, "we were able to inform the Soviet Union right away". Mrs. Gandhi also described as "fantastic nonsense" the report that India had received promises from the Soviet Union to intervene in the event of either U.S. or Chinese military involvement in the sub-continent. She said that these matters were not talked over with Russia at all, and added: "If after all this, the U.S. refuses to recognise what sort of a person I am, and what sort of a country India is, I cannot say what will happen and what sort of relationship we will have".

The suspension of aid by the United States (followed by Japan) in the wake of the conflict in the sub-continent has made India realise that she cannot depend on the whims of aid-giving countries for her economic development. There is now a greater awareness that India must become self-reliant in every respect. While this attitude is good in itself, the performance of India's development plan is not too assuring. At the last meeting of the Planning Commission, it was accordingly decided to recast the Fourth Plan. The growth rate has come down considerably—from 5.3 per cent in 1969-70 to 4.8 per cent in 1970-71—and there is a danger of a further decline in 1971-72.

I.D.B.I.

Aid to Backward Areas

With a view to fostering industrial development in the less developed areas of the country, the Industrial Development Bank of India (I.D.B.I.) has introduced two schemes: one of concessional refinance to S.F.C.s/banks in respect of all their eligible loans up to Rs. 20 lakhs to small and medium-sized projects in the specified backward areas and the other of direct assistance on concessional terms for setting up of projects in backward districts/areas specified by the Planning Commission. Projects in backward districts/areas which would receive grant/subsidy from the Central Government are also eligible for the I.D.B.I.'s concessional direct assistance. The I.D.B.I. has now decided to make available its direct as well as refinance assistance on concessional terms not only to new projects but also to industrial units undertaking substantial expansion in the specified backward areas. For this purpose, expansion is defined as increase in the value of fixed capital investment of an industrial unit by not less than 25 per cent for the purpose of expansion of capacity, modernisation, etcetera. The concessional direct assistance for the purpose of expansion would generally be available to projects involving additional project costs not exceeding Rs. 50 lakhs. Concessional direct assistance for bigger expansion projects will be considered on a selective basis. The other terms and conditions of the concessional direct assistance for expansion projects will be the same as those announced earlier for setting up of new projects.

COTTON TEXTILES

Exports Lagging

Exports of mill-made cotton tiles in November 1971 aggregated 10-30 crores, against Rs. 8.39 cro in the preceding month. T November figure is the highest af January when shipments were va ed at Rs. 12.66 crores. However, pite increased shipments in Nov ber, exports during the first months of 1971 at Rs. 93.61 crores substantially below the previ year's corresponding figure of 106.04 crores. With shipments December disrupted by the In Pakistani conflict, exports in 1971 likely to fall far short of the 1 figure of Rs. 116.49 crores. The back in textile exports in 1971 accounted for almost entirely by slump in exports of yarn, the t for January-November being Rs. 1 crores, against Rs. 25.54 crores du January-November 1970. Export piecegoods have registered only small decline from Rs. 59.03 cr to Rs. 58.05 crores. This has b virtually made good by the incr in exports of "other manufactu from Rs. 14.27 crores to Rs. 1 crores. Only apparel have don markably well, setting a new re at Rs. 9.1 crores, against Rs. crores during January-Nover 1970.

Zonewise, there has been an pressive increase in exports of p goods to Africa—from Rs. 9.65 c to Rs. 16.8 crores. This is ent due to the increased offtake Sudan—Rs. 15.76 crores, against 7.27 crores. Shipments to K Tanzania, Uganda and Eth showed small declines. Shipmer the American zone recorded an provement from Rs. 8.46 crores t 8.73 crores. Oceania also took of Indian textiles—Rs. 4.42 c against Rs. 3.34 crores. Export the European zone have dec from Rs. 23.95 crores to Rs. crores. This has come about d a very substantial increase in ments to the U.K. from Rs. crores to Rs. 14.19 crores. Ex to Russia declined sharply fro 9.58 crores to Rs. 3.75 crores. total offtake by the east Eur countries slumped from Rs. crores to only Rs. 4.23 crores. ments to the E.E.C. were also

t Rs. 1.09 crores, against Rs. 3.48 rores during January-November 970. Exports to the Asian zone de lined from Rs. 13.63 crores to Rs. .86 crores. Shipments to Burma fell om Rs. 1.86 crores to almost nil. lepal, Afghanistan, Singapore and Malaysia also took substantially less f Indian piecegoods. Only Aden, audi Arabia and Thailand improv d upon their previous year's offtake.

I.L.O.

Report on Asia

In a report presented at its recent sian Regional Conference in eheran, the International Labour)rganisation says that Asia is entering ne last quarter of the twentieth century beset by social problems of dauntng magnitude and with the great najority of its peoples in the direst eed. The I.L.O.'s Director-General, Mr. Wilfred Jenks, warns that the angers of social and political turmoil nherent in the present situation "can e averted only if social development, ocial progress and social justice are ccepted as the central concerns of olicy throughout Asia." After years f planning and work to bring about aster economic growth, Mr. Jenks bserves, Asia remains the poorest of ll developing regions. He cites the ravest and most urgent of Asia's ocial problems as: population growth, nequality, urbanisation, rural deveopment, inadequacy of economic rowth for adequate social progress nd growing awakening of the masses f urban and rural poor.

The report lists four areas in which ction is required to help meet this hallenge. First, there must be greater mphasis on employment. For, econonic growth that fails to provide more obs for the millions of unemployed nd under-employed—and for the furher millions who will be added to the mployment market during the coming lecade—will serve only to exacerbate he tensions in Asian societies. Secondly, there must be greater empha is on a distribution of income and rovision of social services that make ife at least tolerable for the masses. Thirdly, there must be greater emphasis on mobilising the support of he whole population for development. Fourthly, there must be greater emphasis on human rights and freedoms. The Director-General's report goes on o deal with essential elements of polies for minimum living standards in Asian countries. It identifies food, housing, health, education and population as the most critical questions affecting living standards, involving at international level a concerted effort by the whole U.N. family.

MACHINE TOOLS

Production Figures

The Indian Machine Tool Manufacturers' Association has said that the production of machine tools, small tools and accessories during the first half of the current year—January to June—is of the value of Rs. 20.65 crores. This is as reported by the members of the Association. The figures for metal working and metal forming tools for the first half of 1971 show a production of 4,744 machine tools valued at Rs. 17.34 crores, as against 4,810 machine tools valued at Rs. 13.15 crores during the same period of the previous year. While the number of machines has slightly declined, there is a substantial increase, about 32 per cent in the value of the production. The increase in value is due partly to the general increase in the prices of machine tools. Whether the increase in the value of production will continue is difficult to predict, but judging from the trend in 1970, when production in the second half dropped by about 28 per cent, it is likely that there will be no marked improvement in the second half of 1971.

A fairly large number of industrial licences have been issued during the past six months, but this does not mean that there will be a substantial improvement in the demand for machine tools in the immediate future. It takes anything from 18 to 24 months from the issue of a licence to the time when the purchase of indigenous machines is actually made. Exports in 1970-71 were worth Rs. 2.83 crores, as against Rs. 2.95 crores in 1969-70. Export prospects in 1971 are good, but unless the Government takes early action on the recommendations made by the Market Orientation Team for Machine Tools, it will definitely not be possible for the industry to reach anywhere near the target of Rs. 7.5 crores by 1974.

PRICES

Upward Trend

Consumer price indices for the developing countries, reported in a recent number of *International Financial Statistics*, a monthly bulletin of the International Monetary Fund, indicated little slackening of price pressures in most areas. In Asia, the annual rate of price increases ranged upwards from Thailand's 1 per cent and Ceylon's 1.2 per cent in April through 3 per cent for India and 3.2 per cent for Indonesia in March to 12.9 per cent for Korea and 27 per cent for Vietnam in March. Price trends for major world commodities into 1971 indicated declines in 12 categories, and rises in ten, while prices for three major commodities moved irregularly and two were basically unchanged. Prices for bacon, cocoa, coconut oil, coffee, copra, lamb, lead, linseed oil, rice, rubber and wool were basically lower in April/May than at the end of 1970. Wholesale prices for burlap, butter, hides, jute, newsprint, petroleum, sisal, sugar, tea and tin tended to rise. Prices for pulp and wheat were basically unchanged. Prices of copper, cotton and zinc were erratic. The initial estimate of total world trade in the first quarter reported in the monthly—as measured by exports—was $290,600 million annual rate, an increase of approximately 11.5 per cent from the comparable 1970 period. This rate of increase was somewhat less than the 12.5 per cent increase in first-quarter exports of the industrial countries alone.

TYRE

Step to Tackle Emergency

To meet India's additional requirements for tyres and tubes during the national emergency, the automotive tyre industry has taken a number of urgent steps to maximise production and co-ordinate distribution, according to a Press statement by Mr. R. G. S. Nairn. The industry is giving topmost priority to military requirements. Steps have also been taken to meet urgent civilian needs. Except tyres and tubes for trucks, all other automotive tyres are easily available in the market. In view of the marginally reduced supply of truck tyres in the replacement market, the industry has reorganised its distribution through tyre distribution committees in all important towns. All tyre dealers have been instructed not to sell any tyre or tube at more than the industry's recommended retail prices. With close co-operation of the employees, each manufacturing unit is making efforts to maximise production and significant results have already been achieved.

LEIPZIG FAIR

Large Attendance Expected

The next Leipzig Spring Fair will be held under the Fair's traditional theme—for world-open trade and technical progress—from 12th March to 21st March, 1972. It will be attended by more than 9,000 exhibitors from more than 60 countries, covering a net exhibition area of some 350,000 sq. metres. The management of the fair expects the fair to be attended by visitors from over 80 States, among them a growing number of technicians, engineers, and other experts from the manufacturing industries.

TEA

Export Incentive Needed

Addressing the annual general meeting of the Calcutta Tea Traders Association in Calcutta a few days ago, Mr. G. P. Goenka, president, said the Government's attention was needed to be drawn to two major steps which required to be taken: (a) an incentive for replanting the old and unproductive tea, and (b) easing of credit restriction by the Reserve Bank of India. During 1971, the all-India crop was going to be only a shade over that achieved last season. India, which could have taken advantage of the shortfall in Ceylon's exports, was not in a position to do so because tea was just not available. If India's production could not be increased to match the increase in internal consumption, a stage might well come when it might not have tea available for export to the extent of even the 1970 level, let alone increasing it. Simultaneously with the increase in production, the Government had to consider the scope for some form of fiscal incentive for export of tea. He suggested for the Government's consideration a tax credit certificate scheme on the lines of the one that was introduced in 1965 and subsequently withdrawn, Against the loss of revenue that would be involved must be set the substantial economic advantage to the nation of increased foreign exchange earnings.

POWER

Meeting West Bengal's Needs

In a letter addressed to Dr. K. L. Rao, Central Minister for Irrigation and Power, a few days ago, the Committee of the Bengal National Chamber of Commerce and Industry drew attention to the acute power shortage in both south and north Bengal. To meet the power requirement of south Bengal, it urged, in addition to the power expansion programmes in hand, installation of an additional generating unit of 120 megawatt at the Bandel Power plant which would not take more than two and a half years to be commissioned ; setting up of a new thermal power plant of 2×200 megawatt in Kolaghat which is close to the coal area and Haldia, and installation of two gas turbine generating sets of 50 megawatt capacity each which would take care of the peak-load in the Calcutta industrial area.

To serve the requirement of north Bengal, the Committee urged the setting up of a thermal power plant in Dalkhola in West Dinajpur District with two generating sets of 150 megawatt capacity each or, alternatively, a super-thermal power plant of 2×200 megawatt in Dalkhola which is on the Bengal-Bihar border, and installation, pending commissioning of any of the proposed thermal power plants, of two gas turbine generating sets of 25 megawatt capacity each. It was of the opinion that it would be more advantageous to have the proposed super-thermal power plant in Dalkhola than in Kathihar, where it was reportedly being planned to be set up, particularly in view of the rapidly expanding power market in north and south Bengal.

MONEY MARKET

Call Rate Down

The short-term money market has been tight during the major part of the past week. The call rate initially quoted at 7½ per cent and later went up to 8¼ per cent due to the keen demand for funds. But the market has changed dramatically towards the close due to a decline in the demand for funds, with result that the call rate has come down to 5½ per cent, with borrowers over. The demand for remittances has been limited. There has been a nominal supply of both tea and gunny bills. The pound-sterling has generally been steady against most major foreign currencies during the week.

CALCUTTA: INDIA'S PREMIER CITY

CALCUTTA must always remain the premier city of India. So said King Emperor George V to the burgesses who welcomed him to Calcutta on Saturday, and the imperial dictum has given the citizens new heart to achieve their splendid destiny. No greeting for the New Year could have been more acceptable, for none could be more sincere or better founded. George V is the most travelled monarch alive. He knows from end to end the vast empire over which he reigns, for he has visited every part, observing things with the acute apprehension that appertains to the intelligent sailor. This is his second visit to India since he came to man's estate, but in his early boyhood, what time he was a joyous midshipman on board H.M.S. *Bacchante*, he heard the call of the East, and he responded by making the country and its peoples his special study and solicitude. There are few, if any, statesmen in England better able to take a common sense view of Indian problems than His Majesty or more accurately interpret the signs of the times. Hence the authority of the pronouncement which has restored our good conceit. To paraphrase the Latin poet: *Moribus antiquis stat Calcutta*, and there will be no deposition, no degeneration, if the citizens will be but true to themselves. Up at Delhi after the Durbar and its momentous issue, there were some who said that Their Imperial Majesties would be well advised to cut Calcutta out of their tour if they wished to escape the frozen face. The libel was too grotesque even to hurt the most sensitive Ditcher, who prayed that the detractors might be forgiven for they knew not what they said.

FROM
CAPITAL
4th January, 1912

A Ditcher's Diary

IT WOULD BE DISHONEST TO CLAIM THAT I had foreseen it all. Reports on Monday morning did suggest that Mr. Bhutto might announce during the day a decision to release Sheikh Mujibur Rahman unconditionally. Yet the radio announcement in the evening came as a great relief. It was thrilling to learn that the maker of Bangladesh would be free to return to his people, who now need him more than ever. But will he ; and, if so, when? One could not be sure even on Monday night. I am not distrustful by nature; but I wish President Bhutto's announcement on Monday also indicated that freedom for the Sheikh would not mean freedom within Pakistan. I cannot forget that Mr. Bhutto has not yet given up the idea of trying to put Humpty-Dumpty together again ; nor can I believe that he will not make every effort to persuade the Sheikh to lend him a hand. I heard last week that one idea being pursued in Islamabad was to mobilise international support for plebiscites in both Bangladesh and Kashmir. The idea is preposterous, after all that has happened in Bangladesh during the past ten months and in Kashmir during the past 23 years. But the Sheikh is still in the dark about the Bangladesh developments. Until he returns to his people, he could be fed with any amount of distortion and plain lies. Yet there may be no warrant for serious concern. He is not a man to make any kind of commitment until he has consulted his own people. And, once he returns to Bangladesh, he will not have to consult anybody; he will see everything for himself. That is why it is so important that he should be in Bangladesh as soon as possible. The reunion will be charged with high feeling, with a sense of tragedy no less powerful than the sense of triumph. Those who have gone through the tragedy may find it easier to savour the final triumph; from his distant prison cell Sheikh Mujib could only have imagined the horror directly experienced by his followers, and the actuality was beyond imagination. He will be moved by the thought that so many people sacrificed so much in response to his call even when he was not physically present to guide them ; it is a thought at once inspiring and chastening. A Frenchwoman has described the Sheikh as de Gaulle of Bangladesh ; perhaps even le Géneral did not command such loyalty. But a more difficult test now begins ; the Sheikh will have to build the nation he has brought into being.

PRESIDENT BHUTTO TOLD *Time* NEWSmagazine last week that, unlike General Yahya Khan, he was not referring to Mrs. Gandhi as "that woman", for he recognised her as the Prime Minister of "a neighbouring and a great State". Evidently, Mr. Bhutto has come to see the need for some moderation in speech. It was not so long ago that he spoke of the people of this "great" country in terms far more offensive ; even in the Security Council debate last month he made a reference to the late Mr. Lal Bahadur Shastri that was in shockingly bad taste. But the Pakistani President will be judged not so much by his words as by his readiness to reconcile himself to what happened during the past year. Unconditional release of Sheikh Mujibur Rahman will be only a beginning. At her Press conference on New Year's eve, Mrs. Gandhi pointed out that Mr. Bhutto's recent utterances had been a mixture of friendly and threatening noises, which was understandable in Islamabad's traumatic state. What is less excusable is the childish pique with which Pakistan's powerful allies are still trying to rationalise their recent perversity. It is not some Governments alone which are reluctant to admit mistakes ; even a section of the foreign Press seems determined to cling to bitter prejudice. Supercilious banter about India's military capacity was first replaced by righteous indignation over alleged belligerency; lately there has been a wave of concern over poverty which should have prevented New Delhi from getting involved in a war. But I have no doubt that even this latest brand of hypocrisy will not be long in vogue if India can demonstrate that she is going to fight poverty as resolutely as she fought the armed aggression. This may sound a little pompous ; but I do believe that there is now a unique opportunity for finding a new national purpose. But it cannot be found in what Mrs. Gandhi has aptly described as a "victory euphoria". I am sure the Prime Minister herself is acutely embarrassed by some of the fulsome expressions being used to describe her performance. Comparisons with Goddess Durga slaying the demon were embarrassing enough ; at the Delhi civic reception last Sunday she was compared to Rama who had liberated Lanka and handed over the kingdom

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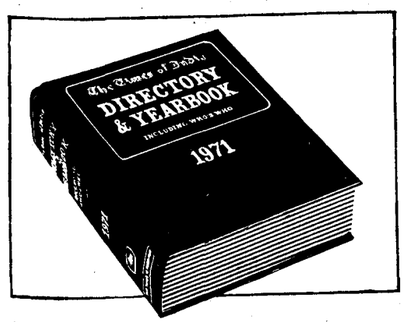
to Bibhishana. Mrs. Bandaranaike may see that, in spite of the Lanka analogy, Ravana is none other than General Yahya; but Sheikh Mujib will not be flattered by the Bibhishana parallel.

NEWSPAPERS IN INDIA ARE FACING an uncertain future, what with one thing and another. But it is reassuring to know that after all we may perhaps not have too much to fear from the encroachment of television. In the United States, television has certainly altered the shape of the newspaper industry, and put one or two individual papers out of business. But it has not by any means killed the Press, as was once feared it might, and in some cases it may have enhanced its importance and prosperity. Much the same is true in Britain, and I was interested to read a comment made recently by Mr. Percy Roberts, managing director of newspapers owned by the International Publishing Corporation, who was addressing a meeting of publishers in Monaco. Mr. Roberts is quoted as saying that television was the best thing that ever happened to newspapers in Britain, and the reason he gave was that it broke an established monopoly and "killed smugness and complacency". It is rather difficult to swallow that statement after what has happened in recent years to Britain's Press. So many famous and influential newspapers have gone to the wall, and if the comments of proprietors are to be believed, many more are facing a similar fate. Yet the fact remains that newspapers in Britain still absorb around 70 per cent of the nation's advertising budget, using the term newspaper to include magazines and other such publications. That is certainly a fair slice of the available loot, and a much more generous one than was being predicted a decade ago. Of course, it does not by any means ensure the continuing survival of newspapers, because the main threat to their existence is coming from another quarter. Put bluntly, inflation has proved to be their great enemy. Costs have risen astronomically in the past year or two, and certainly much faster than can possibly be recouped by higher prices. The basic fact is that newspapers in Britain have traditionally been a very cheap commodity indeed, perhaps the cheapest in the world. Doubtless this habit will have to change. But in the process there could be a few spectacular bankruptcies and it is not difficult to identify them.

THE LATEST ISSUE OF THE U.N. *Demographic Yearbook* contains an obvious, and quite unpardonable, error. It names Tokyo as the world's largest city still. Now anybody living in Calcutta can confirm that this is wrong. I demand a recount, after which I have not the slightest doubt that the accolade will come to this fair city of ours, and none other. What convinces me that the whole thing is a ghastly mistake is the fact that we are not even listed in the first few. Following Tokyo are New York and London, which once again would seem to be a simple failure to keep up with the times. Of course, it is easy enough to understand what has happened; these things are a question of definition, of where you choose to draw your line on the map. But it is humiliating all the same to be deprived of even this slight satisfaction to compensate for our miserable congestion. The number crunchers of Turtle Bay owe it to Calcutta to do better next year. What impresses me about their efforts this year, however, is the fact they now name 133 cities with a population exceeding 1 million, 29 more than a decade ago. This is alarming, because it appears to confirm the impression that the bulk of the world's increasing population is growing to maturity in overcrowded urban areas. And things are getting worse. The total number of people on this planet is expected to reach 6,500 million by the end of the century, compard with 3,632 million now, and most of them will be concentrated in the cities.

AT LAST THE REFUGEES HAVE STARTED returning home in substantial numbers. All of us have some idea of the kind of home-coming this is going to be. Visiting some Bangladesh border districts during the past fortnight, I have seen vast stretches of total desolation. Many huts have simply disappeared; even sturdier structures have been burnt or pulled down by Pakistani troops or ordinary looters. A friend who has just returned to Calcutta from a tour of Dacca, Chittagong and Faridpur districts tells me that the devastation there is still more widespread. There are not many immediate signs of war damage; what has happened is systematic plunder. Even if the returning refugees find or are provided with some shelter, rehabilitation will be a long and difficult process. Farmers may be able to recover after harvesting the next crop; but traders, big and small, face a grim future with all their assets destroyed. The professional classes can look forward to no easier rehabilitation. It is, however, reassuring that in spite of a future that is uncertain, the refugees seem anxious to go back. This suggests an encouraging confidence in the newly-liberated nation and its Government; it may also be a reminder that even the best of effort cannot do much to bring cheer to the lives of 10 million refugees. What memories will they carry after spending nine months or more in India? Some warmth and kindness may be remembered along with the suffering; unfortunately, the circumstances did not allow more than a small section of the refugees to see much of Indian life. Even of Bengali life on this side of the border their knowledge must be extremely limited. One curious consequence of all that has happened since last March has been an identification of the Bengali entity exclusively with what is now Bangladesh; the foreign Press now uses the word Bengali to refer only to people belonging to East Bengal. Perhaps "Bangladeshi" would not be a particularly elegant expression; but how else is a distinction to be made?

THE DITCHER



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MANAGEMENT

Factors Influencing Management's Policy on Retained Earnings

By M. V. R. Rao

Much can be said both for and against keeping a large part of a company's profit as retained earnings. The final decision, however, has often to be taken by management keeping in view the company's, and the shareholders', interest.

THE directors' report of a company to its shareholders normally reveals how the profit it has earned is proposed to be distributed to meet contractual obligations like preference share dividends, statutory obligations like bonus and corporate taxes, and how much of what remains thereafter—known as retained earnings—is to be shared by the equity holders. The way the amount is to be apportioned requires the approval of shareholders in the annual general meeting. And it will be interesting to study the factors that influence the shareholders' decision to allow the company to retain the profit or to distribute it as dividend on equities.

The object of retaining profit within the company is to achieve financial stability and also to avoid fresh debt commitments. The amount of earnings retained exhibits the prosperity of the firm, a conservative outlook of the policy-makers, and the efficiency in the implementation of the policy. When a company decides not to distribute the retained profits among equity holders, the latter will be deprived of any immediate cash receipt and to that extent their planned or estimated liquidity is affected. In the process, their plan to reinvest dividends is dislocated, and their planned consumption out of the dividend income goes unfulfilled. On the other hand, they may derive certain compensatory benefits.

Share Value Rises

First, the value of the shares of a company that decides to retain its earnings may shoot up as a result of profit retention and the price differential may more than offset the loss the shareholders would have suffered by forgoing dividends immediately. Secondly, when dividends are received, the shareholder will have to pay a higher rate of income-tax on dividends received as compared with a lower rate of capital gains tax he will have to pay when he sells his shares. This is especially true of investors in the higher income-tax brackets. Thirdly, when dividends are received, one has to meet the heavy transaction cost while reinvesting it, in contrast to retention which amounts to automatic investment minus the transaction cost, but of course with the same company. Fourthly, the company has to meet the transaction cost if it decides to distribute its current earnings to its equity holders and then go to the market for fresh funds. Fifthly, while the company enters the financial market with its new stock offering it virtually amounts to "diluting" the ownership of the existing shareholders.

On the other hand, the shareholder may vote for distribution of earnings in the form of dividends forthwith because he may feel uncertain about the future earning capacity of the company. And he may plan to restrict his investment in that company and seek to spread it over different units. However, the small investor will usually prefer to receive dividends immediately as he belongs mostly to the lower income-tax brackets and enjoy the privilege of lower rate of taxation.

Collecting Dividends

And such a class of investors, who "live" on their investments will be more interested in collecting dividends out of current earnings than in selling some portion of their stock holdings. However, the transaction cost, which is always high for small transactions, may play a deciding rôle in their action. It is often thought that funds retained from current earnings are free and do no cost anything. But it does not appear to be so. When retained earnings generate cash flows and no cost is attributable to them, then it can obviously be concluded that the shareholders of the company stand to benefit. On the other hand, if any cost is associated with the use of such earnings retained naturally, it is not correct to state that equity holders are benefited. In cases where equity holders derive benefits, the benefit should be at least equal to the opportunity cost. And the opportunity cost is nothing but the value of the resources used in the most profitable manner.

Assuming that no income-tax is to be paid and that the transaction cost is zero, the cost of retained earnings would be equal to the cost of funds drawn from the capital market by selling equity stock. But if the retained earnings are not free and cost something, effort should be made to match the financial benefits the shareholders obtain.

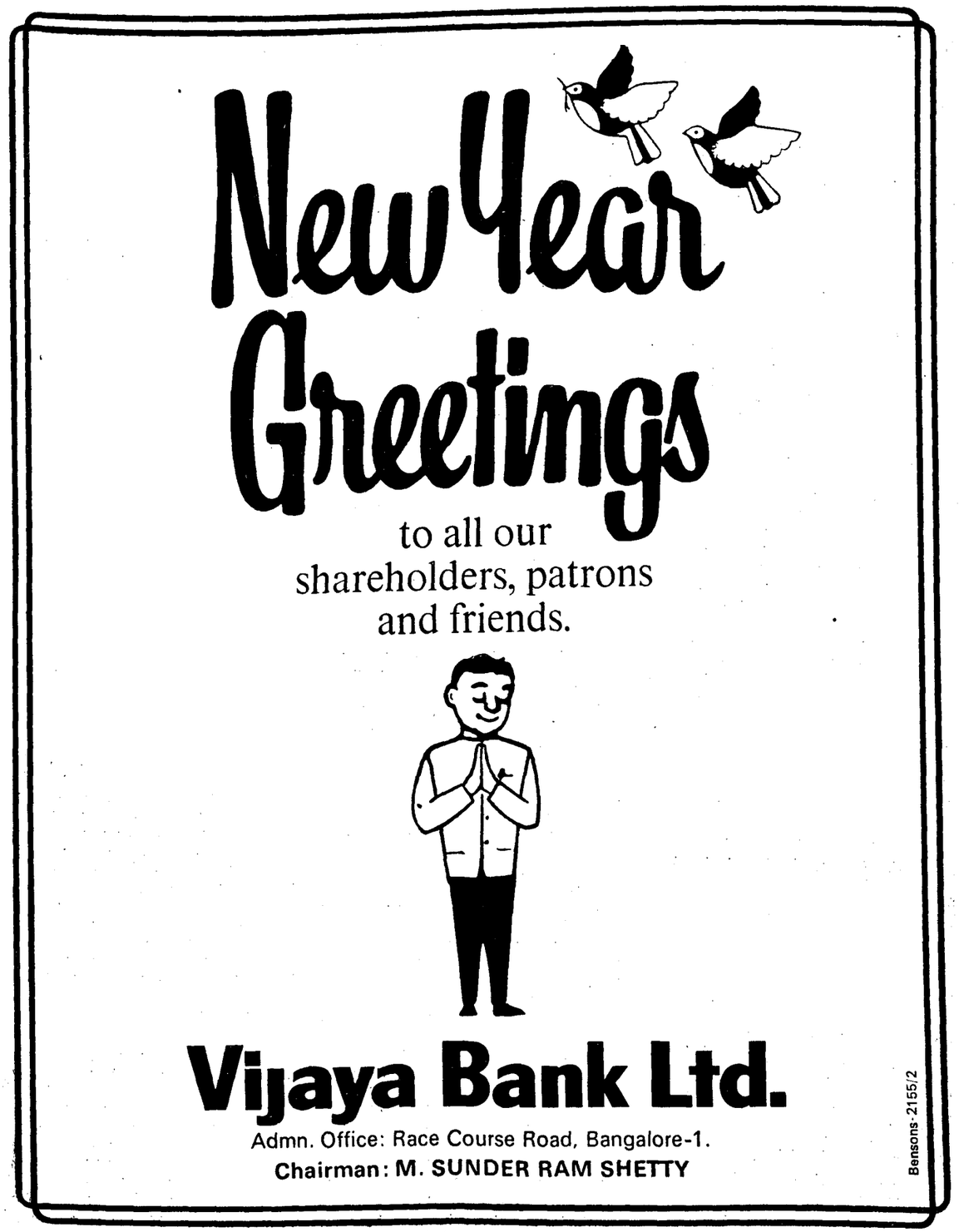
Market Value of Stock

For example, a company proposes to finance an investment outlay of Rs. 5 lakhs out of its current earnings. And the yield or returns on that investment is forecast at Rs. 1 lakh after taxes and other contractual obligations are met, say, for a period of 20 years. If this proposal is accepted, the shareholders of the company stand benefited, when it is also considered that the value of the company's share rises according to the forecast by Rs. 10 lakhs. On the other hand, if this proposal of investment is rejected by the shareholders and if they opt for dividend distribution, they stand to lose. The cost of retained earnings can be calculated as follows:

Present value of the expected cash flow:	Rs. 1,00,000 a year
Increase in value of stock	Rs. 10,00,000
Therefore, the net present value is	10 per cent which is positive

This investment has a net present value of 10 per cent and will be advantageous to existing shareholders as it results in a rise in the market value of stock.

In any economy, investors in stock will form into a class by themselves often split into sub-classes based on the magnitude of their investments. As the number of classes increases their interests come into conflict. Fulfilling the wishes of all classes of investors thus becomes a formidable task. But most of the companies follow a consistent financial policy which is mostly reasonably beneficial to the shareholders as well as to themselves.



SPECIAL ARTICLES

The Danger of Making Imports Costlier through Fresh Levies

(BY A SPECIAL CORRESPONDENT)

The Government of India has recently imposed fresh levies on a number of imported items. While these are perhaps inevitable under the present circumstances, the Government should take steps to ensure that imports do not become unduly costly.

THE Government of India's recent decision to impose a general levy of 2½ per cent on a large number of imports and of even 10 per cent on some items is intended partly to augment revenue and partly to restrain imports. These levies are perhaps inevitable in the difficult economic situation that lies ahead. And it is, therefore, all the more important that the Government gives particular attention to tone up the administration of import control and to see to it that imports are not made unnecessarily costlier.

India's imports have already been restricted to items which are essential to the country's development and defence. Imports at present consist mainly of complete machinery and equipment, raw materials and intermediate goods, components and spares, iron and steel, non-ferrous metals, cereals and edible products and some other essential goods.

A break-up of the total imports of Rs. 1625.17 crores in 1970-71 is given in Table 1.

TABLE 1.

COMPOSITION OF IMPORTS IN 1970-71

Items	Percentage to total imports
Complete machinery and equipment	11.71
Raw materials and intermediate goods excluding metals	40.25
Components and spares ...	12.77
Iron and steel	9.05
Non-ferrous metals ...	7.36
Food, cereals and edible products	14.98
Essential finished goods ...	2.34
Unclassified items	1.59

Of these items, the import of cereals is expected to decline further in the current fiscal year in view of the improvement in indigenous production. Imports of some other items can also be restricted by intensifying the efforts towards import substitution, although perhaps not much progress is possible in this direction in the immediate future.

When Mr. Y. B. Chavan, Central Finance Minister, introduced the Budget on 28th May, 1971, he rationalised the import duties and substantially enhanced the levies on many items. He said that in order to introduce an across-the-board simplification and to remove the existing anomalies, he proposed to have only four effective rates of import duty, namely, 30 per cent, 40 per cent, 60 per cent, and 100 per cent, in place of the seven *ad valorem* rates. He brought in all items of machinery within the orbit of the 30 per cent levy which meant an increase of 2½ percentage points in the rate of duty in respect of project imports. Items like agricultural machinery and implements, and dairy and poultry farming appliances would attract duty at 30 per cent instead of 15 per cent. Besides, certain basic raw materials and non-ferrous metals would be liable to pay duty at the uniform rate of 40 per cent, although iron and steel and unwrought copper were to have a duty of only 30 per cent.

It is against this background that Mr. Chavan's latest decision, announced on 13th December following the Pakistani aggression on India, to increase the import duties on many items has to be viewed. Although the Central Finance Minister has exempted certain items from the new levies, the fresh duties will bring about an overall increase in the cost of production in many industries. Apart from the increase in import duties, the Government's policy of canalising imports of raw materials through public-sector agencies has already been causing considerable hardship to industry. Imports through such agencies are stated to be much costlier than direct imports because, first, the rate of commission charged is high; secondly, these imports are often not made at competitive prices; thirdly, sales tax has to be paid where sales on high seas cannot be arranged; and fourthly, the canalised items of the right quality are often not available at the right time.

The Government of India seems to think that by canalising more items, it is taking the country forward towards socialism. But industry and trade have been subjected to unnecessary hardship in this process. And what is more unfortunate is that it is the small-scale industries which have been handicapped to a greater extent by canalisation than the large ones. At the meeting of the Advisory Council on Trade held in New Delhi on 21st and 22nd November, 1971, spokesmen of small industries expressed their apprehension about the timely and adequate availability of raw materials and intermediate products canalised through the Minerals and Metals Trading Corporation and the State Trading Corporation. It was pointed out that the release orders issued to small-scale industries for supply of materials through the canalising agencies remained unhonoured for months together, which considerably hampered the production programme of small units.

There have been many other anomalies, inconsistencies, and even irregularities in the administration of import control. Delays continue to take place in getting import licences although, from time to time, Ministerial assurances are being given to cut red tape. The Government, therefore, should see to it that the genuine grievances of industry and trade are promptly redressed so that production can take place without interruption. The Central Government as well as the State Trading Corporation and the Minerals and Metals Trading Corporation should have continuous consultation with industrial and trade organisations so as to ensure the smooth flow of imported goods.

In this context it is worth noting that the share of North America and the west European countries in India's total imports fell from 68 per cent in 1965-66 to 57 per cent in 1970-71 while, in the same period, the share of African countries increased from 4 per cent to 10 per cent and of eastern Europe from 11 per cent to 14 per cent. But it is reported that imports from the East European countries have creat-

ed certain difficulties for industry and trade. For example, the prices of raw materials in the rupee payment countries are generally believed to be about 40 per cent higher than the international prices. The Federation of Associations of Small Industries has, therefore, suggested that, for purposes of export production, the licences should be given for the general currency areas to increase the competitive strength of small units. As for steel items, licences for bright cold rolled steel strip, bright cold rolled sheets and free-cutting bars are often issued for imports only from the rupee payment countries but these items are either not available from these sources or are not of a satisfactory quality. The Government of India, therefore, should examine these and other suggestions and see to it that the import policy is so administered as to enable the country obtain its essential requirements at competitive prices.

Need for Uniform Guidelines for Public-sector Units

By K. S. Ramachandran

Most of the shortcomings of public-sector undertakings are attributable to the Government's wrong policies. To enable these units to become viable, the Government should leave aside political considerations and formulate uniform guidelines for them.

ALTHOUGH the objective of achieving rapid economic progress with stability would warrant the continuance of the private sector on its present scale of operations, the Government's industrial licensing policy and its directives to the nationalised banks and other financial institutions on extension of credit should leave little doubt about the limited rôle visualised for the private sector in the coming years. The public sector, in line with the socialistic aims of the Government, is designed to make a major contribution to the emergence of India as an industrial nation. Justifiably, representatives of the private sector have found the Government's socialistic postures rather irksome and a vigorous attack has been launched recently on the working of public-sector projects. Doubtless, most public-sector units have failed to work efficiently. Their returns on capital employed have been far from satisfactory and some of them have proved to be national liabilities. But it must be realised that their present predicament is due mainly to the policy hitherto followed in respect of their growth.

So far, political considerations have had a lot of influence over the setting up of these projects and in many cases, the basic economic criteria have received scant attention. In respect of the steel plant to be set up in Visakhapatnam, contrary views have been expressed by experts on how it would get its requirements of coal and there has even been a proposal to import it. This matter should have been considered before the Government announced its decision to have the plant. In some cases, the feasibility surveys have not been as thorough as they should have been.

Almost all public-sector units now in commercial production have been built under foreign collaborations and with the help of imported technical know-how. The Government has so far allowed the aid-giving countries a say on all matters concerning construction and at no stage was a distinction made between the provision of finance and supply of technology. Never once did the question "why should an aid-giver also provide the technology?" come up in Government circles. The flow of foreign money only means that the Government is using money which is not its own; but in case of import of technical know-how, the implications are serious, since it has been noticed that wherever imported technology was used, there was also a large import of skilled labour, raw materials and machinery, which could have been procured from within the country if only the designs had been prepared by Indian technologists. In the case of Bokaro, the import of refractories has been necessitated only by the fact that the indigenous manufacturers have found it rather difficult to make supplies according to the Russian specifications. In the Heavy Engineering Corporation Ltd, it is an open secret that since the drawings used for the Corporation's production operations are of Russias origin, a close liaison has to be kept with design engineers in Russia by their Indian counterparts to enable an understanding of the drawings. Payment of high salaries with perquisites to foreign technicians, foreign trips by Indian engineers and import of foreign machinery and materials—all these cost a great deal and reflect on the balance-sheets of the individual plants.

Besides these, the administrative set up of the plants has not proved to be ideal for earning profits. The chairmen and boards of directors of public-sector companies do not have the autonomy which their counterparts in the private sector have always had and the service conditions have not been designed to promote operational efficiency.

The Government's policy should be drastically changed to enable public-sector units to earn profits. Guidelines should be provided separately for the three stages of a plant's growth—choice of the unit to be set up and its location, its construction and its working on a commercial scale. It must also be specified that units will be set up primarily for the following reasons: (a) the country requires them and there is adequate demand for their products; and (b) basic raw materials are available in the required quantities and at economic prices. In addition to these, labour conditions must also be considered. For their new ventures, industrialists tend to ignore areas where there are firm indications of the labour force being indisciplined. There is no reason why this factor should be ignored by the Government. The States need to be told in clear terms that those who cannot ensure the supply of a disciplined labour force do not deserve any public-sector projects.

It is true that these three factors might not satisfy the demands of a balanced regional development, which is one of the objectives of the growth of the public sector. But much could be achieved in respect of this also through the following measures: (a) fixing the proportion of the labour force to come from within the State in which the plant is to be located and recruiting the remainder from the neighbouring States; (b) keeping the feeder industries in the neighbouring States but not very far from the main plants; and (c) recruiting officers on an all-India basis.

For designing the plants, only Indian consultants should be employed. The Government must stipulate to the foreign aid-givers that only indigenous technical know-how would be used. Indian consultants could be relied upon to take full note of the domestic availability of machinery, raw materials and skilled hands. The chairmen and boards of directors of the plants should have the least interference from the Ministries and be free to formulate whatever programmes they might consider necessary for the growth of projects under their charge.

The service conditions of managerial personnel should be similar to those in the private sector; the same "carrot and stick" policy should be followed in their treatment. With regard to labour, there must be only one union for a plant and the office bearers must come from among the active workers. Politicians should be barred from being associated with the unions in any capacity. A policy providing for uniform guidelines on these matters, besides defining the responsibilities of the States in the construction and maintenance of public-sector plants, would be a guarantee against units being set up under political pressure and the growth of ill-feeling among the States.

The Growing Dependence of States on Central Finances

By P. K. Bhargava

The federal system of public finance in India makes it necessary for the States to lean heavily on the Centre for their financial needs. With their expenditure rising over the years, the flow of Central funds to them has been increasing steadily.

A STRIKING feature of Indian public finance is the considerable dependence of the States on the Central Government. Accordingly, there is a considerable flow of funds from the Centre to the States. The total resources transferred from the Centre to the States increased from Rs. 1,413 crores in the First Plan to Rs. 2,869 crores in the Second and further to Rs. 5,600 crores in the Third. These transfers formed 41.4 per cent of the States' total expenditure (revenue account and capital account) in the First Plan. This percentage increased to 48.5 in the Second and further to 52.2 in the Third Plan. In recent years, transfers from the Central Government to the States have further increased. In the first year (1966-67) following the Third Plan, the total transfers amounted to Rs. 1,706 crores, that is, more than the entire amount of the First Plan.

There has been an enormous increase in expenditure of both the Central and State Governments. The expenditure of the former on revenue account increased from Rs. 347 crores in 1950-51 to Rs. 3,103 crores in 1970-71 (Budget). During the same period, the expenditure of the State Governments increased from Rs. 385 crores to Rs. 3,138 crores. Thus, over the two decades, the expenditure of the Central Government increased by 794 per cent and that of the State Governments by 718 per cent. The expenditure of the Central and State Governments has increased on account of a number of factors, the more important being the increase in population and rising prices.

Among the items of expenditure of the Government of India, the one on defence is the most important and at present it constitutes more than 30 per cent of the total. The total expenditure of the Centre and the States on debt services amounted to Rs. 44 crores in 1950-51 but stood at Rs. 987 crores in 1970-71 (Budget). The increasing expenditure on debt services indicates the increasing reliance on loan finance to meet the Plan expenditure. Part of the increase in expenditure on debt services is due to a change in the accounting technique. Prior to 1962-63, recoveries of interest on loans and advances by the Government and interest charges on capital advanced to commercial departments were adjusted as reduction of expenditure, but since 1962-63 receipts of interest on capital advanced to commercial departments as also recoveries of interest on loans and advances are credited to the revenue head "Interest."

While during the last two decades the total tax revenue of the Central and State Governments has on average increased by 30 per cent a year, the national income (at constant prices) has risen at about 4 per cent a year. Consequently, the tax revenue which formed 6.6 per cent of the national income in 1950-51 showed only a small rise at 14 per cent at the end of the Third Plan. If one considers only the tax revenue of the States as percentage of national income, the position is still worse. In 1950-51, the percentage of all States' tax revenue to national income was 2.25. This percentage increased to 4.10 in 1965-66 but declined to 3.89 in 1967-68.

During the last two decades between 1950-51 and 1970-71 (Budget), the total tax revenue of the Central and State Governments increased by 596 per cent. Including the non-tax revenue, their total revenue increased by 699 per cent during the same period. On the other hand, their expenditure on revenue account increased by 719 per cent while social and development expenditure increased by 873 per cent. The available data on national and *per capita* income show that during the period 1948-49 to 1965-66 national income (at constant prices) increased by 67.5 per cent and *per capita* income by 19.5 per cent. These data amply demonstrate that the annual growth in tax revenue and total revenues has been faster as compared with the increase in national and *per capita* income.

On the basis of the above data the conclusions that can be drawn are that (1) during the process of growth tax revenue, as also total revenue, tends to rise at a faster rate than the increase in national and *per capita* income; (2) in the course of economic development, social and development expenditure grows at a faster rate than other Government expenditures, *i.e.*, the proportion of total expenditure on social and development tends to rise; and (3) the growth of public expenditure tends to equal the growth of Government revenues, and the volume of public expenditure is limited to the capacity of the Government raise additional revenue.

SPOTLIGHT ON STATES

Maharashtra : Need for Greater Unity in the Congress (R)

(BY A SPECIAL CORRESPONDENT)

The younger elements in the Maharashtra Pradesh Congress Committee are reportedly not happy with the way it is functioning. It is necessary to ensure that this does not lead to an intra-Party struggle for power in the State.

THE 14-day Indo-Pakistani war has once again proved the solidarity of the people of this country and their capacity for making sacrifices and imposing discipline among themselves. Strikes which were continuing at the outbreak of the war were promptly ended and disputes settled. While the employers in Maharashtra gave generous donations to the National Defence Fund, and these donations have been continuing on a large scale even after the cease-fire, workers at different places in the State took pledges to defend their motherland at all costs, resolved to work without interruption to increase production, and contributed blood or a day's wages to the National Defence Fund.

People in Bombay showed that they could rise to the occasion in times of crisis and took the inconveniences on account of the war in their stride. They were in right earnest in taking the war seriously after the anti-aircraft guns went into action one evening, and after that the blackout was strictly observed. By and large, manufacturers and traders co-operated in holding the price line and in some cases where the traders tried to profiteer, prompt action was taken by the authorities under the Essential Commodities Act. After the cease-fire also, the Prices Vigilance and Regulation Panel, headed by the Minister of Civil Supplies, Mr. M. G. Vartak, has been active in fixing maximum prices for commodities of popular consumption. Dealers in over 45 essential commodities have been required to display and mark prices under the Maharashtra Scheduled Articles (Display and Marking of Prices) Order.

The Chief Minister, Mr. V. P. Naik, has appealed to the people to remain vigilant and continue their work for development and defence. He has said that the activities undertaken during the war, such as those for boosting agricultural and industrial production, holding the price line, promoting the welfare of Jawans and educating the people in civil defence must continue. It is very much desirable that at least for a period of one year employers and labour should co-operate in achieving maximum production, and avoid interruption in the production of goods and services by strikes, lock-outs, go-slows and unfair labour practices, but at present it looks as if the leftist trade unions would not agree to the continuance of the truce.

To come now to the preparations for the election to the State legislature which is to take place as scheduled. The Parliamentary Board of the Maharashtra Pradesh Congress Committee, at a meeting attended, among others, by the Central Finance Minister, Mr. Y. B. Chavan, the Chief Minister, Mr. V. P. Naik, and the M.P.C.C. president, Mr. Vasantrao B. Patil, has decided that one-third of the present M.L.A.s should be dropped from the list of candidates. This cut would also be made applicable to the present Ministers. It has also been decided to reserve 15 per cent of the seats for women. While it is desirable to give an opportunity to new blood, it is a question whether such arithmetical arrangements, in preference to the criterion of merit only, would not lead to discontent and weaknesses in the Party. The District Congres Committees would select the candidates and the M.P.C.C. Parliamentary Board is to finalise the list. While allotting tickets the Board is to take into consideration the performance of the Party's members in the Assembly, attendance and their response to the Party's policy and mandate. Meanwhile, the executive of the M.P.C.C. Parliamentary Board will meet to discuss the question of ceiling on rural and urban property.

There are some signs of discontent among the workers of the ruling Party and an intra-Party struggle for power in the State is not ruled out. It is reported that the younger elements in the M.P.C.C. are not happy with its functioning. There have been moves to grasp the control of the Maharashtra Congress Forum for Socialist Action. There have been two bodies each claiming to be the Maharashtra Congress Forum for Socialist Action. The Forum inaugurated by Mr. Chavan and of which Mr. Sharad Pawar, secretary of the M.P.C.C. is the president, has the objective of putting into effect the assurances of the Party on matters such as a ceiling on urban and rural property and carrying out seriously the other socialistic policies of the Congress (R). This Forum is a complementary body to the All India Congress Forum for Socialist Action. A rival organisation held a meeting recently and claimed to be the original Congress Forum for Socialist Action. The president of this Forum, Mr. Tulsidas Jadhav, a former M.P., has made a statement that the Prime Minister, Mrs. Indira Gandhi, has asked Mr. K. D. Malaviya to sort out the differences between the two Socialist Forums.

Mr. Jadhav has further stated that the Forum would fight within the organisation for giving tickets to "right and proper workers" for the coming State election and that the two Forums would have to come together and merge in the interest of building a socialist society. The Forum presided over by Mr. Jadhav adopted a number of resolutions calling for the implementation of socialist programmes with greater dynamism and speed. There is no fundamental difference in the aims of the two bodies, which are at one on the proper implementation of the socialist policy of the Congress (R) and the assurances given and promises made by the leaders of the ruling Party at the general election to the Lok Sabha.

PEOPLE AND PERSONALITIES

Mr. G. L. Mehta who has been chairman of the Industrial Credit and Investment Corporation of India for 13 years has retired with effect from 1st January, 1972. He has been succeeded by Mr. H. T. Parekh who until now was deputy chairman and managing director. Mr. Mehta will, however, be special adviser to the Corporation.

Swissair's Board of Directors has appointed Mr. Armin O. Baltensweiler as President and Dr. Heinz Haas as Deputy President and Secretary General from 1st January, 1972. Mr. Baltensweiler succeeds Dr. Walter Berchtold who has been Swissair's President for the past 21 years and is retiring.

MONEY AND BANKING

New Directive of the Reserve Bank May Not Safeguard Interest of Depositors

(BY A SPECIAL CORRESPONDENT)

The Reserve Bank has recently issued a new directive regulating company deposits. But it may not safeguard the interest of depositors.

THE Reserve Bank of India has recently issued a new directive regulating company deposits. The present one, which is operative from 1st January, 1972, substantially amends the earlier one issued in October 1966. The supersession of the directive, after its working for five years, was, it appears, mainly dictated by the desire to control the acceptance of *unsecured loans* by companies, as distinct from *deposits*. Before entering into the intricacies of the present spell of control, it may not be quite out of tune to recall in brief the particular aspect which prompted the Reserve Bank to assume powers and in effect to control the public deposits with the non-banking corporate sector.

It was observed in the early 'sixties, as a result of some surveys conducted by the Reserve Bank of India, that public deposits with the non-banking corporate sector is steadily increasing from year to year and in view of the then prevailing stringent monetary conditions of the country, and particularly the measure of control exercised on bank advances, the business community had to borrow funds from the public by offering relatively high rates of interest to finance their activities. The process had two facets. First, it amounted to circumventing the credit squeeze imposed by the Reserve Bank, and secondly, huge amounts of funds in the hands of the companies, all of which are not equally well-managed, threatened the credit system of the country.

Against this background, Chapter IIIB was added to the Reserve Bank of India Act, 1934, by an amendment in 1963. Deriving power from this chapter, the Reserve Bank issued various directions from time to time. The latest such directives were issued by it on 29th October, 1966, (operative from 1st January, 1967) which prohibited the acceptance of demand deposits and limited the acceptance of term deposits to the extent of 25 per cent of a company's paid-up capital and free reserves. The directives, however, kept open one lacuna by which a company could accept any amount of loan by issuing a guarantee by any of its directors. Moreover, the Reserve Bank has not taken any fruitful steps, other than obtaining an annual return and publishing an annual survey (which is conspicuous for its time lag ; the latest of its kind was published in the April 1971 issue of the *Reserve Bank of India Bulletin* with reference to the position as on 31st March, 1968) for public information. As a consequence, the Reserve Bank has done very little to supervise the end use of funds so borrowed or to safeguard the interest of the depositors at large.

Attracted by the very high rates of interest, many people, particularly those in the middle and lower-middle classes, have put in their hard-earned savings in the hands of companies many of which are not equally well-managed. As a result, many of these companies have often failed to keep their commitments in respect of prompt repayment of principal and interest as and when they become due. One such recent case had aroused public interest both within and without Parliament. Many people who have put in their savings in company deposits were under a misconception that the regulations of the Reserve Bank would provide some safeguard for them and as such, as a last resort, flooded the Reserve Bank with requests for intervention. But the Bank pleaded its inability to intervene in such matters and in turn advised the unlucky depositors to consult their legal advisers.

To add to their plight, the Reserve Bank has recently (during the third week of September 1971) issued a Press note disowning its responsibility in case of failure by companies to repay principal and interest even if such companies have borrowed funds in compliance with the regulations of the Reserve Bank. It has also cautioned intending depositors "to find out beforehand whether the companies soliciting deposits do so to meet their genuine business requirements, whether their financial position is sound and whether the affairs of the companies are being managed efficiently". It has also put up an indirect suggestion to put the savings in the banks where interest income is free from income-tax up to a certain limit and the principal (up to Rs. 10,000) is covered by deposit insurance. But the income-tax facilities count little for small persons, whose total income may not be taxable at all or only marginally taxable and the lure of higher interest is particularly difficult to resist only on the strength of a free insurance cover, of which many people may not be well aware.

The recent notification issued by the Reserve Bank sought to limit the acceptance of loans by non-banking companies to 25 per cent of their paid-up capital and free reserves (as reduced by accumulated loss balances). In other words, the same type of limit, as it previously existed for acceptance of deposits, has now been placed on the acceptance of *loans*. This is an offshoot of the lacuna which existed in the directives issued by the Reserve Bank in 1966. The impungned notification which sought to control deposits allowed the companies to borrow unlimited amounts on the guarantee issued by their directors, managing agents, etcetera. This facility, it is reported, was widely abused by the companies in raising funds from the public in the form of unsecured loans against guarantees of their directors, etcetera, at times even out of proportions to their paid-up capital and reserves and irrespective of the creditworthiness or resources of the guarantors. It is probably with a view to curbing such unhealthy practices whereby the directors used to issue, often useless, guarantees that the Reserve Bank has now issued the directives. But will they fully meet the situation?

The directives now issued by the Reserve Bank no doubt look to be pretty rigid and are likely to hit hard many companies which were meeting their genuine requirements of short-term credit by borrowing from the public. But they do not mean any real safeguard for the depositors.

The present prescribed limit of borrowing for any company is 25 per cent of its paid-up capital and free reserves as deposits and another 25 per cent as loan, making a total borrowing limit of half of its free-owned funds. The above limit is over and above the borrowing power of the company on secured basis as also any amount of unsecured borrowing from banks, financial institutions as also from its directors. Thus, a company after utilising its entire secured borrowing power and other exempted unsecured borrowings as enumerated above may come to the market for raising loans/deposits as regulated by the Reserve Bank. In such a case, although such public borrowings may be well within the Reserve Bank's prescribed ceiling, they may add to the already adverse debt-equity ratio created by earlier borrowings.

Such excess borrowing, coupled with mismanagement, trade depressions and business misfortunes, may well create repayment problems for debtor companies. A not very well-informed depositor, banking on the Reserve Bank directives, will look at it only helplessly in case of failures. It is true that the Reserve Bank has advised the intending depositors to scrutinise carefully the financial soundness of the debtor company before any deposit is made with it, but it is extremely doubtful how far such a warning will prove worth while. When the Reserve Bank, equipped with a band of highly technical personnel, is unable to advise the public about the creditworthiness of particular companies, how the general public, quite commonly ignorant of the technicalities of published accounts of companies, can be expected to make themselves sure about it? Can one not hope that the Reserve Bank will assume a more purposeful and positive rôle in the matter?

It may be mentioned here that many underdeveloped countries are now beseized with the problem of large-scale public deposits with the non-banking corporate sector and have taken suitable corrective steps. Malaysia, for example, has enacted that no company, other than a licensed borrowing company, can accept deposits from the public. Cannot the Reserve Bank introduce such a system in India too? It may, however, very well plead that in view of the widespread system of public deposits prevailing in the non-banking corporate sector in India, it will be wellnigh impossible to issue a licence in favour of each and every company which is accepting deposits or loans from the public. But as a practical solution, it may be suggested that when a company advertises for receiving loans/deposits from the public, the Reserve Bank may scrutinise such advertisements thoroughly, with reference to its entire financial condition (at present a company is required to disclose only certain particulars in its advertisements which are anything but complete) and authorise it to obtain deposits/loans from the public only up to certain amounts and disseminate such authorisations for public information. This, at least, will go to educate public opinion up to a certain extent. One can only hope that the Reserve Bank will rise to the occasion and take a more purposeful stand expected of a true guardian of the country's credit system.

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AVIATION AND TOURISM

The Impact of Fare War on Air-India's Operations

(BY A SPECIAL CORRESPONDENT)

The fierce air fare war has adversely affected the operations of Air-India. It is, therefore, trying to face the new situation by offering cheaper fares and by starting a charter subsidiary.

AT a recent Press conference, Mr. J.R.D. Tata, chairman of Air-India, has observed that the airline, after meeting all overhead costs (inclusive of interests and depreciation), will probably incur a loss of Rs. 4 crores or Rs. 5 crores at the end of the current financial year. This has never happened before. The reasons for this temporary setback are not far to seek. They are: (a) a fierce air fare war all over the world with adverse reactions like the diminishing return on a seat-mile ; (b) the recession in the U.S. economy leading to reduced pleasure or business travel ; (c) the Indo-Pakistani war and the fear of the breakout of an epidemic in India ; and (d) the fierce competition among scheduled and non-scheduled airlines.

When the nation has already suffered a drop in air traffic due to the curtailment of pleasure travel by foreign tourists, the 10 per cent travel tax has served as the proverbial "last straw." Yet, Indians seldom travel abroad to help utilise the idle capacity in the national airline. In fact, only 30 per cent passengers of Air-India are Indian nationals. (But even assuming that Air-India can carry on with a 50 per cent load factor, the discount in fares (65 per cent), mainly due to the air fare war, has already acted adversely against its return a seat-mile). Besides, foreign exchange restrictions and the prolonged economic crisis seldom encourage any Indian to visit abroad. The crisis further deepens when Air-India faces the difficulty of luring foreign passengers away from other airlines.

What are the reasons for this fierce air fare war ? They are obvious. For instance, according to some aviation experts, to safeguard the interests of airlines and compete successfully with chartered airlines, a simple fare structure is necessary. Incidentally, in September last, Air-India decided to introduce, with immediate effect, a new Indo-U.S. economy excursion fare which was less than the current I.A.T.A. approved fare. Such a decision, some Indian observers believed, was necessary to attract more U.S. tourists at low excursion fares. More so, when international airlines believe that it is paying to attract more tourists through cheaper fares than harping on the I.A.T.A. tariff. Besides, such a step is necessary to meet the threat of combined wars of chartered west Asian airlines. In fact, a non-scheduled airline, under the sponsorship of an international airline, has been able to increase earnings by about 400 per cent in a period of two or three years by the simple process of undercutting 40 per cent of its fare and thus indirectly compelling the scheduled airlines to cut their fares as well. Again, according to *Aviation Week*, against the average load factor of 45.7 per cent by the 23 scheduled airlines on north Atlantic routes, El Al (the Israeli airline) under the protectionist attitude was able to maintain a load factor of 75.3 per cent.

Indeed, the truth remains that very often the supplementals or carriers together with west Asian airlines fly across the Atlantic and offer substantially lower fares than the tariff approved by the I.A.T.A. As a result, some U.S. travel agents now prefer these combined airlines even after introduction of "group inclusive tours" or "affinity group tours" by Air-India. The latest decision to cut economy class fares by Air-India from December 1971 on India-U.S.A. routes by more than 50 per cent has been symbolic of this fierce rate war over the Atlantic. In this context, the fare schedule of the I.A.T.A. has received further shocks when through these fierce rate wars, individual airlines, with tacit support from the Governments concerned, have already made bilateral arrangements to reduce the stipulated air fares.

But this is not the end of a sad story. It is understoood that a section of airlines indulge in such undercutting from India as well. Besides, against the agents of the I.A.T.A. receiving a commission of 7 per cent from the airlines for tickets booked through them, the corresponding rate of commission is 20 per cent even for some unrecognised agents. No wonder, therefore, that India has already lost a part of her valuable foreign exchange. Furthermore, as these price cuts adversely affect the airlines financially, such fierce air fare wars in the current scene have automatically increased the agonies of Air-India. Again, while Air-India has been unable to increase its revenue, costs have escalated by nearly 25 per cent mainly due to wage revisions and the introduction of *Boeing 747* service. Skyjacking insurance rates have recorded a sharp rise. Also, the cost of imported and indigenous items have increased by 20 per cent in the last two years. Aviation fuel now costs more.

Yet, this is not to suggest that the prospects of international airlines are bleak due to the fierce rate war. Rather, even facing these severe undercuts, some airlines have earned profits. Air-India was able to earn an operational profit of Rs. 4.58 crores in 1970-71 (an increase of Rs. 28 lakhs over 1969-70) and recorded a growth rate of 7.2 per cent over 1969-70. It carried 487,121 passengers in 1970-71, against 402,609 in 1969-70. However, as the chairman of Air-India has already pointed out, yield a seat-mile is very low in India. Which is why the need is for a high load factor. Interestingly, to meet this "war" between scheduled and non-scheduled airlines, Air-India is now trying to widen the market base and operate chartered services for emigrants, students, etcetera, at special fares through Air-India Charters Ltd, a subsidiary of Air-India.

BOAC

Cheap Fares Introduced

British Overseas Air Charter Ltd has started very low fare flights to London from 3rd January. The fare will be Rs. 1,620 plus taxes single, or Rs. 3,240 plus taxes return, between Bombay or Delhi, and London. Various categories of individual passengers will be able to buy tickets for the flights through travel agents without the need to belong to a club or association. BOAC Ltd already operates similar low fare flights to Bangkok, Kuala Lumpur and Singapore.

TAXATION

Promoting Inter-corporate Investments through Tax Incentives

By Mohammad Mohsin

Since inter-corporate investments help the formation of new industrial units, the Government ought to promote such investments. This can be achieved through tax incentives.

INTER-CORPORATE investment is an important source of supply of capital funds, managerial skill and technical know-how in a developing economy. Consequently tax laws contain some provisions to induce companies to diversify their investment outside the business. The fiscal incentives for combination are provided either at the time of valuation of assets or on the distribution of profits. When the assets are taken at a price higher than the book value, it attracts capital gains tax. Again, after the absorption is completed, the improvement in the financial position of the absorbing companies causes a significant increase in the prices of shares which are issued to the shareholders of the erstwhile companies in exchange of assets. The countries that desire to favour such combination do not charge any tax on excess financial gains as long as the absorbing company continues to operate.

Inter-corporate investment, where the subsidiary maintains an independent entity along with the holding company, is the most generalised form. The subsidiary maintains its separate existence, irrespective of the fact that the majority of shares are owned by the holding company. The profit of the subsidiary company is taxed in the usual way as if no acquisition had taken place, the only exception being a possible change in the status of the company following regrouping of its shareholding, in which case a different rate of tax may apply.

Like absorption, under this loose type of merger, there is again a possibility of an increase in the value of shares. A number of countries, therefore, protect the interest of shareholders of the subsidiary company by granting either a total exemption or a rebate of tax on the excess of the consideration received over the original cost of acquisition of shares. Thus, under the Dutch personal income-tax law, there is no tax on profits realised by an individual on sale of shares unless he holds more than 25 per cent of share capital or the shares form part of his business assets. Similarly, in Australia the tax would be payable by the shareholder only if he had acquired the shares for the purpose of making profit. France, Germany and Belgium too appear to grant similar concessions.

Tax incidence is particularly more important from the point of view of an investing company in inter-corporate investment. The problem involved here is that of double taxation. When the merger is effected by the acquisition of shares, the main problem is to avoid double taxation on the profit distributed by the subsidiary and as it is received by the parent company. Since both the subsidiary and holding companies enjoy separate legal entities, the income is first taxed at the hands of the subsidiary; it is again taxed at the hands of the parent company. To remove the ambiguous nature of double taxation, tax concessions are necessary. The holding company device has economic and social acceptability. It possesses the virtues of large-scale production and, at the same time, minimises the chances of concentration of economic power.

The maintenance of the separate corporate entities of operating subsidiaries forges distribution of economic power in relation to the highest degree of concentration seen in fusion. Large corporations established through fusion, of course, have a relative economic advantage. But they tend to create a psychological complex of size and power. A holding company does not produce any such image directly through its physical appearance and it thus has the advantage of avoiding public antagonism. In most cases, the difference is imaginary and a matter of degree, the net result may not be very much different. The fact cannot, however, be set aside that the operation of subsidiaries helps the development process in various spheres.

The Indian tax system, therefore, encourages some coalescence among holding-subsidiary companies, which is not available to a complete fusion. Consequently, the cost of liquidation of a company, or the sale of physical assets, with a view to an amalgamation or merger is generally aversive under the prevailing tax laws in India. Company tax and capital gains tax will be payable on the balancing charge and capital gain realised on the sale of fixed assets. Shareholders will be liable to personal income-tax on deemed dividends and to capital gains tax on the excess realised over the cost of acquisition of shares. It is, therefore, unusual, from the taxation point of view, for a merger to be effected in this manner.

In the holding-subsidiary alliance too, the tax treatment and benefit have been given on conservative lines. Thus, the Income Tax Act, while encouraging inter-corporate investment, does not extend any special tax concession to the shareholders of the subsidiary company. The benefit, if any, arising out of the appreciation in the value of assets is wholly liable to capital gains tax. Similarly, the Indian tax system, while granting some concession to the parent company for inter-corporate investment, does not altogether avoid the incidence of double taxation. Dividends received by any company from a domestic company are generally taxed at the rate of 25 per cent, irrespective of the number of shares held and the status of the dividend paying or receiving company. The only exception is a reduced rate of 15 per cent on dividends received by a foreign company engaged in a priority industry.

Compared with other countries, the benefit so extended for inter-corporate investment is too inadequate to induce investment. Thus Mr. Bhoothalingam in his report has suggested to exclude from the tax base dividends from subsidiaries which are effectively controlled by the company receiving the dividends. The basic reason underlying his suggestion to exempt dividends from subsidiary companies from tax is that profit should be subjected to tax only once. This principle, according to the Bhoothalingam report, should be applicable not only to wholly owned subsidiary companies but also such companies as are effectively controlled by another company. For this purpose, the report has treated 25 per cent holding as substantial holding which should ordinarily be enough to give the holder an effective voice in the management and to ensure that the articles of association are not changed without his concurrence.

The report thus recognises the need for facilitating inter-corporate investment with a view to encouraging the formation of subsidiaries as an alternative to managing agency, which ceased to work from 1st April, 1970. Besides, with the decline in the flow of foreign capital, it is perceivable that the enterpreneurs within the country are encouraged to plough back the current profits either by investing them in the same company or by promoting a subsidiary company. But the proposal should have two additional provisions. Since investment in subsidiary companies has been found to be useful for economic and social advancement of the country, the ownership of a substantial part of shares by the holding company may immediately bring the subsidiary to the standing of a closely owned corporation. This will at once bring the operation of Sections 104 and 109 in the distribution and accumulation of profits in respect of the subsidiary. Section 104 does not draw any distinction between subsidiaries and non-subsidiaries. Similarly, dividends received by an investment company have been subjected to a great disadvantage under Section 109 (ii).

Thus for drawing the maximum benefit from the proposed concession to inter-corporate investment, it is desirable to exempt the subsidiaries from the operation of Section 104, *viz.*, compulsory distribution of dividend. The intention of Section 104 is to prevent personal tax avoidance on the part of directors and owners of closely owned companies. In this case the major shareholder is the publicly owned company. Equity in taxation demands that undistributed profit should not be heavily taxed on the same logic as it was done in the case of individual ownership. Tax concession to inter-corporate investment should not be confined to subsidiaries. It should also be extended to direct investment. Joint-stock companies' investments, like those of individuals', enjoy tax-free return to the extent of Rs. 3,000 of dividend income. In order to reduce the incidence of double taxation and also to stimulate demand for shares, this limit should be raised to Rs. 5,000 or Rs. 10,000 in the case of corporate investment.

The recommendation has become overdue with the change in the pattern of company taxation in 1959. Companies are now treated as separate entities, as distinct from individuals, for assessment. Under the old scheme of company taxation, the dividend received carried an income-tax credit which was adjusted with the income-tax liability of the receiving company. Section 56A obviated the need to pay the super-tax, the dividends in such cases were thus totally exempted from taxes. By treating the company as a separate entity, the operation of Section 56A now involves an additional tax. Even though the exemption from super-tax will be available, the investing company will be liable to pay income-tax at 20 per cent on account of the elimination of tax credit for income-tax paid by companies. Thus in respect of non-subsidiary inter-corporate dividends, exemption may be granted on a slab system proportionate to the holding, as is now allowed in France.

Some safeguards are essential for checking the concentration of economic power which is associated with this type of investment. A maximum limit for investment in a particular company and industry should be fixed. Industrial and geographical diversification should be facilitated. With this consideration in view, inter-corporate investment only in approved channels should be encouraged and tax benefit under section 85A of the Income Tax Act be granted to such industries as are included in the Fifth Schedule. The provisions of this schedule must be continuously reviewed in consultation with the Planning Commission so that the list of approved industries should be prepared in consistence with the planned economic development. As further safeguards against a possible concentration of economic power, it should be laid down in the law that only such inter-corporate investments may be given tax concession as are made in the formation and development of new concerns. Inter-corporate investments were defended earlier for assisting the formation and growth of new ventures. Their utility should not be ignored while considering tax concessions.

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LABOUR

Termination of Service: An Important Supreme Court Decision

(BY A SPECIAL CORRESPONDENT)

THE Supreme Court has given an important decision in a case (Appeal No. 483 of 1967 workmen of Sudder Office, Cinnemara *versus* the management), where the principal question for determination was whether the termination by the management of the services of an employee was a termination simpliciter or by way of dismissal and as to the circumstances in which the management could terminate the services of a workman in whom it has lost confidence.

The appeal by special leave before the Supreme Court was directed against an order of the High Court of Assam which had quashed an award of the Labour Court by which the Labour Court had set aside an order of the management terminating the services of a workman. The workman was employed as a head godown clerk. The management had terminated his services as it had lost confidence in the workman. The Labour Court relied on the fact that the management had held an enquiry against the workman for misconduct. Without recording any finding of guilt against the workman his services were terminated under the standing orders. The Labour Court held that the termination of service appeared to be a camouflage and was not a discharge simpliciter but in fact a dismissal as a measure of punishment and was, therefore, not justified. It, therefore, directed the reinstatement of the workman with back wages. The management challenged the order in a writ proceeding before the High Court, which set aside the award, holding that the Labour Court had no jurisdiction to set aside the order of termination, especially when it had not accepted the plea of the union about lack of *bona fides*, unfair labour practice and victimisation. The workman appealed by way of special leave to the Supreme Court against the decision of the High Court.

The Supreme Court in its judgment referred to its previous decisions in which it had been laid down that if the termination of service is a colourable exercise of the power vested in the management or as a result of victimisation or unfair labour practice, the Industrial Tribunal has jurisdiction to set aside such termination. In order to find out whether the order of termination is one of termination simpliciter under the standing orders, the Tribunal can go into all the circumstances which led to the termination simpliciter. The form of the order is not conclusive of the true nature of the order. The Tribunal is entitled to examine the substance of the matter and decide whether the termination is in fact discharge simpliciter or it amounts to dismissal which has put on the cloak of a discharge simpliciter.

In this case the workman had been given a charge-sheet in which it was alleged that he had got removed three pulleys from the engineering godown and got them loaded in the garden lorry without authority and instructed the lorry driver to drop them at the godown of a certain concern. An order was passed after enquiry in which it was stated that the charges were proved to the satisfaction of the management and the latter had lost confidence in the workman and considered it unsafe to retain him in the post of trust and responsibility occupied by him. The Supreme Court, on the facts of the case, came to the conclusion that although the management was charging the workman in respect of a matter which may be a misconduct under the standing orders, the Court was satisfied that the order was one of termination simpliciter and did not amount to one of dismissal or punishment. A charge-sheet had been given to the workman. The workman gave his explanation. Although some sort of an investigation had been made by the management, loosely called enquiry, the actual order passed was not of dismissal for misconduct.

The order clearly showed that, in view of the conduct of the workman, the management had lost confidence in him and considered it unsafe to retain him in his present position of trust and responsibility. The workman had admittedly been entrusted with stores of the value of Rs. 6 lakhs. The order finally stated that in the interest of the Company it had decided to terminate the services of the workman under the standing orders after giving him pay for the period of notice. The workman was further given earned leave allowances and provident fund contributions made by him as well as by the employer, with interest. If it was really a case of dismissal for misconduct he would not be entitled to all these, it was contended on behalf of the appellant. The High Court having regard to the various circumstances had come to the conclusion that the order was not one by way of dsimissal but only an order of termination simpliciter on the ground that the management had lost confidence and trust in the workman.

The workman was responsible for the maintenance of stores of the Company of the value of Rs. 6 lakhs. He was thus holding a very responsible post where integrity and honesty are quite essential. The management could have, no doubt, taken disciplinary action against the workman according to law, but it had not done so. The circumstances showed that the Company could no longer place its trust and confidence in the workman and the management terminated his services by making available to him all amounts he was entitled to in the case of termination simpliciter under the standing orders. The High Court had acted within its jurisdiction when it set aside the order of the Labour Court when there had been no finding of victimisation, unfair labour practice and *mala fides* against the management. The order of the High Court was held to be justified and the appeal dismissed.

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INVESTMENT

Relaxation of Capacity Constraints Cheers Operators

THE stock markets have commenced trading for the New Year on a distinctly firm note, and equity prices have scored further widespread gains over the previous week-end levels. This has carried the markets to a new high point in the recovery phase, which has been in progress since about the end of November when they made their lowest mark for the year. The improvement in prices has been accompanied by a broadening of interest, and there has been a significant increase in turnover. All this is suggestive of the return of investor confidence.

The main driving force behind the recent impressive upsurge in equity prices—within four weeks the markets have recovered nearly half of the ground lost in 1971—is the markets' new confidence in the Government's ability to tackle the challenging economic problems in a businesslike manner. There is good reason to think that if the spirit of unity and dedication displayed by management and labour during the hostilities is maintained, it will go a long way in accelerating the pace of industrial growth. The stock markets' belief that the Government is really keen on boosting industrial production does not seem ill-founded. New Delhi has been quick to announce the relaxation of licensing permitting as many as 54 critical industries to expand production with the existing plant and machinery by 100 per cent of their licensed capacity. The list of industries covers almost all items in the organised sector, excepting those reserved for the small-scale sector. Larger industrial houses would also be entitled to these concessions, but their cases along with foreign majority companies would be dealt with by a task force on an individual basis.

The new accent on production marks a welcome change in the Government's thinking. And if management and labour were to heed President Giri's call for moratorium on strikes and lock-outs for the next three years, one could look forward to a marked revival in the economy which has been performing rather badly in several aspects. Of course, quite a good deal will depend on the availability of industrial raw materials and finance as these have been greatly hampering production. Another important favourable news of the week has been Britain's announcement to withdraw its notice of termination of the Indo-U.K. Trade Agreement of 1939. This will help maintain the trade between the two countries at a satisfactory level until Britain becomes a member of the E.E.C. With the deadlock on the textile issue resolved, India can now hope to maintain her exports of cotton textiles to the U.K. market. Reports from New Delhi indicate that cement manufacturers are likely to be allowed an increase of Rs. 3 a tonne in the uniform cement retention prices. The increase, which has been overdue, falls short of the amount asked for by the industry. It is welcome all the same.

Activity in gilt-edged securities has remained restricted, although prices have been well held. The 3 per cent Conversion loan 1986 is quoted at Rs. 60 while other Central securities have received selective support.

The Calcutta stock market has remained steady this past week and the volume of turnover has improved. Operators have extended their support to both cleared and cash shares on encouraging economic and political news. The corporate news during the past week has also helped sentiment. Among engineering shares, Indian Iron, Guest, Keen, Williams and Braithwaite have improved. Among jute shares, Birla, Budge-Budge Amalgamated and New Central have hardened. Among coal shares, Amalgamated, Western Bengal and Pench Valley have changed hands. Among miscellaneous shares, Indian Explosives, Phillips Carbon, English Electric and Union Carbide have improved. Among tea shares, Hasimara, Bateli and Loobah have been transacted.

Dalal Street has had only one session this past week, but it has been the liveliest session for several months. Buyers dominated the scene when it reopened for business on 3rd January after its Christmas recess. After opening substantially above the year-end closing, equity prices have sugred forward on sustained buying by both bulls and bears. Turnover has been limited only by the size of offerings. All sections—cotton textiles, rayons, steels, engineering, shipping, chemicals, etcetera—participated in the upsurge. Gains have not only been widespread but really spectacular in many cases. As against the previous official closing of Rs. 775, Century have been bid up to Rs. 821, Standard have risen from Rs. 678 to Rs. 733, National Rayon from Rs. 445 to Rs. 479, Tata Steel from Rs. 93.50 to Rs. 97.30, Tata Engineering from Rs. 218.50 to Rs. 232, Scindia from Rs. 21.56 to Rs. 22.28, Gujarat Fertiliser from Rs. 260 to Rs. 276, N.O.C.I.L. from Rs. 210 to Rs. 226, Synthetics and Chemicals from Rs. 168 to Rs. 177.50, Indian Dyestuff from Rs. 259 to Rs. 274, Tata Chemicals from Rs. 28.50 to Rs. 30.00, Polyolefins from Rs. 246 to Rs. 262, Motor Industries from Rs. 398.75 to Rs. 412.50 and Associated Bearings from Rs. 275 to Rs. 283. The list could be multiplied. The major influence behind this boomlet is the conviction that the Government is firmly resolved to boost production by removing capacity constraints and other obstacles that have been hampering production.

The Madras stock market reopened on 3rd January, 1972, after the Christmas and the New Year holidays. On Monday, share prices have been more or less steady and the volume of business has improved. Among planting

COMPANY REPORTS

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

Albright Morarji
Alkali and Chemical
Bhopal Sugar
Golden Tobacco
Indian Copper
Indian Explosives
Jenson and Nicholson
Jesons Electronics
K.C.P
Metal Box
Paper and Pulp
Premier Automobiles
Punjab Tractors
Skol Breweries

shares, Blue Mountain and Peria Karamalai have been transacted. Coffee Lands and Thirumbadis have also attracted enquiries. In the textile section, South India Viscose and Rayalaseema have been traded. Among sugar shares, E.I.D. and Aruna Sugars have met with enquiries. Among miscellaneous shares, Panyam Cements and Travancore Rayons have changed hands. Bank shares have received selective support.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 22/30—23/20—22/30—22/60—(21/60)

Burrakur Coal 8/25—8/37—8/25—8/37—(11/19)

Dunlop India 30/80—33/00—30/80—33/00—(38/60)

Guest, Keen, Williams 31/30—33/45—31/30—32/85—(31/90)

Hindustan Motor 10/10—11/30—9/85—11/05—(15/45)

Indian Aluminium 33/10—33/85—32/90—33/50—(35/10)

Indian Cable 20/75—21/30—20/55—21/00—(16/40)

Indian Copper 3/76—4/04—3/76—4/00—(4/20)

Indian Iron 9/25—9/90—9/20—9/70—(13/00)

J. K. Cotton 8/40—8/40—8/40—8/40

Jaipur Udyog 8/85—8/85—8/75—8/80—(8/94)

Kesoram Industries 17/15—18/70—17/15—18/50—(16/25)

Orient Paper 32/80—33/30—32/80—33/00—(39/15)

Orissa Cement 17/60—18/30—17/45—18/20—(18/70)

Rohtas Industries 4/85—5/10—4/70—5/10—(6/85)

Textile Machinery 11/10—12/35—11/05—12/20—(10/45)

Golden Tobacco Achieves Higher Sales and Profit

AT the recent annual general meeting of the Golden Tobacco Company Ltd, Mr. Chatrabhuj Narsee, chairman, said that the Company's sales had increased from Rs. 32.68 crores to Rs. 39.60 crores during the year 1970-71. (A fuller version of the speech was published in last week's issue of *Capital*.) The chairman said that this was the first such meeting after it became a public Company in March 1971. The profit, before tax, after providing for depreciation and development rebate, has increased from Rs. 1.12 crores to Rs. 1.32 crores. The chairman pointed to the increase in excise duty on tobacco, cigarettes and various materials used in the manufacture of cigarettes and the rising costs which were having their adverse effect on the Company's profitability. He said that in spite of temporary setbacks like floods, cyclones and the tense situation on India's eastern and western borders, the Company had been able to maintain the level of its sales.

The Company's new cigarette factory in Baroda is under construction and is expected to go on stream by the middle of next year. Apart from the nine brands which the Company now manufactures, it has "plans under way to add to the range". The Company achieved a record export of 400 million Panama cigarettes to Russia in a short period of seven months and earned foreign exchange to the tune of Rs. 1 crore. The Company has its main tobacco purchasing division in Guntur; it has four tobacco redrying plants, eight grading and stripping depots and a network of 32 buying points spread all over Andhra Pradesh. It has also tobacco buying establishments in Gujarat and Mysore States. The Company is extending its co-operation to the tobacco cultivators of the regions to meet its requirement of tobacco, the main raw material. The chairman is optimistic about the future prospects due to the implementation of the recently declared policy of the Government to encourage only wholly Indian owned companies to take care of the increase in demand for cigarettes. This optimism is further justified by several other contributory factors like the rapid urbanisation, changes in living habits and the changing pattern of income distribution.

ALBRIGHT MORARJI

Bonus Issue

ALBRIGHT, Morarji and Pandit has done very well during the year ended October 1971. And not only has the dividend been raised from Rs. 6 (12 per cent) to Rs. 8 (16 per cent) a share but the directors have also recommended the issue of bonus shares on a two-for-five basis by capitalising Rs. 40 lakhs from reserves. The entire dividend is stated to be tax-free under Section 80-J of the Income Tax Act. The Company's turnover at Rs. 4.11 crores shows an increase of 34.8 per cent over the previous year's figure of Rs. 3.05 crores. The gross profit has increased by 22 per cent from Rs. 1.04 crores to Rs. 1.27 crores. After providing Rs. 23.74 lakhs (against Rs. 23.92 lakhs) for depreciation, Rs. 1.20 lakhs (against Rs. 29.55 lakhs) for development rebate reserve and Rs. 45 lakhs (against nil) for taxation, the net profit for 1970-71 amounts to Rs. 57.23 lakhs, against Rs. 50.60 lakhs in the preceding year. A sum of Rs. 52.68 lakhs (against Rs. 20.15 lakhs) has been transferred to general reserve No. 1 and Rs. 4.55 lakhs (against Rs. 30.45 lakhs) to general reserve No. 2. The dividend absorbing Rs. 16 lakhs (against Rs. 12 lakhs) is to be paid out of general reserve No. 1.

The phosphoric acid and sodium tripolypnosphate plants operated throughout the year at a satisfactory level of production to meet the increasing requirements of the detergent manufacturers. The Company has applied for raising the capacity of sodium tripolyphosphate from 12,500 tonnes to 25,000 tonnes a year.

SKOL BREWERIES

Share Offer

SPONSORED by Shaw Wallace and Co. Ltd, Skol Breweries Ltd will soon be in the market to raise Rs. 66.75 lakhs in equity and preference shares to meet part of the financial requirements of its project. The Company has been licensed to manufacture 50,000 hecto-litres of beer a year. The plant is being set up in Karanjia (near Bombay). Construction of the factory building has commenced and if all goes well the plant will be commissioned by about the middle of 1973.

The project is estimated to cost Rs. 2.15 crores of which Rs. 1.40 crores will be spent on plant and machinery. The cost is proposed to be met by the share capital of Rs. 1.20 crores, and term loans of Rs. 75 lakhs from Bank of America and Rs. 20 lakhs from S.I.C.O.M. The Company has an authorised capital of Rs. 1.20 crores comprising Rs. 90 lakhs in equity shares of Rs. 10 each and Rs. 30 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. The issued capital is Rs. 33.25 lakhs in equity shares. It is now proposed to issue equity shares worth Rs. 56.75 lakhs and preference shares worth Rs. 30 lakhs. Out of the equity capital, shares of the value of Rs. 5 lakhs have been reserved for allotment to New India Assurance and shares worth Rs. 15 lakhs to S.I.C.O.M. The remaining equity capital of Rs. 37.75 lakhs and the entire preference capital of Rs. 30 lakhs are being offered for public subscription and have been fully underwritten. Mr. A.W.B. Hayward will be the chairman of the Company.

JESONS ELECTRONICS

New Venture

JESONS Electronics is a new Company which proposes to set up a factory in Ghaziabad (Uttar Pradesh) for the manufacture of 60 million dry cells a year for torches, transistor radios, appliances like hearing aids, tape recorders and toys. The Japanese firm of Yai Dry Battery Company is collaborating in the venture. The project is estimated to cost Rs. 1.85 crores which is proposed to be met by the share capital of Rs. 65 lakhs, a foreign exchange loan of Rs. 44.25 lakhs from the I.C.I.C.I., a rupee loan of Rs. 20 lakhs from the Uttar Pradesh State Finance Corporation, bank borrowings of Rs. 50 lakhs and deposits from dealers amounting to Rs. 5.75 lakhs.

The Company's authorised capital consists of Rs. 1.50 crores in equity shares of Rs. 10 each and Rs. 50 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. The issued capital is Rs. 65 lakhs of which Rs. 15 lakhs will be in preference shares. Equity shares worth Rs. 15.49 lakhs have been reserved for subscription by the promoters and their associates, equity shares worth Rs. 5 lakhs for Jairamdas Udyog Private Ltd and Rs. 5 lakhs worth of such shares have been reserved for allotment to the Japanese firm for consideration other than cash against the supply of plant and machinery. The Company proposes to enter the market shortly with a public issue of Rs. 39.50 lakhs made up of Rs. 24.50 lakhs in equity shares and Rs. 15 lakhs in preference shares.

INDIAN COPPER

Flash Smelter Commissioned

A FLASH smelter was commissioned in Ghatsila a few days ago by Indian Copper Corporation Ltd, which is the only producer of copper in the country. The flash smelter is the most modern pyro-metallurgical process of extracting copper from the concentrates. This is the first smelter of its kind in India. It is claimed by Indian Copper that this smelter will increase the country's copper production and help recovery of sulphur as sulphuric acid resulting in considerable foreign exchange saving.

JENSON AND NICHOLSON

Large Russian Order

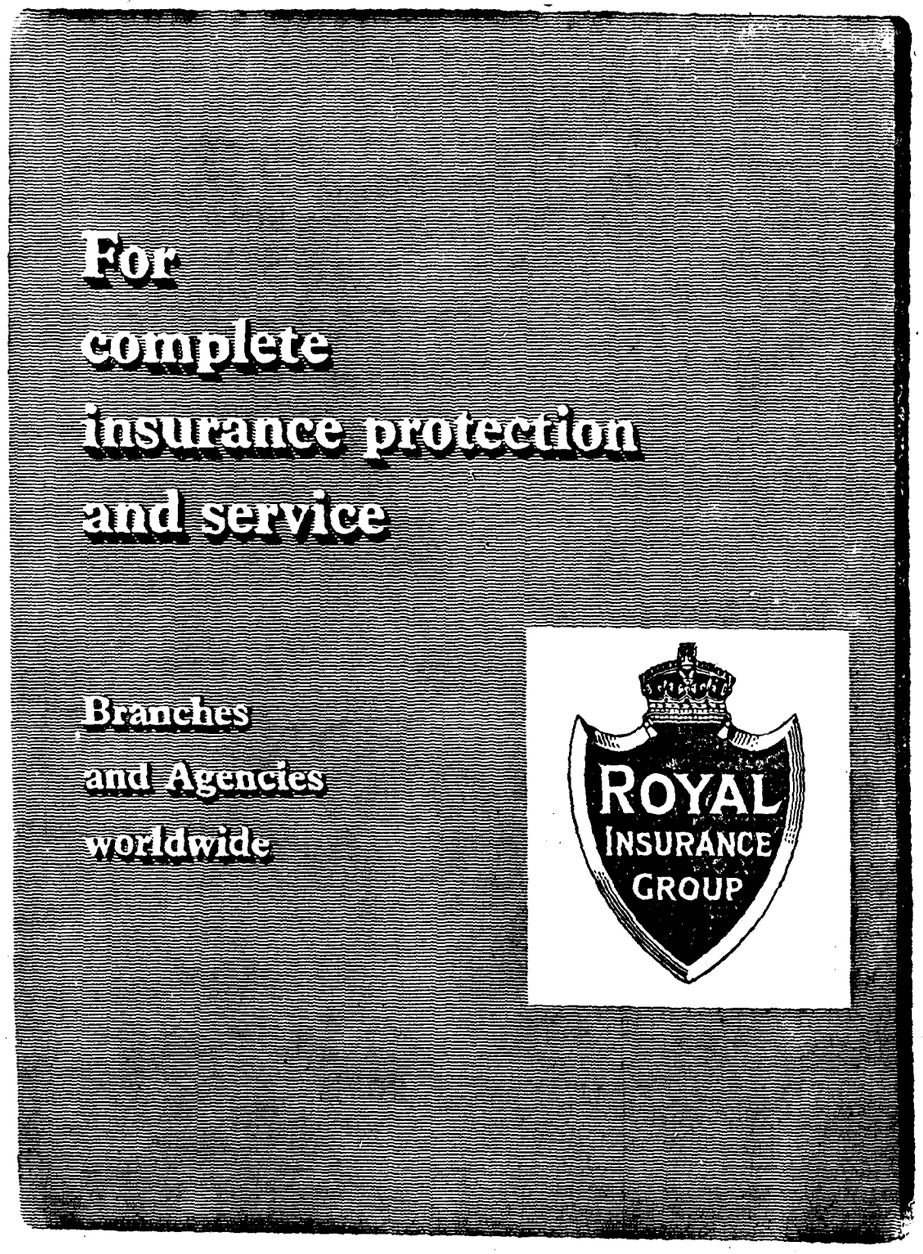
A LARGE export order from Russia for 250,000 litres of the well known Robbialac synthetic enamel and 10,000 litres of nitro cellulose lacquers highlights Jenson and Nicholson's performance in the export field. During the year ended June 1971, the Company's sales increased by 4.5 per cent over the previous year. A 20 per cent increase

INDIAN EXPLOSIVES: SALES RISE

EVEN though sales of Indian Explosives Ltd at Rs. 33.09 crores are Rs. 7.63 crores higher than last year's, the pre-tax profits at Rs. 2.49 crores are less than the Rs. 2.83 crores earned last year. The profits would have been substantially higher but for the disruption at the Kanpur fertiliser plant due to labour troubles and the impact of rising costs of raw materials, engineering supplies and utilities, as well as staff and labour. The dividend is, however, maintained at 15 per cent. The chairman, Mr. D. G. Owen, has pointed out to the shareholders at the annual general meeting of the Company in Calcutta a few days ago that the profit of Rs. 2.49 crores is after interest payment of Rs. 2.39 crores on the heavy borrowings for the fertiliser project. Last year such payments amounted to Rs. 1.61 crores.

The explosives division had a record production of just over 30,000 tonnes as a result of constant efforts to improve the productivity of both men and machines. Sales at 29,000 tonnes would have been more but for the restricted mining activities towards the end of the year due to unprecedented monsoons. Although the gap between supply and demand for commercial explosives has been bridged for the present, there will be a shortfall by 1974-75. The Company has accordingly submitted a proposal to the Government of India for setting up another plant in one of the backward areas of central or western India, for which it possesses the requisite expertise and experience. The proposal is so designed that the capital expenditure and foreign exchange needs would be minimal and would not involve any fresh know-how payment or foreign collaboration.

The manufacture of detonating fuse has been successfully established in Gomia. This project was designed and engineered in India. Design and development work for a 1,000-tonne a year nitrocellulose plant has been completed and the project now awaits the Government's final clearance. This project would ultimately result in a saving of imports of Rs. 1 crore by the paints, artificial leather and explosives industries. In the fertiliser division the main task this year has been to build upon the excellent start-up and to make progress towards maximum output. The achievement of target output and sales for this year was, however, delayed by recurring industrial disputes and indiscipline, resulting in the closure of the plant for seven weeks in early 1971 followed by a week-long strike in August. A three-year settlement has finally been agreed on the major points of the charter of demands and a lasting period of industrial peace could be hoped for. During the year the cost of of raw materials, particularly naphtha, has increased and the price of urea fallen with a consequent squeeze on profit margins. Mr. Owen has urged the Government seriously to consider the adverse effect that any further lowering of profitability will have on future investments in the vital field of fertilisers.



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in sales is expected during the current year. Extensive market surveys to identify product and market opportunities for decorative and industrial paints have recently been completed. Based on the results of these surveys, the Company plans to introduce shortly some new categories of paint in the market. The distribution network is also being expanded to cover growth areas, and recently three new depots have been opened in Punjab, Bihar and Madhya Pradesh.

METAL BOX

Donation for Defence

METAL Box has donated Rs. 5 lakhs to defence funds. The Company's managing director, Mr. P. K. Nanda, handed over Rs. 3.5 lakhs to Mr. A. L. Dias, Governor of West Bengal, representing the Company's contribution to the National Defence Fund and the West Bengal Citizens' Council Fund. He also handed over Rs. 50,000 to Lt.-Gen. J. S. Aurora, G.O.C.-in-C, Eastern Command, towards the Disabled Army Personnel, Widows and Children's Fund. Metal Box will donate a further Rs. 1 lakh to the National Defence Fund as part of joint contributions being made by the Company and its employees.

ALKALI AND CHEMICAL

Satisfactory Performance

THE chairman of Alkali and Chemical Corporation of India, Mr. D. G. Owen, has told the shareholders at the annual General Meeting in Calcutta a few days ago that most of the Company's operations have turned out satisfactory in what at times has been a difficult year. With a rise of 15 per cent both in sales and pre-tax profits the dividend rate has been increased from 15 per cent to 17.5 per cent. The production of polythene reached an all-time high with a spurt of 18 per cent due to technical improvements. Similarly, rubber chemicals production achieved a record level. The Company's second paints plant in Hyderabad had been completed within eight months and has attained a high rate of production from start-up. Demand for paints continued to be strong and the Company's newly introduced inexpensive second grade synthetic enamel "Duwel" has found a wide measure of customer acceptance. The chlorine-based products, however, have not fared so well on account of adverse marketing conditions for B.H.C. and a fall in caustic soda production due to the shortage of graphite electrodes. The Company has continued to develop the market for speciality ethical drugs. Market development for "Gramoxone", a herbicide facilitating more efficient plantation and farming operations, has proceeded satisfactorily on imported supplies and the Company hopes that it will be licensed to manufacture this product locally.

Costs in general have risen not only due to the increase in the prices of raw materials, packaging, utilities, engineering items and the uncertainties of power supply but also on account of the disrupted availability of railway wagons in the eastern region, thus upsetting production and inventory schedules. The Company has just concluded a three year- agreement on the terms of service for office staff, which will raise staff costs by 20 per cent. While cost increases can up to a limit be absorbed by increased efficiency, a measure of flexibility in price adjustments will be necessary to sustain profitability. An important breakthrough in turnkey exports was achieved by the Company when it was commissioned to build a paints plant for I.C.I. Indonesia in Djakarta in the face of inter-

PREMIER AUTOMOBILES : PROSPECTS IMPROVE

THE chairman of Premier Automobiles, Mr. Lalchand Hirachand, told the shareholders' annual meeting in Bombay recently that the Company was turning the corner and that it would soon be in a position to show better results. While this optimism may not prove misplaced, the shareholders who have gone without any return on their investment for many years and have also suffered through depreciation in their investment, will have to have patience before they can expect to receive a dividend. The Company has to provide over Rs. 7 crores for arrears of depreciation and about Rs. 1 crore for development rebate. The Company's turnover in the first five months of the current year is placed at Rs. 16.39 crores, against Rs. 14.86 crores in the corresponding period of last year. Sales of spare parts are up from Rs. 83 lakhs to Rs. 1.18 crores. The Company sold during this period 5,406 cars, against 5,143 cars, 718 petrol trucks, against 730, and 1,222 diesel trucks, against 1,282 trucks in the same period of last year. The Company has fixed the sales target at 5,000 commercial vehicles and 13,000 or 13,500 cars for the current year, against the capacity of 6,000 commercial vehicles and 14,000 cars.

The management has taken several economy measures to reduce costs. The Company is hopeful of getting a licence from the Government for increasing the production capacity of cars to 18,000 units a year. This expansion is estimated to cost Rs. 4 crores and the management is taking necessary steps to secure the finance. As for diesel engines, the Company is unable to undertake this project as it would involve an outlay of about Rs. 10 crores which is difficult to raise at present. Referring to the Supreme Court's decision on car prices, the chairman stated that the Company had started sending bills to dealers for the difference in car prices. The revised prices will enable the Company to make a marginal profit on the sale of cars. But with costs further up, it would require a still further increase in the price to ensure profitable working.

Two nominees of the Life Insurance Corporation of India—Mr. M. V. Sohonie and Mr. R. S. Bhatt (chairman of the Unit Trust)—have been elected on the board of the Premier Automobiles. The Government also wants its nominee on the board and he will join the board at a later date. Answering a shareholder's question as to what would be the management's attitude if the Government wanted to make the Company a joint-sector undertaking, the chairman stated that in view of the two nominees of the L.I.C. joining the board and another nominee of the Government likely to join the board shortly, he would be receptive to a proposal of the Company being turned into a joint-sector unit. The holding of L.I.C. in the company's share capital is 102,000 equity shares. The I.F.C.I., I.C.I.C.I. and the Unit Trust of India hold 21,380, 15,656 and 10,763 equity shares, respectively.

national competition. The plant is expected to be completed next year and the project will earn substantial foreign exchange for the country from design and engineering charges as well as from the export of equipment. The Company's exports of its products also were substantially higher than last year.

Two years have elapsed since the Company's expansion and diversification proposals embracing the basic manufacture of ethical drugs and the "Gramoxone" herbicide as well as to increase the capacity of the rubber chemicals plant, were submitted to the Government. The design and other work on these projects, involving substantial expenditure, has largely been completed but the proposals are still hamstrung by the procedural and other constraints of the industrial licensing policy. A letter of intent for ethical drugs was issued some time ago and that for "Gramoxone" has come to hand recently. The basic problems besetting these projects had been the degree of foreign equity dilution and methods of financing. Mr. Owen expressed the hope that on the basis of the Company's proposals, which he believes are very accommodating to the Government's policies and at the same time compatible with the shareholders' expectations, the final clearances would proceed expeditiously.

PUNJAB TRACTORS

Share Issue Soon

PUNJAB Tractors Ltd is a new Company which proposes to undertake the manufacture of "Swaraj" tractors of 20 and 30 h.p. in Mohali, Ropar district (Punjab). The tractor specifically engineered for Indian farming by the Central Mechanical Engineering Research Institute has a single lever automatic draft-*cum*-position control hydraulic system which is covered by the C.S.I.R. patents in India and in other advanced countries. The tractor will be 100 per cent indigenous.

The proposed plant will have an annual capacity of 5,000 tractors in the first phase, to be raised subsequently to 12,000 units. The project is estimated to cost Rs. 3.70 crores which will be met by the share capital of Rs. 1.56 crores and term loans amounting to Rs. 2.14 crores. The Company has an authorised capital of Rs. 2 crores made up of Rs. 1.20 crores in equity shares of Rs. 10 each and Rs. 80 lakhs in preference shares of Rs. 100 each. The issued capital will be Rs. 1.56 crores of which Rs. 39 lakhs will be in preference shares and the balance in equity shares. The promoters are taking up equity shares worth Rs. 7 lakhs. The Company proposes to enter the market shortly to raise Rs. 1.10 crores in equity shares and Rs. 39 lakhs in preference shares. Arrangements are being made to have the issue underwritten.

BHOPAL SUGAR

Back to Dividend List

DESPITE a rise of 51 per cent in sales from Rs. 1.45 crores to Rs. 2.19 crores, the gross profit made by Bhopal Sugar Industries during the year ended June 1971 is down by about 9 per cent from Rs. 25.47 lakhs to Rs. 23.37 lakhs. Margins have been eroded by the rise in costs mainly on account of the inflated wage bill. Despite the decline in profit, the Company has returned to the dividend list after a lapse of several years with a payment of Rs. 2 a share. The Company crushed 121,000 tonnes (against 107,000 tonnes) of sugarcane and produced 110,665 bags (against 95,728 bags) of sugar at an average recovery of 9.05 per cent, against 9.02 per cent. After providing Rs. 4.93 lakhs (against Rs. 4.89 lakhs) for depreciation, Rs. 29,000 (against Rs. 65,000) for development rebate reserve and Rs. 5 lakhs (against nil) for taxation, the net profit for 1970-71 amounts to Rs. 13.15 lakhs, against Rs. 19.93 lakhs in the preceding year. The surplus has been set off against the short provision for expenses relating to previous years amounting to Rs. 2.22 lakhs and the deficit of Rs. 5.31 lakhs brought in. This leaves a balance of Rs. 5.62 lakhs which has been transferred to general reserve.

K.C.P.

Big Rise in Profit

THE directors of K.C.P. Ltd have maintained the equity dividend at 10 per cent for the year ended June 1971. The profit, before taxation, amounts to Rs. 164.29 lakhs, after providing depreciation of Rs. 84.97 lakhs. This compares with the previous year's profit of Rs. 86.72 lakhs, after providing depreciation of Rs. 97.99 lakhs. After providing Rs. 90 lakhs (against Rs. 43 lakhs) for taxation, there is a net profit of Rs. 74.29 lakhs (against Rs. 43.92 lakhs). Adding to the year's profit Rs. 5,018 brought forward from last year, Rs. 4.94 lakhs being excess provision written back, Rs. 1.65 lakhs being income not relating to the year and Rs. 27.50 lakhs being development rebate reserve no longer required, there is a total available surplus of Rs. 108.44 lakhs. Out of this, expenses not relating to the year and short provision amounted to Rs. 12.62 lakhs. A sum of Rs. 6 lakhs (against Rs. 10 lakhs) is transferred to development rebate reserve. Capital redemption reserve gets Rs. 40.79 lakhs and general reserve Rs. 23.25 lakhs (against Rs. 10 lakhs). The interim dividend on second preference shares accounted for Rs. 3.67 lakhs. A sum of Rs. 25.40 lakhs is transferred to dividend reserve (against Rs. 25.41 lakhs). The balance of Rs. 38,311 is being carried forward.

PAPER AND PULP : DIVIDEND RAISED

PAPER and Pulp Conversions has raised the dividend for the year ended July 1971 from 8 per cent to 10 per cent and this is well justified by the Company's improved performance during the year. Sales have gone up by 59 per cent from Rs. 1.35 crores to Rs. 1.85 crores. The gross profit also has registered a fairly impressive rise of 33 per cent from Rs. 12.16 lakhs to Rs. 16.19 lakhs. After providing Rs. 6.82 lakhs (against Rs. 5.21 lakhs) for depreciation, Rs. 1.83 lakhs (against Rs. 4.75 lakhs) for development rebate reserve and Rs. 1.50 lakhs (against nil) for taxation, the net profit for 1970-71 amounts to Rs. 6.04 lakhs, against Rs. 2.20 lakhs in the preceding year. After making some adjustments, the surplus of Rs. 6.30 lakhs (against Rs. 4.40 lakhs) is transferred to general reserve out of which the proposed dividend is to be paid. The improved results during 1970-71 are attributed to the increase in production and improvement in quality brought about by modernisation and enhanced capacity. The Company has received foreign exchange allocation of Rs. 5.5 lakhs for the import of balancing equipment which will help increase production. The Company's collaboration agreement with a Japanese firm for a dry mat project has been approved by the Government.

COMMODITIES

Bangladesh Abolishes Bonus Voucher Subsidy on Jute Goods Exports

ACTING with a sense of commendable urgency, the Government of Bangladesh has adopted a sweeping package of economic measures. It has disowned its liabilities in respect of the pre-liberation agreements and pacts concluded by the Pakistani administration and private trade and industry. With a view to ending possible anomalies, Dacca has linked the Bangladesh rupee to pound-sterling, fixing its par value at the Indian level of Rs. 18.9677 to the pound. By another Presidential order, Dacca has abolished the bonus voucher subsidy on jute goods exports and has removed the ban on the sale of raw jute and jute goods to India. The relaxation in respect of jute and jute goods, it is expected, will soon be followed by a total removal of the ban.

Past Contracts Annulled

The Government has also annulled all foreign contracts for raw jute and jute goods, concluded by mills and individual exporters before liberation. Importers will now have to conclude fresh contracts at current prices and register the same with the Bank of Bangladesh before effecting any shipment at the official rate of foreign exchange. In exercise of the powers conferred on him, the chairman of the Jute Board has frozen the bank accounts of some 26 jute mills located in the Dacca-Narayanganj area, Khulna and Chittagong with immediate effect. He has also ordered that no transaction will be carried on in the accounts of these absentee people and firms without his prior approval. Pending an upward revision of the official support price of raw jute, which is likely soon, the prevailing rates will remain in force.

The Government has also annulled pacts and treaties concluded by the Pakistani Government during the last 24 years. Dacca now proposes to enter into new agreements with friendly countries. The Bangladesh Government has absolved itself of all liabilities for the repayment of any loan which might have been drawn by the Pakistani Government on account of its erstwhile eastern wing. Earlier, on 27th December, the Acting President, Syed Nazrul Islam, issued a number of orders declaring all commercial firms, industrial establishments and insurance companies belonging to absentee owners as enemy property and assuming powers to take over their management and operation.

In order to discourage private-sector enterprises and concentration of wealth, the Government may ultimately seek to nationalise all economic and industrial institutions in the country. The authorities have already directed the Jute Board to take over the management and operation of jute mills, exporting firms and jute-baling presses belonging to absentee West Pakistani owners who had fled from the country. Together with the control to be exercised by the State-run organisations like the Jute Trading Corporation, the Jute Marketing Corporation and the Jute Prices Stabilisation Corporation, the latest measures have paved the way for State administration of the raw jute and jute goods trade and industry as also exports.

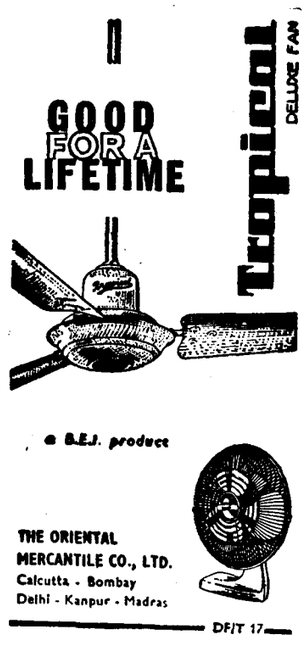
Ports Cleared

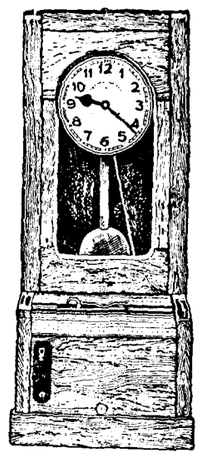
Meanwhile, the Indian Navy has cleared the approaches to and estuaries of Chittagong, Chalna-Mangla, Khulna, Chandpur and other ports and harbours of the mines planted by the retreating Pakistani forces. Besides, the Government of India has offered the services of the Indian merchant navy to export raw jute and jute goods, held over at the above places, either from these ports or from Calcutta. It has taken steps to resume the Sadiya-Cahar despatch service, connecting the riverine ports in Assam, north Bengal and West Bengal and has offered to arrange helicopter sorties for the clearance of raw jute stocks held up in isolated interior markets to the nearest transhipment points. The Indian railways have also repaired the snapped rail links.

But in spite of the Jute Board's efforts to resume full-scale operations in the mills, work has been held up in most of the units, pending the completion of an expert assessment of the extent of damage to the plants and ancillary equipment and the return of workers who had fled from the country after the March crackdown. Besides, a very large number of skilled and semi-skilled personnel have been killed. Hence, observers are inclined to feel that normal operation is unlikely to be resumed in Bangladesh for quite some time.

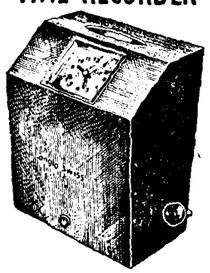
Joint Indo-Bangladesh Policy ?

Welcoming the emergence of Bangladesh as an independent nation, the president of the Jute Brokers Association, Mr. K. K. Dhandhania, pleaded for the evolution of a joint Indo-Bangladesh jute policy at the J.B.A.'s recent annual general meeting in Calcutta. There was considerable scope for economic co-operation between the two neighbouring countries, he said. For meeting the requirements of reconstruction in the latter, he deemed it imperative that India's production of industrial goods was stepped up appreciably. From the long-term view, Bangladesh could supply India items like newsprint, raw jute, fish, paddy and agricultural products while this country could supply coal, edible oils, textiles, producers' goods and machinery and replacement spares for the rehabilitation of its industries. It was desirable that the two countries should devise a com-





TIME RECORDER



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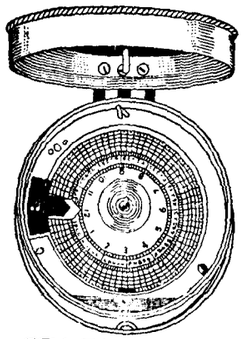

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mon, well-co-ordinated policy to regulate jute goods exports and keep the prices of the end-products competitive so that the industry could withstand the challenge from synthetic substitutes and alternative handling practices. Speaking on the problems of the jute industry, Mr. Dhandhania said that the levies imposed by the Central and State Governments, combined with the increases in the costs of production, had seriously impaired the industry's competitive potential. It had produced an adverse impact on the export front.

Sharp Rise in Gunnies

The Calcutta gunny market opened on a hesitant note during the past week but reacted sharply towards the close. The initial easiness was attributed to a predominance of sellers, mainly weaker bulls, who had been keen on reducing their long positions on the eve of the end-of-year settlement of accounts. Some mills also showed an interest in booking ready to far-forward business at the opening levels. But fresh enquiries from overseas parties were conspicuous by their absence, mainly due to the intervention of Christmas and end-of-year holidays. Foreign consumers were also keeping a close eye on the latest developments in Bangladesh. They appeared to be quite impressed by the prompt measures being taken by the administration and also the all-out assistance provided by the Indian Government. Around mid-week, the clearance of the market load and the elimination of the weak bulls paved the way for brisk covering by shorts and shippers against their open positions. The availability of adequate bottom space for almost all destinations was a major inducement. Another encouraging factor was the fact that the world markets were practically starved of jute goods, having lived on their declining inventories during the major part of 1971. In the context of the latest developments in the raw jute and jute goods industry and trade in Bangladesh, overseas consumers were unable to take a view about the near-term prospects. Hopes of much larger supplies and offerings in a couple of months and liberal fiscal reliefs to the Indian jute industry in the next Budget induced them to defer their long-term enquiries and bookings and confine their immediate offtake to the minimum levels. Turnover was moderate to fair. The closing undertone was steady.

Latest available quotations (in rupees) were as follows:

	Jan.	Jan.-Mar.	Apr.-June
40in. 7½oz.	84.00	82.50	77.00
40in. 8oz.	91.00	—	—
40in. 10oz.	109.00	106.00	98.00
B Twills	276.00	276.00	265.50
Heavy Cees	281.00	281.00	268.50
Cornsacks	—	—	—
A Twills (U.S.)	340.00	338.00	330.00
Liverpools	320.00	318.00	313.00

Fibre Firm

The raw jute market ruled exceptionally firm during the past week as prices hardened sharply from the initial levels on sustained support from mills and mill agents to selected grade fibre. With the commencement of the harvesting season, market arrivals declined to some 75,000 maunds a day. Supplies from across the Bangladesh border were also negligible as border restrictions were tightened. Keen on completing their heavy compulsory minimum purchase quota of 1.803 million bales for the six weeks ended December, mills and mill agents were showing their maximum preference for better grade fibre, while intermediaries tried to clear their stocks of average and lower grade jute at the prevailing high prices. The rise in fibre prices was, however, welcomed by official circles who had been showing positive concern over the sharp decline in prices below their derivative levels in some upcountry pockets. Turnover was moderate and the closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	January-February		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	150.04	142.00	58.00
Northern Jute	144.68	136.64	51.00
Western Desal Jute	135.30	127.26	47.50
Selected Daissee	163.43	155.40	58.00
Assam-Agartala Tossa	160.75	152.72	57.00
Mesta :			
Assam Mesta Selected Daissee	136.64	128.60	48.00
Murshidabad	132.62	124.58	46.50
Bihar Dist.	121.91	111.19	41.50

Company Meeting

THE ASSOCIATED CEMENT COS. LTD.

Statement of the Chairman, Mr. N. A. Palkhivala

The following is the statement issued to shareholders by Mr. N. A. Palkhivala, Chairman, The Associated Cement Companies Limited, on the Company's working for the year ended 31st July 1971. The 35th Annual General Meeting of the Company will be held on Thursday, January 6, 1972 at 4.00 p.m. at the Birla Matushri Sabhagar, 19 Marine Lines, Bombay-20.

The splendid victory has been won. The Indian fighting forces have covered themselves with glory. The birth of Bangla Desh has been accompanied by the death of the old balance of power between India and Pakistan. The spirit of the nation has been charged with a new zest, a new confidence, in the unfolding future. The Prime Minister's memorable leadership made it our finest hour.

2. The great lesson of the war is that this country is capable of meeting any challenge when the 550 millions are welded together as one nation, and when the Government and the governed have identity of aims, act in concert and pool their energies and resources together. This lesson should remain engraved as with a sunbeam on our minds.

3. When the euphoria has died out, the realisation will dawn on us that poverty is a more implacable enemy than Pakistan and that whereas a 15-day war sufficed to vanquish the latter, a 15-year intensive struggle would hardly suffice to overpower the other ogre.

4. At a conservative estimate there are 14 million unemployed in India today. The Indian labour force is expected to increase by 63 million in the next 10 years. Since, at the present rate of growth not more than 40 million new jobs would be found at the end of the decade, 37 million would probably be unemployed in 10 years' time. Thus, on an average, the number of the unemployed would increase by 6,000 per day during the 70's.

5. The Index of industrial production which rose by 6.6% in 1968-69 and 6.9% in 1969-70, declined to 3.5% in 1970-71. During the current financial year the increase is likely to be no more than 2.5%.

6. The slowing down of the tempo of development is clear from the steep decline in the consents for the issue of capital for companies in the private sector:

	Rs. Crores
1966-67:	... 290
1967-68:	... 216
1968-69:	... 129
1969-70:	... 147
1970-71:	... 98

7. The industrialist proposes, the Government disposes. Every year the number of applications for licences increases, but the percentage of applications granted decreases. As against 1200 applications made on an average between 1959 and 1966, 1800 applications were made for new investment in 1970 and about 3200 in 1971. But as against 700 licences issued every year between 1959 and 1966, only 334 were issued in 1969 and 438 in 1970. In 1971 less than 500 proposals for new investment have been sanctioned.

8. The extent to which economic growth is held in chains can be gauged from the fact that although a total number of 130 applications were received by the Government from the 'larger' industrial houses since the announcement of the new licensing policy in February 1970, only one industrial licence and nine letters of intent have been issued so far.

9. "All isms are lethal", said Jung. Our obsession with big business and concentration of economic power and our penchant in favour of micro-mini enterprises take little account of the fact that the whole concept of creation of national wealth has been revolutionised in modern times by economies of scale and fantastic technological advances. Man will sooner discover a cure for cancer than for macrophobia and microphilia. We have yet to learn that national prosperity is indivisible and that in a well conceived economy a big enterprise will give crores of rupees to the national Exchequer, millions of profits to ancillary small-scale industries and employment to thousands. This is so evident as to be a truism, but it cannot be repeated too often in our time and land. The public postures and attitudes on this vital issue are of direct relevance to your Company as its size attracts the provisions of the Monopolies and Restrictive Trade Practices Act, 1969.

10. Perhaps there is no other country on earth which has in such ample measure all the enterprise and skills needed to create national wealth, and which takes such deliberate and endless pains to restrict and hamper its creation.

11. The economic picture in India would change beyond recognition if the time and energy which are today expended on seeking to close or reduce the income gap between the top executives and the work-force were to be directed to eliminating the gap between those already employed and the hapless millions of the jobless. It has been calculated that if the income of every one earning over Rs. 25,000 annually were to be equally distributed amongst all, it would mean only a rise of 40 paise in the annual per capita income.

12. Our vertiginous rates of income-tax and wealth-tax are such as to put a ceiling on income and property, although in practice it operates more effectively as a ceiling on honesty and public morality. Would not our unfortunate masses be better off if our public policy were directed towards allaying the pangs of hunger rather than the pangs of envy? And the higher the content of envy in a society, the lower is its rate of growth.

13. The unfailing measures of a nation's development are—the gross na-

tional product, the availability of work, the distribution of income and the quality of life. Out of these four measures, we have concentrated almost wholly on the distribution of income. Our peculiar brand of socialism has prevented us from increasing our gross national product, and the availability of work *i.e.* the job potential in the country.

14. As regards the quality of life, its impairment was cataclysmic in 1971 when the basic human rights of our citizens were negatived by the Twenty-fourth and Twenty-fifth Amendments to the Constitution. De Tocqueville remarked that nothing is more arduous than the apprenticeship of liberty. Freedom is fragile and evanescent; it is not to be inherited in the bloodstream. It is a measure of our immaturity as a democracy and the utter apathy of our people that the betrayal of our basic freedoms excited less public debate than passing trivialities.

15. "All happy families resemble one another, but each unhappy family is unhappy in its own special way." Tolstoy's famous words at the beginning of *Anna Karenina* apply just as well to relations between the Government and the governed. When the Government and business are at odds, politicians and financial papers need daily columns to explain just how wide and unavoidable their differences are; when the two come together and work in harmony, there is very much less to say. The economic miracles of West Germany and Japan are, in a large measure, due to the total understanding and co-operation between the men who create national wealth and those in power who regulate its creation.

16. There is one very significant fact which seems to have escaped public attention. At the meetings of the Boards of Directors of various companies, the Directors nominated by the Government are most helpful and understanding and as keen to contribute to the growth and development of the enterprise as the captains of industry themselves. Likewise, at the annual general meetings of shareholders, the tremendous voting power of the Government-controlled financial institutions is used wisely and reasonably. Why cannot the same spirit of understanding and goodwill be evinced by the Government in the other areas where policies are shaped and the laws are administered?

17. The time has come to substitute hard realism for slogans and practical objectives for vague aspirations. 'Garibi hatao' is at worst a slogan and at best an aspiration. If your objective is to keep the country in the mainstream of self-generating growth and development (which would involve an annual growth rate of at least 10%) and to raise the standard of living of the masses, you may as hopefully find the solution in slogans and aspirations as find silence in a discotheque.

18. Cement being literally the base for building up our national economy, one would have thought that the industry would be given every encouragement by the Government to grow and develop. Inscrutably, the status of "priority" industry enjoyed by cement since 1964 has been withdrawn by the Finance Act, 1971. This will result in the tax burden being increased from 50.6% to 55%, apart from the surcharge which was imposed in December 1971. Cement is a highly capital-intensive industry requiring large investments and a long gestation period, and it has a whole chain of beneficial multiplier effects. There is not the slightest justification for its exclusion from the list of priority industries.

19. Further, the development rebate which had already been reduced from 35% to 25% for priority industries, will be abolished altogether in respect of plant and machinery installed after 31st May 1974. The unwise abolition of development rebate will increase substantially the tax burden on the corporate sector, drive companies to obtain assistance from financial institutions instead of financing development from self-generated resources, and leave companies free to distribute dividends out of moneys which would otherwise have been ploughed back compulsorily as development rebate reserve.

20. Wagon supplies continued to be very inadequate during the year. As a result of this shortage, your Company suffered a loss in distribution of 7 lakhs tonnes, resulting in the pegging down of our production, in spite of our efforts to increase transport by road. A quarter of our total despatches are now by road.

21. In my Statement of January 1969, I had referred to the great hardship to the Company and the irretrievable loss caused to its small shareholders in consequence of the unending litigation for every year in which the Company has claimed tax relief in respect of new factories on the ground that they were newly established undertakings. The Appellate Assistant Commissioner and the Income-tax Appellate Tribunal have upheld the Company's claim for tax relief, but the Income-tax Department's reference against the Tribunal's decision is pending in the High Court. Further, the question of the correct mode of computing the capital employed in the newly established undertakings has been sent up for determination to the Central Board of Direct Taxes, and its decision for the last so many years is still awaited. Consequently, there is no final decision yet as to the Company's and the shareholders' claim to tax relief right from the assessment year 1957-58 up to date. In the meantime, the shareholders' assessments get completed and become final. I believe that more than 90% of the shareholders who are entitled to tax relief in respect of dividends paid out of profits of our new factories, will never get it, because of the wrong attitude taken up by the Department in the first instance and the interminable proceedings which go on in respect of every year's assessment.

22. Your Company has decided not to take a passive or defeatist attitude. It has been privileged to play a pioneering role in the manufacture and distribution of cement in India and has built up an enviable reputation for quality and integrity, and it will continue its endeavours to hold its foremost rank in this basic industry. The Company earnestly hopes to utilise its vast technological and human resources in new industries and areas of production and thus make even a greater contribution to the development of our national economy. Whether our hope will be fulfilled or frustrated will depend on how far our Government is willing to meet its mandate to the country by realistic economic rethinking.

23. The members of the far-flung ACC family—at the Works and the Collieries, the Offices and other establishments—have done their job during the year with loyalty and dedication which deserve our appreciation and gratitude.

Bombay, December 29, 1971.

SAKTHI SUGARS LIMITED

Regd. Office :
72, Sengupta Street,
Ramnagar-COIMBATORE-9.

Factory :
Sakthinagar-Appakudal
(Coimbatore District)

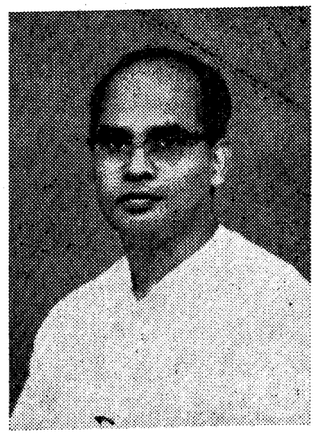
TEXT OF SPEECH DELIVERED BY CHAIRMAN SRI N. MAHALINGAM, B.SC., M.I.E. AT THE TENTH ANNUAL GENERAL MEETING HELD AT COIMBATORE ON DECEMBER 24TH, 1971

Ladies and Gentlemen,

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

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

Fortunately, thanks to the sagacious and bold guidance of our illustrious Prime Minister and the united will of the nation, the war lasted barely a fortnight and as the Prime Minister has appropriately observed the victory is due to the valour of our armed forces and correct ideas of those who are guiding the destinies of the nation. India has emerged out of the ordeal as a first rate power in this part of the world and Bangala Desh is now a free and independent nation. Our Prime Minister, who has rightly been described as a chosen leader of our valiant nation and of all political parties, richly deserves the highest honour of Bharat Ratna conferred on her. With our cherised ideals of democracy, socialism, and secularism it can be safely expected that with a friendly young nation on our eastern frontier and with new efforts that are being and will be made to develop friendly relations with West Pakistan, there will be lasting peace in the whole subcontinent and devoted attention to intensive and coordinated economic development which will be helpful in



Sri N. Mahalingam

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

1. Working Results

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

With higher sales and a better recovery, the net profit before depreciation and taxation has jumped to Rs. 55.06 lakhs from 10.31 lakhs. Your directors have, therefore, decided to recommend the payment of a dividend of 12 per cent taxable on equity capital against 6% taxable for 1969-70 and thus restore fully the cut imposed last year. Even after paying the higher dividend out of current earnings, the amount of Rs. 6.10 lakhs withdrawn from the reserves, for paying the equity and preference dividends, in respect of 1969-70, has been completely replenished. What is more, the debit balance of Rs. 4.93 lakhs adjusted last year, against general reserve after providing for depreciation has also been made good. This is because after setting aside a larger amount of Rs. 20.05 lakhs (Rs. 15.20 lakhs) towards depreciation, there is a transfer of Rs. 7.22 lakhs (nil) to development rebate reserve. After crediting Rs. 10.56 lakhs (nil) to dividend reserve general reserve gets a handsome allocation of Rs. 17.19 lakhs (nil). The reserves of your company have, therefore, been considerably strengthened, the total of general reserve and development rebate reserve amounting to Rs. 72.80 lakhs as compared to Rs. 48.39 lakhs in 1969-70. The paid up equity capital as on June 30, 1971 is Rs. 74.14 lakhs. It can be confidently expected that there will be further strengthening of the financial position in the current year as trading conditions are more favourable and it is hoped that the quantity of cane crushed in the 1971-72 season will be much higher at over 5 lakh tonnes. There is also reason to believe that the recovery will again be satisfactory. With the full use of expanded facilities, presently over 2,000 tonnes of cane are being handled daily and crushing operations for 1971-72 commenced on September 29, 1971. This is much earlier than usual. Crushing operations for the last season ended on August 12, 1971.

2. Progress of Expansion

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

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

3. Distillery Unit

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

The distillery project is estimated to cost Rs. 75 lakhs including working capital and as has been indicated by your Directors in their report attached to the accounts, the Industrial Finance Corporation has agreed in principle to grant a loan of Rs. 37 lakhs. The Tamil Nadu Industrial Investment Corporation with its usual helpful attitude has agreed to grant a loan of Rs. 10 lakhs. The balance of Rs. 28 lakhs will be mobilised by issuing new equity shares at par for Rs. 21 lakhs and redeemable cumulative preference shares for Rs. 7 lakhs. Your Directors are sure that capital can be raised through underwriting arrangements with Unit Trust, The Life Insurance Corporation of India and other statutory financial corporations, which are now in progress. It is our aim to bring this distillery into production very early.

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

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

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

4. Towards A Better Policy

As there was acute shortage of sugar in 1967-68, the Government adopted a policy of partial control under which 60% of current production was earmarked for controlled distribution and the balance of 40% for free sale. This resulted in the increase of output and open market prices came down sharply from Rs.

425/- to Rs. 250/- perquintal. There was actually a substantial increase in production from 22.48 lakh tonnes in 1967-68 to 42.62 lakh tonnes in 1969-70. Unfortunately, the policy in regard to levy of excise duties in 1969 discouraged the industry. The levy of 37.5% excise duty on free sugar in 1969-70 created a situation when selling even free market sugar entailed a loss to the mills. Many producers preferred to lapse their quotas as larger sales were only adding to their losses. Due to the accumulation of sugar stocks, payments to cane growers were delayed. Thus, in the year of peak production, it was ironical that many factories had to face a loss and even your unit has to draw from reserves to pay a dividend of 6 per cent. The situation became so frustrating that many producers resorted to legal redress which eventually resulted in the Government deciding to lift control over sugar prices in May this year. The objective of the Finance Ministry to secure merely the revenues brought about a sizeable fall in the output in 1970-71. Even in 1971-72, there is no prospect of reaching the peak production in spite of the new excise rebate granted. What is really needed is a long-term policy for the industry and the ideal course will be to fix a minimum price of Rs. 75/- per tonne with a recovery of 8.5 per cent and below with an increase of 80 paise for every 0.1 per cent increase in the recovery. The Government has fought shy of a pragmatic change in the cane prices policy and instead has decided to grant a rebate in the excise duty on sugar at the rate of Rs. 17/- per quintal for the first two months of the current season and at Rs. 16/- per quintal for the remaining 10 months in respect of that quantity which is in excess of 80 per cent of production in the corresponding periods in 1970-71. While this policy is to be welcomed, it would be more helpful if a bigger rebate was granted in respect of the qualifying output of sugar secured after April as there will be a sharp drop in the recovery, in the summer months. Again, it is imperative to revert to the old system of levying a specific excise duty on sugar instead of the existing *advalorem* duty in order to eliminate uncertainties and ensure equitable distribution of incidence.

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

5. Prospects for Tamilnadu

As regards the further development of this industry, in Tamil Nadu, the State Government should take efforts to help the establishment of a dozen new factories in different districts in the next ten years so that the agriculturists in Thanjavur, Tiruchirappalli, and Tirunelveli will be able to secure a larger income through a cash crop. Besides, in order to facilitate export of sugar to marketing centres in Bombay and Calcutta, the Tamil Nadu Government should grant a rebate in respect of purchase tax on cane involved in this sugar export. Also, the existing factories can be enabled to increase their crushing capacity to 4,000 tonnes daily and adequate quantities of cane should be grown with the availability of water for ten months with the co-operation of the Irrigation Department.

6. Bagasse Utilisation

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

7. Credit for the Industry

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

8. Consumers' Interest

Another important question that has to be tackled is the selling of sugar to consumers at reasonable prices. Hotels, Bakeries and Fruit processors depend very much on sugar for the manufacture of their end-products which cannot be marketed profitably if sugar prices fluctuate widely. Hence, it is essential for the industry to follow a policy of distribution of its output at a stipulated price for its large and bulk consumers. In this context, I am happy to inform you that the industry has agreed to release 60% of its current production for distribution as desired by the Union Ministry of Food and Agriculture at an agreed price to the consumers which are well below the ruling market rates. Also, if large Urban Centres can be fed with Sugar and a suitable price by steady marketing arrangements, we can create a goodwill towards the sugar industry. If we do not think about the difficulties of the consumer, it will only create a bad feeling and the industry will lose its long-term advantages. The Indian Sugar Mills Association (ISMA) and the South Indian Sugar Mills Association (SISMA) should evolve a long-term policy regarding the sale and distribution of 40% of the free-sale-sugar so that an assured future for the industry can be created.

9. Awards

I am indeed very glad to inform you that your factory has been the recipient of many awards both at the State as well as at the National level. The State Safety Award for the longest accident free period, National Safety Award for the longest accident free period, State Safety Award for the lowest frequency, National Safety Award for the lowest frequency rate and Certificate of Merit for the reduction of accident frequency rate from

the State Safety Awards and Rewards go to your factory. This is really a very proud record for a young factory like yours of which all of us can legitimately feel proud.

10. Welfare Activities

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

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

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

11. Labour-Management Relation

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

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

PARRYS CONFECTIONERY LIMITED

The Seventeenth Annual General Meeting of the Company was held on 29th December 1971 at Madras. In his circulated statement, the Chairman, Mr. H.V.R. Iengar, made the following points.

The results for the year show a profit of Rs. 15,51,342. The profit after tax is Rs. 6,11,378 compared with Rs. 6,75,693 last year.

The increase in sugar prices after decontrol in May 1971 and prices of other raw materials pushed up the cost of production. A corresponding increase in selling prices was not possible and would have meant a decline in sales. However, the net profit after tax was sufficient to declare the same dividend as last year viz. 18%. After meeting the dividend, Rs. 50,000 has been transferred to General Reserve and Rs. 39,000 to Development Rebate Reserve leaving a surplus of Rs. 18,610 carried forward.

Lack of adequate supplies of cellophane led to curtailment of production and the factory could not work to full capacity, rendering about ten percent of the labour surplus.

Machinery worth Rs. 5.5 lakhs was imported during the year.

The Malaysian factory went into production in December and initial sales were satisfactory.

Prospects for the current year are likely to be affected by the new sugar policy which will entail the confectionery industry having to depend on high priced free market sugar. Nevertheless efforts will be made to continue the present level of profitability.

N.B. : This does not purport to be a report of the proceedings of the General Meeting.

(The full text of the Speech has been sent to all Shareholders.)

COMPANY AND PUBLIC NOTICES

MACNEILL & BARRY, LIMITED

NOTICE is hereby given that the Board of Directors of this Company has sanctioned payment of the dividend on the Preference Share Capital of the Company for the half-year ended 31st December, 1971.

Payment will be made on or after 1st February, 1972 to those Preference Shareholders whose names appear on the Company's Register on that date or in accordance with their instructions.

The Preference Share Transfer Books of the Company will be closed from the 24th January to the 1st February, 1972 both days inclusive.

By Order of the Board,
S. C. BHANDARI
Secretary.

2, Fairlie Place,
Calcutta-1, 24th December, 1971.

DIVIDENDS DECLARED OR PROPOSED

India Carbon Ltd—18 p.c. (0), subject to tax

Associated Battery Markers (Eastern) Ltd—12 p.c. (0) (f), subject to tax

East Anglia Plastics (India) Ltd—Nil

Shalimar Rope Works Ltd—75 P (0) per share, subject to tax

Shalimar Wires And Industries Ltd—10 p.c. (0), subject to tax

BOOKS RECEIVED

The Law of Parliamentary Privileges in U.K. and in India. By P. S. Pachauri. (Published by N. M. Tripathi Private Ltd., Bombay 2. Price Rs. 45, pages 507.)

Dr. Ramaswamy Mudaliar Lectures 1966. By Prof. B. R. Shenoy. (Published from the University of Kerala, pages 52.)

Natural Justice in Indian Domestic Enquiries. By P. K. Sen. (Published by Navman Prakashan, Madar Gate, Aligarh. Price Rs. 25, pages 363.)

STATISTICS

Stock and Share Prices

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

CALCUTTA

	Dividend per cent		Latest Market Quotations as available until	
	1967	1968	14-12-71	4-1-72
BANKS			Rs.	Rs.
Allahabad Bank	13	13	133/00	133/00
Bank of India	20	20	104/00	112/00
Bank of Baroda	17	18	99/00	102/00
Central Bank of India	20	20-8*	57/00	68/50
Chartered Bank	15	15	343½	352½
Hongkong & Shanghai	sh. 10 2/5	sh. 12½	£13½	£16½
Indian Bank	15	15	138/00	138/00
Indian Overseas Bank	11	11	138/00	132/00
National & Grindlays	13½	13-9	380	358
Punjab National Bank	22	22	22/62	22/87
United Bank of India	7½	7½-7½*	8/81	8/62
United Commercial	14	14	106/50	110/50
Union Bank of India	12	12	6/76	7/20
COAL				
Amalgamated	2½	7½-10*†	7/75	8/15
Bengal	10	12-12*†	86/00	104/00
Bokaro & Ramgur	...		12/00	12/00
Borrea	Nil	5-15*†	9/12	9/12
Burrakur	13	Nil-12*†	7/00	8/37
Central Kurkend	...	...	3/44	3/44
East Indian	15	Nil-Nil*†	6/44	6/44
Equitable	Nil	Nil-Nil*†	3/94	3/94
Karanpura Devt	2	Nil-5*†	6/19	6/19
Karanpura Collieries	10	12-12*20†	9/81	8/50
Katras Jherriah	5	10-10*†	9/19	9/19
New Beerbhoom	8	12-12*†	12/06	10/75
New Manbhoom	Nil	Nil-Nil*†	2/96	2/69
Pench Valley	12½	7½-10*†	8/25	7/87
Raneegunge	5	7½-10*†	9/25	9/25
Rewa	12½	12½-20*	16/87	16/87
South Karanpura	2½	10-20*†	9/94	12/00
Garuda Investment	Nil	5-10*†	6/62	6/62
Union	Nil	Nil-Nil*	5/00	5/00
Western Bengal	7½	7½-8*8½†	5/75	6/62

	Dividend per cent		Latest Market Quotations as available until	
	1967	1968	14-12-71	4-1-72
JUTE			Rs.	Rs.
Agarpara	5	5-5*†	8/12	8/9
Alexandra	Nil	Nil	39/50	39/50
Alliance	Nil	...	35/50	34/00
Anglo India	2½	2½-2½*5†	105/00	118/00
Auckland	Nil	Nil-Nil*†	69/00	69/00
Bally	10	10-10*†	13/50	14/12
Baranagore	Nil	Nil-Nil*†	83/00	83/00
Birla	15	15-15*9†	20/90	22/60
Budge Budge Amal.	Nil	Nil-Nil*12†	8/94	8/69
Champadany	Nil	Nil-5*†	12/00	12/00
Chitavalash	Nil	Nil	11/62	11/50
Dalhousie	Nil	Nil-Nil*†	69/00	73/00
Empire	Nil	Nil	6/81	6/87
Fort William	2½	Nil-Nil†	15/06	14/37
Ganges	5	Nil-7½*†	7/25	7/87
Gourepore	5	5-Nil*†	9/00	10/87
Hastings	4	2½-2½*†	101/00	101/00
Hooghly	10	10-10*6†	14/50	14/50
Howrah	Nil	Nil-Nil*	7/50	8/50
Hukumchand	Nil	Nil-Nil*†	12/06	14/12
India	Nil	Nil-6½*4½†	10/00	9/12
Kamarhatty	Nil	Nil-Nil*†	85/00	92/00
Kanknarrah	Nil	Nil-Nil*†	32/00	38/00
Kelvin	Nil	Nil-Nil*	51/50	51/50
Khardah	Nil	Nil-Nil*†	5/37	5/37
Kinnison	Nil	Nil-Nil*†	49/00	47/50
Lansdowne	Nil	Nil-Nil*	35/00	35/00
Megna	6	Nil-Nil*†	4/69	5/44
National	Nil	10-Nil*†	11/31	12/15
Nellimaria	6	Nil*	9/44	11/12
New Central	...		4/62	4/75
Northbrook	10	Nil-10*Nil†	12/50	12/50
Nuddea	2½	2½-Nil*†	8/12	8/06
Presidency	Nil	...	1/50	1/56
Reliance	Nil	Nil-Nil*	7/50	7/56
Titaghur	Nil	Nil	12/00	12/25
Union	Nil	Nil-Nil$†	32/50	32/50
Waverley	15	15-6*	3/06	3/06
COTTON TEXTILES				
Bharat Commerce	15	15-15*	15/31	17/44
Birla Cotton	10	10-10*	14/75	14/75
Bowreah	17½	17½-17½*12½†	9/94	11/62
Cawnpore Textile	Nil	10-8*	2/25	2/62
Delhi Cloth & Genl.	12	6-12*	39/81	45/31
Dunbar	5	Nil-Nil*	8/19	9/44
Elgin	10	10-8*6†	5/34	5/69
J. K. Cotton	15	5-6*	7/40	8/40
Jaya Shree	5	Nil-Nil*	4/00	6/12
Jagatjit	10	...	7/62	7/62
Jiyajeerao	10	...	23/00	23/00
Orissa Textiles	Nil	Nil	2/56	2/56
Rampooria	Nil	Nil	3/25	3/25
Swadeshi	2½	5-5*	11/50	11/50

RESERVE BANK

ISSUE DEPARTMENT (In 000's of Rupees)

	Week Ended 24-12-71	17-12-71	25-12-70
Liabilities—			
Notes in Banking Dept. ..	23,88,64	21,16,67	13,46,82
Notes in Circulation ..	44,07,82,91	44,33,92,78	40,05,48,22
Total Notes Issued ...	44,31,71,55	44,55,09,45	40,18,95,04
Asset—			
A. Gold Coin and Bullion ..	1,82,53,11	1,82,53,11	1,82,53,11
Foreign Securities ..	1,70,92,00	1,70,92,00	3,11,42,00
Total of A ...	3,53,45,11	3,53,45,11	4,93,95,11
B. Rupee Coin ..	42,71,67	41,09,79	57,67,11
Rupee Securities ...	40,35,54,77	40,60,54,55	34,67,32,82
Total	44,31,71,55	44,55,09,45	40,18,95,04
BANKING DEPARTMENT			
Liabilities—			
Capital Paid-up	5,00,00	5,00,00	5,00,00
Reserve Fund	1,50,00,00	1,50,00,00	1,50,00,00
National Agricultural Credit (Long Term Operations) Fund	1,90,00,00	1,90,00,00	1,72,00,00
National Agricultural Credit (Stabilisation) Fund ...	39,00,00	39,00,00	37,00,00
National Industrial Credit (Long Term Operations) Fund	1,35,00,00	1,35,00,00	95,00,00
Deposits—			
(a) 1. Central Govt. ...	2,28,58,68	1,17,17,46	2,78,51,74
2. State Govts. ...	3,51,37	3,20,43	6,98,90
(b) Banks—			
(i) Scheduled Banks ...	2,45,78,89	2,40,19,01	1,88,88,12
(ii) State Co-operative Banks	9,60,15	9,20,93	7,89,49
(iii) Non Scheduled State Co-operative Banks ...	91,22	94,22	71,16
(iv) Other Banks ...	38,88	33,93	40,18
(c) Others	92,74,96	1,06,25,93	86,16,65
Bills Payable	66,25,59	64,97,43	54,67,26
Other Liabilities	2,54,00,47	2,55,99,76	81,58,24
Total	14,20,80,21	13,17,29,10	11,64,81,74
Assets—			
Notes	23,88,64	21,16,67	13,46,82
Rupee Coin	3,74	4,25	3,95
Small Coin	2,51	2,89	4,41
Bills Purchased and Discounted:—			
(a) Internal	7,06,74	3,43,38	...
(b) External	...	...	...
(c) Govt. Treasury Bills ..	48,65,27	78,43,38	38,19,19
Balances held abroad ..	2,37,57,85	2,30,06,54	1,05,74,43
Investments	65,32,66	61,05,38	92,59,90
Loans and Advances to:—			
(i) Central Government .	...	...	...
(ii) State Governments ..	4,20,10,48	4,00,88,83	1,81,95,09
Loans and Advances to:—			
(i) Scheduled Banks ...	1,10,16,15	25,35,00	3,02,19,40
(ii) State Co-operative Banks	2,92,86,87	2,81,12,29	2,91,31,12
(iii) Others	3,07,50	5,25,90	2,15,90
Loans, Advances and Investments from National Agricultural Credit (Long Term Operations) Fund			
(a) Loans and Advances to:—			
(i) State Govts. ...	41,87,11	42,67,90	34,23,59
(ii) State Co-operative Banks ...			
(iii) Central Land Mortgage Banks ...	21,72,83	21,08,37	21,48,04
(b) Investment in Central Land Mortgage Bank Debentures			
Loans and Advances to State Co-operative Banks ...	10,55,94	10,40,61	9,57,02
Loans, Advances and Investments from ...	21,82,01	21,93,79	5,30,30
National Industrial Credit (Long Term Operational) Fund	76,17,71	76,17,71	27,68,71
(a) Loans and Advances to the Development Bank ...			
Other Assets	39,86,20	38,16,21	38,82,87

SCHEDULED BANKS

(In lakh of Rupees)

	Week Ended 24-12-71	17-12-71	25-12-70
(i) **Demand Liabilities—**			
(a) Demand Deposits:			
(1) From Banks ...	1,66,86	1,67,49	1,53,61
(2) From others ...	29,27,08	29,18,00	25,14,26
(b) Borrowings from Banks	70,01	71,65	29,35
(c) Others	1,51,56	1,64,84	1,52,10
(ii) **Time Liabilities—**			
(a) Time Deposits:			
(1) From Banks ...	1,78,13	1,73,80	1,08,89
(2) From others ...	39,76,82	39,71,34	32,76,62
(b) Borrowings from Banks	10,22	13,34	7,25
(c) Others	47,94	50,12	38,58
(iii) **Borrowing from State Bank—**			
(a) Demand Liabilities ...	12,96	10,05	18,91
(b) Time Liabilities ...	77,51	77,00	67,05
(iv) Borrowings from Reserve Bank	4,40,65	3,46,17	6,16,21
(v) Cash	1,63,01	1,68,70	1,66,09
(vi) Balances with Reserve Bank	2,42,48	2,61,64	1,91,89
(vii) Balances with other banks in current account ...	75,08	84,42	74,27
(viii) Money at call and short notice	69,05	90,15	44,01
(ix) Investments in Central and State Govt. Securities ...	16,89,08	16,78,06	13,99,32
(x) (a) Loans, Cash Credits and Overdrafts ...	41,16,01	40,27,00	37,90,66
(b) Due from banks ...	5,28,11	5,14,98	4,80,27
(xi) Inland Bills purchased and discounted	6,69,39	7,05,59	6,33,04
(xii) Foreign bills purchased and discounted ...	2,04,94	2,06,50	1,98,51
(xiii) Total of X, XI and XII ...	55,18,45	54,54,07	50,21,45

INDEX OF INDUSTRIAL PRODUCTION

Seasonally unadjusted
(Base year 1960=100)

	1971	1970	1969
January	188.4	186.6	179.3
February	178.7	175.3	163.3
March	192.4	187.2	175.4
April	185.0	181.6	169.5
May	181.0	176.7	165.6
June		179.1	169.6
July		178.5	175.1
August		174.3	169.7
September		178.2	172.0
October		173.0	171.1
November		181.5	171.4
December		189.8	187.6

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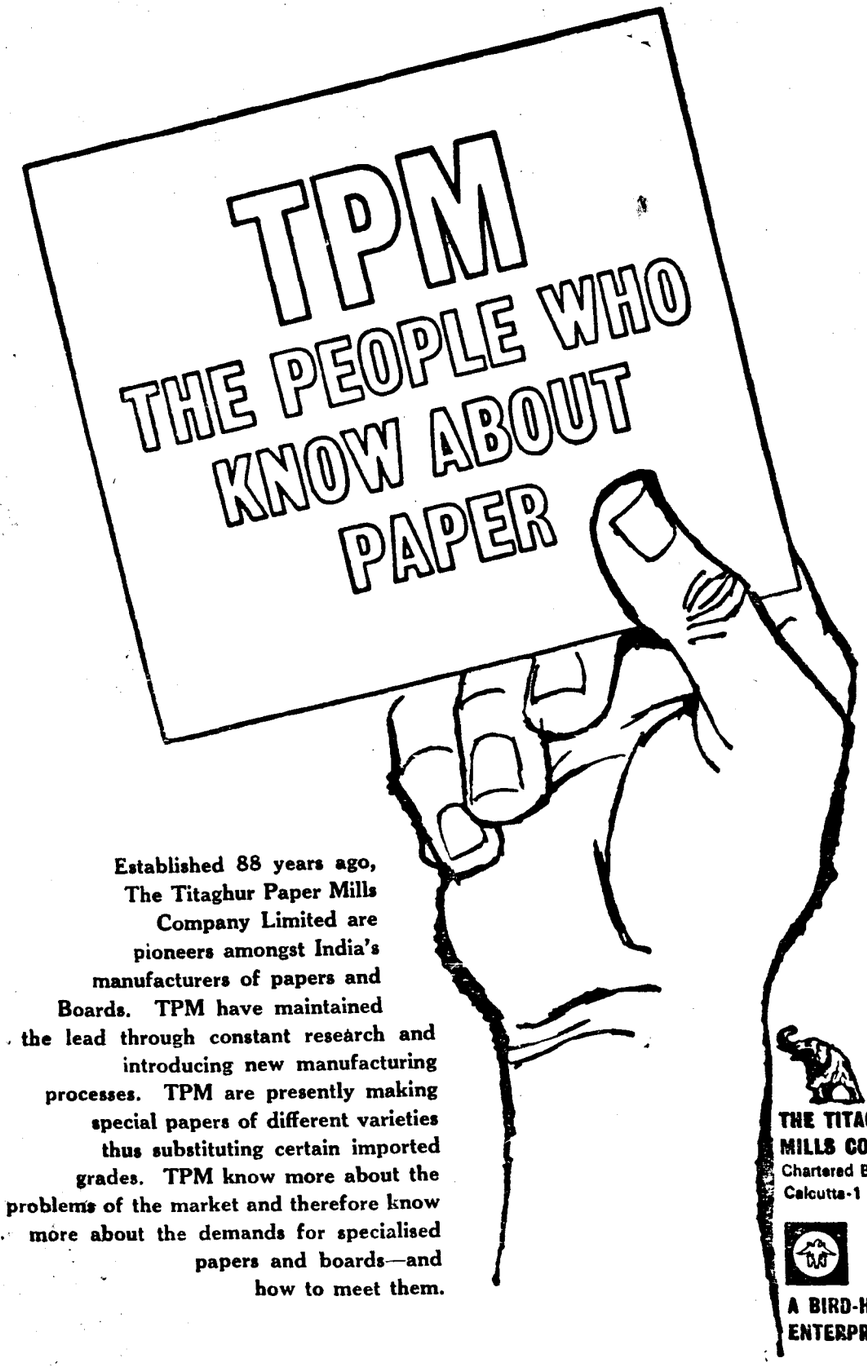

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28 Feb 19- INDUSTRIES DEPARTMENT

CAPITAL

INDIA'S OLDEST FINANCIAL NEWSPAPER

Mixed Economy at Stake?

Tackling the Unemployment Problem

New Indo-U. S. Dialogue?

Social Responsibility of Management

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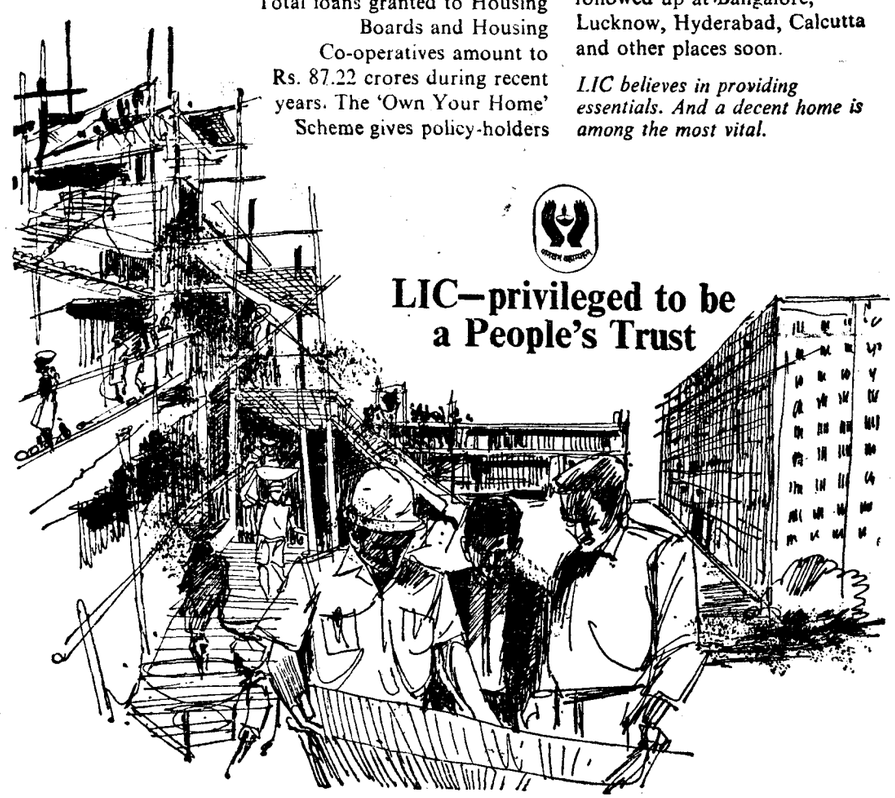

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Mixed Economy at Stake ?

PRESS reports from New Delhi suggest that the Central Planning Minister, Mr. C. Subramaniam, proposes to modify the Industrial Policy Resolution of 1956 in order to provide for a new impetus to industrial growth and secure an extension of the joint-sector concept, about which he spoke at some length at the last annual meeting of the Associated Chambers of Commerce and Industry. It is not as though that an amendment of the resolution is a *sine qua non* for promoting the concept of a joint sector. Ideas on what constitutes a joint-sector project are far from clear even among those who are propagating the concept. What is evidently proposed is to water down the concept of a mixed economy.

It is for this reason that the Planning Minister has proposed the appointment of an expert committee to make a comprehensive study of the Industrial Policy Resolution and the various policies and procedures based on it. The committee is expected to go into such questions as streamlining control procedures, the desirability of setting up an industrial commission to diversify the ownership of large houses, extension of the concept of a joint sector, nationalisation of key sectors, amending the Monopolies and Restrictive Trade Practices Act and its procedures, and the formation of holding companies for certain vital industries.

Initiative in respect of the last item has already been taken by the Central Minister for Steel and Mines, Mr. Mohan Kumaramangalam, whose proposal for the formation of a holding company for all public undertakings connected with steel production has been accepted by the Central Cabinet "in principle". It may be some time before details of the scheme are made public but it appears that one of the underlying objects of having a holding company for the steel industry is to tighten Government control over the two private-sector plants—T.I.S.C.O. and I.I.S.C.O. Public financial institutions hold 38 per cent of the shares in T.I.S.C.O. and 52 per cent in I.I.S.C.O. The proposal is that the holding company will represent the interests of these institutions in the two private-sector firms and take active participation in their policy-making and even management. What is disturbing is not the concept but the insistence on extending it even to larger houses that are already well established and need no finance or expertise from the public sector. It is well known that one of the members of the Monopolies Commission is projecting this new concept in every dissenting note of his on applications from the larger houses referred to the Commission. It is clear that this new concept is a distorted version of the original idea, contained in the Dutt Committee report on industrial licensing.

This committee was the first to propose the introduction of the controversial convertibility clause in future loan agreements between private industrial houses and public financial institutions in order to secure an extension of the joint sector concept. The revised industrial licensing policy also endorsed the concept and official spokesmen are on record to have said that this new concept would be applied only prospectively and not retrospectively. It is true that the Dutt Committee wanted that all projects which the Government might decide to permit to remain in the private sector should, however, be treated as belonging to the joint sector if public financial institutions had financed a substantial part of their capital requirements. If that criterion were to be applied with retrospective effect, nearly 140 private companies, in which public financial institutions hold between 10 and 51 per cent of the

shares, would straightaway come under the joint sector.

It is high time the Government came forward with a clear enunciation of what it proposes to do, instead of letting each Minister air his personal views on such a sensitive matter as this. While Mr. Subramaniam talks of "a realistic approach" to the whole question of private ownership of industry, he has not made it clear whether it will be "realistic" from the point of view of all—private industry as well as the Government. It is after all a relative term and should not have been left so vague as to cause misgivings in the minds of private industry and trade. Furthermore, the Planning Minister said, "We are thinking in terms of expanding the joint sector concept for the medium and even some of the heavier units". His emphasis is on medium units, and heavier units come only second in order of priority. But then, why is a beginning being made with the steel industry, which is certainly not a medium industry ?

Mr. Subramaniam has, however, done well to indicate that the Government has an open mind on this matter by his invitation to industry to come up with concrete proposals. In his view, expansion of the joint-sector concept should enable "us to retain with advantage the best that is available in the private and the public sector". But if the concept is gradually extended to every large private enterprise, whenever it approaches the Government for a licence, there will be no private sector left in the country and the claim of the Government of promoting a mixed economy will be false and bogus. If the intention in proposing the amendment of the Industrial Policy Resolution is to do away with the concept of a mixed economy, then it should not be treated as a matter for debate only within the inner counsels of the Government. There ought to be a public debate and industry should not fight shy of expressing its views merely because of the fact that the ruling Party has a majority in Parliament and is in a position to get any legislation through. In the meantime, industry must have the assurance from those in authority that nothing will be done to shake its confidence in the Government and hamper the urgent national task of raising industrial production in the coming years.

The call given by the Prime Minister, Mrs. Indira Gandhi, for self-reliance to meet the challenge posed by the suspension of U.S. aid can have meaning only if industry is taken into confidence and unilateral decisions affecting the very future of private enterprise are not taken by those who have no stakes directly in industry. The recent liberalisation of capacity constraints in 54 industries gives the impression that the Government is earnest in seeking industry's co-operation for stepping up output in the immediate future. Industry is bound to respond to the call of the Prime Minister with enthusiasm, provided the reward is not in the form of expropriation of its assets through hasty legislation for nationalisation of everything under the sun. The political stability at the Centre and the possibility of stable Governments being formed in most States after the coming elections should be an added factor in favour of maturity and pragmatism in the field of industry.

Tackling the Unemployment Problem

IF the public at large has tended to be rather weary of promises of jobs for the millions, that should be considered as only too natural. As unemployment keeps on mounting, the so-called solutions start pouring in in profusion. Admittedly, the problem is so vast and staggering that it is not easy even to decide where exactly to make a beginning. To the credit of the Bhagawati Committee, which has recently submitted its interim report to the Government, it must, however, be said that it has not tried to fudge the real issue by suggesting all sorts of fantastic solutions, ranging from rank gimmickry to instant cures, and has made it clear that there is no alternative but to step up investment. Accordingly, it feels that what is required is extensive reorientation in the Plan approach—a subject likely to be dealt with in the final report expected to be submitted in October. For the time being, the committee has advocated a Rs. 2,000-crore programme for creating 4 million jobs in the next two years of the Fourth Plan. Barring a few ones, most of the proposed schemes have already been included in the Fourth Plan. For the additional ones, about Rs. 740 crores of extra resources will be required, of which budgetary sources will have to contribute Rs. 280 crores, public financial institutions another Rs. 280 crores and the public, especially in the rural areas, Rs. 180 crores.

The arithmetic appears to be deceptively simple, however. Take, for instance, the first item of Plan resources. Rising prices and aid uncertainties, among other things, seem to be driving the Fourth Plan to a serious resources crisis and target underfulfilment and how far even the employment-oriented schemes will be implemented is not known at the moment. The committee has also suggested a number of fiscal measures, including surcharge on corporate and income-taxes, a levy on advertisement, and extension of income-tax to rural areas. About the scope and prospects of these steps, there has been, and still is, considerable difference of opinion, but in any case raising resources of the required order through such methods is not going to prove easy. The public financial institutions have at present a fairly comfortable resources position, but demands on their funds are already rising. And as for investment by the public, particularly by those in rural areas, the question boils down to the larger issue of harnessing the incremental income in the agricultural sector for productive purposes. All these difficulties are genuine, but they have to be overcome, and resources have to be found and the programme outlined by the committee has to be worked out.

Once the money question is taken out of the picture, the committee appears to be on much a surer ground. The methodology it has followed is to choose the most labour-intensive forms of investment with a rural bias and with the most marked spread effect. Minor irrigation projects, road building, rural electrification and rural housing on the one hand and a fuller utilisation of the installed industrial capacity, prevention of closures and the care of sick industries on the other have been included in the list of measures. In more concrete terms, it has suggested that about half a million hectares should be brought under minor irrigation during the next two years, and about Rs. 100 crores should be earmarked for the scheme. Similarly, the rural electrification programme should be extended to 37,000 villages and 300,000 pumpsets should be provided [illegible] Plan projects with an investment of Rs. 235 crores. Likewise, the rural housing scheme should be stepped up; the committee calls for a construction schedule of 0.8 unit for every thousand persons or 360,000 units in 1972-73 and 0.9 unit for every thousand persons or 410,000 units in 1973-74 at a total estimated cost of Rs. 230 crores. Significantly, it has also laid an emphasis on the marketing of the produce of supplementary occupations of villagers as most of the products like milk, eggs and meat are perishable.

These are unimpeachable suggestions—on paper at least. And much depends on finding the resources and establishing the administrative framework needed for implementing the programmes. In fact, even when allocations have been made, progress has often tended to be slow; a case in point has been the programme for helping small and marginal farmers in 46 pilot projects in 18 selected districts. The outcome of the special schemes outlined in the last Budget for the urban unemployed and for rural employment has also been meagre so far. The Central Planning Minister, Mr. C. Subramaniam, has recently said that the 200 million poor in the country's cities and villages without even an assured consumption of Rs. 25 a head a month have little patience for those enjoying a consumption of Rs. 2,500, leave alone those commanding resources of Rs. 25,000. It is all right to ask the latter to make sacrifice for others, but where is the assurance that the money made available this way would be optimally utilised for the betterment of the neglected, for whom nothing perhaps counts as much as stable employment? The Bhagawati Committee itself has questioned the reliability of the unemployment figure of 4.5 million as given out by the employment exchanges and feels the actual number to be much higher. But how long can the country thus afford to sit on a situation that is developing into a virtual powder-keg?

New Indo-U.S. Dialogue ?

ALTHOUGH it is still difficult to say what will be the effect of President Nixon's current visit to China on global politics, people in India are crystal-gazing about its effect on the Indo-U.S. relations. It is difficult to guess what President Nixon is up to in declaring that the United States would make efforts towards developing a new relationship with the countries in the Indian subcontinent and to heal up the wounds following the December war between India and Pakistan. In his foreign policy report, Mr. Nixon has clearly said that it was India that paid little attention to his suggestions for restraint. He even went to the extent of alleging that India expanded its support to the guerrillas and hostilities escalated along the eastern border. But such an exercise in raking up the past will not help in creating the atmosphere necessary to start a meaningful dialogue. President Nixon has imposed certain conditions before a dialogue can take place. First, India must maintain a balanced relationship with all major Powers before America could think of responding constructively. Secondly, it depends on the posture which India, described as south Asia's most powerful country, now adopts towards its neighbours. The implication of the statement is quite clear; the President wants to convey the impression that India is trying to dominate the other countries in the region.

Mr. Nixon himself raises the question as to what will be the future rôle of the Great Powers in the subcontinent. The more pertinent point is what exactly was the rôle of the United States during the several months preceding the Indo-Pakistani war on the Bangladesh issue. That America took a hostile attitude towards India for reasons that are difficult to comprehend is clear. First, Mr. Nixon says that India turned down his suggestion that its troops should be pulled back from the borders while Pakistan accepted the proposal. Secondly, Mr. Nixon says that India rejected the offer to post U.N. observers which was made by U Thant, the then Secretary-General of the United Nations while Pakistan was prepared for this. Meanwhile, according to Mr. Nixon, time had run out on a peaceful solution and an open war erupted. The sequence of events as presented by Mr. Nixon gives the unmistakable impression that it was India who was eager to wage a war with Pakistan.

Anyone who has closely studied the developments will know that Mr. Nixon is only oversimplifying the issue. When millions of refugees were pouring into India, the American President did not raise his little finger to persuade General Yahya Khan to stop the carnage. In his own statement, Mr. Nixon has said that as Pakistan's army campaign advanced in East Pakistan, thousands were killed, the civil administration crumbled and millions left their homes and fled to India. All that the United States then did was to stop issuing and renewing licences for military shipments to Pakistan, although it was not considered necessary to put a hold on arms that had been committed earlier. In fact, on the day India's Foreign Minister, Mr. Swaran Singh, returned to India after getting an assurance from Mr. Nixon that Pakistan would not receive any fresh supply of arms, news had been received from New York that a heavy consignment of lethal weapons had just left the American ports for Karachi. President Nixon has said in his statement that in the American view, the war was neither inevitable nor acceptable. The position of India too was basically the same. India waited for nearly nine months to see if there would be a change in the attitude of Islamabad to the developments in Bangladesh.

All the figures given by Mr. Nixon about the military aid secured by India from America convey nothing when it is realised that Pakistan too has been receiving sizable military aid. Mr. Nixon has underestimated the military aid received by Pakistan from China, but great significance is attached to Russian military assistance to India. It would be wrong to miss the main point in the whole episode. Pakistan has been wooing China with a view to creating difficult conditions for India. In the face of all this, what does one expect India to do ? What happened in December has clearly proved the wisdom of Mrs. Gandhi's leadership. Under the circumstances, both America and India will have to forget many things to open a new chapter in their relationship. But nothing spectacular is likely to happen till the U.S. administration has thoroughly reviewed President Nixon's dialogue with the Chinese leaders.

Hunt for Black Money

ONE of the first things that the Central Finance Minister, Mr. Y. B. Chavan, did on taking over the Ministry was to focus attention on a "parallel economy", operating with a lot of black money in circulation. The impact of this undefined and evasive quantum of money on the economy was also such that none of the conventional means to curb prices yielded the expected results. That led him to take the first step in the direction of tracking down the holders of black money by appointing a committee of experts to go into all aspects of the problem and make recommendations. The committee, headed by Mr. Justice K. N. Wanchoo, has now submitted its report and it may well be expected that its recommendations will influence Mr. Chavan considerably in formulating his Budget proposals, to be presented to Parliament on 16th March. That is obviously the reason why the document has not been made public although reports of what are claimed to be its recommendations have appeared in the Press. These reports suggest that the committee could not even arrive at an agreed estimate of the amount of black money that comes into circulation every year. While the majority thought that it might be between Rs. 1,000 crores and Rs. 1,400 crores, a dissenting member placed it around Rs. 3,000 crores.

Whatever be the amount, it is agreed on all hands that black money has wrought havoc to the economy and has to be eliminated through all possible means. On the basis of the expert committee's interim report submitted last year, Mr. Chavan has already introduced a Bill in Parliament to check tax evasion by means of *benami* holdings and declaration of under-estimated value of property. This Bill will empower the Government to acquire any immovable property at the recorded price where it has any reason to suspect that the asset has been deliberately undervalued to escape wealth tax, capital gains tax or stamp duties. It will also prohibit persons who hold property by proxy or in fictitious names from enforcing their claim to it in a court of law.

While this is undoubtedly a welcome move, it is not enough to tackle the all-pervasive evil of black money. Politically, of course, demonetisation, like the nationalisation of banks, will be a popular measure but it is extremely doubtful if that will reduce the dimensions of the evil. The Wanchoo Committee is believed to have favoured this step but it is not known whether it has made a specific recommendation to this effect in its final report also. The fear in economic circles is that demonetisation may help to freeze the funds temporarily but may not yield sustained results. The Wanchoo Committee also evidently concedes this, for it has, in its final report, made a number of other and more important recommendations to deal with this problem. Some of its recommendations are reported to be lowering of the highest marginal rate of income-tax from 97.75 per cent to just 75 per cent to provide incentives to honest taxpayers to save and invest and drastic action to penalise the dishonest. The steps to be taken to deal with black money will have to come in one package and must as far as possible be administered by a single authority at the Centre in co-ordination with the State Governments.

A measure of far-reaching importance that has been recommended by the committee is to tap the rural sector and levy a progressive tax on agricultural incomes. It seems doubtful if the Centre will act on this advice immediately as it involves the question of the States' constitutional right to levy tax on farms and farm incomes. Already, a committee under the chairmanship of Dr. K. N. Raj has been set up to examine this question in its entirety, including the administrative and legal aspects of imposing such a new levy. It will be some months before the committee prepares even an interim report. The intervening period should be used by party leaders to educate the public on the principles underlying agricultural income-tax and impressing on them the need for equitable distribution of the tax burden between the urban and rural sectors. It is admitted that the question requires tactful handling in view of the sensitiveness of the States and of their political stakes in rural areas. But the ruling Party will be deceiving none but itself if it imagines that it can solve the problem through procrastination. As days go by, the magnitude of the problem grows and it may well become intractable if remedial measures are not taken in the near future. The excess wealth in the hands of an agriculturist is no more "white" than what is held by a trader or an industrialist through tax evasion. The two ought to be treated on par.

At present, while non-agricultural incomes are subjected to a highly progressive income-tax, with the highest marginal rate pegged at 97.75 per cent for incomes above Rs. 2 lakhs, incomes derived from agriculture are not subjected to any such tax treatment. For instance, in the case of wholly earned non-agricultural incomes, on a pre-tax annual income of Rs. 2 lakhs, the post-tax income works out to Rs. 48,000, or Rs. 4,000 a month, with every additional income of Rs. 1 lakh above this level increasing the post-tax income by only Rs. 2,250. Coupled with wealth tax and additional wealth tax, personal income-tax imposes a virtual ceiling on urban incomes. Thus, in the case of an income which is derived in equal parts from personal exertion and from investments in assets other than urban lands and buildings, the ceiling becomes effective at a level of Rs. 32,650 or Rs. 2,750 a month; this ceiling operates at still lower levels when the income is derived entirely from wealth. It will be Rs. 23,550 a year for incomes from wealth other than urban lands and buildings and Rs. 22,350 a year for incomes from urban lands and buildings.

In contrast, land revenue, which is the principal direct tax on agriculture, is a flat rate tax levied an acre of land; it is regressive in incidence and inelastic with respect to changes in incomes and prices. In some States like Assam, Bihar, Kerala, Maharashtra, Mysore, Orissa, Tamil Nadu and West Bengal, agricultural income-tax is levied but the bulk comes from Assam and Kerala and is derived mainly from plantation incomes. In 1970-71, the total yield from land revenue and agricultural income-tax was estimated at Rs. 137 crores which formed 0.85 per cent of the net output of the agricultural sector, whereas income-tax was estimated at Rs. 473 crores (even after evasion!) and formed 2.6 per cent of the net output of the non-agricultural sector. This disparity in the relative direct tax burden borne by the agricultural and non-agricultural sectors gets further widened if the corporation tax which is levied on non-agricultural corporate incomes is also taken into account.

The Chief Ministers are not unaware of the existing inequity in the tax burden on the urban and rural sectors but they do not wish to take any steps to tax agricultural incomes as long as they can avoid it. The Prime Minister, Mrs. Indira Gandhi, has already eliminated much of the opposition within her own Party to the proposed measure and some of the Chief Ministers who were opposed to taxing farm incomes and lowering land ceilings are today regretting their past mistakes; they have been swept out of power. The new incumbents as also those who may be taking over the reins of power in the States after the coming polls must take note of the change and move in the direction of bringing about "equity" between the urban and rural sectors in respect of the tax burden borne by them before launching other grandiose schemes for spreading the concept of social welfare and checking concentration of economic power in industry.

Prospects for the Pound

THE world is probably weary of Britain's obsessive self-analysis, and there have been more important matters to consider this year, when the pound has been involved less than usual in a currency crisis that has been much bigger than usual. But in itself this year's debate on Britain has been less boring than usual, if only because the unfamiliar idea of regeneration has emerged alongside the familiar idea of decline. Also, the terminology has changed. "The English sickness" (never well named, as it was more evident in Scotland, Wales, and Northern Ireland, than in England) has gone out of fashion, not because it has been cured but because, afflicting many other countries, it has been seen to be not specifically British. The idea of regeneration has arisen mainly from an extraordinarily strong balance of payments (the pound's inconspicuous position in the crisis has been unusually favourable), a slight but perceptible tendency to regain a proportion of export trade that was lost in recent years, a policy for domestic growth (while many other economies are stagnating), and—hopefully—the decision to go into Europe. The other side of the picture shows persistent reluctance to invest in industry (a manifestation of disbelief in growth, whether domestic or European) and a critical level of unemployment (variously attributed to temporary stagnation and to permanent structural changes in industries and services).

The contrasts of expressed opinions are so vast that one can hardly believe that the speakers are all looking at the same object. Their visions of the future range from an era of sustained growth such as Britain has not experienced in many years (the view of Conservative Ministers, eulogising on the Common Market) to virtual extinction of Britain as an industrial power (the view of industrialists who make capital goods, deploring the low level of investment). The mood of British industry may not be optimistic, but it is incomparably more confident than it was in late 1970. Yet at that time the Chancellor of the Exchequer, Mr. Anthony Barber, saw "evidence of a significant rise in consumer spending and of rising activity generally" and regarded fears of "a further alarming rise" in unemployment as unjustified. A few months later he initiated a new policy to avert a serious recession; a few months later still "a further alarming rise" in unemployment was recognised as the most urgent problem confronting the Government.

Mr. Barber can console himself with the thought that there were many wrong analyses besides his (or his advisers'). In 1970 academic and journalistic economists were demonstrating how years of underinvestment by British industry had produced an economy that was basically weaker than its competitors. Yet the evidence of trade in 1971 suggests that British industry—still underinvesting—has improved its competitive position. Some economists attributed the supposed degeneration to lack of vitality in a domestic economy that had been peculiarly subject to restraints; others attributed it to lack of profits that would provide finance for investment. The economy is now unrestrained, but it is not growing fast; profits have risen strongly, but investment has not been stimulated. The Government can claim some credit for the improvement in competitiveness. It created an environment in which some firms had to economise and become more efficient simply to survive, and in which nearly all firms became more efficiency-conscious. They reassessed their costly labour, and many of them decided that they could operate more profitably with fewer workers. Subconsciously, they were reacting to one of the major criticisms of British industry, its inability to use labour as productively as its competitors. More consciously, in their whole campaign for efficiency, they were reacting to another major criticism, the relative incompetence of British industry's management.

The editor of *Management Today*, Mr. Robert Heller, said recently that British management was "as good as, or no worse than, any other in the world", although in practice it lacked some American virtues, such as energy in selling. He has, however, from time to time, criticised the traditionalism and the Civil Service mentality of some big companies, especially in insurance and banking. It is an interesting thought that the international success of British finance—much more conspicuous than that of British industry in this century—may be attributable to its small content of fixed capital and labour—neither of which (it is alleged) British industry has used efficiently. There is no evidence that British inventiveness is inferior; although whether it is properly applied is controversial. There is some evidence that the British temperament is too complacent for this competitive world; although it was obviously not so in the nineteenth century. Whatever the reason, Britain's economic performance, relative to most developed countries', has deteriorated through most of the twentieth century. But it is arguable that the other countries developed later than Britain and would naturally advance relatively fast until they reached the British level.

The official idea is that whatever may still be wrong absorption into "the enlarged home market" will put right. If there were no more solid reason for confidence, Britain's outlook would, indeed, be gloomy. If she could not take advantage of the large and prosperous tariff-free market of E.F.T.A. and the vast preferential markets of the Commonwealth, how can she expect to benefit from inclusion in a group whose average common external tariff will be only 7½ per cent next year (not an insurmountable obstacle to traders from outside), when she has abandoned her strongest competitive advantage, cheap food, and must contribute awesome annual sums to support Europe's agriculture? It may be thought that the venture into Europe is the main cause for anxiety, not confidence.

CURRENT COMMENT

FREIGHT

The Question of Subsidies

Addressing the annual general meeting of the Calcutta Freight Brokers Association (C.F.B.A.) in Calcutta last week, its chairman, Mr. K. N. Ghose, emphasised the need for close rapport between shippers and shipping lines. It is too often not remembered that problems that beset the shippers were also problems which were the preoccupation of the shipping industry. Ocean transportation like all other commercial endeavours had to maintain its profitability in order to exist, he said. Liner freight rates were thus drawn up to cover all aspects of costs and not on the basis of covering only the cost of carrying each item of cargo individually. It was not logical, therefore, to expect substantial freight reductions for any individual item, unless the basic cost of the entire service could be substantially reduced. Mr. Ghose cautioned that asking for freight subsidisation at the cost of the transport sector was self-defeating. In such cases, the answer perhaps would be to set up a freight equalisation fund to be maintained by the Government out of which freight subsidies could be offered to really deserving parties. This was not to suggest that freight rates did not have an important rôle in export promotion; but such requests, if to be taken seriously, must contain an element of inducement for the carriers in the reasonable future.

POWER

Long-term Plan

The Central Ministry of Irrigation and Power has just carried out detailed studies of power development covering the period 1972-73 to 1976-77. Actually, a long-term power plan covering the decade 1971-81 had been prepared after a careful study of the demand for power, the requirement of generating capacity, etcetera. This is expected to help in taking effective measures immediately for removing power shortage which was experienced in various parts of the country. The programme envisages a total installed generating capacity of 52 million kilowatts at the end of the current decade and is designed to meet adequately and in a reliable manner the anticipated demand for power estimated at 36 million kilowatts in 1980-81, on the basis of the established growth rate in demand for power in the past decade. The above capacity would entail an addition of 35 million kilowatts of installed capacity during this decade which appears very much on the high side. But considering the fact that even this programme would only mean increasing the *per capita* consumption in the country to 250 kilowatts at the end of the decade, this is not really ambitious.

Since, however, the construction of a power plant takes a minimum of five years from the date of sanction before it can be put to commercial operation, the need for a five-year plan was felt. In fact, in the case of most of the hydro projects the period of construction is greater by one or two years. Furthermore, closer integration of power stations and systems already existing and under construction will have to be planned for in order to derive optimum benefits therefrom. Immediate action is, therefore, to be initiated in this direction if the requirements of power up to 1977 are to be met in a satisfactory and reliable manner.

The study covering the period 1972-77 indicates that the total installed capacity in the country will have to be increased to about 35 million kilowatts (including 1.5 million kilowatts in non-utilities and allowing for the writing off of obsolete plants). This comprises 12.3 million kilowatts of hydro, 21.5 million kilowatts of thermal and 1.2 million kilowatts of nuclear capacity, and involves a total addition of 17.7 million kilowatts to the generating capacity during the five-year period. The total requirements of funds for these additions have been estimated at Rs. 2,560 crores of which the additional funds that would have to be spent during the next two years of the Fourth Five Year Plan would be Rs. 280 crores a year on generation over and above what is already available during the Fourth Plan. The corresponding requirements of funds for 110 kV lines and above have been estimated at Rs. 543 crores. Of this, Rs. 170 crores (or Rs. 85 crores annually) would have to be spent during the years 1972-74.

CALCUTTA AIRPORT

New Traffic Prospects

The liberation of Bangladesh has created the hope that Calcutta will once again become the natural gateway for international traffic to and from that country. This will restore the importance of Calcutta airport. It is alleged that Calcutta and eastern India has been virtually ignored since the early 'sixties—long before the first non-Congress Government came to power in the State. The independence of Bangladesh and the expected close co-operation between India and the new nation have ensured a reasonable amount of traffic from Dacca and Chittagong to Delhi and Bombay *via* Calcutta. But the Soviet airline Aeroflot's decision to fly direct between Bombay and Delhi on the one hand and Dacca on the other and similar announcements by Air-India are not going to help Calcutta airport. The decision to open direct flights from Delhi is not questioned on technical grounds but Calcutta should continue to be a natural "economic" stopover for all flights to Dacca or Gauhati.

SELF-RELIANCE

Views at Science Congress

Inaugurating the 59th session of the Indian Science Congress in Calcutta last Sunday, Mr. C. Subramaniam, Central Minister for Planning, Science and Technology, said that the country was interested in both "self-reliance *in* science" and "science *for* self-reliance". He laid emphasis on the expeditious development of institutions and teams of scientific work in the country which could not only fully absorb and utilise knowledge regardless of its source but could also adopt it and develop it in the Indian way. This is precisely what has happened in Russia and Japan.

Mr. Subramaniam also urged the private sector to supplement and complement the Government's efforts to promote research and development in industry. The private sector's investments in R and D are woefully inadequate. Unless industry spends a much larger quantum of resources in upgrading its own technology as well as in the commercial exploitation of the processes and products developed in the laboratories, it cannot hope to survive, much less prosper, in the modern world. What may appear today to be an invitation to industry to help the country's scientists and technologists by using them can become tomorrow an early warning to safeguard industry's own viability in a fast-moving and quick-changing world. He expressed the hope that the industrialists will heed this appeal in good time and develop a close association with scientists and technologists both in Government and outside.

OIL

Prospects in Jorajan

Jorajan I, the seventeenth exploratory well in Oil India's new concession areas, has been drilled to a depth below 3,400 metres and the objective depth of 4,100 metres is expected to be reached very soon. Evidence obtained during the drilling indicates the presence of several promising ranges. Two of these ranges (each about 15 metres thick) show indications of the presence of producible oil in one and gas in the other, possibly in commercial quantities. The actual production potential of the well will be known after detailed tests are carried out following the completion of drilling. From overall evidence it appears that this is likely to be a good well, on a small structure.

TOURISM

New Opportunities

The normal high-season tourist traffic disturbed by the December war has not yet resumed and the entire tourist industry throughout the country is to suffer during the best season ending March. A large number of tourists come to India by road from Afghanistan but the Asian Highway is now closed. Moreover, anti-India propaganda in some countries is still on. It is said that it would take at least another three months to convince the travel agencies in the West and Japan about the normalcy in south Asia. By that time, summer and monsoon will arrive in different parts of the sub-continent. But the situation will not be that hopeless in the coming years if the authorities encourage Indian travel agencies to be a little more imaginative and bold. Bangladesh is bound to attract a large number of foreigners. In co-operation with the Bangladesh Government, package tours could be organised to show the rivers, seaside resorts like Digha and Cox's Bazar, hills in Darjeeling, Chittagong, Kathmandu, forests in Kaziranga and the Dooars and cultural centres like Dacca and Santiniketan. The Governments of Nepal and Bangladesh and the State Governments of Assam and West Bengal may sit together and chalk out practical plans.

G.N.P.

Pick's Currency Report

Among 86 countries, listed according to the gross national product *per capita* at the end of last year in the *1971 Pick's Currency Yearbook*, India ranks 78th, just above Cambodia, Haiti, Afghanistan, the Democratic Republic of Congo, Nepal, Nigeria, Ethiopia and Malawi. The book, published recently, shows the United States ahead of all others in *per capita* well-being. Canada, Sweden and Denmark rather expectedly followed the U.S. with Canada moving up to second place. West Germany, in the seventh spot, led the Common Market countries. The United Kingdom slipped one notch to fourteenth. Little Iceland advanced from seventeenth to thirteenth. Libya, although still engulfed in an oil boom, dropped to twentieth place, Japan, Austria and Israel climbing ahead of her.

European countries again showed their continued economic progress, remaining the world leaders in material well-being. Europe's lowest *per capita* product was again recorded by Turkey, which dropped 13 places due to the lira's devaluation in 1970, and amounted to a little more than 7 per cent of Sweden's. As in previous years, Venezuela ranked first in Latin America, with a figure $2\frac{3}{4}$ times greater than Brazil's. In Africa, Libya still held the lead, followed by South Africa, while last on that continent, and on the complete list, was Malawi. In Asia, Japan was in first place, followed by Israel, with a *per capita* figure approaching—and even exceeding—that of many European countries. Hongkong and Singapore were next in succession. If Australia and New Zealand were included in this area, they would rank first and second, respectively. Nepal had the lowest figure for the group. The table has left out the Governments of what the book calls the "collectivistic world."

Eighteen of the 86 countries surveyed show a gross *per capita* product of less than $200. If the more or less unrealistic official rate figures of many other countries were actually adjusted to reality, this total would be swelled considerably. Ten of them have less than $100 of *per capita* product. It should be noted that other countries would have been added to this sad group, if official statistics were available.

ZINC DIE CASTING

A Seminar

The Zinc Alloy Die Casting Society organised a seminar on zinc die casting, together with an exhibition and competition of die cast components, in New Delhi recently. Over 80 delegates from all parts of the country attended the seminar and took part in the deliberations. It was inaugurated by Mr. Shah Nawaz Khan, Central Minister of State for Steel and Mines. He also presented awards to the prize-winning entries in the zinc die casting competition. The function was presided over by Mr. Y. M. Mehta, chairman of the Zinc Alloy Die Casting Society and managing director of Pioneer Equipment Co. Private Ltd, Baroda. The first prize was awarded to Godrej and Boyce Mfg Co. Private Ltd, Bombay, for its entry of a night-latch which contains a number of zinc die cast components. Jaya Hind Industries Private Ltd, Poona, was awarded the second prize for a fly-wheel rotor die cast in zinc.

COAL

Working Group on Finance

The Reserve Bank of India has constituted a working group, under the chairmanship of Mr. P.C.D. Nambiar, secretary and treasurer, State Bank of India, Calcutta, to study the financial problems of the coal industry. Other members of the working group are Mr. H. N. Mukherjee, chairman, Indian Mining Association, Mr. R. Lall, chairman, Indian Mining Federation, a representative of the Coal Board, and Mr. S. J. Utamsingh, general manager, United Commercial Bank. The terms of reference of the working group are to study the immediate financial problems of the coal industry, and to review the existing institutional arrangements including bank credit for financing the coal industry, especially in the eastern region, *viz.*, Bihar and West Bengal. The group is expected to submit its report by May this year.

D.G.S. AND D.

Business in Eastern India

At a meeting with the members of the Merchants' Chamber of Commerce, in Calcutta a few days ago, Mr. V. V. Eswaran, Director-General of Supplies and Disposals, Government of India, said that the largest business of the D.G.S. and D. had gone to this part of the country which was a clear evidence of the interest shown by D.G.S. and D. During last year, the value of orders placed by the D.G.S. and D. in this region was of the order of Rs. 171 crores. This comprised mostly of engineering items, railway stores and jute goods. As for the points raised by the Chamber that the period of 90 days to keep tenders open entailed hardship on the tenderors due to wide fluctuation in prices, Mr. Eswaran said that he would have been happy if the period could be reduced. But this could not be done as the tender often did not comply with the enquiries properly. Referring to the non-availability of steel against essentiality certificates, he pointed out that the present position of steel was not at all encouraging.

MONEY MARKET

Tight Conditions

The short-term money market remained tight this past week. The call rate initially fluctuated between 6½ per cent and 6¾ per cent and very small lots were done at 7 per cent. The market has closed at 6¼ per cent, with borrowers over. The demand for remittances has been moderate. The supply of gunny and tea bills has also been small. The pound-sterling has maintained its usual strength against most major foreign currencies during the week.

CORRESPONDENCE

Holding Company for Steel

(To The Editor of "Capital")

Sir,

For some time past the Central Minister for Steel and Mines has been thinking aloud on the proposed holding company which will be entrusted with the task of planning and development in the country. It is also proposed that the holding company would not only hold the shares in private-sector organisations but also act on behalf of the public financial institutions in relation to the shares held by these institutions in the private-sector steel companies. The idea seems to be to streamline the speedy development of the iron and steel industry by co-ordinating the various processes involved in steel making, *i.e.*, right from mining to the production of high quality steel. Thus the holding company will have in its fold the Government's shares in mining, refractories, coking coal, Central Engineering and Design Bureau, etcetera.

The function of the holding company would be to approve of the plan of the operating subsidiary for the year which will, of necessity, include defining the steps to be taken to achieve the plan target. The implementation of the plan by the operating company would be subject to the monitorship of the holding company. Thus if it is not an additional ministerial agency, the holding company steps into the shoes of the present position of the Ministry. But as the importance of the Ministry cannot be minimised at any rate, this is bound to be another agency between the Ministry and the operating company in addition to the present head office. Even assuming that the existing head office is done away with, this only centralises the head offices of all the concerns. This makes it clear that the Central Minister has admitted the lack of co-ordination in the working of the various public-sector undertakings. It is also clear that even those undertakings that function under one administrative Ministry do not co-ordinate their activities.

The general feeling from the plant's point of view is that the head office does not contribute anything positive in the productive aspects, except, perhaps, as a deterrent and a costly overhead and the blames for shortfalls are passed on to the plant. The same view obtains in the inter-company and the head office-Ministry relations. It could not be denied that under the present set-up, there is no centralising agency for co-ordinating the activities of the public-sector undertakings. Ministerial and other committees are galore and these are filled to a great extent by the top executives of the various undertakings. Even the boards of directors largely reflect the top notch of the various undertakings. The present lack of co-ordination, therefore, points to the absence of a proper climate and not the need for setting up another agency at the top. Without a change in the attitude and thinking, the mere creation of a holding company is definitely not going to deliver the goods.

Yours etcetera,
S. Viswanathan

Ranchi,
8th February, 1972

RISING PRICES

A CORRESPONDENT writes in *Current Coin*: If the rise in food values all over the world is largely due to the increased output of gold, perhaps the absorption of about a fifth of the supply by India may not be a bad thing after all, for a new outlet is found for the surplus supply which is sometimes said to be the root cause of the trouble. We notice, by the way, that in the prices enquiry which President Taft desires to have made and which is to be of an international character, an attempt is to be made to isolate gold so as to determine whether other factors, such as the increase in the world's population and the consequent increase in the demand for supplies, the abandonment of agricultural pursuits *in favour of town life*, and so forth, are not sufficient to account for the milk in the cocoanut without the gold factor; or, if not, to determine to what extent gold, in view of the probable continued increase of that metal, plays a part in forcing us to pay more for our supplies than we feel inclined to do. The result of this enquiry should be both *interesting and instructive*.

FROM
CAPITAL
22nd February, 1912

A Ditcher's Diary

At Peking airport on Monday, President Nixon had a cooler reception than had been generally expected. There were no flower-girls to sing "chini-markini bhai bhai"; even more radical youth did not throng the airport to remind the American President that "the east is red" or to point out how the east wind was prevailing over the west wind. Someone had suggested that the Chinese attitude would be reflected in whether Mr. Mao Tse-tung was present at the airport or not; but I never thought that the Chairman's absence, which could be explained by his age, would indicate coolness. But I did expect a bigger show than the Chinese finally put up. The absence of a large welcoming crowd was perhaps a reminder that, although Mr. Nixon was a State guest, the Chinese people felt no particular warmth for him or his Government; again, by not asking the diplomatic corps to be present the Chinese Government probably wanted to point out that as long as the U.S.A. refused to grant diplomatic recognition to the People's Republic an American President's visit, even on Peking's invitation, could not be regarded as a full State occasion. Such distinctions, however, may not indicate China's attitude to the talks now in progress; indeed, a demonstratively cool airport welcome could conceivably indicate a serious, businesslike approach. It could also be designed to forestall possible criticism of China's readiness to talk with Mr. Nixon when American planes had stepped up their attacks on Vietnamese communists. If the President felt a little discouraged, he knew better than to betray any emotion. He should also have known that he could expect no results from pious generalities. M. Andre Malraux had told him that he would not meet revolutionary people in China; but he must have been told that the people he would meet were extremely hard-headed. Though considerably older, Mr. Chou En-lai retains exceptional mental vigour and physical stamina; he gave a five-hour interview to Mr. James Reston a few months ago and an equally lengthy one later to Mr. Neville Maxwell, without showing any sign of strain or mental exhaustion. This does not mean that there has been no time for lavish food and drink and at least some formal ceremony; and Mr. Nixon seems knowledgeable about the potency of Chinese wine. I hope he has not been offered any Chinese whisky; I drank some recently in Dacca and found it lousy. Mrs. Nixon should have an easier time and will surely excite some curiosity among Chinese women. The visiting correspondents should not have an exacting time either; there could be little hard news outside official briefings and perhaps not much in them.

A genuinely peace-loving fellow may one day be provoked to say: "When I hear the word 'peace' I reach for my revolver." Remember the days when every communist pronouncement, no matter on what, unfailingly made a ritualistic mention of world peace? The association was so pronounced that in some extreme anti-communist circles "peace" came to be regarded as a dirty word. But the period of "peace congresses" has been left far behind. The American passion for the word has grown with the U.S. involvement in the Indo-China war: Kennedy, Johnson, Nixon—each has talked of peace on more occasions than any computer could count. During the Bangladesh crisis and the Indo-Pakistani war President Nixon went on aiding Islamabad in the name of peace; after the war he sought to justify his policy by recalling Nehru's quest for a generation of peace. On his arrival in Peking he apparently thought that he must vary the phrascology with a dash of Maoist history. So he wanted to start a long march towards peace together with Mr. Chou En-lai, who must have been a little startled at the suggestion that the start should begin "in these next five days"; with the experience of one long march behind him, the Chinese leader would surely have liked somewhat longer notice for embarking upon another hazardous journey, although he must have been a little reassured to learn that the U.S. President wanted to march "not in lock-step but on different roads". Mr. Nixon's rhetoric may yield some electoral dividends at home, even if the silent majority remains sceptical about any kind of march to "the same goal". Women voters will no doubt recall how Mr. Nixon, even when addressing the Chinese, did not forget his daughter's birthday or "all the children of the world". The children of China, for whom Mr. Nixon's performance was not a part of the evening's television programme, may still be unaware of his sentiments. But who can any

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longer be sure what a politician's real sentiments are? The vocabulary of politics, almost always designed to mislead, becomes particularly confusing in election rhetoric. Mercifully, the rhetoric has a diminishing credibility. All political parties in India are now competing with one another in promising to abolish poverty; in West Bengal the two main contestants are equally vociferous in accusing each other of using terror. There has been much talk about politics of terror; one could perhaps also ask: Politics of poverty, or poverty of politics?

EXACTLY WHAT HAPPENED TO TSAR Nicholas II and his family, and whether in fact they were all murdered in an Ekaterinburg cellar on the morning of 17th July, 1918, is now firmly established among history's more baffling riddles. It is certainly one that has always intrigued me, and I was interested to learn that fresh documentary evidence about it has recently been discovered. In the Houghton Library of Harvard University, in fact; a dossier compiled by a White Russian judge named Nicholas Sokolov, who was specifically commissioned to investigate the affair. Apparently, although without finally settling the matter, his evidence suggests that the murder never took place, that it was faked and that the royal family escaped and was seen and recognised months afterwards. Or at least the Tsaritsa and her four daughters were; evidence of the survival of the Tsar is not so abundant and indeed there is little in the dossier to indicate that he did not perish, although perhaps not in the famous cellar. I confess myself absolutely fascinated. But this is where I always ask the question to which I have never yet had an even remotely satisfactory answer: if at least five members of the imperial family survived, what on earth happened to them? Why have they never turned up anywhere? Of course, we all know about the efforts of that German woman to establish the fact that she was the Grandduchess Anastasia, and personally I was rather sorry she failed. But fail is what she did; and those who passed judgment were doubtless convinced they were right. But of the others, including the Tsaritsa, there seems to have been no sign whatever, and this is rather odd. If they did survive, and escaped from Russia, then surely they could not have just disappeared; somebody would have produced them if only to prove the ineffectiveness of the Bolsheviks. Indeed, even

if they had been found within Russia, Lenin would surely have seized the opportunity of vindicating his regime at the bar of history, especially when it is known he never favoured regicide. But this just about sums it all up, I suppose. Even if this newly discovered dossier does throw some light on one mystery, it will probably do so only at the expense of presenting a host of others.

AS ONE WHO WOULD HESITATE TO DENY his occasional fondness for the cup that cheers and does inebriate, I was more than mildly interested to learn that my tolerance towards the stuff may have something to do with my racial identity. Or at any rate the genetic properties which normally go with the race. It seems that experiments recently carried out by Dr. Peter Wolff, of the Children's Hospital Medical Centre, Boston, Massachusetts, have proved to somebody's satisfaction that Mongoloids possess a greater sensitivity to alcohol than Caucasoids. Ah, you say, but normally their body weight is greater, and as any cautious party-goer knows, that has a good deal of bearing on whether you leave on your two feet or on all fours. But before my European Caucasoid friends draw the gratifying conclusion that at my parties their glasses should be the best filled, may I point out that Indians were not included in this experiment, and must for that reason be exempted from its findings. But seriously, I cannot think what possible use this kind of information can have, at any rate not for social behaviour. Myself, I find my sensitivity to alcohol varies so widely, and for so many obvious reasons, that there can be no point in allocating for me a place in the league table. Some nights I can drink until my hostess blushes with shame for me. On others, well one peg and I am at peace with the world, and can be safely left to do my own blushing on the morning after. To be told that my ethnic characteristics govern it all is simply not helpful.

BORN IN 1805 AND STILL GOING STRONG? So it seems, if a Tass report about Mr. Shirali Baba Mislimov of Soviet Azerbaijan is to be credited. Stories of men who are said to have lived to be 150 or more are not always reliably documented. Britain introduced compulsory registration of births in 1839 and no case of anyone living past 109 has been recorded there since then. According to one knowledgeable source, the oldest man for whom there is adequate documentary evidence was Pierre Joubert, who died in 1814 after having lived 113 years and 120 days. But if there is satisfactory documentation about a man born in 1701 there is no reason why the evidence about one born 104 years later should be called in question. People of Azerbaijan seem to make a habit of living well beyond the Biblical span of 70 years. Mrs. Mislimov herself is 98, which incidentally means that she was born when her husband was already 69 years old. The bridegroom must have been around 90 when the marriage took place; but the marriage seems to have been perfectly happy. Almost predictably, Mr. Mislimov does not drink or smoke. The oldest living man of the old and apocryphal story also told an interviewer that the secret of his longevity was his life-long avoidance of alcohol; but when some internal noise started upstairs and the interviewer asked what it was, the proud teetotaller casually explained: "Oh, that's my dad getting drunk again." I know that the story must have been invented by some alcoholic in sheer self-defence; but I am tired of being told that moderation is the only secret of long life. The moderation can be such as to make one ask whether the resulting long life is worth living; I am more interested in Mr. Mislimov's other secret that he is "never in a hurry". It is so nice to be able not to be in a hurry about anything; but civilisation devours time and even with my phlegmatic disposition I often find myself rushing about to little purpose and less profit. Women generally are in less of a hurry than men, which may explain why they often live longer. According to the latest United Nations statistics, baby girls in as many as 41 countries can expect to live out the span of three score years and ten, but only in five northern European countries can a baby boy expect to do so. Swedish girls have the highest life expectancy: 76.5 years; Sweden also leads the world in male life expectancy: 71.9 years. Do the Swedes drink or smoke less? I don't know; but their longevity may have something to do with certain symptoms of morbid self-exploration. Some may suspect that Bergman is gloomy mainly because he is essentially bored.

A DRUNK WANDERING IN ALIPORE AT night read a notice that said: "Ring the bell for the porter". He did just that and the porter promptly arrived. The drunk looked the porter over for a minute and said: "I want to know why you can't ring the damn bell yourself".

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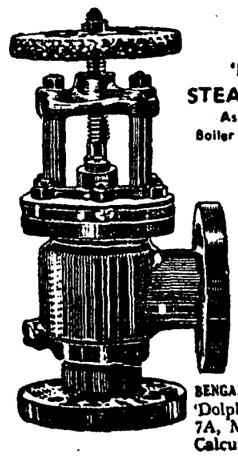

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MANAGEMENT

Social Responsibility of Management in Developing Countries

By A. N. Agarwala

If corporations are asked to behave in the interests of society, it is not seeking a favour from them. They have to do so in their own self-interest.

BUSINESS in low-income countries shows general indifference to its environment and is often accused of acting counter to some of its crucial imperatives. It is charged with violating national values according to which business should earn a reasonable rate of return and promote national good. Its social image is that it is posited to earn maximum profit in whatever ways it can—by cheating investors, passing on to consumers high-priced and poor-quality merchandise, exploiting workers by giving them lowest possible wages and poor working conditions, evading taxes, and avoiding contributions to social welfare programmes.

It cannot be established by adducing empirical evidence that this really is the business behaviour or the public image of business in popular mind. There is some measure of evidence that the trader is more flagrantly profit-motivated than the manufacturer, so that indifference to social values may not be universal. But it would be more realistic to hypothesise that business in less developed countries is motivated by a desire to earn maximum profit than that it is not. This indicates the urgency of bringing home to undermanaged business economies the great need of behaving in socially responsible ways.

Reasonable Profit

Socially responsible behaviour is the same thing as ethical business behaviour. Such behaviour is not motivated by the idea of earning maximum profit but is guided by other considerations also. It replaces "maximum profit" by "reasonable profit". Profit is, however, not completely excluded from the calculations of a socially responsible firm. This is so because business, according to contemporary thinking, does not have a single goal but a plurality of goals ; it is not monolithic but varied in outlook. A mono-goal-oriented enterprise is one which is guided solely by the motive of maximisation of profit to the subservience of every other consideration. Like the Economic Man, a single-goal-directed business is a monster, although it still perhaps survives. Its ruthlessly exploitive tendencies are out of tune with contemporary social temper, and it is now expected to sublimate its acquisitive instinct with consideration for social good. A firm with a conscience has a miscellany of goals. Socially responsible behaviour is identified with plurality of goals.

These pluralistic business goals can be broadly divided into (a) organisation goals and (b) other goals. The primary organisation goal is *profit*. The first and prime responsibility of business is to be a profit-yielding operation. A business which does not earn profit cannot survive. Profit, again, is the only available measure of business efficiency. *Expansion* is another organisation goal. The rate at which business expands is one of the accepted measures of its success. Business should furthermore be *innovative*. It should not only use latest technology, but should also be innovative in outlook and choice of management methods. Within the constraints of its ecological relationship, it should make things happen. This will enable it to cut down cost, encourage competitors to improve efficiency, benefit stockholders, and serve customers by supplying them with good quality merchandise at low prices.

At the same time, a business enterprise has to serve certain non-organisation goals. It is expected to look after the welfare of its *employees* and provide them with higher wages and better working conditions. It should serve the *consumers* better by constantly improving the quality of products and reducing prices. It should, furthermore, strengthen the hands of the *Government* by co-operating with it in all progressive measures and particularly by paying various taxes duly and promptly. Finally, it must serve *society* at large and lend a helping hand in the promotion of social welfare measures.

Multiple Goals

Modern organisation behaviour theorists like Simon, Cyert and March believe in multiple organisation goals. A corporation itself is not a real person. Although company law recognises company as a legal persona, this is no more than a legal fiction. Not being a person, a corporation does not possess a mind or a conscience of its own ; nor is it stimulated by any motivations. If it still functions—and function it does—it does so on the basis of the activities of several groups of people associated with it. Stockholders by themselves do not constitute a corporation any more than managers. The stockholders, managers, workers, consumers, Government, and society at large—all have a hand in the working of a corporation. A company is, as such, a coalition of many individuals and groups. Each individual or group has separate and independent goals. Their interests have as much chance of being mutually complementary as of being mutually conflicting. Each of them has to be given sufficient monetary and non-monetary reward with a view to securing its wholehearted participation. This gives plurality of goals to a business corporation.

Socially responsible business behaviour balances each goal with other goals, and non-organisation goals

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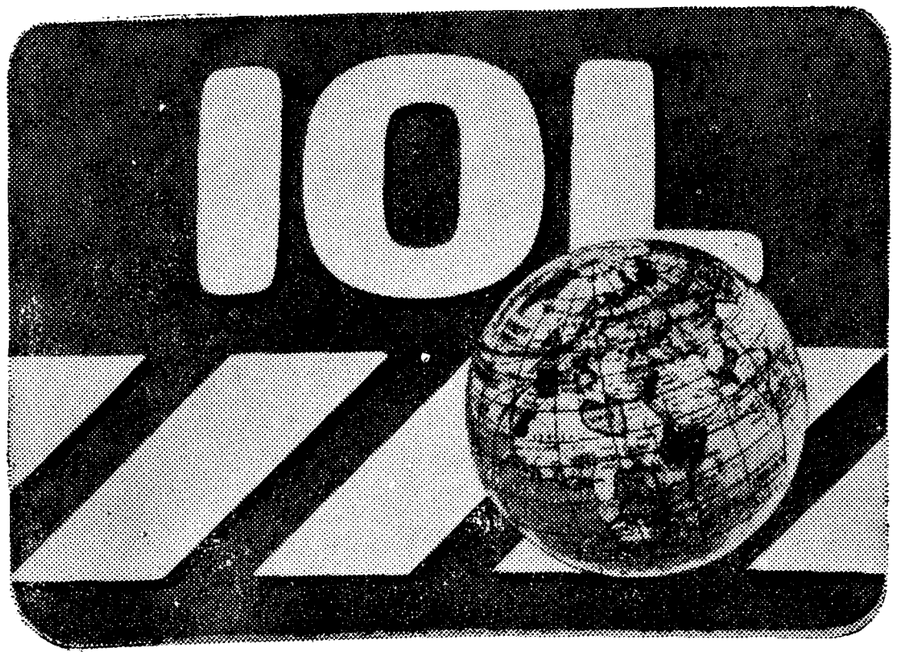

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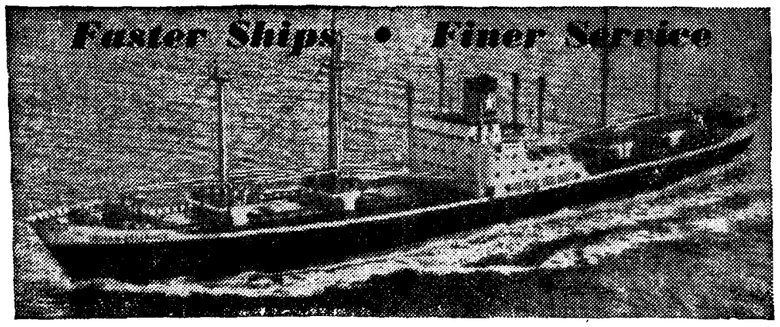
with organisation goals. It is not easy to secure in such a balance the maximisation of any particular goal, for at least some of these goals may be mutually antagonistic. If the management pays more wages to workers, profits will be curtailed (unless the management has come to such a complete understanding with the employees that the latter begin to act as real partners in the enterprise and work with the management to earn maximum surplus). In general, an enterprise works for a reasonable satisfaction of all organisation goals.

In a sense, managers are always responsible. They must have goals and these must be ceaselessly achieved—this is executive life. People in a lower hierarchy are accountable to those in the higher level; and they are all accountable to their own conscience and to professional ethics. Managerial behaviour is, as such, always responsible. But a manager acts in a socially responsible manner when he does something for social good by going beyond his job requirement or contractual obligation. Social responsibility does not emanate from his job specification—it is additive to it and is a function of the initiative and idealistic drive of the manager himself. By virtue of the same logic, a corporation's action for social welfare under legal compulsion is merely a matter of coercive rationality; but if it adopts measures for promoting social good at its own initiative and under the spur of its own idealism, it is social responsibility. Self-drive and inner concern for social good induce socially responsible action.

Towards Extinction

It should be noted that a motive of unbridled profit-seeking violates current social values and attracts social and legal penalties—the former in the shape of public hostility and the latter in the form of increasing legal regulation. Growing public disapprobation and excessive legal control create tensions in exogenous environment, and these tensions gradually push business towards extinction. The only escape from annihilation is the development of a sense of social responsibility. By exercising self-discipline, business can buy time from society and ensure for itself a lease of life by giving evidence of self-correction.

If corporations are asked to behave in the interest of society, it is neither seeking a favour from them nor pressurising them to change their behaviouristic style. They have to do so in their own self-interest. The intention of those who talk of business ethics is to advise corporations as to how they can save themselves from unpleasantnesses and threat of extinction. Self-correction is a way of avoiding growing Government regulation and mounting social pressures. The intellectual interest in this problem area is also a reflection of concern for growing social good, because the process of mounting corporate delinquency and its coercive correction or eventual extinction will subject society to great damage and dislocation. Social responsibility is a preventive check on the corporate disregard of social norms which, if uncontrolled, would attract the positive check of legal regulation and social sanction. The threat to corporate perpetuation was never more in human history than today.



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SPECIAL ARTICLES

The Ways and Means of Holding the Price Line

By M. R. Meher

The Government has taken some worthwhile measures to hold the price line. But what is urgently needed to keep prices in check is an appropriate incomes policy.

GOVERNMENT spokesmen have for some years been assuring the people of adequate steps being taken to hold the price line and thus alleviate the hardship of the people, especially those in the fixed income groups, but the problem has for long baffled solution. During the short period of the 14 days' war with Pakistan, the prices of essential commodities like cereals, edible oils and *vanaspati*, remained relatively stable both because of the prompt measures taken by the Government and because of a degree of realisation among the people that during such an emergency hoarding, blackmarketing and profiteering are anti-national acts. But the general problem of inflationary pressures on the economy is a complex one and concerted approach on many fronts is required.

It has further to be borne in mind that action that can be taken by the Government, even if successful, can be only up to a point. Prices depend only partly on the economic policies of the Government, for the Government cannot alter the operation of economic realities and economic laws which operate when the demand for goods exceeds supply or when the cost of production of goods has gone up and the Government cannot control prices without taking this into account. The recent judgment of the Supreme Court in the car prices case shows that the Government cannot fix prices of industrial products so as not to allow a reasonable return on capital invested, much less can it compel producers to sell at a loss. The position as regards prices in general would have been much worse but for the progress of the "green revolution" and the succession of good monsoons. Because of the expenditure required for replacing defence equipment, the necessity for giving assistance to the devastated economy of Bangladesh, and the declining foreign aid, drastic measures will have to be taken to increase production, keep down production costs and keep prices in check.

The steps so far taken by the Government, such as direct physical control on commodities, strengthening the system of distribution of essential commodities, the removal of unnecessary restraints on production, discouraging of overdrafts by the States, economy in non-plan expenditure by the Centre and States, efforts to increase production and efficiency of public-sector industries, are in the right direction. It is hardly necessary to emphasise that as long as the economy is hit by shortages, it is difficult to keep prices in check. Prices can be kept reasonably stable by increases in production and productivity, particularly of essential capital goods like steel as also essential articles of consumption. All production, whether in the small, medium or large-scale sector has to be encouraged. The solidarity shown by the nation during the war and the devotion to the national interest shown by employers and workers during that crisis should be maintained so that there may be less labour trouble and more production.

Certain long-term measures are necessary for controlling inflation, in addition to well-devised steps for dealing with the problem of black money. The present emergency has created a sense of urgency and the opportunity for doing everything necessary should not be lost. The Prime Minister, Mrs. Indira Gandhi, who has shown signal courage and ability in dealing with the great crisis, with the prestige and authority attained by her and her Government which has a large majority in Parliament, should be able to take measures which national interests demand, even though they may be against sectional or vested interests. The Central Finance Minister, Mr. Y. B. Chavan, had stated in Parliament that there was necessity for an integrated policy on incomes and wages to check the rising trend in prices.

Economists are generally agreed that unless a country has the right incomes and wages policy, it may not be possible to achieve the desirable rate of growth and employment and price stability. Among the factors that cause inflation are periodical increases in wages unrelated to productivity. It is true that in this country wages and salary incomes do not constitute a preponderance of money incomes as in the western countries. There is the large agricultural sector and the self-employed sector. But still wages and salaries form a large chunk of incomes in this country also. In this country, whenever the question of applying an incomes (including wages) policy is mooted, the trade unions are at once up in arms against it, raising the bogey of wage freeze and arguing that there cannot be any restraint on wages unless prices are kept stable. But it is because of malaise in the economy that prices have been rising; so an appropriate incomes and wages policy is required. It is overlooked by trade union leaders that prices, wages and incomes are inter-connected and that industrial workers who also share in profits of the concern in which they are employed by way of bonus cannot be absolutely insulated from the burdens of inflation which fall on all other sections of the community.

It is also overlooked that in the major industries the dearness allowance is linked—under awards of wage boards, tribunals and under bipartite agreements—with the cost of living index and so it secures a high degree of neutralisation of the increase in the cost of living. An appropriate policy need not alter this except where the automatic link to the index is unreasonably high, and would also not affect any schemes of linking wages to productivity. Therefore, the blanket opposition of unions to an incomes and wages policy is unreasonable. It is necessary to set up a high-powered commission or committee to consider and devise an appropriate wages and incomes policy. The committee should suggest guidelines to be considered by the Government and the Parliament. On the basis of the guidelines approved by Parliament, any rise in wages under a bipartite agreement or under the award of an industrial tribunal should be subject to confirmation and review by a prices, incomes and wages board, except in the case of increases in wages linked to productivity.

As for incomes other than wages, there should be no difficulty in implementing an appropriate policy which should, however, be such as not to be a disincentive to investment and savings, including corporate savings. As far as wages are concerned there would be opposition from unions, but such

opposition has to be overcome. The Government must do what is right and necessary in the national interest, even at the risk of displeasing trade unions. It would not be right if an incomes policy with restrictions on incomes is spelt out, that restrictions on rises in industrial wages where they are already high cannot be made. As it is, the wage structure in many industries is distorted by the automatic link with the consumer price index allowing a high degree of neutralisation of the rise in the cost of living. Thus not only are industrial workers insulated against the burdens of increases in the cost of living which fall on other sections of the community, but this means transfer of purchasing power to them from the self-employed and other sections of the community whose incomes are not thus protected.

In this connection, it is relevant to quote the sensible view of a labour leader and former Central Minister, Mr. Gulzari Lal Nanda, expressed at a seminar in Bombay some time ago on labour management co-operation: "Any satisfaction of sectional demands which is not earned by corresponding accretion to productivity will arise at the expense of other sections who may be more needy and deserving, or it will cause an inflationary increase in prices, dragging down every one to the same old level and creating chaotic conditions all round. The crucial factor in all circumstances must be the capacity of the country to deliver the goods and the building up of the potential for future economic growth. The society can give freely only if it can obtain or exact hard work and discipline."

West Bengal : Promoting Industrial Growth through More Power Subsidy

(BY A SPECIAL CORRESPONDENT)

High electricity rates in West Bengal are considered to be a major impediment to the State's industrial growth. The State Government should remove this impediment by making its power subsidy scheme more attractive.

A NOTE recently released by the Public Relations Officer of the West Bengal State Electricity Board claims that the rates charged by it "compare favourably with those of other States". How far is this claim justified? It has been a standing grievance of industries in West Bengal that not only are they unable to secure uninterrupted supply of power but that the rates charged for it in many cases have been excessive. In fact, the high level of rates has been considered to be a major impediment to the growth of new industries in West Bengal. The report of the Survey Committee on the Engineering Industry in West Bengal said: "One of the factors helping the initial location of industrial units in the Calcutta-Howrah area was the availability of cheap power. This advantage has, to a large extent, ceased to exist now. Compared to the hydro-electricity areas of Maharashtra, the large units in West Bengal even under the Calcutta Electricity Supply Corporation system are to pay 52-58 per cent higher tariff. The situation with regard to the West Bengal State Electricity Board areas is much worse".

The Survey Committee added: "So far as the power rates are concerned, there is no incentive to locate industries in West Bengal. While in other States, the new units or the industrial units located in new growth area outside the existing congested industrial centres get concessions on tariff as well as on duties, in West Bengal the units in the non-congested areas are in practice penalised with a higher rate of tariff".

The Government of West Bengal has now offered as part of its scheme of incentives a subsidy on power to promote the development of industries. The official notification on this subject says: "The State Government through its authorised agents will offer a rebate up to a ceiling of 30 per cent on electric power tariff of the West Bengal Electricity Board or the private licensed electric supply companies in the State for all new industrial units or the existing units going in for substantial expansion in the backward areas and in new growth centres provided they consume more than 200 kw". This rebate may be allowed to the unit for five years from the date of commencement of supply of electric power.

It will be interesting to analyse how this concession in West Bengal compares with what is given by the other State Governments. In Maharashtra, a rebate on the electricity tariff is promised for all new units coming up outside the Bombay-Thana, Khopoli and Poona-Pimpri-Bhinchwad regions and having a load of over 200 kW. In Bihar, in the case of electro-chemical and electro-metallurgical industries, power is supplied on a no-profit, no-loss basis. The Government of Mysore says that wherever the incidence of electricity tariff and the tax put together is found to be excessive and uneconomic, suitable reduction in tax will be considered in the case of new industries for a certain period from the date of commencement of production.

The Orissa Government's scheme of power subsidy is based not only on the volume of consumption but also on the amount of investment. All new industries as well those which undertake expansion, involving investment of up to Rs. 25 lakhs, will be given power at 12½ per cent less than the usual tariff rates, including duty, from the date of construction till five years after commissioning of the plant. As for expansion of units, concessional power is given only to the expanded portion. The Government of Andhra Pradesh also offers various types of concessions on power, including a rebate of Rs. 80 a kVA year of contracted demand for prompt payment of bills, that is, within 14 days of their receipt. In Punjab no electricity duty is charged for five years from the commencement of a new unit. In the case of expansion, the increase in the consumption of electricity is also exempt from duty for five years from the date of expansion.

In Rajasthan, concessional rates are given for industries that utilise power exclusively during night hours in the area fed from the Bhakra system. Exemption from electricity duty is given to the electro-chemical and electro-thermal industries while other industries are charged duty at a nominal rate of one paisa a unit. All new industries and those which expand have been exempted from electricity duty for seven years, provided the establishment of the industry or expansion takes place between 1st April, 1968, and 31st March, 1974. In Uttar Pradesh, certain categories of small units get a subsidy on power up to 9 paise a unit. The Electricity Supply Undertakings bill the consumer units for the amount directly payable by them and bill the District Industries Officer for the rest of the amount. Uttar Pradesh has also removed the restriction by which till recently the subsidy was made available only for five years from the date of registration.

It will be seen that the scheme of power subsidy varies from State to State. But almost all State Governments have realised the importance of making electricity available to industries cheaply and abundantly. In West Bengal, the power subsidy that has been offered is helpful to some extent in promoting new industries. But it is not clear from the official statement whether this will be available to all industries that undertake substantial expansion or only to those in the backward areas. Clarification is also needed as to whether the subsidy in the case of expansion relates only to the expanded portion. The Government of West Bengal would do well to study the power subsidy schemes in all the other States and examine to what extent suitable modifications can be made so as to make investment in the State more attractive.

The Government of West Bengal should also realistically assess the power requirements of the State over the next five years and plan accordingly for its adequate availability. Meanwhile, the Government should be able to ensure that the existing power plants operate efficiently and to their maximum capacity. Power shortage has been felt in West Bengal even at a time when the State has been passing through a phase of industrial stagnation. With the reopening of the closed factories and the establishment of new ones, the demand for power is bound to go up sharply. Power problems in West Bengal should, therefore, receive serious attention.

Need for New Measures to Spread the Investment Habit

By R. N. Bhargava

The Government's effort to spread the investment habit has made an impact only on taxpayers. It is necessary to initiate measures to make the people more investment-conscious.

ECONOMIC development depends upon investment, which in turn depends upon savings. In a poor country, this is a difficult problem. Savings are low because of the low income of the people. On the other hand, the marginal propensity to consume is high so that any additional income is spent rather than saved. Due to low savings, the level of investment is also low and this in turn is responsible for a low level of income. One can break this circle in the following ways: (1) by borrowing from abroad so that the savings of foreigners can be used to increase investment at home ; (2) by reducing existing levels of consumption and thus increasing the volume of savings ; and (3) by saving a substantial proportion of the increased income that is generated in the process of economic development.

Foreign loans and assistance depend upon a number of considerations—political, social and economic. The conviction of foreigners that loans and assistance will generate additional income and create internal capacity to repay the loans in course of time is also important. Foreigners would be willing to lend their savings provided they are convinced that the recipients are doing their best to increase the volume of internal savings and mobilise them for investment in desirable sectors. If a country fails to make that impression, it cannot expect foreign help. A nation that does not help itself has really no claim to assistance from others. Even if capital is imported from abroad, it necessitates internal savings to provide the required local resources to complete the investment projects. Furthermore, if in addition to foreign loans, a developing country increases internal savings the process of development would be faster. This is absolutely necessary in a country where the *per capita* income is very low.

As far as the reduction in the present level of consumption is concerned, the scope is extremely limited as the masses are living in poverty and their living standards are at subsistence level. There is little scope for tightening the belt when the girth of the waist is already too narrow. However, curbs can be imposed on the conspicuous consumption by the opulent. But they are a very small minority and the total contribution of restraints on their consumption would not be really significant. Furthermore, social and religious customs in countries like India encourage wasteful consumption expenditure and measures have to be taken to discourage such consumption. There is, however, a strong case for ensuring that a large percentage of the additional income, generated through fresh investment, is saved. This will not lead to any reduction in the standards of living but will only imply postponement of the rewards of economic development.

During the First Plan, it was intended to mobilise 20 per cent of the additional income for development purposes. Although that was a modest target, only 14 per cent of the additional income could be mobilised for financing the planned schemes. The experience emphasises the difficulty of increasing the rate of savings in a poor country with extremely low standards of living and a high propensity to consume. It also shows the difficulty of placing reliance on voluntary savings to increase the rate of investment. There are political difficulties also in a country with adult franchise. Hence it requires political wisdom and courage to adopt measures that will deprive the masses from enjoying at present all the benefits of additional income flowing from the process of economic development.

In view of the importance of increasing the volume of savings and investment, taxation has to play a dual rôle in a developing economy like India's. It should bring adequate revenue to the Government and also help increase the rate of savings and investment. The Government has used taxation to build surpluses on the revenue account and these have been used to finance investment in the public sector. The total revenue surplus since independence exceeds Rs. 2,000 crores. India has had a revenue surplus in every year since independence, except that there was a small deficit of Rs. 5.25 crores in 1958-59. This technique has entitled the Government to increase the volume of national savings and investment.

The Government has also used incentive taxation as a means of increasing the savings of the private sector. At present, savings in the form of life insurance premium, contribution to the recognised provident fund and public provident fund and deposits in post office cumulative schemes get a tax rebate of up to

30 per cent of income or Rs. 15,000, whichever is less. In the case of the Hindu undivided family, the monetary limit is Rs. 30,000 but deposits in the post office cumulative deposits schemes are not eligible for this concession in the case of such a family. The tax relief takes the form of deducting 60 per cent of the first Rs. 5,000 of such savings plus 50 per cent of the balance from the taxable income of the assessee. In the Budget for 1971-72, the Central Finance Minister, Mr. Y. B. Chavan, increased the limit for individuals to Rs. 20,000. The Budget also provided that the whole of the first Rs. 1,000 plus 50 per cent of the next Rs. 5,000 plus 40 per cent of the remainder of such savings will be deducted in computing the taxable income of an assessee. The change will benefit assessees with a relatively low income and will, therefore, be an inducement to them to save more in these forms of savings. As an incentive to investment, there is a provision that up to Rs. 3,000 of the income from bank deposits, Government securities, dividends from Indian companies and the Unit Trust of India, etcetera, are exempt from income-tax.

To encourage corporate savings and investments, there is a development rebate on new plants and machinery installed or new ships purchased, but this will be discontinued after 1974. There is also a tax holiday for five years, from the year of production, in the case of new companies up to 6 per cent of their capital. The dividends paid out of this income are also exempt from tax in the hands of shareholders. In the Budget for 1971-72, the Finance Minister has reduced the number of priority industries to 23 and the tax exemption limit to 5 per cent of capital. It is suggested that a continuous review should be made so that this concession could be withdrawn from old established industries, while new industries could be brought within the purview of this concession in the broader national interest.

The above concessions, however, only help to spread the investment habit among the income-tax payers. The masses of the people in the country do not pay any income-tax. For administrative and other reasons, they cannot be brought within the tax net. It is, therefore, desirable to spread the investment habit among these people.

Will Mr. Chavan Cast a Wider Tax Net?

(FROM OUR NEW DELHI CORRESPONDENT)

The suspicion prevails that the Central Finance Minister will use his tax axe in a big way when he presents his Budget to Parliament on 16th March. But whether the major brunt would have to be borne by the urban or the rural sector must remain a matter of speculation.

WITH exactly three weeks to go before the Budget session of Parliament, interest in financial and industrial circles is naturally directed to the shape of things to come in the Budget proposals. Since the Central Finance Minister, Mr. Y. B. Chavan, has thrown a hint that the limits on taxing the corporate sector have more or less been reached, there is hardly any scope for taxing it any further. The natural expectation, therefore, is that Mr. Chavan will have to cast a wider net. Whether this will fall on the urban or the rural sector or both is a matter of guess. All that is clear is that the Government will not like to resort to large-scale deficit financing. It is also clear that although the country's economy has shown resilience during the conflict with Pakistan, the aftermath of it has to be faced, both in terms of putting right the economy and restoring the defence potential to what it was before the conflict. For all this, resources have to be raised either through more taxation or through savings. One reasonable surmise is that the taxes being levied in the name of the Bangladesh refugees may form part of the permanent tax structure. At any rate, there is doubt whether Mr. Chavan will announce the withdrawal of these levies in the coming Budget.

Meanwhile, the Central Government is doing some advance thinking with regard to the Fifth Plan. It is now more or less admitted that the Fourth Plan has become an Annual Plan and no more than three-fourths of the Plan are likely to be implemented. But the Government will have no excuse to scuttle the Fifth Plan, particularly because most Opposition parties have also accepted planning as a necessary means of achieving social objectives. Otherwise, why should even the Jana Sangh talk of "time bound" programmes?

It is now expected that the Government will announce the constitution of the sixth Finance Commission by May. When the fifth Finance Commission made its recommendations, the Fourth Plan had already been formulated and, consequently, many calculations in the Plan, particularly in the State sector, were upset. This time the Commission is being set up in May so that its report will be available in September 1973, and there will be enough time for the planners to take cognizance of the Commission's recommendations and formulate the Fifth Plan accordingly. The new Finance Commission will naturally go into the federal financial structure and spell out the share of the federal taxes among the States.

The Central Government has already set up the Raj Committee on agricultural taxes. The committee is to study the present system of agricultural and wealth taxes to make them more equitable and also consider how direct taxation on agricultural property can be used to reduce income disparities in the agricultural sector. One other issue, which is of crucial importance to the States, is the agency that should collect the tax and how the proceeds should be divided among the States.

The subject was discussed at the last meeting of the Chief Ministers on 12th October, 1971, when there was general agreement on the need to tax the agricultural sector. But for valid reasons even the composition of the committee was held in abeyance. Now that the States are going to the polls in March and new Ministries will come to power, they will have a lot to contribute on the manner in which the tax should be imposed. It is possible that in view of the experience of some States with regard to distribution of the divisible pool of the income-tax, the States may insist on each having its full share of the agricultural tax so that one State does not get the benefit of the taxes levied in another.

SPOTLIGHT ON STATES

Achieving Technological Transformation of Farming in Uttar Pradesh

(BY A SPECIAL CORRESPONDENT)

Although the economy of Uttar Pradesh is predominantly agricultural, the development of this sector has so far remained unsatisfactory. Unless an efficient institutional structure is developed to provide the necessary services, technological transformation of agriculture in the State will not be possible.

TWO factors had restrained the Prime Minister, Mrs. Indira Gandhi, from not inviting fresh elections to the Assembly in her home State. The first one was not to upset the balance within the Pradesh Congress by disturbing Mr. Kamlapati Tripathy's uneasy and large Cabinet. But the more important consideration was the uncertainty about the Muslim attitude to the end of Pakistani colonialism in Bangladesh. Bihar's Darbhanga constituency which returned the Central Foreign Trade Minister, Mr. L. N. Mishra, with a big margin in the recent Lok Sabha by-election has a sizable Muslim electorate. This will pave the way for holding State elections in Uttar Pradesh by October if the results in Bihar exhibit good support to the ruling Party.

With about 75 per cent of the working force engaged in agriculture and allied activities, the economy of U.P. is predominantly agricultural. At the same time, the State's share in the total agricultural produce of the country is significant. This is shown by the fact that in 1968-69, U.P. produced 32.6 per cent of the total wheat output, 31.5 per cent of pulses, 42.6 per cent of sugarcane and 24 per cent of the oilseed output. Unfortunately, agriculture is in a relatively backward state in U.P. and productivity a worker as well as an acre of land is quite low in the State. A study by the National Council of Applied Economic Research (N.C.A.E.R.) showed that the gross value of agricultural output an acre in U.P. was only Rs. 200, compared with Rs. 339 in Tamil Nadu, Rs. 349 in West Bengal and Rs. 522 in Kerala. Similarly, labour productivity in agriculture in U.P. is very low; as many as eight States have higher labour productivity than U.P. In 1968-69 the per hectare yield of foodgrains in U.P. was 840 kilograms, as against 1,455 kilograms in Kerala and 1,755 kilograms in Punjab.

The rate of agricultural growth in U.P. causes great concern. During the period 1952-53 to 1964-65, the rate of growth of agricultural output was 1.66 per cent a year, compared with 3.01 per cent for the whole country. The rate of growth of agricultural productivity during the same period was 0.94 and 1.77 per cent a year in U.P. and India, respectively.

During the last few years, however, encouraging advance has been made on the agricultural front and a breakthrough has been achieved in the production of foodgrains, notably wheat, both in U.P. and India. But the situation is still far from satisfactory which is evident from the fact that the output of pulses as well as of commercial crops like sugarcane, oilseeds and cotton in 1968-69 was considerably below the record output registered in 1964-65. The low productivity of land in U.P. can be partly explained in terms of inferior cropping pattern. Foodgrains account for about 84 per cent of the gross cropped area in the State. The area under commercial crops is comparatively low in the State.

The backwardness of agriculture in U.P. is mainly due to the low physical productivity of crops. The major obstacles to agricultural development in U.P. can be divided under three heads: (a) the relative constraints on agricultural development; (b) technological factors; and (c) agricultural infrastructure. Natural constraints include vagaries of nature (in spite of the well-developed irrigation system), a large number of very small holdings, an extremely low land-man ratio and the small amount of capital a worker. The use of traditional inputs lies at the root of low agricultural productivity. In recent years, a technological transformation is taking place in U.P. at a slow rate. The use of new inputs like chemical fertilisers and pesticides is very low and the coverage of area under improved varieties of seeds is small except in the case of wheat. The use of scientific agricultural practices is yet to make a significant impact.

Agricultural infrastructure includes institutional arrangement of credit, marketing, warehousing and transport, a reliable irrigation system, adequate supply of power, and a well-developed system of education, research and extension in agriculture. Agriculture in the State has suffered for long because of the inadequate development of these facilities. Unless an efficient institutional structure is developed to provide the necessary farm and non-farm services at a cheap rate, technological transformation of agriculture in U.P. will not be possible.

PEOPLE AND PERSONALITIES

Mr. A. N. Haksar of India Tobacco Co. Ltd and Mr. A. W. B. Hayward of Shaw Wallace and Co. Ltd have been elected president and vice-president, respectively, of the Committee of the Bengal Chamber of Commerce for the year 1972-73. The members of the Committee are: Messrs. D. P. Antia (Union Carbide India Ltd), W. M. Bennett (National and Grindlays Bank Ltd), D. P. Goenka (Octavius Steel and Co. Ltd), K. Hartley (Indian Oxygen Ltd), S. L. Mehta (Jardine Henderson Ltd), A. L. Mudaliar (Alkali and Chemical Corporation of India Ltd), Abhijit Sen (Sen and Pandit Private Ltd), Lord Sinha (Macneill and Barry Ltd), and Mr. S. R. Stephens (James Finlay and Co. Ltd).

Sir Raymond Brookes, Group Chairman and Chief Executive of Guest Keen and Nettlefolds Ltd, U.K., arrived in Calcutta on a 12-day visit to India. He will visit, among other places, the Calcutta, Bombay, Bangalore and Delhi plants and offices of Guest Keen Williams Ltd, through which G.K.N. has been associated with this country for the last four decades. Sir Raymond is accompanied by Mr. J. F. Insch, Group Executive Deputy Chairman of G.K.N.

Mr. C. B. Vesawkar, Branch Manager, Export Credit and Guarantee Corporation, Calcutta, has been transferred to the Corporation's head office in Bombay as Deputy Secretary.

Mr. E. B. Calvert has announced his resignation as Chairman and Director of Blundell Eomite Paints Ltd. Mr. N. G. Bassett Smith succeeds Mr. Calvert as Chairman of the Company. Mr. R. L. White has been appointed Vice-Chairman along with Mr. V. Isvaran. Mr. W. H. Hulme has been appointed Managing Director.

INSURANCE

Need to Encourage Professional Brokers in General Insurance

(BY A SPECIAL CORRESPONDENT)

The objective of the Government should be to maintain the competitive spirit in the general insurance business after nationalisation so that the insuring public continues to get good service. This could be realised by encouraging the professional insurance brokers.

IN the context of the nationalisation of the general insurance industry in the near future, the Government and its planners should devote some attention to the question of encouraging the development of professional insurance broking in the private sector. Most developed and sophisticated general insurance markets have this system operating highly successfully to the mutual benefit of the insurer and insured. The Government of India has clearly stated that a competitive spirit in the industry will be maintained so that service to the insuring public improves after nationalisation. Encouragement to professional brokers would help in meeting this objective of the Government.

A high level of healthy competition would automatically come into play among the broking organisations resulting in a high standard of service to insurers. Irrespective of how many corporations are eventually set up, there is bound to be some in-built inhibiting factors in public-sector organisations in maintaining the desired level of service to the insuring public. To some extent, certain standardised systems and processes would have to be made common to all the corporations. This is very likely to build into the total system certain hurdles to true competition among the different corporations. Another point to ponder over is whether a number of organisations dealing with the same products—general insurance in this case—and under one single and common ownership—the Government in this instance—can truly have competition in the real sense among themselves! This is where the brokers are to step in and keep up the competitive spirit and, in turn, the desired standards of service.

Obviously, the Government would lay down minimum qualifications in terms of the knowledge and expertise of the staff that brokers employ and in terms of financial requirements to ensure that the broking companies can truly provide the insuring public and the corporations with the service called for with an acceptable degree of financial stability. In this context, it would be recommended that the minimum standards that the Government lays down should be stringent. A strict control is to be maintained in order to ensure that the broking firms conform strictly to the norms laid down. Once this strong base is found, the firms may be left to function according to internationally accepted commercial norms in providing service to the industry and its customers.

If the Government decides that the idea of having a healthy broking profession is in keeping with the social and other objectives of nationalisation, an important side-effect would come into play. A certain number of employees would leave general insurance companies to join the broking firms. This, in turn, would ease the problem of overstaffing, which is something the corporations would have to face up to a point in the initial phases of consolidation and amalgamation after total nationalisation. On the other hand, the knowledge, expertise and talents of such personnel would not be lost to the general insurance industry in the country.

Once the broking system develops on the right lines, the broking firms would be able substantially to ease routine workloads of the corporations. As in the U.K. and elsewhere, they could virtually do all the routine work in terms of day-to-day dealings with clients, documentation work, including issuance of policies on behalf of the corporations, handling of intricate and complicated underwriting and claim settling negotiations. In terms of cost, the corporations would not stand to lose anything. At present, the laws permit only individuals to procure insurance agency licences and to work as agents, except in certain special cases where corporate bodies were functioning as principal agents before the present laws were enforced. The laws would, therefore, have to be slightly modified to allow professional broking firms to hold insurance agency licences so that they could draw the standard commission for the business procured and serviced by their organisations. Agency commission is something the corporations would be paying anyway to individual agents in most cases. Additionally, broking organisations could charge a fee to their clients by mutual agreement between them and the parties concerned. It must be remembered that the financial rewards must be adequate for the right type of people to be attracted to the profession.

The adoption of the broking system in India could, in turn, help in the transformation of the industry's force of field officials into technically competent professionals. Once the system is firmly entrenched, the field officials would not have to go around all the time chasing and procuring business for the corporations. They would establish connections with professional brokers and give the desired type of technical and underwriting service to the brokers; the brokers would be the people actually procuring the business. This could well revolutionise the entire profession of insurance field-work. They would have, of necessity, to raise their levels of technical knowledge to be able to give proper advice and service to the brokers who in return would get insurance business for them and, in turn, for the corporations. In practice, the field officials would probably still have to directly procure and service the relatively small accounts. All things considered, encouragement to the development of the broking system is something which people dealing with planning in the context of nationalisation would do well to consider seriously.

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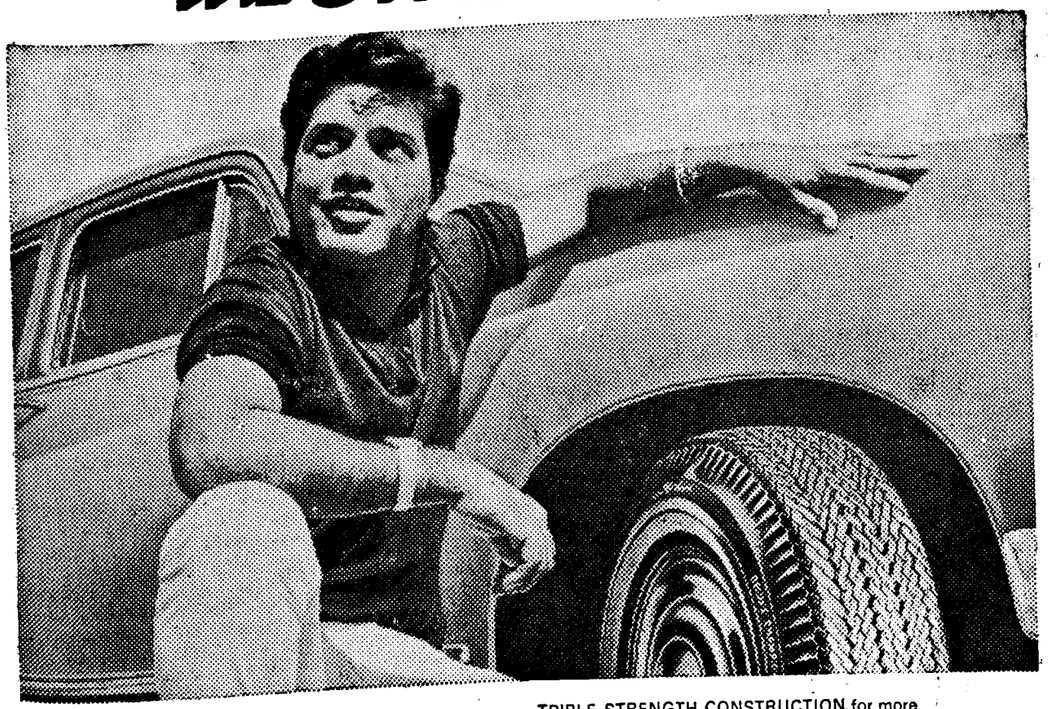

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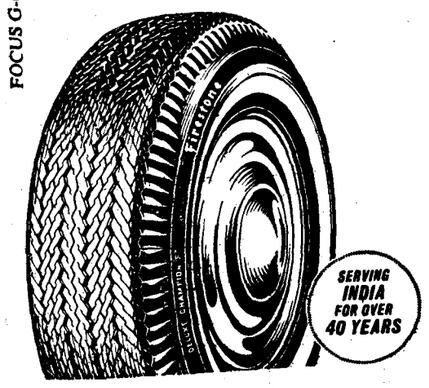

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MONEY AND BANKING

Impact of the Reserve Bank's Policy on Credit Expansion

(BY A SPECIAL CORRESPONDENT)

The Reserve Bank's restrictive credit policy in 1971 might have failed to make an impact on the wholesale price index, but it did succeed in controlling bank credit expansion. Will it work this year also ?

WHILE efforts are being made in England to evolve a more effective credit policy by abandoning the traditional ways of controlling credit through quantitative ceilings on bank advances and divesting the Bank rate weapon of its primary rôle of regulating money supply through the cost of credit, in India, the credit policy as pursued by the Reserve Bank during 1971 has unmistakably shown all the characteristics of a traditional approach with the exception of one or two novel features. The traditional credit measures included a Bank rate hike to 6 per cent in January 1971, raising of the minimum net liquidity ratio to 34 per cent, variations in the availability of Reserve Bank refinance to banks and a host of selective credit control measures. The new policy measure introduced during the year under review was the gradual replacement of the present cash-credit system with the new bill market scheme to ensure that bank credit is made more purpose-oriented and related to actual genuine credit needs of borrowers for a specific period.

The Reserve Bank Governor, Mr. S. Jagannathan, in a speech in Cochin in December 1971 has attempted to make a fine distinction between a policy of "credit restraint" and "credit squeeze", indicating thereby that although both credit restriction and credit squeeze constitute negative measures, the latter is usually associated with deleterious effects in terms of loss of production, income, etcetera. The keynote of the Reserve Bank's credit policy during 1971 was a policy of credit restraint and not a credit squeeze, which was designed mainly to contain demand for bank credit in the context of inflationary rise in prices caused by higher deficit financing and short supplies of some essential commodities and raw materials. The Bank's policy was aimed at maximising production as the problem of inflationary rise in prices had to be tackled both by curtailing demand and augmenting production. The dear and restrictive policy was warranted by a high rate of credit creation by banks, supported by significant borrowings from the Reserve Bank, which reached a record level of Rs. 351 crores by the end of December 1970.

As for refinance facilities, the Reserve Bank assured the banks to grant discretionary accommodation at Bank rate only in exceptional cases taking into account banks' efforts towards deposit mobilisation, purposeful credit planning, commitments towards financing of food procurement operations and their efforts in backward areas. More liberal refinance facilities for export credit were also announced in February 1971. Such facilities were available irrespective of net liquidity ratio (a) up to an amount equal to 10 per cent of the annual average of export credit in 1970 (calculated as the average of outstanding level of export credit during 52 weeks) at 4½ per cent ; and (b) an additional amount up to 10 per cent of the annual average of export credit as calculated above at Bank rate (6 per cent).

It was also made clear to banks that these borrowings would not impair their net liquidity ratio till 31st December, 1971. Even the 1971-72 busy season policy has kept intact the basic structure of the refinance policy and the Bank would continue to provide refinance in respect of short-term direct lending to agriculture, small-scale industries, exports and primary co-operative credit societies. Although refinance entitlements would be available to take care of the peak requirements of credit, banks were asked to consider Reserve Bank refinance as a source to meet their inescapable credit needs and to desist from resorting to refinance for granting credit in excess of genuine credit needs.

What was the effect of this moral suasion on banks' tendency to rely more and more on borrowings from the Reserve Bank ? Banks' recourse to Reserve Bank credit continued during the first three months of 1971, reaching a record high of Rs. 443 crores on 19th March, 1971, before declining to Rs. 191 crores at the end of the 1970-71 busy season, *i.e.* on 30th April, 1971. During the 1971 slack season, the return flow of funds in the form of deposit accretion of Rs. 592 crores, compared with Rs. 449 crores in the 1970 slack season, enabled banks to reduce substantially their indebtedness to the Reserve Bank by Rs. 172 crores to a low level of Rs. 19 crores at the end of October 1971. In spite of banks' comfortable resource position on the eve of the 1971-72 busy season, it was quite intriguing to examine banks' substantial resort to Reserve Bank credit particularly in the context of a slower growth rate of credit and a bulging investment portfolio. The level of banks' borrowings from the Reserve Bank at the close of 1971 was Rs. 171 crores, which was only Rs. 20 crores short of the stipulated ceiling of Rs. 191 crores to be attained by April-end 1972. Apprehensive, perhaps, over the failure of the Reserve Bank to restrain banks from relying on its credit to a great extent, the Governor of the Bank at the mid-busy season review recently has asked banks to bring down the level of their outstanding borrowings at April-end 1972 to below Rs. 191 crores.

In respect of Reserve Bank credit, two changes in policy were made during 1971—first, the ceiling of Rs. 191 crores on banks' borrowings to be attained at April-end 1972 as mentioned earlier, and secondly, fixing of maximum penal rate of 15 per cent for excess borrowings by banks. In the past, the rate of interest charged by the Reserve Bank increased by 1 per cent above the level of Bank rate for a shortfall of every one point or a fraction thereof in the bank's net liquidity ratio below 34 per cent. Following the latest change, even when the net liquidity ratio falls below 26 per cent, a maximum penal rate of 15 per cent would be charged on excess borrowings.

The Reserve Bank has kept a vigilant watch over the credit situation and on the strain it has created on banks' resources throughout the year. The Bank has not hesitated to provide a measure of relief in its selective credit control mechanism against sensitive commodities like sugar, oilseeds and cotton whenever the situation demanded. In respect of refinance needed for food procurement, higher refinance up to 75 per cent of the increase in banks' advances to the Food Corporation of India was provided by the Reserve Bank from 9th to 30th June, 1971, 60 per cent for the period 1st July, 1971 to 30th July, 1971, and 50 per cent thereafter. Later on in June 1971, refinance up to 75 per cent was extended up to the end of July 1971, 60 per cent in August 1971 and 50 per cent thereafter. To enable a large number of banks to participate in food procurement financing, refinance entitlement under this head, from November 1971 onwards, will amount to 10 per cent of the outstanding level of food procurement advances as on the last Friday of October 1971, plus an additional one-third of the increase over the level as on the last Friday of October 1971. The Bank has also taken prompt measures to relax credit restrictions to enable banks to step up their financial assistance to industries to manufacture and supply goods for defence efforts and to ensure smooth distribution of goods, particularly in border areas in view of the Indo-Pakistani war.

Finally, it is important to examine as to what extent this restrictive credit policy of 1971 has been successful in achieving its desired purpose of containing the rate of credit expansion. It is a fact that in the first half of 1971, the credit expansion was only Rs. 323 crores, as against an expansion of Rs. 597 crores in the corresponding half of 1970. According to *Trend and Progress of Banking* for the year ended June 1971, the growth of bank credit to Rs. 409 crores during the 1970-71 busy season, against Rs. 563 crores during the previous busy season, was "attributable to the credit control measures taken by the Reserve Bank in early 1971". During the 1971 slack season, the contra seasonal credit expansion was smaller at Rs. 168 crores, against an expansion of credit of Rs. 226 crores in the 1970 slack season, in spite of the fact that the Reserve Bank relaxed its credit restrictions in respect of new cotton crop, mustard seeds and rape seeds. Even during the first two months of the 1971-72 busy season, *i.e.* November and December 1971, the rate of credit expansion was slower than that in the corresponding two months of 1970—Rs. 127 crores, against Rs. 171 crores. The slow pace of credit expansion during the initial period of the current busy season has unnecessarily created an apprehension of possible easy credit conditions during this season. But the course of credit expansion has become somewhat unpredictable in view of unforeseen fluctuations in food procurement advances. Generally, the latter half of the busy season witnesses a significant increase in busy-season credit.

In short, the Reserve Bank's restrictive credit policy might have failed to make an impact on the wholesale price index, which continued to rise, of course, for reasons beyond the Bank's control, such as short supplies of essential raw materials and products, widespread floods and droughts in some parts of the country, large Government expenditure on Bangladesh refugees and rise in defence expenditure in the context of the Indo-Pakistani war. But it has undoubtedly been successful in controlling bank credit expansion in 1971.

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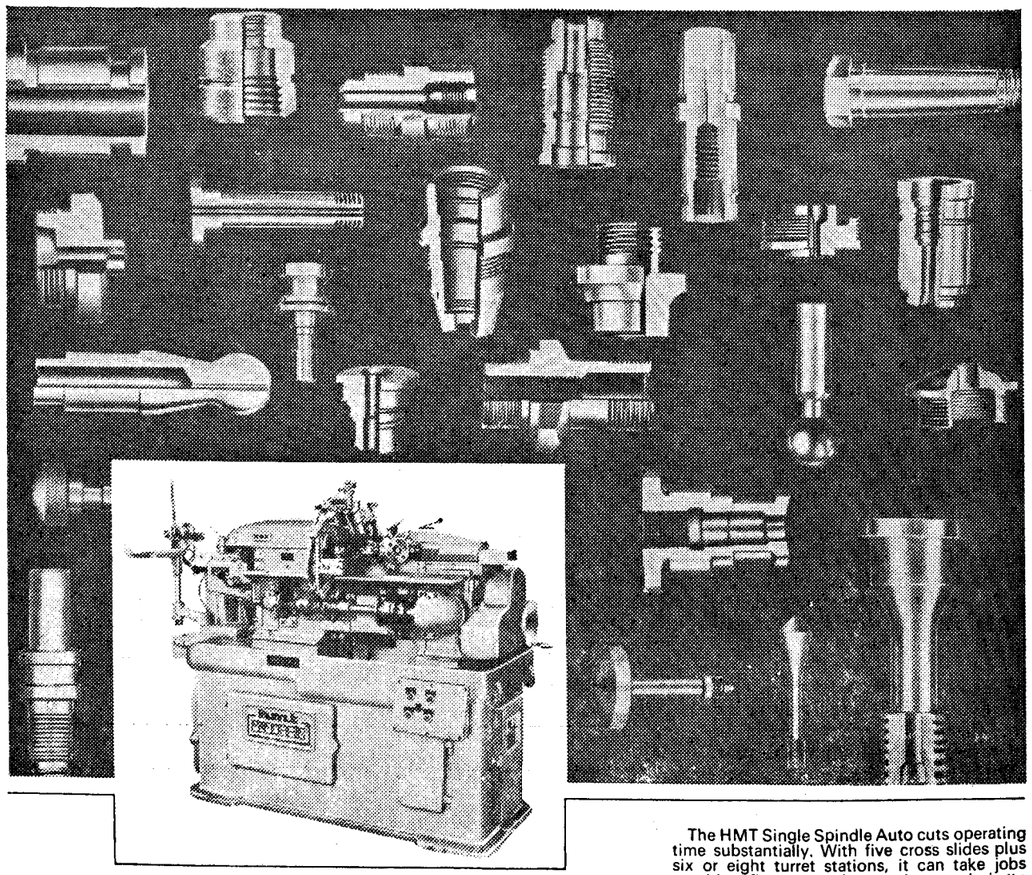

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INVESTMENT

Shares Turn Easy in Restricted Trading

TRADING on the stock markets this past week has been characterised by a note of caution and hesitancy. With operators inclined to keep off the market in the face of Budget uncertainties, business was of a routine nature and turnover was on a restricted scale. Leading equities moved rather erratically reflecting the indecisive mood of the market. Broadly speaking, the markets ruled a little steadier during the earlier part of the week but later turned easy. Rallies induced by replacement buying and short-covering could not be sustained due to the lack of follow-up support and some tired bull liquidation on the rise. While the markets displayed a mixed price pattern at the close, net changes over the week were confined within a narrow range.

The only redeeming feature of the week's trading was the general reluctance to press sales at a lower level. The improved sentiment earlier in the week was attributed to the statement of the Central Minister of State for Finance, Mr. K. R. Ganesh, that the Government was actively examining the question of granting concessions to the private sector with a view to expanding the productive forces in the country in order to meet the challenge posed by the reduction in foreign aid. Reports of a serious bid by Russia to effect a breakthrough in the field of collaboration with the private sector in the country also had a steadying effect on the trading sentiment. The market derived some comfort also from reports of a considerable improvement in the availability of steel.

The week's corporate news also was reasonably good, but with Budget uncertainties weighing on operators' minds, the market again developed a sagging tendency under pressure of light selling. Reports that the railways would again be in the red this year and that the Railway Budget for 1972-73 would contain further increases in passenger fares and freight rates had an unsettling effect on sentiment. But selling subsided as prices tended to drift lower. The stock markets' reluctance to move further down seems to reflect their underlying optimism about the outlook for equities. The optimism is based on the belief that the Government is determined to give a push to the stagnating economy. The Central Ministry for Industrial Development has constituted a task force to examine the cases of large industrial houses and foreign majority concerns which are not automatically eligible for liberalisation measures for ensuring fuller utilisation of existing installed capacity. This is an indication of New Delhi's anxiety to boost industrial production. The market will not be unjustified in taking the view that the forthcoming Central Budget will be so designed as to stimulate savings and investment.

Gilt-edged securities have remained dull this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Other Central securities have received selective support. The volume of business has remained restricted.

The Calcutta stock market has remained dull this past week. Operators have noted with concern that the Government will allow the expansion of foreign manufacturing firms in selected areas only. The Central Government is also understood to be examining the proposal for fixing a ceiling on remittances made by foreign investors. The Government's decision not to allow the western oil companies to expand their production capacity has also affected sentiment. Among engineering shares, Simon-Carves, Guest, Keen, Williams and Jessop have been easier. Among jute shares, Birla, New Central, Bally and Presidency have been quiet. Among coal shares, Raneegunge and Sahu Minerals have been transacted. Among miscellaneous shares, Aluminium Corporation, Electric Construction, India Steamship and B.I.C. have been quiet. Among tea shares, Hasimara, Tengpani and Chamong have changed hands.

After displaying a steadier tendency earlier in the week, Dalal Street turned slightly easier and wound up the week on a hesitant note. The price pattern has been mixed but gains have far outnumbered the losses. Cotton textiles have been steadier on moderate support based on ideas of improved outlook for the industry following the easier availability of raw materials at cheaper prices. Century, Bombay Dyeing and Gokak have been the firm features. Standard have been slightly subdued by profit-taking. Among rayons, National Rayon, South India Viscose and Century Enka have recorded fair gains. The two-year pact between spinners and weavers for the supply of yarn at fixed prices has been welcomed in market circles. The shares of residual banking companies have ruled firm, with Baroda, Central and Bank of India evoking good enquiry. New India Assurance have been another bright spot. Steel shares have remained subdued with limited turnover. Selling has not been heavy but buyers have been reserved. Engineering shares have generally ruled easy. Voltas, Zenith Steel and Larsen and Toubro have kept steady. Automobile shares have been quietly steady. New Delhi's reported decision to allow the expansion of the existing car manufacturers has been welcomed. Shipping shares have moved irregularly with a barely steady tone. Chemicals have displayed a steadier tone with Bayer, Colour-Chem, Polyolefins and Indian Dyestuff showing small to moderate net gains over the week. Tata Chemicals and N.O.C.I.L. have been slightly subdued. Tyre shares have ruled quietly steady. Paper shares have kept steady with small turnover. Among cements, Digvijay have turned firmer while Associated Cement have been slightly subdued.

The Madras stock market has remained quietly steady this past week, and the volume of business has been restricted. In the planting section, Peria Karamalai and Devon Tea have been easier. But Pullangodes have received buying enquiries while Badra Coffee have retreated. In the textile

COMPANY REPORTS

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

Aruna Sugars
Bank of Indore
Chemicals and Fibres
Indian Cable
Indian Oxygen
Khandelwal Ferro
Kothari Sugars
Phaltan Sugar
Seven Seas
Shree Synthetics
Skol Breweries
Suessen Textile
United Bank
United Carbon

section, there has been little change but Anglo-French have received support. In the miscellaneous section, Aluminium Industries, India Cements and Mettur Chemicals have been traded at the market rates. Engine Valves have improved while W.S. Insulators have been steadily absorbed. In the banking section, Canara Bank have been transacted. Sugar shares have remained dull.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 24/60—24/80—24/25—24/70—(20/70)

Indian Cable 20/50—20/55—20/30—20/45—(16/40)

Guest, Keen, Williams 34/05—34/40—33/30—34/40—(30/70)

Hindustan Motor 10/45—10/50—10/10—10/35—(12/15)

Indian Aluminium 32/90—33/35—32/90—33/15—(37/60)

Dunlop India 31/05—31/20—30/75—30/95—(37/20)

Indian Copper 3/94—3/97—3/92—3/95—(4/08)

Indian Iron 9/60—9/65—9/15—9/25—(11/85)

Jaipur Udyog 8/40—8/50—8/35—8/45—(8/90)

Kesoram Industries 18/15—18/50—18/00—18/30—(15/90)

Orient Paper 34/35—34/55—34/10—34/45—(37/30)

Orissa Cement 18/20—18/50—18/20—18/40—(18/15)

Rohtas Industries 4/30—4/40—4/15—4/30—(6/40)

Textile Machinery 11/10—11/10—11/00—11/00—(9/95)

Seven Seas Transportation: J.K. Group's New Shipping Project

SEVEN Seas Transportation Ltd is the name of the new Company promoted by the J.K. Group to undertake business as shipowners, charterers and freight carriers. The project is estimated to involve a total capital outlay of about Rs. 10.50 crores of which nearly 85 per cent will be in the form of foreign exchange loan. The Company has negotiated a Eurodollar loan of $11 million (about Rs. 8 crores) from a major international bank on favourable terms. Mr. Gopalkrishna Singhania, chairman of the new Company, told newsmen the other day that the Company's paid-up capital will consist of Rs. 1.20 crores in equity shares of Rs. 10 each and Rs. 40 lakhs in 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. About 40 per cent of the equity capital will be subscribed by J. K. Chemicals which has promoted the venture. The balance will be offered for public subscription after the presentation of the Central Budget. If all goes well, the Company will enter the market before the end of May.

The Company proposes to purchase initially three or four second-hand bulk carriers/tankers in the range of 20,000 to 40,000 D.W.T. each. The first ship is expected in the third quarter of this year and the entire programme of tonnage acquisition would be completed before the end of 1972. The Company is going in for second-hand ships as they are readily available at very attractive prices. Total freight earnings for the first year of operations are estimated at around Rs. 3 crores. The profitability projections indicate that the Company will have adequate earnings on the equity capital ranging from 20 per cent in the second year of operation to 35 per cent in subsequent years. Barring unforeseen circumstances, it hopes to be in a position to pay dividends to preference shareholders out of the earnings of the second year and a reasonable dividend of 10 per cent or 12 per cent to equity shareholders out of the third year's earnings.

The project is estimated to cost Rs. 2.15 crores which is proposed to be met by the share capital of Rs. 1.20 crores and term loans amounting to Rs. 95 lakhs. The State Industrial and Investment Corporation of Maharashtra is actively supporting the venture in the shape of term loan and subscription to share capital. Additional financial backing is being extended by Bank of America and New India Assurance.

Briefing newsmen in Bombay about the project, Mr. Anthony William Byrd Hayward, chairman, stated that the Skol plant will conform to the latest international specifications and employ the most up-to-date brewing methods. The fabrication and installation of the plant as well as the erection of the factory buildings has been entrusted to Larsen and Toubro. If all goes according to schedule, the plant will go into stream by the middle of 1973. The promoters expect to be able to reward the shareholders with a maiden dividend in 1975 out of the profits made in 1974—the first year of full production.

The Company's authorised capital is made up of Rs. 90 lakhs in equity shares of Rs. 10 each and Rs. 30 lakhs in 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. Equity shares worth Rs. 9.97 lakhs have been subscribed by the promoters. Out of the present issue of Rs. 86.75 lakhs, consisting of Rs. 30 lakhs in preference shares and Rs. 56.75 lakhs in equity shares, S.I.C.O.M. is taking up equity shares of the value of Rs. 15 lakhs and New India Assurance Rs 1.25 lakhs. The remaining capital—Rs. 30 lakhs in preference shares and Rs. 40.50 lakhs in equity shares—is being offered for public subscription

SKOL BREWERIES

Attractive Share Offer

PROMOTED by Shaw Wallace and Company, Skol Breweries which has been licensed to produce 50,000 hectolitres of beer a year is offering for public subscription at par 400,500 equity shares of Rs. 10 each and 30,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each to raise part of the funds for financing the project. The list for the public issue which has been fully underwritten will open on 28th February and will close on 9th March or earlier but not before 3rd March. The factory will be located near Bombay (Uran Taluka).

INDIAN CABLE

Order from Kuwait

THE Ministry of Electricity and Water, Kuwait, has placed an order for 150 K.M. of paper insulated power cables, 160 K.M. of pilot cables and 1,600 nos. of jointing boxes worth Rs. 1.80 crores on the Indian Cable Co. Ltd, acting on behalf of the Consortium of Indian Cable Makers Association. The order is being shared between the Indian Cable Co. Ltd, Universal Cables Ltd, Industrial Cables Ltd, Fort Gloster Ltd and Oriental Power Cables Ltd. With these the total value of orders secured from Kuwait over a period of five years amounts to over Rs. 8 crores.

UNITED BANK

Credit for Tailoring Units

UNITED Bank of India has so far advanced nearly Rs. 2.50 lakhs to 71 tailoring units in Calcutta. This is the first time that such a large number of working people of this category are being covered by bank credit. This assistance has enabled the units to eliminate their dependence on borrowings at exhorbitant rates of interest and ensure optimum utilisation of their installed capacity. Under this scheme, U.B.I. has generated fuller employment for about 700 persons who have now a steady flow of work throughout the month and their income has also doubled within a short time.

BANK OF INDORE

Good Progress

THE State Bank of Indore has reported all-round significant progress in its operations in 1971. The number of branches increased over the year from 94 to 108, deposits rose from Rs. 31.54 crores to Rs. 38.70 crores and advances from Rs. 24.44 crores to Rs. 27.41 crores. The total credit extended to the neglected sectors of the economy as well as the priority sectors increased from Rs. 7.29 crores to Rs. 7.99 crores, forming nearly 30 per cent of the bank's total advances. The bank has earned during 1971 a net profit of Rs. 3.92 lakhs, against Rs. 4.16 lakhs in 1970. Together with the sum of Rs. 25,000 brought in, the amount available for disposal is Rs. 4.17 lakhs. The unchanged dividend of Rs. 8 a share will absorb Rs. 2.80 lakhs.

CHEMICALS AND FIBRES

Sales Up but Profit Down

THE Preliminary statement from Chemicals and Fibres of India on its operating results for the year ended September 1971 indicates a contraction of margins. Despite an increase in sales from Rs. 32.03 crores to Rs. 33.89 crores, the pre-tax profit is down from Rs. 3.53 crores to Rs. 3.36 crores. The tax liability has been estimated at Rs. 2.16 crores, against Rs. 1.86 crores in the preceding year. The profit after tax amounts to Rs. 1.20 crores, against Rs. 1.67 crores. Out of this, general reserve will get Rs. 38 lakhs, against Rs. 1.11 crores.

The directors have proposed a final dividend of 4 per cent which, with the two interim payments of 11 per cent and 10 per cent, will make a total of 25 per cent for the year ended September 1971, against 27.5 per cent paid for the preceding year. While both the interim payments had been made on the old capital of Rs. 4.90 crores, the final distribution will be on the capital of Rs. 5.35 crores, as enlarged by the issue of rights shares and additional shares issued under a prospectus. The total distribution for 1970-71 amounts to Rs. 1.24 crores, against Rs. 1.35 crores for 1969-70.

SHREE SYNTHETICS

U.S. Loan Offered

SHREE Synthetics Ltd, an Indo-American joint enterprise, has secured a loan of Rs. 1 crore from the U.S.A.I.D. The firm is an affiliate of Chemtex Fibres Inc. of New York. Shree Synthetics' Rs. 7.35-crore nylon plant has reached an advanced stage of construction in Ujjain (Madhya Pradesh) and is due to be commissioned later this year. The plant will produce 1,100 tons of nylon and polyester filament yarn a year and help meet the increasing demand in the country and reduce imports.

INDIAN OXYGEN

New Factory Building

A NEW factory building is being put up by Indian Oxygen Ltd in Taratala, south-west Calcutta, to house the air separation plant and the cryogenic equipment manufacturing unit of the Company. Estimated to cost about Rs. 8 lakhs, it will cover a floor area of nearly 14,000 square feet. Oxygen/nitrogen plants ranging from a capacity of 45 cubic metres to 400 cubic metres an hour, cryogenic vessels and high pressure gas compressors will be manufactured. It is a measure of the faith and confidence which the Company has in the future of West Bengal that the decision to set up this factory in Calcutta has been taken. The launching of an activity to manufacture air separation plant and cryogenic equipment is another milestone in India's march towards self-reliance; hitherto all such plants were imported. The Company has already secured orders for the manufacture and erection of oxygen plants which will be the first to be made in the country.

KHANDELWAL FERRO : A GOOD YEAR

KHANDELWAL Ferro Alloys has maintained the dividend for 1971 at 12 per cent which, as in the previous year, is wholly exempt from tax. The preliminary figures show a marked improvement in the Company's operating results in 1971, with sales rising from Rs. 8.11 crores to Rs. 9.22 crores and gross profit from Rs. 76.16 lakhs to Rs. 89.23 lakhs. With the addition of a capital gain of Rs. 21.63 lakhs arising from the disposal of the New Delhi property, the profit for 1970 had been placed at Rs. 97.79 lakhs. After providing Rs. 28.73 lakhs (against Rs. 20.29 lakhs) for depreciation, Rs. 1.52 lakhs (against Rs. 14,000) for development rebate reserve and Rs. 21 lakhs (against Rs 17 lakhs) for taxation, the surplus profit of Rs. 37.98 lakhs (against Rs. 60.62 lakhs) has been transferred to general reserve out of which the proposed dividends are to be paid.

The Company's exports in 1971 totalled Rs. 1.97 crores, against Rs. 2.80 crores in 1970. While exports of ferro-manganese declined from Rs. 2.20 crores to Rs. 1.35 crores, tube exports rose from Rs. 59.38 lakhs to Rs. 61.92 lakhs. The working results for the current year are likely to be adversely affected by the continuing slackness in the international market for ferro-manganese. But the management expects the Company's turnover to rise to Rs. 11 crores or Rs. 12 crores because of the improved performance of the tube factory following better raw material supplies. The Company has many schemes of diversification under active consideration. A letter of intent has been recently secured to manufacture annually 14,850 tonnes of calcium carbide. The production facilities are proposed to be established in Nagpur, involving a capital outlay of Rs. 4 crores to Rs. 5 crores.

ARUNA SUGARS

A Good Year

ARUNA Sugars has fared exceedingly well during the year ended September 1971, and this has enabled the Company to raise the dividend to 12 per cent from the previous year's 7½ per cent. A higher sugar price and a higher sugar recovery have contributed substantially to the improved profit. The Company has earned a gross profit of Rs. 45.35 lakhs, against Rs. 2.71 lakhs in the previous year. The full report of the directors has not yet been published. A sum of Rs. 8 lakhs (against nil) is transferred to development rebate. Provision for depreciation is Rs. 17.29 lakhs (against Rs. 10.13 lakhs). A sum of Rs. 20 lakhs (against nil) is transferred to general reserve. The ordinary and preference dividends will be paid out of general reserve.

There was a substantial increase in sales at Rs. 409.59 lakhs (against Rs. 326.79 lakhs). The sugar recovery has improved to 9.27 per cent from 8.24 per cent in the previous year. The factory crushed 247,000 tonnes (against 256,000 tonnes) of sugarcane. The sugar output amounted to 23,129 tonnes (against 21,447 tonnes). The Company's programme for raising the crushing capacity to 2,000 tonnes a day has almost been completed. The 1972-73 season will reflect the full benefit of this expansion.

KOTHARI SUGARS

Profit Earned

THE report of the directors of Kothari Sugars and Chemicals Ltd for the year ended August 1971 says that seasonal conditions were exceptionally favourable and, as a result, the average recovery was 9.67 per cent for the 1970-71 season. This is the highest percentage of recovery obtained since the inception of the factory in 1962-63. Although the Company has improved its working results over the previous year, the directors have not recommended any dividend because of the carried-forward deficit. The profit amounts to Rs. 6.73 lakhs, after providing depreciation of Rs. 16.53 lakhs. This compares with the previous year's loss of Rs. 32.88 lakhs, after providing depreciation of Rs. 15.24 lakhs. Adding to the year's profit a sum of Rs. 14,847 being credits pertaining to previous years and Rs. 5,354 being development rebate written back, there is a total surplus of Rs. 6.93 lakhs. Out of this, debits pertaining to previous years amounted to Rs. 88,201. The profit balance of Rs. 6.05 lakhs is deducted from the brought-forward loss of Rs. 24.10 lakhs, leaving a deficit balance of Rs. 18.05 lakhs which is carried forward.

PHALTAN SUGAR

Rise in Profit

THE preliminary statement from Phaltan Sugar Works on its working results for the year ended September 1971 shows a marked improvement over the previous year's performance. Despite a decline in sales from Rs. 3.92 crores to Rs. 3.67 crores, the gross profit has increased by about 40 per cent from Rs. 25.29 lakhs to Rs. 35.38 lakhs. The dividend has been kept unchanged at 12 per cent—Rs. 6 a share. After providing Rs. 16.74 lakhs (against Rs. 17.44 lakhs) for depreciation, Rs. 1.15 lakhs (against Rs. 2.73 lakhs) for development rebate reserve and Rs. 9.80 lakhs (against Rs. 78,000) for taxation, the net profit for 1970-71 amounts to Rs. 7.69 lakhs, against Rs. 4.34 lakhs in the preceding year. The proposed dividend will absorb Rs. 7.50 lakhs. The Company crushed 198,000 tonnes (against 249,000 tonnes) of sugarcane and produced 224,000 bags (against 259,000 bags) of sugar. There was a marked improvement in recovery from 10.39 per cent in the preceding season to 11.36 per cent in 1970-71.

SUESSEN TEXTILE : RESULTS IMPRESS

THE preliminary statement from Suessen Textile Bearings on its operations during the year ended September 1971 shows an impressive improvement over the previous year's performance. Both sales and gross profit are up by about 30 per cent and the dividend, stepped up from 8 per cent to 12 per cent, is covered nearly 2.7 times. Sales have increased from Rs. 1.53 crores to Rs. 1.99 crores and the gross profit from Rs. 21 lakhs to Rs. 27.20 lakhs. After providing Rs. 6.86 lakhs (against Rs. 5.72 lakhs) for depreciation and Rs. 3.07 lakhs (against Rs. 1.58 lakhs) for development rebate reserve, the net profit amounts to Rs. 17.28 lakhs, against Rs. 13.77 lakhs in the preceding year. As in the previous year, there is no tax liability. The equity dividend will claim Rs. 5.60 lakhs (against Rs. 3.73 lakhs) and the preference dividend Rs. 2.17 lakhs (same).

It is stated that the Company would have fared still better but for the rise in costs of raw materials and components. The benefit of the rise in selling prices was available only for about four months. Encouraged by the good demand for its products, the Company has launched an expansion programme aimed at raising its production capacity substantially. The expansion, estimated to cost Rs. 1.25 crores, is to be financed from internal resources and borrowings. The expansion programme, to be implemented over a period of four or five years, will not only raise the production capacity but will also enable the Company to manufacture products of new designs evolved to meet the demand from new industries.

UNITED CARBON

Excellent Performance

UNITED Carbon India has reported an appreciable improvement in its working results for 1971. Sales at Rs. 5.15 crores show an increase of a little over 35 per cent over the previous year's figure of Rs. 3.81 crores and the gross profit has risen by 24 per cent from Rs. 1.71 crores to Rs. 2.12 crores. The dividend has been maintained at Rs. 20 a share (or 20 per cent). After providing Rs. 29.62 lakhs (against Rs. 36.26 lakhs) for depreciation, Rs. 1 lakh (against Rs. 7.05 lakhs) for development rebate reserve and Rs. 1.05 crores (against Rs. 53 lakhs) for taxation and after making some adjustments, the surplus of Rs. 72.94 lakhs (against Rs. 81.65 lakhs) has been transferred to general reserve. The proposed dividend absorbing Rs. 31.07 lakhs will be paid out of general reserve. The Company has received a letter of intent for raising its capacity to 22,750 tonnes of carbon black a year.

COMMODITIES

Plans for Stepping up Raw Jute Production

COVERAGE of the entire intensive cultivation area with certified seeds, adoption of improved agricultural practices, application of soil-nutrients, including foliar spraying of urea, and plant protection are among the measures planned to be adopted by the Indian Jute Development Council in collaboration with the State Agricultural Directorates for stepping up the yield of jute in the six selected districts of four eastern States during the forthcoming crop season. Cultivators will also be persuaded to follow a jute-paddy cropping sequence by replacing all local long-duration paddy varieties with short-duration high-yielding paddy. This will help to increase the acreage under jute. As part of the long-term programme, it has been proposed to evolve short-duration, high-yielding strains of fibre, provide protective irrigation to traditional areas and extend the area under jute through double-cropping to potential non-traditional areas.

The short-term strategy for securing additional production includes the grant of institutional and co-operative credit to jute-growers to enable them to apply the recommended inputs. The cost of inputs for the package, irrigation charges incurred on demonstration of the production of irrigated jute and 50 per cent of the cost on pesticides, weedicides and soil-ameliorants are proposed to be subsidised. The additional yield out of the programme has been modestly estimated at around two bales a hectare for jute, one bale a hectare for mesta and eight bales a hectare for extension of acreage.

Expected Rise in Output

The I.J.D.C. plan is to commence from the 1972-73 season in the six districts selected for intensive cultivation. It aims at producing an additional 380,000 bales next season and 840,000 bales in 1973-74 at a tentative cost of Rs. 6 crores. The total value of the extra output has been estimated at around Rs. 27 crores. The project has already been sanctioned by the Planning Commission. The districts to be covered are: Murshidabad, Nadia and Cooch Behar in West Bengal, Purnea in Bihar, Cuttack in Orissa ana Nowgaon in Assam. Together, these districts account for 47 per cent of the total area under jute in India. A total area of 300,000 hactares will be brought under the scheme for package practices and another 30,000 hectares under the extension programme. The Planning Commission has also sanctioned a separate mesta development plan for the Srikakulam district in Andhra, envisaging an output of 40,000 bales. Fibre production in a normal year varies between 6.5 million and 6.7 million bales although the output was abnormally low at around 5.65 million bales in 1969-70 and 4.9 million bales in 1970-71. Currently, the demand has risen to 7.5 million bales. The demand-supply gap has so far been bridged by resorting to imports, when available. On a number of occasions, the industry has had to prune its production programme to the level of fibre availability.

Call for a Strike

The C.P.I.-dominated Bengal Chatkal Mazdur Union, which had recently urged the workers to prepare for a day's token strike to register their protest against the deduction of Rs. 9.20 from the dearness allowance, has now called upon the employees to prepare themselves for a united and continuous strike for the realisation of their demands. The executive committee of the B.C.M.U. has recently appealed to all central trade unions in the jute industry in West

MIDDLE CLASS COST OF LIVING INDEX NUMBER FOR CALCUTTA

(Base : August 1939)

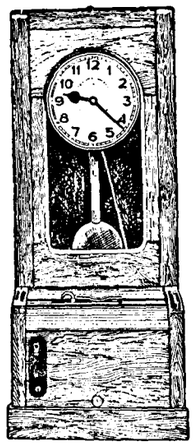
THE Middle Class Cost of Living Indices, by groups, have now been brought up to January 1972. As compared with December, the January index for Food shows a drop of 13 points, while those for Fuel and Lighting, Clothing and Miscellaneous remain unchanged at 447, 704 and 401 points, respectively.

Combining all the factors, the Middle Class Cost of Living Index for Calcutta shows that the cost of living declined by 7 points during January 1972.

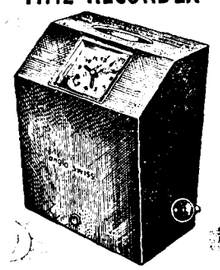
Middle Class Cost of Living Index Number for Calcutta. Prices in August 1939=100

Groups	Weights	GROUP INDICES												
		Jan. 1971	Feb. 1971	Mar. 1971	Apr. 1971	May 1971	June 1971	July 1971	Aug. 1971	Sept. 1971	Oct. 1971	Nov. 1971	Dec. 1971	Jan. 1972
Food	53.6	894	883	883	883	891	901	914	924	933	945	948	948	935
Fuel and Lighting	4.4	412	412	412	412	412	412	412	412	412	447	447	447	447
Clothing ...	12.4	693	693	693	693	693	693	693	704	704	704	704	704	704
Miscellaneous ...	29.6	392	392	400	400	400	400	400	401	401	401	401	401	401
Combined Index ...	100.0	699	693	696	696	700	705	712	719	724	732	734	734	727

Compiled and constructed by the Statistical Department of "Capital".

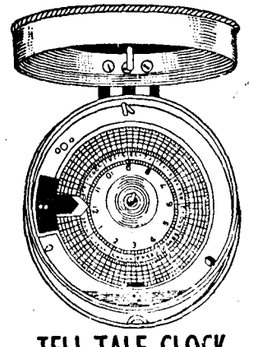


TIME RECORDER



ON D. G. S. & D. LIST

JOB COST RECORDER and



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Bengal to fix the date of the commencement of the strike in March. It has urged the I.J.M.A. and the mills to restore the cut of Rs. 9.20 in the dearness allowance and settle the workers' wage demand and other outstanding grievances without further delay. By another resolution, the B.C.M.U. executive committee has urged the Central Government to nationalise the jute industry immediately.

Recession in Gunnies

The Calcutta gunny market suffered a sharp and continuing recession, virtually erasing more than a month's gains, during the past week. The prices of both hessian and sacking reacted on a broad front as major overseas buyers and internal consumers showed positive resistance to the unreal price-hike and practically withdrew from the market. Realising the slender chances of any further price-spurt, bulls started booking their profits at the bulges. Turnover, therefore, declined to the minimum levels and was mainly confined to short-and shipper-covering at the dips. Due to the virtual absence of genuine buyers, even offers of nominal lots caused a disproportionate sliding down of the prices. The bearishness was all the more aggravated due to the talk that the Government of India might agree to reduce the monthly procurement by the D.G.S.D. of sacking bags by some 8,000 tonnes for some time in order to increase the availability of goods for exports and for other essential industries inside the country. Reports of a settlement in the coast-to-coast strike by the longshoremen in the U.S.A. helped in improving the outlook for shipments of jute goods to that country. Talk of substantial purchases by Egypt on extended delivery schedule and reports of some business in the Middle East helped in arresting any further retreat beneath the dips. In fact, brisk covering on Friday helped in toning up sentiment thereafter. Shipping circles stated that heavy shipments were due to Egypt against the substantial business concluded earlier. It was also reported that Argentina might lift considerable lots from the Bangladesh ports. Due to the arrival of a large number of vessels with heavy import cargo for discharge in Calcutta, the port was somewhat congested, resulting in berthing delays and minor hold-ups at Sandheads. Sentiment was also influenced by reports of the emergence of Bangladesh as a seller of the end-products in the world market at somewhat lower prices. It was learnt that Dacca had already concluded a number of bilateral trade pacts, and was negotiating some more, for the exchange of raw jute and jute goods. The gradual return of normality in production in Bangladesh mills induced overseas buyers to defer extending their commitments, particularly for April and further forward positions. With the approach of the closure-date, February-delivery B Twills futures ruled firm in the hedge market on brisk covering by shorts, scoring nominal gains after fluctuating between the prescribed limits. But since the mid-week, the price reacted from day to day as bears squared up their outstanding positions. May-delivery B Twills hardened rather sharply on Monday on hectic bull support and short-covering. Thereafter, sentiment suffered a sharp setback in line with the trend in the spot goods market. Because of the predominance of sellers, and the reserve shown by the bulls, the bearishness was progressively accentuated with the result that the recession became more pronounced towards the close. Turnover was moderate. The closing undertone was hesitant.

Latest available quotations (in rupees) were as follows:

	Feb.	Mar.	Apr.-June	July-Sept.
40in. 7½oz.	87.00	86.50	83.00	77.50
40in. 8oz.	95.00	—	—	—
40in. 10oz.	110.50	109.00	105.00	98.50
B Twills	296.00	298.00	291.00	275.00
Heavy Cees	298.00	300.00	293.00	275.00
Cornsacks	—	—	—	—
A Twills (U.S.)	361.00	358.00	351.00	343.00
Liverpools	348.00	348.00	341.00	324.00

Caution in Fibre

Despite a decline in daily arrivals to around 50,000 maunds a day in the upcountry markets, raw jute prices suffered gradual losses from day to day during the past week. Reports of well-spread-out late-winter showers all over the early sowing areas in India and in Bangladesh helped in brisk soil preparation operations, inducing hopes of a substantial coverage under the fibre next season. Reports of large-scale cattle shortage in Bangladesh were noted. But as jute was the only cash crop to be sown at present, it was hoped that with the livestock available in Bangladesh at present, and some fresh purchases, it would be possible for the farmers to go ahead with jute soil preparation. Mills and mill agents in Calcutta and upcountry markets showed a positive apathy in responding to the scattered offers of fibre, for prices had been ruling around unreal levels—much higher than the official minima. Absorption of such high-cost fibre, they said, would raise production costs to exceptionally high levels at which it would be difficult to sell the end-products. Since the strike in the jute baling presses ended, an improvement in the availability of jute bales for export to Dundee and north Continental ports has been observed. The development reduced the demand from shorts against their export commitments of fibre for ready shipments and helped the bearishness in fibre. Talk of scattered enquiries from, and business with, some Scandinavian and east African countries and the U.S.A. failed to produce any bullish impact on the receding sentiment. Reports of substantial clearances of held-over cargoes from Bangladesh ports also aggravated the easiness. Some 50,000 bales of raw jute were shipped on board the S.C.I. vessel, *S. S. Visva Vijay*, from Chalna for Dundee, Antwerp and Bremen. Another S.C.I. vessel, *S. S. Visva Vir*, was to lift further lots from Bangladesh ports. With the expected broadening of supply prospects, overseas buyers appeared to be satisfied over the resumption of shipments from Bangladesh and preferred to turn cautious, reducing their offtake to the barest minimum. Lower advices from the end-products market were an additional depressant. As fibre prices had touched their peak levels, bulls emerged as keener sellers of their holdings of selected as well as average grade fibres. Reports of a firm trend in the important agency markets induced caution as there was not much stock of current season's fibre. Turnover was small. The closing undertone was hesitant.

Latest available quotations (in rupees) were as follows:

	February-March		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	159.41	148.70	55.50
Northern Jute	154.06	143.34	53.50
Western Desal Jute	144.68	133.96	50.00
Selected Daissee	172.81	162.09	60.50
Assam-Agartala Tossa	170.13	159.41	59.50
Mesta :			
Assam Mesta	140.66	132.62	49.50
Selected Daissee Murshidabad	136.64	128.60	48.00
Bihar Dist.	136.64	125.92	43.00

Sharp Rise in Tea Production and Exports

DURING 1971, India made the largest net gain in tea production, all by the increase in north Indian output. The overall tea crop of the major producing countries in the first 11½ months of 1971 showed a rise of 11.1 million kilograms at 714.7 million kilograms, compared with the corresponding period of the previous year. This is in contrast to the fall in the output noticed at the global level in the first half of 1971. One of the main reasons for the upward trend in output in the second half of 1971 was the reversal in the declining trend in Ceylon and at the end of November its production rose by 5.9 million kilograms to 200 million kilograms. Kenya and Uganda too showed signs of recovery from the drought, as a result of which shortfalls were reduced to 5 million kilograms and 400,000 kilograms, respectively. Production figures for Pakistan are not available and it is considered unlikely that the crop in 1971 would amount to more than half of the 31.3 million kilograms produced in the previous year.

During 1971, India improved upon the recovery of her export status seen in 1970 by an assured margin and north-east India made a substantial contribution to this effect. Shipments from India during January to mid-December 1971 improved from 195.6 million kilograms to 201.1 million kilograms. Prices in the London market weakened compared with the previous year. But the total tea sold through London since January last increased from 108.7 million kilograms to 125 million kilograms. For a 16 per cent increase in the quantity sold, there was a decline of less than 6 per cent in the unit value and the producing countries earned more from the London market as a result. The improvement in prices at the auction centres in the producing countries continued. By the end of December, the buyer in Calcutta paid on an average 26 paise more a kilogram while in Colombo tea prices were up by 41 cents a kilogram. In the first 11½ months of 1971, Indian tea in the export market fetched on an average Rs. 7.56 a kilogram, compared with Rs. 7.15 a kilogram in the corresponding period last year.

Good General Demand

A Special Correspondent writes: At last week's tea auction in Calcutta, the offerings amounted to 74,763 packages for which there was a good general demand. There was good enquiry for the C.T.C. teas on offer but at rather irregular rates with Dooars brokens firm and sometimes dearer and the very best sorts selling well. There was only a limited demand for the orthodox brokens on offer which were generally slightly easier but fannings were a strong feature. Although the poor stalky whole leaf grades were easier, there was an improved demand for the better descriptions.

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COMPANY AND PUBLIC NOTICES

INDIAN COPPER CORPORATION LIMITED

(Incorporated in England with liability of its members limited)

THE following are the returns for the quarter ended 31st December, 1971:—

Ore Milled	...	(Wet) Tonnes	1,60,880
Average Grade	...		1.929%
Refined Copper produced (equivalent)	...	„	2,319
Rolled Brass produced	...	„	989
Rolled Copper produced	...	„	3
Copper Wire Bar produced	...	„	1,810
Crude Cupro Nickel Alloy	...	„	7
Crude Copper Bar	...	„	30
Copper Swarf	...	„	63
Nickel Sulphate Crystals	...	„	41

The results of development work carried out on the properties of the Corporation during the quarter under review are as follows:—

	Developed Metres	Sampled Metres	Payable Metres
Mosaboni ...	792.5	650.5	380.4
Badia ...	158.7	111.3	101.0
Surda ...	288.3	240.9	62.1
Pathargorah ...	—	—	—

Gillander House,
Netaji Subhas Road,
CALCUTTA-1.
Dated 21st February, 1972.

S. N. SINGHANIA,
Secretary.

STATE BANK OF INDIA

NOTICE

THE Seventeenth Annual General Meeting of the Shareholders of the State Bank of India will be held at the Bank's Local Head Office at 1, Strand Road, Calcutta, on Friday, the 24th March 1972, at 4-00 P.M. (Standard Time), for the transaction of the following business:—

To receive the Central Board's Report, the Balance Sheet and Profit and Loss Account of the Bank made up to the 31st December 1971 and the Auditors' Report on the Balance Sheet and Accounts.

Sd/-
B. D. GARWARE
Chairman of the Meeting

BOMBAY, 21st January 1972.
1st Magha 1893 (Saka).

DHUNSERI TEA & INDUSTRIES LTD.

THE Directors of the Company have decided to recommend to the forthcoming Annual General Meeting to be held on 23rd March, 1972 the following dividends for the year ended 31st December, 1971 subject to deduction of tax:—

(a) 10% on Cumulative Preference Shares.

(b) 12½% on Equity Shares.

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

Calcutta: 21st February, 1972.

DIVIDENDS DECLARED OR PROPOSED

South Karanpura Coal Co. Ltd—20 p.c. (0), subject to tax

Sungma Tea Co. Ltd—5 p.c. (0), subject to tax

BOOKS RECEIVED

Bangla Desh Documents. (Published by the Ministry of Information and Broadcasting, Government of India, Old Secretariat, Delhi 6. Price Rs. 25, pages 719.)

Central Banking in a Developing Economy. By P. C. Bhattacharyya. (Published by Vora and Co. Publishers Pvt. Ltd, Bombay 2. Price Rs. 25, pages 283.)

Planning for Economic Growth in the Soviet Union 1918-1932. By Eugene Zaleski. (Published by the University of North Carolina Press, Chapel Hill. Copy received from the Oxford University Press, Calcutta 1. Price $15.75, pages 425.)

Indian Economic Planning — An Alternative Approach. By Subramanian Swamy. (Published by Vikas Publications, 5 Daryaganj, Ansari Road, Delhi 6. Price Rs. 20, pages 143.)

The Industrial Evolution of India in Recent Times—1860-1939. By D. R. Gadgil. (Published by Oxford University Press, Bombay 1. Price Rs. 25, pages 362.)

Kanga and Palkhivala's The Law and Practice of Income Tax. By H. P. Ranina. (Published by N. M. Tripathi Private Ltd, 164 Samaldas Gandhi Marg, Bombay 2. Price Rs. 27 pages 963.)

Finance of Agriculture by Commercial Banks—Report of a Seminar held on December 6 to 8, 1968. (Published by the Reserve Bank of India, Bombay 1. Price Rs. 8, pages 352.)

Wit and Wisdom of Indira Gandhi. Edited by N. B. Sen. (Published by New Book Society of India, Post Box No. 250, New Delhi. Price Rs. 25, pages 336.)

India's Green Revolution—Economic Gains and Political Costs. By Francine R. Frankel. (Published by Princeton University Press, Princeton, New Jersey. Copy received from Oxford University Press, Calcutta 1. Price Rs. 50, pages 232.)

Time in India's Development Programmes. By Robert C. Repetto. (Published by Harvard University Press, Cambridge, Massachusetts. Copy received from Oxford University Press, Calcutta 1. Price $9, pages 236.)

"CAPITAL" STOCK AND SHARE LIST

Official quotations of the Calcutta, Bombay and Madras Stock Exchange Associations and other sources.

This list is brought up-to-date and published in the last issue of "Capital" each month.

GOVERNMENT LOANS

PORT TRUST LOANS

Outstanding Amount	Interest per cent	Year of issue	Repayable	Market quotations
Rs.			Rs.	
GOVERNMENT OF INDIA				
2,48,90,76,000	3	1946	1986 or later	60/00
8,93,33,000	3	1896-97	At the option of the Government of India after 3 months' notice	59/00
14,77,48,000	2½	1946	1976	92/00
86,63,53,000	3½	1956	1974	98/25
1,54,70,47,000	4	1957	1972	99/95
97,51,44,000	4	1958	1973	99/70
81,06,39,000	4	1959	1979	94/65
98,05,17,000	4	1960	1980	93/25
65,96,55,000	4	1961	1981	92/45
1,00,13,00,000	4½	1967	1972	100/25
1,14,33,08,000	4½	1965	1972	100/70
28,22,34,000	4½	1962	1972	100/35
1,59,08,07,000	4½	1963	1973	100/10
1,14,03,37,000	4½	1962	1985	92/95
4,03,09,83,000	4½	1963	1986	92/50
1,40,26,47,000	4½	1964	1989	93/05
1,11,16,14,000	5¼	1965	1990	101/20
4,07,97,66,000	5¼	1966	1991	101/00
1,00,10,00,000	5	1967	1982	99/50
1,50,20,00,000	5¼	1967	1992	100/60
2,75,00,00,000	5¾	1968	1995	99/35
1,35,00,00,000	4½	1968	1975	99/40
CALCUTTA				
90,24,300	4	1914	1974	
76,90,100	4	1915	1975	
68,02,300	3	1921	1981	
1,50,00,000	6½	1921	1981	144/00N
£892,600	5	1923	1953-83	£55½
£901,000	5	1924	1954-84	£55½
1,24,00,000	4½	1957	1987	95/50
1,30,00,000	4½	1958	1988	82/00
50,00,000	4½	1959	1989	95/00
80,00,000	4	1931	1991	93/00
50,00,000	3	1946	1976	84/00
50,00,000	2½	1947	1977	70/00
50,00,000	3	1948	1978	83/00
50,00,000	3	1950	1980	81/00
50,00,000	3	1951	1981	80/50

IMPROVEMENT TRUST LOANS

Amount	Interest per cent	Year of issue	Repayable	Market quotations
Rs.			Rs.	
CALCUTTA				
50,00,000	4	1953	1983	94/75
90,00,000	4	1955	1985	94/75
77,00,000	4	1956	1986	92/00
1,00,00,000	5	1963	1993	94/00
60,00,000	5½	1965	1977	99/00
1,00,00,000	5¾	1967	1979	97/50
2,00,00,000	5¾	1967	1979	97/50
25,00,000	5¾	1968	1980	98/00
1,00,00,000	5¾	1969	1979	99/00
1,00,00,000 1st 5¾		1970	1980	100/00
1,00,00,000 2nd5¾		1970	1980	100/00
1,50,00,000	5¾	1971	1981	...
BOMBAY				
56,00,000	4	1910	1971	97/75
75,00,000	4	1911	1972	96/00
65,00,000	4½	1959	1974	95/50N
CALCUTTA				
£366,600	4	1909	1969	£95¼
£333,000	4	1910	1970	£95.50
25,00,000	4	1912	1972	57.57N
BOMBAY				
13,00,000	4	1913	1973	97/57N
50,00,000	4	1914	1974	97/50N
25,00,000	4	1916	1976	97/50N
66,00,000	6	1920	1935-80	97/50N
25,00,000	4	1927	1961-77	98/00N

STATE GOVERNMENT LOANS

Amount Outstanding Rs.	Interest per cent	Year of issue	Repayable	Market quotations Rs.
MAHARASHTRA				
15,00,00,000	5½	1965	1977	99/85
10,00,00,000	4½	1961	1972	99/00
12,00,00,000	4½	1962	1974	99/10
15,00,00,000	4¾	1964	1976	99/25
MADRAS				
14,00,00,000	5½	1965	1977	99/85
10,00,00,000	4½	1961	1972	99/00
12,00,00,000	4½	1962	1974	99/00
14,00,00,000	4¾	1964	1976	98/75
WEST BENGAL				
7,00,00,000	4½	1961	1972	99/00
7,00,00,000	4½	1962	1974	99/00
7,00,00,000	4¾	1964	1976	98/75
7,00,00,000	5¼	1965	1977	100/00
6,00,00,000	5¼	1966	1978	100/00
8,00,00,000	5¼	1967	1979	100/70
8,00,00,000	5½	1968	1980	100/70
11,00,00,000	5½	1969	1981	100/70

MUNICIPAL LOANS

Amount Rs.	Interest per cent	Year of issue	Repayable	Market quotations Rs.
CALCUTTA				
72,50,000	4½	1954	1979	94/50N
21,10,000	3½	1942	1972	92/00
2,22,72,000	4	1955	1985	94/75N
1,67,32,000	4½	1958	1970	95/50N
57,72,000	4½	1961	1976	...
BOMBAY				
8,25,00,000	3½	1947	1977	85/00
2,12,14,500	3½	1949	1979	79/00
2,09,10,500	4¼	1957	1969	99/60

JOINT STOCK COMPANIES' DEBENTURES

Amount Authorised Rs.	Amount Outstanding Rs.	Rate of Interest per cent	NAME OF COMPANIES	Year of Issue	MARKET PRICE 21-2-72	MARKET PRICE 24-1-72	Interest payable	Principal Repayable
			COAL					
60,00,000	27,03,000	6½	Bengal	1961	93/00	95/00	1st May 1st Nov.	31-10-75
30,00,000	11,01,000	7¼	Bharat Collieries	1944	80/00†	80/00†	30th April 31st Oct.	31-10-72
20,00,000	20,00,000	8	Burrakur	1967	98/00†	98/00†	30th June 31st Dec.	30-6-82

JOINT STOCK COMPANIES' DEBENTURES—*Contd.*

Amount Authorised Rs.	Amount Outstanding Rs.	Rate of interest per cent	NAME OF COMPANIES	Year of Issue	MARKET PRICE 21-2-72	MARKET PRICE 24-1-72	Interest payable	Principal Repayable
			JUTE					
15,00,000	15,00,000	7½	Auckland	1945	90/00†	90/00†	30th June 31st Dec.	31-12-79
30,00,000	22,88,000	7½	Howrah	1955	97/50†	97/50†	31st March 30th Sept.	31-3-80
25,00,000	25,00,000	7½	Kinnison	1949	93/00†	93/00†	30th June 31st Dec.	31-12-79
25,00,000	10,54,000	7¾	Kamarhatty	1955	96/00†	96/00†	30th June 31st Dec.	30-6-80
25,00,000	25,00,000	8	Naihati	1952	85/00†	85/00†	30th June 31st Dec.	31-3-82
5,00,000	5,00,000	6¼	Nellimarla	1939	90/00†	90/00†	14th Nov. 14th May	14-5-74
20,00,000	20,00,000	7½	Northbrook	1945	93/00†	93/00†	30th June 31st Dec.	31-12-79
10,00,000	10,00,000	6¼	Waverley	1927	89/00†	89/00†	31st Jan. 31st July	31-8-72
			MISCELLANEOUS					
10,00,00	9,78,072	7	Aluminium Corporation of India Ltd.	1948	92/00†	92/00†	1st Jan. 1st July	15-7-75
5,00,000	5,00,000	7½	Bareilly Electric Supply Co. Ltd.	1949	96/00†	96/00†	30th June 31st Dec.	31-12-77
12,00,000	1,00,000	7½	Benares Elec. Ltd. & Power Co. Ltd.	1949	96/00†	96/00†	30th June 31st Dec.	30-6-75
25,00,000	13,80,000	4½	Clive Buildings	1936	80/00†	80/00†	1st July 1st Jan.	1-7-86
2,30,00,000	1,75,06,500	6½	Dunlop India	1950 & 1958	97/00†	97/00†	1st Jan. 1st July	1-1-73
1,00,00,000	91,80,000	7¾	Indian Cable Co. Ltd.	1954	97/50†	97/50†	1st Jan. 1st July	30-6-84
10,00,000	10,00,000	8	Kumardhubi Engineering Works Ltd	1946	98/00†	98/00†	31st May 30th Nov.	31-5-79
6,50,000	6,50,000	6	Katakhal Lala Bazar Railway	1945	88/00†	88/00†	30th June 31st Dec.	31-12-74
45,00,000	39,70,000	4	McLeod & Co. Ltd. (Con Notes)	1947	300/00 P note	300/00 P note	30th June 31st Dec.	31-12-72
...	59,36,000	7¼	Macneill & Barry Ltd.	1969	87/00	87/00	1st April 1st Oct.	1-4-86
20,00,000	20,00,000	7½	Patna Electric Supply Co. Ltd.	1949	93/00†	93/00†	31st May 30th Nov.	1-12-73
1,00,00,000	50,50,000	6½	Rohtas Industries Ltd.	1946	96/00†	96/00†	30th June 31st Dec.	31-12-69
75,00,000	75,00,000	7½	Shaw Wallace & Co. Ltd.	1967	97/50†	97/50†	1st April 1st October	31-3-79
10,00,000	10,00,000	8	Shree Gopal Paper Mills Ltd.	1944	98/00†	98/00†	Jan. & July	15-7-76
15,00,000	11,40,000	5	Sijua Jherriah	1951	87/00†	87/00†	1st Jan. 1st July	30-6-76

JOINT STOCK COMPANIES' PREFERENCE SHARES

Dividends are cumulative and shares carry a preferential claim on the property for the payment of capital and on the profits for dividends. Months against names of companies indicate approximate time of payment of dividends. T means that dividend tax is deducted at source.

Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 21-2-72
		Rs.		Rs	Rs.
	BANK				
1901	Allahabad Bank (May Nov.)	15·00	6	100	78/00
	COAL				
1896-97	Borrea (June Dec.)	4·00	6¼	100	78/00
1901-19	Burrakur (Jan. July)	22·93	7	100	72/50
1946	Burrakur (June Dec.)	4·50	6T	10	4/25
1895	Equitable (May Nov.)	4.00	5¼	100	49/00
1931	Khas Kajora (March Sept.)	1.93	12.4	10	5/31
1920	New Beerbhoom (Jan. July)	2·00	7	10	7/12
1898-00	Ondal (June Dec.)	2.00	6½	100	79/25
	COTTON				
1902	Ahmedabad Advance (Apr. Oct.)	10·00	7·14	100	97/00
1938	Basanti (Oct.)	5.00	6½	10	3/75
1900	Bowreah A (Apr. Oct.)	6·00	8	100	92/00
1900	Bowreah B (6) (1) (Apr. Oct.)	6·00	7	100	67/00
1919	Bradbury 'B' (Jan. Dec.)	14.85	10	50	18/52
1928	Cambodia (July)	1·00	7	100	82/72
1912	Central India (Apr. Oct.)	50·00	7·14	500	251/25
	Delhi Cloth & General (Oct.)	20.00	4½	25	...
1912	Elgin (May Nov.)	11·00	8	100	85/00
1943	Elgin 'B'	10·00	5	10	6/44
1919	Elphinstone (May Nov.)	25·00	7	100	40/00
1919	Kesoram (June Dec.)	20·00	10	100	93/00
1925	Khatau Makanji (Nov.)	10·00	4	100	68/00
1937	Kothari (Nov.)	12·00	6	10	6/52
1913	New Great Eastern (Mar.)	8·00	5½	200	103/00
1933	Palani Andavar (Mar.)	2·00	9·1	50	86/87
1935	Svadeshi (Bombay) (May)	15·00	7·14	100	74/00
1927	Swadeshi (Cawnpore) (Mar.)	35·00	6	100	61/00
1931	Vasanta (Apr. Oct.)	3·00	6½	100	68/10
	JUTE				
1927	Agarpara (Jan. July)	10·00	7	100	65/00
1905	Alexandra (Feb. Aug.)	9·00	7	100	48/50
1895	Alliance (March Sept.)	15·00	6	100	51/00
1917	Anglo-India (May Nov.)	40·00	7	100	70/00
1909	Auckland (July Jan.)	10·00	5½	100	49/50
1945	Auckland (July Jan.)	15·00	4½	100	32/00
1918	Bally (Jan. July)	20.00	10†	100	84/50

Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 21-2-72
		Rs.		Rs.	
1896	Barnagore (Oct. Dec.)	£200	5T	£5	31/00
1940	Bengal (June Dec.)	10.00	5½	100	44/00
1919	Birla (June Dec.)	23.64	7½T	100	60/00
1934	Calcutta (Jan. July)	6.00	6½	100	100/00
1915	Caledonian (June Dec.)	10.00	7	100	61/50
1928					
1905-13					
1897	Chitavalsah (Mar. Dec.)	5.00	7	160	99/50
1912	Dalhousie (July Jan.)	15.00	7	100	63/50
1890-93	Empire (Jan. July)	10.00	7	100	40/00
1948	Fort Gloster (Jan. July)	14.00	7	100	78/00
1911	Fort Gloster (2nd)	7.00	5	100	51/00
1916	Fort William (May Nov.)	10.00	7	100	83/00
1895-04	Ganges (June Dec.)	6.00	10.4	100	100/00
1935	Gourepore (June Dec.)	26.50	6	100	57/00
1913	Hastings (Aug. Feb.)	25.00	6	100	60/00
1890	Hooghly (July)	11.76	10	10	9/81
1903-06	Howrah (Jan. July)	8.75	7	100	60/50
1919	Howrah "A" (Jan. July)	17.50	7	100	55/00
1898-04	Hukumchand (June Dec.)	40.00	7	100	107/50
1900	Kamarhatty (Apr. Oct.)	16.00	6	100	54/00
1935	Kanknarrah (Apr. Oct.)	10.00	6	100	38/00
1907	Kelvin (Mar. Sept.)	10.00	7	100	43/00
1895-09	Khardah (May Nov.)	9.00	6	100	47/00
1900-13	Kinnison (July Jan.)	15.00	7	100	50/50
1905	Lansdowne (July Jan.)	15.00	7	100	36/00
1912	Lawrence "A" (July Jan.)	5.00	7	100	49/00
1906-07	Lawrence "B" (July Jan.)	10.00	5½	100	46/50
1905-06	Naihati (July Jan.)	7.50	7	100	60/50
1945	Naihati (July Jan.)	10.00	4½	100	46/50
1917	National (May Nov.)	5.00	7	100	59/00
1905-06	Nellimarla (Apr. Oct.)	5.00	6	100	48/50
1945	New Central (Jan. July)	33.00	7	100	82/50
1917	Northbrook (July Jan.)	15.00	5½	100	51/00
1906-12	Rameshwara (Jan. July)	7.00	6	10	8/80
1928	Reliance (Jan. July)	20.00	7	100	91/00
1920	Shree Ambica (Mar. Sept.)	11.70	7½	100	68/00
1901-02	Union (July Jan.)	6.00	7	100	56/00
1918	Waverley (Mar. Sept.)	7.50	5	50	22/00
	MISCELLANEOUS				
1937					
1938	Alkali & Chemical (Mar. Sept.)	31.00	5	100	66/75
1944	Aluminium Corpn. (Oct.)	20.00	8.8	100	86/00
1917	Aluminium Corpn. (Oct.)	20.00	6.5	100	56/00
1919	Andhra Valley Power (May Nov.)	49.34	7T	100	79/00
1916	Arthur Butler (Mar.)	1.30	7	10	3/25

JOINT STOCK COMPANIES' PREFERENCE SHARES—*Contd.*

Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 21-2-72
	MISCELLANEOUS—Cont'd.			Rs.	Rs.
1895	Bengal Assam Steamship (Nov.)	5.00	7	60	44/50
1926	Bengal Chemical (Aug.)	9.00	10½	10	8/75
1889	Bengal Paper Mill (Mar. Sept.)	2.00	7	50	39/50
1928	Bengal Paper Mill "A" (Mar. Sept.)	4.00	7	100	68/00
1936	Birds Investment (Dec.)	24.00	5½T	100	42/50
1962	Braithwaite & Co	40.00	9T	100	51/00
1918	Britannia Biscuit (Feb. Aug.)	15.00	8	10	10/25
1920	British India Corporation (Feb.)	81.00	8	100	82/50
1995-99	Burn Eng. (1st & 2nd) (Feb. Aug.)	13.00	7	100	67/00
1903-5	Burn Engineering (Feb. Aug.)	15.00	6	100	54/75
1909-11	Calcutta Electric Supply (Apl. Nov.)	£1,900	6	£1	10/25
1937	Calcutta Silk Manufacturing (July Jan.)	2.00	10	100	82/00
1906	Calcutta Tramways (Jan. July)	£250	5T	£1	7/75
1938	Carew & Co. (Jan.)	8.00	6½	100	71/00
1905-24	Cawnpore Sugar Works (Feb. Aug.)	10.00	8	100	107/00
1940	Chrestien Mica Industries Ltd.	30.00	5½T	100	32/00
1937	Dalmia Cement (Bharat)	66.57	6	10	7/25
1935	Deshergarh Power Supply "A" (Jan.)	16.00	5	100	54/75
1940	Duncan Brothers & Co. Ltd	45.00	4	100	45/00
1926	Dunlop India First (Jan. July)	30.00	8	100	96/00
1936	Dunlop India Second (Apr.)	40.00	5½T	100	47/00
1897	East India Distilleries (Jan. July)	£200	9	20sh.	16/00
1946	Gillanders Arbuthnot (Apr. Oct.)	25.00	5½T	100	34/25
1948	Godfrey Phillips India Ltd.	30.00	5½T	100	52/75
1940	Gwalior Sugar (Redeemable) (Dec.)	6.75	7	100	..
1940	Gwalior Sugar (Dec.)	5.00	7	100	..
1936	Humayan Properties Ltd. (Nov.)	12.00	6	10	4/81
1936	Indian Aluminium (Mar. Sept.)	40.00	5T	100	61/00
1927	Indo Burma Petroleum (Jan. July)	50.00	7T	100	47/00
1918	Indian Standard Wagon (Aug. or Sept.)	19.66	7	100	58/50
1936	Indian Iron & Steel	2,69.95	5	100	59/50
1937	Jardine Henderson Ltd.	50.00	5	100	31/00
1941	Jessop & Co.	20.00	5	100	47/25
1915	Kumardhubi Engineering (June)	12.00	5	100	71/00
1915	Martin Burn Ltd.	60.00	5	100	50/00
1946	McLeod & Co.	10.00	5T	100	16/00
1930	McLeod & Co.	40.00	5	100	16/25
1936	Mettur Chemical & Industrial (Sept.)	20.00	6	10	7/50
	Metal Box Co. of India Ltd.	30.00	6T	100	76/69

Year of Issue	NAMES	Amount Issued In 000's	Rate per cent	Paid-up per Share	Market Quotations 21-2-72
		Rs.		Rs.	Rs.
1938	Mysore Chemical Mfg. (Sept.)	2.00	6	10	57/00
1942	National Tobacco (June Dec.)	25.00	5	100	50/50
1944	National Tobacco (Jan. Dec.)	20.00	4½	100	7/00
1935	Premier Construction "First" (Aug.)	10.00	6½T	100	56/50
1936	Premier Construction "Second" (Apr.)	15.00	6½T	100	57/50
1922	Purtabpore (Sugar) (Oct.)	6.00	10	10	10/12
1936	Ramnugger Cane & Sugar (Aug.)	4.00	6	100	55/50
1933-36	Rohtas Industries (April)	20.00	7	100	68/50
1935	Rohtas Industries "B" (April)	86.00	4½	100	36/75
1944-48	Shaw Wallace & Co. Ltd.	75.00	6T	100	44/00
1936-53	Shree Krishna Gyanoday Sugar "A" (Oct.)	6.00	6	100	66/00
1937	Shree Krishna Gyanoday Sugar "B"	12.00	5	100	48/00
1918	Smith Stanistreet (Chemists) (Nov.)	5.00	10	50	47/00
1933	South Behar Sugar (Oct.)	5.00	9	100	20/50
1897	Spencer & Co. A (Provisions) (Jan. July)	23.20	6⅔T	10	5/60
1923	Spencer & Co. B (Provisions) (Jan. July)	56.80	8⅓T	10	7/40
1936	Star Paper (Apr. Oct.)	10.00	5	100	54/00
1925	Surat Electricity (April)	5.00	6½	100	85/00
1939	Tata Chemicals (Nov.,	60.00	7.14	100	79/50
1910	Tata Hydro Electric Power (Sept. Mar.)	89.28	7	100	96/00
1906	Tata Iron & Steel (First) (Nov.)	75.00	6T	150	103/50
1918	Tata Iron & Steel (Second) (May)	6,93,82	7½T	100	82/00
1919	Tata Power (May Nov.)	86.97	7½	1,000	97/00
1928	Titaghur Paper Mills (Mar. Sept.)	11.50	8	100	90/50
1936	Titaghur Paper Mills "2nd" (Mar. Sept.)	15.00	4½	100	42/00
1934	Vellore Electric (Sept. Mar.)	1.25	6	10	2/64
	TEA				
1903	Amluckie (May Nov.)	75.00	7	10	21/96
1901	Banarhat (Jan.)	4.00	6½	100	51/00
1900	Birpara (Jan.)	1.50	6	100	52/00
1947	Assambrook Estate	55.00	6T	100	36/50
1901	Dimakusi (June Dec.)	70.00	8T	10	8/81
	Dhunseri	1.20	10T	10	8/16
1894	Gielle (Sept.)	2.00	6	100	45/00
1904	Hasimara (Mar.)	3.00	7	100	63/00
1929	Moheema (May Nov.)	3.20	6	10	3/75
1903	New Samanbagh (Nov.)	1.00	8	100	63/00
1888	Okayti (Dec.)	0.50	7	100	85/50
1914	Peermade (July)	1.50	6	100	63/00
1916	Pussimbing (Jan.)	2.00	7	100	100/00
1909	Sonai River (May)	1.00	8	100	80/00
1932	Tezpore (Jan.)	2.06	6	6	8/25
1922	Tirrihannah (May Nov.)	1.00	10	10	11/46

BANKS

H indicates that Share capital is half paid. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed

Paid-up Capital Ordinary	Reserve & other Funds	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-71	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
30,00,000	1,48,51,000	44,39,42,719	37,95,470	1,554	12	Allahabad Bank P	13	119	74	100	133/00	133/00
2,50,00,000H	3,40,76,510	1,34,80,10,876	92,80,951	62,908	12	Bank of Baroda	18	...	...	50	120/00	105/00
4,05,00,000H	6,52,00,000	1,58,91,26,293	1,49,82,705	...	12	Bank of India	20	Nil	12	50	131/00	121/00
52,50,000 }	7,63,00,778	1,72,56,26,710	1,18,72,601	36,841	12	Central Bank of India	20	8	...	25	75/00	62/50
4,22,47,975H }						Chartered Bank	15	15	19⅓	£1	37½	36½
£8,470,000	£10,850,000	£274,291,125	£2,149,326†	£542,098	12							
1,25,00,000H	10,00,000	7,90,22,445	8,24,454	21,006	12	Hindustan Commercial	Nil	Nil	Nil	50	23/25	20/44
50,00,000H	3,10,000	1,52,63,057	2,11,49,462	52,289	12	Hindusthan Mercantile	Nil	Nil	Nil	50	30/00	26/50
HK$19,12,91,625	HK$26,00,00,000	HK$5,22,22,50,866	HK$9,07,36,157	HK$64,52,371	12	Hong Kong & Shanghai	sh 12/2d†	sh 13†	sh 7-1/10†	HK$25	£16⅜	£15⅜
88,59,950	96,69,883	24,75,00,867	17,34,255	1,10,781	12	Indian Bank	12	6	3	100	147/00	139/00
1,00,00,000	1,14,80,738	39,46,55,120	15,15,535	43,447	12	Indian Overseas Bank	11	Nil	5	100	162/00	135/00
£7,604,000	£11,464,000	£213,359,000	£1,502,000†	£760,000	12	National & Grindlays Bank	13½	13½	18	£1	400	375
2,00,00,000	5,01,50,000	1,62,56,55,584	1,46,16,892†	75,708	12	Punjab National Bank	22	22	22-12*	10	23/75	23/19
1,00,00,000	84,00,000	26,93,06,358	32,28,551	1,46,209	12	Union Bank of India	...	...	...	5	7/48	7/24
2,68,84,370	1,33,50,000	49,60,96,734	25,73,369	66,671	12	United Bank of India	7½	7½	...	10	9/69	8/75
2,80,00,000	5,50,00,000	10,66,79,073	44,31,565	8,01,285	12	United Commercial Bank	14	14	14-14*	50	117/00	112/00

†Per Share

CALCUTTA JUTE MILLS

P. next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid up Capital Ordinary	No. of Looms	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.							Rs	Rs.
60,00,000	879	81,23,180	79,88,500	5,73,417	6,67,967	8,96	3	Agarpara P.	5	5	5-5†	10	8/00	8/31
18,00,000	446	42,80,380	6,12,200	9,61,678	—13,38,541	—12,28,415	12	Alexandra P.	Nil	...	...	100	39/50	39/50
30,00,000	1,264	43,75,072	12,28,250	2,85,586	—18,27,284	—24,42,555	5	Alliance P.	...	...	...	100	35/00	35/00
59,04,900	2,581	1,72,65,253	1,22,78,484	88,95,860	34,64,292	10,009	3	Anglo-India P.	2½	2½	...	100	123/00	120/00
40,00,000	810	1,50,44,057	12,63,716	4,63,675	—25,93,968	...	3	Auckland P.	Nil	Nil	5-7½†	100	60/00	60/00
20,00,000	959	1,02,10,363	46,32,069	6,64,478	15,79,586	24,424	3	Bally P.	10	10	10-10†	10	14/00	14/00
£275,000	1,889	£354,948	£248,568	£112,879	£5,282	£8,292	3	Barnagore P.	Nil	Nil	Nil-Nil†	£5	88/00	83/00
45,00,000	600	29,61,854	15,46,700	8,93,663	5,85,851	1,33,355	6	Bengal P.	...	...	...	10	2/00	2/00
1,59,56,210	1,373	7,39,53,838	4,30,61,136	96,39,875	1,11,00,519	40,062	3	Birla	15	15	9-11†	10	24/50	23/90
7,47,380	502	12,59,648	4,17,958	1,73,320	61,970	48,461	6-12	Calcutta P.	...	...	...	10	12/00	12/00
1,64,75,540	3,721	1,80,45,362	1,17,81,923	4,48,091	74,88,252	...	11	Budge-Budge Amal.	Nil	Nil	12	10	8/62	8/41
18,00,000	616	54,89,909	40,88,628	4,33,492	19,56,178	7,332	11	Caledonian P.	5	5	...	100	90/00	89/50
29,58,200	1,400	1,04,86,571	1,15,61,287	3,58,455	—3,37,639	—2,73,273	3	Champdany P.	Nil	5	5-Nil†	10	12/00	12/00
30,15,000	500	43,86,873	37,80,614	18,71,031	25,08,126	—2,98,286	7	Chitavalsah P.	Nil	Nil	Nil	10	11/06	11/62
31,49,200	766	1,15,61,961	19,99,699	8,87,958	7,16,245	—14,01,691	3	Dalhousie P.	Nil	Nil	Nil-Nil †	100	73/00	73/00
30,00,000	500	27,63,874	14,93,60	14,69,475	8,47,643	—14,46,346	7	Empire P.	Nil	Nil	Nil	10	7/06	7/94
41,99,250	1,014	1,50,10,198	34,03,848	7,00,361	31,65,656	...	3	Fort William P.	Nil	Nil	Nil-Nil†	10	13/75	14/87
84,32,100	1,709	1,66,66,961	88,17,046	1,47,864	3,87,887	2,901	3	Ganges P.	Nil	7½	7½-7½†	10	7/06	7/81
48,00,000	1,394	1,10,17,146	39,04,052	13,56,883	66,635	19,238	3	Gourepore P.	5	Nil	Nil	10	10/19	10/75
80,00,000	1,078	1,41,50,186	86,43,721	1,01,75,234	—22,59,603	...	3	Hastings P.	2½	2½	2½-1†	100	101/00	101/00
65,62,500	720	77,32,792	14,21,763	7,38,937	17,43,248	—53,98,367	3	Howrah P.	Nil	Nil	Nil-Nil†	10	7/69	8/12
52,50,000	2,272	2,55,34,589	27,72,560	21,39,817	19,29,841	—16,51,688	3	Hukumchand P.	Nil	Nil	Nil-Nil†	7½	14/56	14/12
16,80,000	2,272	3,14,95,248	57,53,568	10,96,375	—11,13,303	9,613	3	Hooghly P.	10	10	6	10	14/12	14/50
87,30,000	1,118	1,04,84,696	75,45,095	40,76,313	37,14,080	10,651	3	India	Nil	6.8	4.8-8†	12½	8/56	9/12
43,20,000	1,997	64,57,437	16,60,818	2,52,620	16,65,571	—36,79,652	12	Kamarhatty P.	Nil	Nil	Nil	100	92/50	91/50
54,00,000	1,527	67,94,246	1,36,374	1,89,284	2,36,689	—1,15,74,559	12	Kanknarrah P.	Nil	Nil	Nil	100	38/50	36/00
77,00,000	703	1,34,84,232	22,90,246	13,27,100	—7,05,912	—29,74,746	5	Kelvin P.	Nil	Nil	Nil	100	51/50	51/50
67,50,000	1,530	95,57,285	12,32,836	4,91,257	—34,79,253	—36,59,587	3	Khardah P.	Nil	Nil	...	10	5/25	5/37
59,96,400	1,337	1,67,09,076	28,48,377	9,45,896	—29,35,040	—87,12,099	3	Kinnison P.	Nil	Nil	Nil-Nil†	100	51/00	47/00
81,65,200	1,283	2,24,34,175	36,01,376	19,55,478	—62,85,530	—9,48,840	3	Megna	Nil	Nil	Nil-Nil†	10	5/00	5/12
29,98,900	815	97,08,300	32,50,383	20,56,128	5,26,808	17,816	4-10	Naihati P.	Nil	Nil	Nil	100	30/00	30/00
20,00,000	425	10,79,854	15,55,000	26,11,429	3,36,343	17176	10	Naskarpara	...	...	...	10	3/87	3/87
85,00,000	852	3,27,07,154	1,06,69,449	13,97,686	—10,90,246	7,673	3	National P.	10	Nil	Nil	10	10/87	11/19
36,75,000	316	47,02,282	25,61,800	12,39,978	17,72,851	30,117	7	Nellimarla P.	4	Nil	10-10†	10	9/00	10/62
2,56,00,000	1,765	3,08,96,118	2,42,19,122	26,20,231	—18,53,066	15,530	3	New Central P.	...	...	...	10	4/94	5/19
16,79,880	567	1,20,68,442	21,73,203	3,78,132	—23,04,750	...	3	Northbrook P.	10	10	Nil-Nil†	10	14/00	13/12
66,79,500	1,092	1,08,46,148	16,47,746	3,06,562	8,73,347	—3,15,198	12	Nuddea	2½	Nil	Nil	10	8/00	8/12
25,00,000	400	25,02,605	6,08,654	7,76,711	—19,57,279	—25,79,189	7	Presidency	Nil	...	...	5	1/47	1/75
20,00,000	305	24,85,278	7,10,286	1,10,734	3,10,181	—	3	Rameshwara P.	Nil	Nil	Nil-Nil†	10	13/25	13/25
49,50,000	1,276	1,57,72,816	1,06,24,172	12,70,235	36,65,225	...	3	Reliance P.	Nil	Nil	Nil-Nil†	10	7/31	7/56
30,00,000	911	47,47,618	15,81,656	27,81,388	2,13,128	3,184	9	Shree Ambica P.	Nil	Nil	...	10	17/00	17/00
£1,992,722	1,794	£1,220,775	£455,838	£38,677	—£385,385	£1,327	12	Titaghur P.	Nil	Nil	...	£1	13/00	12/25
35,98,600	1,326	75,21,073	60,455	4,37,186	—18,48,343	—34,63,090	3	Union P.	Nil	Nil	Nil-Nil†	100	49/00	44/50
2,50,000	465	7,58,391	8,10,000	9,73,942	3,91,079	20,102	5	Waverley P.	15	6	...	1	3/06	3/06

†1971

CALCUTTA COAL COMPANIES

F indicates Founder shares. P next to the name of the company indicates that the Company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividend per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
51,00,000	71,32,601	50,54,428	4,48,663	20,49,328	11,473	3	Amalgamated	7½	10	10	10	8/44	8/12
1,20,00,000	4,60,21,970	3,73,73,255	27,49,322	4,84,269	...	10	Bengal P.	12	12	12	100	92/00	94/50
4,49,350	4,37,882	1,30,132	91,796	43,397	4,471	10	Bengal Bhatdee	...	...	...	10	3/50	3/50
2,25,000	3,06,216	5,45,835	5,19,015	1,55,638	16,129	12	Bengal Nagpur	5	5	2½	10	8/06	8/06
15,97,000	25,07,455	4,47,308	14,214	—2,45,265	—6,47,481	9	Bhalgora	Nil	Nil	Nil	10	1/25	1/25
7,15,000	14,96,845	11,02,672	64,329	—3,06,406	—4,92,536	12	Bhulanbarareе	Nil	Nil	Nil	10	8/56	8/56
16,00,000	38,87,275	16,18,636	7,185	1,21,936	—79,196	6	Bokaro & Ramgur	...	...	...	10	12/00	12/00
15,00,000	42,47,955	27,76,392	9,31,166	5,13,268	...	12	Borrea P	5	12½	12½	10	9/12	9/12
1,21,23,300	3,45,54,630	1,62,07,145	41,50,189	10,70,492	...	12	Burrakur P	Nil	12	12-5*	10	8/00	8/37
8,00,000	9,74,804	6,16,228	1,61,693	46,450	— 5,34,766	6	Central Kurkend P.	Nil	Nil	...	10	3/44	3/44
16,00,000	25,01,305	Nil	19,429	—6,45,261	—5,39,034	12	Dhemo Main	Nil	Nil	Nil	10	0/97	0/97
£614,000	£1,336,903	£532,036	£224,897	£128	—£303,832	4	East Indian	Nil	Nil	Nil-Nil*	£1	6/44	6/44
29,63,760	2,06,08,803	1,35,30,025	15,86,501	—27,12,505	—1,60,97,810	12	Equitable P.	Nil	Nil	Nil	10	4/12	3/94
15,00,000	26,44,248	2,30,000	16,401	2,89,347	—11,61,930	12	Ghusick & Muslia P.	Nil	Nil	Nil-Nil*	10	11/00	11/00
8,00,000	5,43,022	...	16,702	—10,172	—3,65,025	3	Hurriladih	...	...	...	10	1/43	1/43
15,00,000 5,00,000F	13,45,428	7,62,287	15,13,110	1,43,451	...	12	Karanpura Development	Nil	5	5	10	7/50	7/31
50,00,000	83,65,454	34,26,999	3,23,733	17,29,065	...	2	Karanpura Collieries P.	12	12	20-10*	10	9/06	9/06
18,90,460	50,12,478	10,46,259	10,46,257	5,19,841	...	1	Katras Jherriah	10	10	10	10	9/00	9/19
1,38,400	6,75,000	95,000	11,80,294	49,776	1,918	6-12	Khas Kajora P.	8	8	...	10	10/25	10/25
7,48,240	3,39,261	56,489	7,29,802	1,15,573	74,711	12	Nazira	...	...	...	10	1/18	1/18
31,97,210	72,34,903	69,43,971	1,69,302	15,52,713	...	10	New Beerbhoom P.	12	16	16	10	10/87	10/87
10,00,000	14,60,892	3,25,512	19,872	2,87,458	—1,98,285	3	New Manbhoom	Nil	Nil	Nil	10	2/69	2/69
1,15,000 1,57,500	7,03,719	4,31,409	40,364	1,44,042	15,045	12	North West	7½	5	2½	10	9/50	9/50
16,68,000	86,95,091	18,35,371	4,30,954	2,99,204	3,757	12	Parasea P.	6½	10	...	10	14/19	14/19
31,50,000	47,55,061	34,20,575	4,26,425	8,17,254	2,326	3	Pench Valley	7½	10	10	10	8/25	8/19
52,48,010	1,35,82,461	66,87,133	21,09,134	4,61,277	26,542	3	Raneegunge	7½	10	10-7½*	10	9/25	8/06
40,50,000	52,92,369	53,96,724	23,89,362	47,80,842	6,473	12	Rewa	15	20	20-20†	10	21/75	21/62
26,95,000	35,74,393	20,87,115	4,28,926	11,19,774	...	8	South Karanpura	10	20	20-20*	10	11/37	13/00
8,00,000	1,30,000	17,53,053	25,91,367	1,96,205	...	12	Garuda Investment	5	10	10	10	6/31	6/62
2,50,000	4,36,300	3,23,000	36,660	1,37,973	1,77,952	12	Union	Nil	Nil	...		5/00	5/00
99,97,000	1,87,61,070	78,41,667	14,18,967	28,44,722	11,360	3	Western Bengal	7½	8	8½-8½*	10	6/69	6/87

* 1971

CALCUTTA COTTON MILLS

Po. and Dd. indicate Preferred Ordinary and Deferred Shares respectively. P. next to the name of the company indicates that the company also has Preference Shares. Figures in 'accounts closed' column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Number of Spindle Looms		Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividend per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.			Rs.	Rs.	Rs.	Rs.	Rs.								
15,00,000	17,044	356	61,38,514	99,386	2,07,009	—3,68,790	—16,98,007	12	Basanti P	Nil	Nil	...	10	2/56	2/56
1,50,00,000	24,000	...	4,13,07,661	1,56,99,568	17,40,572	69,19,218	...	12	Bharat Commerce P	15	15	12	10	16/50	17/25
39,95,950	45,000	1,100	1,41,21,067	2,04,63,385	46,60,129				Birla Cotton	10	10	Nil-Nil*	10	14/75	14/75
60,95,340	60,336	937	1,57,62,419	81,48,901	5,38,840	19,96,698	...	12	Bowreah P	17½	17½	12½	10	12/50	12/50
60,00,000	33,384	604	87,52,901	44,30,132	14,31,861	—4,33,646	5,051	12	Cawnpore Textile	10	8	Nil	5	2/56	2/87
9,65,80,125	76,744	1,645	47,91,772	16,66,97,709	1,36,94,493	3,58,26,564	...	6	Delhi Cloth & Genr P	6	12	...	25	43/69	44/56
47,50,000	68,084	734	1,38,40,304	15,61,664	5,60,325	—14,01,836	...	12	Dunbar	Nil	Nil	Nil	10	9/06	9/00
94,50,000	1,20,006	2,302	197,89,678	1,71,63,486	1,75,483	16,73,362	6,456	12	Elgin P.	8	8	6	10	6/31	7/00
1,25,00,000	...	...	3,48,97,571	56,34,321	85,50,730	19,28,764	1,22,795	12	J. K. Cotton (Rayon) P	5	6	...	10	8/50	8/80
99,26,625	6,272	218	3,43,53,817	36,41,804	3,08,668	—23,27,825	...	12	Jaya Shree P.	Nil	Nil	...	10	6/75	7/31
48,45,700	...	...	88,96,755	5,30,972	1,26,038	4,60,553	—23,98,843	3	Orissa Textiles P.	Nil	Nil	Nil	10	2/56	2/56
19,47,750										Nil	...	...	10	3/25	3/25
5,00,000Dd	23,196	795	25,28,451	4,01,892	1,42,774	—8,80,396	—43,54,178	6	Rampooria Cotton	...	...	...	1	0/20	0/20
17,50,000	2,30,394	2,800								5	5	...	10	11/50	11/50
1,57,50,000Po			6,35,67,315	4,39,07,383	2,04,97,429	23,00,906	...	12	Swadeshi (Kanpur) P.	10.71	10.71	...	10	8/09	8/09

CALCUTTA TEA COMPANIES

Po indicates Preferred Ordinary Shares. P next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary Rs.	Net Block Accounts Rs.	Reserve & other Funds Rs.	Area Hectares	Outturn and Average Price per Kg. realised for crop 1969 Kgs.	1969 Rs.	1970 Kgs.	1970 Rs.	Estimate 1971 Kgs.	Net Profits including taxation Rs.	Accounts closed	NAMES	Dividend per cent 1968	1969	1970	Paid-up per Share Rs.	Latest Market Quotations as available until 21-2-71 Rs.	24-1-72 Rs.
											ASSAM						
16,37,100	26,12,852	17,60,747	368	5,81,395	6.14	6,99,934	6.93	6,60,000	10,34,937	12	Amluckie P.	Nil	2	5	10	9/00	9/00
9,60,000	13,07,892	8,48,455	245	3,37,800	6.75	3,11,000	5.25	3,40,000	86,066	12	Ananda Bag	5	10	5	10	9/50	9/50
35,00,000	84,59,742	17,64,884	1,214	16,91,077	5.19	18,94,886*	...	...	8,74,807	6	Assambrook P.	10	1	12½-10*	10	8/50	8/44
5,50,000	20,36,928	6,36,983	242	4,21,958	6.08	4,29,321	7.17	4,30,000	1,46,417	12	Baghmari	Nil	Nil	7½	10	5/56	5/56
4,50,000	22,41,003	12,29,593	197	2,86,700	7.20	3,17,900	...	3,00,000	78,928	12	Basmatia	Nil	12½	10	10	9/87	9/75
9,46,800	...	...	337	...	...	...	...	...	...	12	Bateli	5	Nil	12½	10	15/31	15/31
10,00,000	19,41,030	12,36,077	293	4,45,300	6.82	4,12,400	7.73	4,20,000	4,70,045	12	Betjan	Nil	15	10	10	10/31	9/31
10,14,000	76,87,444	15,43,234	1,836	18,59,072	7.36	...	...	...	2,01,501	12	Bishnauth	Nil	Nil	...	10	7/69	7/62
7,50,000	25,86,115	15,77,826	220	3,97,140	6.78	4,01,496	7.62	4,15,000	3,52,120	12	Bormah Jan. P	10	12½	6	10	7/50	7/69
8,75,000	17,91,844	2,79,816	137	2,87,929	6.34	3,23,589	6.88	3,30,000	1,98,905	12	Dejoo Valley	Nil	Nil	Nil	10	7/06	7/06
35,00,000	...	...	194	...	...	...	...	...	...	12	Dhelakhat	Nil	3	5	10	6/81	6/81
5,50,000	20,26,161	17,86,520	369	4,20,492	6.41	4,82,771	7.18	4,75,000	4,59,487	12	Dhunseri	13	10	12½	10	10/50	11/12
7,65,000	18,00,531	22,83,826	205	4,27,654	6.95	...	...	...	5,48,018	12	Dibrugarh	30	30	...	10	19/62	18/69
9,91,800	14,07,658	12,32,600	271	3,45,223	7.01	3,68,602	8.42	3,70,000	6,15,576	12	Dimakusi P.	12½	12½	15	10	15/87	15/87
10,24,000	...	...	518	...	...	...	...	...	...	12	Gillapukri	Nil	Nil	...	10	8/19	8/19
41,23,960	13,32,443	8,78,200	226	2,86,898	7.41	2,35,148	8.21	2,89,900	1,45,593	12	Gohpur	5	5	5	10	10/06	10/06
23,29,085	60,09,872	36,45,057	1,088	11,86,693	6.47	11,42,110	8.04	11,80,000	1,60,907	12	Grob	Nil	Nil	Nil	5	3/94	3/94
10,00,000	...	...	285	...	...	...	...	...	...	12	Hoograjuli	3	...	...	10	25/00	25/00
8,70,000	31,59,892	24,18,419	365	3,21,100	7.91	3,12,100	7.99	3,50,000	—1,00,179	12	Hoolungoorie	Nil	12½	Nil	100	97/00	97/00
13,50,000	22,18,805	15,78,143	440	6,08,800	6.70	6,18,600	7.24	6,20,000	7,58,597	12	Jutlibari	10	20	10	10	11/00	11/00
7,05,015	12,23,461	10,96,554	605	8,22,487	5.18	9,26,199	5.59	8,90,000	5,25,389	12	Kotamullai P.	Nil	Nil	2½	10	4/69	4/69
7,00,000	12,49,252	2,80,000	140	2,33,909	6.29	2,34,732	7.42	2,60,000	1,10,283	12	Krishnabehari	10	6	10	10	10/16	10/16
2,00,000	...	...	...	...	...	...	...	...	...	12	Kyang Tea	...	...	...	10	5/00	6/37
6,50,000	16,03,120	17,04,646	302	4,48,250	5.07	4,23,000	5.30	4,20,000	1,86,259	12	Ledo	5	5	10	10	9/12	9/12
20,40,000	30,85,254	23,85,633	471	6,21,968	7.39	6,64,912	8.10	6,40,000	8,28,938	12	Methoni	6	7	10	10	9/00	8/87
6,00,000	479	11,94,675	383	...	...	...	...	...	1,15,467	12	Mothola	10	10	10	100	123/00	123/00
8,00,000O 2,00,000Po	21,71,725 35,29,326	10,48,345	207	1,96,900	7.65	2,21,500	8.13	...	1,49,921	12	Murphulani	7½ 13.14	7½ 13.14	8½ 13.14	10 10	9/56 10/81	9/56 10/56
10,00,000	...	19,16,177	299	3,26,903	7.15	3,59,836	7.50	...	1,51,858	12	Naga Hills	15	10	10	10	15/25	15/25
8,82,750	...	...	569	...	...	...	...	...	...	12	Namburnadi	20	20	...	100	10/31	10/25
6,00,000	20,98,732	7,73,540	223	2,72,100	8.10	3,14,400	7.45	3,10,000	—59,763	12	Rajgarh	Nil	12½	Nil	10	10/31	10/31

CALCUTTA TEA COMPANIES—*Contd.*

Paid-up Capital Ordinary Rs.	Net Block Account Rs.	Reserve & other Funds Rs	Area Hectares	Outturn and Average Price per Kg. realised for crop 1969 Kgs.	1969 Rs.	1970 Kgs.	1970 Rs.	Estimate 1971 Kgs.	Net Profits including taxation Rs.	Accounts closed	NAMES	Dividend per cent 1968	1969	1970	Paid-up per Share Rs.	Latest Market Quotations as available until 21-2-72 Rs.	24-1-72 Rs.
18,00,000	...	...	...	...	...	...	...	...	...	12	Sapoi	Nil	...	...	10	8/37	6/37
17,94,000	27,41,352	5,57,913	674	4,44,233	6.28	4,36,577	6.95	4,60,000	1,97,453	12	Teloijan	Nil	4	...	10	3/94	3/94
10,00,000	15,35,696	12,15,750	283	3,96,400	7.31	3,88,600	7.91	4,30,000	6,52,624	12	Tengpani	10	20	12½	10	40/06	59/00
19,82,880	45,79,517	34,41,100	1,000	13,52,101	5.43	14,43,916	6.20	14,80,000	9,82,780	12	Tezpore	5	5	...	10	13/06	12/50
5,20,000	...	...	471	...	...	...	...	...	...	12	Tyroon	Nil	...	...	10	17/12	17/12
											CACHAR						
3,00,000	...	...	349	...	...	...	...	...	...	12	Arcuttipore	Nil	...	...	10	10/50	10/50
7,00,000	...	...	278	...	...	...	...	...	...	12	Eastern Cachar	Nil	Nil	...	10	5/44	4/94
12,60,000	19,98,894	11,94,492	983	7,23,990	4.81	7,44,554	5.68	7,20,000	4,71,647	12	Hattikhira	Nil	Nil	5	10	7/12	7/31
3,60,000	...	...	252	...	...	...	...	...	...	12	Kunchunpore	...	...	...	10	2/56	3/50
5,63,690	5,99,621	3,337,225	236	2,08,946	4.79	2,13,449	5.69	1,90,000	1,50,872	12	Loobah	Nil	Nil	5	10	5/19	5/62
12,60,000	...	...	888	...	...	...	...	...	...	12	North Western	...	...	...	100	115/00	105/00
2,59,050	9,40,494	3,52,589	255	2,96,946	5.09	3,25,526	5.71	2,90,000	2,61,998	12	Pathemara	Nil	Nil	10	10	7/56	7/56
2,60,000	8,04,720	7,16,432	255	2,52,587	5.11	2,72,336	5.82	2,72,336	275	12	Roopacherra	Nil	Nil	10	10	6/06	6/06
10,50,000	...	...	341	...	...	...	...	...	...	12	Rungamattee	5	5	...	10	8/06	8/06
4,00,000	...	...	292	...	...	...	...	...	...	12	Sonai River	Nil	...	...	10	2/06	3/25
											DARJEELING						
3,99,750	...	...	...	...	...	...	...	...	...	12	Bloomfield	...	...	...	10	8/00	8/00
16,79,400	...	...	516	...	...	...	...	...	...	12	Chamong	2	3	...	10	4/06	5/25
5,64,000	...	...	400	...	...	...	...	...	...	12	Darjeeling Tea	2½	2½	...	100	104/00	104/00
10,32,000	...	...	713	...	...	...	...	...	...	12	Longview	Nil	...	...	10	2/31	3/37
7,00,000	...	...	333	...	...	...	...	...	...	12	Margaret's Hope	4	5	...	10	6/50	6/50
4,77,000	6,07,782	2,10,517	167	8,71,000	13.23	8,77,000	15.24	9,60,000	67,541	12	Mim	Nil	7½	7½	100	150/00	150/00
8,99,700	20,35,167	16,64,500	286	1,41,343	12.22	2,34,518	13.52	2,23,900	4,62,766	12	Nagri Farm	12½	Nil	12½	10	11/06	11/06
4,00,000	...	...	205	...	...	...	...	...	...	12	Okayti P	2½	2½	...	10	600/00	600/00
3,30,000	...	...	618	...	...	...	...	...	...	12	Pashok	...	...	...	100	55/12	55/12
3,00,000	...	...	153	...	...	...	...	...	...	12	Poobong	Nil	...	...	100	5/25	5/25
2,05,000	...	...	228	...	...	...	...	...	...	12	Pussimbing	Nil	Nil	...	10	7/62	7/62
6,00,000	...	...	156	...	...	...	...	...	...	...	Seeyok	...	...	...	10	4/56	4/56
6,25,000	...	...	293	...	...	...	...	...	...	3	Singell	2½	2½	Nil-2½*	12	30/00	49/50
9,00,000	10,96,830	1,57,758	233	1,37,154	...	1,57,567	...	...	1,05,957	3	Singtom	Nil	5	2½	10	3/25	3/25
6,00,000	11,13,382	11,48,300	224	1,26,456	13.00	...	1,47,000	1,52,922	97,747	12	Soom	10	5	5	10	17/31	17/31
15,62,500	14,96,890	7,15,907	298	1,80,345	14.48	1,86,253	13.99	2,00,000	1,99,173	2	Sungma	8	8	5	10	7/19	7/69
6,40,000	...	...	306	...	...	13.99	...	...	...	12	Teesta Valley	10	7½	10	10	7/31	7/75

*1971

CALCUTTA TEA COMPANIES—*Contd.*

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds	Area Hectares	Outturn and Average Price per Kg. realised for crop 1969		1970		Estimate 1971	Net Profits including taxation	Accounts closed	NAMES	Dividend per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs	Rs.	Rs.		Kgs.	Rs.	Kgs.	Rs.	Kgs.	Rs.						Rs.	Rs.	Rs.
											DOOARS						
58,50,000	1,43,33,723	78,64,572	2,047	24,66,900	5.93	2,98,44,000	6.41	28,50,000	15.52,870	12	Banarhat P.	5	Nil	16	100	99/00	99/50
9,00,000	...	...	...	...	...	...	...	...	...	12	Bhatkawa	...	...	...	10	6/56	6/56
1,11,71,700	2,34,97,632	1,89,50,650	3,790	54,57,820	5.33	62,52,604	5.72	58,05,000	29,50,503	12	Birpara P.	5	5	11	10	96/00	91/00
6,00,000	...	...	...	...	...	...	...	...	...	12	Carron	Nil	10	...	100	130/00	140/00
6,00,000	...	...	...	...	...	...	...	...	...	12	Ellenbrrie	Nil	Nil	10	100	82/50	82/50
2,40,000	...	...	...	...	...	...	...	...	...	12	Engo	Nil	...	...	100	225/00	225/00
4,90,000	...	...	...	...	...	...	...	...	...	12	Ethelbari	7½	...	...	100	15/50	15/50
10,50,000	15,23,794	7,05,625	490	4,22,300	5.42	5,34,500	6.23	6,10,000	15,438	12	Gairkhata	3½	Nil	Nil	10	7/00	7/10
14,00,000	60,26,463	18,50,921	766	5,73,520	4.73	6,46,974	4.79	...	74,749	3	Gopalpur	...	...	...	10	7/12	7/12
64,00,000	...	...	...	...	...	...	...	...	...	12	Hasimara	Nil	5	...	10	6/62	6/56
16,50,000	...	...	...	...	...	...	...	...	...	2	Huldibari	10	5	5	10	6/87	6/87
7,00,000	...	...	...	...	...	...	...	...	...	12	Jaybirpara	Nil	Nil	Nil	10	5/06	4/00
6,40,000	...	...	...	...	...	...	...	...	...	12	*Oodlabari*	5	...	5	100	7/25	7/25
2,50,000	...	...	...	...	...	...	...	...	...	12	Phaskowa	5	7½	...	10	150/00	150/00
6,00,000	...	...	...	...	...	...	...	...	...	12	Rajabhat	...	...	...	100	5/37	5/37
7,65,000	18,96,542	8,26,638	...	500,390	5.87	5,88,010	6.06	3,80,000	78,077	12	Ranicherra	Nil	Nil	5	10	5/81	5/81
74,85,000	94,10,477	66,36,347	2,189	26,30,516	5.77	30,07,251	5.65	30,26,000	17,76,293	12	Rydak	7½	5	40	10	8/56	8/37
3,46,000	...	...	...	...	...	...	...	...	...	12	Sarugaon	...	...	...	10	26/87	26/87
											TERAI						
4,50,000	...	...	...	...	...	...	...	...	...	12	Atal	...	...	...	10	4/81	4/81
7,50,000	...	...	...	2,70,000	...	...	...	...	...	12	Belgachi	6	Nil	...	100	14/50	14/50
13,50,000	...	...	...	...	...	...	...	...	...	2	New Chumta	7	5	5	10	5/75	5/44
7,20,000	...	...	...	...	...	...	...	...	...	12	New Terai	6	Nil	...	10	14/37	15/31
11,70,000	...	...	...	...	...	...	...	...	...	12	Phargoomiah	Nil	...	...	10	9/00	9/00
3,00,000	...	...	...	...	...	...	...	...	...	12	Putinbaree	Nil	Nil	...	10	14/94	14/94
2,20,000	14,33,171	17,58,775	2,145	3,77,068	6.16	4,32,415	6.64	4,52,500	3,23,520	12	Tirrihannah P.	50	20	40	10	43/00	43/00
											SYLHET						
6,00,000	...	...	...	...	...	...	...	...	...	12	Daurachera	Nil	Nil	...	10	7/62	7/62
5,59,930	19,34,347	23,34,400	...	...	...	...	...	...	—49,313	12	New Samanbagh P.	Nil	Nil	...	10	6/50	5/00
36,00,000	...	...	...	...	...	...	...	...	...	12	Patrakola	Nil	...	...	100	82/00	49/50
9,00,000	...	...	...	...	...	...	...	...	...	12	Teliapara	...	...	...	100	42/00	42/00

CALCUTTA MISCELLANEOUS COMPANIES

Dd., indicates Deferred Shares. *P. next to the name of the* company indicates *that the company also has Preference Shares.* Figures in *"accounts closed"* column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividend per cent 1968	1969	1970	Paid-up per share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
							MININGS						
£2,369,769	...	£285,782	£499,650	£620	£201,716	12	Burma Mines	Nil	Nil	Nil	3½sh.	1/00	1/00
30,00,000	18,42,300	19,17,592	48,53,513	9,74,317	24,849	12	Chrestien Mica industries P.	Nil	...	...	10	5/06	5/06
15.00.000Dd								Nil	...	...	5Dd	3/12	3/12
£2,571,188	£5,928,979	£4,223,766	£467,079	£1,718,357	...	12	Indian Copper Corporation	9	9	11.1	2sh.	3/94	3/98
2,39.52.727	40.07.495	22.25.150	1.11.140	5,75,762	18.044	8	Metal Corporation P.	...	...	...	10	4/75	5/50
60,00,000	37,75,579	49,67,625	52,84,194	20,16,808	...	6	Orissa Mineral Development	5	10	12½-12½*	10	10/25	10/31
							CEMENT, LIME, SLATE, ETC.						
59.90.843	1,20.04,528	25.32.469	15,55,034	...	...	3	Ashoka Cement	7	6	6-Nil*	10	4/87	4/75
55.23,546	1,04.34,291	40,16,797	18.888	—10,73,604	...	6	Bengal Potteries	9	Nil	...	2½	2/06	1/81
50,00,000	1,12,66,361	54,86,925	3,96,676	16,96,367	...	3	Bisra Stone Lime	12½	15	15-15*	10	13/69	13/69
2,86,93,580	2,57,93,728	3,58,54,082	2,77,64,088	1,45,35,131	...	12	Dalmia Cement (Bharat) P.	12½	12½	12½	10	13/06	13/50
3,00,00,000	4,69,93,753	1,64,70,210	65,45,205	51,15,119	...	3	Jaipur Udyog P.	10	10	10-5*	10	8/45	8/60
1,00,00,000	4,68,78,451	52,68,042	2,25,121	19,87,662	2,11,202	12	Kalyanpur Lime	6	8	...	10	10/50	10/40
50,00,000	91,23,755	94,12,067	20,33,077	57,97,920	...	12	Kumardhubi Fireclay & Silica P.	Nil	Nil	20	10	18/45	18/45
2,70,00,000	3,37,00,240	4,19,53,760	63,13,397	2,38,65,541	...	12	Orissa Cement P.	11	12½	12½	10	18/30	19/10
6,00,000	20.07.006	21,78.065	17.41.738	4,85,806	30,441	2	Reliance Firebricks & Pottery	Nil	...	...	10	6/00	6/00
75,00,000	63.28.018	44.95.600	5.26.119	12.18.128	6,195	12	Sone Valley Portland Cement	Nil	Nil	Nil	5	1/50	1/50
20,23,220	20,75,554	6,74,959	5,80,639	3,45,663	4,253	12	Sutna Stone & Lime	15	15	15	10	13/47	13/47
							CHEMICAL INDUSTRIES						
4,34,00,000	6,99,57,635	2,76,85,273	1,10,67,826	2,68,57,419	78	9	Alkali & Chemical Corpn of (I)	5	10	15-17½*	10	27/75	30/12
15,00,000O													
11,08,900A	76,41,344	68.84,605	21.11.440	18,06,053	1,30,717	3	Bengal Chemical & Pharm P.	7½	7½	Nil	100	47/00	42/00
22.54.700B													
30,00,000	48,64,215	38,79,462	29,37,560	8,09,316	11,483	6	Calcutta Chemical P.	18	18	9-9*	10	21/25	21/25
4,90,00,000	4,41,62,331	2,76,83,586	6,44,295	3,52,95,990	156	9	Chemicals And Fibres	27½	27½	27½	10	34/87	38/37
4,95,000	1,31,355	1,33,245	41,188	1,15,552	210	2	Frank Ross P	Nil	2½	2½	6	1/50	1/50
4,80,20,000	52,70,62,104	3,60,65,954	1,51,88,269	2,98,94,320	751	9	Indian Explosives	15	15	15	10	22/62	24/00
30,00,000	15,66,300	20,35,238	11,31,033	12,74,506	2,720	6	Smith Stanistreet P	15	15	10	5	3/37	3/56
							ELECTRIC LIGHTING, POWER						
19,99,600	2,78,34,554	48,06,732	15,68,313	— 1,67,752	...	3	Agra Electric	10	10	10-10*	100	136/00	136/00
8,00,000	39,77,346	16,69,259	6,68,814	1,56,078	221	3	Bareilly Electricity	6	10	10-6*	10	14/81	15/06
17,00,000	1,23,17,670	60,56,232	15,26,090	1,78,574	831	3	Benares Electric	6	Nil	...	10	13/56	13/56
5,91,000	16,64,579	10,99,239	13,29,578	1,66,823	25,297	3	Bhagalpur Electric Supply	11	11	12-10*	10	8/75	8/75
£4,262,64	£21,086,133	£11,221,520	£1,141,964	£1,842,545	£80,891	3	Calcutta Electric Supply P.	9	9	13-13*	£1	14/06	15/00
45.20.000	1,10,73,188	52,45,587	35,65,119	25,36,602	36,929	3	Dishergarh Power Supply P.	9	9	9-9*	10	10/00	9/19

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CALCUTTA MISCELLANEOUS COMPANIES—*Contd.*

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-71	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.							Rs.	Rs.
22,49,700	71,82,278	34,32,158	8,71,829	2,03,107	879	3	Jubbulpore Electric	10	10	10	10	13/56	13/44
4,95,000	6,76,324	2,24,149	1,09,770	46,495	39,015	3	Mirzapur Electric Supply	Nil	...	...	9	2/56	2/56
5,82,390	25,58,752	11,94,466	2,92,621	5,39,691	970	3	Muzafferpore Electric Supply	10	10	...	10	13/00	13/00
6,99,700	13,79,795	4,94,586	2,61,730	2,31,127	5,727	3	Muttra Electric	10	10	12	10	11/00	11/00
55,07,380	1,35,93,224	61,40,656	1,96,943	13,09,947	80,097	3	Patna Electric Supply	11	11	11-12*	10	12/50	12/50
9,10,000	10,02,146	3,78,590	3,92,989	2,09,883	80,824	3	Shahjahanpur Electric P	10	8	10-10*	10	7/94	7/94
16,80,000	23,25,097	21,59,665	5,72,754	8,19,417	...	3	Sijua (Jherriah) Electric	11	10	11-13*	10	12/12	12/12
							ENGINEERING & METAL						
6,00,000	17,68,727	7,28,551	3,76,395	8,30,823	4,14,416	12	Arthur Butler (Muzafferpore) P	...	...	...	10	6/75	6/75
50,00,000	45,85,059	30,86,968	1,72,916	8,79,165	29,165	12	Bhartia Electric Steel	2½	Nil	4	10	8/75	8/00
1,60,00,000	2,95,78,876	68,19,483	4,66,566	—1,24,85,483	—99,58,070	12	Braithwaite & Co. (India) P	Nil	Nil	...	10	4/87	5/00
36,00,000	57,16,762	63,05,500	6,69,804	25,82,202	...	12	Bridge & Roof	10	8	2½	10	36/19	35/19
1,00,00,000	1,69,30,485	27,07,000	10,24,766	—85,28,723	—69,11,305	12	Britannia Engineering P	Nil	...		10	2/44	1/75
3,36,00,000	2,50,28,481	4,19,668	67,36,099	—47,52,044	—72,02,546	4	Burn P (Engineering)	Nil	Nil	Nil-Nil*	100	67/00	73/00
1,00,00,000	78,72,496	35,76,143	1,33,735	11,37,399	20,066	3	Calcutta Steel	12½	Nil	5	10	7/56	7/56
6,32,18,740	13,81,21,148	12,88,22,995	5,23,30,639	7,12,10,363	...	12	Guest Keen Williams	Nil	8	16	10	34/00	34/80
17,50,000	20,87,108	4,69,100	92,766	—16,34,014	—45,56,613	12	Hooghly Docking	Nil	Nil	...	50	31/00	31/00
24,88,17,980	65,39,32,169	42,44,61,85	4,74,98,058	3,68,75,944	...	3	Indian Iron & Steel P	Nil	5	6-6*	10	9/25	9/75
5,65,000 } 1,54,000Dd }	11,52,812	14,001	1,82,994	—4,15,836	—4,03,294	3	Indian Malleable Casting	...	...	...	5D	2/00	2/00
1,55,94,000	54,26,818	31,84,791	34,18,507	—82,15,695	—1,22,14,432	3	Indian Standard Wagon P	... Nil	... Nil	... Nil	1 10	0/50 4/94	0/50 5/44
96,79,740	1,24,01,958	4,66,12,737	3,20,17,147	65,86,338	8,792	3	Indian Steel & Wire Products	20	20	20-20*	10	25/75	24/37
12,00,070	6,23,260	13,46,680	1,83,546	13,76,042	...	12	Industrial Containers	8	12½	...	10	13/31	13/75
1,97,43,750	2,32,42,313	1,32,43,055	32,49,297	62,29,372	...	3	Jay Engineering P.	8	10	8-10*	10	13/12	14/00
60,00,000	1,58,13,049	34,97,297	12,59,358	12,39,173	...	6	J. K. Steel P	Nil	Nil	Nil-3*	10	9/19	9/56
2,04,00,000	5,42,02,714	1,61,44,952	78,98,952	—2,22,55,186	...	10	Jessop & Co. P	Nil	Nil	Nil	10	4/87	5/59
76,99,599	2,05,24,655	44,04,697	7,31,935	5,64,670	—14,88,064	11	Kumardhubi Engineering P	Nil	Nil	Nil	3	4/06	3/75
15,75,000	49,41,339	10,85,004	11,90,197	36,407	11,795	6	Marshall Sons (India)	4	Nil	Nil	2	1/06	1/19
49,96,000	61,94,985	13,58,398	3,83,036	2,56,716	—4,42,917	3	National Iron and Steel	...	...	...	10	3/94	3/94
6,00,000	7,80,759	25,02,189	4,09,276	6,40,851	882	3	Saran Engineering	Nil	6	10-6*	10	10/00	10/00
59,99,250	44,32,212	12,23,725	15,49,586	10,83,926	...	12	Simon-Carves	7	8	15	10	14/00	13/94
1,35,00,000	2,42,12,335	1,14,74,736	15,34,774	5,46,376	1,796	9	Sen Raleigh Industries P	7	Nil	...	10	6/31	6/16
21,00,110	18,80,041	31,95,945	72,948	18,61,059	...	12	Steel Containers	20	20	20	10	23/87	21/31
50,00,000	3,66,85,121	1,75,93,168	16,18,295	2,07,33,385	26,409	12	Textile Machinery	Nil	Nil	...	10	11/10	12/50
24,98,770	10,37,976	1,72,445	95,723	—10,57,577	—2,93,669	3	Wellman Incandescent	8	8	10-Nil*	10	7/56	7/19

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CALCUTTA MISCELLANEOUS COMPANIES—*Contd.*

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
							SUGAR BREWERIES ETC.						
14,00,000	38,18,156	27,09,640	4,77,178	4,84,309	2,034	6	Balarampur Sugar	8	10	10	2½	2/94	3/12
29,23,537	25,90,571	18,57,627	8,15,697	17,17,269	3,873	9	Belsund Sugar	15⅛	13⅛	13⅛	7½	8/12	8/06
15,00,000	7,50,511	15,58,462	16,06,010	10,82,824	8,118	6	Bharat Sugar P.	15 5/7	15 1/16	...	10	12/00	12/00
32,00,000	35,16,933	72,68,155	1,78,079	13,45,271	...	9	Carew (Sugar) P.	6	Nil	Nil	10	7/50	8/25
30,00,000	1,14,69,809	50,41,765	14,50,041	2,41,161	—1,00,93,528	10	Cawnpore Sugar P.	Nil	Nil	...	10	4/50	4/50
18,00,000	47,67,752	57,47,706	12,47,451	3,56,145	—16,39,071	6	Champarun Sugar P.	15	5	Nil-Nil*	10	10/25	11/00
38,01,380	34,96,500	42,10,647	1,65,304	17,20,330	18,493	8	Durbhanga	10	7½	Nil	10	4/69	4/25
11,00,000	6,45,722	3,75,000	10,90,564	95,437	52,205	6	New Savan Sugar and Gur	Nil	Nil	...	10	1/60	1/60
9,00,000	19,47,931	23,02,870	2,05,743	2,86,458	4,006	10	Purtabpur Sugar P.	Nil	Nil	...	10	5/62	5/87
33,19,640	66,90,747	49,99,358	35,462	18,11,949	4,02,403	8	Ramnugger Cane & Sugar P.	20	10	6	10	5/87	6/69
65,00,000	1,36,73,218	39,23,734	8,59,581	—55,32,027	—22,79,801	10	Raza Buland	Nil	Nil	Nil	10	3/06	3/50
8,00,000	6,07,238	7,72,778	3,77,846	4,24,492	13,204	6	Ryam Sugar P.	Nil	Nil	...	10	2/12	2/12
11,99,000	22,10,161	18,54,067	2,09,163	—2,24,407	—2,20,853	6	Shree Krishna Gvanoday Sugar P.	6	Nil	Nil	10	5/56	5/75
40,00,000	1,00,22,238	18,34,483	5,60,693	—6,11,276	...	7	Shree Sitaram Sugar	5	...	...	10	7/62	7/62
15,89,000	13,29,503	16,01,933	30,60,111	—10,56,886	—10,54,435	8	Samastipur Central Sugar	Nil	Nil	...	10	0/33	0/33
16,00,000	42,22,843	19,40,304	2,03,163	—11,15,414	—9,17,147	9	United Provinces	12½	10	5	10	5/56	5/56
8,00,000	1,06,95,053	93,34,827	10,83,673	58,12,885	49,700	6	Upper Ganges Sugar P.	8 1/16	10	...	10	11/15	11/15
							MISCELLANEOUS						
1,35,00,000	7,24,57,999	3,89,03,842	8,43,489	64,53,352	10,697	3	Aluminium Corporation P.	12	10	...	10	15/06	14/56
2,00,00,000	1,07,87,595	22,24,390	2,25,85,932	—32,16,403	...	12	Andrew Yule P.	10	10	Nil	10	8/50	5/75
45,00,000	21,08,091	41,32,692	16,15,805	8,78,163	7,745	8	Angelo Bros.	17½	7½	...	10	4/94	4/81
50,00,000	51,31,822	68,22,629	34,88,627	60,38,048	...	12	Assam Match	15	17	20	10	22/12	22/12
2,12,40,000	1,51,62,982	1,96,52,643	47,28,730	1,98,20,213	...	8	Associated Battery	16	18	20-20*	10	33/75	33/87
13,99,998	26,77,314	27,24,034	7,342	1,52,254	...	9	Assam Saw Mills & Timber	10	10	10	10	3/06	3/06
1,44,03,000	48,85,419	1,39,37,807	77,01,089	23,63,775	...	12	Balmer Lawrie & Co.	8	8	8	100	64/50	64/50
12,00,000	10,18,311	24,26,777	1,96,804	6,40,179	...	3	Bararee Coke	20	20	15-15*	10	18/75	18/75
20,00,000	...	5,36,037	61,00,044	55,554	70,371	9	Birds Investments P.	Nil	Nil	Nil	10	3/50	3/31
2,65,60,560	2,64,30,428	2,55,00,858	59,79,290	1,87,15,819	...	3	Britannia Biscuit P.	15½	18	22-16*	10	28/25	26/62
3,25,00,000	1,26,02,068	1,89,17,670	1,59,41,991	64,11,410	8,829	12	British India Corporation P.	Nil	Nil	7½	5	5/31	5/19
75,00,000	40,55,543	80,69,118	5,07,823	43,49,118	190	12	British Paints	10	12½	12½	10	18/62	18/62
6,70,00,000	4,43,03,788	8,25,29,835	3,22,33,731	4,68,92,569	...	6	Brook Bond India	13½	17½	20-20*	10	24/69	25/31
5,00,000	6,83,781	1,65,739	1,54,429	2,63,717	5,201	3	Calcutta Silk Manufacturing P.	5	5	...	10	6/87	6/87
1,38,80,000	...	11,82,139	1,43,49,875	6,29,951	13,896	12	Clive Row Investment	4½		3.6	10	6/31	6/31
1,30,68,000	44,49,125	2,03,40,849	3,26,99,867	49,42,881	849	12	Duncan Brothers & Co. P.	12	5 12	12	100	104/00	104/00
10,00,00,000	12,89,20,000	11,41,12,000	*1,29,69,000*	*7,04,07,000*	...	12	Dunlop India P.	17½	20	20	10	30/80	32/80

CALCUTTA MISCELLANEOUS COMPANIES —*Contd.*

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per Shares	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
76,89,000	...	65,56,730	1,71,17,302	11,34,145	...	12	Eastern Investments P.	4½	9½	10	10	6/19	6/44
1,27,40,250	3,00,23,411	1,31,46,125	6,62,680	23,75,784	7,902	10	Electric Construction P.	10	Nil		10	15/87	17/81
1,35,85,000	3,56,80,015	1,48,43,668	5,64,469	18,42,571	...	3	Fort Gloster P.	2½	2½	7½-7½*	100	189/00	194/00
30,00,000	34,79,154	46,960	11,48,349	—15,43,626	—8,57,415	3	French Motor Car	Nil	Nil	Nil	20	14/12	14/12
14,00,000	13,90,589	25,14,324	2,25,568	3,30,114	9,867	12	Ganges Rope	15	7½	7½	100	118/00	118/00
65,00,000	32,16,777	82,84,418	1,17,24,532	38,46,149	...	3	Gillanders Arbuthnot & Co. P.	12	6	10-12*	10	8/25	8/06
60,00,000	85,30,949	1,44,57,221	48,215	1,23,23,013	Nil	12	Godfrey Phillips (India) P.	35	12½	57½	10	55/00	55/00
2,53,85,770	3,57,28,891	6,31,46,316	2,43,90,979	2,89,72,547	...	12	Goodyear India	15	17½	47½	10	50/62	51/12
60,00,000	85,99,204	89,83,480	15,36,551	56,83,645	50,050	6	Gramophone Co.	...	15	15-17½*	10	22/25	21/75
30,00,000	43,74,366	17,66,560	1,60,432	1,09,512	794	3	Great Eastern Hotel	Nil	Nil	Nil	250	275/00	285/00
5,99,15,000	12,12,97,991	1,57,327	36,27,386	4,65,783	—1,90,67,933	12	Hindustan Aluminium P.	10	10	12½	10	23/37	31/75
13,16,52,080	42,95,80,819	9,66,13,650	1,34,39,528	2,84,296	5,08,570	3	Hindustan Motors P.	12½	10	Nil-Nil*	10	10/20	11/45
1,80,00,000	1,89,35,894	70,29,294	9,44,407	17,77,745	40,939	12	Hindusthan Pilkington P.	10	8	8	10	8/06	8/25
73,89,685	1,32,59,144	55,33,981	3,53,018	28,56,511	...	3	Hindustan Sanitaryware	10	10	10-8*	10	17/25	13/75
35,20,000	38,70,309	...	28,22,894	32,82,526	—24,61,728	12	Hoare Miller & Co.	...	...	...	10	2/56	2/56
60,00,000	2,61,55,040	1,99,83,908	2,23,962	38,94,334	2,019	6	India Carbon P.	16	16	16-18	10	31/50	34/00
18,95,00,000	11,09,19,379	17,06,68,005	1,66,95,661	7,41,62,001	...	3	India Tobacco	11	13	13½-14*	10	16/37	17/00
12,01,17,698	41,96,25,970	19,11,11,907	3,16,01,938	5,27,25,278	2,428	12	Indian Aluminium P.	14	14	14	10	33/15	33/90
4,14,42,410	2,45,25,889	4,03,51,806	42,01,913	1,99,41,995	...	3	Indian Cable	5	2½	2½-15*	10	20/55	21/15
4,62,00,000	6,38,04,037	5,72,17,647	44,41,845	2,01,58,480	...	9	Indian Oxygen	12	12	14-14*	10	20/81	20/69
8,27,970	8,82,919	12,42,783	10,99,551	12,01,372	53,791	3	Indian Rubber Manufacturers P.	Nil	Nil	Nil	10	4/25	4/25
36,00,000	3,27,367	20,99,116	15,29,617	8,28,789	...	9	Indian Wood Products	9	15	9	10	10/56	10/56
3,00,00,000	12,59,81,963	9,32,07,064	6,49,86,610	3,95,29,709	4,671	6	J. K. Synthetics	12½	12½	15	10	42/12	43/69
2,00,00,000	34,05,575	1,46,21,613	5,60,66,475	15,68,387	...	3	Jardine Henderson P.	4	Nil	Nil-Nil*	100	37/00	36/00
1,63,99,940	3,30,95,000	1,40,74,090	19,49,926	47,29,145	6,219	12	Jay Shree Industries P.	10	10	11	10	16/25	16/19
1,99,95,910	8,34,86,880	5,94,09,281	54,62,407	1,58,89,365	...	3	Keoram Industries P.	13½	13½	10	10	18/30	19/25
28,00,000	8,09,081	7,05,791	42,08,535	—6,07,077	...	3	Lawrence Investment P.	2	Nil	Nil-Nil*	100	29/50	29/50
6,34,000C } 66,000Dd }	3,17,363	6,02,958	8,21,617	—14,078	—4,849	3	Macfarlane & Co.	Nil	Nil	...	5	2/00	2/00
1,50,00,000	2,07,74,937	1,31,48,312	2,16,54,786	19,27,468	19,835	12	Macneill & Barry P.	Nil	Nil	...	1Dd	0/56	0/56
2,20,68,370	87,20,722	1,12,22,205	2,19,70,478	46,33,048	2,012	9	Martin Burn Ltd. P.	5	5	5	100	38/25	34/50
47,12,000	16,00,806	70,83,368	2,43,14,304	—8,352	46,689	12	McLeod & Co. P.	6	10	10	10	7/12	7/62
6,64,12,500	7,80,89,579	3,10,64,265	75,09,961	1,69,29,179	29,114	3	Metal Box Co. of India P.	Nil	Nil	...	100	100/50	100/50
2,43,09,940	3,74,67,212	4,65,92,074	84,90,675	2,46,12,954	30,455	9	Mohan Meakin (Breweries)	9	9	6-8*	10	16/12	15/75
2,02,50,000	6,42,150	1,12,53,491	24,58,449	35,98,163	...	3	National Insulated Cable P.	9	10	12-10*	5	10/19	10/94
60,00,000	33,40,168	24,17,319	1,16,281	8,52,279	...	9	National Pipes & Tubes P.	5	5	10-8*	10	9/62	10/00
64,00,000	27,90,365	10,84,447	24,496	28,669	...	6	National Rolling & Steel Rope	5	2½	4	10	5/75	6/81
23,31,600	1,08,73,661	28,05,713	28,75,516	23,55,797	36,426	12	National Rubber P.	5	2½	2½	10	5/25	4/25
79,79,000	79,90,738	2,19,79,083	51,23,324	49,14,579	...	12	National Tobacco P.	12	5	Nil	10	6/72	6/87
50,00,000	349	22,04,845	46,17,593	3,59,824	7,563	12	New India Investment Corpn	8½	9	10	10	13/87	14/12
								3½	4	...	5L	36/75	36/75

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CALCUTTA MISCELLANEOUS COMPANIES—*Contd.*

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent 1968	1969	1970	Paid up per Share	Latest Market Quotations as available until 21-2 72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
							MISCELLANEOUS (Contd.)						
5,46,00,000	8,46,74,317	5,07,60,571	1,25,85,376	6,72,31,786	...	12	Philips India	20	23	20	10	41/50	41/62
9,15,840	1,21,513	5,48,306	5,58,468	2,24,446	3,421	3	Publicity Society	15	10	15-10*	4	5/00	5/00
2,25,00,000	1,70,09,152	1,68,07,489	3,17,04,611	1,38,08,197	...	8	Rallis India P.	13	13	13-14*	100	158/00	158/00
5,00,00,000	9,03,40,428	1,57,26,775	79,35,968	46,59,568	9,26,674	3	Rohtas Industries P.	Nil	Nil	Nil-Nil*	10	4/30	4/85
94,27,380	4,73,05,083	10,00,000	14,42,952	—1,00,411	13,613	9	Sirsilk P.	Nil	Nil	...	10	3/69	4/40
1,00,00,000	85,30,130	1,87,47,321	1,70,92,470	84,37,851	36,958	12	Shaw Wallace P.	15	15	18	10	25/25	25/00
12,28,50,000	20,28,60,481	8,34,62,981	1,62,88,366	6,22,46,392	...	12	Union Carbide	15	15	15	10	33/00	34/00
1,04,86,500	1,60,21,457	66,75,525	1,38,672	82,31,472	90,797	3	Universal Cables	10	10	10	10	18/00	18/69
31,53,000	19,04,731	23,80,875	14,19,210	6,73,686	7,803	12	Walford Transport	7½	7½	...	1	0/87	0/84
79,78,310	81,32,468	22,85,500	6,19,214	21,27,050	17,347	12	Woolcombers	3	6	7½	10	15/31	13/75
							INSURANCE COMPANIES						
13,50,000	25,62,842	1,73,03,719	1,69,70,197	24,44,374	8,216	12	Concord of India	20	20	30	5	9/56	9/37
54,00,000	9,76,169	1,40,13,348	1,89,99,721	26,29,556	1,708	12	Hercules	18	21	...	15	25/12	25/12
70,00,000	88,52,753	3,54,11,725	6,03,24,106	1,00,89,564	6,555	12	Ruby General	12½	15	20	10	14/25	13/31
5,75,000	16,564	80,62,937	1,10,14,358	6,29,089	...	12	Triton	12½	17½	...	100	208/00	208/00
							FLOUR MILLS						
30,00,000	8,69,274	24,81,358	11,08,352	11,82,952	...	12	Bengal	3	4	10	10	13/94	13/94
9,00,000	43,29,35	10,08,825	1,12,313	5,88,939	9,191	12	Hooghly	Nil	10	15	10	18/50	18/50
5,00,000	2,74,745	8,46,582	7,17,820	3,83,396	1,06,671	11	United	5	5	...	10	12/00	19/25
							OIL COMPANIES						
1,00,00,000	79,66,401	1,71,43,536	2,58,49,049	31,22,549	87,095	12	Indo Burmah Petroleum P.	15	12½	...	10	17/44	17/06
6,00,000	9,44,301	19,06,116	4,30,375	4,42,718	...	10	Tide Water Oil	15	15	20	10	11/06	11/06

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CALCUTTA MISCELLANEOUS COMPANIES —*Contd.*

Paid up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts Closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per Share	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
							PAPER MILLS						
1,25,56,710	4,56,44,903	1,87,05,249	18,91,260	52,41,095	426	12	Bengal P	3.7	10	10	10	16/50	16/62
1,23,48,000	1,43,86,660	11,56,270	6,90,791	—8,58,482	—99,91,583	3	India Paper Pulp	Nil	Nil	Nil-Nil*	10	6/37	6/44
5,81,74,500	24,89,00,000	3,61,27,428	55,63,530	1,15,53,401	30,858	3	Orient Paper P	10	10	10-11*	10	34/15	34/25
3,49,81,825	7,85,75,927	1,20,00,000	10,56,985	1,25,02,433	91,550	3	Seshasayee	Nil	Nil	Nil-12*	10	13/44	
2,73,19,050	4,28,25,108	94,29,176	63,90,889	2,93,680	1,08,791	6	Sirpur P	Nil	Nil	3	10	11/69	12/37
10,00,000A	3,75,86,520	73,75,834	7,81,658	37,13,676	...	3	Star Paper P	Nil	Nil	3	10	10/31	10/75
4,37,500PO						3	Titaghur P	13	13	13-13*	2½PO	2/85	2/87
5,64,03,500O	5,85,38,888	1,19,14,969	68,19,204	22,99,386	9,906			Nil	Nil	2½-4*	10AO	7/25	7/31
56,95,600								Nil	Nil	2½-4*	10BO	7/25	7/31
56,04,800B											10	17/75	18/31
3,24,20,800	3,97,86,845	1,57,39,525	10,26,69,115	1,07,73,940	537	12	Tribeni Tissue	...	18	...			
							PRESSING COMPANY						
4,50,000	1,81,551	1,45,000	5,34,786	65,294	24,928	7	Camperdown	...	...	...	100	120/00	120/00
							REAL PROPERTY STORAGE						
1,00,00,780O											A500	700/00	955/00
1,25,000B	14,69,599	8,53,120	3,54,870	1,24,262	3,212	4-10	Bengal Bonded Warehouse	...	...	...	B62½	101/00	101/00
2,00,000											C100	165/00	165/00
25,000Dd											D12½	60/00	60/00
1,00,00,780O	18,59,983	6,80,906	12,73,261	—1,59,346	—1,59,346	9	Humayan Properties P	...	...	...	10O	10/12	10/12
2,00,000Dd								...	...	...	1Dd	1/30	1/30
79,90,000	7,58,697	11,25,847	8,77,051	15,97,604	6,235	4	Midnapore Commercial	Nil	Nil	2.35-4*	85	44/50	44/00
							TRAMWAYS & STEAMER						
20,00,000	8,13,420	19,60,785	21,44,476	21,44,476	20,502	10	Bengal Assam Steamship P	Nil	Nil	Nil	100	33/00	33/00
6,25,000	6,52,342	7,29,818	...	2,76,704	2,558	10	Calcutta Landing & Shipping	3	6	Nil	10	8/97	8/97
£700,000	£2,889,537	£1,565,916	£315,682	£153,252	£2,006	12	Calcutta Tramways P	...	...	...	£1	5/19	4/75
6,04,880	6,97,987	8,56,706	33,440	1,35,098	—633	3	Fraser & Co	...	...	...	10	2/56	2/56
2,47,50,000	11,40,45,033	4,54,36,418	2,02,39,857	—22,56,270	...	3	India Steamship P	8	10	Nil-Nil*	10	8/19	8/94
26,36,460	40,01,426	8,53,666	15,238	—15,26,969	—14,00,831	12	Port Shipping	4	Nil	Nil	10	13/31	11/12

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BOMBAY COTTON MILLS

P next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Number of Spindle	Looms	Net Block Account	Reserve & other Funds	Cash & taxation Securities	Net Profits including	Carry forward	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per share 1966	Latest Market Quotations as available until 21-2-72	24-1-72
Rs.			Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs	Rs.
40,00,000	48,652	1,016	1,28,56,156	46,70,828	20,69,878	10,39,744	26,620	...	Ahmedabad Advance P.	9	9	...	100	166/00	171/00
50,00,000	48,254	896	20,17,010	9,99,960	10,78,394	1,49,501	2,24,486	12	Apollo	Nil	...	...	2	0/32	0/38
4,75,80,675	...	...	7,93,95,787	36,820	66,397	52,12,519	8,54,505	9	Baroda Rayon	8	8	8	100	117/00	121/00
3,61,41,125	2,03,942	4,911	5,37,12,692	3,54,91,952	40,74,555	99,65,359	9,052	12	Bombay Dyeing. etc.	12	12	13	25	44/00	39/25
10,00,000	35,052	648	32,07,778	34,59,612	5,45,173	10,89,180	1,37,996	3	Bradbury P.	Nil	Nil	Nil	50	47/00	47/00
3,54,88,200	1,18,296	2,760	13,29,50,831	17,91,06,285	12,43,04,683	11,66,59,128	...	12	Century P.	40	40	45	100	837/00	852/00
46,87,500	1,15,188	2,062	2,99,18,629	10,75,722	15,14,712	3,59,289	—40,19,762	6	Central India P.	Nil	Nil	Nil-Nil*	100	34/50	34/50
26,00,000	24,916	719	37,34,829	32,52,434	1,01,653	7,46,029	1,28,751	3	Coorla	9	9	...	100	103/00	103/00
28,00,000	43,512	...	33,97,504	29,03,230	5,19,246	23,98,267	2,06,873	12	Dawn	10	10	...	50	68/00	66/00
30,00,000	47,700	886	1,29,89,439	47,86,744	3,05,575	—2,29,847	1,578	12	Elphinstone P.	Nil	Nil	Nil	50	18/00	20/00
50,00,000	63,212	784	85,32,658	71,62,852	16,838	4,09,432	37,155	12	Finlay	10	11	12	100	155/00	157/00
39,04,700	77,966	...	19,75,309	43,25,176	23,64,706	12,85,523	85,195	12	Gokak	15	15	15	100	177/00	175/50
2,00,00,000										Nil	Nil	Nil	10	1/74	1/10
50,00,00,000	2,48,870	6,498	4,41,45,022	3,84,70,022	31,82,629	1,32,22,197	5,89,816	12	India United	Nil	Nil	...	1Dd	0/40	0/34
2,49,62,500	...	...	5,44,40,998	...	34,33,245	—31,38,833	—31,80,002	6	Indian Rayon P.	Nil	Nil	Nil	100	61/00	70/00
50,00,000	50,074	1,426	95,21,338	34,30,000	28,02,268	3,23,559	16,269	12	Indore Malwa United	Nil	...	...	100	165/00	165/00
59,85,000	65,260	1,514	1,07,21,545	82,79,165	25,00,707	76,87,297	38,751	6	Khatau Makanji P.	10	10	12	100	147/50	149/00
1,04,90,900	1,20,504	1,846	1,43,20,058	1,28,29,461	10,80,024	44,56,905	12,863	12	Kohinoor	Nil	12	17	100	195/00	206/00
89,60,000	49,880	1,369	1,68,41,759	73,73,674	4,43,460	—24,99,262	—49,14,154	12	Lakshmi-Vishnu P.	Nil	Nil	...	100	77/00	83/00
74,75,000	71,652	1,620	3,52,53,062	1,90,80,703	7,56,803	4,319,209	...	6	Morarjee Goculdas P.	15	15	15	100	133/00	142/00
66,91,100	50,480	500	1,33,40,024	43,57,311	32,25,435	59,099	...	2	Mysore Spg. & Mfg. P.	Nil	Nil	Nil	10	5/52	5/52
24,00,000	45,944	432	23,52,760	7,45,700	10,79,000	15,67,753	8,456	12	New City of Bombay	5	6	...	100	56/50	56/50
30,00,000	46,884	1,029	22,27,098	25,72,444	27,32,568	12,48,697	153 12	...	New Great Eastern P.	Nil	Nil	...	100	65/00	65/00
48,00,000	54,244	728	53,94,222	35,02,899	1,54,21,523	21,027	27,380	12	Phoenix	Nil	Nil	...	100	76/00	75/00
60,48,000	49,840	1,258	1,23,70,283	66,23,351	1,51,647	48,66,416	4,444	3	Simplex	16	16	16	50	93/00	96/00
1,00,00,000	77,436	1,640	1,76,11,644	1,03,86,202	57,34,437	44,31,691	55,007	12	Shree Niwas P.	5	10	...	100	109/00	114/00
1,00,00,000	65,040	2,000	1,96,83,714	1,42,81,829	24,73,107	35,08,617	8,176	12	Svadeshi P.	9	9	12	100	128/00	129/50
36,00,000	40,328	549	56,94,838	71,73,330	7,774	8,20,551	26,062	12	Swan	15	12	13	100	125/00	131/00
65,57,875	63,248	1,800	2,12,86,475	1,12,83,538	11,32,192	20,80,953	1,422	12	Tata	Nil	Nil	6	25	30/00	30/00
12,00,000	45,508	1,308	62,07,441	12,11,933	31,81,227	52,10,985	8,027	3	Western India	9½	9½	9	250	90/00	90/00

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BOMBAY MISCELLANEOUS COMPANIES

F. indicates Founder Shares. P. next to the name of the company indicates that the company also has Preference shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary Rs.	Net Block Account Rs.	Reserve & other Funds Premium & Forfeited Shares if any Rs.	Cash & Securities Rs.	Net Profits including taxation Rs.	Carry forward Rs.	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per share Rs.	Latest Market Quotations as available until 21-2-72 Rs.	24-1-72 Rs.
							CEMENT						
28,48,19,000	54,03,18,992	2,309,51,069	5,67,61,310	7,22,02,669	26,574	7	Associated Cement	12	12	12-12*	100	127/50	131/50
							ELECTRIC LTG. POWER						
8,74,77,100	19,53,38,681	4,48,49,557	2,57,00,400	2,16,91,751	105	3	Ahmedabad Electricity	9	9	12-9½*	100	101/00	99/80
3,02,77,000	9,34,77,781	1,23,89,917	32,52,570	52,28,395	36,154	3	Andhra Valley Power P.	12	12	12-12*	100	141/50	142/00
3,08,51,650	14,87,29,057	5,94,40,649	82,18,795	1,70,68,282	10,811	3	Bombay Suburban Elec. P.	11	11	11-12*	100	118/50	121/00
2,39,99,975	7,17,76,350	1,39,56,841	51,65,971	60,68,808	27,536	3	Tata Hydro Elec. Power P.	12	12	12-12*	100	141/50	144/00
5,15,36,000	17,59,03,832	3,61,11,341	57,28,753	1,22,80,113	29,988	3	Tata Power P.	12	12	12	100	142/00	144/00
							ENGINEERING & METAL						
33,42,200	17,06,292	44,16,374	1,54,08,311	5,79,666	1,35,820	12	Alcock Ashdown	5	Nil	...	100	25/00	25/00
4,00,00,000	4,54,62,666	72,000	36,71,749	—24,39,656	—47,42,841	12	Associated Bearing	Nil	10	12½	100	271/00	291/00
15,00,000	11,96,078	4,08,067	6,49,653	13,462	3,516	3	Jost's Engineering	Nil	...	...	50	29/50	29/50
3,99,30,000	7,68,85,036	4,19,06,032	2,09,63,948	1,86,96,455	...	3	Larsen & Toubro P.	15	10	10-12½*	10	22/28	23/12
11,00,000	24,82,776	9,19,770	3,79,367	10,04,439	2,261	7	Mckenzies	Nil	...	...	100	82/00	82/00
2,50,000 } 1,31,250F }	5,834	1,00,53,052	1,79,52,042	3,35,178	59,102	12	Premier Construction P.	36	40	32	50	104/00	103/00
75,00,000	1,88,51,658	45,13,087	1,26,659	31,01,174	11,174	3	Sandvik	10	10	12-12*	100	272/50	272/50
1,77,77,250	1,68,38,555	...	21,840	—17,72,188	—50,40,288	12	Sankey Wheels	...	...	...	10	8/64	9/68
7,99,97,300	17,30,38,018	5,09,28,017	13,84,385	3,61,61,616	14,962	3	Tata Engg. & Locomotive P.	14½	14½	13½-14½*	100	223/00	235/50
38,58,01,715	1,06,01,94,089	55,58,00,520	14,65,79,877	14,12,24,932	...	3	Tata Iron & Steel P.	11⅔	11	11-11*	75	92/20	95/50
1,40,00,000	2,07,06,661	1,90,55,523	7,84,083	1,72,51,695	10,477	4	Zenith Steel	9	10	10-12*	10	17/52	18/00
							INSURANCE COMPANIES						
20,00,000	...	23,84,913	95,96,033	4,24,629	1,18,606	12	British India General	...	...	...	10	12/00	12/00
18,74,940	25,01,134	2,88,61,155	2,61,49,442	38,951	4,65,316	12	Jupiter General P.	...	...	...	15	11/80	11/80
4,70,90,550	1,16,06,358	12,60,43,884	17,69,50,056	1,77,99,237	...	12	New India .	40	40	40	15	43/50	38/25
15,99,270	...	29,41,860	59,86,789	6,05,803	3,81,242	12	Vulcan	20	20	...	10	12/24	12/52
							MISCELLANEOUS						
1,44,50,000	2,47,08,875	1,29,75,000	45,67,297	65,29,734	54,973	12	Alembic Chemical	12	12	12	100	163/00	162/50
2,64,82,500	1,99,34,223	1,01,744	1,37,52,145	—8,04,219	—7,87,678	12	Bayer	Nil	Nil	Nil	100	281/00	269/00
70,49,650	41,70,604	1,23,53,608	1,09,82,038	67,94,850	3,00,263	6	Belapur Sugar	22	22	...	50	74/00	74/00
3,67,81,250	3,08,81,124	2,08,72,353	2,60,35,402	1,07,15,567	18,787	5	Bombay Burmah Trading	14	15⅔	15	25	49/75	50/00
2,76,00,000	2,55,98,043	91,53,835	52,54,287	14,72,827	...	12	Ceat Tyres	9	11	11	100	261/25	275/00
1,07,50,000	4,44,53,202	2,79,30,083	8,89,331	78,04,785	6,478		Dharangadhra Chemical	12	12	10	100	140/00	135/00
4,79,06,260	21,12,87,108	6,46,00,063	5,52,95,724	1,58,77,000	45,270	6	Great Eastern Shipping	20	25	12	10	28/65	30/25

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BOMBAY MISCELLANEOUS COMPANIES—*Contd.*

Paid-up Capital Ordinary Rs.	Net Block Account Rs.	Reserve & other Funds Premium & Forfeited Shares if any Rs.	Cash & Securities Rs.	Net Profits including taxation Rs.	Carry forward Rs.	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per share Rs.	Latest Market Quotations as available until 21-2-72 Rs.	24-1-72 Rs.
							MISCELLANEOUS (Contd.)						
11,55,63,120	8,37,72,828	5,86,47,579	59,72,647	5,15,58,234	...	12	Hindustan Lever	14	14	14	10	21/52	21/52
99,99,250	3,754	20,08,796	1,44,31,515	8,97,490	30,418	12	Industrial Invt Trust	7	7	8	200	105/00	105/50
11,99,900	13,82,957	7,34,142	14,05,223†	68,232	16,942	7	Kemp (Chemists)	...	...	...	100	189/00	188/75
1,24,95,600	39,03,579	53,88,113	1,75,58,164	28,72,674	20,587	11	Killick Nixon	10	10	10		86/00	84/50
3,19,98,800	10,38,76,944	6,39,46,848	1,11,51,246	4,42,52,552	8,906	12	National Rayon	28	28	32	100	402/00	489/50
27,50,000	44,01,695	10,55,700	11,095	5,46,010	7,648	12	Permanent Magnets	9	...	...	100	135/00	140/00
50,00,000	74,57,939	75,02,973	14,81,167	22,17,633	47,092	9	Phalton Sugar	24	20		50	73/00	88/00
7,48,39,825	16,48,04,771	3,08,98,866	25,08,783	35,80,413	86,134	6	Premier Automobiles	Nil	Nil	Nil-Nil*	100	46/00	52/00
1,49,06,425	2,51,55,945	46,47,505	14,28,288	37,07,065	5,919	12	Sandoz	10	10	11	10	18/16	17/88
11,27,72,980	45,59,05,602	18,66,12,210	27,16,96,643	2,70,72,552	5,06,469	6	Scindia Steam Navign	7½	7½	8¾-11½*	20	22/96	23/16
21,00,000	32,82,527	44,05,000	4,14,686	—3,05,605	2,943	11	Shivrajpur Synd	Nil	Nil	Nil	10	4/12	4/92
5,74,91,000	8,61,34,995	1,95,15,921	89,75,702	2,16,43,902	16,948	12	Synthetics And Chemicals	Nil	6	12	100	179/50	190/00
3,02,33,815	6,32,84,424	1,44,04,272	23,87,449	89,88,449	3,923	6	Tata Chemicals P	17	15	15	10	29/00	29/75
1,05,05,475	2,21,88,319	1,25,42,386	47,75,465	50,73,815	1,187	8	Tata Oil P	17	19	18-18*	25	76/00	75/50
5,19,48,000	4,56,76,290	3,91,18,361	2,00,29,210	3,16,91,055	...	8	Voltas	15	7	15-15*	100	228/00	231/00
4,95,00,000	3,96,04,472	2,39,57,617	1,78,30,135	1,90,01,058	...	12	Western India Match	11	12	12	100	153/00	153/00

SOUTH INDIAN PLANTATION COMPANIES

Paid-up Capital Ordinary Rs.	Net Block Account Rs.	Reserve & other Funds Rs.	Hectares	Outturn and Average Price per kg/lb realised for crop Kilograms	Rs.	Net Profits	Accounts closed	NAMES	Dividends per cent 1968	1969	1970	Paid-up per share Rs.	Latest Market Quotations as available until 21-2-72 Rs.	24-1-72 Rs.
3,50,000	12,57,795	5,72,253	...	1,12,000	1.48	70,011	12	Anandam P.	Nil	Nil	Nil	10	11/75	11/75
10,98,990	13,96,078	4,83,841	...	225,168	4.34	4,11,290	8	Balanoor P.	15	15	15-15*	10	14/10	14/10
3,00,00	3,92,218	...	171	51,000	...	—52,885	8	Balmadies P.	Nil	Nil	Nil	2	2/10	2/10
17,32,230	13,36,710	3,36,253	...	3,59,531	1,65cts	65,110	5	Be Be P.	8	6	Nil-5*	5	2/35	2/45
84,00,000	1,22,39,799	14,13,889	...	10,60,000	...	11,92,421	8	Blue Mountain	Nil	Nil	...	2	1/65	1/77
20,53,480	35,53,194	24,06,114	1,832	8,37,342	5.22	3,94,950	3	Chembra Peak	15	10	10-12½*	2	2/60	2/52
26,91,279	46,12,278	19,45,895	3,257	11,32,759	5.41	10,13,193	2	Cochin Malabar P.	10	12½	15-17½*	3	4/90	4/80
32,50,000	39,31,709	30,58,661	2,710	19,48,320		8,71,279	6	Coffee Lands P.	16	16	20-20*	10	23/25	23/25
71,55,000	1,15,74,494	63,44,278	7,001	60,81,120		25,60,562	6	Consolidated Coffee P.	18½	18½	15-18*	10	23/00	23/50
5,66,730	22,17,651	13,84,267	174	29,08,68	5.69	3,26,850	9	Coonoor P.	20	20	20-7½*	10	28/00	28/00
4,80,000	10,36,448	4,76,798	...	3,53,888	1.52	1,19,880	3	Coorg P.	10	10	10	2	2/15	2/15
6,00,000	11,82,508	2,17,761	..	1,57,785	1,47	46,942	5	Cottanad Plantation P.	10	15	Nil-10*	10	15/75	15/75
6,00,000	8,89,851	4,80,155	...	3,25,310	2,66	1,25,313	12	Devashola (Nilgiri)	5	9		10	13/75	13/75
6,74,650	9,14,644	3,31,040	...	1,38,386	4,26	1,36,712	3	Devon P.	15	15	15-15*	10	15/00	15/55
7,50,000	3,38,952	1,26,500	...	1,12,986	2,66	28,121	12	Emerald Valley	20	20	10-8*	5	11/50	11/50
4,50,000	3,64,462	20,000	..	62,850	...	40,424	12	Gokul	15	15	15	2	4/25	4/25
25,00,000	42,82,150	17,77,500	...	17,21,550	2,04	2,13,414	12	Haileyburia P.	10	8	10	10	7/50	7/60
11,85,700	28,02,058	10,77,705	...	9,59,804	1,67	3,60,461	2	Kailas	15	15	15-15*		3/26	3/30
9,00,000	12,32,263	7,23,749	378	3,14,942	...	4,04,443	3	Kalasa Tea Produce	14	16	15-1	2	3/10	3/10
17,17,076	28,48,525	14,32,010	811	4,62,975	5,54	7,80,209	10	Kil Kotagiri P.	15	...	...	2	2/67	2/55
5,00,000	9,11,259	1,21,604	267	305,757	2.31	96,485	12	Lucky Valley	10	10	10	10	21/00	21/00
15,50,000	19,78,359	9,14,031	1,785	3,42,784	5,05	4,65,747	3	Malankara	22½	35	25	10	29/50	29/50

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SOUTH INDIAN PLANTATION COMPANIES—*Contd.*

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds	Hectares	Outturn and Average Price per kg/lb realised for crop		Net Profits	Account closed	NAMES	Dividends per cent			Paid-up per share	Latest Market Quotations as available until	
				Kilograms	Rs.				1968	1969	1970		21-2-72	24-1-72
Rs.	Rs.	Rs.				Rs						Rs.	Rs.	Rs.
40,50,000	67,47,600	17,25,166	4,013	12,60,448	3.85	9,94,509	3	Midland Rub & Prod P.	10	7½	10-10*	10	11/10	10/60
14,06,250	33,53,804	7,45,346	1,587	9,98,596	2.90	1,60,000	3	Nilgiri P	Nil	5	5-7*	10	6/50	6/50
23,10,000	24,28,291	11,02,621	1,057	7,29,106	2.92	16,62,582	1	Nonsuch	17½	17½	20-20*	10	18/00	18/00
9,75,000	11,21,586	3,67,000	293	2,29,900	...	3,27,700	3	Ossoor	12	15	15-18*	2	3/00	3/00
17,00,000	27,55,157	13,87,519	1,099	10,69,078	4.19	7,13,678	12	Parkside Neilgherry	30	30	30-30*	10	32/00	32/00
17,00,000	27,36,576	12,82,318	1,563	10,83,565	4.20	11,29,838	12	Peermade I	10	10	11½	10	12/60	12/60
6,00,000	7,90,316	3,35,530	1,167	3,83,268	1.50	1,65,244	2	Peninsular	10	10	10-10*	10	15/35	15/35
57,94,880	78,72,019	20,68,711	2,074	23,46,900	3.88	13,16,964	3	Periakaramalai	18	14	14-15*	2	2/90	8/03
13,50,000	48,44,469	13,58,959	952	845,000	3.16	8,05,161	6	Rajagiri Rub & Prod P	13	13	13-13*	10	15/00	15/00
2,00,000	3,14,567	1,53,963	711	...	4.48	1,18,791	3	Rajendra P	30	30	40-50*	5	22/00	22/00
10,00,000	25,71,084	2,48,378	1,454	4,30,695	1.51	63,263	3	Teekoy P.	15	IIN	6-Nil*	10	6/15	6/15
9,15,300	14,26,883	10,75,840	2,365	2,35,780	3.20	2,77,689	9	Thirumbadi	Nil	6	5	1	1/57	1/70
6,00,000	6,51,402	46,742	1,307	2,23,794	3.21	30,950	12	Travancore Rubber	8	8	Nil	10	4/60	9/00
41,00,000	72,63,801	12,63,584	2,535	12,19,484	...	10,61,172	12	Travancore Rub & Tea P	8	8	8	10	7/20	7/63
20,00,000	23,48,701	1,36,000	3,028	6,38,402	1.00	2,02,762	12	Tropical Plantation	14	14	14-17½*	25	20/00	20/00
21,93,280	30,03,223	17,04,089	3,638	8,28,976	5.11	12,85,658	3	United Nilgiri	15	15	15	10	18/40	18/37
3,80,010	9,26,839	2,82,051	952	4,94,400	1.50	2,20,09	12	Vaikundam	10	12	Nil	10	26/00	26/00
47,25,000	**1,19,27,305**	**37,59,110**	**2,214**	**7,68,146**	...	**10,82,508**	**8**	**Waterfall Estates P**				2	2/30	2/25

SOUTH INDIAN COTTON MILLS

Paid-up Capital Ordinary	Number of Spindle Looms		Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net Profits including taxation	Carry forward	Accounts closed	NAMES	Dividends per cent			Paid-up per share	Latest Market Quotations as available until	
										1968	1969	1970		21-2-72	24-1-72
Rs			Rs.	Rs.	Rs.								Rs.	Rs.	Rs.
30,00,000		...	67,98,387	62,16,405	2,33,650	15,12,989	4,952	12	Anglo-French P.	15	15	15	100	125/00	125/00
20,00,000	28,000	...	22,72,373	31,406	96,302	7,68,513	42,421	12	Cambodia P.	Nil	Nil	Nil	10	1/40	1/40
55,99,600	33,864	...	74,98,712	89,35,014	8,68,959	20,95,517	. .	12	Coimbatore Cotton	5	10	11	100	99/00	99/00
30,76,900	22,832	407	47,91,212	7,98,681	22,227	—7,52,342	10,23,340	1	Coimbatore Spg. & Wvg	Nil	Nil	...	50	115/50	115/50
67,20,000	30,512	200	87,47,369	20,79,194	7,10,548	6,34,530	15,879	12	Kothari Textiles P.	5	7	...	10	6/63	7/30
1,96,50,000	1,10,800	...	1,78,79,375	1,06,05,813	74,49,476	14,73,436	2,142	3	Lakshmi	8	8	12	50	56/00	56/00
7,00,09,920	4,02,004	1,011	6,35,99,316	4,44,31,862	70,04,795	2,01,35,292	9,370	12	**Madura**	10		8	15	16/50	17/00
1,15,61,000	26,496	654	50,79,268	46,70,299	5,84,128	51,61,924	179	3	**Mettur Beardsell**	20	15	17½-19*	100	166/50	168/00

† Hectares

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SOUTH INDIAN SUGAR MILLS

P. next to the name of the company indicates that the company also has Preference Shares. Figures in "accounts closed" column indicate the months of the calendar year in which accounts are closed.

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net profits	Carry forward	Accounts closed	NAMES	Dividends per cent			Paid-up per share	Latest Market Quotations as available until	
								1968	1969	1970		21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
74,58,330	1,32,45,447	52,51,750	7,05,517	6,36,055	5,002	3	Andhra P.	12	12	12½-10*	10	13/00	11/00
40,00,000	80,62,883	12,61,424	1,58,472	13,46,266	1,40,987	6	Cauvery P.	8½	9	Nil-Nil*	100	72/00	75/00
39,84,000	82,69,922	56,93,500	10,51,344	33,73,758	5,798	5	Deccan Sugar	13½	15	3.4-Nil*	:	5/05	5/30
£3,140,560	£3,985,923	£19,46,203	£17,53,230	£411,657	£3,010	9	E.I.D. Parry	10	6	Nil	£1	15/87	16/12
63,97,650	39,62,680	15,44,848	64,64,375	12,35,437	69,501	9	India Sugar P.	15	Nil	Nil	10	8/00	8/00
12,45,572	1,22,66,623	18,99,861	1,51,052	5,99,416	2,090	6	Jeypore P.	10	12	10	10	14/25	14/25
10,52,200	2,87,27,773	1,23,75,000	31,53,982	20,76,426	91,745	6	K. C. P.	10	10	10-10*	10	11/75	11/75
67,20,000	68,25,707	17,54,874	7,44,531	22,50,032	13,43,312	8	Kothari	12	Nil	Nil-Nil*	10	9/50	8/80
54,10,190	2,19,59,178	1,75,22,685	45,76,265	30,13,247	56,800	6	Mysore	Nil	20	20	10	22/12	22/25
30,00,000	35,93,381	11,41,000	10,12,037	4,88,902	1,46,735	4	Travancore P.	9	Nil	Nil-Nil*	10	6/00	6/00
1,00,00,000	1,38,91,570	1,03,73,060	1,28,28,232	53,41,998	...	3	United Breweries	9	10	10	10	14/75	14/75

SOUTH INDIAN MISCELLANEOUS COMPANIES

Paid-up Capital Ordinary	Net Block Account	Reserve & other Funds Premium & Forfeited Shares if any	Cash & Securities	Net profits	Carry forward	Accounts closed	NAMES	Dividends per cent			Paid-up per share	Latest Market Quotations as available until	
								1968	1969	1970		21-2-72	24-1-72
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.						Rs.	Rs.	Rs.
2,31,15,668	1,96,45,010	1,13,97,169	62,02,907	71,71,658	10,357	3	Aluminium Industries	6	Nil	Nil-Nil*	10	7/60	7/30
71,03,170	67,38,199	11,05,008	6,17,579	24,62,265	15,621	12	*Andhra Cement P.*	10	12½	12½-10*	10	9/32	9/40
3,02,67,658	1,59,93,383	25,63,610	1,84,694	30,01,343	20,076	12	Ashok Leyland	8	9	9½	5	6/03	6/10
6,80,00,000	10,99,21,112	2,82,78,280	85,42,685	—1,11,38,656	—1,42,41,206	12	Binny	6	Nil	Nil	100	53/50	58/00
7,50,000	5,45,587	56,538	41,650	93,226	—1,46,143	12	Brunton & Co.	Nil	Nil	Nil	10	3/60	3/60
73,00,000	1,79,06,906	26,81,982	6,22,914	19,27,076	4,396	12	Enfield P.	6	10	10	10	10/40	10/30
2,24,44,750	3,21,08,642	66,66 496	73,60,475	51,28,679	1,38,608	3	India Cement P.	9	9	9-9*	5	4/75	5/05
23,82,732	16,92,196	2,50,222	93,924	2,16,808	2,977	12	Indian Steel Rolling P.	Nil	Nil	Nil-10*	10	10/00	10/00
1,40,00,000	1,39,97,059	37,48,801	36,09,251	29,82,180	11,631	3	Mettur Chemical Industries P.	Nil	4	10-12*	10	11/55	11/65
24,81,220	12,69,939	10,47,778	17,48,674	8,48,641	8,514	3	Mysore Chem & Fert	Nil	Nil	Nil-Nil*	10	5/75	5/75
8,00,000	5,20,889	4,52,189	2,18,413	2,33,791	85,187	3	Mysore Chemical Mfgs. P.	10	10	10-10*	10	10/58	10/58
6,56,250	5,13,585	9,38,696	6,374	1,23,899	3,146	3	Mysore Lamp P.	Nil	Nil	10	10	16/00	16/00
25,00,000	55,50,342	37,12,500	2,43,664	14,29,395	36,663	3	Mysore Paper	Nil	Nil	Nil-15*	10	19/25	19/15
10,00,000	7,56,329	3,16,884	29,32,342	75,422	622	3	Mysore Tobacco	11	8	12-12*	10	16/75	16/75
20,00,000	11,42,007	11,74,500	1,32,329	21,82,347	3,899	3	Parry's Cont.	18	15	18	1	2/25	2/25
40,00,000	1,05,13,334	1,26,57,980	59,59,486	24,85,127	3,92,204	6	Spencer (Provisions)	20	20	20-20*	10	25/00	27/75
47,00,000	86,53,610	20,65,000	51,902	7,85,966	3,869	12	Standard Motors P.	Nil	Nil	Nil	10	5/70	5/40
11,56,300	5,95,547	14,04,007	16,66624	4,19,707	41,732	9	T. Stanes P.	Nil	15	15-15*	10	14/75	14/75
39,84,400	42,58,650	13,07,759	26,027	6,92,616	932	4	Textool	15	Nil	Nil-Nil*	100	41/00	41/00
3,75,00,000	**5,18,36,058**	**2,25,17,394**	**86,31,139**	**33,46,806**	**2,468**	7	Tube Investments	8	10	15	100	136/00	139/00

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RESERVE BANK

ISSUE DEPARTMENT (In 000's of Rupees)	Week Ended 11-2-72	4-2-72	12-2-71
Liabilities—			
Notes in Banking Dept. ...	13,91,34	15,06,20	4,25,53
Notes in Circulation ...	46,47,70,34	45,83,11,91	42,08,34,67
Total Notes Issued ...	46,61,61,68	45,98,18,11	42,12,60,20
Assets—			
A. Gold Coin and Bullion ...	1,82,53,11	1,82,53,11	1,82,53,11
Foreign Securities ...	2,38,65,38	2,38,65,38	2,78,42,00
Total of A	4,21,18,49	4,21,18,49	4,60,95,11
B. Rupee Coin	37,60,75	39,17,14	52,41,07
Rupee Securities ...	42,02,82,44	41,37,82,48	36,99,24,02
Total	46,61,61,68	45,98,18,11	42,12,60,20
BANKING DEPARTMENT			
Liabilities—			
Capital Paid-up	5,00,00	5,00,00	5,00,00
Reserve Fund	1,50,00,00	1,50,00,00	1,50,00,00
National Agricultural Credit (Long Term Operations) Fund	1,90,00,00	1,90,00,00	1,72,00,00
National Agricultural Credit (Stabilisation) Fund ...	39,00,00	39,00,00	37,00,00
National Industrial Credit (Long Term Operations) Fund	1,35,00,00	1,35,00,00	95,00,00
Deposits—			
(a) 1. Central Govt. ...	2,23,10,49	1,58,24,33	2,98,60,79
2. State Govts. ...	16,24,83	10,19,85	6,63,31
(b) Banks—			
(i) Scheduled Banks ...	2,42,89,22	2,37,53,61	1,79,16,37
(ii) State Co-operative Banks	9,01,05	9,36,75	8,76,14
(iii) Non Scheduled State Co-operative Banks	81,37	83,13	76,07
(iv) Other Banks ...	41,50	36,06	32,53
(c) Others	87,02,58	82,77,32	77,25,73
Bills Payable	53,27,11	69,70,61	53,65,68
Other Liabilities	3,70,94,10	3,66,92,04	1,27,19,04
Total	15,22,72,25	14,54,93,70	12,11,35,66
Assets—			
Notes	13,91,34	15,06,20	4,25,53
Rupee Coin	5,35	5,29	4,18
Small Coin	2,81	2,69	4,19
Bills Purchased and Discounted:—			
(a) Internal	23,66,26	20,67,30	86,91
(b) External	...	...	...
(c) Govt. Treasury Bills ...	33,65,01	16,18,73	4,92,61
Balances held abroad ...	1,90,92,11	1,96,38,63	89,19,10
Investments	75,74,32	74,47,04	97,98,78
Loans and Advances to:—			
(i) Central Government ...	...	...	...
(ii) State Governments ...	4,53,29,49	4,47,14,67	1,85,65,44
Loans and Advances to:—			
(i) Scheduled Banks ...	2,15,65,99	1,62,87,64	3,94,27,15
(ii) State Co-operative Banks	2,96,15,67	3,01,97,19	2,92,86,62
(iii) Others	5,31,00	3,68,00	2,92,15
Loans, Advances and Investments from National Agricultural Credit (Long Term Operations) Fund			
(a) Loans and Advances to:—			
(i) State Govts. ...	42,07,26	42,18,48	34,16,34
(ii) State Co-operative Banks	20,79,62	21,08,42	20,64,81
(iii) Central Land Mortgage Banks ...			
(b) Investment in Central Land Mortgage Bank Debentures	10,55,94	10,55,94	9,59,42
Loans and Advances to State Co-operative Banks ...	21,64,19	21,88,32	4,95,43
Loans, Advances and Investments from National Industrial Credit (Long Term Operation) Fund ... the Development Bank	76,17,71	76,17,71	28,03,71
Other Assets	43,08,18	44,51,45	40,93,29
Total	15,22,72,25	14,54,93,70	12,11,35,66

SCHEDULED BANKS

(In lakh of Rupees)	Week Ended 11-2-72	4-2-72	12-2-71
(i) Demand Liabilities—			
(a) Demand Deposits:			
(1) From Banks ...	1,76,69	1,77,52	1,62,55
(2) From others ...	30,13,91	30,08,71	25,67,93
(b) Borrowing from Banks	56,13	59,63	21,17
(c) Others	1,87,16	1,92,05	1,61,48
(ii) Time Liabilities—			
(a) Time Deposits:			
(1) From Banks ...	1,42,22	1,47,72	99,72
(2) From others ...	40,61,32	40,39,57	33,40,36
(b) Borrowing from Banks	10,14	9,71	13,66
(c) Others	54,21	53,16	41,92
(iii) Borrowing from State Bank—			
(a) Demand Liabilities ...	12,29	11,80	31,03
(b) Time Liabilities ...	76,48	76,35	65,39
(iv) Borrowing from Reserve Bank	5,53,72	5,05,92	7,10,08
(v) Cash	1,77,74	1,84,08	1,64,89
(vi) Balances with Reserve Bank	2,41,77	2,39,16	1,82,00
(vii) Balances with other banks in current account ...	79,45	79,25	71,51
(viii) Money at call and short notice	76,54	75,37	39,25
(ix) Investments in Central and State Govt. Securities	17,15,58	17,20,25	14,10,68
(x) (a) Loans, Cash Credits and Overdrafts ...	42,51,54	42,60,63	37,77,72
(b) Due from banks ...	5,03,35	5,07,07	4,86,70
(xi) Inland Bills purchased and discounted ...	7,72,23	7,57,45	7,46,61
(xii) Foreign bills purchased and discounted ...	2,21,02	2,21,19	2,16,01
(xiii) Total of X, XI and XII	57,48,14	57,46,34	52,27,04

INDIA'S FOREIGN TRADE

(In crores of rupees)

Year/Month	Imports	Exports
1961	958·43	675·64
1962	981·28	691·10
1963	987·65	770·36
1964	1082·66	836·16
1965	1348·06	803·16
1966	1581.48	979.54
1967	2016.97	1210.45
1968	1538.33	1095.13
1969	1277.74	1146.19
1970	1601.00	1468.10
1970		
December	132.26	151.27
1971		
January	153.50	143.72
February	150.59	101.31
March	139.07	136.06
April	144.33	127.12
May	159.15	132.16
June	184.08	124.60
July	178.87	154.18
August	145.19	127.29
September	158.25	117.52
October	130.88	125.11
November	130.56	134.84

Source: Supplement to the monthly Statistics of Foreign Trade of India.

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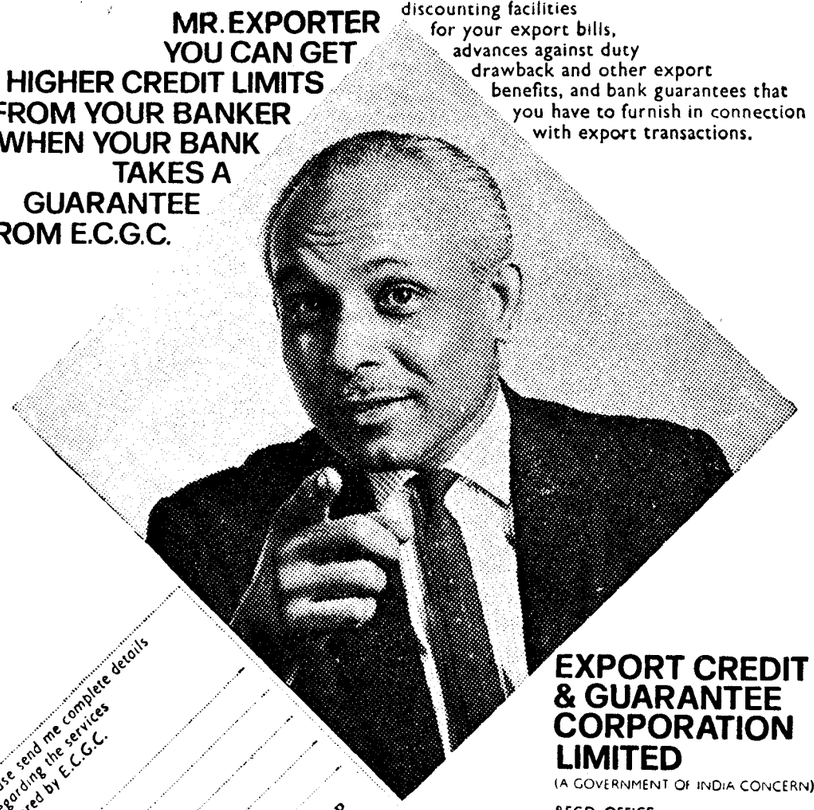

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Jute and Jute Goods

A Bumper Budget for Britain

THE Budget announced in Britain last week cut taxes by an all-time record amount. Its avowed aim is to revive flagging economic activity, cut unemployment and generally restore confidence. There are two secondary objectives, namely, to reform and simplify the existing tax system, and to facilitate Britain's entry into the European Economic Community. As an exercise in fiscal management, this Budget is easily classified as a straightforward Keynesian "pump-primer". At the expense of the balance-of-payments surplus, and possibly the current parity of sterling, it seeks to boost consumer spending and ultimately establish a higher rate of industrial investment. The main risk it runs is with domestic inflation, which it could aggravate to intolerable levels. This is even more of a danger because the tax cuts are superimposed on an unprecedented rate of increase in the money supply. However, the gamble is a calculated one, and it is hoped to counter the inevitable threat of adding price inflation to cost inflation by other means.

The total of tax cuts announced in the Budget comes to £1,211 million. This is the highest in Britain's history, but not by any means as large as some quarters had been advocating. The influential Institute of Economic and Social Research had suggested £2,500 million, for example. The Trades Union Congress had urged that Government spending be increased by £1,500 million, which would have amounted to much the same thing. The Chancellor's choice thus appears to be a cautious one, and already doubts are being expressed that it will prove any more effective than its almost equally massive predecessor. What wrecked the expansionary intentions of the 1971 Budget was the accelerated inflation of prices and wages coupled with an unexpected jump in personal savings. It is possible that the same could happen again this time. Alternatively, last year's increase in personal savings might be disgorged as confidence returns and the resulting boost to prices is absorbed by higher wages with little or no impact on overall economic activity and employment. Such speculation is not fanciful. It merely serves to emphasise the extent to which the British economy is nowadays virtually impossible to manage by the traditional Keynesian expedients of demand manipulation. This is not a phenomenon peculiar to Britain. It is almost equally true of the United States, and is among the main reasons why countries such as India have a vital and continuing interest in studying the Budgetary experience in these countries. India can feel some satisfaction in the fact that Britain's Budget should help her exports to that country. But perhaps more important in the long run is that the British are treading the road of fiscal and economic experiment which India herself may have to follow before long.

The Budget's immediate aim is to boost overall growth to an annual rate of 5 per cent from the 3½ per cent which it is supposed, perhaps mistakenly, would prevail if taxes were unchanged. Most of the stimulation will come from the all-round cut in personal taxation, the reduction in purchase taxes and the increase in retirement pensions. There seems little doubt that the bulk of this massive dose of reflation will find its way into consumer spending. To the extent that it becomes manifest in the form of higher volume of demand, not just value, it should provide an incentive to investment, for which the Budget's concessions are considerable. In future industry will be able to write off 100 per cent of the capital cost of plant and machinery in the first year of operation. This is the "free deprecia-

tion" for which the Confederation of British Industry has been campaigning for years. Predictably, its welcome has been enthusiastic. But there is more. The existing concessions to investment in the country's less developed areas, now extended, are to be preserved in the form of cash grants. This is a complete return to the policy of the former Labour Government and a reversal of a Conservative election pledge. As an example of pragmatism, however, it is commendable enough.

It is clearly hoped that the main danger to the aims of the Budget, namely, accelerated inflation, can be avoided through this attempt at benefiting both industry and consumers alike. The Chancellor is relying on the renewal for a further year of the Confederation of British's Industry's initiative limiting price increases to 5 per cent. If he can secure this, there is a chance he may persuade the Trades Union Congress that his tax cuts are sufficient compensation to their members for moderating their wage demands. The result, or so it is hoped, will be a gradual de-escalation of the inflationary spiral which so recently received another upward twist from the capitulation to the striking miners. This dream suffers from one fatal flaw; even if it is possible to secure T.U.C. compliance, which is unlikely, that does not mean the individual unions are going to take any notice. The central cause of Britain's inflation, indeed the main reason for the country's abysmal economic performance, is the monopoly power of organised labour operating through the collective bargaining system. There is nothing in this Budget, nor in the hoped-for friendly get-together on both sides of industry, calculated to attack this problem.

In historical terms, this Budget might well be remembered mainly as a reforming one. It certainly bristles with changes, or promises of them. For instance, the cuts in purchase tax have been selected carefully so as to key in with the changeover next year to a value added tax. The rate for this new levy, which will bring British practice into line with Europe's, is to be a flat 10 per cent. with numerous "nil-tax" categories such as food. This puts it among the lowest in the Community, and makes for more simplicity in what is anyway a complicated business. The aim is to ensure as far as possible that when a value added tax is introduced, the resulting adjustment in prices will not lead to an overall increase. The process of simplification is also extended to personal income taxation and estate duties. The announcement last year that income and surtax are to be merged is now followed by proposals to reform the Pay As You Earn system and introduce a negative income-tax. This would effectively integrate tax and social security payments into one simpler system. The proposed change for estate duty is towards some form of inheritance tax.

Of more direct interest to the business community is the promised switch to the "imputation" system for ending the discrimination against distributed profits in the existing company tax structure. This is a significant change of policy as well as a reform. The double taxation of distributed profits was, characteristically enough, introduced in the first Budget presented by a Labour Chancellor after the election victory of 1964. This was the infamous 1965 Finance Act, to which a fair proportion of Britain's subsequent economic difficulties can be traced. The main effect of this double taxation, which was designed to encourage profit retention, has been to raise the price of capital and reduce the incentive to invest. Its end will go unmourned, except in the more emotional left-wing circles. The substitution of the imputation system on the French model is another move to facilitate Britain's entry into Europe. It should also avoid some of the administrative complications which arise from the German system of employing two separate rates for corporation tax. With imputation, corporation tax is paid at a single rate and distributions are assessed to income-tax at source. The taxpayer, however, receives a credit for this amount. It is not intended the new system will affect the position of British companies earning most of their income overseas, although some extension of the existing "overspill" provisions has been announced.

The reformist character of this Budget is, therefore, as notable as its sheer size and its continued adherence to traditional Keynesian demand-management policies. The really outstanding feature of it is the priority given to economic expansion and reduction of unemployment, way ahead of price stability and the balance of payments. Luckily for the Chancellor, his experiment is taking place against the background of an historically large surplus on external account. He is prepared to see this melt away, as indeed it must eventually. But what constitutes a real change of policy is that he has publicly indicated there will be no return to "stop-go" as an expedient for maintaining the existing parity of sterling. The statement that "the lesson of the international balance-of-payments upsets of the last few years is that it is neither necessary nor desirable to distort domestic economies in order to maintain unrealistic exchange rates" speaks for itself. The trouble is, of course, that with this restraint removed, too great a risk could be taken with inflation leading on to the loss of all confidence in the internal as well as the external value of the currency. The result then would be a return to stagnation and unemployment at even worse levels than now solely due to economic disruption and unwillingness to work, save and invest. It is not only the risk this Budget runs. It sums up the main problem facing all western economies today.

Wisdom from the Wanchoo Committee

THE main point that emerges from a close study of the report of the Direct Taxes Enquiry Committee, headed by Mr. Justice K. N. Wanchoo, is that the tax rates in this country are very high, leading to large-scale tax evasion and proliferation of black money. The finding is nothing new except that it has now the stamp of a high-level quasi-judicial body. The same diagnosis had been made in the past by several independent economists and prominent industrialists, but the Government dismissed that as "motivated opinion" and instead went on putting up the tax rates, especially on the corporate sector, year after year. Even now, it seems doubtful if the Government will muster sufficient courage to accept the most important recommendation of the Wanchoo Committee for reducing the maximum marginal rate of income-tax from the present level of 97.75 per cent to 75 per cent along with reliefs in the incidence of taxation to the middle and lower levels of assessees as well.

In his Budget speech, the Central Finance Minister, Mr. Y. B. Chavan, has not revealed his mind except to announce that the Government would be coming forward with an omnibus amending Bill to the Indian Income-tax Act, incorporating provisions to implement such recommendations of the committee as are accepted by the Government. In the absence of any statement to the contrary, it may at least be presumed that Mr. Chavan has an open mind on the subject and will give serious thought to the recommendations of the committee.

As it is, the committee's recommendations to check tax evasion and growth in the circulation of black money form a consistent package. If the Government were to accept a convenient few and reject the rest, it could not expect the same results as would flow from a faithful implementation of the entire package with some modifications, where necessary. The other elements of the package are the minimisation of controls and licences, regulation of donations to political parties and complete reorientation in the methods of intelligence and investigation. The recommendation of the committee for the constitution of a panel of experts to enquire into the utility of all existing controls, licensing and permit systems and suggest elimination of those as are no longer considered necessary is a sound one and merits urgent consideration by the Government. The committee has also proposed that the new panel should recommend ways and means of ensuring more effective enforcement of controls that are absolutely essential.

Another major recommendation of the committee, which may politically embarrass the ruling Party but is of vital importance from the national point of view, is that agricultural income should be taxed more or less on par with taxes on other incomes. As the committee has rightly observed, the exclusion of agricultural income from the Central tax net offers plenty of scope for camouflaging black money. Furthermore, the committee has pointed out that agricultural income-tax is also necessary "on grounds of equity and distributive justice", about which leaders of the ruling Party are never tired of lecturing to their urban audiences, especially at election time.

The committee has also revealed that black money has served the political parties well as a source of funds. At the same time, it has expressed itself strongly against the removal of the existing statutory ban on company donations to political parties. But the continuance of the ban will in no way prevent the misuse of black money for political purposes; on the other hand, the removal of the ban may at least give the sanction of law to an act which is, in any case, being done stealthily. It is also difficult to agree with the committee that the Government should give grants-in-aid to political parties in this country as in Japan and West Germany. These are small countries with compact political parties, operating mostly at the national level. In this country, there is already a multitude of political parties and doles from the Government may well encourage the mushroom growth of many more at the national and State levels. Furthermore, the State Governments will start financing political parties in their region and this power of patronage in the Central and State Governments may vitiate not only India's democratic institutions but also the polls held under the Constitution to various offices. Money power already plays a vital rôle in the country's present-day politics, and it will not be advisable to encourage this further by the Government directly entering the business of financing political parties.

The committee has made a number of useful suggestions for changes in the methods of search and investigation and for giving the Income-tax Officer a better status in the eyes of the public. As the committee has stated, there is no reason why this service should be considered lower to the Indian Administrative Service in the matter of status and salary. The committee's recommendation for raising the salary scales of the Revenue Service to the same levels as those of the I.A.S. should, in fact, be implemented without delay as the additional financial burden to the Government on this account may not be more than a crore of rupees a year. "The need to be generous in the matter of pay scales," the committee says, "assumes special significance in a revenue department where officers have to deal with wealthy and powerful taxpayers and have to resist temptations placed in their way".

Thus, the overall approach of the Wanchoo Committee to the problem of checking tax evasion and curbing the growth of black money has been constructive and positive. In the present political mood, it may be surprising to many that the committee has made recommendations for tax reduction and relaxation of controls; that perhaps only shows that the committee has not been influenced by extraneous considerations and has made its recommendations on the basis of its own findings and careful study. There are a few minutes of dissent, but they relate more to details rather than to the sum and substance of the committee's findings.

Drastic Restructuring of Banks?

IN its voluminous report, the Banking Commission has covered all aspects of the working of banks and has made far too many recommendations which will take the Government a long time to consider and implement, wherever possible. But some of the Commission's recommendations need to be given urgent attention like the creation of rural banks not only with a view to mobilising resources but also to providing a variety of services that are not available at present to those living in the interior. In the Commission's view, the main responsibility to serve the rural areas should rest with the co-operative banks, as they have a wider organisational network in these areas.

Several useful suggestions have been made to overcome the difficulties presently experienced by banks. It has been suggested that the first priority in establishing rural banks should be given to the well-run primary agricultural credit societies, and it is only where such primary credit bodies do not exist, commercial banks should enter by setting up a rural subsidiary bank. And when commercial banks do that, to encourage a sense of participation, it has been further suggested that the residents of the area should be offered 49 per cent of the share capital of the rural bank. Differential rates of interest, both for deposit mobilisation and loans offered to small people, have been recommend-

ed, since it is necessary both to motivate people to save as well as to create a feeling that the banks are there to cater to the various needs of the villagers. In view of the importance of spreading the banking habit deep into the villages, it would be worth while for the Government to take quick follow-up action on the recommendation that special legislation by Parliament should be undertaken to enable the establishment of rural banks.

The Commission has also made a number of suggestions on restructuring the banking system. According to it, the problems currently faced by the 14 nationalised banks have had their origin in the failure of the managements to appreciate fully the implications of the rapid rate at which the banking industry was growing and in particular the rate at which their own banks grew. Since the rapid rate of growth has continued after nationalisation and the banks are flush with funds now, it might be quite expedient to attempt a restructuring of the system to enable banks to tackle the problems of tomorrow better than they have done so far. After considering various *pros* and *cons*, the Commission has rejected the theory of the merger of all the banks in the national sector into one bank on the lines of the Life Insurance Corporation of India. Nor does the Commission favour the restructuring of the banks on functional lines, as this would involve drastic changes and cause serious disruptions in economic activity. The Commission recommends that early steps should be taken to reorganise the national banks into two or three all-India banks and six other banks each specialising in developing banking services in a broad region, and leaves the State Bank of India out of the proposed reorganisation. While the all-India banks should aim at having branches in all population centres at the level of district towns and above, the other banks—each one of which can work over the areas of, say, two or three neighbouring States—would also have a branch network below the level of district towns. Furthermore, in order to give a reasonable choice to the public, banks in two neighbouring regions may be allowed to open branches below the level of district towns in each other's regions.

Thus, under the scheme of reorganisation, persons residing in district towns and population centres above the level of such towns can have a choice between the three all-India and at least two, if not more, regional commercial banks. For places smaller than the district towns, there will at least be two commercial banks in each district. In addition, there will be the network of co-operative institutions, including the rural co-operative banks or the rural subsidiary banks in such areas. Apart from the restructuring of the banking system, the Commission has also recommended changes in the organisational set-up of major banks as well as the creation of a committee consisting of the chairmen of the reorganised national banks to ensure co-ordination.

An interesting suggestion of the Commission, which could be introduced without delay, is the modification of the pricing system of the banks in such a way that in fixing charges levied on different customers, the use they make of the banking system is taken into account. The Commission has also elaborated what the main elements of the pricing system should be. Since deposit mobilisation depends on the motivation offered, the Commission has suggested a review of the present interest rate structure for deposits. Yet another idea that could be usefully accepted is the ending of the present practice of half-yearly closings, as the work involved in this exercise is not commensurate with the benefits derived.

Although the Commission is of the view that there is scope for improvement in pooling information that would be of help to exporters, it does not think it necessary to create a separate Export-Import Bank. In fact, on a detailed review of the need for specialised institutions in particular fields, the Commission takes the view that with the limited financial and personnel resources in India, specialised institutions may be set up only if there is a clearly identified credit gap which cannot be filled by the existing financial institutions. In other words, the creation of specialised financial institutions should depend on the merits of each case. However, the Commission has made the useful recommendation that in order to bring about uniformity in the operations of chit funds functioning in different States, the Government should enact an All-India Chit Fund Act as early as possible.

The West Bengal Budget

HOW far the 1972-73 West Bengal Budget, which was presented to the newly constituted State Assembly last week, will actually succeed in its desired objective of spearheading economic regeneration in the State, it is not possible to say right now. But that it has brought a refreshingly bold approach to the problems facing the State is all too evident. In keeping with the accepted policies of the Congress Party, the first Budget that a Congress Government in the State has presented after five fateful years shows a definite slant towards employment-oriented projects, rural development and social welfare schemes. In all these respects, West Bengal has made little headway so far. According to the Budget papers, 2.8 million people are now waiting for jobs in the State (of them 1.7 million in the agricultural sector alone), and this should be one of the highest Statewise figures in India. The "Green Revolution", which has already sparked off vast changes in rural life in many parts of the country is yet to reach its fruition in West Bengal; to quote the Governor, Mr. A. L. Dias, the State has been "on the threshold of the long-delayed 'Green Revolution'." And as for social welfare schemes, their absence is felt as deeply in metropolitan and urban areas as in villages. If the Budget can keep its promises of bringing about substantial improvements in all these areas, it would be a tremendous achievement indeed.

Banking on liberal accommodation from the Centre, the State Finance Minister, Mr. Sankar Ghose, has for the time being chosen not to impose any fresh impost. The Budget closes with an overall deficit of Rs. 29.03 crores. A surplus of Rs. 13.96 crores in the non-revenue account has been more than wiped out by a shortfall of Rs. 19.39 crores in the revenue account, leaving a deficit of Rs. 5.44 crores, which, as Mr. Ghose pointed out, cannot be considered large in a Budget of Rs. 557.79 crores. Adding an opening balance of minus Rs. 23.59 crores to it, the total deficit goes up to Rs. 29.03 crores. Mr. Ghose is, however, hopeful that by the time the year would come to a close, the deficit would be converted into a surplus. The possibilities he has in mind include a rescheduling in the payment of loans and interest to the Central Government, buoyancy in revenue as a result of accelerated economic activity, additional resources mobilisation to the extent of Rs. 10 crores and market borrowing of about Rs. 18 crores. And there is no reason why these expectations should go wrong. If West Bengal has not done better than most of the other States like Uttar Pradesh, Punjab, Mysore and Kerala, which have also shown large deficits for the coming year, the fact is that with the refugee problem, soaring unemployment and widespread industrial stagnation, its case is somewhat different, as New Delhi has also now recognised.

What gives the Budget a somewhat bold appearance is that, undeterred by such resources constraints, it has gone on to allocate a larger outlay for the 1972-73 Annual Plan. Against a provision of Rs. 67.57 crores for the current year, the Plan size has been raised to Rs. 73.50 crores for the coming year. Education, rural electrification, irrigation, animal husbandry and dairy development—all will be getting larger funds in 1972-73, compared with the current year. Side by side, "massive industrialisation" is to be put through. The steady expansion of the public sector, development of the co-operative sector and a bigger rôle for institutions like the Food Corporation of India (which, as Mr. Ghose significantly reminded the House, aims at nationalising food procurement) would all contribute in transforming the economy along progressive lines. But no drawing-board scheme for industrial development in the State can possibly go far unless it succeeds in enlisting the support and co-operation of the private sector. As Mr. Bhaskar Mitter has observed some time ago, a large percentage of the large industrial houses in the country is based in this State and if they are denied an opportunity of making an effective contribution towards building up industrial activity in West Bengal, its economic revival is likely to be retarded. In its zeal for imparting dynamism to the State's economy, the Government cannot just ignore the importance of the private sector or the effects various constraints are having on its growth. After all, the three major industries in the State—jute, tea and engineering—are still run by private entrepreneurs.

If the Budget highlights what has to be done to revamp the State's sagging economy, it also underlines what has not been done. Partly due to the lack of dynamic political leadership but largely due to the lapses and lethargy of the implementing machinery, there has hardly been any development in the State during the last few years. In 1967, out of a provision of Rs. 69.94 crores for development, only Rs. 51 crores could be spent; in 1969, out of Rs. 55.44 crores, only Rs. 45.79 crores were used. But now that a stable Government has been set up and that New Delhi has given enough indications that the problem of finance would not stand in the way of any worthwhile scheme, the main task before the State administration seems to be to tone up the machinery for executing the various projects as speedily as possible.

No Confrontation at F.I.C.C.I.

IT was a pleasant surprise that the Prime Minister, Mrs. Indira Gandhi's speech at the annual general meeting of the Federation of Indian Chambers of Commerce and Industry held in New Delhi last Saturday was free from controversy. Unlike in the past, she did not accuse the private sector of non-cooperation nor did she charge it for not taking advantage of the avenues open to it despite the momentum generated by an ambitious public investment programme. In fact, Mrs. Gandhi began her speech with an acknowledgment that this year the Government and industry were meeting in a more congenial atmosphere. The president of the Federation, Mr. S. S. Kanoria, candidly stated that industrialists were prepared to play the rôle assigned to them in taking the country forward to self-reliance with social justice.

Mrs. Gandhi, on her part, made it clear that her Government could not deviate from the policies set for it, but she did suggest that the private sector had enough scope for industrial activity in the core and heavy investment sectors. Her only point was that the monopoly houses should not be allowed to come in the small and medium sectors which should be left open for those with less resources.

While acknowledging that the recent State Assembly elections had put the seal of overwhelming support to Mrs. Gandhi's leadership and policies, Mr. Kanoria did not miss the occasion to emphasise certain important points. Since the levers of power over every sector of the economy, including the financial and credit institutions, are already in the hands of the Government, there is no basis for the fear that size and growth of enterprises might lead to the concentration of economic power. It would, therefore, be unfortunate if India were to be deprived of the full contribution to growth that such enterprises could make. Apparently, this was an indirect suggestion to the Prime Minister to ensure that the economic policies of the Government were so fashioned that they were not directed solely against the larger business houses.

Mr. Kanoria's speech contained a lot of realism about what the people in this country expect from the Government and industry. He categorically stated that the Federation had dedicated itself to the idea that private business must be infused with a social purpose. It has also recognised that business has responsibilities beyond the earning of profit and extend to specific responsibilities to consumers, workers, shareholders, the Government and even to the local community in which the business is carried out. What is more, private business is now in a better position than ever before to face up the challenge of development through democracy. These words of practical wisdom did impress the Prime Minister and she refrained from saying anything which could demoralise the private sector. In fact, at one stage she said, now as the Indo-Pak war had been won, the war on poverty needs to be won; and this can only be achieved with the willing co-operation of all concerned, including the private sector.

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CURRENT COMMENT

STATE BANK

Satisfactory Progress

Addressing the annual general meeting of the State Bank of India held recently in Calcutta, Mr. R. K. Talwar, chairman, said that the working of the bank for the year ended December 1971 had shown better results. (The full text of Mr. Talwar's speech is published elsewhere in this issue of *Capital*.) The chairman said that this was the bank's first meeting of shareholders in Calcutta. The first 14 annual meetings were held in Bombay but in 1970, that monopoly was broken when the meeting was convened in Ahmedabad. The chairman said that the deposit growth of the bank during 1971 was higher than in the previous year while the pace of credit expansion had slackened. The credit needs of small-scale industries were largely met, and the bank's loans to these industries went up by Rs. 25 crores. Its most important scheme for generating self-employment relates to the financing of technician entrepreneurs. At the end of the year, the bank had 807 entrepreneurs in its books with credit totalling Rs. 10 crores. Besides, the bank has selected 60 pilot centres throughout the country with a view to gaining first-hand experience in self-employment-oriented lending for individual artisans, craftsmen, etcetera.

The chairman has announced the bank's programme of opening 150 agricultural development branches all over the country to provide finance in accordance with the assessed needs of selected areas. Each branch will be supported by technical and other field staff. The term loan requirements for each of these development branches may be well over Rs. 2 crores. The chairman said that in view of the long-term nature of these investments, the bank would naturally have to lean heavily on the Agricultural Refinance Corporation. Mr. Talwar emphasised the need to demarcate areas for development among different financial institutions so as to avoid the overlapping of efforts. He also appealed to the State Governments to remove legal disabilities of commercial banks in the financing of agriculture. The bank's branch expansion, according to the chairman, has been spectacular so far. During 1970-71, the bank has increased the network of its offices by 814. The State Bank and its subsidiaries are now drawing up plans for expansion during the three-year period 1972 to 1974.

COAL

Ground for Optimism

Addressing the annual general meeting of the Indian Mining Federation in Calcutta a few days ago, Mr. Shah Nawaz Khan, Central Minister of State for Steel and Mines, said that the transport difficulties which were experienced by the coal industry towards the end of last year were due to circumstances beyond the control of the railways. As for the industry's prospect, he was optimistic. While increased steel production would require more coking coal, the demand for non-coking coal would go up as a result of the massive programme for power development which had been initiated.

Speaking on the occasion, Mr. H. F. Mookherjee, chairman of the Federation, said that according to recent estimates, coal production, including lignite in 1971-72, may be round about only 72.16 million tonnes—a substantial drop from the figure of 80 million tonnes in 1969-70 which dropped to 75.99 million tonnes in 1970-71. In the context of the projected annual increase of 5 per cent envisaged by the planners for the Fourth Plan period, this heavy reduction of about 10 per cent in coal production must be viewed with serious concern. The year 1971-72 thus witnessed a strange combination of lower production of coal, a record figure of pithead stocks and a scarcity of coal experienced by industries in many parts of the country as a result of the persistent transport bottleneck.

This sharp fall in coal production has been brought about not by lack of demand, or capacity, but entirely by the persistent shortage of wagon supply from September 1970 onwards. The pithead stocks went up at one time during the year to the all-time record figure of 9.38 million tonnes blocking a working capital of collieries of about Rs. 35 crores. It is indeed distressing that instead of appreciating the acute problems of the industy and making a sincere attempt to solve them, this basic industry is constantly being threatened with corrective measures, Mr. Mookherjee said.

PAPER

Hitting the Plan Target

Addressing the annual general meeting of the Indian Paper Makers Association in Calcutta a few days ago, Mr. M. L. Zutshi, chairman, stated that the industry was not only likely to exceed the Fourth Plan production target of 850,000 tonnes with an installed capacity of 1,000,000 tonnes but might even surpass it by 100,000 tonnes. As for capacity, he felt that the schemes already cleared and in the process of clearance as also the plans of the Hindustan Paper Corporation were likely to result in a total capacity of 2.05 million tonnes. Analysing the nature and extent of the shortage of cultural papers for the last few years, Mr. Zutshi stated that a small supply gap got magnified, resulting in a general psychosis of shortage and consequent harassment to the consuming public. However, the industry's persistent efforts to deal with the situation had been successful; the paper supply position was now well under control and there were no serious complaints of shortage in the market. He also stated that nothing could be more pointless than to project the prospect of the industry on the basis of the performance of some of the existing paper making units. He contended that on the basis of the existing average realisation on printing and writing paper, intending investors in the paper industry would hardly be able to recover their interest and depreciation charges, let alone being in a position to repay the loans and provide a suitable return on capital employed. He urged that the Government should keep this factor in mind while framing future price policy for the paper industry.

SHIPPING

Problems of Freight

At a meeting held in Calcutta a few days ago between members of the Eastern India Shippers Association and Mr. T. K. Sarangan, Director (Transport), Central Ministry of Foreign Trade, Mr. Sanjoy Sen, president of the Association, suggested the introduction of some sort of legislative control over freight matters. He said that shippers were becoming increasingly disillusioned with the so-called "consultation procedure". The principle of the two-year gap between two freight increases could no longer be said to hold good; whenever consultation did take place, as in the case of the recent freight increases for Australia and New Zealand, representatives of the conferences and lines came to the meetings with shippers with their minds made up. Basically agreeing with the views expressed by the E.I.S.A. president, Mr. T. K. Sarangan said that the consultation procedure could only succeed if the parties concerned had the correct approach. In the opinion of Mr. Sarangan, there had been a lot of erosion of the discussion formula during the last year or so. Mr. Sarangan agreed that the liner conference system which was based on the twin concepts of regularity of service and rate stability required some sort of disciplining. In this connection, he expressed the view that the cost of operations of the Indian shipping lines should be much less than those of the foreign lines. Indian shippers had, therefore, a right to look forward to the Indian shipping lines to provide stability in freight rates.

SILK GOODS

Lower Export Earnings

The export earnings from silk goods during February 1972 recorded an increase of 16 per cent over the earnings in the corresponding month of last year. The total export at Rs. 657.81 lakhs for the 11 months, *i.e.*, April-February of the financial year 1971-72, as against Rs. 945.62 lakhs in the same period last year, indicates a sizable fall of 30.43 per cent. With March figures still to come in, the year may close at around Rs. 7 crores of export earnings, against the target of Rs. 10 crores for 1971-72. As for the unit export price, although the same has shown a downward trend in respect of mulberry silk fabrics, it has increased in the case of tasar silk fabrics.

Among the countries exports to which have shown a rise are Malaysia, Kenya and Hongkong in the traditional market and France, the U.K. and Sweden in the non-traditional market. The imports by important countries such as West Germany, Japan, Italy, Switzerland and the U.S.A. have shown a downward trend. The items which recorded comparative improvement during February were scarves, ready-made garments and sarees. Dress materials and ties have recorded a fall.

FOREIGN AID

Fresh British Loan

Britain will provide $12 million (Rs. 22.76 crores) as a project aid loan to India under an agreement concluded in New Delhi a few days ago. The agreement was signed by Sir Terence Garvey, the British High Commissioner, and Dr. I. G. Patel, Secretary in the Department of Economic Affairs, Central Ministry of Finance. The new loan, the UK/India Capital Investment Loan 1972, is the fourth in the series and is intended to allow the purchase by firms in India of British manufactured capital goods which may be needed to aid India's economic development. The loan is to be distributed as follows: £5.5 million (Rs. 10.43 crores) for the import of capital items by private-sector enterprises in India; £5.5 million (Rs. 10.43 crores) for the import of capital items by public-sector enterprises in India; and £1 million (Rs. 1.90 crores) for imports through the National Small Industries Corporation of capital goods by firms in the small-scale sector.

This loan brings the total of new British aid committed to India's economic development in the 1971-72 financial year to £54.5 million (Rs. 103.39 crores). It means that the British Government has fulfilled the pledge of aid it made at the India Consortium meeting in Paris last year.

ECONOMY

Incentives Needed

At the annual general meeting of the Madras Chamber of Commerce and Industry held in Madras a few days ago, Mr. C. P. Featherstone, chairman, said that the Government and the public bodies had to be paid for their beneficial services. He said that some sort of incentive was essential at all levels in order to maximise national output. He also underlined the need for creating more employment, particularly for the educated unemployed. In this connection, he referred to the many hurdles which an would-be industrialist had often to go through before his proved expertise could be utilised. These restrictions also discouraged entrepreneurs from setting up new projects.

The chairman said that the chamber strongly supported both the establishment of a democratic Government based on universal suffrage and the institution of responsible trade unions operating as effective representatives of workers. But it deplored the intermingling of these two institutions for purely selfish motives. He congratulated the Tamil Nadu Government and the Corporation of Madras for their effort in beautifying the city. The problem of the Cooum river had been solved and the conditions of the major roads had improved.

STEEL DISTRIBUTION

Limitations of New Policy

Addressing the annual general meeting of the Steel Merchants Association of India held recently in Calcutta, Mr. S. M. Gupta said that the Government had adopted a system of distribution wherein the steel merchants—in spite of their crucial rôle in serving all types of industries—had been placed at the bottom. They have also been subjected to higher earnest money deposit compared with other classes of indentors. The new distribution policy, which aims at supplying the materials direct to the consumers, has its own limitations and yet the Government does not appear to be inclined to utilise the services of steel merchants who have been rendering distributory services over the past several decades. Due to the inherent limitations of the new system of distribution as well as the shortage of steel itself, the consuming industries are not able to get adequate supplies of this basic raw material to utilise their capacities fully.

E.E.C.

Dilution of G.S.P.?

Addressing the participants of the international programme on trade policy and export promotion at the Indian Institute of Foreign Trade in New Delhi a few days ago, Mr. K. V. Raghunatha Reddy, Central Minister for Company Affairs, said that the expansion of the E.E.C. would result in a reduction of the export prospects for developing countries to that region because of increased competition from the newly admitted members of the E.E.C. Gradually, almost the entire western Europe may get integrated and thereby make it increasingly difficult for the developing countries to have their legitimate

share in the European market, he said. This process of the E.E.C.'s expansion, he felt, threatened to dilute and eventually nullify the concessions it has offered to developing countries under the generalised system of preferences (G.S.P.). He, therefore, hoped that the U.N.C.T.A.D.-III would pay special attention to this problem and evolve measures not only to arrest this disconcerting trend but also to ensure the realisation of the goal of unrestricted and duty-free access to the markets of all the developed countries for all manufactures and semi-manufactures from all the developing countries.

IRAN

Scope for Indian Exports

The high-level Indian industrial delegation, led by Mr. S. S. Kanoria, president, Federation of Indian Chambers of Commerce and Industry, which visited Iran between 4th and 9th March, has returned satisfied with the prospects of closer economic co-operation between the two countries. The overall imports into Iran which are less than $3 billion now are expected to double themselves in the next five-year plan, beginning in March 1973. The geographical situation of India is such that it can meet the growing requirements of the Iranian market for industrial machinery of all types (especially textile machinery) and of a large variety of chemicals and dyestuffs to cater to the needs of the textile industry in Iran. At the same time there are large opportunities for direct participation in joint industrial ventures. The scope for supplying Indian technology and skills seems to be even greater both directly and equally through sub-contracting in large-sized ventures being set up by the countries like the U.S.A., West Germany, Italy, Britain, Japan, Russia and those in east Europe.

CAPITAL ISSUES

Declining Number

Addressing the annual session of the Southern Gujarat Chamber of Commerce and Industry in Surat a few days ago, Mr. K. N. Modi, president of All-India Manufacturers Organisation said that due to a fall in the rate of savings and inadequacy of incentives for investment, new capital issues had been on the decline and in 1970-71 were the lowest in the last six years. Industries are compelled to depend more and more on borrowed capital which is also difficult to obtain because the existing policies of the long-term financial institutions do not allow debts more than twice the capital which is working as a hindrance to growth.

AGRICULTURAL ECONOMICS

Conference in Varanasi

The thirty-first All-India Agricultural Economics Conference will be held in Varanasi from 31st March to 2nd April, 1972 under the auspices of Banaras Hindu University. The conference is organised by the Indian Society of Agricultural Economics which is a well-established and reputed organisation of teachers and researchers in agricultural economics. Dr. K. L. Shrimali, Vice-Chancellor, Banaras Hindu University, will inaugurate the conference.

MONEY MARKET

Easier Trend

The short-term money market has become easier this past week. The call rate, which initially quoted at 9½ per cent or 10 per cent, later came down to 6 per cent. The market has closed with borrowers over at 6 per cent. The demand for remittances has been small. The supply of tea and gunny bills has been small. The pound-sterling has strengthened against most major foreign currencies during the week.

The latest statement of the Reserve Bank of India for the week ended 17th March, 1972, shows a rise of Rs. 8.52 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 243.50 crores, compared with the previous week. Their borrowings from the Bank have increased by Rs. 64.70 crores to Rs. 252.19 crores, of which advances against usance bills have amounted to Rs. 99.40 crores, against Rs. 67.15 crores. Balances held abroad by the Reserve Bank in the Banking Department show a rise of Rs. 4.05 crores to Rs. 191.05 crores.

CAPITAL AND LABOUR

A CORRESPONDENT writes in Current Coin: It is cognate with the present drift of things to consider whether combinations, amalgamations, extensions and associations which cause the massing of capital are communal benefits. I do not wish to suggest that they are not. But do they tend to create good or bad feeling among employers and employed? They must to some extent kill out a number of smaller competitors. They must, one may conclude, drive a certain number of competitors to swell the labour market and convert some of those who were formerly employers into employed. They bring labour opposition together in large united forces, and the consequent insistence of labour for more pay and less work is an extra cost for which somebody has to pay. As a fact the extra cost is bound to fall on the consumer, and as a factor, though only one among others, it operates towards raising prices. An aspiration for improvement in the standard of living is shared universally by all sorts and conditions of men; and if the massing of capital tends to bring the means of improvement within reach of a greater number, it is a distinct benefit. The Fabian philosophy of reducing the earning power of capital and labour to an inexpandible maximum would have exactly the same effect as caste has had in India. There can be no progress without ambition and no ambition without reward. But it must be recognised that ambition and capital are not everything; and although capital and labour are in a sense in opposition, they are as necessary to each other as antagonism is suicidal. Evolution, therefore, is bound to take the form of creating a centre which shall be a debatable ground between the opposite but not opposing forces of capital and labour.

FROM

CAPITAL

28th March, 1912

A Ditcher's Diary

WHETHER OR NOT MR. BHUTTO really wants to have talks with Mrs. Gandhi, he evidently enjoys talking to Indian journalists. Before going to Moscow he gave a long, rambling interview to two correspondents from Delhi; another Indian journalist interviewed him for 90 minutes last week-end. Not that correspondents from other countries have been denied the pleasure of watching him hold forth on matters of great moment. He talked at some length to an American reporter last week; and then there was his dramatic performance at a Press conference in Rawalpindi last Saturday. After all this, nobody can accuse the Pakistani President of being non-communicative. Yet it is not easy to see what exactly he has communicated. It has long been clear that Mr. Bhutto is one of those who regard consistency as the hobgoblin of little minds; but the incoherence of his recent outpourings is quite stunning. If he wants to have talks with Mrs. Gandhi, all he has to do is to send a message to New Delhi either directly or through some other Government. But he merely goes on telling journalists and others what he wants and does not want, and it becomes increasingly difficult to decide what he really means. He speaks of Pakistan being humiliated, but it is his own tantrums which are bringing further humiliation on his Government and people. I am not one of those who think that the most important task for the Bangladesh Government at the moment is to arrange another Nuremberg; indeed Dacca might be well advised to moderate its stand on trials for war crimes if this helped a wider political settlement. But here again it is for Mr. Bhutto to make clear his desire for a settlement; Dacca might be persuaded to consider making a generous gesture only after Pakistan's recognition of Bangladesh. As for India, Mr. Bhutto claims to have given up his confronting rôle, but he has yet to get Kashmir out of his system. He says that he now wants India's hockey team to go and play in Lahore; it was he who led the violent campaign in January last year against the proposed visit by Indian hockey players and raised the slogan, "Kashmir first, hockey later". He may have changed; but there is no conclusive evidence. He is still not ready to accept the Kashmir cease-fire line as the international border, let alone agree to a no-war pact; and he has openly threatened to "equate" the prisoners of war in India with the Bengalis in Pakistan. At his Press conference on Saturday, he seemed almost demented; but from what he said in a subsequent interview his apparent lunacy seems to have a method in it, which does not make it easier for India to do business with him.

THE C.P.I.(M) MAY GENUINELY BELIEVE that the elections in West Bengal were "entirely rigged", but surely it can't be serious in its demand for a fresh poll. Indeed nothing would embarrass the Marxists more than a decision to hold fresh elections. Such a decision is of course inconceivable; Mrs. Gandhi has no reason to seek a fresh mandate for her Party in this State merely to embarrass her opponents and the public would consider it an inexcusable waste of money and energy if a fresh poll were to be held only to steal the Marxists' thunder. Not that much of the thunder is still left; the Marxists' allegations have already ceased to attract much notice. The general public seems convinced that the Congress would have had a comfortable majority in any case; certain aspects of the election results may seem strange, some people may also have some direct experience of "irregularities", but the average citizen cannot regard any of this as sufficient reason to doubt the overall validity of the electoral verdict. In these circumstances, repetition of the charges against the conduct of the poll will become increasingly tiresome; nor will much greater attention be paid to similar charges made by other Opposition parties in respect of other States. And in West Bengal the Marxists and their allies will not have even the opportunity of using the forum of the Assembly for their political campaign; for this deprivation they have only themselves to blame. The Assembly proceedings will be less lively; what newspapers in this country frequently describe as "uproarious scenes" are highly unlikely; but ordinary people will gladly do without the particular brand of excitement if things get more quickly done in the absence of sterile Opposition. Speed has seldom appear-

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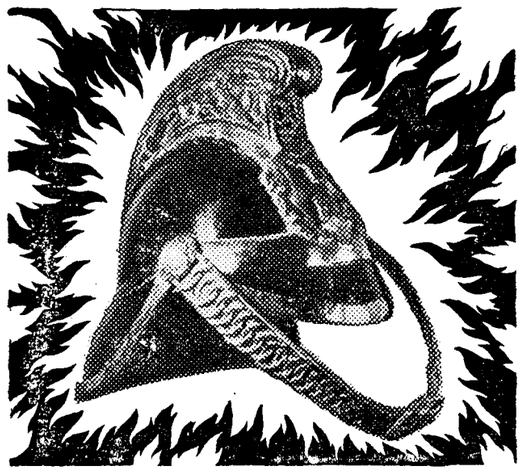

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ed to be among the virtues of parliamentary democracy; but in almost every Indian State a situation has now been created in which business can be conducted with the greatest dispatch without doing violence to the democratic system. Admittedly, the system would have had a more familiar look if the Opposition were stronger; but the Congress cannot be expected to lend the Opposition some artificial strength to remove the impression of a one-party system. All this, of course, is academic speculation; from now on, what will interest me more will be the practical performance of the new State Governments. I do not want them to promise what they cannot fulfil; in fact, I do not want any promises at all. But I shall look forward to some quiet efficiency. The Chowringhee pavement is now an encouraging sight; but Calcutta extends far beyond and the countryside is not just a bigger Maidan.

IT IS MANY YEARS NOW SINCE I WAS a regular reader of the *New Statesman*. I used to be, in my younger, more radical days. That was when Kingsley Martin was editor, and before it had become obvious that socialism was incompatible with political freedom and economic efficiency. In those days the *New Statesman* was the model of what a serious, political weekly ought to be. But in recent years it has been too petulant for my tastes—always whining. I have long since lost patience with its determination never to find anything good in those with whom it disagrees, nor anything evil in the spiteful rubbish that nowadays so often passes for left-wing political awareness. It does not surprise me that its circulation should have fallen, and to my view the recently announced change of editorial policy has not come too soon. Perhaps I may even become a regular reader again. It is not difficult to accept that the decision to alter course had much to do with what the former Labour Minister, Mr. Richard Crossman, did to the paper after he became editor. All such newspapers as the *New Statesman* must necessarily reflect the personality of their editors; *Capital* always has done. But there can be few to disagree that Mr. Crossman went too far. He had turned the journal into a vehicle for his own prejudices, one which mirrored his reputation for being a brilliant half-wit to an extent the *New Statesman* could not afford. So a more professional editor is being

sought to conduct a paper "independent of any political party and concerned more with the deep analysis of underlying problems than current politics". It sounds an admirable enough formula, if depressingly like the one on which another party-aligned newspaper, the *Daily Herald*, sailed to a miserable death a few years ago. There would seem to be good scope for a new man, one who understands that left-wing sympathies are no longer automatically associated these days with any particular party, particularly one as reactionary as Britain's Labour Party. As one editor to another, I shall wish him luck.

THEY CALL THEMSELVES "THE Amateurs", but in their chosen domain of art, they are as good as any professional would wish to be. The group has been recognised as one of India's most enterprising theatrical units, and it is easy to see why. The more difficult has been the play, the more it seems to have excelled. Take, for instance, its latest offering, Mr. John Mortimer's *A Voyage Round My Father*, which was staged in Calcutta last week, sponsored by the North Calcutta Junior Chamber. A memory play based on a complicated cameo of family relationships it is not exactly anybody's cup of tea. But the theme was handled with consummate skill. In two pivotal characters, Vimal Bhagat (father) and Vijay Crishna (son) distinguished themselves; Rahul Bhagat's portrayal of the son as a little boy was most enjoyable; the sets designed by Indira Bhagat were elegant and imaginative. Like the previous ones, this production too, I am sure, will add another feather on the cap that the "The Amateurs" have already carned for themselves.

EVER SINCE EAST BENGAL WAS renamed Bangladesh I have been concerned over the terminological confusion likely to follow; indeed I wrote about it in this Diary some time ago. Now I can foresee further confusion following the move to rename West Bengal. "Bangla" will not be easily distinguishable from Bangladesh; in ordinary speech "in Bangla" will always be "Bangladeshe". It will also be impossible to distinguish between the land and the language; "Banglay" has always meant "in the Bengali language". "Banga" will be archaic and quite unsuitable for easy conversation; "Bangabhumi" will be too literary for routine communication. I would have been happy if the East Bengalis had not made a pre-emptive bid for Bangladesh; it is now too late to ask them to surrender their claim. Historically, their claim is stronger than the West Bengalis'. "Banga" was the name by which East Bengal was once known; West Bengal was part "Gaur" and part "Rarh". Though the term "Bangal" to refer to the people of East Bengal may now seem no more than a West Bengali affectation, its origin may have had a historical basis. But ancient history cannot claim a greater sanction than the record of recent times. West Bengal was very much a part of pre-partition Bengal; even East Bengalis will admit that the most valuable contributions to Bengal's cultural tradition were made from its western part, with Calcutta as its undisputed centre. After partition the tradition may have been more assertive in the East, but the legacy of the West has continued to provide the inspiration. And West Bengalis have continued to regard themselves as people of Bengal, which in their own language is simply "Bangladesh". Now that Bangladesh is a formal entity on the other side of the border, they can either try to bear with the confusion already caused or tie themselves up in knots by trying to rename their own land. No harm would have been done if East had remained East and West had remained West; nobody would have seriously thought them to be parts of the same entity waiting for reunification. In fact, it is Bangladesh which has blurred the distinction; but I doubt if this can be corrected by renaming West Bengal. Dr. Suniti Kumar Chatterjee's objections deserve to be seriously considered, even though Dr. Chatterjee was not quite accurate in referring to countries known by their regional locations. West and East Germany, North and South Vietnam, North and South Korea—each has a separate official name. The common usage is only for convenience; and by this token Bangladesh could continue to be popularly known as East Bengal and a new name for West Bengal could be reserved for official communication only.

A WIFE AT CALCUTTA AIRPORT WAS heard saying to a departing husband: "Be sure to write to me, Darling, even if it's only a cheque".

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MANAGEMENT

Importance of Scientific Management in Banks

By Navin Chandra Joshi

The concept of scientific management has somehow not entered India's banking industry yet. But with added responsibilities after nationalisation, the standard of bank management has to improve.

MANAGERIAL principles and techniques have by now got firmly rooted, at least in their acceptance, as essential to any organisational structure that engages itself in business activity. However, the concept of scientific management has somehow not made an entry into India's banking industry so that its real significance has all along gone by default. Now with the nationalisation of major banks, it is felt that commercial banks should be toned up not only in spreading their net of loans and deposits far and wide but the house must be set in order internally so that the stresses and strains of additional responsibilities, particularly for ameliorating the lot of the weaker sections of society, may get softened and cushioned through beneficial effects of efficiency in management.

Organisational Efficiency

Indeed, it is remarkable that management in banking has not so far been subjected to the same pressures to determine and control the organisational efficiencies upon which evaluation of performance really depends. The following are some of the main reasons as to why the situation has been so. (i) Bank management, including those holding highest executive positions, has been trained in lending rather than in management. The conviction has been that management problems are not of much consequence and can safely be left to take care of themselves. (ii) As a corollary to the above, professional personnel who are qualified in various aspects of management, have rarely been employed or even consulted.

(iii) It has been thought that banking is a business that requires to be done in a mechanical way and as such, no conscious efforts are needed for manipulating the internal structure. The rule-of-thumb way of working has been the motto practised at all levels of management in banks. (iv) Although difficulties of controlling organisational efficiencies and costs have generally been greater in banking than in other industries, there has been no consumer resistance faced by banks as is the case in other industries in which a rise in costs does get reflected in the rise in prices. (v) Banks have been able to seek shelter behind the provisions of the Banking Companies Act for the privilege of not disclosing their "true" profits. Hence, there has always been a good cover for organisational and managerial inefficiencies. (vi) Relatively weak employees' unions, handicapped by lack of information concerning the true position of the banks' finances, have not been able to make any impact with the result that managerial sluggishness always got the better of managerial motivation in the matter of setting the house in order. (vii) Bank managements thought that developments in other business spheres had no relevance or application to development in bank management.

Now that the Banking Commission has examined the whole structural position of the industry as also the operating methods and procedures of commercial banks in India, it is imperative that before its recommendations are put into practice, management techniques must be made a major plank in the armoury of better performance. With massive deficit financing and the "Green Revolution", it is not understandable why the combined deposit growth of the 14 nationalised banks declined in 1971 and slipped below the improved average deposit growth rate of the banking system as a whole. The performance of nationalised banks in the matter of deposit growth does require a thorough probe.

The expansion of new services by banks requires specialised skills that should be integrated effectively with the basic bank management structure. Perspective planning in banks has now to be more disciplined and systematic without losing the precious sense of flexibility and entrepreneurial flair. A more imaginative approach to marketing and selling the banks' services becomes essential. The development of new services will accelerate customers' needs in future. Hence, banks will have to face more challenging tasks. The overhead costs are increasing. Therefore, more effective staff utilisation at all levels is important since staff costs, a major expenditure for banks, will further rise in future, particularly in the nationalised banks.

Key Tasks

In this context, managers must be given key tasks to perform. For example, a key task may be increasing branch profitability from newer banking services by a certain percentage in the first year, by a higher percentage in the second year, and so on. Merely maintaining performance is to stand still. It must be remembered that banking is not only a public service but it must live as any other commercial enterprise. If the rewards for employing capital are not there or are inadequate, the total structure must ultimately collapse. If managerial efficiency does not reflect in customer service, the industry must get chronically diseased.

It is now time that the banking industry utilised the services of consultants, advisers, experts in management, behavioural sciences, operational research and so on. Banking, like other organisations, cannot operate solely with an operational banking "line" management. There is also a "staff" function which consists of a number of specialised service departments on whose experience and expertise the bank management may usefully draw. Such specialists should stand in functional relationship to the "line" management through whom alone they can ultimately operate. "Staff" services must mean additional financial burden for banks but utilising their services on a regular basis would be worth while for cutting costs in the long-run plans for development. New organisational structures have to be developed for concentrating efforts on profit-influencing jobs and projects. There is also an urgent need for associating particular costs of organisation and management with particular services so as to identify the indicators of the output on a functional and individual basis. It is worth trying in banks in the same way in which it is applied in other industries.

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SPECIAL ARTICLES

The Political Scene After the Elections to State Assemblies

(BY A SPECIAL CORRESPONDENT)

With the installation of new Ministries in the States which recently went to the polls, a clear political picture has emerged. In West Bengal, the main question is whether the Chief Minister, Mr. Siddhartha Shankar Ray, will be able to redeem the pledges of the ruling Congress.

A COMPLETE political picture of the States that went to the polls in the early part of this month has now emerged. Barring Meghalaya and Manipur, the ruling Congress has been returned to power in the rest of the 14 States. Delhi, which was till recently regarded as the bastion of the Jana Sangh, has been captured by the ruling Congress although in Goa, this Party could obtain only one seat as against the absolute majority secured by the ruling Gomantak Party under the leadership of Mr. Bandodkar. The most significant aspect of the elections is the coming back to power of the ruling Congress in Bihar, Mysore and Gujarat with decisive majorities. The election outcome in the other States had never been in doubt and it is in these three States that the ruling Congress devoted a good deal of attention.

West Bengal stands on a different footing altogether and it should be said that the elimination of the C.P.I.(M) as a political force to reckon with, at least in the Assembly, will be regarded as the biggest achievement of the ruling Congress for several years to come. How this miracle has happened will remain a mystery, for even the Congress bosses in New Delhi do not know the significance of all the factors behind this development. But the most plausible explanation that is available for this phenomenon is that the people of West Bengal have come to believe that the C.P.I.(M) is responsible for the growing violence and misdeeds in the State. The general opinion was that unless the Party was humbled there was no future for the State. It is not only a question of ensuring stability of administration; it has been felt that qualitatively too, the administration must be improved and this, it has been convincingly proved, cannot be achieved as long as the Government is made up of disparate elements. The people, therefore, have voted the ruling Congress to power while the C.P.I. which maintained a close link with it has emerged as the second biggest Party in the Assembly. One could, therefore, look forward to an era of peace and progress in West Bengal. The C.P.I.(M)-led Front's decision to boycott the Assembly and thereby its refusal to perform the task assigned to the Opposition shows that there are some Left parties which are ready to practise parliamentary democracy only when it suits their interests.

Will the new Chief Minister, Mr. Siddhartha Shankar Ray, be able to deliver the goods. There is no reason why he should not, considering the fact that he is a nominee of the Prime Minister, Mrs. Indira Gandhi. Mr. Ray is expected to get the full cooperation and help from the Centre in solving some of the more important and pressing problems the State is facing. Mr. Ray has been in close touch with the West Bengal affairs following his appointment as a Central Cabinet Minister in charge of West Bengal. And, his one-year stay at the Centre must have enabled him to know the ropes and deal with the situation in an effective manner. In fact, one important reason for the phenomenal success of Dr. B. C. Roy as the Chief Minister of West Bengal was his personal contact with the then Prime Minister, Mr. Jawaharlal Nehru. History seems to be repeating itself.

In all the States, it was the Prime Minister who selected the Chief Ministers. If this should lead to greater amity between the Centre and the States and a more uniform policy in regard to important subjects of legislation as in the case of land and urban ceilings, this development could be said to be not without merits. There will be less scope for confrontation between the States and the Centre, auguring well for a better functioning of the federal system in the country. However, some people have begun to wonder whether all this would not lead in the not too distant future to the development of *grounism within the* ruling Party. If this should happen, the Prime Minister and other top leaders will be more preoccupied with Party affairs rather than with plans for the progress of the country. The absence of an effective Opposition in any State Assembly, let alone Parliament, might promote a sense of indifference and complacency on the part of the Government. It is, therefore, to be seen how these unwelcome features would be avoided.

Need to Make the Agricultural Strategy More Effective

By V. P. Kapur

Scientific innovations have gone a long way in increasing India's food production. What is needed now is the effective utilisation of all the inputs which go into agricultural production.

GIVEN the basic structural features of the Indian economy, agricultural development should, for several years to come, rightfully claim a high priority in planning. However, the maintenance of a sustained and high enough rate of agricultural output necessarily entails not only a further expansion and consolidation of the technological base of the "green revolution" but also a systematic strengthening of the entire transformation process in agriculture.

In the initial stages of India's planning, one of the chief methods of assisting this process was through the development and extension of irrigation facilities. It was then commonly assumed that the yield from irrigated lands would be substantially larger—even twice as much—than that in areas of dry cultivation. Actual experience, however, indicated that while the provision of assured

irrigation was an essential input, other inputs like fertilisers and quality seeds were also necessary for securing sustained increases in agricultural productivity. If irrigation facilities had a special significance, it was because without irrigation other agricultural inputs could not be effectively utilised.

The technological base of the 'green revolution' which in recent years has given very promising results is thus essentially the optimum combination of different agricultural inputs made possible by the propagation of scientific innovations in regard to fertiliser use and the high yielding varieties. Even as this process extends further to larger areas and more crops, the momentum in the rate of growth of agricultural output may not last after a period of years unless the transformation process in agriculture is guided and developed so as fully to take into account the effective utilisation of all the inputs and elements which go into agricultural production.

Such a view of the transformation process in agriculture suggests that the pattern of new investments planned for the agricultural sector has from now on to be gradually modified and adjusted in order to cater more meaningfully to such aspects and programmes as could not be accorded a higher priority earlier for sheer constraints of resource availabilities. To an extent the change in the pattern of new investments planned in agriculture would in the coming years be induced by a tapering off of additional investment possibilities in fields like irrigation which have so far been a major component of the agricultural programmes. As a result of the developments which have already taken place in this sphere, a large part of the total irrigable area in the country has been covered by irrigation facilities. The outlay on new irrigation works will, therefore, in proportionate terms steadily decline. This would have the effect of releasing some investible funds for diversion elsewhere in the system. Instead of diverting them to non-agricultural uses, these could be fruitfully deployed for diversifying and enhancing agricultural production capabilities.

The directions in which more intensified efforts to this end may have to be directed become clear if a realistic and all-round assessment of India's agricultural prospects over the next few years is made. In brief, the assessment is that in overall quantitative sense there is every chance that with the further spread of the new agricultural strategy, a larger degree of multiple-cropping and development of techniques and measures for raising yields in dry farming areas, the Indian economy would in the next few years achieve a viable balance between population and foodgrains production. While the possibility of sporadic supply imbalances in respect of particular foodgrains, *e.g.*, rice and pulses, may still remain for a time, the situation would distinctly improve in as much as such imbalances would become amenable to adjustments through exports of surplus foodgrains like wheat and simultaneous imports of, say, rice.

The continued maintenance of such a balance would, however, rest on achieving a stable surplus position in succeeding years. This in turn will depend on securing successive increases in output despite limitations as regards the country's land resources and raising the productivity of land. Beyond a point the stimulating effects of the new farm technology and the existing set of measures to raise agricultural productivity would become subject to diminishing marginal returns. Additional and supporting steps and devices would, therefore, be necessary for realising steady and sustained increases in output. Such reinforcing steps and measures can only be in such fields as scientific land utilisation, soil conservation and management, land development and reclamation and further exploitation of the multiple-cropping potentials and more suitable cropping patterns. Both in terms of the focus of agricultural research and the emphasis of development policies, these aspects thus deserve greater attention.

Over the last many years, India's land-use pattern has tended to be very rigid as practically the entire cultivable area had already been brought under cultivation and further curtailment of forest areas was no longer feasible or desirable. Moreover, reclamation of potentially useable waste lands is an expensive undertaking. Nevertheless, more efficient utilisation of fallow lands, pastures and permanent meadows and some part of cultivable waste lands is in the long run unavoidable in a country where population pressure may abate but will not in any significant sense be relieved in the foreseeable future.

The progress towards the realisation of a stable balance between foodgrains production and consumption requirements also implies that the stage for setting the sights higher in regard to more adequate nutritional standards will come soon. The emergence of exportable surpluses of foodgrains would have a marginal but material enough significance *vis-à-vis* the country's land-use pattern. For, if there is not enough world demand for foodgrains—and this is very likely as several of the developing countries would also attain higher production levels in the 'seventies and the United States will continue to have sizable food surpluses—some diversion of cultivable lands from foodgrains will take place through shrinkage in acreages under relatively inferior and low-yield varieties. The land resources thus released may not, however, be easily transferable to uses like horticulture. But if simultaneously there is a trend towards general adoption of scientific land-use practices, commercial crops like raw cotton and subsidiary agricultural activities like horticulture, and dairy farming could extend their respective boundaries, within the fixed supply of the nations' land resources. More intensive developments in these lines follow as a natural corollary to a national nutrition programme.

Looked at in the light of the successes and potentials of the current agricultural developments and the prospects in the 'seventies, the interrelationship between agriculture and industry and the mutual alignments of these sectors acquire an added importance from the standpoint of both the agricultural transformation process and the overall rate of growth of the economy. The industrial sector has not only to supply fertilisers and pesticides, and agricultural implements, equipment and machinery needed for an unimpeded growth in agriculture, but has also to gear up for meeting the increased rural demand for all sorts of industrial products.

On the other hand, the agricultural sector should be able to provide an enlarged supply of raw materials for agriculturally based industries. Some of these industries like cotton textiles and rice mills may thus constitute vital enough links in this sectoral relationship in the ensuing stages of India's development. The *per capita* consumption of cloth is still low enough and an enlargement of the scale of operations of the textile industry on the basis of domestic

supplies of raw materials and equipment has clear-cut benefits in terms of employment opportunities and social costs of industrial expansion. Similarly, the modernisation of the rice milling industry so as to improve even marginally the recovery rate of rice from paddy and steps and devices to eliminate storage and other wastages of agricultural produce could mean gains far larger than the efforts and investments involved.

The Danger of Growing Economic Inequality in Rural India

By R. N. Chaki

The Prime Minister, Mrs. Indira Gandhi, has warned the country of the dangers of extreme economic inequality in rural areas. Unless the problem of agrarian reforms is quickly solved, democracy itself will be in danger.

DURING the last five years, India has made a massive breakthrough in foodgrains production. The seemingly impossible task of becoming self-supporting in foodgrains has been achieved. Despite the floods and droughts in some parts of the country, the production in 1971-72 is likely to exceed 110 million tonnes which with the present stock of foodgrains is more than necessary for feeding the entire nation. India will thus have a substantial export surplus this year. The Central Food and Agriculture Ministry has been advised to formulate an export scheme by May next. *Time* magazine in a commentary in January 1969 referred to this success as an event of the century.

But today when the dream of food sufficiency has become a reality, this has also produced some tragic side-effects. While the "Green Revolution" has enriched a few affluent farmers and big landowners from the provision of irrigation, better seeds, finance on easy terms and various other facilities, it has aggravated the frustration of millions of landless, homeless and hungry farm workers. The farm workers seem to be growing progressively poorer and hungrier. Mr. John P. Lewis, one-time U.S.A.I.D. Director in India (1964-69) and now Dean of the Woodrow Wilson School, referred to this tragedy as "a confrontation of progress and despair". Being denied of the benefit of the "Green Revolution," poor peasants under the influence of extremists are now looking in other directions for ways to express their desperation. Signs of this had already appeared in the form of the Naxalite activity and the land-grab movement. It is against this background that the World Bank in its report on India's *economy* last year said: "The time is fast approaching when rural poverty problem cannot be evaded in part, because of the strain it imposes upon the country's stability".

Although the State Governments have almost absolute powers to fix and distribute land to the landless farm workers, powerful landowners and affluent farmers as well as some high officials and politicians, not excluding some Ministers, are escaping the law by employing devious methods and resisting all attempts to introduce radical agrarian reform policies. Those who oppose the introduction of social reforms and the creation of an egalitarian society in the country, would do well to remember the words of the late President John F. Kennedy: "If you cannot help the many who are poor, you cannot save the few who are rich".

Indeed, India might soon face serious socio-economic upheavals that could destroy all that have been achieved unless the problems of poverty and economic inequality in rural areas are quickly solved by introducing and vigorously implementing meaningful land reforms for the larger interest of the country. With so many people living on a mere subsistence level and with the hope for a better life in the air, it would be foolish to assume that the *status quo* can be maintained for all times to come. This is the lesson of history. The Prime Minister, Mrs. Indira Gandhi, very rightly warned the States about the dangers that lurk in the extreme inequality now prevailing in rural areas. She said: "Unless the 'Green Revolution' is accompanied by a revolution based on social justice, the 'Green Revolution' may not remain green". But unfortunately, her warning, which did not come a day too soon, has gone unheeded so far.

Among many depressing features which are all too real to millions of poor and hungry peasants, there is still some optimism left today. The process of change has started. The planners and politicians seem to have realised that they must vigorously implement meaningful agrarian reform policies and help the creation of an egalitarian society in the country. The millions of hungry, landless and homeless peasants look with some degree of confidence that now after the general elections they will have a better deal. Implementation of various social reforms is by no means an easy task. But many nations have been successful and there is no reason why India cannot do the same. Unless the problem of agrarian reforms is solved quickly, democracy itself will be in danger.

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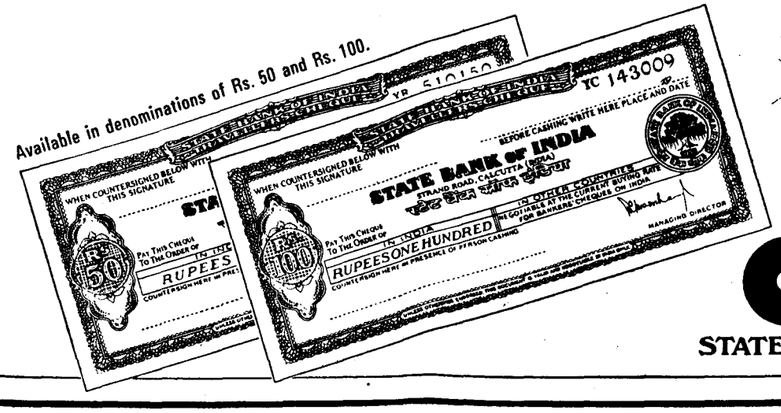

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SPOTLIGHT ON STATES

Maharashtra : Row Over Chief Ministership Amicably Settled

(BY A SPECIAL CORRESPONDENT)

The controversy over the Chief Ministership of Maharashtra has been amicably settled. Mr. V. P. Naik, who continues to be the Chief Minister, is reported to have given the assurance that he would step down after two years to make way for a new leader.

AS was expected, the Congress has been returned to the State Assembly with a larger majority, the other parties being swept off. In a house of 270, it has 223 seats, the other parties 23 and Independents 24 of whom the majority are Congress "rebels", who were not given tickets and, therefore, contested as Independents. The election also saw the defeat of some party leaders of the old Assembly, including the leader of the Opposition. The new Assembly as also the new Ministry contain a great deal of new blood. In the Assembly, there are 27 successful women candidates, as against ten in the outgoing Assembly. The Congress had fielded 31 women candidates and all except five won, the lone successful woman candidate from among the other parties being the one from the Socialist Party.

The controversy which was going on since November last about the Chief Ministership was swiftly settled, as in some other States, by reference to the Prime Minister, Mrs. Indira Gandhi. Mr. Mr. V. P. Naik was unanimously elected leader of the Congress Legislature Party, for a third term. Mr. S. V. Chavan, who comes from Marathawada and who had claimed leadership on the ground that under the Nagpur Pact of 1960, the Chief Ministership was to rotate between western Maharashtra, Vidarbha and Marathawada, himself proposed the name of Mr. V. P. Naik as leader. Mr. Naik is reported to have assured the Prime Minister that he would step down on the expiry of two years to make way for the election of a new leader. It looks as if this arrangement has been fixed by the Prime Minister to satisfy Mr. S. V. Chavan and the claims of Marathawada.

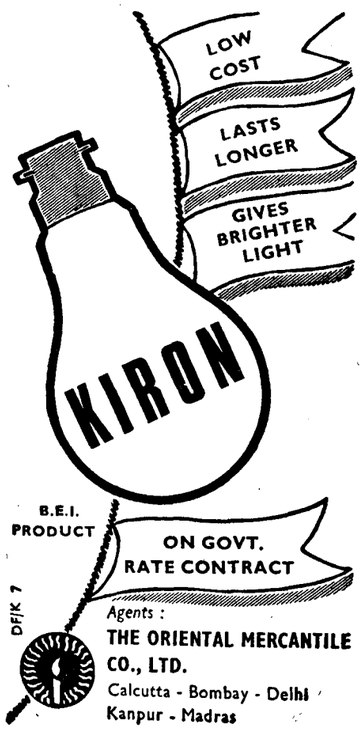
There are some who regard the rout of the Opposition parties as a tragedy for democracy, but this viewpoint is not correct. Although the Congress Party has been a monolithic organisation and in power for two decades in the State, with the Opposition comparatively small in number, the State has been among the most well-governed ones, functioning democratically, with the Ministers kept on their toes by several capable members of the Opposition. There are other democratic countries in which also one dominant party has been in power for decades. As has been rightly observed by *The Times* in an editorial on the recent elections to the State Assemblies in India, "the more critical might fear that India has now returned to almost undisguised one-party rule and this result can be damaging to the evolution of democracy. Against this the experience of the developing countries over the past 20 years would suggest that the broadly accepted one-party system is responsive to public opinion, open to a fairly wide range of opinions, and rules with more effect than the Government exercised by the constant shift from left to right". It might also be mentioned that the development will help the process of national consolidation. And as for the lack of an effective Opposition, it can to some extent be made good by vigorous debates on controversial issues in the Congress Party itself.

The voting pattern in the States underlines the electorate's complete confidence in the ruling Congress and particularly in its leader, Mrs. Indira Gandhi, who has guided the ship of State with masterly skill in a period of crisis. After the mid-term poll last year, because of the influx of refugees and the war with Pakistan, the ruling Congress could not give adequate attention to the solution of the economic problems facing the country. The Congress Government at the Centre and in the States have now the opportunity to work without hindrances to meet the challenges facing the economy. At a mass rally in Bombay held to celebrate the Congress victory in the elections, the Central Finance Minister, Mr. Y. B. Chavan, did well to remind the newly elected representatives that this was not only a day of celebration but of rededication for eradicating poverty. The first fruits of victory should be enjoyed by the down-trodden—those living in the slums in cities and the adivasis, landless labourers and others in rural areas. If the pledges made by the Party were not carried out, the people would feel frustrated and they would not forgive the Party.

PEOPLE AND PERSONALITIES

The Hongkong and Shanghai Banking Corporation has announced that on 1st April, 1972, Mr. J. W. L. Howard will succeed Mr. G. M. Sayer as a deputy chairman of the board of directors.

Mr. Robert S. McNamara, President of the World Bank and its affiliate, the International Finance Corporation, has announced the appointment of Mr. Judhvir Parmar as Director of the I.F.C.'s Department of Investments, Asia.



INDIAN ENGINEERING ASSOCIATION

61st ANNUAL GENERAL MEETING

NEW DELHI 29th MARCH, 1972

ENGINEERING FEATURE

has to be won and the Government of India may be expected to play a dynamic lead rôle. Under the circumstances, it would be worth while to outline once more the objectives before the nation and industry and the position which the engineering sector holds in the overall economic framework. Moreover, consideration must be given to the constraints limiting industry's push towards achieving its true potential.

The national objectives have been defined clearly and are familiar to most of us. These encompass the development of self-reliance through export promotion and import substitution, reduction of unemployment, diffusion of entrepreneurship, minimisation of concentration of economic power and increase in national income and production, together with price stability. Briefly put, the objec-

and "there are miles to go and promises to keep". It may be pointed out that the industrial growth rate has been below the Fourth Plan projections. Against a planned average growth rate of 7.7 per cent a year, the actual has been 4 per cent, and yet the industry's performance over the last decade has really been significant with the index of engineering production rising by 131 per cent, as against a national average of 70 per cent. The intrinsic importance of the engineering sector for the economic development of the country is evident from the fact that it accounts for 35.5 per cent of productive capital, 31 per cent of employment, 34 per cent of value of output and it is worthy of note that in absolute terms, investment has been around Rs. 2,700 crores with Rs. 2,200 crores of output and 15 million of employed persons. This high degree of investment has also borne much fruit by ay of import substitution, (engineer- g imports fell from 32 per cent in 60-61 to 25 per cent in 1970-71) d engineering exports rose from 1 r cent to 7.6 per cent over the me period.

If despite these remarkable achieve- ents, the engineering industry has gged behind, the constraints which e impeding progress would have to removed. While the nation is dded to a planned, mixed eco- my, it may be said that the plann- g effort has been limited because e data base is inadequate ; plans ve told us where we want to go, t the weaknesses are clear in sett- g out how to achieve the set tar- s. The system of fixing capacity d production targets serves in turn to determine licensing and installation of capacity. These targets, however, are time and again affected by changes in the political and economic situation of which 1971 is a prime example.

It is true that a somewhat different approach to planning was taken up ; in addition to the Five Year Plans and the Annual Plans, there is need for industrywise development programmes, each linked with the other. In conclusion, it may be said that the system of planning possibly suffers from an over-ambitious approach, while plan implementation has been much less effective. The industrial policy of the Government, which is a medium of executing national policy, as far as the manufacturing sector is concerned, has tended to inhibit an increase in production. There is a bias in favour of small industry together with limitations in size imposed by

the Monopolies Act. In a large number of cases, there have also been delays in processing applications through the various phases of the Government procedure. It may be emphasised that the licensing policy has failed to create conditions for rapid industrial growth mainly on account of diffusion of its emphasis on various distinct objectives, such as dispersal of industry, restriction on large houses, promotion of the small-scale sector, etcetera.

The Fourth Plan Mid-term Appraisal certainly makes depressing reading and underlines the need for a shift in Government policy. The revised targets are significant because of the substantial reduction against original objectives. The targets for the chemical plant industries, for instance, have been scaled down from Rs. 27 crores to Rs. 18 crores, while those for the metallurgical and heavy industries are down from 70,000 tonnes to 40,000 tonnes. It is essential that in this light, the industrial policy of the Government should be both realistic and conducive to growth. The social object of a wider spread of entrepreneurship could be best achieved through the development of ancillary industries on a wider scale. Progress and growth of the larger organised units would create a chain spread effect as far as ancillaries are concerned, besides providing larger resources for research and development, exports, etcetera. It is appreciated, of course, that the Government has recently announced certain relaxations in the licensing policy and perhaps an exercise could be carried out to assess how far these had led to improved performance.

Better Planning

There is a need for establishing a central projects bureau possibly as a wing of the Planning Commission to ensure better planning and preparation of industrial projects. It is certainly appreciated that the public sector would continue to command the fortunes of the industry and it is more important, therefore, to obtain from the Government an indication of the areas in which the private sector would be permitted to operate. Sudden take-overs of private-sector companies tend to affect the investment climate and a clear statement of Government policy would be greatly beneficial.

Over and above these aspects, fiscal policy has an important bearing on the growth of the engineering sector. The recent Central Budget, which was framed to tackle the numerous problems, has been disappointing. There are incentives neither for growth nor for savings. As against a widening of the list of priority industries, the special deduction allowed to such industries has been discontinued. Furthermore, the engineering industry in particular has been extremely hard hit on account of the massive increase—the second in the last six months—in duties on steel and steel products. The only silver lining—if it should materialise—is the increased provision of Rs. 700 crores in Plan outlay.

Total Commitment

The commitment of the Indian Engineering Association to the development of indigenous technology and import substitution is total. Besides promoting these activities among members, a symposium on self-sufficiency in consultancy services was organised in February 1969 and this is being followed up by another conference in May 1972 on engineering and management of projects. With the impact of the recession and in the generally inflationary condition, an increasing amount of the working capital is being required. In a situation where shortages should be expected to continue and the credit facilities of the industry are being curbed, there is the urge to maintain larger inventories. There is also a bunching of raw material deliveries by public-sector agencies. Where demand on credit is rising on account of these factors, as well as newly established units, the situation is made more difficult by the rising burden of direct and indirect taxes, reduction of credit facilities by supplies, revision in credit limits, etcetera. It may be suggested that the security cover and borrowings against book debts are relaxed and a review of the bill market scheme should be undertaken, so that additional facilities are available for credit. It would not be out of place to mention here that according to a Reserve Bank study of 285 engineering units, the total expenditure by these firms rose from Rs. 950 crores in 1965-66 to Rs. 1,100 crores in 1968-69 and raw materials accounted for 58 per cent of the total expenses in 1968-69, salaries and wages 15 per cent, leaving profits after tax as only 1.7 per cent of the total costs. This hardly leaves adequate resources to finance growth and development.

Despite the need to promote exports more actively, a situation has developed where the Government might find it difficult, keeping in view the stringent resources position, to continue financial incentives to support exports. Anticipating this, the industry must immediately take up a position to sustain exports through its own resources. One major constraint, which is inhibiting higher engineering exports, has been availability of shipping facilities and excessive freight rates. With a well-developed ship-building industry, it is strongly recommended that further expansion be taken up so that a greater part of India's overseas trade can be carried in her own ships. This would provide better availability of shipping space as well as enhance India's competitive efficiency. With world opportunities for export and for setting up industrial projects rapidly widening, the engineering industry would have to devote greater attention to export promotion although problems in regard to raw material supplies, etcetera, have to be kept in mind.

Raw Materials

Speaking about raw materials, it is significant that in the mid-term appraisal of the Fourth Plan, the steel figure has been reduced from 10.8 million to 8.25 million in 1973-74 and that of finished steel target has been reduced from 8.1 million tonnes to 6.3 million tonnes. As against this, the National Council of Applied Economic Research has estimated finished steel requirements at 7.6 million tonnes in 1975. Despite the difference of one year in the two estimates, steel shortages are likely to extend beyond 1975 ; similar shortages are also expected in the field of copper, zinc and aluminium. The Central Minister of Steel and Mines, however, has announced a production target of 7.2 million tonnes of ingot steel in 1972-73 and should this materialise, shortages would be well matched.

Furthermore, the steel industry is fundamental to economic development in India and the steel-engineering equation is crucial. More steel means more engineering production and in turn more steel-making capacity, besides higher exports and employment. The Government, of course, has taken up a multi-pronged attack on the steel front with the accent on better utilisation, liberal

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imports, improved distribution, expansion of existing plants and establishment of new capacity. The work of procurement of plant and equipment for the expansion schemes has already been taken in hand and members of the Indian Engineering Association are happy to be associated with this task.

In conclusion, it may be suggested that a steel development plan covering five to ten years be formulated, since this would allow the engineering industry to work out its own plan, to undertake a higher degree of standardisation of equipment. Research and development for the steel industry also should be placed on an organised and firm footing to support steel-based production and exports. Certain other suggestions which deserve consideration at the highest level is the need for harnessing and planning educational systems to the needs of the Indian economy. Efficient manpower planning is vital if Indian industry is not to fail in meeting the challenge ahead. A connected issue is the creation of wider productivity awareness to build a growth-oriented economy. Apprehensions of redundancy as a result of productivity movement must be removed and sharing gains of productivity must be universally adopted. In the immediate future, with a united and strong nation, led by a stable and forward-looking Government, prospects are certainly favourable. The major task in the second half of the Fourth Plan is the revival of industrial growth ; and the main constraints which have been outlined above would have to be tackled appropriately. In the more distant future, employment of three million in the engineering industry, an export level of Rs. 1,000 crores and an annual average growth rate of 7.5 per cent appear to be practical. This would lead to a significant economic transformation in the next few years.

Growth Prospects for the Engineering Units

By K. Hartley

Managing Director, Indian Oxygen Ltd

The recent trend towards shifting labour-intensive industries from the developed to the developing countries like India augurs well for the Indian engineering industry. This will open up immense growth possibilities for it.

IT was the engineering industry which in the early part of this century brought India to the threshold of a modern era. Prior to that the country's economy had been groping its way forward sluggishly with only the traditional industries typical of backward economies such as plantations, mining and other extractive industries to sustain it. With the development of engineering works, initially mainly for the purpose of repairing railway locomotives and other railway stock and with the setting up of steel plants in Burnpur and Jamshedpur the Indian economy at one leap turned its face forward towards the era of industrialisation and modernisation. Ever since then, the engineering industry has been a catalyst transforming the face of the country and initiating a growth cycle.

In the post-independence period, it was the rapid expansion of the steel producing units and the growth of the heavy engineering sector that set the pace for development. After a short phase of recession caused by a combination of factors, the economy has begun to surge forward again and it is the engineering industry which is blazing the trail. The spectacular breakthrough in the export of engineering goods, the capacity to manufacture entire plants and the setting up of joint ventures abroad mark a new phase in the development of the Indian economy.

Today the country is busy making up the shortfalls that have developed in certain sectors such as chemicals, petro-chemicals and fertilisers. New refineries, fertiliser plants, and petrochemical complexes are rapidly being established and significantly enough the engineering industry has been able in most cases to supply the designs as well as the engineering capacity for the fabrication of these plants. As we look to the future we can confidently predict that new technological developments in India will mark the country's entry into the atomic and space age. The setting up of nuclear reactors for the production of electricity and the launching of India's own space satellite are already on the agenda and this again will give a new boost to the development of the engineering industry.

At this stage it would be useful to take a quick look at some of the problems of the engineering industry and to note the circumstances under which these problems have arisen. But first of all, what are the engineering industries? The I.E.A. has classified the entire group of engineering industries under a number of heads based on "raw materials used and processes employed in the manufacture of goods". These are: iron and steel basic industries ; manufacture of motor-vehicles ; repair of motor-vehicles ; non-ferrous products, except machinery and transport equipment ; manufacture of aircraft ; manufacture of machinery, except electrical machinery ; manufacture of other transport equipment ; manufacture of electrical machinery; apparatus, appliances and supplies ; manufacture of professional and scientific measuring and controlling instruments and manufacture of railroad equipment.

Growth Factors

A survey of the growth and development of the engineering industries reveals that two factors determine their growth ; first, the growth of metallurgical production or its supply and, secondly, the growth in the diversified uses of metals. Underdeveloped economies have generally no facilities in the initial stages for producing metals, although many of them might have sufficient raw material resources. This was the case in India prior to the establishment of the Burnpur and Jamshedpur steel works. The engineering industry in the early days thus had to depend on imported steel and other metals and this inevitably created a demand for the setting up of an indigenous metal producing capacity. Once this capacity had been created it stimulated the growth and expansion of the engineering industry which again created a demand for more steel and other metals and thus the cycle of growth was established.

The other factor which determines the growth of the engineering industries is the diversification of metal-based products or the diversified uses

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that metals are put to as economic and industrial innovations take place. In industrially developed countries, innovation means mainly the promotion of a new product or process hitherto unknown—that is to say, primary innovation. Secondary innovation takes place where the innovator promotes a new product on the basis of know-how purchased from the primary innovator. This is what generally happens in developing countries. The urge for secondary innovation arises out of the urgent need for import substitution as well as for the rapid growth of the economy. Thus, while the diversified uses of metals in industrially developed countries mainly owe their origin to technological breakthroughs, in the developing countries they arise out of the need for attaining industrial self-sufficiency. As the process of development advances, developing economies are also able to make use of primary innovations. The engineering industries thus play a key rôle in the process of industrialisation. They form the basis of the entire industrial structure; they also contribute substantially to the technological development of industry as a whole and they generate a host of large, medium and small ancillary industries.

Stages of Development

The story of the growth of the engineering industry in India is an interesting one. As already mentioned, the early industries in India were confined to the plantations and the mining of coal and other extractive industries. The need for transporting the produce of the plantations and the mines to the ports brought in the railways, but the maintenance of railway lines and of the locomotives and other running stock made it necessary to set up repair workshops. This marked the beginning of the engineering industry in India and in this phase all the metals that were needed were necessarily imported.

In the next phase indigenous metal producing facilities were established. Iron and steel works were set up in Burnpur and Jamshedpur and this provided a supply of basic metals for the engineering industry. It was in this period too that technology underwent a change with electrical energy replacing the conventional steam energy in many areas. The second World War and the period immediately following it until 1952 constituted another phase in the growth of the engineering industries. The requirements of war in the eastern region, which had to be met mainly from India, created an enormous demand for basic metals, machines of various kinds, repair and maintenance facilities, and spares and components for the ordnance factories. The engineering industries rose to the occasion and were able by and large to meet the requirements of the defence establishments with local skills and indigenous facilities.

It was, however, with the commencement of planned development beginning from 1952 that the engineering industry really got into its stride. Growing prosperity in the country had created a demand for consumer durables such as automobiles, radios, refrigerators, bicycles and scooters. It was obvious that the requirements of metals, both ferrous and non-ferrous, would grow at a very fast rate. The country, therefore, embarked on a major programme of development of steel producing capacity and three large modern steel plants were put up in collaboration with more industrially advanced countries. Production of aluminium, the basic raw materials for which are available in India in abundance, was also increased. The remarkable growth of the engineering industry in this period is reflected in the following figures:

Industry	Unit	1950-51	1966-67
Steel ingots	million tonnes	1.47	6.61
Aluminium (virgin metal)	thousand tonnes	4.0	72.9
Copper	thousand tonnes	7.1	9.1
Machine tools	Rs. in crores	0.3	55.4
Cotton textile machinery	„	0	15.4
Sugar mill machinery	„	0	9.4
Cement machinery	„	0	6.4
Automobiles	thousands	16.5	75.2
Power transformers	thousand kVA	179	4,949
Radio receivers	thousands	54	761

After a phase of recession, which hit the engineering industry severely, a process of recovery has started. One of the important elements of this revival has been the spectacular breakthrough in agriculture which has generated a demand for pumps, tractors and electrical equipment in the rural areas. There have also been substantially increased demands for fertilisers and pesticides to sustain the "green revolution" leading to the setting up of a large number of fertiliser plants and the development of the chemical and petro-chemical industries. While in some cases know-how had to be imported, in many other cases indigenous design and consultancy services have proved equal to the task of establishing the new plants.

The growth of the engineering industry would perhaps have been even more rapid had it not been for a number of constraints that have restricted the full potential of growth that the engineering industries have. One of these is the severe shortage of steel and steel products that has developed; although a crash programme for the creation of new steel capacity has been undertaken, a large steel plant inevitably involves a long gestation period and the gap between supply and demand is expected to continue right through the Fifth Plan period. There are similar shortages of copper and zinc as well as of various other metals and metal alloys. The Government's policies severely hampering the efforts of large producers to increase their capacities and to diversify have also had a serious inhibiting effect and there have been major industrial relations problems in certain parts of the country while the law and order situation has also been unfavourable for the smooth functioning of industry in a few particular areas.

But the engineering industry also faces internal problems such as the underutilisation of capacity in certain sectors and the continuation of outmoded technology in some areas and unless there is a determined drive for modernisation and for technological development, it will be difficult for the engineering industry in India to meet either the demands of the internal market or to compete successfully in international markets. Once these difficulties are solved the possibilities of growth and development of the engineering industries in India can only be described as immense.

The Outlook

There is every indication that the "green revolution" will continue to gather momentum and what was originally essentially a wheat revolution will spill over into a rice revolution, a cotton revolution and an oilseeds revolution—indeed a revolution in every area of agricultural production. The implications of this for the engineering industry, both in terms of the inputs required to sustain this revolution and in terms of the demand for

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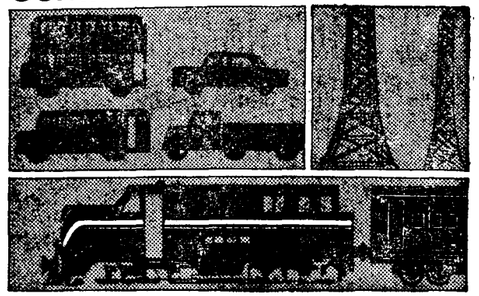

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consumer durables that will be generated in the country-side, are self-evident.

India has already established itself in some of the world markets—for example, in the field of railway equipment, wagons, locomotives, bicycles and sewing machines, to mention only a few—and there is every reason to believe that given the right support from the Government, India will continue to increase her share of foreign markets. Another factor that is likely to be favourable for the growth of the engineering industry is the creation of the independent Sovereign Republic of Bangladesh, friendly to India and eager to have this country as its main trading partner.

And finally, the world-wide trend towards an international division of labour and towards shifting the labour-intensive industries from the advanced regions of the world to the developing countries like India, which have the infrastructure facilities and the skills required for these industries, must not be overlooked. Agreements have already been arrived at with some of the advanced countries for the transfer of entire plants to this country and this perhaps only marks the beginning of what is likely to be an important trend in the remaining years of the present decade. India may well develop as one of the great manufacturing centres of the world before very long and in this and in the other exciting possibilities of growth and development that seem to be opening out, the engineering industries will undoubtedly be in the forefront.

The Usefulness of I.E.A. Services to the Engineering Industry

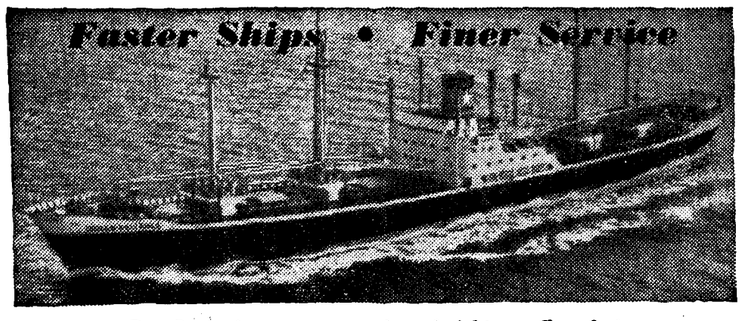
With the growth and expansion of the engineering industry, the services rendered by the Indian Engineering Association have multiplied. Apart from general services, it makes available specialised industrywise services through its various divisions.

THE Indian Engineering Association—I.E.A.—is a national Association representing the engineering industry in India. I.E.A. has its headquarters in Calcutta with regional offices in Bombay, Calcutta, Madras and New Delhi and its strength and influence reflect the support it receives from the organised sector of the engineering industry—support which has made it a premier industrial Association and a national point of reference for the Government, the planners, financial institutions, trade unions and industry.

With the start of the change-over from the manual to the mechanical processes in the last quarter of the nineteenth century and with the increasing number of manufacturers, an association known as the Engineering and Iron Trades Association (E.I.T.A.) was formed in December 1895. On 24th May, 1912, the name of E.I.T.A. was changed to "Indian Engineering Association". I.E.A. is, therefore, now in its 77th year of service to the engineering industry and the nation.

I.E.A. Objectives

(1) To provide for the engineering industry in India the means of formulating, making known and influencing general policy and to act as a national point of reference.



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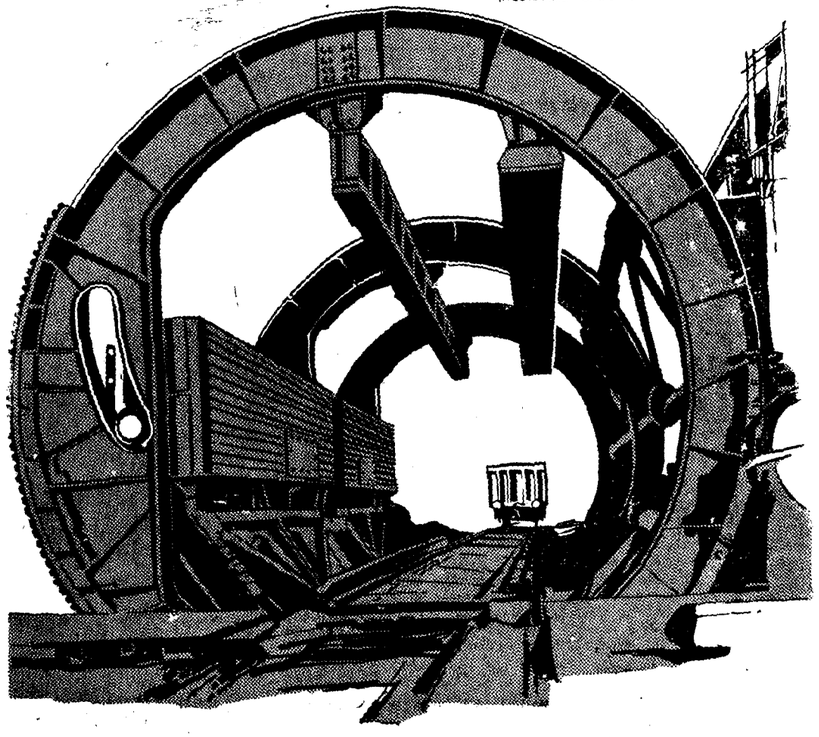

(2) To enhance the contribution of the engineering industry to the growth and development of the national economy and to encourage members to be progressive.

(3) To encourage efficiency in the engineering industry.

(4) To foster good relations with the Government, suppliers to and consumers of the engineering industry.

(5) To encourage healthy industrial relations.

(6) To assist the engineering industry to meet its social obligations.

(7) To protect and promote the interests of members.

I.E.A. Membership

I.E.A. started with 12 engineering companies and it now stands with a membership of over 525 spread throughout the country. I.E.A. members employ over 620,000 persons, represent investment of over Rs. 2,320 crores, manufacture and handle more than 2,000 groups of items, and contribute to more than 60 per cent of the total engineering exports from India.

I.E.A. Structure and Organisation

At present the I.E.A. structure consists of an Executive Council, Regional Committees, Divisional Committees and a number of Sub-committees. Whereas the Executive Council deals with all-India matters, Regional Committees are concerned with regional problems and the Divisional Committees provide services to different sectors of the engineering industry, such as boilers and pressure vessels, cranes and hoists, foundry, mining equipment, shipbuilding and repairing, railway wagons and components, sugar machinery, structural fabrication, and welding. The All-India and Regional Sub-committees cover such subjects as raw materials, industrial relations, contracts, technology, small industry, export, statistics and public relations.

I.E.A. Services

With the growth and expansion of the engineering industry, I.E.A. services have multiplied and diversified. These cover a variety of subjects, such as finance, industrial licensing, raw materials, research and development, export promotion, import substitution, supplies to Government, collection and dissemination of statistics, industry relations, industrial law, productivity and training. Apart from the general services rendered by the Association, more specialised industrywise services are made available through trade and industrial divisions, of which there are 23 at present, covering the needs of different sectors of the industry.

I.E.A. not only provides facilities for tackling problems on a common footing and thereby resolves some of the day-to-day issues, but it also gives due importance to creation of a viable business environment in the country. Therefore, while the representational services, as far as the industry *vis-à-vis* the Central and State Governments is concerned, continue, a new dimension is in the field of promotional services, be it in the field of productivity, development of ancillary units or employment. Reports and seminars are regularly arranged to encourage public thinking on these and other issues.

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Some important features of I.E.A. services are:

Regional Services: General problems affecting the engineering industry have their own regional aspects, be it in the field of industrial relations, raw materials or finance. Regional offices of the Association in Bombay, Calcutta, Delhi and Madras are there to take care of these regional problems.

Specialist Divisions: The 23 Divisions covering diverse and specialised trades and industries service the common interests and problems of the different sectors of the industry. These Divisions, which operate through elected committees, have added a new dimension to the Association's structure and services.

Export Promotion: The Association, which is now recognised by the Government as an "approved organisation" for export, provides through its Export Services Department personalised services to members, disseminates useful information and publishes reports on a variety of subjects covering export promotion.

Internal Trade: The Association deals with matters arising out of purchase and sale of materials, problems which impede the development and promotion of internal trade; other matters cover Government purchasing policy and procedure, conditions of contract, price variation clauses, etcetera, *i.e.*, all problems faced by the engineering industry in regard to supplies to Government agencies.

Raw Materials: The Raw Materials Sub-committee deals with the entire subject of supply, distribution and production of essential raw materials. The Association has done extensive studies on iron and steel, and is still continuing its dialogue with the Government departments concerned and the steel industry. I.E.A. is represented on the Iron and Steel Advisory Council and it maintains close liaison with other appropriate organisations.

Research and Development: The Association is keen to establish close contacts between research institutions and industry and its activities are directed towards assisting industry by advising it of the research carried out by national laboratories; and gives information regarding new products, development of new designs, method improvement, etcetera, through publications and circulars.

Publications: The Association's monthly *News Bulletin* helps to inform members, the public, the Government and the Press of the wide range of the Association's activities; this Department also issues industry-wise trade directories, study reports and folders and other literature.

Scope of Membership

Any company employed in whole or in part in automobile, civil, mechanical, structural, metallurgical, electronic, electrical, chemical, agricultural, marine or other forms of engineering activities or employed in the design, production, distribution, maintenance or repair of engineering goods, or providing engineering consultancy services is eligible for membership of I.E.A. Any association having engineering or allied interests may join I.E.A. as an affiliate member.

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INVESTMENT

Share Prices Rise on Sustained Support

THE stock markets are in a very good form. They have maintained their upward thrust during the past week and have climbed back to the year's highest point established on 4th January. And if the prevailing mood is any indication, the markets seem determined to push their way into a new high ground. Gains recorded during the week have been widespread and quite spectacular in many cases. Excepting some select counters, and these include some popular shares as well which have remained subdued for one reason or another, equity prices

The stock markets seem to have been much impressed by the deliberations at the annual general meeting of the Federation of Indian Chambers of Commerce and Industry revealing a marked change in attitudes towards increasing production for fulfilling social justice. While calling upon the captains of industry to move forward with bold investment decisions, the Prime Minister, Mrs. Indira Gandhi, has assured them that she would do her best to simplify procedures and remove bottlenecks. Referring to the outgoing president, Mr. S. S. Kanoria's

porate news has been quite cheerful with Philips India, Anil Starch, Atul Products, Sardesai Brothers, National Machinery, Killick Nixon and Camphor and Allied bringing cheer to their respective shareholders in one form or another. The Wanchoo Committee's report on tax evasion and black money has been well received because of its suggestion for a substantial reduction in the maximum marginal rate of income-tax. The majority report has favoured the abolition of surtax on companies. The committee has also suggested fiscal concessions for encouraging the industrialisation of backward areas. The market has also appreciated the statement of the Deputy Minister for Industrial Development, Mr. Siddheswar Prasad, that there was no general proposal at present for the purchase of shares of companies now managed by large industrial houses.

The Calcutta stock market has been firm this past week because operators are taking an optimistic view of the future. As a result, turnover has improved. The signing of the Indo-Bangladesh Treaty, the formation of the Congress Ministry in West Bengal and good corporate news have been helpful factors. Among engineering shares, Guest, Keen, Williams, Jessop and Simon-Carves have improved. Among jute shares, New Central, Birla and Auckland have been transacted. Among coal shares, Western Bengal and Rewa Coalfields have changed hands. Among miscellaneous shares, Indian Explosives, Hindustan Aluminium, Union Carbide and Zuari Agro-Chem have been supported. Among tea shares, Bormah Jan and Huldibari have been traded.

Dalal Street has presented a very lively appearance this past week. Barring a few counters like Associated Cements, Great Eastern Shipping, Tata Steel, Zenith Steel and United Carbon, both cleared and non-cleared securities have scored further gains which have indeed been spectacular in some cases. The rise has been due both to sustained support and short-covering. Intermittent institutional sales in certain counters have been readily absorbed in a market where business appears to be restricted mainly by the size of offerings. An increased turnover at rising prices indicates the revival of confidence in the equity market. The markets' optimism is based on the belief that the accent of the Government's economic policy being on increased production and self-reliance, the Government is likely to adopt a more dynamic and pragmatic approach to achieve an accelerated industrial growth. This, in turn, is bound to have a good impact on corporate earnings. Century have continued to be the star performer and these shares have touched a new all-time high on sustained buying on ideas of a higher dividend. Other cotton mill shares, specially Standard, have firmed up on expectations of the industry's improved performance, following a larger supply of raw materials at cheaper prices. Mayon shares have also scored handsome gains under the lead of Century Sinka. Among steels, Mukand Iron have risen sharply on hopes of a bonus issue while Tata Steel have been de-

COMPANY REPORTS

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

Atul Products
Empire Dyeing
Lipton Group
Mahendra Electricals
New India Industries
Philips India
Sardesai Brothers
State Bank
Union Bank

pressed by institutional selling. Sentiment has been unsettled by fears about nationalisation. Engineering shares have ruled firm with Bihar Alloys, Voltas and Siemens showing fair gains. Tata Engineering have generally been out of favour and ruled barely steady. Shipping and cement shares have also been quietly subdued. Associated Cements have been marked lower on moderate selling. Trading in chemical shares has been notable for many bright spots. Gujarat Fertilisers, Synthetics and Chemicals, Indian Dyestuff, Polyolefins and Polychem have recorded handsome gains. Tata Chemicals and Zuari Agro-Chem have been subdued. Rubber tyre shares have followed the general trend and moved up in moderate support. Bank and insurance shares have been dull and somewhat subdued. Among miscellaneous shares, Camphor and Allied, Motor Industries and Tata Oil have been some of the bright features.

The Madras stock market has remained firm this past week, although the volume of trading has been moderate. Operators are willing to extend their commitments in view of the improved economic and political situation. In the planting section, Consolidated Coffee have improved due to better demand while Neelamalai, Blue Mountain and Peria Karamalai have received better investment enquiries. In the textile section, South India Viscose and Mettur Beardsell have been firm. In the miscellaneous section, Mettur Chemical have gained while Carborundum Universal and Madras Rubber have also attracted support. In the sugar section, E.I.D.-Parry have improved while Deccan have been transacted. Bank shares have received selective support.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 25/70—26/95—25/70—26/65—(21/20)

Barrakar Coal 7/62—7/75—7/56—7/75—(12/00)

Dunlop India 32/20—33/05—32/20—32/85 (37/90)

Guest, Keen, Williams 35/40—36/25—35/35—35/70—(33/00)

Hindustan Motor 10/10—10/15—9/75—10/00—(12/80)

Indian Aluminium 34/05—35/20—33/90—35/15—(38/10)

Indian Cable 20/95—21/80—20/80—21/50—(16/60)

Indian Copper 3/04—3/07—2/98—2/99—(4/00)

Indian Iron 9/05—9/15—8/95—9/00—(11/00)

Jaipur Udyog 8/55—8/60—8/40—8/45—(910)

Jayashree Tea Industries 16/37—16/69—16/37—16/56—(17/62)

Kesoram Industries 20/20—20/75—20/00—20/40—(17/70)

National Rubber 6/06—6/31—6/06—6/31—(7/50)

Orient Paper 35/40—36/45—35/20—35/70—(38/50)

Orissa Cement 18/65—19/50—18/65—19/50—(18/70)

Rohtas Industries 4/75—4/90—4/60—4/70—(6/30)

Textile Machinery 11/80—11/80—11/25—11/40—(10/40)

Philips India Achieves Excellent Results

SALES of Philips India Ltd for the year ended December 1971 were Rs. 46.56 crores, an increase of 23.6 per cent over the 1970 figure of Rs. 37.68 crores. The profit, before tax, for the year after charging Rs. 1.28 crores (against Rs. 1.1 crores) for depreciation amounted to Rs. 11.57 crores, against Rs. 6.72 crores for the previous year. The profit, after tax, is Rs. 3.87 crores (against Rs. 2.47 crores). Provision for tax is Rs. 7.7 crores (against Rs. 4.25 crores). From the profit after tax, Rs. 18 lakhs (against Rs. 20 lakhs) have been provided for development rebate reserve and Rs. 10 lakhs (same) for debenture redemption reserve. A sum of Rs. 6 lakhs (against Rs. 3 lakhs) has been released from development rebate reserve. The excess provision of Rs. 10 lakhs for tax for previous years has been written back. The balance of Rs. 3.21 crores (against Rs. 1.71 crores) has been transferred to general reserve.

The directors have proposed a final dividend of Rs. 1.40 a share, subject to tax. The proposed final dividend, together with the interim dividend of Re. 1 a share, less tax, paid in December last, will bring the total distribution to the shareholders for 1971 to Rs. 2.40 a share. The proposed final dividend absorbing Rs. 76 lakhs, if approved, will be paid out of general reserve.

SARDESAI BROTHERS

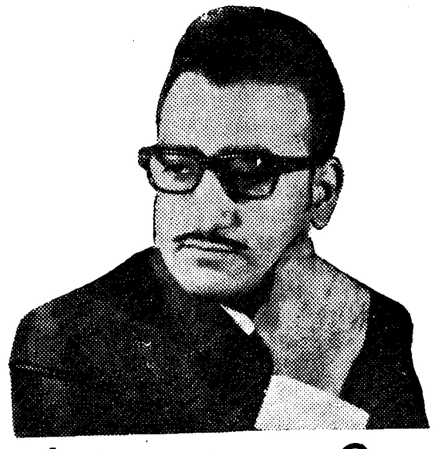
Better Results

SARDESAI Brothers has reported substantially improved results for 1971 and the dividend has been raised from 6 per cent to 10 per cent. Sales at Rs. 136.44 lakhs show an increase of 28.5 per cent over the previous year's figure of Rs. 106.15 lakhs and the gross profit has increased by 32.3 per cent from Rs. 18.20 lakhs to Rs. 24.08 lakhs. After providing Rs. 4.86 lakhs (against Rs. 4.82 lakhs) for depreciation, Rs. 80,000 (against Rs. 1.80 lakhs) for development rebate reserve and Rs. 9.75 lakhs (against Rs. 2.10 lakhs) for taxation, the net profit amounts to Rs. 8.67 lakhs, against Rs. 9.50 lakhs in the previous year. A sum of Rs. 8.65 lakhs (against Rs. 2.65 lakhs) has been transferred to general reserve. The proposed dividend absorbing Rs. 4.97 lakhs (against Rs. 2.98 lakhs) will be paid out of general reserve.

ATUL PRODUCTS

Profit Declines

ATUL Products has raised the dividend for 1971 from 14 per cent to 15 per cent even though its working results show a setback, compared with those in the preceding year. Despite an increase of 4.6 per cent in turnover from Rs. 14.77 crores to Rs. 15.43 crores, the gross profit has shrunk by 9.5 per cent from Rs. 2.68 crores to Rs. 2.43 crores. After providing Rs. 102.78 lakhs (against Rs. 106 lakhs) for depreciation, Rs. 7 lakhs (against Rs. 36.60 lakhs) for development rebate reserve and Rs. 50.50 lakhs (against Rs. 28.50 lakhs) for taxation, the net profit for 1971 amounts to Rs. 76.46 lakhs, against Rs. 90.65 lakhs in the previous year. After some adjustments, a sum of Rs. 10 lakhs (against nil) has been transferred to debenture redemption reserve and Rs. 60.06 lakhs (against Rs. 95.99 lakhs) to general reserve. The proposed dividend absorbing Rs. 61.50 lakhs (against Rs. 57.40 lakhs) will be paid out of general reserve.



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NEW INDIA INDUSTRIES

Same Dividend

NEW India Industries has reported improved results for 1971, although the increase in profit is only marginal. But sales have risen by nearly 11.7 per cent. The dividend has been kept unchanged at 15 per cent. Sales have risen from Rs. 4.29 crores to Rs. 4.79 crores and the gross profit from Rs. 86.33 lakhs to Rs. 87.35 lakhs. After taking credit for tax refunds and excess provisions for previous years amounting to Rs. 5.89 lakhs (against Rs. 1.14 lakhs), the directors have provided Rs. 15.98 lakhs (against Rs. 12.11 lakhs) for depreciation, Rs. 5.98 lakhs (against Rs. 1.24 lakhs) for development rebate reserve and Rs. 39.25 lakhs (against Rs. 43. 25 lakhs) for taxation and transferred Rs. 32.03 lakhs (against Rs. 30.87 lakhs) to general reserve. The proposed dividend absorbing Rs. 14.66 lakhs (same) will be paid out of general reserve.

STATE BANK : GOOD RISE IN DEPOSITS

THE State Bank of India's deposits showed an increase of Rs. 280 crores (22.9 per cent) in 1971, against an increase of Rs. 192 crores (18.6 per cent) in 1970. Credit expansion, on the other hand, slowed down considerably during the year ; against a growth of Rs. 250 crores (31.7 per cent) in 1970, it was only Rs. 74 crores (7.1 per cent) in 1971. The main factors responsible for this were a fall in advances to the sugar industry and sharing of food procurement advances with other banks. Although the higher deposit accretion was in line with the general trend in all banks, especially because of larger deficit financing and the upward revision of deposit rates, the State Bank can ascribe much of its success in this direction to the special deposit mobilisation measures taken by it. A substantial portion of the additional deposits emanated from rural and semi-urban areas ; deposits of branches in these areas formed about 41 per cent of the total deposits of the bank at the end of November 1971.

The bank opened 365 offices in 1971. At the end of the year, it had 2,477 offices in India, of which over 79 per cent were in rural and semi-urban areas. Under the "lead bank" scheme, a crash programme for identifying growth centres for branch expansion has been completed in almost all the 89 lead districts allotted to the State Bank group. There was a decline in the direct agricultural advances of the State Bank group, from Rs. 75 crores at the end of 1970 to Rs. 69 crores at the end of 1971. The shift in favour of small farmers continued during the year, and at the end of 1971, the percentage of such farmers (with holdings of 10 acres or less) stood at 76. Indirect finance for agriculture declined from Rs. 83 crores to Rs. 48 crores in 1971, mainly due to the repayment of credit extended for fertiliser distribution and reduction in advances granted through the co-operative system. The lower advances were the result of a review of the bank's strategy in 1971 for financing the agricultural sector.

The volume of finance extended by the State Bank group to small-scale industrial units increased further during 1971, although the pace of growth somewhat slackened due to the slowdown in industrial growth during the year. At the end of December 1971, the State Bank and its subsidiaries had more than 58,100 small-scale units on their books, with outstandings of Rs. 227 crores. The State Bank group accounted for 37.3 per cent of the total credit provided by all scheduled commercial banks at the end of June 1971. The bank has started to implement intensively, with accent on employment creation, the existing schemes for financing small-scale industries, small business and agriculture at 60 selected pilot centres.

The volume of export credit extended by the bank in 1971 increased by 16.3 per cent to Rs. 108 crores. Export credit extended by the State Bank group as a whole rose during the year from Rs. 105 crores to Rs. 122 crores. The share of the group in the total export credit provided by all scheduled commercial banks was also higher at the end of September 1971.

MAHENDRA ELECTRICALS

Dividend Maintained

MAHENDRA Electricals has suffered a setback in its working during 1971 ; both sales and profit show a decline, compared with the previous year's figures. Sales are down by 10.8 per cent from Rs. 110.16 lakhs to Rs. 98.37 lakhs and the gross profit is lower at Rs. 24.21 lakhs, against Rs. 29.14 lakhs in 1970. The profit for 1970 had, however, been inflated by Rs. 2.87 lakhs received by way of tax credit certificates. The dividend has been maintained at 9 per cent. After providing Rs. 3.67 lakhs (against Rs. 4.43 lakhs) for depreciation, Rs. 2,889 (against Rs. 10,824) for development rebate and Rs. 11 lakhs (against Rs. 11.20 lakhs) for taxation, the net profit amounts to Rs. 9.51 lakhs (against Rs. 13.40 lakhs). After adjustments a sum of Rs. 9.50 lakhs (against Rs. 10.20 lakhs) has been transferred to general reserve out of which the proposed dividend absorbing Rs. 5.39 lakhs (same) will be paid.

The Company's performance so far in the current year is said to be almost comparable with the same period last year. It has been utilising about 50 per cent of its plant capacity. It is intended to diversify and expand the Company's activities.

UNION BANK

Merger Approved

THE Bombay High Court has sanctioned the merger of Mahindra and Mahindra and the Union Bank of India Ltd. The amalgamation of these two Companies had already been approved by the Department of Company Affairs under the M.R.T.P. Act. The merger scheme becomes operative with retrospective effect from 1st May, 1971, subject to the sanction of the Controller of Capital Issues. Under the scheme, the ordinary shares of Mahindra and Mahindra Ltd, to be issued to the shareholders of the Union Bank of India Ltd, will rank *pari passu* with the existing shares of the Company and the dividend for 1970-71 will be paid *pro rata* from that date. The convertible bonds to be issued will also rank for interest from 1st May, 1971.

LIPTON GROUP

Export Awards Won

THE Lipton group of companies has achieved commendable success in the field of tea exports for the years 1969 and 1970. At a ceremony held recently, the Tea Board of India has awarded three out of eight prizes for the best export performance in 1969 to Brindavan Properties (Private) Ltd, a Company in the Lipton group. These awards include an all-India and also two regional prizes for the best export performance in 1969. In addition, Lipton Ltd was awarded the regional prize for the best export performance in 1970.

EMPIRE DYEING

All-round Improvement

EMPIRE Dyeing and Manufacturing Company has done well in 1971, with sales, profits and margins showing an improvement over the previous year's performance. Turnover has risen by 8.5 per cent from Rs. 6.33 crores to Rs. 6.86 crores, the gross profit by 21 per cent from Rs. 91.43 lakhs to Rs. 110.69 lakhs and the ratio of profit to sales has improved from 14.4 per cent to 16.1 per cent. The equity dividend has been maintained at 20 per cent but since it is payable in full this time on the capital enlarged in December 1970, it will absorb Rs. 10.20 lakhs, against Rs. 5.80 lakhs in the previous year. After providing Rs. 35.63 lakhs (against Rs. 24.32 lakhs) for depreciation, Rs. 5.52 lakhs (against Rs. 8.10 lakhs) for development rebate reserve and Rs. 49.02 lakhs (against Rs. 34.76 lakhs) for taxation, the net profit amounts to Rs. 20.52 lakhs (against Rs. 24.25 lakhs). A sum of Rs. 20.50 lakhs (against Rs. 24.25 lakhs) has been transferred to general reserve.

Both the textile and glass divisions did well in 1971 and with the implementation of expansion and rehabilitation programmes in hand, it is anticipated that the progress will be accelerated. Moreover, the current year's results will also reflect the working of the Garlick engineering division. The Company took over the management of this unit in January last. The Company needs additional funds for expansion. It is intended to raise Rs. 56.25 lakhs in the form of "rights" equity shares of Rs. 15 each at a premium of Rs. 10 a share. It is also proposed to raise Rs. 30 lakhs in preference shares and Rs. 1.60 lakhs in debenture stock.

GOLDEN TOBACCO COMPANY LIMITED

Registered Office :
Tobacco House, Vile Parle, Bombay-56

PUBLIC ISSUE OF 15,00,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT PAR

●

It is hereby notified that the above Issue of Equity Shares which was offered to the Public by the Prospectus dated 17th January 1972, having been over-subscribed by about six times, the following basis of allotment of the shares against the accepted valid applications has been decided upon by the Company in consultation with the Stock Exchange, Bombay.

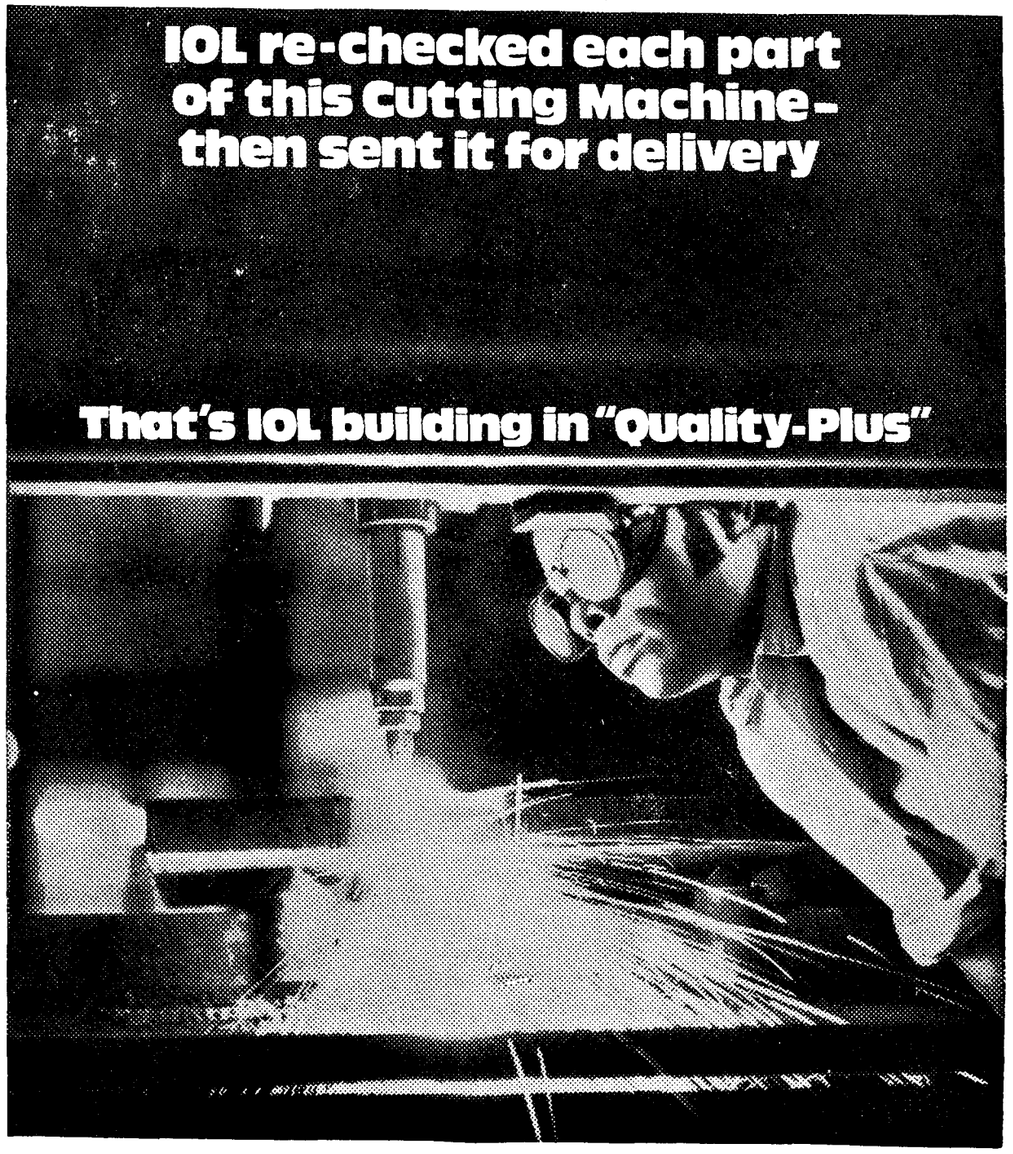
The Directors express their thanks to all those who applied for the shares.

No. of shares applied for	*No. of shares to be allotted as fully-paid up* Against Each Application
50	25
100	25
150 to 500	50
550 to 1000	100
1050 to 2000	150
2050 to 4600	200
5000 to 7500	300
8200 to 10500	400
20000	600
50000	1000
150000	2175
400000	4100

The Share Certificates and Refund Orders will be mailed to respective applicants very shortly.

for GOLDEN TOBACCO COMPANY LIMITED
(PRATAP NARSEE)
Managing Director

Bombay, 20th March 1972



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COMMODITIES

I.J.M.A. Urges Immediate Steps to Ensure Power Supply to Mills

THE Indian Jute Mills Association has urged the authorities to allot top priority to the generation of adequate power and to prevent frequent load-shedding which affects the working of mills. The latter are well-booked up to July this year and the industry has been unable to relieve the relative tightness in world supply of jute goods even though it is operating at peak loads all days of the week. Since load-shedding has been started by the Calcutta Electric Supply Corporation, the Association apprehends the loss of production for an indefinite period. A Press note issued by the Association in Calcutta last week-end says that "apart from irritating industrial relations by causing the lay-off of workers, any interruption in the supply of electricity to the jute industry at this stage will do incalculable damage to its prospects." The I.J.M.A. maintains that the prospects have been dimmed by the rapid substitution of jute goods by synthetics in the industrialised countries and the resumption of exports by the jute industry in Bangladesh. The Press note warns that if the current tightness in world supplies "is to be further aggravated by enforced idleness in the mills due to load-shedding, the plight of jute goods users as well as the future of jute can well be imagined."

A Serious Damage

Almost throughout 1971, runs the note, world buyers of jute goods, especially those in North America, had to put up with many difficulties arising from uncertainties relating to supplies, delays in shipments and high prices in the wake of the U.S. dock strike, strikes and go-slow at Calcutta port, and the Indo-Pakistani war. Confidence in jute among overseas buyers has, as a result, suffered a serious damage which the industry has currently been trying to repair. The I.J.M.A. refers to the changed political context and the emergence of Bangladesh "which has opened up tremendous possibilities for regional co-operation" and says that the investment climate has vastly improved, paving the way for a rapid industrial revival. Unless the Government accords top priority to the generation of power, adequate to feed the existing and the proposed new industries, the note warns, all planning for the economic revival of the region will be infructuous.

A Rude Shock

Instead of feeling assured, jute industry and trade circles have received a rather rude shock from the observation made by Mr. A. C. George, Central Deputy Minister for Foreign Trade, that "no synthetic could replace jute, and so, there need not be any apprehension of loss in the export of jute goods from India." Answering questions in the Lok Sabha early last week, the Minister said that efforts were being made to identify synthetics to replace jute in the advanced countries but without much success. Indicating what amounted to a complete reversal of the official thinking so far on the subject, he bluntly said that "there was no question of giving any incentive to jute goods exporters", for the exports had reached Rs. 289 crores last year and might rise to more than Rs. 300 crores this year. Admitting the decline in jute goods exports to the U.S.A. during 1969-70 and 1970-71, Mr. George told the House that the downward trend had since been reversed. The earlier slackness was due to keen competition from erstwhile East Pakistan and synthetics, the economic recession in the U.S.A. and the strikes by bargemen and the jute mill workers in India. He assured the members that the Government was "always ready to accept worthwhile suggestions to increase ex-

MIDDLE CLASS COST OF LIVING INDEX NUMBER FOR CALCUTTA

(Base : August 1939)

THE Middle Class Cost of Living Indices, by groups, have now been brought up to February 1972. As compared with January, the February index for Food shows a drop of 6 points, while those for Fuel and Lighting, Clothing and Miscellaneous remain unchanged at 447, 704 and 401 points, respectively.

Combining all the factors, the Middle Class Cost of Living Index for Calcutta shows that the cost of living declined by 3 points during February 1972.

Middle Class Cost of Living Index Number for Calcutta. Prices in August 1939=100

Groups	Weights	GROUP INDICES												
		Feb. 1971	Mar. 1971	Apr. 1971	May 1971	June 1971	July 1971	Aug. 1971	Sept. 1971	Oct. 1971	Nov. 1971	Dec. 1971	Jan. 1972	Feb. 1972
Food	53.6	883	883	883	891	901	914	924	933	945	948	948	935	929
Fuel and Lighting	4.4	412	412	412	412	412	412	412	412	447	447	447	447	447
Clothing ...	12.4	693	693	693	693	693	693	704	704	704	704	704	704	704
Miscellaneous ...	29.6	392	400	400	400	400	400	401	401	401	401	401	401	401
Combined Index ...	100.0	693	696	696	700	705	712	719	724	732	734	734	727	724

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ROYAL DUTCH AIRLINES

ports of jute and jute goods from the country." Precautionary measures to check any decline in fibre prices in the country were also being taken, he said.

Gunny Prices Up

Despite the virtual absence of fresh enquiries and business from overseas and major internal industrial consumers, a sharp upsurge in prices marked trading in the Calcutta gunny market during the past week. The mills appeared to be sold for the rest of the current season and had been operating their installed potential at multiple shifts a day and even on Sundays at peak work-loads to cope with the pressure of bookings. But the large-scale load-shedding by the C.E.S.C. had been causing inevitable interruptions in production and ultimately a setback in industry-labour relations. The proximity of the end-March settlement of accounts was yet another factor. These developments induced the bulls to tighten their speculative squeeze and the bears to rush in for covering their immediate open positions in panic. Mills and holders of P.D.O.s also reduced their fresh offers, considering the possibility of some loss in output which might make it difficult for them to meet their previous commitments for forward positions. Yet another bullish factor was the report from London that Pakistan had entered that market for the purchase of substantial lots of heavy goods for meeting her internal packaging demands. Despite a lack of fresh overseas interest, shipping instructions for the month were reportedly satisfactory. As there was little prospect of any decline in the current prices of the end-products, ultimate consumers preferred absorbing their minimum requirements, thus further boosting the morale in the market and causing the imbalance between demand and offers to widen further, leading to rising prices. There were intermittent profit-taking at the bulges but all such offers were well-absorbed. The release of the I.J.M.A. despatch figures for February showed that exports had dropped sharply to 51,800 tonnes from 58,600 tonnes in January, while internal consumption had risen by 9,700 tonnes to 54,000 tonnes, due mainly to a larger offtake by the major seasonal industries and the D.G.S.D. Total despatches, therefore, rose from 102,900 tonnes in January to 105,800 tonnes in February. Operators received a rude shock over the statement made by Mr. A. C. George, Central Deputy Minister for Foreign Trade, in Parliament that "there was no question of giving any incentive to jute exporters", indicating a reversal of the official thinking so far on the subject. The industry's claim for a reduction in the fiscal imposts was based on the premise that Indian goods had to be cheaper not only than jute goods from other countries, but also than competitive synthetic products if they had to recapture the ground lost to them in the advanced countries. During recent times, they had been priced out of the traditional markets by goods from Bangladesh, synthetics and substitutes. But the authorities appeared to be influenced by the current high prices of the end-products and were thinking that it too should have a share in the prevailing prosperity of the industry. There was no denying the fact Indian mills would be able to sell whatever they would produce until Bangladesh mills were able to resume normal production and shipments. But the sharp rise in the excise duties on hessian and sacking were considered ill-advised. The increased demand would no doubt induce an absorption of the available supplies in spite of the high prices and imposts; but these would produce an inflationary impact on the prices of the packed products as also more intensive quest for substitutes. In the hedge market, despite intermittent realising and short-covering, B Twills May also ruled firm in line with the trend in the spot goods market. The market closed on a steady note after consolidating the week's gains. Turnover was fair in the spot market and moderate in the hedge market.

Latest available quotations (in rupees) were as follows:

	Mar.	Apr.	Apr.-June	July-Sept.
40in. 7½oz.	86.00	85.00	83.00	76.00
40in. 8oz.	95.00	—	—	—
40in. 10oz.	109.50	108.00	105.50	97.50
B Twills	293.00	293.00	290.00	274.00
Heavy Cees	295.00	294.00	291.00	274.00
Cornsacks	—	—	—	—
A Twills (U.S.)	348.00	348.00	346.00	336.00
Liverpools	344.00	344.00	338.00	325.00

Fibre Prices Harden

After ruling easy during the first half of the week due to a lack of interest from mills in respect of offers of average and lower-grade fibre, raw jute prices hardened sharply since Thursday with the emergence of some mills as keen buyers of ready delivery fibre of selected grades. Higher advices from the goods market and scantier offerings by the holders were the major stimulants. Frequent load-shedding by the Calcutta Electric Supply Corporation might cause a substantial decline in the estimated output, causing a shrinkage in the absorption of fibre by mills. The prospect that the proposed Indo-Bangladesh trade agreement might ensure the availability of only Rs. 5-crore worth of raw jute—cuttings and long jute—at a Government-to-Government level indicated that the industry will have to depend, by and large, on internal production. Because of a decline in arrivals to some 40,000 maunds a day in the upcountry markets—which is a rather unusual feature for this time of year—mills and mill agents were inclined to believe that most of the season's fibre had already passed on to the industry or middlemen. Fibre prices were thus unlikely to react until the arrival of the new crop. The I.J.M.A. raw jute statement for February showed that including the quantity that had remained undelivered against earlier purchases, mills had an end-February inventory of 2.197 million bales this season, against 1.724 million bales a year ago. For the eight months ended February, mills purchased 5.197 million bales this season, against 4.2 million bales last season, consumed 4.393 million bales, against 3.607 million bales, and the undelivered fibre totalled 740,000 bales, against 379,000 bales. At the February rate of consumption, the end-month stocks would last about four months while the same was about enough for 3.38 months last season. Turnover was moderate and the closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	April-May		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	162.09	151.38	56.50
Northern Jute	156.74	146.02	54.50
Western Desal Jute	147.36	136.64	51.00
Selected Daissee	178.17	167.45	62.50
Mesta :			
Assam Mesta	143.34	135.30	50.50
Selected Daissee Murshidabad	139.32	131.28	49.00
Bihar Dist.	128.60	117.89	44.00

THE WEST BENGAL STATE CO-OPERATIVE BANK LTD.

BALANCE SHEET AS AT THE 30th JUNE, 1971

As on 30-6-70	LIABILITIES		
Rs. P.		Rs. P.	Rs. P.
	1. Capital :		
	(i) Authorised :		
4,00,00,000 00	8,00,000 shares of Rs. 50/- each ... ... Rs. 4,00,00,000 00		
	(ii) Subscribed :		
2,23,37,300 00	4,53,880 shares of Rs. 50/- each ... ... Rs. 2,26,94,000 00		
	(iii) Called and paid-up :		
	(a) Individuals		
1,01,18,650 00	(b) Cooperative Societies 4,11,880 shares of Rs. 50/- (called Rs. 25/-) for each share	1,02,97,000 00	
21,00,000 00	(c) *Government of West Bengal 42,000* shares of Rs. 50/- each fully paid ...	21,00,000 00	
			1,23,97,000 00
	NOTE :—Partly paid shares of paid-up value of Rs. 19,37,650/- are held by Societies in East Pakistan pending adjustment. ... ... Uncalled capital being reserve liability of the members Rs. 1,02,97,000/-		
	2. Reserve Fund and Other Reserves :		
24,77,259 91	(i) Statutory Reserve Fund	25,99,298 85	
70,70,515 42	(ii) Agricultural Credit Stabilisation Fund ... ... Of which by way of Loan from Government ... ... Rs. 8,75,000 00	76,16,370 71	
10,000 00	(iii) Building Fund	10,000 00	
—	(iv) Dividend Equalisation Fund		
—	(v) Special Bad Debt Reserve		
6,00,000 00	(vi) Reserve for Bad & Doubtful Debts in West Bengal	6,00,000 00	
11,75,000 00	(vii) Investment-Depreciation Fund	11,75,000 00	
	(viii) Other Funds and Reserves		
46,48,437 17	(a) Reserve for Bad & Doubtful Debts (General) ... ... Rs. 46,48,437 17		
73,95,298 22	(b) Reserve for pre-partition investment in Pakistan (interest) ... Rs. 73,95,298 22		
	(c) Reserve for pre-partition investment in Pakistan (Conversion of Government Interest-free Loan into subvention) ... Rs. 90,37,857 00		
90,37,857 00			
43,42,232 87	(d) Rehabilitation Fund ... ... Rs. 43,42,232 87	2,54,23,825 26	
			3,74,24,494 82
	3. Principal State Partnership Fund and Share Capital of :		
	(i) Central Co-operative Bank		
	(ii) Primary Agricultural Credit Society		
	(iii) Other Societies		
	4. Deposit and Other Accounts :		
	(i) Fixed Deposit :		
56,26,561 94	(a) Individuals ... ... Rs. 60,56,757 13		
1,04,88,079 70	(b) Central Co-operative Banks ... ... Rs. 1,21,86,641 47		
4,12,57,585 08	(c) Other Societies ... ... Rs. 4,95,13,840 02		
		6,77,57,238 62	
	(ii) Savings Bank Deposit :		
42,57,280 42	(a) Individuals ... ... Rs. 51,94,612 13		
—	(b) Central Co-operative Banks		
26,98,977 52	(c) Other Societies ... ... Rs. 27,97,984 90		
		79,92,597 03	
	(iii) Current Deposit :		
19,57,431 14	(a) Individuals ... ... Rs. 23,79,773 01		
28,52,851 09	(b) Central Co-operative Banks ... ... Rs. 34,71,178 09		
1,15,42,076 66	(c) Other Societies ... ... Rs. 1,16,55,276 55		
		1,75,06,227 65	
45,833 40	**(iv) Money At Call and Short Notice :**	15,00,100 00	
			9,47,56,163 30
	5. Borrowings :		
	(i) From Reserve Bank of India :		
	(a) Short Term Loans against—		
	A. Government and other approved Securities under R.B.I. Act, Section 17(4)(a) ... ... Rs. 24,00,000 00		
21,00,000 00			
4,87,76,800 00	B. *Others* under R.B.I. Act, *Section* 17(4) (c) ... ... Rs. 2,84,87,100 00		
		3,08,87,100 00	
	(b) Medium Term Loans against—		
	A. Government and other approved securities		
34,95,330 00	B. Others under R.B.I. Act, Section 17(4) (AA) conversion ... Rs. 15,10,331 00		
2,36,838 00	,, ,, Section 17(4) (aa)	15,10,331 00	
	(c) Long Term Loans against—		
	A. Government and other approved securities		
	B. Others		
	(ii) From State Bank of India :		
	(a) Short Term Loans against—		
	A. Government and other approved securities		
	B. Others		
	(b) Medium Term Loans against—		
	A. Government and other approved securities		
	B. Others		
	(c) Long Term Loans against—		
	A. Government and other approved securities		
	B. Others		
	(iii) From State Government :		
	(a) Short Term Loans against—		
	A. Government and other approved securities		
5,00,000 00	B. Others ... ... Rs. 95,00,000 00		
	(b) Medium Term Loans against—		
	A. Government and other approved securities		
	B. Others		
18,48,10,895 54	Carried over ...		14,45,77,658 12

THE WEST BENGAL STATE CO-OPERATIVE BANK LTD.

BALANCE SHEET AS AT THE 30th JUNE, 1971

As on 30-6-70	ASSETS		
Rs. P.		Rs. P.	Rs. P.
52,22,487 24	**1. Cash :** *In hand and with* Reserve Bank and State Bank of India		86,12,423 61
52,067 83	**2. Balances with Other Banks :** (i) Current ... ... (ii) Savings Bank Deposit ... ... (iii) Fixed Deposit		90,193 86
45,00,000 00	**3. Money at Call and Short Notice :**		
2,15,96,006 75	**4. Investments :** (i) In Central and State Government Securities (at book value) ... ... Rs. 2,37,13,600 00 Face value ... ... Rs. 2,19,80,537 85 Market value	2,31,83,224 75	
64,64,614 50	(ii) Other Trustee Securities ... ... Face value ... ... Rs. 71,48,000 00	70,76,184 25	
3,555 00	(iii) Shares in Co-operative Institutions ... ... Of which shares in Co-operative Societies in liquidation Rs. 55/- ...	3,555 00	
	(iv) Other Investments		3,02,62,964 00
	NOTE :—Investments are earmarked as *follows in book value* (i) Statutory Reserve Fund ... ... Rs. 24,84,457 50 (ii) Employees' Security Deposit ... ... Rs. 60,375 50 (iii) Agricultural Credit Stabilisation Fund ... Rs. 70,62,152 75 (iv) Rehabilitation Fund ... ... Rs. 43,60,512 00 (v) Building Fund ... ... Rs. 2,940 00 (vi) General Fund ... ... Rs. 1,62,92,471 25 Rs. 3,02,62,909 00		
	(Against which Securities of the face value of Rs. 1,51,05,700/- are lodged with Bankers for loan arrangement)		
	5. Investment out of Principal State Partnership Fund : In share of— (i) Central Co-operative Banks ... ... (ii) Primary Co-operative Agricultural Bank ... ... (iii) Other Societies		
	6. Advances :		
	(i) Short-term Loans, Cash Credits, Overdrafts and Bills Discounted, of which Secured Against :		
	(a) Government and *other approved* securities		
1,65,218 00	(b) Other tangible securities : A. Against hypothecation of goods ... ... Rs. 1,64,691 00		
11,00,320 00	B. Against pledge of Stocks ... ... Rs. 24,363 14		
25,68,334 00	C. Against guarantee money from Government of West Bengal Rs. 25,68,334 00		
26,11,650 00	D. Against Fixed Deposits ... ... Rs. 15,94,218 37		
7,78,808 37	E. Documentary Bills ... ... Rs. 17,35,939 77		
	(c) Others—		
51,36,993 98	A. Clean Credit out of which Government of West Bengal guarantee for Rs. 16,42,136.95 ... ... Rs. 85,73,403 95		
9,74,93,294 00	B. For seasonal agricultural operation and marketing of crops Rs. 9,52,88,787 00		
28,06,764 05	C. Temporary overdrafts ... ... Rs. 21,64,220 20		
	Of the above advances, amount due from individual ... ... Rs. 21,707 54		
	Amount overdue ... ... Rs. 5,82,76,969 99		
	Amount considered bad and doubtful of recovery Rs. 84,334 00		
			11,21,13,957 43
	(ii) Medium-term Loans, of which Secured Against :		
	(a) Government and other approved securities—		
	(b) Other tangible securities—		
7,96,191 42	Against *hypothecation of goods* ... ... Rs. 7,20,692 64		
	(c) Others—		
7,81,928 00	A. For Agricultural purposes ... ... Rs. 5,28,149 00		
72,93,398 00	B. For Agricultural Purposes (conversion) ... ... Rs. 90,40,436 00		
	C. Others—		
7,06,063 00	Of which Government of West Bengal stands guarantee for ... ... Rs. 6,88,314 00 Rs. 6,88,314 00		
			1,09,77,591 64
	Of the advances— Amount due from Individuals ... ... Amount overdue ... Rs. 51,72,419 01 Considered bad ... ... Nil		
	(iii) Long-term Loans, of which Secured Against :		
	(a) Government and other approved securities— Nil		
	(b) Other tangible securities ... Nil		
	(c) Others—		
70,000 00	A. Against guarantee money from Government of West Bengal ... ... Rs. 70,000 00		
18,984 00	B. Clean ... ... Rs. 18,984 00		
	Of the advances— Amount due from individuals Nil Amount overdue ... ... Rs. 88,984 00 Amount considered bad and doubtful of recovery ... ... Rs. 88,984 00		
		88,984 00	12,31,80,533 07
16,01,66,678 11	Carried over ...		16,21,46,114 54

THE WEST BENGAL STATE CO-OPERATIVE BANK LTD.—Cont'd.

BALANCE SHEET AS AT THE 30th JUNE, 1971—(Contd.)

As on 30-6-70	LIABILITIES—*Contd.*			
Rs. P.			Rs. P.	Rs. P.
18,48,10,895 54		Brought forward ...		14,45,77,658 12
	(c) Long Term Loans against—			
	A. Government and other approved securities			
21,38,334 00	B. Others ... ... Rs. 21,38,334 00		1,16,38,334 00	
	(iv) **From Other Sources :**		—	4,40,35,765 00
35,25,130 19	**6. Bills for Collection** (per contra)			28,53,318 71
6,392 99	**7. Branch Adjustment**			19,632 02
2,90,453 13	**8. Overdue Interest Reserve**			4,52,928 37
16,00,185 16	**9. Interest Payable**			20,31,101 78
	10. Other Liabilities :			
4,165 10	1. Undistributed dividend		4,888 21	
4,12,470 76	2. Suspense		92,495 44	
83,334 48	3. Income-Tax payable		96,644 20	
3,800 00	4. Audit Fees payable		3,800 00	
15,20,513 92	5. Reserve against Refund of Income Tax (per contra)		19,32,363 10	
2,56,800 00	6. Securities held in Safe Custody (per contra)		2,49,500 00	
5,37,909 15	7. Liabilities for Customers' acceptance (per contra)		4,87,781 15	
3,003 12	8. Debit Note payable		23,690 10	
2,042 81	9. House Rent Received in advance		2,042 81	
2,02,817 87	10. Margin Account		2,11,392 20	
5,81,454 00	11. Manager's Cheque		10,04,170 98	
2,28,897 20	12. Provision for Payment of Dividend		3,95,370 00	
14,110 94	13. Bills Realisation Account		7,861 73	
	14. Provision for :—			
	(a) Building Fund ... ... Rs. 20,000 00			
	(b) Employees' Gratuity Fund ... ... Rs. 10,000 00			
	(c) Reserve for Bad & Doubtful Debts in West Bengal ... ... Rs. 1,00,000 00			
	(d) Investment Depreciation Fund ... ... Rs. 50,000 00		1,80,000 00	
	15. Law charges payable		1,000 00	
19,06,499 41	**11. Liabilities in Pakistan :**			46,92,999 92
				19,06,499 41
	12. Profit and Loss Account :			
8,21,429 17	Profit, as per (last Balance Sheet)		8,21,429 17	
	Less : Appropriations for the years 1968-69 and 1969-70			
	(a) Statutory Reserve Fund, under Sec. 56 of the B.C.S. Act, 1940 Rs. 1,22,038 94			
	(b) Agricultural Credit Stabilisation Fund ... ... Rs. 73,223 37			
	(c) Contribution to Co-operative Development Fund ... ... Rs. 5,000 00			
	(d) Payment of dividend 1968-69 and 1969-70 ... ... Rs. 3,95,370 00			
	(e) Transfer to Building Fund ... ... Rs. 20,000 00			
	(f) Transfer to Employees' Gratuity Fund ... ... Rs. 10,000 00			
	(g) Transfer to Reserve for Bad & Doubtful Debt Fund ... Rs. 1,00,000 00			
	(h) Transfer to Investment Depreciation Fund ... ... Rs. 50,000 00		7,75,632 31	
	Profit of the year brought from P.L. A/c.		45,796 86	
			83,138 02	
	Contingent Liabilities :			1,28,934 88
	Uncalled portion of partly paid shares of the West Bengal Cooperative Procurement Society Ltd. (in liquidation) ... ... Rs. 50 00			
19,89,50,638 94		TOTAL ...		20,06,98,838 21

Profit and Loss Account for the year ended 30th June, 1971

As on 30-6-70	EXPENDITURE		As on 30-6-70	INCOME	
Rs. P.		Rs. P.	Rs. P.		Rs. P
47,91,652 30	1. Interest on Deposits and Borrowing etc.	62,94,210 85	64,69,876 02	1. Interest and Discount	78,03,211 72
8,62,523 12	2. Salaries and Allowances and Provident Fund	10,44,026 52	46,414 14	2. Commission, Exchange & Brokerage	40,507 33
1,417 98	3. Travelling Allowances to Staff ...	2,163 95	1,178 76	3. Income from Non-Banking Assets ...	3,542 94
26,057 05	4. Directors and Local Committee members' fees and allowances ...	36,501 38	2,27,757 61	4. Other Receipts.	1,02,368 00
34,990 70	5. Rent, Taxes, Insurances, Lighting etc.	58,066 61			
7,383 05	6. Law Charges	16,700 00			
16,143 17	7. Postage, Telegram and Telephone charges	17,375 00			
4,550 00	8. Auditors' Fees.	3,800 00			
42,984 99	9. Depreciation on and repairs to property	46,539 18			
56,720 49	10. Stationery, Printing and Advertisement etc.	34,099 50			
2,62,647 90	11. Other Expenditures	3,13,008 98			
1,50,000 00	12. Provisions	—			
4,88,155 78	13. Balance of Profit	83,138 02			
67,45,226 53	TOTAL, ...	79,49,629 99	67,45,226 53	TOTAL, ...	79,49,629 99

This is the Profit and Loss Account referred to in our report of even date

2, Clive Ghat Street,
Calcutta-1
Dated the 11th December, 1971

D. BAGCHI & CO.
Chartered Accountants.

A. C. CHOWDHURY
Manager.
A. K. HAZRA
Asstt. Manager.

B. P. HAZRA
Chairman.
T. H. SENGUPTA
Secretary.

J. PANDEY
Director.
N. N. BANERJEE
Director.

THE WEST BENGAL STATE CO-OPERATIVE BANK LTD.—Cont'd.

BALANCE SHEET AS AT THE 30th JUNE, 1971—(Contd.)

As on 30-6-70	ASSETS—*Contd.*		
Rs. P.		Rs. P.	Rs. P.
16,01,66,678 11	Brought forward ...		16,21,46,114 54
8,09,924 39	**7. Interest Receivable :** Of which overdue (fully provided for) Rs. 4,52,928 37		9,20,297 99
35,25,130 19	**8. Bills Receivable** (per contra) :		28,53,318 71
	9. Branch Adjustment Account :		
15,89,849 76	**10. Premises (Less Depreciation) :**		15,58,052 76
66,336 67	**11. Furniture and Fixture :**		70,031 20
	12. Other Assets :		
63,066 50	(1) Advance recoverable	69,091 16	
21,124 32	(2) Debit Note receivable	2,080 04	
39,252 62	(3) Office Car	45,579 46	
1,974 51	(4) Printed forms and Stationery	6,183 85	
687 42	(5) Library	745 74	
3,572 99	(6) Internal Telephone line	3,215 69	
8,234 18	(7) Telephone Deposit	7,710 76	
2,405 00	(8) Security Deposit	2,575 00	
2,56,800 00	(9) Securities held in Safe Custody (per contra)	2,49,500 00	
15,20,513 92	(10) Refund of Income-Tax due (per contra)	19,32,363 10	
5,37,909 15	(11) Customers' acceptances (per contra)	4,87,781 15	
36,768 79	(12) Rent receivable	29,203 67	
	(13) Clearing Adjustment Account	37 68	
	(14) Clearing A/c.	14,545 29	
			26,50,612 59
	13. Non-Banking Assets :		
	14. Profit and Loss :		
3,03,00,410 42	**15. Assets in Pakistan :**		3,03,00,410 42
19,89,50,638 94	TOTAL ...		20,06,98,838 21

A. C. CHOWDHURY
Manager.

B. P. HAZRA
Chairman.

J. PANDEY
N. N. BANERJEE
} *Directors.*

T. H. SENGUPTA
Secretary.

A. K. HAZRA
Asstt. Manager.

AUDITORS' REPORT

We have audited the Balance Sheet of the West Bengal State Co-operative Bank Limited as at 30th June, 1971 and the Profit and Loss Account for the year ended on that date in which is incorporated the Audited Accounts of the Branches and subject to our separate report of even date we have to report that—

(i) We have obtained all the information and explanations that we required.

(ii) In our opinion the Balance Sheet and Profit and Loss Account have been drawn up in conformity with the law.

(iii) The Balance Sheet exhibits a true and correct view of the State of the Bank's affairs according to the best of our information and explanations given to us and as shown by the Books of accounts of the Bank ; and

(iv) In our opinion the Books of Accounts have been kept as required under the Act, the Rules and the Bye-laws.

2, Cliveghat Street,
Calcutta-1.
Dated the 11th December, 1971

D. BAGCHI & CO.
Chartered Accountants.

State Bank Chairman's Speech

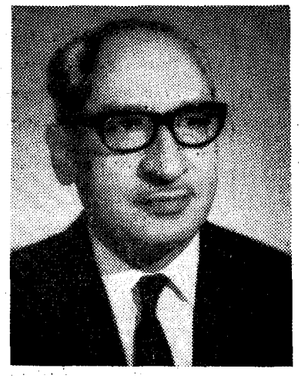
AGRICULTURAL DEVELOPMENT BRANCHES BEING OPENED

R. K. TALWAR ON NEED TO REMOVE HURDLES

Shri R. K. Talwar, Chairman, State Bank of India, has announced the Bank's programme of opening 150 Agricultural Development Branches all over the country to provide finance in accordance with the assessed needs of selected areas.

He emphasised the need to demarcate areas for development among different financial institutions so as to avoid overlapping of efforts as also the risk of over-exploitation of the ground-water potential. He also appealed to the State Governments to remove legal disabilities of commercial banks in the financing of agriculture.

In his speech at the Seventeenth Annual General Meeting of the shareholders, held in Calcutta, on Friday, the 24th March 1972, Shri Talwar said:



Shri R. K. Talwar

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the seventeenth annual general meeting of the State Bank of India, particularly because this is the first opportunity I have had—or any chairman of the Bank has had—of meting the shareholders in Calcutta. As you are aware, the first 14 annual meetings were all held in Bombay. In 1970 we broke that monopoly and convened the meeting in Ahmedabad. It is the intention of your Board of Directors that in future years these meetings should be held in different cities as often as practicable, taking into account the likely attendance of the shareholders.

On an occasion like this, when we have gathered to review our business operations during 1971, one feels impelled to refer to the significant events that culminated, as it were, in a regeneration of what is basic in our national character. We have witnessed a victory for Truth and Justice under the inspired leadership of our Prime Minister, Shrimati Indira Gandhi. The unseen hand of the Supreme guides the destiny of our nation, and, while we pay homage to those who fought and laid down their lives in the cause, we do so in the sincere hope that we shall make ourselves worthy of a much more glorious future that awaits us.

Working Results

The annual report including the balance sheet as on the 31st December 1971 and the profit and loss account for 1971 is already in your hands. I am happy to state that, as was hoped for by us last year, our working has shown better results. The profit figures for 1970 and 1971 are, however, not comparable; this is due to the fact that the bonus paid to staff, instead of being treated as an appropriation from balance of profits as in previous years, has been shown as a charge thereon. This is as it should be, because bonus is no longer an ex-gratia payment and is, in point of fact, an item of expenditure on staff, like any other.

Fall in Credit Demand

As brought out in the annual report, the deposit growth of the Bank during 1971 was higher than in the previous year while its pace of credit expansion slackened. By and large this would appear to have been true of the entire banking system. During the year the Bank improved its liquidity, as indeed it had been called upon to do during the earlier months of stringent money conditions, and the credit/deposit ratio came down. In the latter part of the year, the Bank did not suffer from any lack of resources in dealing with credit demand from the various sectors of the economy.

Small Scale Industries

Our loans to small scale industries went up during the year by Rs. 25 crores. The pace of growth was lower than in the previous year; this could be attributed to the impact on small scale industry of the decline in the growth of industrial production. There is evidence to show that the credit needs of small scale industrial units were, by and large, being met.

Employment-Oriented Lending

Our most important scheme for generating self-employment relates to the financing of technician entrepreneurs. The number of such entrepreneurs securing assistance from our organisation kept rising in 1971 at the rate of roughly one for every working day. At the end of the year, we had 807 entrepreneurs on our books with credit limits aggregating Rs. 10 crores. We know a lot more still remains to be done, and are making conscious efforts to make ourselves more useful and effective in helping young men seeking to set up their own establishments.

We have, in addition, selected 60 pilot centres throughout the country with a view to gaining first hand experience in self-employment-oriented lending for individual artisans, craftsmen, etc. We propose to so organise ourselves at these pilot centres that anyone—particularly the educated unemployed—approaching the Bank with a proposition that gives evidence of a sincere desire and effort to venture on gainful and profitable self-employment, will receive sympathetic and objective response. Creation of fresh and/or gainful employment opportunities requires a high degree of almost total planning and complete co-ordination amongst various governmental and financial agencies in any given region. Our work in the pilot centres will, we expect, receive the support needed from State authorities and help to throw up the likely impediments in productive lending and in the designing of suitable promotional measures for progressive extension of our activities in this direction to many more centres.

Financing of Agriculture

I made the point last year that commercial banks should adopt the policy of area approach in financing agriculture. As for the State Bank Group, I indicated our intention to select about 150 Intensive Centres throughout the country. We have already identified 67 of these, mainly in areas covered by the Government programmes for small farmers and other weaker sections of the rural population. Forty-six of these Centres have been cleared with the concerned State Governments; such consultations with the State Governments are essential for the sake of ensuring co-ordination with other agencies connected with agricultural development. Each of these centres is expected ultimately to cover anything upto 100 villages.

At each Intensive Centre we propose to open an Agricultural Development Branch, supported by technical and other field staff. We already have the Reserve Bank's approval for the opening of 33 Agricultural Development Branches, and 20 such branches have been opened. Outside the Intensive Centres Scheme, our programme of Village Adoption is also gaining momentum, about 2,400 villages having so far been adopted.

As each Intensive Centre is identified, the surrounding area is surveyed by our technical staff and special schemes are prepared to provide agricultural finance in accordance with the assessed needs of the cluster(s) of villages taken up for attention in the first phase. Further clusters of villages would be similarly covered in later stages. Schemes will be tailor-made to cover the special requirements of individual groups of villages; the objective will be to find out how best the Bank's credit should be invested to create surplus income for the farmers, out of which they would not only be able to repay the bank loans but also improve their living standards, and the economy of the region.

The magnitude of finance required for this purpose all over the country will be stupendous. The term loan requirements for agricultural development schemes around each Agricultural Development Branch may be well over Rs. 2 crores even on a very conservative basis. If we were to take the total requirements at one centre at even Rs. 1 crore, the total term loan requirements at the proposed 150 centres will aggregate about Rs. 150 crores, and this in addition to crop loans and finance for allied agricultural and non-agricultural activities. In view of the long-term nature of these investments we shall naturally lean heavily on the Agricultural Refinance Corporation. The importance of this lies not only in financial support that will enable us to maintain our liquidity, but, even more so, in the benefit we shall consequentially derive by subjecting our schemes to a second look at the hands of technical experts of the Agricultural Refinance Corporation. We have already submitted to the Corporation schemes involving a total outlay of well over Rs. 50 crores and approvals of these have started flowing in.

One major problem which is bedevilling our programme for opening Agricultural Development Branches relates to co-ordination with the co-operative banks and demarcation of the respective areas. Co-operatives are spread all over the country, although they have not been successful everywhere. Even in States which are well developed in this field there are gaps and inadequacies which the commercial banks can help to fill. Where co-operatives have done substantial lending, or have programmes to do so, it will be inadvisable for commercial banks to come into the picture. Elsewhere, to avoid overlapping of efforts and the risk of over-exploitation of the groundwater potential, it is necessary to identify villages, in clusters, which could form the area of operations of different institutions. Our experience, repeated over a number of places, is that although we expend much effort in identifying the areas of operations of our Agricultural Development Branches, either the State Government's clearance is not promptly forthcoming, or, if that hurdle is crossed, the co-operative land development bank is not agreeable to area demarcation. It seems to me that a high-level body at the State level—one for each State—should be formed without delay and charged with the responsibility for the much needed co-ordination in this respect and for resolution of wasteful conflicts. I venture to suggest that the Reserve Bank of India, as the apex body for agricultural credit operations throughout the country, might perhaps take the initiative in instituting these arrangements as soon as possible.

Yet another poblem in this field relates to the legal disabilities of the commercial banks. The important ones arise from (i) legal obstacles in the way of the farmers raising loans against mortgage of land; (ii) heavy stamp duty and registration fees on the creation of mortgages; (iii) cumbersome and time-consuming processes involved in the creation of mortgages; and (iv) the statutory prior charge which co-operatives enjoy over the farmers' land. The Expert Group appointed by the Reserve Bank, of which I had the privilege of being the Chairman, went into this matter in great detail and has made several recommendations with a view to removing the various legal disabilities of commercial banks in the financing of agriculture. This Group took pains to suggest a Model Bill which, if enact-

ed, would save the State Governments the labour involved in searching all the relevant current legislation and finding out what all amendments would be called for. Both the Reserve Bank of India and the Government of India have supported the recommendations of the Expert Group, and have urged the State Governments to take steps to adopt the Model Bill. I would appeal to the State Governments to give evidence of their keenness for commercial banking support to agriculturists by expediting the necessary amending legislation. Surely it is they who are concerned more than anyone else.

Expansion of Branch Network

On the expansion of our branch network, also, our record has been good. In 1970 the commercial banks opened as many as 2,137 offices, followed by another 1805 in 1971. In this two-year period, the State Bank also increased the network of its offices by 814, or by almost half as many as were in existence at the end of 1969. The Bank and also its Subsidiaries are now drawing up plans for expansion in the three-year period 1972 to 1974, for which the Reserve Bank of India has compiled a perspective plan envisaging the opening of 5,000 new offices by all commercial banks. This means opening 139 new offices a month as against the average of 149 a month from June 1969 to October 1971. The perspective plan emphasises the need for priority to the relatively under-developed or under-banked States like Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal.

There are no two opinions on the need for expansion of banking facilities at as fast a rate as possible. However, I venture to suggest that our enthusiasm in this respect has to be tempered by awareness of the realities. The pace of expansion of branches in the last two years has imposed an almost unbearable strain on trained man-power resources, and we are already faced with the reality of the lack of adequately trained personnel for jobs requiring competence of a high order. While on this subject I would like to reiterate that though we are doing all we can to expand our recruitment and training programmes and facilities, in the ultimate analysis there is no substitute for experience on the job. Preliminary training prepares staff to discharge their duties competently, but the deployment of public funds, management of men and an intelligent interpretation of developing policy do require self-confidence and maturity of judgement of an order which can only be developed over a period of actual working under guidance. Branch managers and other field staff carry heavy responsibilities and cannot be turned out in the training colleges alone.

What I wish to emphasise is that our branch expansion has been spectacular enough so far. Plans for further expansion must be well co-ordinated, so that the resultant strains are organisationally bearable, having regard to trained manpower resources in particular. We have initiated a dialogue with the authorities to this end.

Foreign Offices

You will be happy to hear that in pursuance of our efforts to maximise our foreign exchange earnings, we have upgraded our Representative Office in New York to the full status of a branch and also opened a new Representative Office in Beirut. In December I had the pleasure of inaugurating these two new offices which hold promise of new opportunities of widening and diversifying our activities in the sphere of foreign exchange business which continues to constitute a salient feature of our operations.

Reorganisation

One of the important developments which took place in the Bank last year was the reorganisation of two Circles (viz. Ahmedabad and Bombay Circles, excluding Bhopal Region) broadly on the pattern which emerged out of the study we had undertaken of our organisational structure and administrative practices. The new design was principally based on the concept of market segmentation, whereby our activities have been sought to be oriented towards meeting the different needs of different classes of customers. Such an approach, we felt, would help us in better identifying the characteristic needs of different customer-groups and providing appropriate services to meet these needs by introducing, where necessary, new schemes and facilities.

An integral part of the reorganisation scheme is the budgetary control system through which the business, incomes, costs and profits of each unit of the Bank are planned on an annual basis. The actual performance of each unit is evaluated periodically to ascertain the variation with the budgeted levels, and appropriate remedial measures initiated in time to bring the performance in line with the planned growth-levels. The system as introduced enables the Bank to plan its business growth with due regard to its available resources and the changing environment, and provides for the active participation of the operating officials in determining, along with their controlling authorities, their own unit budgets. The budgetary control system thus serves not only as a useful mechanism for linking the unit objectives with corporate objectives but also gives a sense of direction and purpose to each operating unit.

Although budgeting is not a new concept in the industrial world, its application in commercial banking is quite recent even in foreign banks. This is so because of the difficulties involved in quantifying meaningfully many of the items of banking business; these difficulties are less in the case of manufacturing concerns, where physical units of production are clearly identifiable and measurable. Because of this it was difficult for us to visualise how far the budgeting process could be made really effective. I am happy to state that our experience in two Circles has convincingly demonstrated that very encouraging response can be evoked. We feel assured that our budgetary control system holds good promise.

The experience of the working of the reorganised structure in the two Circles has helped us in refining the new design as well as systems and procedures to suit operational requirements. Based on this experience we have undertaken studies to further streamline our methods of working and the scheme of delegation of authority. We are confident that the results of these studies will assist us in improving the administrative and operational efficiency of the Bank. We plan to extend the new scheme to all the remaining Circles, including the proposed new Circles centred at Bhopal and Patna, on the new pattern with effect from the 1st July this year.

Staff Relations

In the field of staff relations, attempts were made and continue to be made to further strengthen the institutional mechanism of bipartite negotiations for resolving issues. This institutional mechanism can work only so long as there is a climate of mutual trust and a common appreciation of the issues involved. If this basic climate is provided, it would be possible to generate a problem-solving attitude, and we have experience to show that the solutions thus reached have a more lasting value. We had a programme at our Staff College in which representatives from the management and the trade unions were involved and we believe that this did, in some measure, help in throwing up evidence of common awareness for bringing about the desired climate. Sympathetic understanding among conflicting groups is an arduous process and we know we are nowhere near a perfect accord. What is heartening, however, is the positive response that we have received from our unions; this gives us confidence to intensify our joint efforts at reaching common ground in regard to basic relationships that we would like to establish.

Apart from the improvement in the mechanism of bipartite talks with the Staff Federations, we feel that the management's philosophy vis-a-vis the individual employees and their morale needs attention. We believe that our employees, as individuals capable of sustained effort in attaining the institution's objectives, are our prime resource. We have commenced a serious review of our personnel and administrative practices—recruitment, placement and promotion policies, communication channels and co-ordinating mechanisms. Our objective is to create conditions that would facilitate the full development and employment of individual talents, enabling the growth of individuals to sustain the long-term growth of this institution in the national interest.

One aspect which needs to be looked at in this context is the change in the nature of the banking tasks themselves. The concept of banking as it is now emerging, as an instrument of economic change to maximise social good, is different from what prevailed in the past. The day-to-day handling of work at the base line cannot remain static in the face of this changed concept of banking. Apart from structural changes in the organisation, there is need to review the work-structure from the cashier and clerical level up to the level of senior management. We believe that the present generation of dynamic and qualified youngsters in banking is anxious to get out of the groove of repetitive monotonous work involved in the purely accounting side of bank transactions and is looking for opportunities that lend scope for creativity and effort in keeping with individual capabilities. We in the State Bank have had ample proof of this urge in the results shown by our staff in the fields of deposit mobilisation and agricultural business. Arising from this recognition of employees' needs, I feel it is time we gave thought to re-designing the jobs at the baseline to provide more responsible and meaningful tasks to clerical and cashier staff. This change needs to be worked through the active participation of employees of all cadres and the respective Staff Federations and I voice the hope that we shall before long make constructive progress in this regard.

Local Boards

Before I close, I wish to welcome Shri Vijay M. Merchant to the Bombay Local Board and also thank Shri Mathuradas Haridas and Shri Rana Raja Yogendra Chandra, who ceased to be on the Local Boards at Bombay and New Delhi respectively during the course of the year, for their able guidance and direction.

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1. To receive and adopt the Balance Sheet as at 31 December 1971 and the Profit and Loss Account for the year ended 31 December 1971, together with the Reports of the Auditors and Directors.

2. To declare dividends.

3. (i) To appoint a Director in place of Mr. H. V. R. Iengar who retires by rotation under Article 117 of the Company's Articles of Association and, being eligible, offers himself for re-appointment.

   (ii) To appoint a Director in place of Mr. J. B. Leslie who retires by rotation under Article 117 of the Company's Articles of Association and, being eligible, offers himself for re-appointment.

   (iii) To appoint a Director in place of Mr. D. D. Mackay who retires by rotation under Article 117 of the Company's Articles of Association and, being eligible, offers himself for re-appointment.

   (iv) To appoint a Director in place of Mr. S. K. Mullick who retires by rotation under Article 117 of the Company's Articles of Association and, being eligible, offers himself for re-appointment.

4. To appoint Auditors and to fix their remuneration.

The Register of Members and the Share Transfer Registers of the Company will remain closed from 6 April to 26 April 1972, both days inclusive.

Payment of any dividend declared will be made only to those members whose names are registered in the books of the Company on 26 April 1972, or to their mandataries. No application for dividend warrants will be necessary. Claims on behalf of holders of shares held on blank transfers will not be entertained.

Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.

By Order of the Board
T. D. SINHA
Director & Secretary

7 February 1972

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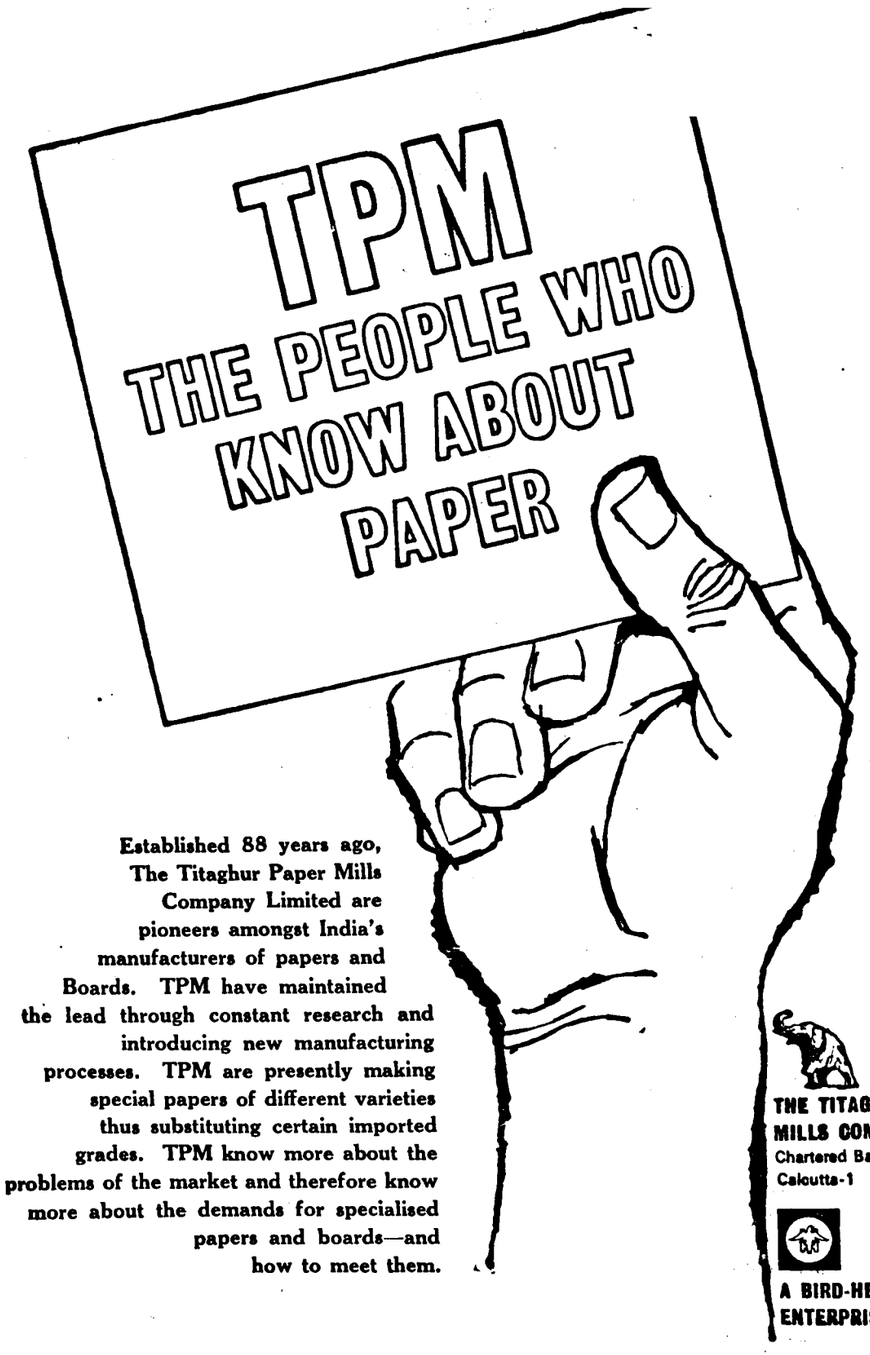

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New Approach to Planning

LAST week's discussion in Parliament on the mid-term appraisal of the Fourth Plan was noteworthy for the clear enunciation of a new approach to planning by the Central Minister for Planning, Mr. C. Subramaniam. Basically, the social and economic objectives set out by him for achievement in the Fifth Plan period are the same as before, with only a shift in emphasis here and there. Growth with social justice was the keystone of the present Plan as well, although in terms of concrete achievement, the shortfalls are far too many. The mid-term appraisal has identified the areas of failure and inadequate progress and outlined the kind of remedial action that needs to be taken in the remaining years of the Plan period.

Evidence of the Planning Commission's intent to correct the imbalances and make good the shortfalls in key sectors is to be seen in the Annual Plan document for 1972-73, which was presented to Parliament recently. This is perhaps the first time that the Annual Plan has been finalised in time and released to the public right at the beginning of the Plan year. The Plan for 1972-73 merits more than the usual perusal because of the beginning it marks in the new approach to planning. The overall size of the Plan for the current year has been fixed at Rs. 3,973 crores, representing an increase of Rs. 815 crores over the Plan outlay for 1971-72. The outlay for Central and Centrally-sponsored schemes alone has been raised from Rs. 1,701 crores last year to Rs. 2,307 crores this year, showing a 36 per cent increase. For the States and Union Territories, the step-up in outlay is of the order of Rs. 209 crores over the provision of Rs. 1,457 crores last year. This represents an increase of 14 per cent.

What is significant is not the mere increase in financial outlays but the special attention that is proposed to be given to correcting the shortfalls noticed in the mid-term appraisal and the emphasis that is placed on self-reliance and social justice. Special programmes have been included in the Annual Plan for augmenting the production of raw cotton, jute and oilseeds, which together account for about 40 per cent of the country's trade deficit. Similarly, programmes have been drawn up for raising the capacity utilisation in the steel and fertiliser industries, for expediting the completion of expansion schemes and for installing new capacities.

The Annual Plan also envisages modernisation of export-oriented traditional industries like jute and cotton textiles as part of the self-reliance programme. The Commission naturally expects that this large increase in Plan expenditure will provide substantial and all-round stimulus to the economy. Past experience has, however, shown that the increase in economic activity has not always been commensurate with the step-up in expenditure because of the sharp rise in prices. Furthermore, while financial targets have often been achieved in several cases, the physical targets have remained unfulfilled for the same reason. Therefore, it seems idle to expect any vast improvement in economic activity unless the increased investment is backed by firm measures to keep the price level under control.

In his reply to the debate in Parliament on the mid-term appraisal, Mr. Subramaniam touched on this ticklish point briefly and indicated that the public distribution system would have to be streamlined to ensure that the prices of essential commodities did not rise sharply. But that alone will not help unless the pricing policies of the Government are also attuned to achieve the same objective. Judging from the volume of growing opposition to the recommendation of the Agricultural Prices Commission for reducing the procurement price of wheat, it is obvious that unless the

Governments, both at the Centre and in the States, muster courage to take "unpopular" decisions, no lasting remedy for the price situation can be found.

Mr. Subramaniam also took the opportunity to spell out the major objectives of the Fifth Plan and the approach that should guide its formulation. Eradication of poverty, introduction of radical land reforms, orientation of growth and production to the benefit of the weaker sections, restrictions on conspicuous and ostentatious consumption and structural changes in labour-management relations were listed as the prime objectives of the new approach. In a sense, the objectives themselves are nothing very new except that they have been couched in new phrases. Every Plan had given expression to these objectives in some form or the other and at the end of each Plan period it was painfully noticed that the actual achievement had been far less than what had been aimed at.

The objectives are, no doubt, unexceptionable just as the past professions were. The sincerity of the Government will be judged not by the words written into the approach paper on the Fifth Plan but by what is done after the formulation of the Plan. To a limited extent, the Annual Plan itself will provide the Government an opportunity to demonstrate its *bona fides* and show to the people that it means what it says. Eradication of poverty, for example, will have to be the prime objective not only of the Fifth Plan but of many subsequent Plans as well. But if there is even some marginal improvement in the living conditions of the people and if every person can hope to have some means of livelihood, a decent shelter and adequate clothing, then the programme can be said to have made an impact on the economy as a whole. Mr. Subramaniam deserves credit for taking an integrated view of the economy and for evolving solutions that require to be worked out in close co-ordination with one another.

For instance, any step for eradicating poverty must be accompanied by a well-thought-out programme for augmenting the production of items of mass consumption. Industry will have to be reoriented for this purpose along with the measures taken to curb ostentatious consumption and promote social welfare. Similarly, the imposition of lower land ceilings will have to be followed by measures to raise the yield an acre, especially of commercial crops. Even on the question of labour relations, the Planning Minister does not subscribe to the popular view that a moratorium on strikes is the right solution. It may provide some temporary relief but any lasting solution to the problem of labour relations will have to be found by making structural changes. He did not elaborate on what he had in mind, but evidently he means greater participation of labour in management at all levels when he talks of structural changes.

The overall approach seems sensible and sound. The same had been said of the approach to the previous Plans as well. The lag has always been in implementation and it is here that greater attention needs to be given. The existing machinery for programme evaluation in the Planning Commission is weak and inept. There is no system of proper feedback from the projects to the Commission. The Central Ministries have also failed in their duty to keep the Commission fully posted with the progress in respect of projects under their charge. Unless these deficiencies are made good, the gap between profession and performance will continue to remain wide, in spite of the new and bold approach that Mr. Subramaniam has evolved after considerable deliberation. It is for the Economic Policy Committee of the Cabinet to give thought to this question and decide on measures that need to be taken to streamline the administration in general and Plan implementation in particular.

Dynamism in the S.T.C.

AFTER three years of a new style of management, the State Trading Corporation of India Ltd (S.T.C.) has made, to quote its chairman, Mr. Prakash Tandon, "gratifying progress" in 1971-72. The financial year that has just ended—provisional results for which have already been announced—shows that the new management style has paid rich dividends. The S.T.C. group's profits are up by 123.6 per cent (from Rs. 7.2 crores in 1970-71 to Rs. 16.1 crores); exports have risen by 31 per cent (from Rs. 74.1 crores to Rs. 96.8 crores); imports have increased by 43.3 per cent (from Rs. 154 crores to Rs. 220.7 crores); but expenditure has declined by 4.7 per cent (from Rs. 6.4 crores to Rs. 6.1 crores).

A major part of the S.T.C. group's profit of Rs. 16 crores last year, as Mr. Tandon agrees, has come from imports. This accounts for the 124 per cent increase in the S.T.C.'s profits last year, compared with the previous year, as during the period imports rose from Rs. 154 crores to Rs. 220 crores. Although the S.T.C. expects a marginal increase in imports this year (estimated to total Rs. 237 crores), it does not expect its profits to rise. In fact it is estimated that profits will be only of the order of Rs. 11 crores from this year's operations. With the suspension of P.L.-480 funds, some of the S.T.C.'s staple lines of imports like tallow, soyabean oil and some industrial raw materials—which incidentally are its most profitable lines—may not amount to much this year. But as against this reduction, the Corporation may get a share of the new items that have been canalised in this year's import policy. Therefore, the mainstay of the S.T.C.'s profitability will continue to be its imports, although among its exports the Corporation hopes to make a small profit in leather and leather goods.

One of the main achievements of the S.T.C. in recent years has been its cash and cost management. Its expenditure which used to rise at the rate of 21 per cent fell by 4.7 per cent last year. This is despite the normal inflationary escalation and the additional cost in opening new foreign offices. Moreover, the Corporation had to undertake buffer-stock operations in oils and rubber. A notable innovation was the switching of surplus funds within the group—transferring surplus from one corporation to another to ensure maximum utilisation of available resources and minimise interest payments. Other public-sector corporations might usefully emulate the cash management of the S.T.C. As for costs, four years ago, on a turnover of Rs. 141 crores, the S.T.C. employed Rs. 67 crores in stocks and debtors. In 1971-72, it employed only Rs. 60 crores in stocks and debtors on a total turnover of Rs. 328 crores. The ratio between capital employed and turnover is expected to come down further during this year. This also saves considerable amount of interest. Apart from looking after imports of certain canalised items, another objective in setting up the S.T.C. was to be of service to the small-scale sector. Here the S.T.C. has taken a step in the right direction. To involve itself with the problems of small units, the Corporation has decided in principle to invest in the equity capital of the State Small Industries Corporations in Maharashtra and Gujarat.

The S.T.C. has launched an intensive export drive in a new area—Latin America. A team led by Mr. P. Sahai, chairman of the Projects and Equipment Corporation of India Limited—a S.T.C. subsidiary—recently explored this market. The main problem with the Indo-Latin American trade is the absence of a direct shipping line. The Shipping Corporation of India had not so far given serious thought to developing this route. Trade has been waiting for a shipping service and the latter is keen that trade should develop first so that a shipping service becomes profitable. The S.T.C. team has helped to break this puzzling circle. There is now a possibility of either a direct service or a transhipment service between India and Latin America starting in the near future, with India and a couple of South American countries participating in the venture. Tradewise, the team found that some of the countries in the region—like Brazil and Argentina—were willing to take capital goods from India and also willing to supply goods in return, like fishing trawlers.

The S.T.C. has discovered in the last few years' of its operation that one of its charming principles has not worked well—the use of its enormous buying strength to export more. As a result, its import and export operations will be conducted separately in future. This does not mean that a team exploring foreign markets for new or existing lines of export will not discuss imports at all. But broadly speaking, exports and imports will be handled separately. A new responsibility for the S.T.C. this year will be trade with Bangladesh. The extent of the Corporation's share in this trade is yet to be determined, but in general it is expected to handle items like newsprint which are already canalised through it. To keep itself ready to handle trade with Bangladesh, the S.T.C. has already set up a separate department.

The Dialectics of Mr. Bhutto

FOR the first time since the Tashkent conference, India and Pakistan find themselves in reversed rôles. After the war in 1965 India has been persistently pleading with Pakistan to normalise relations to prepare the climate for a peaceful settlement of the Kashmir issue. But Pakistan insisted on discussing Kashmir first to the virtual exclusion of all other issues and thus allowed the tension between the two countries to persist. Pakistan's objective was obvious. It was to maintain a hostile posture towards India and start another war as soon as possible with the help of China and the U.S.A. to wrest Kashmir from India by force. This policy was bound to fail. But it was not until the military rulers of Pakistan tasted the bitter fruit of defeat that they realised their folly but then it was too late.

The new President of Pakistan, Mr. Zulfiqar Ali Bhutto, is sounding a new note and trying to appear reasonable. He is now asking India to proceed step by step towards the settlement of the Kashmir issue and begin by normalising relations in other fields such as the return of the prisoners of war, resumption of trade and communications and restoration of diplomatic ties. But anyone who knows Pakistan and Mr. Bhutto should have no difficulty in seeing that such a course would be suicidal for India for many reasons. In the first place, Mr. Bhutto is clearly speaking under duress and there is no commitment whatsoever on his part to be reasonable once he is out of his present predicament. While asking India to return the P.O.W.s he has not even cared to enunciate the principles under which he would like to discuss the Kashmir issue. There is no indication that he has changed his stand from what it was when he advised President Ayub Khan to attack India in 1965. There is no suggestion yet that he acknowledges the realities of the situation in Kashmir.

One must regretfully remember that it was Mr. Bhutto who, not only incited the war seven years ago but also stoutly denounced the Tashkent agreement as "an act of surrender" by President Ayub Khan. He had also sabotaged all efforts of his predecessor, General Yahya Khan, and Sheikh Mujibur Rahman for a peaceful settlement of East Bengal's demand for autonomy. It was Mr. Bhutto's intransigence and hard-line policy which, more than anything else, led to the disintegration of Pakistan. It was Mr. Bhutto again who only a few months ago talked of a "thousand-year war" with India. And finally, even now, despite the pressures under which he is operating, Mr. Bhutto continues to queer the pitch for another confrontation with India by harping on the theme of "self-determination". India should remember that Pakistan has the habit of raking up the Kashmir issue at moments that are most critical for India in one way or the other. Thus when this country was betrayed by the Chinese in 1962, Pakistan baulked all efforts of it to get adequate aid from the U.S.A. and the U.K. Britain has since corrected its posture but the U.S.A. has become even more indulgent towards Islamabad.

Mr. Bhutto has been contradicting himself so frequently during the last few weeks that it is impossible to take him at his word even if one tried to be charitable to him. He talks of letting the Kashmiris fight for their own rights (without help from Pakistan) on one occasion and then goes back upon it and claims that Kashmir is a "basic" issue between India and Pakistan. Well, if it is basic let this be thrashed out first. One may well ask, if Mr. Bhutto's intentions are entirely peaceful, why is he rearming Pakistan with such feverish haste? Why has he imported tanks, planes, heavy armour, guns, missiles and other weapons enough to equip two full divisions within the short space of three months since the war? What is he aiming at? How, in the face of such frantic war preparation, can India be sure that he would not mount another offensive against this country with the help of his friends soon after he is ready and has got back his 90,000 soldiers and officers? India would be running a grave risk and endangering its own security if it released these men, who are fully trained and have given a convincing proof of their brutal intent in Bangladesh, until it is fully satisfied that Pakistan will not attack again in the foreseeable future. India is not obliged to release the prisoners under any convention as long as the hostility and the state of emergency continues in both countries. Technically, the two countries are still in a state of war.

Mr. Bhutto should know that the P.O.W.s are the only leverage India has to bring pressure upon Pakistan to see reason. Pakistan is still in a state of trauma. It is suffering from a fear psychosis and sees danger in every move of India. There is every possibility that it may take a rash step out of false fears, especially when it has obliging friends like the Chinese. The country should be allowed to regain its composure before the prisoners are returned. Moreover, the international implications of the Indo-Pakistani situation have to be carefully studied. Whatever Pakistan might say Bangladesh is now an acknowledged reality and, therefore, very much a party to the issue. Its sentiment and just demand for trial of the prisoners who are guilty of the worst crime against humanity cannot be wished away.

Closely linked to the entire issue are the global tensions between the Big Powers. If Pakistan's friends are bent upon creating tension in this region, mere assertions of friendship by Mr. Bhutto would not do. In the present fluid state of Pakistani politics, Mr. Bhutto is a dispensable commodity. It is not yet clear whose tune Mr. Bhutto is playing. The hidden hands behind the present regime in Pakistan are not all within the country. India must clearly understand the powers, internal and external, behind the throne in Pakistan before talking to Mr. Bhutto. Mrs. Gandhi has done well to take a firm line on the issue of war prisoners. It is quite clear that Mr. Bhutto is still playing the game with the cards close to his chest, although he claims that they are on the table for any one to see.

C.M.D.A. : Progress Achieved

BREAKING long years of inertia and neglect and promises that were never kept, Calcutta is finally making an effort to save itself from slow extinction. But as the latest progress report of the Calcutta Metropolitan Development Authority makes it amply clear, this is a much more difficult task than it is normally imagined. Now on its twentieth month of existence, the C.M.D.A. has already given enough evidence that it means business. And while the citizens will have to wait for some time more before the schemes start bearing results, they at least have the satisfaction of seeing boards like "Caution: Men at Work" and piles of earth round long, deep trenches where new pipes are being laid. In the grey hopelessness of the city's future, these sights bring the happy tidings of better days that should have come much earlier.

After a rather slow start, which under the circumstances was not perhaps entirely inexplicable, the C.M.D.A. has markedly stepped up its activities during the last few months. Till December last year, it had spent in fact even less than half of the Rs. 40 crores earmarked for the 1971-72 fiscal year. But helped by a last-minute spurt, it was able to use up the entire amount allotted for the year, which in itself, as a spokesman of the C.M.D.A. has pointed out, is a record for the organisation. For the new year, the budget is Rs. 59 crores. An outlay of this order, together with many special schemes, either finalised or proposed, both within and outside the Plan, should generate considerable growth momentum and thus benefit industrial revival in the State.

At present, the C.M.D.A. has 116 on-going projects on hand, operated by 54 agencies. Obviously, the Authority is in a hurry, and this is as it should be. With every passing day, not only do the problems become more complicated but the costs rise. The only thing to be hoped is that it has the necessary administrative infrastructure to cope with this amount of business. The Central and the State Governments and the C.M.D.A. itself have devised evaluation systems to see to it that the speed of implementation is kept to the schedule. On the whole, the C.M.D.A.'s performance so far has been commendable, although there is perhaps room for greater alacrity in matters like the appointment of executing agencies or the finalisation of tenders. With developing expertise, the C.M.D.A. is expected to improve its performance.

A lot of time has naturally been taken up in locating the basic problems and in laying down the broad approach to be followed for tackling them. The C.M.D.A.'s latest report indicates that much of the task has already been completed. Take drainage, for instance. At present, the underground network of pipes serves the dual function of carrying domestic wastes and storm water. But the systems, designed over 80 years ago to drain ¾" of rainfall an hour, were intended for a population of only 1.5 million. The C.M.D.A. has accordingly drawn up about 50 projects in this sector, including those for improving outfalls, augmenting capacity of pumping stations, expanding networks and diverting drainage flow into the Hooghly. Some of the other projects deal with sewerage facilities and drainage in other basins in the Metropolitan District.

Similarly, on slum improvement, the C.M.D.A. has set a time-bound programme, part of which has already been implemented. Work is in progress in over 270 clusters, each of them comprising five or six bustees with a population of 20,000 or 25,000. Coming to individual items of the programme, out of a target of 22,900 sanitary latrines, 4,925 had been completed by January this year and 3,186 were in progress. Sewer lines were to be laid over 179,448 metres, of which 63,860 metres had been completed and work was going on another 1,335 metres. The target for open drains is 200,000 metres, of which 21,000 metres had been completed and another 20,500 metres are nearing completion. But more than these individual programmes, what is impressive about the C.M.D.A. is the totality of efforts it is making to build a better Calcutta. Besides water supply, drainage and sewerage, traffic and transportation, environmental hygiene and garbage disposal, housing and area development and special projects covering primary schools, health facilities and parks, playgrounds and recreation facilities are all getting their fair share of attention and resources from the C.M.D.A.

But the fact has to be faced that although it is important to fill the existing gaps in civic amenities, these programmes are not enough. Calcutta's population is rising fast, as the 1971 census findings indicate, and unless there is a marked swing towards dispersal, the city's demographic load is bound to rise in the coming years. This needs advance planning and the time for it is now. Secondly, there is a feeling in some quarters that the gestation period for some of the projects can perhaps be reduced. This is dependent on many factors, but in view of the fact that work in many of the schemes has to suffer during the monsoon months, the implementation machinery must run at top gear for the rest of the year. Thirdly, the difficulties the C.M.D.A. has been experiencing in getting raw materials should be sorted out ; one particular area has been the non-availability of wagons during part of last year, causing dislocation in the work schedule due to late arrivals of essential inputs. Such a situation does not conform with the top priority New Delhi has been according to the task of Calcutta's improvement. It should also be worth while to explore once more if the C.M.D.A. can cut down the number of agencies engaged for various programmes. Except for some of the specialised units like the transport bodies entrusted with specialised work, the rest of the programmes can possibly be left to be handled by a few integrated agencies. This, it is believed, would help in better co-ordination between the different agencies and also make it easier to evaluate their performance, and to take necessary action when there is a shortfall.

Reforming the Electoral System

THE reform of the electoral system in the country has been long overdue. Successive elections have shown how the ruling Congress with less than a total majority vote, both at the national and State levels, has been able to return to the Lok Sabha and the State Assemblies with big majorities. In the recent elections, for instance, with more than 30 per cent of the votes, the Jana Sangh has been able to get only five of the 56 seats in the Metropolitan Council in Delhi. In the last mid-term poll to the Lok Sabha, the Congress (O), which obtained nearly 35 per cent of the total votes in Tamil Nadu, could get only one seat. Such anomalies have always been there and that is why there has been a clamour for the introduction of proportional representation as is the case in West Germany. This question, in fact, was considered by the Constituent Assembly but it decided on the present pattern of elections.

Apart from this, there are many features in the election law which should be changed but for one reason or the other, this has not been done. The Chief Election Commissioner, Mr. S. P. Sen-Varma, submitted more than two years ago a comprehensive Bill to make changes in the system, but the Government completely ignored his suggestions. The result was that the recent elections to State Assemblies were held on the basis of the rolls finalised on 1st January, 1971. The Chief Election Commissioner had urged a new system by which the electoral rolls could be kept up-to-date, but the Government did not bother to accept the proposal. The same fate overtook many of his other recommendations.

But, in the meantime, a joint committee of Members of Parliament has examined the election law and has made a number of suggestions which are of great import. The first recommendation of importance is that the voting age should be reduced from 21 to 18. This looks reasonable at first sight but when it is understood that even at 21, there are nearly 300 million voters in the country, one could realise how complicated elections would become if the voters increase by another 10 million or so. This is one reason why the Election Commission did not show much enthusiasm for this proposal when it was first made in certain quarters. The reason given by the committee is that for all purposes of law, persons above 18 are regarded as adults and, therefore, there is no reason why they should not be allowed to vote. The second difficulty would be the large number of additional polling booths that would be necessary if the number of voters increases. Thirdly, there would be a bigger need to get the proper personnel to man the booths, —a task which is found very difficult even as it is.

Another subject considered by the committee was the one relating to election expenses. It is a well-known fact that elections in the country are becoming more and more expensive and only those with the capacity to mobilise large resources can fight elections. No doubt, the law has prescribed certain maximum limits which a candidate's election expenditure should not exceed. But it is also a fact that the actual expenses incurred are often much more than the permissible amount. Therefore, the question is often asked as to why there should be a limit at all. The law in this regard is clearly inadequate to counter the ingenuity of a candidate in circumventing its provisions.

It has also been argued that since election expenses are growing, it should be the duty of the State to bear the expenses in the interest of parliamentary democracy. This will ensure that candidates who are not backed by huge resources but are extremely desirable would find it easy to contest the elections. The committee has also said that a process should be initiated whereby the burden of legitimate election expenses—at present borne by a candidate or a political party—would be progressively shifted to the State. However, it was not in favour of removing the limit to election expenditure since such a step would aggravate the evil of overspending and the corrupt influence of money in politics. It would also eliminate men of moderate means from contesting an election. The committee has said that in almost all countries where a representative form of Government prevails, provisions as to election expenses have been made and, therefore, it has favoured the continuance of the existing legal provisions providing for restrictions on election expenses.

While recommending that the ceiling on election expenditure should continue to be operative, the committee has said that the upper limit of such expenditure should vary not only from State to State but even from region to region. The upper limit should further be suitably raised when elections to the Assemblies and the Lok Sabha are held separately. The committee has also favoured the recommendation made by the Election Commission that a sum of Rs. 250 for State Assembly elections and Rs. 500 for Lok Sabha elections paid by a candidate to his political party under the party rules should be excluded fom the maximum expenses permitted to be incurred by the candidate.

But the most important part of the recommendations of the committee relates to corrupt practices. The committee was seized of a maior problem in this connection—the problem of consequences flowing from the commission of corrupt practices

enumerated in the Representation of Peoples Act. Under this Act, there is no distinction between corrupt practices and illegal practices. Such a distinction existed when the Act was first passed, but in 1957 on the recommendation of a Select Committee of Parliament such distinction was abolished so that there were only corrupt practices. The disqualification attached to such corrupt practices was for six years. After examining the position, the committee has said that this has the effect of putting persons guilty of serious corrupt practices and those guilty of less serious corrupt practices on an equal footing. The committee has, therefore, recommended that there should be two groups of offences—corrupt practices and illegal practices. The commission of either a corrupt practice or an illegal practice should result in an election being set aside. However, for purposes of disqualification in the case of a corrupt practice for being a member of Parliament or State legislature, the period of disqualification should be for six years and in the case of illegal practice, the period of disqualification may extend up to six years, subject to a minimum of two years.

This is a far-reaching recommendation. Among the illegal practices are carrying of voters in the vehicles of candidates or their agents and incurring election expenses in excess of the permissible maximum. At present, these are also included under corrupt practices and a six-year disqualification is incurred by those found guilty of committing them. Whatever be the merits or otherwise of the suggestion made by the committee, it is not clear whether such a distinction at this stage would be desirable. The committee has also suggested that all those who had incurred a disqualification by committing a corrupt practice under the present Act but which is only an illegal pactice under the new proposal should be given general amnesty as it were. No reasons have been adduced for this, and it is not clear why retrospective effect should be given to this proposal. This is a matter which requires more serious consideration.

CURRENT COMMENT

IMPORT POLICY

Bold Approach

The Calcutta Import and Export Trade Association (C.I.E.T.A.) has commented that the import policy announcement was in tune with the boldness in formulating policies recently displayed by the Government. Contrary to general expectations of severe cuts in imports necessitated by the recent war and the uncertainties of aid, the Government had announced an export-oriented import policy which should help in increasing production as well as exports. The continuance of need-based import licensing, the special measure to provide additional allocation of foreign exchange to closed units in West Bengal for recommencing production and the special provision for allotment of additional raw materials to selected industries over and above their past consumption are steps in the right direction. Mr. D. K. Chaudhuri, chairman of the Association, in a Press note has stated that from the time of the issue of an import licence till goods are produced out of such imports, there is a lead time of six or eight months and if industries are, therefore, to benefit from this liberalisation, they must know immediately how to proceed for claiming additional foreign exchange.

The C.I.E.T.A. has welcomed the special provisions that priority industries can now claim additional foreign exchange in excess of their consumption provided they can prove that through increased output, there will be a saving in foreign exchange in excess of 50 per cent of the value of their claim. But it is considered that this facility should perhaps be extended to others also. There may be many other areas where valuable foreign exchange can be saved through expenditure on raw materials for local fabrication instead of importing finished goods. The C.I.E.T.A. has also recommended a fresh review of the classification of priority and non-priority industries because the country's economy has undergone a substantial change since the list was first prepared.

The C.I.E.T.A. is disappointed that the import policy is not specific about trade with Bangladesh or with rupee-currency areas. The expectation that the services of the export houses may be utilised for promoting barter trade has also been belied. However, the C.I.E.T.A. in welcoming the extension of the criteria for determining the eligibility for export houses to claim initial import licences, has cautioned that the Government should be careful not to create a large number of export houses, leading to intra-competition, as a result of which the overall advantage to the country may be lost. The C.I.E.T.A. is also apprehensive that the relaxation provided to export houses for including indirect exports made by them for grant of eligibility certificate may prove deceptive. The export obligation of 5 per cent, the preferential treatment to industries exporting more than 10 per cent or 25 per cent are old features but the C.I.E.T.A. suggests better results could be achieved by making specific announcements regarding the nature and extent of preference that will be given to industries exporting higher percentages and also by applying the principle of sliding scale on the carrot and stick policy for exports.

While the C.I.E.T.A. appreciates the need for banning and curtailing of items to meet the objectives of self-reliance, it is suggested that there should be flexibility for reconsideration wherever genuine proof of non-availability is furnished. Mr. Chaudhuri is, however, critical of the arbitrary manner in which spare part imports have been slashed down. Not only the quantum of foreign exchange allocation for spare parts has been reduced but also the flexibility of importing spare parts against raw material licences has been badly affected. It is apprehended this is bound to have a deterimental effect on industrial production.

While the canalisation of 56 more items through public agencies is the logical extension of the Government's policy in this area, the C.I.E.T.A. considers that, without affecting the national objective, much of the difficulties recently experienced by several industries through sudden canalisation of imports could have been avoided. If the C.I.E.T.A.'s suggestion was accepted that industry be allowed direct imports for an interim period of six months from the date of announcement of the policy, industry would not be starved of essential materials during the lead time Governmental agencies take in effecting imports. The C.I.E.T.A. also considers that a minimum value be set for canalising items and direct imports be permitteed below this limit. The transfer of some of the items, hitherto handled by the I.R.M.A.C., to the S.T.C. confirms that the I.R.M.A.C. operates as the S.T.C.'s "Trojan Horse" to get into the market and bulid up the potentials for future canalisation. The C.I.E.T.A. has welcomed the setting up of a steel bank as well as a special committee for steel, the special facilities offered for Indians returning from or residing abroad and the facilities offered for importing of testing or packing equipment.

SHIPBUILDING

Record Tonnage

With a total tonnage of 24,859,701 tons gross launched during 1971, or 3,170,188 tons more than in 1970, the past year set an all-time record for the sixth year in succession, according to *Lloyd's Register. Annual Summary of Merchant Ships Launched during 1971.* Japan continued to lead the rest of the shipbuilding nations with another outstanding performance (almost 12 million tons), representing 48.2 per cent of the world total. Sweden retained second position with 7.4 per cent; West Germany remained third with 6.6 per cent and Britain and Northern Ireland fourth with almost 5 per cent. No returns were available for Russia and China.

In the table showing ships launched during 1971 according to principal types, India has no entry under either oil tankers or bulk carriers. Under general cargo, one ship, with a tonnage of 9,850 tons gross and five ships of miscellaneous category of 8,984 tons gross, have been registered. The total tonnage launched by India during the year was 14,384 tons gross through six ships against the world figures of 24,859,701 tons gross and 2,645 ships, respectively. During the year, India completed four ships with a total of 20,601 tons gross, against seven ships of 20,208 tons gross in 1970.

FLOUR MILLS

Wheat Council Welcomed

The Calcutta Flour Mills Association (C.F.M.A.) has welcomed the setting up of the National Wheat and Wheat Products Development Council, with the Central Minister of State for Agriculture, Mr. A. P. Shinde, as its first chairman. It will be recalled that at the annual meeting of the Association held some time ago, Mr. Santanu Chaudhuri, the outgoing chairman, had stressed the need for setting up some such body charged with the responsibility of developing a national wheat policy. The C.F.M.A. has urged that the Council should be broad-based to represent, apart from Government interests, organised opinion in the agricultural sector, trade and industry. The Council, while considering the current levels of consumption of wheat and wheat products in the country and formulating measures to increase them, should also embrace functions such as improving the quality of wheat products in the country, introducing a dynamism in the marketing of wheat and wheat products, innovating new uses for wheat and also increasing its nutritional contents. Mr. A. N. Dutta, chairman of the Association, has stated that while a lot of good work was individually being done in these areas, the setting up of the Wheat Development Council will serve to co-ordinate these efforts for the benefit of Indian economy. The C.F.M.A. is hopeful that the problems of wheat deficit States, such as West Bengal, will receive special consideration from the Council.

WATER SUPPLY

A World Bank Study

Urban communities of any size that have inadequate piped water and sewerage cannot survive, and the widespread existence of such an inadequacy can seriously compromise national development prospects, a World Bank publication warns. The publication, a sector paper on water supply and sewerage, adds that problems in coming up with adequate water supply and sewerage systems in the developing countries are not inevitable, but that improvements are often hindered by the "negative bias" displayed by many Governments towards the development of that important public utility. The bias, the paper states, is due in great measure to a lack of comprehensive measurement of benefits in the sector. Lending by the World Bank group in this sector began only in 1961, and since that time has accounted for but 2.6 per cent of all lending by the Bank and its soft-loan affiliate, the International Development Association. The paper adds that Bank and I.D.A. activities in financing projects in the water supply and sewerage sector are expected to increase sharply in the 'seventies. Looking back over its ten-year experience in lending assistance to water supply and sewerage projects—30 loans and credits for $591.8 million—the paper suggests that the most important lesson learned to date has been that "lending is more difficult than expected."

BANGLADESH

British Aid

Britain has recently sent a large quantity of relief supplies for Bangladesh. Announcing this in London a few days ago, the Overseas Development Administration of the Foreign and Commonwealth Office said that the items formed part of the £3 million relief aid which Britain had pledged to Bangladesh. Of this, £1 million in cash has been given to the United Nations and £200,000 to the International Committee of the Red Cross. The balance is being used to provide British relief goods as requested by the Bangladseh Government. Apart from the relief aid, the British Government had signed two interest-free loan agreements with the Government of Bangladesh in February, together providing over £48 million.

EMPLOYMENT

Agro-service Centres

A National Seminar on Agro-Services, organised by the National Alliance of Young Entrepreneurs in collaboration with the Central Ministry of Agriculture, was held in New Delhi on 24th and 25th July, 1971. The objectives of the seminar were to carry forward the "green revolution" and to open up new employment opportunities for the educated unemployed. A report has now been published containing the papers discussed by the working groups and the addresses delivered at the inaugural and concluding sessions. The seminar put forward many useful suggestions for organising agro-service centres on scientific lines. The rapid increase in the use of tractors, pumps, mechanical threshers and other machines, not to speak of community radios, transistors and other personal gadgetry, has created a demand for easily available repair and maintenance facilities on a wide scale. The proposed agro-service centres can perform a valu-

able function provided they are suitably staffed and have the requisite managerial competence. The seminar laid a good deal of emphasis on a careful selection of entrepreneurs who, after training, could be encouraged to set up these centres. It also highlighted the need to ensure the supply of various farm inputs to agro-service centres and made specific recommendations with regard to credit and financing procedures.

EMPLOYERS' ASSOCIATIONS

Need for Co-ordination

Addressing the annual general meeting of the Employers' Federation of Southern India in Madras a few days ago, Mr. S. N. Lal, chairman, said that with the greater emphasis on collective bargaining and joint consultation at industry and national levels, there should be greater co-ordination and co-operation between employers. They can ill afford to plough their lonely furrows any more. They should freely exchange information, take counsel and strive to achieve consensus among themselves. He suggested that industrial associations and the employers' federation at the regional and central levels should be strengthened with adequate resources so that they would be fully equipped with all the information and the expertise to participate effectively in the tripartite discussions. At the unit level also, new management skills, particularly in the art of negotiations, will have to be developed.

COTTON

Bank Advances Liberalised

The Reserve Bank of India has effected certain relaxations in the existing framework of control over bank advances against cotton and *kapas*. The specified periods of consumption of raw cotton by textile mills, in respect of which minimum margins are prescribed by the Reserve Bank, have been extended by four weeks in all cases. The minimum margins on new crop cotton and *kapas* (marketed from 1st October, 1971, onwards) in respect of parties other than cotton mills have been reduced by 10 per cent. Accordingly, the minimum margin for cotton marketed from 1st October, 1971 to 31st January, 1972, will be 50 per cent for the period up to 31st May, 1972, and 60 per cent thereafter. In respect of the new crop cotton marketed from 1st February, 1972 to 31st May, 1972, the minimum margin will be 40 per cent up to 31st May, 1972, 50 per cent for the following four-month period and 60 per cent thereafter. In the case of new crop cotton marketed from June 1972 up to the end of September 1972, the minimum margin will be 40 per cent for that period, 50 per cent for the following four-month period and 60 per cent thereafter. The minimum margin in respect of advances against stocks of long-staple varieties of cotton grown in India has been reduced from 40 per cent to 25 per cent. As for ceiling restrictions on credit limits granted by banks to parties other than cotton mills against security of cotton and *kapas*, the Reserve Bank has advised banks that the level of credit during each four-month period commencing from 1st February, 1972, would be equivalent to the peak level of credit maintained by a party with the bank in the corresponding four-month period during the cotton season, October 1970-September 1971. All the other existing exemptions or concessions continue to remain in force. These changes will be effective till 30th June, 1972, when the position will be further reviewd.

MONEY MARKET

Easier Trend

The short-term money market has been fairly easy this past week. The call rate fluctuated between 5 per cent and 4½ per cent. The market closed with the rate being quoted at 4½ per cent. The demand for remittances has been nominal. The supply of tea and gunny bills has been moderate. The pound-sterling remained unchanged against most major foreign currencies during the week.

The latest statement of the Reserve Bank of India for the week ended 31st March, 1972, shows a rise of Rs. 52.68 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 281.34 crores, compared with the previous week. Their borrowings from the Reserve Bank have increased by Rs. 12.76 crores to Rs. 207.46 crores, of which advances against usance bills have amounted to Rs. 98.41 crores, against Rs. 85.40 crores. Balances held abroad by the Reserve Bank in the Banking Department show a drop of Rs. 8.18 crores to Rs. 182.17 crores.

A FIRST RATE CAPITAL

A CORRESPONDENT writes in Current Coin: One of the claims of the Government of India is that, in the erection of the new Delhi, they will be guided by the experience gained in the planning of the capitals of the United States and Australia. It will, therefore, interest them to know that, in order that the Australian capital shall be built on the latest approved ideas, the Commonwealth Government has invited designs from architects in all parts of the world. This step should lead to the erection of a city worthy of the name. In addition to the ordinary Government offices and quarters for officials, there are to be parks and gardens, university, Town Hall, technical colleges, museum, national theatre, gas works, central power station for electricity, markets, places of worship, tramways, ornamental lagoons, and areas to be laid out within the city for commercial, residential and industrial purposes. They are determined to have a first rate capital in Australia; it is for the Government of India to see that they are not left behind in this race. If it is really necessary to have a capital at Delhi, it will be just as well to have one of which India will not feel ashamed when it is compared with similar capitals in other lands. But whether anything more than a ceremonial capital is required at Delhi is quite another question.

FROM

CAPITAL

11th April, 1912

A Ditcher's Diary

ARE THE AMERICANS CONTEMPLATING a nuclear strike against the Indo-Chinese communists? I would never have believed that the use of nuclear weapons could be considered by any nation except when faced with the prospect of being destroyed by another nuclear Power. I thought that the Bomb itself was the most effective deterrent against its use; those who do not possess the Bomb do not pose a threat to the national security of any member of the nuclear club and should, therefore, be excluded from the calculations of nuclear strategy. But if Mr. Jack Anderson is to be believed I was wrong; and there is little to suggest that he does not know what he has been talking about. Indeed he has identified one of his sources for the report that contingency plans for an atomic attack in Indo-China have been under constant review and revision by the Pentagon. What kind of contingency? Apparently nuclear weapons are to be used if the U.S. President comes to the conclusion that there is no other means of ensuring the orderly withdrawal of American troops from Vietnam. In other words, the excuse would be the safety of American lives; which means that millions may have to be killed or maimed, entire populations genetically ruined and their natural environments physically devastated and biologically disrupted to ensure the security of less than 100,000 American lives. Even this monstrous excuse is false. The Americans have had all the time in the world to get out of Vietnam; even today all they have to do to ensure personal safety is to pack up and leave. But the Nixon administration is anxious not so much to protect American lives as to save its own face. American lives in Indo-China are already relatively safe; the American combat rôle is now so mechanised that President Nixon has not found it particularly difficult to announce substantial troop withdrawals. But even this automated war has not saved the administration's face; the entire policy of Vietnamisation seems now to be on the point of collapse. In an election year Mr. Nixon thinks it politically unwise to commit more American boys to combat action in Vietnam. The aerial assault may be stepped up still further; but bombing operations alone may fail to dislodge the communists from threatening positions. What happens then? Nuclear weapons? It matters little whether they are tactical or strategic. Once the nuclear threshold is crossed, there will be incalculable repercussions. Some of the fallout would affect the Presidential contest itself. Even Dr. Kissinger's computers are unlikely to provide an unequivocal answer in favour of the so-called "nukes".

THE PERIODIC DISCUSSION ABOUT A "people's car" has ceased to be funny. I have never understood why a small car should be necessarily called a people's car. A small car is useful either as a second car or for a small family unit, if not for a single individual. Two of the Indian brands are quite small; a still smaller one cannot be comfortable for more than two persons. Ideally it could be a second car; but the "people" have yet to acquire the first. And they are scarcely composed of small families; nor would it be in conformity with their tradition for anyone to have exclusive use of a car. Perhaps the car could also accommodate a man's wife and a couple of small children; but this would create further complications. Which two of the half a dozen or more children are to be specially favoured? And what would other members of a joint family think? Not only the man's old parents, but the various uncles and aunts, cousins and impecunious in-laws, nephews and nieces. No, I don't think that a small car is conducive to family happiness in a country where the families are usually both large and poor. Even if the family planners could persuade each couple to restrict the number of children to a maximum of three, one would normally require a five-seater; and the problem of other dependents would be still unsolved. But I am digressing from the point I started with; what I find unfunny about the small car project is the interminable discussion it has generated for as long as I can remember. Why can't a decision be taken once and for all? For all I know another five five-year plans may be gone through before the Government is able to make up its mind; as someone has pointed out, a far-seeing housewife need not save more than ten paise a day to be able to buy

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a *janata* car from the first production lot, which would perhaps be used by her unborn grandson. And if it is considered possible to produce a car which even the poor will be able to buy, why can something not be done to reduce the prices of the cars already being manufactured? I do not know who are responsible, but the prices are outrageously high for what they fetch. Even a small car may not be very inexpensive; how then would it be possible to call it a people's car? One possible answer is that by the time the car is produced the "people" will no longer be poor. A friend of mine maintains that there should be nothing incredible about this: the Government is pledged to *garibi hatao* and has also been talking about time-bound programmes. It is conceivable that *garibi* will have been entirely *hatao-ed* when the first small car is available for sale.

WHEN I WROTE IN THIS DIARY A few weeks ago about the Democratic candidates for the U.S. Presidential election, I did not mention Governor Wallace of Alabama. It was not because I forgot him; I just could not take his potential seriously. That is still the case; I should be amazed if he came anywhere near winning the nomination. Yet I must say one thing about him: his success so far has thrown more light on what may be happening to American public opinion than the progress of any other candidate. It now looks very probable indeed that the long-predicted "backlash" has begun, and not only in the southern States. Of course, some reaction was only to be expected after so many years during which democratic freedom has been interpreted by numerous minority groups as meaning untrammelled licence. It is one thing to demand human rights; quite another to threaten everybody else's freedom in the pursuit of them. Such things tend to frighten people. And inevitably they react, even if it takes a little time. That, I suspect, is why Governor Wallace has done so well, and why he could still do even better. It is not only in the United States, of course, that there is evidence of this backlash developing. In Italy the rebirth of the neo-Fascist political party, after numerous false alarms, now seems to be a reality. In France the recent Maoist attempt to turn workers against management in the Government-owned Renault motor factory was nowhere near as successful as four years ago. All this could turn out to be so much fancy. But in a world where history proves that public feelings do follow a cyclical pattern, it is not difficult to accept that they may once again be on the turn.

THE *Concise Oxford Dictionary* DESCRIBES ecology as a "branch of biology". In other words, a science. Yet in some parts of the world it is already an industry, and one that is growing fast enough to produce some peculiar pollution problems of its own. Now let me say rightaway that I am all for preserving the environment. Nothing saddens me more than the way mankind seems intent on destroying what few amenities are still left on this overcrowded earth, and it is, of course, an obsession from which we in this country are by no means free. But to blame it all on economic growth to the virtual exclusion of everything else, as some people are now doing, and to conclude thereby that man should cease to rank this among his first priorities, look to me dangerously like advocating the ejection of the baby along with the bath water. A short time ago a group of Britain's more eminent scientists, among whose names I was astonished to see the odd economist or two, put their signatures on a document which not only condemned environmental pollution, justifiably enough, but said also that in order to eliminate it, economic growth should, in effect, be abandoned as an aim of deliberate policy. If one wished to be unpleasant, a valid comment would doubtless be that in Britain's case this does not appear to have been a matter of choice in recent years. There, economic stagnation seems until recently to have been an established way of life.

DELHI'S SECOND LIQUOR TRAGEDY HAS exposed more than the dangers of a stupid policy. Apparently, even a supposedly respectable liquor shop sold spurious drinks. Until anything is known to the contrary, this particular establishment deserves the benefit of the doubt; it may have acquired the spurious stuff without its knowledge, though it would be instructive to find out how. Whatever the facts, the racket behind killer drinks is evidently extensive and highly organised. There is a cruel irony in this racket's exceptional success at the centre of national authority. Illicit distillation is not confined to Delhi; the killers have occasionally struck in other parts of the country as well. But think of some 60 liquor poisoning deaths in the same city which saw more than 110 such deaths only a few months ago. And the city happens to be the one where the supreme makers and enforcers of the law pontificate daily on the nation's tryst with destiny. Some tryst, some destiny—at least for the people killed or permanently injured. Yet our self-appointed moral guardians refuse to learn any lesson. It is still being suggested in some quarters that the answer is total Prohibition, since partial Prohibition can be circumvented relatively easily. Without trying to be original, I would submit that Prohibition corrupts and absolute Prohibition corrupts absolutely. I am not being facetious; I have some information on what happened where total Prohibition was attempted. The "Bottle of Waterloo" may or may not have been lost because of the French addiction to the bottle; but think of the prohibitionist experience in America. Or think of Gujarat, the State which is still dry, where some pillars of society were arrested only the other day for allegedly violating the dry laws. But why should Gujarat try to preserve Mr. Morarji Desai's myth even after it has recorded its rejection of his politics? The ambivalence of the ruling Congress is hardly more constructive. The committed prohibitionists have at least had a cussed consistency; the progressive Congressmen seem to be in two minds. Perhaps this has little to do with any political stance. A recent newspaper survey noted that the perennial wetness of at least 50 per cent of Kerala had been due to "the absence of a stable Congress Ministry for any length of time since the first General Election in 1952". But wetter West Bengal was under stable Congress rule until 1967; and happily another stable Congress regime in this State has posed no threat to the traditional or fresh imbibers. And the cost of drinking in West Bengal is not quite as prohibitive as in most other States. Yet I could do with drinks that cost less and cause no greater distaste or harm.

A NEWSPAPER, CALLED *Front Sheet*, was published in Britain for the first time recently. But it is no threat to Fleet Street and has a limited circulation, for the newspaper, reported the B.B.C., is produced for prisoners.

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MANAGEMENT

How to Meet the Growing Demand for Professional Managers

By R. P. Nadkarni

The demand for professional managers is steadily going up in the country. The education system has to be reoriented if the demand is to be met.

THAT the growing complexities of business and industry call for "professional management" has been accepted as a truism today. Any activity in the spheres of business and industry is in some way or other connected with the three main domains, *viz*, marketing, production and finance. The fourth domain that is interlinked with these three is research and development. In the face of growing competition it becomes very difficult to remain in business or industry and yet make a reasonable profit. Unless productivity techniques are employed effectively in all these domains, the very existence of an enterprise may be at stake. The need for adopting the professional management approach to solve the complex situations arising in these domains is thus felt more today than ever before.

Latest Techniques

There has, fortunately, been almost a spurt in modern management techniques and literature during the last decade or so. Unless a manager keeps himself abreast of the latest techniques of management he is likely to lag behind others in the race. For the young, up and coming managers, there is much to learn about the new management techniques and apply them to solve the various business or industrial situations they may come across. By this it is not meant that a young manager should be a specialist in all modern management techniques. But surely, he must know enough about them so as to be able to locate the problem area, diagnose the trouble and use the right technique to solve it either himself, if he is capable enough to use it, or with the help of the right specialist. In other words, he should be adequately familiar with the techniques and make use of them.

This discussion, then, gives rise to certain questions: who is a professional manager? How could one become a professional manager? What challenges are posed by business and industry to the professional manager? Can and should top management positions be manned by young professional managers? What could be done to produce professional managers? An attempt is made to answer these questions.

Qualities Required

There is, however, no chemical, physical or biological formula which can describe a "professional manager"! But one thing is certain—a person possessing the qualities of leadership, dynamism, drive and initiative, ability to think analytically, capacity to work hard, a good power of oral as well as written expression, and a realistic approach can be easily groomed into a good professional manager. Perhaps such a person is the ideal professional manager. But not all are gifted with all these qualities, though many of these can be developed through a careful training of persons having the potential for being a professional manager.

The challenges that a professional manager faces are many. Take, for instance, the case of launching of a new product. How many enterprises have burnt their fingers by going into the sale or manufacture of a new product without making a proper market survey. Taking up of a new line or launching a new manufacturing venture needs careful planning beforehand. Questions like customer reaction to the product, his capacity to purchase, the potential for the sale of the product, the share of competition, etcetera, need to be looked into with great care and the various factors influencing the sale of product need to be determined, quantified where possible, and evaluated carefully before a new venture is undertaken. All this calls for some knowledge of the modern management techniques like market research and operations research, with which the manager responsible for making decisions should be familiar. He may hire a market research specialist or an operations research engineer to do the exercise. He may even hire a computer technologist or computer time if the volume of the data compiled and the timeliness of the decision so demand and justify. The point, however, is that unless the manager knows what techniques should be employed to solve the particular problem, he would merely tend to make decisions by bold hunches and come to grief should his hunches fail! A professional approach with the use of modern management techniques enables a manager to take calculated risks—he knows exactly what he is doing and how he is going to do it and is able to predict fairly well the effects of his decisions.

There could arise a business situation where a choice has to be made from among a few alternatives, like whether to enhance the existing capacity of manufacture of product "A", or whether to diversify and go in for product "B" as well, or whether to undertake a research project for developing product "C" and so on. All these alternatives can be quantified in common terms, evaluated and compared. The technique of "Decision Tree" can be applied to solve such a situation.

The Basic Point

The basic point again is that the manager must be imaginative enough to visualise the various alternatives first and then to evaluate the relative merits and demerits of each and finally decide on the most favourable alternative. Take an example of local delivery of products by a distributing company. The company is interested to do it most economically and effectively. The alternatives available to it would be: (a) employing its own vehicles and labour or (b) hire a contractor for local delivery work. Even within these major alternatives there could be sub-alternatives like, say, in (a) above, whether (i) to replace vehicles in a planned manner at the end of their "economic life" to minimise the cost of repairs to vehicles and of down-time, or (ii) to get the repairs to vehicles done through an outside garage rather than doing them through the company's own maintenance garage and thus economise on costs. Similarly, in (b) above, there could be sub-alternatives, *viz*, (i) to hire contractor's vehicles and employ company's labour, or (ii) to hire contractor's vehicles and labour as well. The relative economies of all these alternatives will have to be worked out and the questions like the impact of employing a contractor on customer relationship and service as well as on the company's image as also the company

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staff reaction would have to be taken into account before deciding on a particular course. Thus an analytical approach and the ability to translate the effect of a decision into financial terms are essential attributes for a modern manager.

The production floor provides innumerable situations for making decisions using modern management techniques. Techniques like methods study, time and motion study, lay-out study, and incentives are now fairly common. But even the more sophisticated ones like inventory control using mathematical models, linear programming for meeting production schedules and ensuring maximum utilisation of machine capacities or minimum costs of manufacture are gaining larger acceptance.

But whether young managers should be put in top management posts has always been a debatable question. Top management posts should be manned by capable managers who are conversant with the modern management tools and techniques. Whether the managers are young or old would not make any difference as long as they are equally well equipped with the modern techniques of management. In certain situations an older manager equipped with management techniques may have an edge over his younger counterpart, for the former would, in all probability, be more mature in view of his longer "experience".

But how can professional managers be produced? This is a million dollar question. The next Five Year Plan puts the requirement of managers at a staggering figure of 360,000. Does the country have the facilities to produce trained managers in such a large number? Recently, the Indian Institute of Management in Calcutta and Ahmedabad, the N.I.T.I.E. and the J. B. Institute in Bombay have been doing good work in imparting formal management education. Similarly, the National Productivity Council and its Regional Councils as also the Administrative Staff College in Hyderabad have been conducting courses in management education and productivity techniques. However, the number of institutions in existence is found to be very inadequate considering the demand for qualified or trained managers.

An Unfortunate Irony

Much, however, depends on the education system. While there is a dearth of trained managers in business and industry on the one hand there is, on the other, an abundance of unemployed graduates produced by universities! It is an unfortunate irony but a bitter reality. Most of these graduates are not equipped to meet the requirements of business or industry. They are not given the practical training or bias that business or industry needs. The university curricula for most courses are not oriented to the needs of business and industry, with the result that a fresh graduate is not of much "value" to business or industry. It is, therefore, a drain on the national wealth, financial as well as manpower, to produce in large numbers useless graduates. It is a wasteful effort. The educational carricula which were designed decades ago need to be thoroughly overhauled not only for arts, science and commerce courses but even, and more so, for professional courses like engineering, architecture, medicine and law. Unless this is done, and done soon and seriously, the conditions of employment in the country will remain bleak as ever. In the ultimate analysis, it is business and industry, and consequently the nation and society at large, that suffer from the ill-effects of non-planning and pay the heavy price for it in terms of a low standard of living. It is, therefore, for the educational institutions and universities to apply the productivity techniques to educational carricula and benefit themselves from the rich results of such application. They would then be helping the nation to achieve economic progress at a higher pace.

Secondly, there is an urgent need to open a more purposeful dialogue between the universities and industry for mutual, and national, benefit. The output of universities, both qualitatively and quantitatively, should be geared to the needs of business and industry. Should the universities need for this purpose financial aid or help in any other form such as donations of equipment or loaning of executives for lectures to university students, industry should willingly extend a helping hand to them for ultimately industry itself is going to benefit from this in terms of well-equipped graduates to man responsible positions in industry capably. A start could perhaps be made immediately in one particular industry and a university.

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SPECIAL ARTICLES

New Import Policy May Ease Raw Material Supplies in West Bengal

(BY A SPECIAL CORRESPONDENT)

The import policy for 1972-73, like the one for the previous year, has made special provisions for supplying raw materials to the closed engineering units in West Bengal. This is because industries in the State, including the engineering, continue to face raw material problems.

THE import policy for 1972-73 provides for special facilities for the closed engineering units in West Bengal. The policy says that industrial units which have been closed down for want of steel, non-ferrous metals and other raw materials will be provided special facilities in regard to their requirements of raw materials and components to reopen. They are required to apply with evidence of their capacity and requirements of raw materials for one year. To begin with, import facilities for three months' requirements will be considered to enable such units to start poduction. The requirements for the remaining nine months will be permitted only on the production of evidence that they have reopened their factories and started production. In the subsequent licensing periods, such units can apply for licence in the usual manner after producing evidence of their reopening, employment, and output. All applications under this provision are to be sent directly to the Chief Controller of Exports and Imports, New Delhi, for being processed through a special committee.

The import policy for the previous year also contained a similar provision for the benefit of the closed engineering units in West Bengal. But it is not known how many of the industrial units in the State were able to take advantage of this facility. In fact, official figures relating to the number of closed units are conflicting. For instance, according to a publication issued by the Government of West Bengal in March this year, the figures are as follows:

	Units closed		Units re-opend	
	No.	Men involved	No.	Men involved
1970	320	71,513	*125	54,918
1971	154	44,448	*105	47,731

* Includes units closed in previous years.

But, according to a statement made by Dr. Gopal Das Nag, the Labour Minister, in the State Assembly on 5th April, the number of closed units in West Bengal was 471 of which 169 had been shut down temporarily and the total number of employees affected by closures was 40,482. But no indication is available as to how many of these units are in the engineering group and to what extent they will be able to reopen on account of the facilities provided for importing raw materials. However, now that political stability has been restored in West Bengal and the problems of industrial development are receiving greater attention, it may be presumed that more engineering units will be able to avail themselves of the facilities provided in the new import policy. But, unfortunately, under the new policy the Government has canalised the import of a large number of raw materials which are required by the engineering, chemical and other industries through pubiic-sector agencies.

The implementation of the canalisation programme in recent years has been far from satisfactory. Numerous complaints have been made by responsible organisations of industry and trade in West Bengal about the hardships arising from canalisation of imports. These difficulties have related mainly to the inordinate delay in getting the raw materials, irregular supplies, high prices, and sometimes unsatisfactory quality. It is not only the large industries which have suffered as a result of canalisation. The small industries for which the Government has been showing a great deal of sympathy have also been hit to a greater extent by the canalisation programme. Against this background, the Government could have refrained from adding to the list of canalised items until the State trading agencies had acquired more experience in the various aspects of import trade. But, regrettably, the foreign trade policy continues to be influenced by ideology. The import policy is often judged not so much by the extent to which it helps industries to obtain their essential requirements of raw materials and components promptly, adequately, and at competitive prices, but by the extent to which the share of the public sector is increased year after year! It is feared that industries in West Bengal, especially small industries, will have to face much inconvenience as a result of canalising a large number of items through State trading agencies under the new import policy.

There seems to be an impression in certain quarters that industries in West Bengal are handicapped only by the shortage of imported raw materials. It is not adequately appreciated that indigenous raw materials have also been in short supply for the past many years. Even the raw materials produced in West Bengal itself have become scarcer and costlier for industries in this State on account of transport difficulties or other causes. For example, there has been a persistent decline in the production of coal in West Bengal, mainly because of the shortage of wagons. From 20.2 million tonnes in 1969-70, coal production in West Bengal declined to 18.5 million tonnes in 1970-71 and to 16.8 million tonnes in 1971-72 (estimated).

Great hopes have been raised among the people about the benefits that will accrue to them from the implementation of the programmes drawn up by the Calcutta Metropolitan Development Authority. Although money has been made available, the progress of the schemes has been hampered due to the non-availability of essential materials like steel, cement and various other items. The difficulty has arisen either because of a shortage of wagons or due to inadequate production of these materials.

Until a few years ago, the policy of the Central Government towards the allocation of raw materials to West Bengal was considered to be discriminatory, particularly in res-

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pect of such materials as copper, zinc, tin, lead and nickel. It has been alleged that New Delhi was more generous in this matter towards Maharashtra, Gujarat and several States while to West Bengal the allocations were quite meagre. Whatever may be the truth or otherwise of this allegation, there is no doubt that West Bengal's industries have seldom received their requirements of raw materials in full. The Bengal Chamber of Commerce pointed out, in a study issued last year, that on an average, West Bengal's small industries had not been receiving more than 3 per cent or 5 per cent of their requirements of steel sheets and other flat products.

West Bengal's rapid economic revival will depend to a great extent on the ready flow of raw materials to all its industries. The State Government is, of course, aware of this problem. But co-ordinated action from several sources is necessary to ensure that there is no shortage of raw materials. The Government of India, the State Government, the railways, the banks, and, above all, the industries themselves have an important rôle in this respect. The railways have announced that from 1st July this year, it would introduce a scheme for the compulsory pre-payment of freight for a large number of raw materials, including bagasse, bamboo, timber waste, salt, ores, gypsum, lime, limestone and stones. Industries in West Bengal have expressed the fear that the introduction of the new scheme would cause them considerable financial hardship by blocking their funds for long periods, and in other ways. But the Railway Board is not willing to dorp the scheme or to amend it as suggested by the chambers of commerce in Calcutta. Thus, while the Central Ministry of Foreign Trade is providing more imported raw materials for West Bengal, the Ministry of Railways is adding to the difficulties of the industries in this State by denying them the supply of an adequate number of wagons and by introducing the system of compulsory pre-payment of freight.

How to Help Small Units to Promote Their Exports

(BY A SPECIAL CORRESPONDENT)

There is good scope for small units to increase their exports. They will be able to do so if only some of the facilities which large units enjoy are extended to them.

THE export performance of Indian goods has come in for some critical comment from foreign buyers in recent months. It is said, for instance, that Indian firms sometimes fail to give adequate attention to quality, packaging, delivery on schedule, prompt settlement of claims, and supply according to samples. Indian goods seem to have suffered in reputation even in the developing countries of Asia and Africa. The National Council of Applied Economic Research, New Delhi, in a survey of India's export potential within Indian Ocean basin and nearby areas, released last year, said that "India's reputation for quality for several items in many countries of this region is low, and it is little consolation that some other countries share our image". The Council added that many small firms, apparently exempt from disciplinary action in respect of quality standards, are "spoiling the markets". The Council further remarked that Indian packaging reflected lack of know-how, lack of packing materials of international quality, failure to appreciate packaging requirements of customers, and deficient material handling procedure.

Against this background, great caution is required in encouraging small-scale industries to enter the export market. According to the latest official figures, in 1969 the small units produced goods worth Rs. 62.11 crores and exported 32 per cent of the output. The products consisted mainly of such items as ready-made garments, woollen hosiery, engineering goods, bicycles and parts, and electrical products. In 1969-70, about 413 units of the small sector received priority treatment in the matter of import of raw materials. This meant that they undertook to export more than 10 per cent of their production. In 1970-71, up to November, about 750 small units are understood to have sought permission for priority treatment. Small industries are, indeed, well qualified to produce certain items which are not suitable for being manufactured by the large-scale sector. For example, the various types of handicrafts and jewellery can be produced to perfection by the small units. But they do not have this advantage in respect of all items which are reserved for exclusive production by the small sector. It is all the more important, therefore, that utmost care is taken while encouraging the small units to sell their products.

Apart from strictly enforcing quality control, and providing them with raw materials at competitive prices, the Government should do something substantial to enable the small units to publicise their products in foreign countries. Publicity through newspapers, magazines, radios, and television is very costly even for large units. For the small units, therefore, the better method will be to participate in fairs and exhibitions. Here, too, the hurdles are many. Official assistance for this purpose is seldom forthcoming adequately. There are scores of trade fairs held all over the world every month and it is not possible for the small exporters to know where exactly it would be worth while for them to participate. It is also equally important to give them the know-how of participation. Often it has been found that Indian goods are not properly displayed in foreign fairs. They are just dumped in some corner of the Indian pavilion and they fail to attract the notice of visitors. No attempt is also made to assess the results of participation in fairs and convey them to manufacturers and exporters in this country so that they can judge for themselves as to where it is worth while to display their goods.

Another handicap of small exporters is the absence of ready and reliable information about the markets for their products. The Trade Development Authority is supposed to assist small exporters by providing them with prompt information about the export potential. But the T.D.A. will concern itself only with a few products. Moreover, since it is located in New Delhi, it will not be of much practical benefit to the hundreds of small exporters who are scattered all over the country. The Export Promotion Councils and the Commodity Boards cater mainly to large and medium exporters. It is doubtful if these organisations are of much use to small exporters. A good deal of valuable information about export prospects is given in official publications. But many small exporters do not read them partly because they are mainly in English and partly because the information they contain is sometimes out of date. The Director of Commercial Publicity, therefore, has to devise some measures by which information about export possibilities is promptly and effectively communicated to small exporters.

The Government of India should sponsor more trade delegations consisting exclusively or mainly of small exporters. But each such delegation should consist of not more than, say, five or six persons. Several trade delegations have also been coming to this country from various parts of the world. The Government of India as well as those organisations which sponsor them should see to it that representatives of small exporters are also given an opportunity to meet members of such delegations. So far, this has been rarely done. Foreign delegations usually visit only three or four centres like Delhi, Bombay, Madras and Calcutta. Even in these places meetings are arranged generally only with large exporters and manufacturers. Small exporters or their representatives are seldom invited to lunches and cocktails which are arranged in honour of visiting delegations. If small exporters are given an opportunity to exchange ideas with members of foreign delegations, it will greatly help the former to build up valuable contacts.

In the last few years, much useful work has been done in identifying the products of small-scale industries which have excellent export prospects. It is now for the Government of India and the State Governments to take energetic follow-up measures. Banks, whether in the public or the private sector, have a special responsibility to ensure that small exporters get credit facilities without going through cumbersome formalities. Other difficulties experienced by small exporters relate to the delay in getting refunds of excise and Customs duties, licences for the import of raw materials required for exports, delay in getting assistance from the Market Development Fund, and in getting facilities for the transport of goods through railways. But such difficulties can certainly be solved.

Last Week in Parliament

(FROM OUR NEW DELHI CORRESPONDENT)

In her reply to the debate on the President's Address in the Lok Sabha, the Prime Minister gave a broad hint of the step she had initiated for a dialogue with Mr. Bhutto. It is all to the good that the latter's reaction has been favourable.

THE end is in sight of the era of confrontation between India and Pakistan and, if everything goes well, an era of consultation and co-operation is on the anvil. The initiative for this has been taken by the Prime Minister, Mrs. Indira Gandhi, who gave a broad hint about it in her reply to the debate on the President's Address in the Lok Sabha last week. Then there was, for some unaccountable reasons, a cloud of mystery over Mrs. Gandhi's oblique reference to "direct contact" between the two countries, and it was left to Pakistan to uncover the mystery. Perhaps Indian officials did not want to say anything about this move since its success or otherwise depended on the President of Pakistan, Mr. Z. A. Bhutto's reaction.

Although Mrs. Gandhi made a deliberate point to emphasise that anyone who imagined that "we shall allow ourselves to be dictated to by third parties in our negotiations with Pakistan, or in any other matter, foreign or domestic" was quite off the mark, there is no doubt that some pressure was building up on India, at least for the release of the Pakistani prisoners of war which is a human problem with Mr. Bhutto and the people of Pakistan. But while Mrs. Gandhi appears to have no intention of keeping the P.O.W.s as a pawn for an overall settlement of the outstanding issues with Pakistan, the difficulty is how to assuage the feelings of the people of Bangladesh. The Prime Minister of Bangladesh, Sheikh Mujibur Rahman, has time and again assured his people that there will be no going back on the decision to punish those prisoners of war who indulged in genocide in Bangladesh for well over nine months. And India simply cannot take a unilateral decision on the P.O.W. issue, for the Pak army in Bangladesh surrendered to the joint command of the Indian army and the Mukti Bahini.

Mr. Bhutto's predicament is understandable for Pakistan will naturally have to be the last country to recognise Bangladesh and, without recognition, Bangladesh and Pakistan cannot enter into any direct discussion on any issue. It is this hurdle which has to be sorted out if the discussion between India and Pakistan are to make headway more so because Mr. Bhutto has given the issue of the release of P.O.W.s topmost priority. The coming week will probably show how the Indo-Pakistani detente will take shape.

The Prime Minister had also clarified her speech at the annual session of the Federation of Indian Chambers of Commerce and Industry. Referring to a member's criticism that she had not used the word "socialism" in that speech, Mrs. Gandhi affirmed that just because in one particular address mention had not been made of a particular phrase or word "it does not mean for a second that we have moved from our basic objectives or even our short-term programmes". But for all this, there was need for a massive investment which could only come out of higher domestic savings, hard work and increased productivity. Mrs. Gandhi recognised that this would be feasible only if "all of us accept the imperative need for greater efficiency and set about it in achieving it in all sectors of our economy". The reference to "all sectors of our economy" is significant. While she reiterated that there was no going back on the Government's declared policy on the question of industrial licensing, she made a specific reference to the issue of licences to large business houses. "What has been done", Mrs. Gandhi said, "is that when there is no suitable medium or new entrepreneur and when they do not come forward in what are called the core or heavy investment sectors or export-oriented industries, in such cases, we have granted industrial licences to the large houses, after satisfying ourselves that they can set up the capacity for the production quickly".

CAPITAL, 13th APRIL, 1972

AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION

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

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST DECEMBER 1971

1970 Rupees	CAPITAL AND LIABILITIES	Rs. P.	Rs. P.
	1. Capital :		
	Approved Indian Government Securities kept in deposit with the Reserve Bank of India, Bombay		
		Face Value Rs.	
25,00,000	4½% Government of India Bonds 1971	—	
18,00,000	4¼% Government of India Bonds 1975	49,00,000	
43,00,000		49,00,000	
26,100	**2. Reserve Fund and other Reserves :** Development Rebate Reserve		26,100 00
	3. Deposits and other Accounts :		
32,69,65,412	Fixed Deposits	36,82,81,464 36	
1,55,57,271	Savings Bank Deposits	2,10,51,821 19	
6,68,74,298	Current Accounts, Contingency Accounts, etc.	7,23,02,645 49	
40,93,96,981			46,16,35,931 04
	4. Borrowings from other Banking Companies, Agents, etc. :		
37,50,000	(i) In India (Amount availed under Refinance Scheme of Industrial Development Bank of India)	12,50,000 00	
—	(ii) Outside India	—	
	1970 Particulars :		
37,50,000	(i) Secured against part of advances as per contra ...	12,50,000 00	
—	(ii) Unsecured	—	
37,50,000		12,50,000 00	12,50,000 00
37,37,988	**5. Bills Payable :**		51,15,072 92
	6. Bills for Collection being Bills Receivable per contra : (See Note (4))		
67,65,856	(i) Payable in India	56,03,614 99	
46,41,629	(ii) Payable outside India	61,49,010 61	
1,14,07,485			1,17,52,625 60
	7. Other Liablities :		
6,96,804	Provision for taxation (Net)	13,71,299 22	
58,20,643	Accrued Expenses	60,12,797 57	
	Other (including due to Amexco Nominees Private Ltd. a subsidiary Company Rs. 1,000; previous year Rs. 1,000)		
16,20,687		21,21,149 30	
48,56,953	Travel Department Liabilities as per contra	40,92,717 15	
1,29,95,087			1,35,97,963 24
67,33,991	**8. Acceptances, Endorsements and other Obligations per contra :**		1,41,49,505 17
	9. Profit and Loss Account :		
32,99,931	Net Profit for the year ended 31st December, 1971	36,28,013 50	
32,99,931	*Less* : Amount transferred to Head Office	36,28,013 50	—
	10. Contingent Liabilities :		
	(i) Liability on account of Guarantees given on behalf of clients; (previous year Rs. 2,34,45,852) Rs. 2,64,83,520.81 (See note No. 3).		
	(ii) Travel Guarantees given on behalf of clients to President of India, Collector of Customs, Shipping Companies etc. Liability amount not ascertainable		
	(iii) Liability on account of Forward Exchange Contracts; (previous year Rs. 1,80,63,582) Rs. 3,66,31,979.26		
	(iv) Liability on account of partly paid shares; (previous year Rs. 1,00,000) Rs. 1,83,350.00		
44,80,47,632	Carried forward ...		50,75,27,197 97

1970 Rupees	PROPERTY AND ASSETS	Rs. P.	Rs. P.
	1. Cash :		
2,52,11,675	In hand and with the Reserve Bank and State Bank of India (including Foreign Currency Notes)		1,75,29,106 82
	2. Balances with other Banks :		
	On Current Account :		
4,65,857	(i) In India	5,87,823 71	
2,20,679	(ii) Outside India	1,49,805 99	7,37,629 70
	On Time Deposits :		
25,00,000	(i) In India	1,10,00,000 00	
—	(ii) Outside India	—	1,10,00,000 00
	3. Money at Call and Short Notice :		1,17,37,629 70
1,41,00,000	(i) In India	44,00,000 00	
—	(ii) Outside India	—	44,00,000 00
	4. Investments :		
12,57,93,840	(i) Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments		13,79,19,050 99
	(ii) Shares at cost :		
4,79,553	Fully paid ordinary shares		
—	Quoted	4,79,552 95	
	Unquoted	54,000 00	
		5,33,552 95	
—	Partly paid ordinary shares		
1,00,000	Quoted	83,350 00	
	Unquoted	1,00,000 00	
		1,83,350 00	7,16,902 95
—	(iii) Debentures and Bonds		—
—	(iv) Other Investments		—
—	(v) Gold		—
			13,86,35,953 94
	5. Advances : (See Annexed Schedule)		
	(Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the Auditors)		
24,05,83,826	I. Loans Cash Credits, Overdrafts and other sums due to Bank :		
—	(i) In India	26,85,49,808 94	
	(ii) Outside India	—	26,85,49,808 94
92,70,790	II. Bills discounted and purchased :		
83,38,046	(i) Payable in India	1,80,01,164 38	
25,81,92,662	(ii) Payable Outside India	87,24,652 34	2,67,25,816 72
			29,52,75,625 66
67,65,856	**6. Bills Receivable being Bills for Collection as per contra :**		
46,41,629	(i) Payable in India	56,03,614 99	
1,14,07,485	(ii) Payable Outside India	61,49,010 61	1,17,52,625 60
67,33,991	**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations per contra**		1,41,49,505 17
17,696	**8. Premises :**		
7,14,000	At cost as at 1st January, 1971	7,31,695 90	
7,31,696	Additions during the year	1,45,127 00	
15,028		8,76,822 90	
7,16,668	*Less* : Depreciation written off to-date	22,175 80	8,54,647 10
25,06,189	**9. Furniture and Equipment :**		
5,99,944	At cost as *at 1st January, 1971*	29,92,650 06	
31,06,133	Additions during the year	5,45,457 66	
1,13,483		35,38,107 72	
29,92,650	*Less* : Sales and Retirements during the year	69,370 69	
—		34,68,737 03	
29,92,650	Transfer to Travel Department	10,024 00	
17,65,037		34,58,713 03	
12,27,613	*Less* : Depreciation written off to-date	20,23,010 68	14,35,702 35
44,71,50,023	Carried forward ...		49,57,70,796 34

AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION—*Cont'd.*

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST DECEMBER 1971

1970	CAPITAL AND LIABILITIES—*Contd.*	Rs. P.	Rs. P.
Rupees			
44,80,47,632	Brought forward ...		50,75,27,197 97
44,80,47,632	TOTAL RUPEES ...		50,75,27,197 97

AUDITORS' REPORT

We have audited the attached Balance Sheet of the Indian Branches of American Express International Banking Corporation as at 31st December 1971 and the annexed Profit and Loss Account of the Indian Branches of the Bank for the year ended on that date, in which are incorporated the transactions of Central Money Pool, India, with the books of accounts maintained and produced to us at Bombay, Calcutta and New Delhi, *and report that* :—

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required by Law have been kept by all the branches of the Bank visited by us so far as appears from our Examination of those books.
3. The Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of accounts.
4. In our opinion and to the best of our information and according to the Explanations given to us and subject to note 3 the said accounts read with the notes thereon give the information required by the Companies Act 1956, in the manner so required for banking companies and subject as aforesaid, give a true and fair view in the case of the Balance Sheet, of the State of affairs of the Indian Branches of the Bank as at 31st December 1971, and in case of the Profit and Loss Account, of the profit of the Indian Branches for the year ended on that date.

Bombay, Dated 28th March 1972

PRICE WATERHOUSE, PEAT & CO.
Chartered Accountants.

NOTES ON BALANCE SHEET AS AT 31ST DECEMBER, 1971

1. By the Companies Act, 1956, the Bank is exempt from disclosing matters not required to be included by the Banking Regulation Act 1949, and these accounts have been prepared accordingly.
2. The present liability in respect of future payments of Gratuity under Desai Award is estimated to be Rs. 5,12,125/- net of tax benefits (Gross Rs. 18,12,832/- less tax at 70% and surcharge thereon @ 2½%).
There is also a voluntary pension scheme to which employees may opt in lieu of gratuity. The Corporation has set aside during the year Rs. 6,66,613/- towards retirement benefits to the members of staff in India.
3. Guarantees include Rs. 1,39,000/- being the amount of guarantees issued on behalf of a constituent in respect of which certain claims have arisen. These claims are being disputed by the Constituent and have been referred to a Tribunal, the award of which in certain cases is still pending. The extent of the Corporation's liability in this regard, is not ascertainable at this stage and accordingly no provision has been made in these Accounts.
4. Bills received from constituents for collection on their behalf are entered in memorandum registers and are recorded in financial ledgers only when collected. These bills for collection outstanding as on 31st December 1971 have, however, been shown in the Balance Sheet under the relevant heads of account.
5. In accordance with the instructions received from the Reserve Bank of India, the assets and liabilities relating to Travel Department, (including tax liability attributable thereto as estimated by the Corporation), have been shown under 'Other Assets' and 'Other Liabilities' respectively.
6. Previous years' figures have been rearranged, wherever necessary to make them comparable with the current year's figures.

NOTES : (1) Particulars of remuneration paid or provided to the Chief Executive Officer :

Previous Year Rs.			Rs. P.
1,06,156	(i)	Salaries	1,13,550 00
22,283	(ii)	Allowances	20,411 56
41,400	(iii)	Estimated Monetary value of benefits or perquisites	59,466 96
31,475	(iv)	Furlough	37,552 40
2,01,314			2,30,980 92

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

(3) Figure in bracket represents Loss on Sale or conversion of Investments and other Assets.

B. A. PALKHIWALA
Resident Vice President

Sd/- PRICE WATERHOUSE, PEAT & CO.
Chartered Accountants.
Bombay, 28th March, 1972

AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION—*Cont'd.*

(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST DECEMBER 1971

1970	PROPERTY AND ASSETS—*Contd.*	Rs. P.	Rs. P.
Rupees			
44,71,50,023	Brought forward ...		49,57,70,796 34
	10. Other Assets :		
	Interest accrued and receivable	36,76,248 40	
30,43,165	Stamps	6,948 32	
6,842	Prepaid Expenses	1,89,439 32	
2,09,939	Sundry Debtors and Debit Balances	5,31,641 89	
5,27,902	Expenditure on Alteration to premises carried forward	4,96,284 92	
5,86,508	Travel Department : Net Balance	8,12,558 33	
14,76,080	Assets as per contra (Includes Rs. 22,410 Doubtful of recovery for which no Provision is made)	40,92,717 15	
48,56,953	Inter Branch Adjustments (Net)	90,999 83	
(4,67,309)	Inter Company Balances including Head office and Foreign branches (Net)	18,59,563 47	
(93,42,471)			1,17,56,401 63
8,97,609			
—	**11. Non-Banking Assets, Acquired in Satisfaction of Claims**		—
—	**12. Profit and Loss Account**		—
44,80,47,632	TOTAL RUPEES ...		50,75,27,197 97

PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1971

1970	EXPENDITURE	Rs. P.	1970	INCOME (less provision made during the year for Bad and Doubtful Debts and other usual and necessary provisions)	Rs. P.
Rs.			Rs.		
1,25,40,689	1. Interest paid on Deposits Borrowings etc.	1,45,19,472 91	2,73,29,196	1. Interest and Discount	3,43,82,255 93
60,93,872	2. Salaries, Allowances, Gratuity and Provident Fund	79,50,280 67	58,73,856	2. Commission, Exchange and Brokerage	72,44,385 58
10,281	3. Directors' and Local Committee Members' Fees and Allowances ...	12,667 69	—	3. Rents	—
10,49,844	4. Rent, Taxes, Insurance, Lighting etc.	13,07,845 87	35,432	4. Net Profit on sale or conversion of Investment, Gold and Silver, Land Premises and Other Assets (see Note 3)	(20,321 31)
6,711	5. Law Charges	6,024 05			
4,91,508	6. Postage, Telegrams and Telephones ...	5,94,574 75	2,18,635	5. Net Profit on revaluation of Investments, Gold and Silver, Land, Premises and Other Assets	4,61,611 08
60,040	7. Auditors' Fees	55,406 55		6. Income from Non-Banking Assets and Profits from sale of or dealing with such assets	—
3,51,947	8. Depreciation on Banking Company's property	3,82,890 05	—		
5,18,912	9. Stationery, Printing, Advertisement etc.	4,88,499 35	—	7. Other Receipts	—
769	10. Loss on sale of or dealing with Non-Banking Assets	—			
90,32,615	11. Other Expenditure (including proportion of New York Administrative Expenses)	1,31,22,255 89			
32,99,931	12. Balance of Profit	36,28,013 50			
3,34,57,119	TOTAL, RUPEES ...	4,20,67,931 28	3,34,57,119	TOTAL, RUPEES ...	4,20,67,931 28

Particulars of Advances Annexed to and Forming Part of the Balance Sheet as at December 31, 1971

1970 Rs.		Rs. P.
8,00,58,477	(i) Debts considered good in respect of which the banking company is fully secured	10,74,19,466 69
5,13,51,065	(ii) Debts considered good for which the banking company holds no other security than the debtors' personal security	7,75,72,532 36
12,67,83,120	(iii) Debts considered good secured by personal liabilities of one or more parties in addition to the personal security of the debtors	11,02,83,626 61
—	(iv) Debts considered doubtful or bad not provided for	—
25,81,92,662		29,52,75,625 66
1,27,511	(v) Debts due by directors or officers of the Banking Company or any of them either severally or jointly with any other persons	2,85,660 66
—	(vi) Debts due by Companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—
1,41,281	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	3,33,230 36
—	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the case of private companies as members	—
—	(ix) Due from banking companies	4,399 25

SPOTLIGHT ON STATES

Chambal Project in Rajasthan : The First Phase Completed

(BY A SPECIAL CORRESPONDENT)

The first phase of the Chambal project covering large tracts of land in Rajasthan and Madhya Pradesh has recently been completed. The U.N.D.P. which undertook the project has said in its report that the main problems relate to water management and land development.

KOTA in southern Rajasthan on the shorter Bombay-Delhi rail route has in course of a decade emerged as a major industrial city. The country's second nuclear power station in Rana Pratap Sagar is not far away from Kota. Agriculture has also developed in this part of Udaipur division of the arid State. The era of prosperity has been ushered in with the release of water from the Chambal irrigation scheme in 1960. In 1953, a joint integrated scheme of a cascade of three dams was taken up by the Governments of Rajasthan and Madhya Pradesh in order to generate hydel power and provide water to the thirsty land in the two States. The main storage dams at Gandhi Sagar and the diversion barrage in Kota, together with the principal irrigation canal system in the two States, were constructed and power production and water supply began in 1960. Since then, the second dam at Rana Pratap Sagar has been completed and the third one at Jawahar Sagar is about to be completed. Under this system, it can be expected that in a ten-year period, the irrigation water available in Kota during the dry season (October-June) would be 3,130 million cubic metres (M.C.M.) in eight years, 2,520 M.C.M. in one year and 1,400 M.C.M. in another one year. In the wet season (July-September), there is a guaranteed supply of water.

Soon after the operations on the irrigation network began in 1960, many problems came to light. The groundwater table began to rise. In the absence of artificial drains and the existing natural streams being too inadequate to drain out the surplus rainwater, waterlogging and salinity problems cropped up. As farmers in the project area were not accustomed to irrigated farming, they could not take advantage of irrigation facilities and some of the low-lying areas which were once very productive were the first to be affected adversely. The holdings consist of many fragments, usually five, and often having very irregular shapes. Because of this and the uneven ground surface, the irrigation effectiveness is not felt.

The distributories and minor canals, especially the field water courses, have high seepage losses. The canals cut through weathered sandstone or limestone and cause waterlogging. The situation became more difficult due to the inadequate control and regulation of water in the conveyance system. All this together with the poor water and land management led to waterlogging and/or soil salinity in the improperly drained lands.

By the sixth year of the availability of irrigation water, it was realised that the problems of the area required a multi-disciplinary thorough approach and the Government of India requested the United Nations Development Programme (U.N.D.P.) to undertake a land and water use and management project. The work on this ambitious project commenced in October 1967 and the first phase was over a few months back. The Chambal project was designed to irrigate 280,000 hectares in Rajasthan and an equal area in Madhya Pradesh. The soils of the Chambal area are clay, clay loam or loam. The land configuration is generally undulating and eroded due to run off water. Before the advent of irrigation, sorghum, wheat, coriander, linseed and gram were the principal crops of the area.

After the commencement of the U.N.D.P. scheme, studies were carried out in the field of hydrology, hydrogeology, drainage and irrigation, agronomy, soil physics, weed control and farm management. It has been concluded that the main problems of the area relate to water management and drainage. Land development on the catchment basis has been recommended. The pooling and the realignment of lands are to be done through a seven-point programme. The finding of the U.N.D.P. studies is that there is no real high water table. The perched water table develops in the rainy season due to the impeded sub-surface drainage and absence of surface drainage ; so, open drainage must be provided to remove the unwanted surface water. The introduction of an economic form of subsoil drainage has also been recommended.

The lining of major canals to prevent seepage is not warranted except in the rocky reaches. The smaller canals do, however, have considerable influence on waterlogging due to leakage and seepage. Water losses in the laterals and the water courses are estimated at 45 per cent in transit. The lining of the laterals and the water courses is eessential. Every field must have free access to a drain. Natural drains (*nullahs*) must be deepened and realigned where necessary. In order to achieve an even distribution of water and to avoid waste, the fields must be levelled and must fit into the general concept of every field having its frontage to an irrigation supply and to a drainage discharge channel. There has to be a realignment and rectangularisation of the fields in addition to land shaping. Every field should also be approachable by a road.

The main crops of the area under irrigated conditions will be paddy, coriander and wheat while sorghum, gram, mustard, groundnut and safflower can be grown as in the past. Sugarcane, fruits and vegetables can be grown in the area commanded by the left main canal where water is expected to be available almost throughout the year. A continuous and comprehensive programme for the control of emergent and floating aquatic weeds by chemical spraying and mechanical checking is essential. The U.N.D.P. studies have recommended that the farmers of the command area should know about land and water management and crop production. This can be done by establishing an agricultural extension service. The land development works will have to be properly operated, maintained and repaired in order to achieve the optimum utility. This will have to be done by the beneficiaries accepting joint responsibility.

LABOUR

Personnel Management : Challenges of the Changing Environment

By M. R. Meher

The Indian Institute of Personnel Management recently held a conference on challenges of the changing environment to personnel management. The conference broadly underlined the need for the development of new labour-management equations.

WITH continuing economic growth and development of new technologies, the industrial environment is constantly changing. The Indian Institute of Personnel Management recently held a conference in Hyderabad on the theme "Challenges of the Changing Environment to Personnel Management." The views expressed by the participants from all over India, covered a wide range of subjects. It was observed that the outstanding feature of the changing environment is the new awakening among the people, who would consist, as time goes on, of an increasing proportion of young educated workers and who would insist on a decent standard of living, and would not be prepared to tolerate any more social or economic disparities. If this situation is to be met squarely, it obviously means that the country must ensure quick economic progress both in industry and in agriculture.

The conference was concerned with industry, but it was observed that in agriculture, where good progress has been made, the problem of income disparities is very much greater than on the industrial side. As for industrial progress, growth and prosperity, a major challenge would be how to improve productivity ; and this is where the personnel executives will have an important rôle to play, as they are the people whose eventual responsibility it will be to ensure that this challenge is properly met. It was felt that the attitude of management towards employees requires change, taking into consideration their increasing educational background, their growing aspirations, their increasingly questioning attitude, etcetera. This would necessitate greater and greater "participative management", because unless this is ensured much progress cannot be made. One cannot deal with the employees today in the same way that they were dealt with some 30 years ago, and in the years to come it will be even less so.

This does not necessarily mean that the problem can be solved by having workers' representatives or union representatives on the boards of directors. Participative management should mean associating the workers with the process of decision-making. Decisions will have to be still the responsibility of management, but employees at various levels and in various degrees would have to be associated in a growing way with the process. Simultaneously, the approach would have to be of the "problem solving" type and not of "the superior and subordinate" type. This approach would have to be adopted while dealing with individuals at the shop-floor level as also with unions in collective negotiations.

As to the nature of the changing complexion of the labour force, due weight will have to be given to its aspirations for progress in an organisation. This would bring up the problems of job enlargement, job enrichment and job satisfaction, because merely better wages and terms and conditions of service will not provide the full answer. While these have their own importance, the new challenge of employee satisfaction, which can come only through job enrichment and satisfaction and the treatment they get, etcetera, is going to get more and more importance. This also emphasises the importance of training or retraining for developing further skills or new skills, which would also help in tackling the problem of obsolescence of manpower with growing technological development.

One of the most important aspects of the challenge for the personnel executives would be to develop and encourage the spirit of acceptance of change and this responsibility will lie squarely on the shoulders of the personnel management staff. How far success would be achieved in this would depend on so many factors, but unless the entire environmental question of the attitude of employees is successfully tackled so as to induce them to accept change more voluntarily and more willingly and readily, progress in efficiency and productivity would be very difficult.

The conference recognised, as has been admitted on all hands now, that there will have to be greater emphasis on developing bipartite relations, although it does not mean that there should be no legislation for adjudication, arbitration, etcetera. But the attempt will have to be made sincerely and seriously to resolve problems through bipartite discussions and collective bargaining. With regard to collective bargaining, the traditional approach, in which the unions came up with some demands and the management looked at them on the basis of what was the minimum that could be given away or conceded to purchase peace for the period of the settlement, has to be given up. The bargaining will have to be much more on the basis of what the management wants to achieve during the period of the settlement, and, for the co-operation that the management expects from the employees, what improvement in wages and other terms and conditions of service the management is prepared to give, so that the period of the settlement could be both harmonious and productive and also be a period of growth for the company, the employees and the industry. In other words, collective bargaining will have to be more and more in the nature of productivity bargaining.

Another problem discussed in the context of industrial relations was the impact the curbs on growth of industries would have on industrial relations. If there are constraints on growth of industries, large or otherwise, whatever be the nature of these restraints, all concerned including the Government, the politicians and the employees' unions would have to realise what impact this situation can have on industrial relations and on the employees themselves. If managements have to grant periodical improvements in salaries, wages, etcetera, and if they have to ensure that the organisation remains economically viable in the face of inflation and rising costs all round, all this cannot be achieved unless they very seriously pursue measures aimed at increasing productivity.

If at the same time the companies cannot grow or expand, this would have serious effect in two ways: (a) creation of redundancies and (b) growing limitations on what improvements in wages, etcetera, they can afford to offer to employees. This is a matter for serious consideration not only by the Government and politicians but also by the unions themselves. Therefore, it was gratifying to notice that when the Premier Automobiles Ltd, Bombay, submitted proposals for expansion of its plant capacity, its employees' union also issued a statement strongly urging the Government that the Company should be allowed to expand, stating that this would also help the employees' prosperity. It is this sort of attitude that would go a long way in eliminating or probably minimising the problems that personnel managers may have to face in the field of industrial relations.

As for the management staff, it was pointed out at the conference that they have their responsibilities to the shareholders, to the employees, to the consumers and to society. They have the primary responsibility for improving efficiency and productivity which means the responsibility for innovation and for introducing changes for more efficient working. But although the management staff have such a major and important rôle to play, it is only industrial relations that make the headlines and get all the attention. The top management should, therefore, ensure that the management staff at various levels are properly looked after. In fact this could be a serious problem. What the middle or junior management staff feel in most cases is that as far as the work force (manual, skilled and clerical employees) is concerned, they have their union to protect their interests, which forces management to make sure that they are looked after and that their problems are attended to. As far as the senior managers are concerned, they have their direct individual relations with the top management, but the middle management is generally ignored and taken for granted, yet a lot is expected of it including its being left to face the unionised employees and to get work out of them. This is one of the major reasons that prompts management staff at junior levels to form association.

In the present situation, unionised employees, particularly the higher categories like chargehands, etcetera, secure periodical increases on account of settlements or awards in addition to their regular annual increases in basic wages and continuous improvements in dearness allowances. Thus a stage has been reached in a number of industries or industrial units where the management staff earn less than the unionised employees whom they supervise, and the supervisory remuneration gap is completely eroded. This is a problem to be looked into very seriously.

In time to come, one more problem would be even more difficult, resulting from the policy of ceiling on top salaries that is being adopted in this country. This problem will arise from the fact that if there are continuing pressures reducing the salaries from the top, while on the other hand there are growing pressure for increasing upwards the salaries and wages from the bottom, a time will soon come when it has to be seriously considered how to tackle the problem of salary or remuneration differentials at various levels from bottom to top.

MONEY AND BANKING

Branch Expansion of Banks : Need for Regional Balance

(BY A SPECIAL CORRESPONDENT)

In the programme for branch expansion of banks, semi-urban and rural areas are getting increasing importance. But banks still do not seem to pay sufficient attention to reducing regional disparities when setting up new branches.

THE Study Group on Deposit Mobilisation by Commercial and Co-operative Banks, appointed by the National Credit Council under the chairmanship of Mr. T. A. Pai, made a number of important suggestions. These included: (i) some changes in the existing policy so as to distribute more equitably the burden of opening more branches in the semi-urban and rural areas, (ii) the possibility of a dual wage policy in respect of urban and rural branches, and (iii) lower scales of pay for new recruits at unbanked centres initially for a specified number of years. Following these recommendations, the Reserve Bank has generally been more careful in extending banking facilities to rural areas, more so since the nationalisation of banks on 19th July, 1969.

The Reserve Bank is doing well in periodically reviewing the progress made by banks in opening new offices. In a recent Press note, it has given an account of the number of bank offices existing as at the end of June 1969 and of December 1971, classified according to rural, semi-urban, urban and metropolitan centres. This is a welcome move on the part of the monetary authority to enlighten the public about the extension of banking facilities. Extension of banking facilities to the interior of the country is quite essential for the purpose of creating trust in the minds of people. With such a vigorous branch expansion drive in rural areas, the banks are not only making people banking conscious but also enabling them to tide over their difficulties in times of surplus cash as also in cases of financial difficulties.

It is no wonder if a person working in a farm or with his skill in a village and ignorant of the advantages of banking gains trust and confidence in a nearby bank branch in his village. It enables him to save some of his earnings when he has no urgency in spending them and also withdraw the savings thus accumulated in times of difficulties. Banks, on their part, have done remarkably well in opening 4,724 new offices within a span of two and a half years, the number rising from 8,262 in June 1969 to 12,985 in December 1971. Of these new offices, the public-sector banks accounted for 4,085 units. The State Bank opened 904 offices, its seven subsidiaries 406 while the 14 recently-nationalised banks 2,775 in this period.

This vigorous branch expansion drive has two main features. First, a good proportion of offices out of the new 4,723 ones has gone to rural areas. With the addition of 3,057 offices opened recently in rural areas, the total number of offices in such areas has gone up from 1,832 (or 22.4 per cent of the total) in June 1969 to 4,889 (or 37.5 per cent) in December 1971. Secondly, it has helped in reducing the proportion of offices at centres other than rural. In other words, banking facilities have been extended to the neglected rural and semi-urban areas more than to the so far privileged areas such as urban and metropolitan towns.

This raises a moot question: whether this rapid extension of banking facility has realised the real objective behind the recommendation of the study group, namely, more equitable distribution of the burden of opening more branches in the semi-urban and rural areas. The Press note has stated that eight under-banked States of Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal, which account for 50 per cent of the population of India, had only 25.3 per cent of the total number of bank offices in June 1969. Their share has gone up to 27.7 per cent in December 1971 and is expected to improve further to 29.4 per cent by January 1972. Still, it would appear that banks have not shown till now much interest in reducing regional disparities in the spread of banking facilities all over the country.

Among the main constraints, one is the non-viability of a newly opened branch for an initial period and till it is able to mobilise deposits to the desired extent. Besides, control and supervision of branches at remote places have been a cause of concern to the head offices of banks. As a result, some of the big banks have prudently started decentralising their branch control system by appointing regional or zonal offices. Necessary powers have also been delegated to regional managers. And this is a step in the right direction in as far as it leads to improving the services offered at banking offices in rural centres.

It is also reported that at the instance of the Indian Banks' Association, banks have introduced a system of easy and smooth cheque clearance among the metropolitan centres. This should avoid a lot of delay involved in the present system and is, therefore, another commendable step towards ensuring better banking facilities. And it is now for the banks, through discussions with the Reserve Bank, to devise other methods to improve banking facilities, both quantitatively and qualitatively.

PEOPLE AND PERSONALITIES

Mr. R. S. Pande has been appointed managing director of the Tata Iron and Steel Co. Ltd from 1st April, 1972. Mr. Russi Mody, director (operations), has assumed the office of joint managing director from the same date.

Sir Alan Bullock, Vice-Chancellor of the University of Oxford, arrived in New Delhi by air on Monday, 3rd April, for a private visit to India.

Mr. B. R. Dhavale, a senior deputy secretary in the head office of the Export Credit and Guarantee Corporation Ltd, has been posted as branch manager of the Corporation's Calcutta office.

TAXATION

Limitations of Tax Policy in Effecting Redistribution of Income

By S. Venu

The Indian taxation system has largely failed in effecting the redistribution of income. So other methods like public expenditure and transfer payments may be tried.

IN a developing society, taxation is not only a means of mopping up public savings and of correcting imperfections in the price system; it is also visualised as a means of effecting income redistribution along lines as are thought desirable. The rôle of taxes in achieving economic equality is sometimes considered as important as their rôle in achieving economic growth. But some people see a conflict between these two goals. Mr. W. Arthur Lewis thus observes: "The less developed countries have awakened into a century where everybody wishes to ride two horses simultaneously, the horse of economic equality and the horse of economic development. The U.S.S.R. has found that these two horses will not go in the same direction and has, therefore, abandoned one of them. Other less developed countries will have to make their own compromises."

The key objective of Indian economic planning over the last two decades has been to reduce the glaring inequalities in the levels of living between the "haves" and the "have-nots". Every successive Plan has underlined the imperative need for greater dispersal of economic well-being among the masses. But the reality tells a different story. A study in the *American Economic Review*, September 1964, indicated that the concentration ratios, both for personal and disposable incomes in India, are among the lowest in the world. But the differential between the two ratios is very narrow, underlining the ineffectiveness of the direct tax system in reducing the degree of income inequality. The study also revealed that the urban differential is greater, and the rural differential less than in other countries. Mr. K. R. Ranadive (*Bulletin of the Oxford Institute of Statistics*, 1966) studied the pattern of income distribution for the period 1953-63 and came to the conclusion that planning has had no effect in narrowing the differentials. Both the rate of savings and the share of income from property in the national product went up. And both indicate the accentuation of inequalities as the upper income groups have higher savings propensities and as property is also mainly owned by these groups.

On the expenditure side, various surveys reveal that between 1952-53 and 1967-68, the top 10 per cent of households accounted for 25 per cent of consumer expenditure and the bottom decile of population for only 3.5 per cent. Moreover, 20 per cent of the population continued to be below the "poverty-line". The average *per capita* monthly expenditure in the rural areas had remained static around Rs. 25 and in urban areas had moved up from Rs. 30 in 1957 to Rs. 32 in 1966. Thus, there has been no change of significance in consumer expenditure while price indices have steadily moved upwards.

The fact is that the fiscal policy cannot come into its own unless there is an excess of income over subsistence. By this test, the Indian fiscal policy has been a failure. Why is this so when tax revenues as a percentage of G.N.P. have risen from 7 to 14 over two decades of planning? Some of the contributory factors are as follows:

(1) High marginal direct taxes encourage evasion by the wealthy; the middle classes who earn fixed salaried incomes cannot indulge in this practice. The regressivity of the tax system is thus increased. The incidence of population growth (2.4 per cent a year between 1961 and 1971) has been mainly in the last four deciles of the population which can least afford larger families and commitments. With a higher "net dependency ratio", their real incomes have fallen.

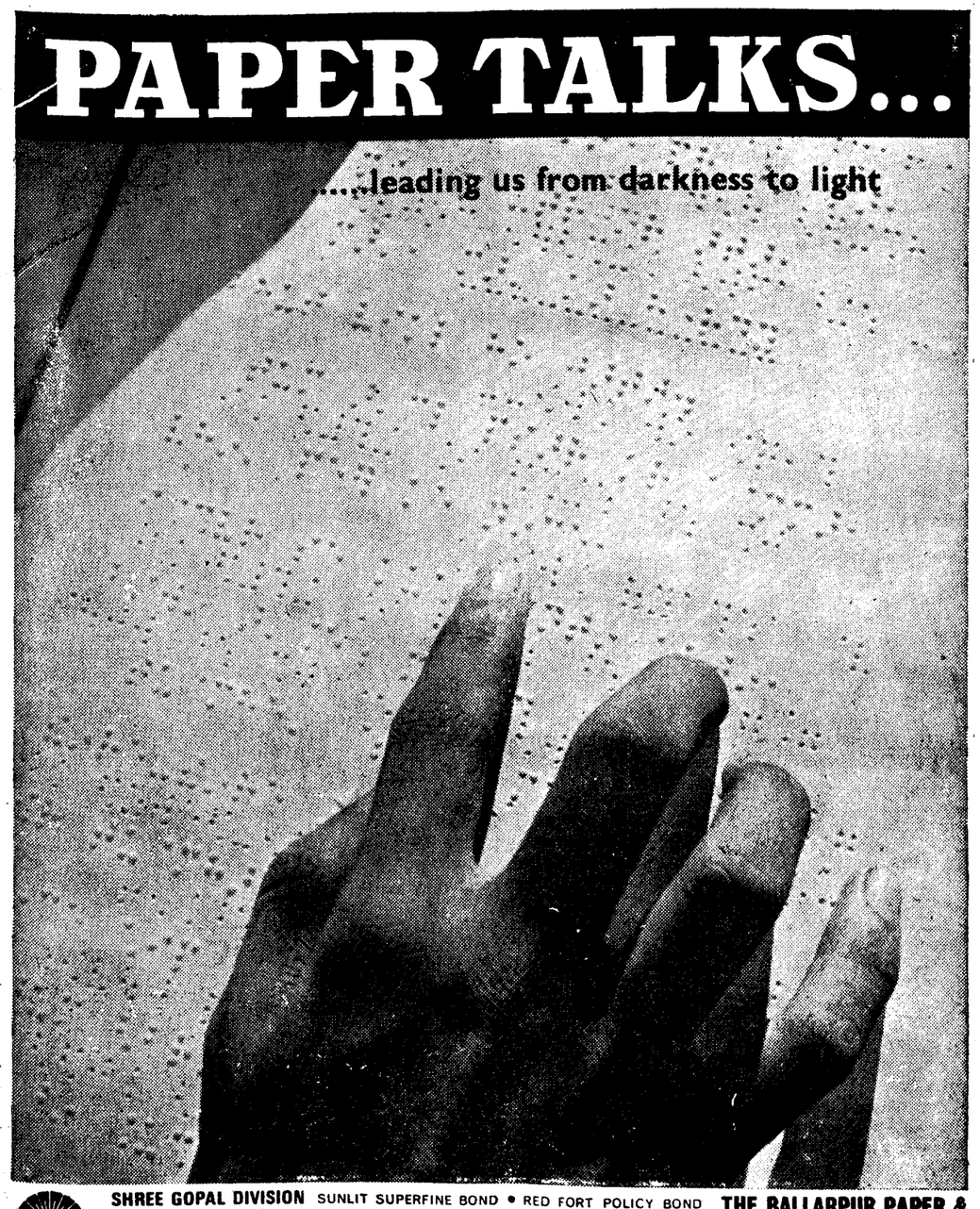
(2) A major proportion of tax revenue (72 per cent of the Central tax revenue) accrues from indirect taxes. The incidence of such levies is relatively high (marginal impact relative to income) on the lower income groups in spite of rate differentiations and exemptions or low rates for necessities.

(3) The demand for owning houses and property has an income elasticity of greater than unity. The structure of property taxes probably weighs heavily with a regressive impact on the middle classes who finance their property from earned incomes and for whom the marginal impact of tax reliefs on owner-occupied housing is of less benefit than it is to the upper income classes of business men and the rentiers. Since municipal rate valuations lag well behind appreciation in the values of buildings and sites, the inequalities are increased. The top decile of the population owns 50 per cent of assets in this form.

(4) The "Green Revolution" has produced a new prosperous rural class, made up of nearly 10 per cent of the rural population, on whom the direct tax burden is negligible. The recent abolition of all land taxation in Punjab, the most prosperous rural-oriented State, is an example of a policy that inevitably creates inequality. About 65 per cent of land holdings belonged to the top 15 per cent of households in 1966-67. The rural landless continue to live in abysmal poverty.

(5) Clerical and manual workers in the organised sector of public and private enterprises and in Government service constitute a separate "labour aristocracy". Indulging in recurring wage claims which have no link with productivity and reinforced by fringe benefits in the form of subsidised housing and medical facilities, they remain aloof from the mainstream of general poverty. Their real income is far above what accrues to the wage-earners in the exploited sectors—the rural landless, rickshaw-pullers, contract labour and labour in the unorganised sector. Here again, inequalities have been accentuated by governmental fiat.

Empirical studies of the tax policy in other developing countries also indicate the relative inefficacy of such fiscal measures in effecting income redistribution. Public expenditure and transfer payments are more efficient means of redistributing incomes from the upper to the lower income groups. In fact, they have been the main vehicle in effecting such changes in the developed countries.



AVIATION AND TOURISM

Providing Effective Incentives for Setting up New Hotels

(BY A SPECIAL CORRESPONDENT)

The tourist traffic in the country will rise significantly if sufficient hotel accommodation is available. The Government will, therefore, do well to offer effective incentives for setting up new hotels.

ACCORDING to a study by a foreign aviation company, there will be an increase in the number of foreign tourists visiting India from 200,000 in 1968 to about 1 million in 1981, subject to the availability of hotel accommodation. The estimate, however, appears to be conservative in the sense that the actual numbers of tourists who visited India in 1969 and 1970 were 2,44,000 and 300,000 respectively, against the estimated figures of 238,000 and 273,000. Yet the consensus in the travel trade seems to be that the tourist traffic in India might have recorded a significant increase provided more hotel accommodation, through proper incentives or facilities, was available. The survey conducted by the Hotel Review and Survey Committee (H.R.S.C.) has revealed that there was a shortage of 2,000 rooms in 1968, and this is expected to increase from 10,000 rooms in 1973 to about 19,000 rooms in 1976. The survey recommended that the country should have additional 10,000 hotel rooms by 1973, as against 1968.

Travel agents in the country feel that if foreign tourists make India their destination point, then it is possible to increase the income from travel trade alone by 300 times with its obvious impact on other sectors of the economy. Happily, the Executive Director of the Pacific Air Travel Association has appealed to the travel agents for making India the destination point. At the same time, India must offer proper hotel facilities, expert guides, package local tours and liberal liquor permits.

The private sector (including business magnates like the Tatas and Kirloskars) has been taking keen interest in setting up hotels. The Government is understood to have already approved more than 40 hotel projects, including some with foreign collaborations, so that at least 5,600 hotel rooms are added by 1973 to the existing capacity for accommodating about 400,000 tourists. Hotel charges in India are 30 per cent less compared with the international tariff. In the opinion of the H.R.S.C. the rate structure of Indian hotels compares favourably with that of other countries.

The president of a hotel and restaurant association of a particular region believes that "it is high time that the importance of promoting tourism in the country is realised and really effective incentives are made available in practice and not merely on paper." Incidentally, he has repeatedly suggested, citing the lessons of Mexico, that for avoiding delays or red tape a high-powered committee should be set up at the administrative level to sanction all the requirements of a hotel project within three months of its approval. Again, much has still to be done for providing moderate tariff or modest lodgings to accommodate tourists or business men of moderate means. The Jha Committee has concluded that in the interest of further expansion, it is necessary to provide effective incentives to the hotel industry as also to remove the impediments that stand in the way of offering adequate amenities to the foreign "guests". The other important recommendations of the Jha Committee are: (a) providing suitable sites by the Central and State Governments to the industry at reasonable rates; (b) adoption of a more flexible attitude by the existing financial institutions; and (c) foreign investment and collaboration in the industry even where the parties owning the hotel buildings and operating the same are separate entities.

One may recall here the observation of the Travel Agents Association of India that the 1971-72 Budget proposals would cause a serious setback to the hotel industry. The withdrawal of tax exemption on profits of up to 6 per cent of the capital invested in the industry will retard the development of hotels. The Association concedes that tax concessions have been withdrawn from other industries as well. But even then, it argues, the hotel industry deserves special consideration for its vast foreign exchange-earning potential. Under the circumstances, the pressing need is for an accord between the Central Government and the industry. Mrs. Sarojini Mahishi, Minister of State for Civil Aviation and Tourism, has said that even though a number of hotels are under construction, the gap between demand and availability of hotel accommodation would continue. For instance, according to an estimate, there are now 9,779 rooms available in 163 recognised hotels but the demand by 1973 will be for another 9,400 rooms to accommodate the increased flow of tourist traffic.

The Executive Director of the Pacific Area Travel Association is of the opinion that India must raise the capacity of her four and five-star hotels at the key tourist gateways to at least 15,000 beds so that it can double the number of tourists in the immediate future. And he is confident that India, blessed with four different but equally attractive regional destination areas, can attract more and more tourists. But then he also feels that the lack of good hotel accommodation and poor links between tourist centres and tourist entry points are the main dampers on India's travel trade. The stress must, therefore, be on providing maximum incentives for the infrastructure, particularly for the hotel industry.

AIR FRANCE

Boeing 747 Service

Outwardly the *Boeing 747*, which Air France has placed into service between Paris and Tokyo over the Polar and the southern routes *via* India, from 2nd April, 1972, may look just like a much larger version of its predecessor, the *Boeing 707* "Intercontinental". Actually, the *Boeing 747* is an entirely different aircraft, in many respects indeed quite revolutionary. Its huge cabin space has brought a completely new concept and dimension to air travel. The first class *salon* in the forward section of the cabin seats 36 passengers, four abreast in pairs of seats placed on each side of a central aisle. A spiral staircase leads to the pleasant lounge bar on the upper deck. In the four economy class *salons* for a total of 324 passengers seating varies from seven to nine abreast.

INVESTMENT

Shares Firm Up on Good Corporate News

THE stock markets have presented a much livelier and firmer appearance this past week. The previous week's reaction, caused mainly by corrective profit-taking, has turned out to be extremely short-lived. The markets have touched a new post-Budget high which is only a little below the year's best level—the highest for nearly a year—reached on 4th January. The week's improvement has been due to renewed bull support, short-covering and scarcity of offerings. Cash shares have performed much better than cleared securities, many of which have been subdued by profit-taking.

Enquiries with stockbrokers reveal a steady increase in investment enquiries which have been particularly marked in growth shares. Recently, Lyons Range has been trying to steal the show from Dalal Street reflecting the growing optimism about industrial revival in West Bengal based on the improved law and order situation and more helpful Government policy. Since the previous week's reaction had been induced essentially by technical considerations, the improvement during this past week is only a continuation of the post-Budget uptrend reflecting the optimistic assessment of the economic prospect.

The week's corporate news, though mixed, was on the whole quite pleasing. Quite a number of companies had cheerful news for their shareholders by way of better earnings, higher dividends and bonus issues. The stock markets also felt greatly encouraged by industry's favourable reaction to the new import policy. The new policy envisages greater allocation of imported inputs in the case of selected priority industries, particularly those which have substantial export performance or which contributed to net saving on present imports. The view is widely shared that the new policy will help boost industrial production and promote exports. Nothing could please the stock markets more than the prospect of accelerated industrial growth.

The stock markets' underlying optimism is based on expectations of a big push to industrial growth in the wake of a massive step-up in the Plan outlay for the current year and on indications of a more pragmatic approach of the Government to stimulate industrial growth. The Task Forces, recently set up in the Central Ministry of Industrial Development, is busy clearing applications of big industrial houses for capacity expansion allowed by the Government. The Government is also reported to be veering round to the view that the two major private steel companies should be allowed to expand their capacity. Since political stability has never been greater than it is today, the Government is in a much better position to secure quicker implementation of its programmes.

Gilt-edged securities have remained dull this past week and turnover has remained restricted. The 3 per cent Conversion loan 1986 is quoted at Rs. 66. Interest in State Government loans has been selective, and the volume of business has remained restricted.

The Calcutta stock market has remained firm this past week. A number of encouraging economic and political developments have boosted the morale of investors. As a result, turnover has improved and investment support has broadened. Among engineering shares, Kumardhubi, Burn, Electrosteel Castings and Shriram Bearings have been steady. Jute shares have received better support. As a result, Agarpara, Ganges, Kankinarrah and Anglo-India have been firm. Among coal shares, Amalgamated, Western Bengal and Pench Valley have been traded. Among miscellaneous shares, Indian Oxygen, Zuari Agro-Chem, Karanpura Development and Metal Box have been supported. Among tea shares, Dhunseri, Rydak and Birpara have been done.

Dalal Street has displayed a distinctly firm undertone this past week. Despite considerable corrective profit-taking in some of the very popular scrips, the market has pushed its way up which takes it very close to the year's highest point reached on 4th January. Cash shares have performed much better than cleared securities. Dyes and chemicals have fared the best with Indian Dyestuff, Tata Chemicals, Amar Dye-Chem, Bayer and Zuari Chemicals recording spectacular gains on keen buying and poor offerings. Improved sentiment was in no small measure attributable to the new import policy under which imports of a wide range of dyes have been drastically curtailed and several items have been banned. This should provide a big boost to the indigenous units. Cotton mill shares have made a somewhat mixed showing with Century and Standard attracting substantial profit-taking. Standard did well in 1971 but the dividend has only been maintained. Century's one-for-one bonus issue has fallen a little short of the market's general expectations. Steel shares have turned steady on reports that the Government is thinking of allowing both T.I.S.C.O. and I.I.S.C.O. to expand their capacity. Engineering shares have maintained a steady tone with selected counters receiving fair support. Shipping shares, which had been depressed for some time on fears of nationalisation, have evoked fresh support on reports that the Government has no such intention for the time being. Likewise, Associated Cements also have firmed up on fresh support; these shares also had been depressed on fears of a take-over by the Government. Rayon shares have made a mixed showing. While Century Enka have eased, South India Viscose have recorded fair improvement. Among miscellaneous counters, United Carbon have been marked lower while Mahindra Ugine, Motor

COMPANY REPORTS

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

Algemene Bank
Camphor and Allied
Hindustan Aluminium
Indian Oxygen
Kamani Engineering
Kumardhubi Fireclay
Madras Rubber
Mysore Cements
New Shorrock
Tata Mills
Tube Investments
Western India Match

Industries and Chemicals and Fibres have been subdued.

The Madras stock market has remained quietly steady this past week. Neither buyers nor sellers have been willing to extend their commitments. Industrials have, however, received selective support. Planting shares have generally been dull. As a result, Blue Mountain and Consolidated Coffee have declined on selling pressure. In the textile section, Travancore Rayons, Anglo-French and Radhakrishna have been favoured. In the miscellaneous section, India Cement, Binny and Kirloskar Electric have received support. Among banks, Indian Bank have been traded. Among sugar shares, E.I.D. and Mysore Sugar have attracted business.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 26/95—27/65—26/85—27/35—(22/45)

Burrakar Coal 7/75—7/81—7/37—7/62

Guest, Keen, Williams 37/15—37/60—36/80—37/20—(33/65)

Hindustan Motor 10/05—10/95—10/00—10/90—(13/20)

Howrah Jute 7/37—9/12—7/25—8/75—(7/25)

Indian Aluminium 35/05—35/50—35/00—35/40—(37/90)

Indian Cable 21/60—22/65—21/60—22/30—(16/75)

Indian Copper 3/04—3/11—3/01—3/05—(4/17)

Indian Iron 8/60—8/80—8/55—8/65—(11/30)

J. K. Cotton 8/25—8/70—8/25—8/70—(11/00)

Jaipur Udyog 8/55—8/55—8/45—8/50—(9/30)

Jayashree Tea Industries 16/44—16/75—16/44—16/75—(17/37)

Kesoram Industries 20/90—21/80—20/40—20/90—(17/60)

Orient Paper 35/45—37/50—35/45—36/90—(39/10)

Orissa Cement 19/25—20/65—19/25—20/40—(18/60)

Robtas Industries 4/55—4/80—4/40—4/60—(6/30)

Textile Machinery 11/35—11/60—11/20—11/60—(10/05)

Kamani Engineering Produces Satisfactory Results

IN his chairman's statement at the annual general meeting of the Kamani Engineering Corporation Ltd held recently in Bombay, Mr. P. R. Kamani said that the Company had increased its turnover from about Rs. 14 crores in 1970 to about Rs. 15 crores in 1971. (A fuller version of the speech was published in last week's issue of *Capital*.) The chairman said that despite the setback the Company had suffered due to steel shortages during the first quarter of the year, production was maintained at the previous year's level. The Company's profits are around Rs. 42.24 lakhs, against Rs. 25.64 lakhs. Exports during 1970-71 have been around Rs. 6.17 crores. Orders in hand as on 30th September, 1971, were worth about Rs. 24 crores. During the year the Company has completed a turnkey job in Sudan, valued around Rs. 6 crores. It has received sizable orders worth about Rs. 15.5 crores from the Middle East and south-east Asian countries. The chairman referred to the difficulties arising out of the serious shortage of power in various parts of the country. The lack of adequate inter-regional power transmission lines has compounded the difficulties. Mr. Kamani said that the International Development Association has granted a substantial loan for transmission line projects in India. The Indian Government has also detailed plans for interlinking various power systems in order to cope with power shortage. The chairman hopes that there would be appreciable improvement in the Indian order position in the future.

As for the development of certain specialised items for rural electrification, the Company has already executed orders for these items worth about Rs. 40 lakhs. Energetic efforts for further diversification of products are being made. The rolling mill project is progressing satisfactorily. The chairman hopes that the Company's production capacity will be increased significantly when this plant is completed. Kamani Engineering needs a high degree of sophistication in its organisational management. It has, over the years, computerised a number of its operations covering such areas as designing, planning and control and financial accounts.

HINDUSTAN ALUMINIUM

Sales and Profit Down

HINDUSTAN Aluminium Corporation has suffered a setback in its working for 1971. Both sales and profits are lower than in 1970 and margins have been badly squeezed by higher cost of production on the one hand and a substantial reduction in aluminium prices from 24th May, 1971, on the other. The dividend, however, has been maintained at 12.5 per cent, or Rs. 1.25 a share. Despite a 25 per cent power cut enforced by the U.P. State Electricity Board during January to June 1971, the Company has been able to maintain its production of the primary metal at about 78,000 tonnes. Due to a reduction in prices, net sales have declined by 6.4 per cent from Rs. 39.82 crores to Rs. 37.28 crores and the gross profit has shrunk by nearly 40 per cent from Rs. 13.57 crores to Rs. 8.22 crores, bringing down the ratio of profit to sales from around 34 per cent to 22 per cent. After providing Rs. 3.79 crores (against Rs. 3.82 crores) for depreciation, Rs. 9.50 lakhs (against Rs. 33 lakhs) for development rebate reserve and Rs. 3.91 lakhs (against Rs. 2.43 crores) for reserve for contingencies, there is a net profit of Rs. 4.30 crores, against Rs. 6.99 crores in the preceding year. The proposed equity dividend will absorb Rs. 100.40 lakhs (same) and preference dividend Rs. 45.73 lakhs (same).

The first phase of the Company's expansion programme is already under way. The Company expects to commission the new smelter by the middle of this year and to increase its production capacity by 30,000 tonnes by the end of the year. The suspension of U.S. aid has not deterred the Company from advancing towards its goal. Its applications for an industrial licence for the production of caustic soda with 100 tonnes a day capacity and for the expansion of the fabricating capacity from 37,000 tonnes to 60,000 tonnes a year are pending with the Government. Production in the first quarter of the current year has been running at about 80,000 tonnes a year. The Company expects to produce more than in 1971 if sufficient power is available.

ALGEMENE BANK

Better Results

ALGEMENE Bank Nederland N. V. has fared well during 1971. The consolidated profit has risen substantially from Rs. 3.53 lakhs to Rs. 9.76 lakhs, after providing Rs. 2.48 lakhs (against Rs. 2.36 lakhs) for depreciation and repairs to the banking company's property, Rs. 27.66 lakhs (against Rs. 24.40 lakhs) for interest paid on deposits, borrowings, etcetera, and meeting other charges. Deposits have increased from Rs. 5.34 crores to Rs. 6.26 crores. Investments are also up from Rs. 1.47 crores to Rs. 1.76 crores. Advances are shown at Rs. 5.15 crores (against Rs. 5.87 crores). (The consolidated balance-sheet of the bank was published in last week's issue of *Capital*.)

TATA MILLS

Dividend Maintained

DESPITE an increase in sales from Rs. 10.59 crores to Rs. 11.17 crores, the gross profit made by Tata Mills in 1971 is down by 15.5 per cent from Rs. 82.04 lakhs to Rs. 69.34 lakhs. The dividend, however, has been maintained at Rs. 1.50 a share. Appropriations of profit include depreciation Rs. 32.55 lakhs (against Rs. 67.50 lakhs), development rebate reserve Rs. 27 lakhs (against nil), contingencies reserve Rs. 9 lakhs (against nil) and general reserve Rs. 75,000 (against Rs. 1.45 lakhs). The proposed equity and preference dividends will claim Rs. 8.62 lakhs (same) and will be paid out of general reserve.

NEW SHORROCK

Margins Eroded

DESPITE an increase of about 12 per cent in net sales from Rs. 17.54 crores to Rs. 19.65 crores, the gross profit made by New Shorrock Spinning and Manufacturing in 1971 at Rs. 1.73 crores is down by 25 per cent from the previous year's figure of Rs. 2.28 crores. The ratio of profit to sales is down from 13 per cent to 8.8 per cent. The directors have maintained the dividend at Rs. 22 a share and, in addition, proposed a one-for-ten bonus issue. Allocations include depreciation Rs. 92.17 lakhs (against Rs. 87.01 lakhs), development rebate reserve Rs. 24 lakhs (against Rs. 10 lakhs) and taxation Rs. 21 lakhs (against Rs. 63.25 lakhs), leaving a net profit of Rs. 35.66 lakhs, against Rs. 67.88 lakhs in the preceding year. The entire net profit has been transferred to general reserve which had received Rs. 50.88 lakhs in the previous year. No provision has been made for debenture redemption reserve, against Rs. 17 lakhs in 1970. The equity dividend absorbing Rs. 44.88 lakhs will be paid out of general reserve.

TUBE INVESTMENTS

Satisfactory Results

THE directors of Tube Investments of India Ltd have recommended a dividend of 10.5 per cent for the year ended December 1971, against 15 per cent for the previous 17-month period ended December 1970. According to the preliminary figures, the profit, before depreciation, amounts to Rs. 155.14 lakhs, against Rs. 216.99 lakhs for the previous 17-month period. Provision for depreciation amounts to Rs. 53.46 lakhs (against Rs. 72.83 lakhs). Tax provision amounts to Rs. 52.20 lakhs (against Rs. 56 lakhs). Development rebate reserve gets Rs. 3.40 lakhs (against Rs. 10.56 lakhs). A sum of Rs. 12.50 lakhs (against Rs. 5.21 lakhs) is transferred to debenture redemption reserve. Transfer to general reserve amounts to Rs. 21.55 lakhs (against Rs. 13.66 lakhs). A sum of Rs. 3.20 lakhs is transferred to the profit and loss account, being excess tax provision, while a sum of Rs. 20.76 lakhs is written back being development rebate. Sales amounted to Rs. 14.32 crores (against Rs. 18.57 crores).

MADRAS RUBBER

Bright Prospects

BECAUSE of an optimistic assessment of the outlook for the year 1971-72, there has been a better following for the shares of Madras Rubber Factory Ltd in the past few weeks. The fast approaching completion of the Company's capacity expansion from 360,000 sets of tyres and tubes to 610,000 sets is also influencing the shareholders in taking a brighter view of the Company's future. The rapid progress in establishing the Company's Goa plant and the prospect of this plant being commissioned early next year are noteworthy features. One significant feature of the Goa plant is that a major portion of the equipment is being fabricated by the Company's own technical staff, utilising indigenous items. The Company is keen to incorporate the latest technological processes in its units.

As for the Company's outlook for the current year, it is said that sales in the first five months are quite encouraging and expectations are that turnover for the year would be 40 per cent higher than in the previous year if the present trend continues.

INDIAN OXYGEN

New Structure

A NEW organisational structure has been introduced in Indian Oxygen Limited from the beginning of this month. In place of the previous functional organisational pattern of th

KUMARDHUBI FIRECLAY : A PROSPEROUS YEAR

KUMARDHUBI Fireclay and Silica Works Ltd has shown improved working results for 1971. The Company has achieved a record turnover of Rs. 4.15 crores (against Rs. 3.25 crores). The pre-tax profit has also risen from the previous year's Rs. 57.98 lakhs to Rs. 70.47 lakhs, after providing Rs. 21.18 lakhs (against Rs. 14.16 lakhs) for depreciation. The taxable ordinary dividend of 20 per cent has been maintained, absorbing Rs. 10 lakhs, which will be paid out of general reserve. This offers a yield of 10.8 per cent at the present price of Rs. 18.45 a share of Rs. 10 each. Allocations include Rs. 42.43 lakhs (against Rs. 16.22 lakhs) for taxation, Rs. 5.81 lakhs (against Rs. 14.92 lakhs) for statutory development rebate reserve and Rs. 22.23 lakhs (against Rs. 26.76 lakhs) for general reserve. With the improved ways and means position, the Company does not require the second loan instalment of Rs. 60 lakhs from the U.S.A.I.D. In fact, the Company is now financing the expenditure required to complete the diversification and modernisation scheme from its own resources.

Company, the new organisation provides for three trading divisions and three corporate divisions. The three trading divisions are electrodes and equipment division, gases division and special products division and each one is responsible for its own development, production, marketing, accounting and materials management activities. The products of electrodes and equipment division will, however, be sold through the gases division. All existing districts, branches and areas of the Company under the new organisation form part of the gases division. The three corporate divisions are finance division, secretarial division and personnel division.

An export department, independent of the trading divisions, has also been established. It is expected that the new organisation will impart to all levels of the Company greater resilience in facing the challenges of the 'seventies and will contribute to improved efficiency and profitability. The new organisation will also enable the Company to serve its customers better and to plan ahead for the changing requirements of Indian industry.

WESTERN INDIA MATCH

Margins Eroded

DESPITE an increase in the Company's gross turnover—sales, commission and other income—from Rs. 28.43 crores to Rs. 31.20 crores, the gross profit made by the Western India Match Company in 1971 is lower at Rs. 2.17 crores, against. Rs. 2.23 crores in the preceding year. Margins have been eroded by the all-round increase in costs. The dividend has been maintained at 12 per cent. Appropriations of profit include depreciation Rs. 35.85 lakhs (against Rs. 35.55 lakhs), development rebate reserve Rs. 5.15 lakhs (against Rs. 4.36 lakhs), taxation Rs. 1.03 crores (against Rs. 1.12 crores), reserve for doubtful debts Rs. 76,000 (against nil) and general reserve Rs. 72 lakhs (against Rs. 73.28 lakhs). The dividend absorbing Rs. 59.40 lakhs (same) is to be paid out of general reserve.

Production of matches declined by 11,622 cases over the year and that of paper from 5,581 tonnes to 4,628 tonnes. But the output of chlorates was up from 5,066 tonnes to 5,304 tonnes and of salt from 19,500 tonnes to 25,645 tonnes. The volume of matchbox advertising was 20 per cent higher and made a useful contribution to the Company's earnings. The Company's chairman, Mr. Akbar Hydari, has expressed concern over the labour relations at the Madras unit. The Company is exploring new fields of activity to augment its earnings. The memorandum of association is being amended to include in the objects clause many diverse types of business but there is no indication about the lines intended to be taken up in the immediate future.

MYSORE CEMENTS

Satisfactory Results

MYSORE Cements Ltd has earned a higher profit for the year ended June 1971 when compared with the previous year. The dividend has been maintained at 12½ per cent. Sales moved up to Rs. 669.83 lakhs (against Rs. 565.45 lakhs). The profit is Rs. 73.46 lakhs, after providing depreciation of Rs. 47.18 lakhs. In the previous year the Company earned a profit of Rs. 67.82 lakhs, after providing depreciation of Rs. 47.16 lakhs. Out of the total surplus of Rs. 74.65 lakhs which includes the brought-forward sum of Rs. 69,597 and excess provision of Rs. 49,225, the directors have transferred Rs. 50 lakhs (against Rs. 10 lakhs) to development rebate reserve. After accounting for donations amounting to Rs. 9,353 and after taking into consideration a sum of Rs. 1.22 lakhs being expenditure relating to previous years, there is a balance of Rs. 23.33 lakhs which is transferred to general reserve. The preference dividend at 9½ per cent amounting to Rs. 6.65 lakhs and the equity dividend of 12½ per cent absorbing Rs. 22.49 lakhs are paid out of general reserve. Clinker production during the year amounted to 370,035 tonnes (against 368,410 tonnes). Cement production amounted to 399,142 tonnes (against 364,666 tonnes). Cement despatches amounted to 407,171 tonnes (against 359,293 tonnes).

Although the profit for the year is higher than in the previous year, it is said that the profitability is being adversely affected by a further increase in the manufacturing cost, withdrawal of tax credit certificates and removal of the cement industry from the priority list. The Company has sumbitted an application to the Government for setting up a new plant of 400,000 tonnes capacity in Madhya Pradesh. The Company has also been diversifying its activity in manufacturing new types of building materials. With a view to improving the productivity of the existing plant, the directors have decided to effect some modifications at a cost of Rs. 50 lakhs and this is expected to increase the production by about 50,000 tonnes a year. The scheme is expected to be completed by the middle of 1973.

CAMPHOR AND ALLIED : DIVIDEND RAISED

CAMPHOR and Allied Products has raised the dividend for 1971 from 12 per cent to 15 per cent. This follows an improvement in the Company's working during the year. The preliminary figures show an increase of nearly 17 per cent in the gross profit at Rs. 80.34 lakhs, against Rs. 68.63 lakhs in the preceding year. Appropriations include depreciation Rs. 10.13 lakhs (against Rs. 8.16 lakhs), development rebate reserve Rs. 4.12 lakhs (against Rs. 30,000), taxation Rs. 37.10 lakhs (against Rs. 39.13 lakhs) and general reserve Rs. 29 lakhs (against Rs. 21 lakhs). The proposed dividend absorbing Rs. 9.92 lakhs (against Rs. 8.12 lakhs) will be paid out of general reserve.

The Company's production of camphor increased to 790 tonnes from 636 tonnes in 1970. The production and sales of new chemicals also showed a rise. The terpene chemical diversification project in Barielly will be almost completed on receipt and installation of the imported equipment very shortly. As far as terpene resins and paramenthane hydroperoxide are concerned, the work on collection data and pilot plant trials are in progress. This plant is expected to be in operation by the third quarter of the next year. The commissioning of the Baroda Research Centre, which was expected to be in operation by the end of June this year, is likely to be delayed by three months due to unavoidable reasons.

COMMODITIES

Jute Mills Threatened with an Indefinite Strike

THE National Union of Jute Workers (affiliated to the I.N.T.U.C.), the Federation of Chatkal Mazdoor Union (A.I.T.U.C.) and the Jute Workers' Federation (H.M.S.) have served an ultimatum on the managements for an indefinite strike in the jute industry from 8th May, demanding a minimum wage of Rs. 300 a month, besides night shift allowance, house rent, permanency of workers and retaining allowances for non-permanent operatives. They have called upon the 250,000 workers in the 61 mills in the industry to close their ranks to achieve these minimum demands. Addressing a joint Press conference in Calcutta on Sunday, spokesmen of the organisations said that "the uncompromising attitude of the employers during the past year and a half in the Wage Committee" had forced them to take such a drastic step.

Following the announcement of the ultimatum, the C.P.I.(M)-dominated unions, the C.I.T.U. and the U.T.U.C., issued a joint statement, deploring that the strike call could not be issued jointly, as in the past. The two organisations, however, reiterated their unstinted support to the strike move and had put forth some additional demands like permanency of *budli* workers, fixing of the variable dearness allowance at 35 paise a point from the 1939 base, gratuity of 30 days a year, and free quarters or house rent allowance of 20 per cent.

Additional Burden

The sponsors maintained that they were sure that the industry could bear the additional burden of some Rs. 30 crores that would be needed for conceding the minimum wage demand. With an overall output of some 1.2 million tonnes of finished goods, the industry's profits ran to some Rs. 180 crores. A union spokesman suggested that such a profit-spinning industry "should not be left in the control of monopoly capital any more and deserves immediate nationalisation". The issue was to be tabled for discussion in the West Bengal Assembly and Parliament. Another spokesman said that 33 out of the 61 mills had been virtually enjoying a boomlet and were working round-the-clock at top load on multiple shifts every day of the week. They had been offering 16 hours' wages to a worker for working on Sundays and other holidays, he alleged.

The workers went on a week-long strike in 1969, which led to an increase of Rs. 30 in basic wages. At that time, it was also proposed that a Wage Committee should be set up to go into other issues included in the charter of demands, a union spokesman said. Although such a committee had been formed, it had so far made little progress. The organisations said that since "there is little hope now of the settlement of the issue", they had been forced to issue the ultimatum. When the issue was taken up in November last, the I.J.M.A. agreed to raise the minimum wage by Rs. 5.60 to Rs. 195. Demanding a minimum wage of Rs. 264 when the cost of living index was at 730, the workers rejected the I.J.M.A. offer. At the current level of the cost of living index, the wage should come to Rs. 300, they observed.

I.J.M.A.'s Reaction

Reacting to the reported strike decision, an I.J.M.A. spokesman described the wage demand as untenable. In the context of a virtual suspension of production in Bangladesh, the "present levels of profits of the Indian jute mills are a very transient feature" and so, these could not be the basis of a higher minimum wage. He said that at a minimum rate of Rs. 211, wages accounted for only 10 per cent of the cost in the engineering industry. But the incidence of wages was as high as 35 per cent in the jute industry. That is why the Association had offered a rise of Rs. 5.60 a month to Rs. 195 a month. He maintained that there should be a difference of at least Rs. 20 between the wages in the two industries. As for the demand for nationalisation, he said that the "trade unions have only repeated the slogans of the day which are nationalisation and no work." He thought that Government take-over would do more "harm than good" to the industry.

Tufted Carpet Production

Recent statistics from the Bureau of Census, U.S. Department of Commerce, on tufted carpet production since 1969 are revealing. With increasing production of synthetics, and with greater efforts in research and development among the established manufacturers to find an ideal secondary backing, jute backings, with the twin disadvantages of high price and a long pipe-line, face an increasingly unequal struggle. Recent Press reports notwithstanding, it is perhaps more accurate to say that areas of jute packaging are being increasingly encroached upon by synthetics, observes the New York correspondent of *Jute Chronicle*, the bimonthly organ of the I.J.M.A. He says that while jute is still the preferred packaging medium in almost every market area, its price and availability continue to act as major deterrents to its extensive use. Its scarcity and high prices have left large and small users, particularly the former, with extremely difficult decisions and this situation is being exploited fully by the manufacturers of synthetics.

The past year was largely one of readjustment for the U.S. economy, marked by a sharp and steady gain in public confidence since the introduction of the new economic policies in August, the correspondent says. But despite the improved economic outlook, the performance of burlap was dismal in the U.S.A. during 1971. Consumption of the fabric in 1970 had fallen by 11.7 per cent from the previous year. While it may have been possible to seek comfort from the fact that the entire year (1970) had witnessed a slowdown in all business activity, the poor showing by burlap in 1971 when total consumption at 503.1 million yards showed a decline of 17.4 per cent from 609 million yards in the preceding year demanded serious attention. The major decline in consumption was reflected in the area of burlap cut-up for bags whose use declined from 438 million yards in 1970 to 351.6 million yards in 1971, registering a drop of 19.7 per cent. At a bare 151.5 million yards, against 171 million yards in the previous year, burlap piecegoods offtake which had slipped by 23.7 per cent over the

1969 level in 1970 lost a further 11.4 per cent in 1971.

Gunnies Steady

The Calcutta gunny market ruled steady to firm on the prospect of a shortfall in the output of jute goods due to erratic power-shedding. Fluctuations were narrow, induced by alternate bouts of buying and selling mainly by speculators. As the power-supply situation was unlikely to register an appreciable improvement for some time, operators feared that the output of the end-products would decline notwithstanding the efforts of the industry to maximise production. The reported submission of an ultimatum for an industrywide general strike from 8th May by all the trade unions operating in the industry was yet another stimulant. So, both mills and holders of P.D.O.s were inclined to reduce their ready and near-term commitments. The Calcutta-U.S.A. Conference which announced a 48-hour extension of cease-registration and cease-loading dates for the end-March loaders extended the period of grace up to 12th April to enable shippers to fulfil their commitments, inducing shippers to extend last-minute support to the market for the clearance of their held-over shipments. The work-to-rule tactics being resorted to by a section of the staff of the Dock Labour Board in protest against the current booking limit of 30 shifts a month had caused an accumulation of pre-shipment work with a resultant slackening in the tempo of exports. Steamer agents who had a number of vessels working in port simultaneously were feeling the maximum impact of the slow-down. Shipper circles were glad over the allocation of two loaders, both covering Sydney and Melbourne, for Australia for April. One of them would accept goods for Adelaide and Freemantle. Although the carpet industry in Australia had been experiencing a lull, conditions were expected to brighten before long. The bears appeared to be encouraged by the serious dearth of overseas enquiries, particularly from countries like the U.S.A., Russia and the U.K. The only bulk business reported during the week was some 15,000 bales of hessian for Turkey. There were scattered enquiries from Africa, Egypt and Syria. But it was not known whether any of them matured into business. As mills had been almost entirely sold for ready and near positions, the shortage of ready and near-delivery goods continued unabated. As for sacking, it was hoped that with the temporary suspension of D.G.S.D. offtake from June, the supply position would improve. But mills were extremely reserved in extending their commitments for heavy goods until they had been advised by the Jute Commissioner. Some operators believed that the authorities might release a lot of the requisitioned quotas for meeting export demands. Despite the current phase of hesitancy, Clive Row was inclined to take a bullish view. The reported improvement in the work-load of the Bangladesh industry was discounted by well-informed sources. In spite of the resumption of work by more operatives and the general increase in output, the fact remained that road, river and rail communications were still disrupted, hampering the movement of raw jute from up-country areas to mills and of finished goods from mill areas to the ports. The Russian minesweeping flotilla was doing a fine work round-the-clock in the Chittagong port approaches and the estuary of the Karnafuli. But the task was vast and at least a couple of months would be needed for the operations. Hence the buoyant phase in the Indian gunny market was likely to continue much longer than was expected earlier. The downward trend in fibre prices and reports of well-distributed nor'westers in both Bangladesh and northern and eastern India induced hopes of an exetnsive fibre coverage during the next season. In the hedge market, speculative manipulations within the permissible limits helped govern the general trend. Bulls indulged in profit-taking at the higher levels, while bears resorted to a moderate extent of aggressive short-selling, carefully covering their open positions at the dips. Turnover was moderate to small. The closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	Apr.	May	June	July-Sept.
40in. 7½oz.	85.00	83.00	80.00	75.00
40in. 8oz.	93.00	—	—	—
40in. 10oz.	109.00	106.00	102.00	97.00
B Twills	290.00	287.00	282.50	269.50
Heavy Cees	291.50	288.00	283.00	269.50
Cornsacks	—	—	—	—
A Twills (U.S.)	344.00	344.00	340.00	335.00
Liverpools	342.00	340.00	334.00	319.00

Fibre Prices Recede

Raw jute prices receded further during the past week due to the virtual lack of interest from mills and mill agents. Mills had been having comfortable inventories, while the chances of intermittent power-shedding in not only the Calcutta industrial areas, but also in remote Andhra Pradesh, combined with the threat of an industrywide general strike from 8th May, induced fears of an appreciable shrinkage in the consumption of raw jute by mills during the next few months, further eroding the latter's interest. They reduced their immediate offtake to suitable lots of selected grade fibre at quoted prices. Arrivals in the upcountry markets hovered around the previous fortnight's level of 30,000 maunds a day. But there was no apprehension of any fibre shortage during the initial quarter of the next season. For enough lots of Bangladesh jute would be coming to India on Government-to-Government basis, ruling out the prospect of any speculative squeeze by interested parties. Besides, some quantities were also expected to be moved along clandestine channels by the trade on either side of the long border. Favourable weather conditions and remunerative prices for the fibre, it was hoped, would induce the farmers to devote a more extensive coverage for raw jute in either country. The Indian Foreign Trade Minister's threat to enforce a minimum price of jute on a statutory basis for helping the ultimate growers would also act as a positive inducement. It was officially indicated that instead of depending entirely on nature, efforts were being made to introduce jute-sowing in irrigated areas for raising the overall yield and upgrading fibre quality. These considerations induced holders of average and lower grade fibre to offer the residue of their holdings at increasing discounts without attracting much response from the other side. Calcutta port reports indicated that out of the quota of 300,000 bales sanctioned for the purpose by the authorities a little over 200,000 bales of raw jute had been or were being shipped during the season. The shipment of the balance remains problematic at this stage, for a large number of overdue foreign contracts had been cancelled by the buyers since the freer availability of the fibre at much cheaper rates at home. It was, however, certain that no further fibre export licence was likely to be issued this season. Present shipments had been characterised by a high stowage factor of many of the bales as well as by very slow arrivals, both seriously hampering the optimum utilisation of bottom space. Both the developments had been caused by the strike in the jute-baling units. The result was that pressings had been done hurriedly and deliveries more considerably delayed. Turnover was small. The closing undertone was hesitant.

Latest available quotations (in rupees) were as follows:

	April-May		
	Rates a quinta Mid.	Rates a quintal Bot.	Rates a md Bot
Selected Assam-Agartala	156.74	146.02	54.50
Northern Jute	151.30	140.66	52.50
Western Desal Jute	142.00	131.20	49.00
Selected Daissee	172.81	162.09	60.50
Assam-Agartala Tossa	170.13	159.41	59.50
Mesta :			
Assam Mesta	137.98	129.94	48.50
Selected Daissee			
Murshidabad	133.96	125.92	47.00
Bihar Dist	123.24	112.53	42.00

Established 1851

WESTERN ASSURANCE COMPANY

(The Liability of Members is Limited)
(Incorporated in Canada)

FIRE—MARINE—ACCIDENT—MOTOR CAR WORKMEN'S COMPENSATION

Branch Office for India:
CHARTERED BANK BUILDINGS
1, India Exchange Place,
Calcutta - 1.

Should a Tea Auction Centre Be Set up in Siliguri ?

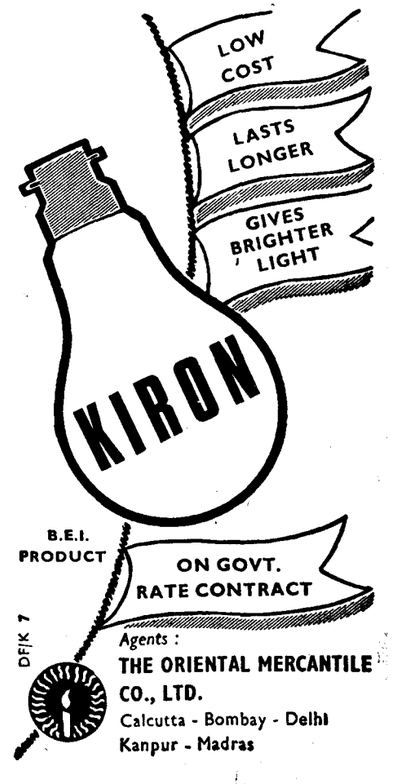
By H. R. Bose

THE overall tea production in the country is of the order of 406 million kilograms, of which north India accounts for more than 305 million kilograms; south India accounts for the rest, namely, 101 million kilograms. Out of this as much as 263 million kilograms are disposed of through the auction houses where the auction is made under the direct control of the Tea Board. Till recently, there were only two auction houses for tea in the country—one in Calcutta and the other in Cochin. Besides this, a considerable quantity of tea is auctioned in the London market. But Calcutta still continues to account for the largest share in the tea auction trade, although due to various factors—of which transport is the most important—the tea growers cannot take the full advantage of the Calcutta auction.

Considering the various disadvantages arising out of the sole dependence of the entire tea trade of north India and Assam on the tea auction house in Calcutta, the Government of India appointed a committee some years ago to go into the various aspects of the issue and make a thorough study of the question of having tea auction houses in other important tea trading centres in the country. The committee, headed by Mr. U. K. Ghosal, recommended for two more tea auction houses, one in Delhi and the other in Gauhati. While the Government accepted the recommendation of the committee in respect of Gauhati, it could not see eye to eye with the Ghosal Committee for having a tea auction house in Delhi. Accordingly, the Gauhati auction house has been set up by the Government and it has been functioning quite smoothly for the last few years. As a result, the tea planters of Assam have been partially relieved of their dependence on Calcutta for the disposal of the tea grown in that State. As a matter of fact, during the year 1970-71, the total quantity of tea auctioned through the various tea auction centres are: Calcutta 153 million kilograms; Cochin 68 million kilograms; Gauhati 9 million kilograms; and London 33 million kilograms.

But as far as north Bengal is concerned, the tea planters have to depend entirely on Calcutta for the auction of their tea. But due to various difficulties involved in having the entire tea grown in that area moved to Calcutta, the gardens have to dispose of quite a sizable quantity of their production through direct negotiation with the traders. This will be evident from the fact that out of a total quantity of 305 million kilograms of tea grown in north India, only about 150 million kilograms are disposed of through the auction house in Calcutta. Of this, a major part is accounted for by the tea gardens of north India. Needless to say that in so doing, they are deprived of the benefit of having the best price for their product which they could have obtained if their tea were placed for auction through the auction house.

If a tea auction centre is set up in Siliguri, it will give a fillip to the economic activity that is recently being noticed in north Bengal. This will have the added advantage that the too frequent labour troubles in Calcutta port or the disruption in rail movements will not affect the tea industry. Since plenty of accommodation along with communication facilities will be available in and around Siliguri, tea auction will find no difficulty in operating there.



COMPANY AND PUBLIC NOTICES

THE GANGES ROPE COMPANY, LIMITED

THE Board of Directors of this Company has recommended payment of a Dividend @ Rs. 7.50 per share on the Ordinary Share Capital of the Company for the year ended 31st December, 1971. Payment of any dividend declared at the Annual General Meeting to be held on 26th April, 1972, will be made to those shareholders whose names appear on the Company's Register on the 26th April, 1972 or in accordance with their instructions.

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will remain closed from the 20th to the 26th April, 1972, both days inclusive.

THE GANGES ROPE COMPANY, LIMITED,
H. D. WAHI
Director.

2, Fairlie Place,
Calcutta - 1, 6th April, 1972.

THE INDIAN IRON & STEEL CO. LTD.

NOTICE

THE Board of Directors has today sanctioned payment of dividend on 5% Cumulative Preference Shares in the Company for the half-year ending 31st March 1972. The Register of Members for Preference Shares will remain closed from 19th April to 26th April, 1972 both days inclusive for payment of dividend on or after the 1st May, 1972 to those Preference Shareholders whose names appear on the Register on 26th April, 1972.

By Order of the Board

THE INDIAN IRON & STEEL CO. LTD.,
BIREN MOOKERJEE
Chairman.

Registered Office:
12, Mission Row,
Calcutta - 1.
Dated 30th March, 1972.

PHILLIPS CARBON BLACK LTD.

Registered Office :
31, Netaji Subhas Road, Calcutta-1.

NOTICE

THE Board of Directors of Phillips Carbon Black Ltd. have decided to recommend to the shareholders that a dividend of 12%, subject to deduction of tax, as may be applicable, for the year ended 30th November, 1971 be declared on the Equity Share Capital of the Company at the Eleventh Annual General Meeting to be held on Wednesday, the 3rd May, 1972 at 11.00 A.M. in respect of the year ended 30th November, 1971.

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from 21st April to 3rd May, 1972, both days inclusive.

By Order of the Board

DUNCAN BROTHERS & CO., LTD.
Secretaries.

Calcutta, 7th April, 1972.

SCHRADER-SCOVILL DUNCAN LTD.

Registered Office :
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NOTICE

THE Board of Directors have decided to recommend at the forthcoming Annual General Meeting of the Members of the Company, to be held on Tuesday, the 2nd May, 1972 at 3-30 P.M., the payment, within the statutory period, of a dividend of 25% on Equity Share Capital in respect of the year ended 31st October, 1971, subject to deduction of tax, as may be applicable.

Pursuant to Section 154 of the Companies Act, 1956 the Register of Members and Share Transfer Books of the Company will remain closed from 25th April to 2nd May, 1972, both days inclusive, for the purpose of holding the Eleventh Annual General Meeting of the Company on the aforesaid date.

By Order of the Board,

DUNCAN BROTHERS & CO., LTD.
Secretaries.

Dated, 7th April, 1972.

INDIAN OXYGEN LIMITED

Notice under Section 21 of the MRTP Act for effecting substantial expansion in the manufacture of electrode

It is hereby notified for public information that M/s. Indian Oxygen Limited, P-34 Taratala Road, Calcutta-53 have given on 13/3/72 a Notice under Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, to the Department of Company Affairs, New Delhi, for their substantial expansion in the manufacture of welding electrodes.

Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, New Delhi, within a fortnight of publication of this Notice.

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Union Carbide India Ltd—10 p.c. (0)(f), subject to tax

Dunlop India Ltd—Rs. 1.25 (0)(f), per share, subject to tax

Associated Bearing Co. Ltd—15 p.c. (0), subject to tax

Tinplate Co. of India Ltd—10 p.c. (0)(f), subject to tax

Ganges Rope Co. Ltd—7½ p.c. (0) subject to tax

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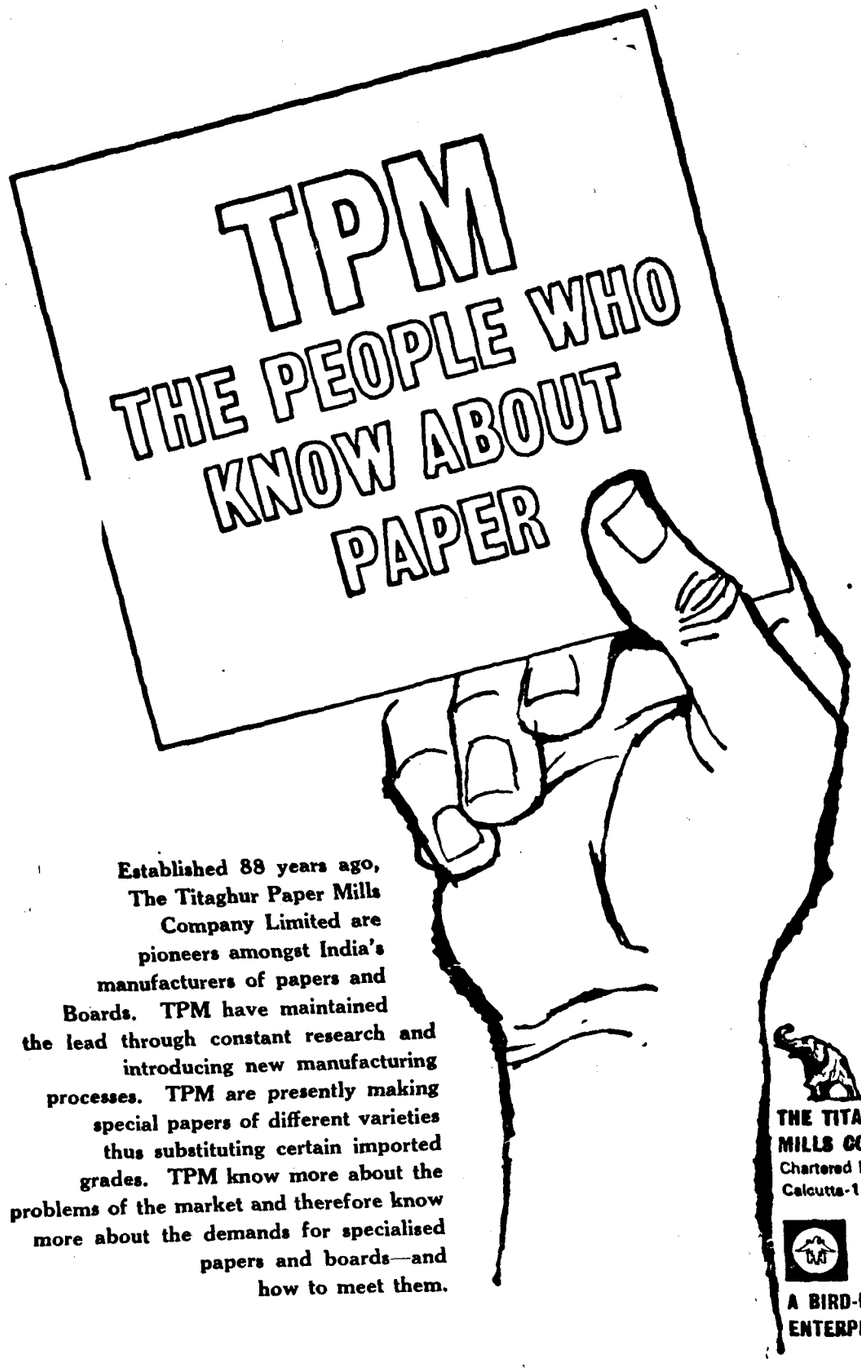

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Food Politics and Prices

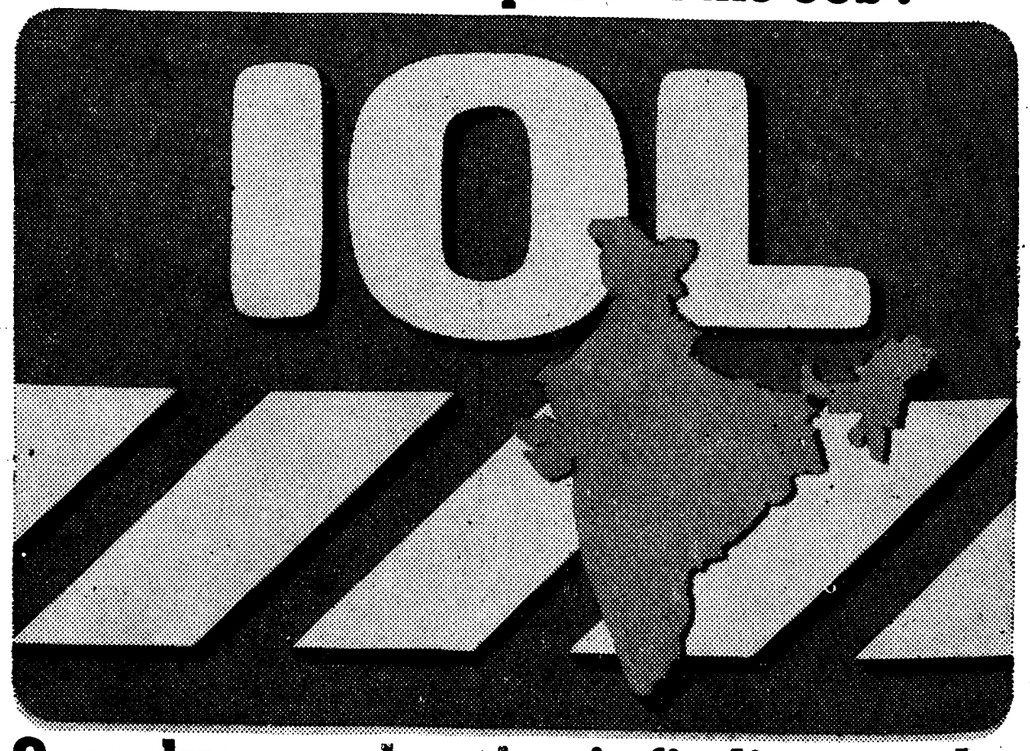
The Tussle at the U. N. C. T. A. D.-III

Agony of the Fourth Estate

Recognition of Trade Unions

L.I.C.: Developing the Infrastructure

Indian Industry: What will it require in the 80s?



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CAPITAL

Incorporating the Indian Financial Review
Established 1888

Calcutta 20th April, 1972
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Food Politics and Prices

IN sugarcane, it is often said, there is 90 per cent politics and only 10 per cent sucrose; today, this may well be said of all food crops. The manner in which the Chief Ministers have gone about ignoring the recommendations of the Agricultural Prices Commission year after year only goes to show the extent to which political rather than economic considerations influence decisions at the highest level. The decision was not totally unexpected, although it was hoped that in the changed political set-up in the States and at the Centre, decisions of Governments would take into account the economic imperatives rather than political expedients. It is now evident that the "kulaks" in the States are as powerful as in the past and are in a position to stall decisions of vital significance to the economy.

The major argument against the acceptance of the recommendation of the A.P.C. for reducing the procurement price of wheat was that it would hit the small farmer. Punjab led the campaign against the reduction move and was ably assisted by Uttar Pradesh and Haryana. Barring West Bengal, Orissa and Jammu and Kashmir, all other States were unanimous in opposing the A.P.C. report. The Chief Ministers of these States expressed the view that it would be unfair to the farmer to reduce the procurement price payable to him just before harvest when he had cultivated the crop in the hope of getting the prevailing price. There is certainly some force in this line of argument, although it remains to be seen whether the wheat-producing States will countenance any proposal for lowering the procurement price if it is fixed before the sowing season. The Centre can be again brow-beaten on some other ground.

What is unfortunate is not the fact that the Chief Ministers have not accepted the A.P.C. recommendation for a cut but that they have skirted the real issue, namely, whether there is a case for reviewing the present basis for the payment of procurement price The existing levels of procuremen prices and issue prices were fixed tak ing advantage of the cushion available from the lower cost of imported wheat With complete stoppage of conces sional foodgrain imports, is it any longer possible to continue these price at the existing levels? The Chie Ministers have not attempted t answer this most important question because it is a very inconvenient one

At present, wheat is procured a Rs. 76 a quintal and is issued at Rs. 7 a quintal after bagging. It is obviou that the additional Rs. 2 does no meet the cost of procurement, trans portation, storage and bagging. Th gunny bag alone costs Rs. 3.50 a piece not to talk of other charges. As stat ed earlier, it was possible to pay a hig procurement price and keep the issu price comparatively low because of th low cost of imported wheat that wa added to the Central pool. With th total stoppage of imports, the add tional cost will have to be met fro the Exchequer. According to th Central Minister for Food and Agr culture, Mr. Fakhruddin Ali Ahme the subsidy at prevailing rates of pr curement price and issue price woul come to Rs. 135 crores this year, compared with Rs. 50 crores last yea The additional Rs. 85 crores can b raised only by forsaking some impo tant development programmes.

The reduction proposed by th A.P.C. in the procurement price fro Rs. 76 to Rs. 72 a quintal will brin down the amount of subsidy by abo Rs. 26 crores for procuring 6.5 millio tonnes of wheat, more than half which will come from Punjab. Th A.P.C. itself has conceded that th fear that any reduction in the procur ment price of wheat might produce disincentive effect on its production grounded on the fact that the bu of the increases in foodgrain outp in recent years has been contribut

by this cereal. But the Commission points out that in view of the imbalance that has developed between the demand for and the supply of wheat, what is required is a reinforcement of the efforts to achieve a breakthrough in rice output rather than pegging the procurement price of wheat at a level where it can be sustained only with the help of a large subsidy.

The Commission is, however, of the view that the fear of any drastic fall in the increases in wheat output in the next few years as a result of even a moderate reduction in the procurement price is "exaggerated". The available data, according to the Commission, suggest that even after a moderate reduction, the procurement price of wheat will be comfortably above its production cost—a view that has been hotly contested by the Punjab Government. The Chief Minister of that State, Mr. Zail Singh, said in New Delhi last week that whereas the procurement price has remained the same for the last three or four years, the cost of almost all the inputs has gone up. The increase in excise duty on fertiliser and power-driven pumpsets in the recent Central Budget and the increase in the cost of agricultural implements as a result of the rise in the excise duty on steel, he fears, will further push up the cost of production. If this argument is extended, then the cost of production of all food crops is bound to go up, requiring a basic revision of their pricing policies.

This calls for an integrated approach to all agricultural crops in order to ensure that a higher price for one crop does not result in diversion of land to that crop from other equally important crops. Between 1964-65 and 1970-71, the production of wheat has increased at a compound rate of nearly 14 per cent a year, while the demand has lagged behind; but the gap, which has so far remained concealed in displacing imports and building the buffer, is now becoming manifest. With a compound growth rate of population at 2.2 per cent a year, says the A.P.C., the demand for wheat would not seem to grow sharply in excess of 5 per cent a year unless a downward drift in its relative price helps to accelerate it. At present, the high price paid for wheat is an attraction for the farmer to transfer his land from other crops to wheat. The Commission has, therefore, expressed the view that if a certain reduction in wheat prices helps to arrest the shift of acreage from other crops to wheat or even partially to reverse it, it would be a "wholesome development" as the country needs not only wheat but also more of cotton, oilseeds, sugarcane and pulses.

The policy of incentive price has paid good dividends in respect of wheat. What is now needed is to give stability to wheat production and ensure that the assistance given to the wheat producer is also made available to the producers of other crops, more especially rice and cash crops. Such a dispassionate view of the relative needs of major crops can be taken, not by the producing States themselves but only by outside agencies like the National Commission on Agriculture and the Agricultural Prices Commission. But the manner in which their recommendations have been treated by the Centre and the States does not infuse confidence that decisions on vital economic issues will be depoliticalised. Unless courage is shown in tackling issues concerning the farmer, vested interests are sure to grow stronger and create lobbies for themselves within the ruling Party as well as in the Government. And if that happens, the hope of taxing agricultural incomes and bringing forward other progressive measures relating to the farm sector will have to be given a decent burial.

The Tussle at the U.N.C.T.A.D.-III

BETWEEN the U.N.C.T.A.D.-II in New Delhi and the U.N.C.T.A.D.-III, which opened in Santiago last week, the lot of the developing world has not improved much. The prospects of a faster rate of progress during the second Development Decade also appear to be dim. Apart from the introduction of the generalised preferences scheme in favour of exports of the developing nations by some of the advanced countries, there has been no headway on many other aspects of development discussed at the New Delhi session of U.N.C.T.A.D. Even on the issue of preferences, the richest country in the world has yet to make a start. On the aid front, the picture is no brighter. Although there has been some improvement in the terms of lending by some of the enlightened countries like Canada and the Scandanavian nations, the American aid programme, which in absolute terms is the largest, has been caught up in a lot of politics. As Mr. Robert S. McNamara, President of the World Bank, noted in his address to the opening session in Santiago, the contribution of the U.S.A. in official development assistance has already fallen to 0.31 per cent of the G.N.P. in 1970 from 0.50 per cent in the 'sixties and is likely to fall further to around 0.24 per cent by 1975. This has to be viewed against the U.N.C.T.A.D. demand for raising the proportion of official assistance to 0.7 per cent of the G.N.P. by the middle of the current decade.

A similar note of caution was struck by India's Minister for Foreign Trade, Mr. L. N. Mishra. The hopes aroused by the setting up of the U.N.C.T.A.D. eight years ago have not materialised. And unless its institutional machinery is geared to implement through time-bound programmes the commitments already made, the purpose for which the agency was set up would remain largely unfulfilled. The expectations have given way to disappointment and anguish in the poor nations. Unless the Santiago conference is able to give a fresh lead in tackling the problems of widening disparities between the developed and developing nations, the future holds out little promise. What is needed, as Mr. Mishra said, is an integrated world economic order free from inequity and exploitation of the poor nations by the rich whose attitude to economic development was conditioned by considerations of balance of power.

Mr. Mishra made a pointed reference to the "extremely fragile basis" on which international co-operation was based. Recent developments in the world monetary scene make it clear that the developed countries take decisions on their own without caring much for the interests of the poor nations which are, however, affected as much by these convulsions as the others. The Bretton Woods system, he felt, was primarily designed to serve the interests of the developed countries while those of the developing nations have been accorded only residual consideration. Mr. Mishra grimly observed that a system where decisions are taken only by a few rich nations to the total disregard of the viewpoints of the poor ones could not last long, and could not be a basis for the growth of true international economic co-operation.

Inaugurating the U.N.C.T.A.D.-III, the Chilean President, Mr. Allende, demanded "replacement of an economic and trade order that is outdated and radically unjust by a fairer one based on a new concept of man and of human dignity." How unfair the current economic and trade order is can be judged from the following facts: the share of the developing countries' exports in world trade declined from 21.3 per cent in 1960 to 17.6 per cent in 1970. According to Mr. Perez-Gurerrero, Secretary-General of the U.N.C.T.A.D., "if in the next 20 years the same trends of the last two decades were to prevail, there is the risk that by 1990 well over half of the world's population, living in the developing countries, would account for only somewhat more than 10 per cent of international trade." The developing countries' external debt burden is growing at such an alarming rate that it stood at about $60 billion at the end of 1969; the recent world monetary crisis, for which the developing world was in no way responsible, has reduced the value of their foreign exchange reserves by about $500 million. Although 60 per cent of the volume of world shipping is accounted for by the poor nations, only 8 per cent of merchant shipping is under their direct control. While the average *per capita* income in developed countries is expected to rise from the current level of $2,400 to $3,600 by 1988, the average *per capita* income in the developing world was now only $180 and was expected to rise by less than $100 by 1988.

In the light of the above facts, a change in the present economic and trade order is of utmost urgency if the second Development Decade is to have any meaning. There is thus an immediate need to introduce corrective mechanisms which prevent the negative effects on the developing countries caused by the world economic situation, which is mainly determined by what is happening in the developed countries. The latter, therefore, have a special responsibility for controlling the course of their own economies, some of which sometimes depart from their normal paths, thus creating additional problems for the international community. The imbalances affecting the industrialised countries, whether structural or dictated by circumstances, have multiplied negative effects on the developing countries whose economies are extremely vulnerable to the vicissitudes of the more advanced countries. Consequently, it is essential to resist and turn back the new wave of protectionism which could put an end to the progressive efforts towards liberalisation of trade which have been attempted in the last few years.

The U.N.C.T.A.D.-III may not provide all the solutions to the problems impeding a faster rate of growth in the developing world. But since development is a universal phenomenon and this process cannot go on without bridging the gap between the rich and poor nations, some programme of action must be initiated from Santiago which will alleviate to some extent the present burden of the developing nations. A renewed attempt should be made to reduce tariff and non-tariff barriers which affect the export of developing nations. Another area where some action could be taken is in ensuring some stability in the world monetary system. As the Lima conference of the "Group of 77" pointed out, the new system must provide a mechanism for creating additional international liquidity through collective international action, taking into consideration the special needs of the developing countries. The revision of shipping codes is yet another field crying for some action.

But whatever international action may be taken to help the third world, it is ultimately the developing nations themselves which have to adopt new production techniques and policies which will enable them to catch up with the advanced nations. As Mr. McNamara pointed out, the developing countries have also a responsibility to realign their industrial policies from over-reliance on import substitution to greater efforts at export promotion. This would be possible, he added, only if the developed countries also made a shift from excessive protectionism to more equitable and less restricted import policies.

Agony of the Fourth Estate

THE Government of India has done well to appoint the long-awaited fact-finding committee to study the economics of newspapers. This should, in fact, have been done much earlier when the Government came out with its directive to limit the size of all newspapers to a maximum of ten pages. At the same time, the Government has announced measures further tightening the restrictions and leaving little flexibility with the papers even within their reduced newsprint allocations. The object of the Government's move as declared by Mrs. Nandini Satpathy, Minister of State for Information and Broadcasting, is two-fold: to conserve newsprint which has to be bought with foreign exchange, and to encourage small newspapers. Both are laudable objectives. But an incidental result of these measures may be the closure or crippling of some of the big newspapers as it would mean a loss of between 30 per cent and 40 per cent in their revenue. Perhaps the committee will also study the political implications of any move that may render the big newspapers less potent than they are at present. It might also examine how effective the so-called big newspapers really are in shaping public opinion. If the results of successive elections are any indication, these papers do not really influence public opinion. But this may best be left to a thorough examination by experts.

Yet another related issue that merits close examination is how effective are the small newspapers in expressing public grievances? Are they really free? If not, what are the constraints upon them? Can they be pressurised and even forced to close down by the Central and State Governments? If this is so, would it not be desirable in the interest of democracy to allow the continuation and growth of at least some newspapers that are strong enough to withstand any pressures and are capable of criticising the Government and politicians without fear or favour?

The Government's latest directive restricting the size of the big newspapers comes in the wake of persistent declarations by Ministers to bring legislative measures to "diffuse" the ownership of newspapers. At one stage, a draft of the proposed legislation was "leaked" to the Press. It led to loud protests and

created misgivings about the freedom of the Press in India. Subsequently, the measure appears to have been soft-pedalled and not much has been heard about it recently. But the latest executive contrivance aimed at conserving newsprint may prove to be even more harmful to the big newspapers than the earlier proposal to diffuse newspaper ownership. While the earlier move would have hit—in the first instance at least—only the proprietors, the latest order may endanger the very existence of the old and established big papers and throw their staff on the streets. This is a possibility that the Government will have to guard against if it does not want to earn a reputation for throttling the Press.

It needs to be pointed out that some newspapers are big because their readers have faith in them. All the big newspapers in Delhi remained closed for almost two months in 1968 due to a long strike by their employees. Two smaller English dailies did roaring business during the period. Both are in the good books of the Central Government. The entire newspaper reading public of northern India became their subscribers for two months. This was a sufficiently long period for them to prove their merit. But as soon as the big dailies reappeared, all their old readers returned to them and so did the advertisers. This should prove, if proof is needed, that the big newspapers do not have any monopoly status. Their only monopoly is the goodwill they have earned by retaining their independence.

In the final analysis, the only test of a free Press in any country is its ability to criticise the Government. The general view in this country and outside is that almost all big newspapers are somewhat conservative and sober in their expression. They do not go out of their way to attack the Government. Furthermore, the big newspapers seldom deny space to any point of view in their news columns. They are, more than anything else, run on sound business principles of making money by retaining the goodwill of the readers. The people on their part have shown that they are not fond of newspapers which are too closely aligned to any political party. Whatever its inclination, a paper should be independent and open to all opinions and news. By contrast, small newspapers have more often than not found themselves too much at the mercy of Governments and powerful politicians. They cannot afford the luxury of complete freedom from Government control.

The crux of the whole matter is that the main difference between a small and a big newspaper is that very often the Government can force a small newspaper to close down by merely withdrawing its patronage but it cannot do so to a big newspaper. The ability of a society to run newspapers which are beyond such control by the Government is thus the acid test of freedom of the Press. The Centre and Parliament should keep this test uppermost while framing laws and policies affecting the freedom of the Press.

Towards a Lower Land Ceiling ?

THE subject of land reforms has been hanging fire for several years now and with the success of the Congress Party in the recent State Assembly elections, this has once again cropped up in a big way. The election manifesto of the ruling Congress had given a high priority to land ceilings and the Prime Minister, Mrs. Indira Gandhi, now seems to be keen that the pledge given to the people should be redeemed at any cost. Mr. Fakhruddin Ali Ahmed, Central Minister for Food and Agriculture, who addressed a conference of Chief Ministers in New Delhi last week, said that they should take immediate action so as to bring the State ceiling laws in line with the recommendations of the Central Land Reforms Committee. In a country as diverse as India, bringing about a broad measure of uniformity in the ceiling laws of different States is not easy. The committee had recommended that the ceiling should be made applicable to the family as a whole, that the family ceiling should be fixed within the range of ten to 18 acres of land irrigated from Government sources, that it should apply to such lands as are capable of growing at least two crops a year and that the conversion ratios should be fixed for different classes of land. These recommendations were accepted by the Government of India and some of the States have already taken steps to amend their ceiling laws.

The very fact that so many limitations have been imposed on evolving a proper ceiling shows that the problem bristles with difficulties. When more urgent problems are awaiting solution, there is no reason why the Government should take up this question first and give undue importance to land reforms. An increase in agricultural productivity does not brook any delay. Similarly, carrying the benefits of increased production through the "Green Revolution" to the millions of consumers is more important than such measures. The Government is subsidising food heavily to the tune of Rs. 135 crores and is thus diverting valuable resources which are needed for developmental purposes. What is the value of imposing ceiling when the common man will not stand to gain anything from it?

A family is defined by the Central Committee so as to include husband, wife and minor children and where the number of members in the family exceeds five, additional land may be allowed for each member in excess of five in such a manner that the total area admissible to the family does not exceed twice the ceiling limit for a family. A ceiling of ten to 18 acres would be woefully inadequate if farming has to be economical and has to guarantee a reasonable standard of living to the farmer and his dependents. The Central Committee itself has recognised that soil conditions, productivity of land, nature of the crop grown, etcetera, vary from State to State and within the same State from region to region and yet it has chosen to fix the ceiling between ten and 18 acres. This only shows that while the committee is aware of the difficulties, it is not prepared to see reason. Nor is there any uniformity in relation to the availability of water, productivity, soil classification, etcetera —and yet the ceiling has to be uniform within that range in all States. One could understand the urgency of the problem if the surplus land was enough to provide land for all the landless persons in the country. In the absence of any such possibility, one does not see any justification for imposing a rigorous ceiling which will adversely affect production prospects.

The Punjab Chief minister, Mr. Zail Singh, has reportedly said at the conference that in his State no land has perennial water supply, especially from Government sources and as such two crops was out of question. This makes it difficult for the Government to fix the ceiling as suggested by the Central Committee. Similar difficulties are experienced in other States too. There could be no "Green Revolution" in truncated pieces of land, nor could there be large-scale farming in bits of land which is what is going to happen when a drastic ceiling law is put into effect. Politically, this is possible because the ruling Congress has overwhelming majorities in all the State Assemblies, not to speak of the huge majority in the Lok Sabha. But one would expect the Government to utilise the mandate given by the people for constructive purposes.

There was, however, a broad "consensus" among the Chief Ministers as to the exemptions to be allowed from the operation of the ceiling laws. The Central Committee recommended that exemptions in favour of mechanised farms, well-managed farms, etcetera, now proposed by certain States, should be withdrawn. But that would have only resulted in taking away whatever incentive there was for farmers to introduce latest techniques in farming; and this is bound to lead to stagnation. But in the name of ceiling, it would seem that anything could be done. The exemption in favour of plantations of tea, coffee, cardamom, rubber, etcetera, the Central Committee says, should be carefully examined in consultation with the Ministries concerned and the State Governments.

One reason why exemptions are made in regard to plantations is that the land becoming surplus if a ceiling is imposed cannot be distributed to the landless who have no capacity to raise plantations. There is thus no point in imposing a ceiling on plantations. Therefore, even the first panel on land reforms appointed by the Planning Commission in 1955 did not regard ceiling on plantations as a practicable proposition. The panel thought that other measures like strict enforcement of minimum wages, steep agricultural income-tax and State acquisition could be considered. The Central Ministry of Foreign Trade is also bitterly opposed to imposing any ceiling on plantations since it will affect the production of coffee, tea, cardamom and rubber which earn considerable foreign exchange for the country.

A New European Currency

WHEN a study group sponsored by the Federal Trust proposed last February a new European Community currency, the "Europa", it was developing rather than originating an idea. A study by Professor Richard Cooper, of Yale, published by the British-North American Committee of the National Planning Association in Washington some weeks later, seemed to revert to an earlier idea, that the Community's common currency should be not a new creation but basically the pound. Professor Cooper argued that an established international currency, rooted in London's sophisticated financial system and sustained by the Community's resources, would be more widely acceptable than a "supra-national" European currency that had no traditional roots. But he recognised that the Community's suspicions of the U.K.'s balance of payments as well as its objections to elevating a "national" currency would probably preclude this development.

The British Chancellor of the Exchequer, Mr. Anthony Barber's notorious statement that it was "neither necessary nor desirable to distort domestic economies to an unacceptable extent in order to maintain unrealistic exchange rates" was uttered (in his Budget speech) a few days before Professor Cooper's study was published, too late to influence it. A possible deduction from that statement is that the pound is intrinsically weak, therefore unfit for the rôle of "Europe's currency", and that the problem is not whether it should be elevated to that rôle but how it can be accommodated in the system of mutually fixed currencies that the Community envisages. The Community's arrangement for harmonising its currencies by narrowing the range within which they will be allowed to fluctuate against each other does not imply that their present relative parities are immutable, but it would be meaningless—or a positive hindrance to adjustment—if a fixed relationship—in effect, if not in form, a common currency—were not intended eventually. Yet Mr. Barber seems to imply that the relative value of the pound may be changed periodically, by either changing or (on the "floating" principle) suspending its fixed parities.

There is no apparent risk of devaluation of the pound in the short term. The U.K.'s balance of payments are already deteriorating from the condition that produced an extraordinary payments surplus near £1,000 million last year, but there is ample room for further deterioration. However, even before Mr. Barber's expansionary Budget—and accompanying hint of devaluations—the Cambridge Economic Policy Group (which includes a former senior official of the Treasury) predicted that a "substantial" devaluation would be necessary by the end of 1973; and its assessment was based on an assumed growth rate of 4½ per cent, whereas Mr. Barber is aiming at 5 per cent. A permanent adjustment of sterling next year would be compatible with the Community's Werner Plan (in abeyance after the German and Dutch currencies were "floated" last May but resumed this year) to integrate the Community's currencies by 1980. But Mr. Barber's policy of indefinite growth implies that sterling's exchange rates are indefinitely variable. Mr. Barber is deceiving either the British people, when he pretends that Britain can maintain an independent policy in the Community, or his prospective European colleagues, when he pretends that Britain will adapt to the Community.

The basic fault, it may be argued, is in the Community's intentions, not Britain's. A major criticism of the monetary system that collapsed last August was that its exchange rates were inflexible, and that, therefore, divergences of inflation rates, productivity increases, and other factors governing prices, caused periodic critical stress. The Community's moves towards monetary integration, focussed initially on currencies, seem likely to recreate the conditions for such stress. Only when the Community's national parts have been co-ordinated—so that their growth, inflation, productivity, and prices, are approximately harmonised—can its currencies be properly unified. It is now, belatedly, recognised that integration of this kind may involve regional assistance on an enormous scale. Some economists regard the intended monetary integration as visionary, for it ignores the advantages of exchange rates as a corrective mechanism. The United Kingdom is small in area and not very large in population; yet in conventional economic terms it could accommodate three or four

or more separate currencies. A currency for Scotland, Northern Ireland, Wales, even North-East England, would properly be valued lower than the basic English pound, because those regions' competitiveness is relatively low.

Such disparities are not, of course, peculiar to Britain. In the Community they are conspicuous in Italy; they are a chronic problem in the United States. The bigger the "currency zone" the bigger the problem. Enlarging the Community's "currency zone" will enlarge the Community's problem. The gloomiest forecasts of Britain in the Community, envisaging a massive flow of British capital into other member-countries' industries that would manufacture goods for Britain, are unrealistic, but it is vitally necessary to establish at the outset, and to maintain, a "realistic" valuation of the pound against the other members' currencies.

If both the currency and the economic policy of Britain were correctly aligned with the other members', sterling could be the basis of a "European" international currency—if the other members would recognise it as such. But the whole concept of such a currency needs clarifying. The "Europa" is envisaged as co-existing with, not replacing, the Community's "national" currencies; it would replace, rather, the Eurodollar. But it is envisaged as a reserve asset. As an alternative to the dollar, an enlargement of the pound, it might perpetuate one of the worst faults in the monetary system. Experience has proved that a "national" or "regional" currency is unsatisfactory as a reserve asset. The modern idea is not a currency alternative to the dollar but an asset alternative to currency.

CURRENT COMMENT

LABOUR POLICY

Consumer Orientation

At the recent symposium on "Employer-Employee Relations and the Public Interest" in Madras, considerable emphasis was laid on consumer interest. At present employers and employees are mostly engaged in safeguarding their interests and are trying to achieve a common ground for them to work. But, it is obvious that any negotiation between employers and employees should take note of the effect of their decisions and actions on consumers. Mr. N. S. Bhatt, chairman and managing director of Binny Ltd, emphasised that the time had come for representatives of employers and employees to get together with a determination to find out solutions to the problems instead of trying to score a point over the other. If employers and employees cannot see eye to eye and agree between themselves, where is the chance of their being vigilant over the interest of the consumer? Mr. K. Sreenivasan, Director of the South India Textile Research Association, wanted everybody to realise that the consumer was the ultimate employer. Therefore, a consumer-orientation is necessary in any scheme to improve productivity and labour relations. It is high time that the Government thougt of making its labour policy consumer-oriented. Otherwise it will be difficult to control prices.

I.I.M.

Tenth Anniversary

Addressing the annual convocation of the Indian Institute of Management held recently in Calcutta, Mr. Ajoy Mukherjee said that the tenth anniversary of the Institute provided an occasion to celebrate a phase of creative and balanced growth. The year 1971 is significant for more than one reason. More important of the developments during the period are the commencement of the doctoral programme and the starting of the contsruction of the first building on the Institute's new campus. Mr. Mukherjee said that almost all educational institutions, particularly in the eastern region, were having a problem of adjustment but the culture of open discussion at the Institute had, by and large, contributed to a deeper understanding of the problems and issues. Much of the work done by the Institute since its inception is of a pioneering nature. Dr. M. Krishnamoorthy, Director, thanked the Central Ministry of Education and Social Welfare for its enlightened and sympathetic approach to the needs of the growing Institute. The announcement by the Tata group of companies of a donation of Rs. 5 lakhs towards the construction of the Institute's new campus is considered a major breakthrough by Dr. Krishnamoorthy. It is hoped that more support from industry will now be forthcoming. The executive development programme has attracted a large number of participants from both the public and private sectors. There has also been an increase in the Institute's consultancy activity. The members of the faculty are now engaged in projects sponsored by a good many Central Ministries and a number of public and private-sector undertakings.

REFRACTORY

Raw Materials Problem

Addressing the annual general meeting of the Indian Refractory Makers Association in Calcutta a few days ago, Mr. S. N. Mukherjee, chairman, said that the availability of raw materials for the refractory industry had been a matter of concern for some years now. At present, there is a shortage of suitable quality fireclay, bauxite, alumina and chrome ore. The difficulties in respect of fireclay arise due to the cumbersome and time-consuming process of granting mining leases. Bulk supplies still come from individuals and middlemen who have no interest in or knowledge of the refractory industry and this results in inconsistent quality of supplies. Bauxite and kyanite required for the manufacture of high alumina refractories are in short supply due to continuous increase in exports. It may, therefore, be necessary for the Government to impose stricter restrictions on the export of both till the industry's requirements are met in full. The country's reserves of refractory grade chrome ore are also limited. These raw material deposits should be judiciously exploited and reserved wherever necessary so that the industry is assured of a regular and continuous supply of the right type of materials. While the availability of refractories depended largely on assured supply of raw materials, it depended equally on the availability of machinery and equipment, Mr. Mukherjee said. He expressed the hope that requests for import of the necessary equipment would receive the Government's sympathetic considera tion. Only a judicious import o plants, machinery and know-how can help to avoid large-scale import o finished refractories in due course.

TECHNOLOGY

Transfer of Plants

Addressing the annual general meeting of the Bombay Chamber of Commerce and Industry in Bombay a few days ago, Mr. V. P. Naik, Chief Minister of Maharashtra, said that the Government did not consider that only small industry was the solution. It is a suitable mix of small and bigger units complementary to one another in the manufacturing chain which can bring about the desired rate of growth with maximisation of job opportunities. Along with the inflow of capital from outside promoters and the institutional financing agencies, capital should be generated from within the developing areas. This would ensure broad-based ownership and corporate growth native to such areas, besides giving scope for developing local cadres of managers and technocrats.

Speaking on the occasion, Mr. R. O. Jackson, president of the Chamber, said that he felt somewhat concerned at the Central Government's apparent willingness to accept the transfer—lock, stock and barrel—of manufacturing units from European countries to India, provided that their entire production goes for export or at least that the foreign exchange earnings pay for all outgoings in the form of raw material costs, royalties and dividends. He did not think there was any doubt that under certain circumstances such transfer of plants would be an excellent idea. But he added, "I do not think that we should jump to the conclusion that the practice should be encouraged in every case, particularly where the main consideration is the apparent cheapness of Indian labour. If that becomes the main criterion, we are in serious danger of getting ourselves saddled with technologically out-dated processes which will not be able to stand up to international competition—and remember it is from the export markets that we are hoping to reap the benefits."

I.D.B.I.

Marked Rise in Operations

There was a significant expansion in the operations of the Industrial Development Bank of India during the year 1971-72 (April-March), indicating a marked improvement in the climate for new investment decisions in the private corporate sector. For the first time I.D.B.I. disbursements crossed the level of Rs. 100 crores in 1971-72 and are likely to increase by about 50 per cent during 1972-73. The total assistance (excluding guarantees) sanctioned during the year amounted to Rs. 175.4 crores, representing a rise of 68 per cent as compared with Rs. 104.7 crores sanctioned in the previous year.

Export assistance (comprising direct loans and refinance of medium-term export credits), however, declined from Rs. 23.35 crores in 1970-71 to Rs. 13.90 crores in 1971-72, following the Indo-Pakistan hostilities which had their repercussions on shipping accommodation. The total I.D.B.I. assistance actually utilised during 1971-72, however, crossed the Rs. 100-crore mark for the first time after the I.D.B.I. started functioning in July 1964, the rise over the previous year being 47 per cent. The utilisation of assistance by the assisted concerns during 1972-73 is estimated at Rs. 150 crores, against Rs. 105.10 crores in 1971-72. The total effective sanctions since the I.D.B.I. started functioning amount to Rs. 583 crores, excluding guarantees amounting to Rs. 28.5 crores. The assistance actually utilised was Rs. 437.1 crores out of the total commitments of Rs. 489.6 crores.

WEST BENGAL

Economic Growth

Presiding over the third quarterly general meeting of the Indian Chamber of Commerce, Calcutta, a few days ago, Mr. Sanjoy Sen expressed his confidence that with the new and young leadership of the Congress Party, it would be possible to impart dynamism to West Bengal's economic growth. He said that even in the few days it had been in office, the Ministry had given evidence of its determination to tackle the State's problems with a sense of urgency. Mr. Sen said that both the Government and the private sector had to play a vital rôle in tackling the gigantic problem of unemployment. The problem was not only of the unemployed but also of the unemployables. He felt that the educational system should be made vocation-oriented to train up people for such jobs which were already available. At the same time, the emphasis should be more on self-employment of young people.

POWER

Concern at Load-shedding

In a communication to the West Bengal Government a few days ago, the Indian Chamber of Commerce has expressed serious concern at the prospect of further load shedding in several industrial areas in and around Calcutta. The Chamber has pointed out that industries in the area have been experiencing chronic power shortage for quite some time now. This has entailed considerable loss to them in terms of production, man-hours utilised, lay-off compensation, foreign exchange, etcetera. At a time when industries have to maximise production, it would be unfortunate if their efforts are nullified for want of regular supply of sufficient power. The generation system of the State Electricity Board and the D.V.C. should work in top gear and at maximum capacity, the Chamber has pointed out.

POVERTY

Urgent Steps Needed

Speaking at a recent seminar on "Banish Poverty" in New Delhi, Sir Padampat Singhania, a leading industrialist, pleaded strongly for all-out cooperation of workers to produce more and increase productivity in all spheres, if the nation were really serious about banishing poverty. Strikes, lockouts, go-slow methods, gheraos, intimidation and violence should be eliminated and forces of collective bargaining should be allowed to come into play. He reminded the audience that "if we fail to deliver the goods within the course of three or four years, the people will be more restless and there will great upheaval in the country". The country's slogan should be "produce or perish".

He was unhappy that the guidelines for the economy were being controlled and directed by political considerations rather than by economic factors. Big public-sector undertakings and plants are being run by people who have no experience of running any business. These undertakings have been established at a colossal cost, but they are running into losses due to deficiency in management. Promotions are made on the basis of seniority rather than merit and performance.

ENGINEERING

I.E.A. Symposium

The Indian Engineering Association is sponsoring a symposium on "Engineering and Management of Projects" in New Delhi in the middle of May 1972. The object of this symposium would be to assess the various developments which have taken place in the field of process know-how, design, engineering and project management and to make an appraisal of the gaps which remain today. The symposium will be held over two days and would comprise three technical sessions.

STEEL

Ranking of Producers

Japan, reflecting its sensational industrial growth, has now gone to the top of the league of the world's steel producers. Nippon Steel Corporation, recently formed by the merger of Japan's two leading steel producers, is now the world's number one producer of steel. In the list of the world's 50 biggest steel producers, published annually by *German International*, Hindustan Steel Ltd and Tata Iron and Steel now rank 28th and 42nd, respectively, two and three places behind compared with last year's rating. According to the list, H.S.L. last year had a crude steel output of 3.7 million tons, roughly 100,000 tons less than in 1969. T.I.S.C.O. produced 1.69 million tons, also about 100,000 tons behind the figure of 1969. Japanese Nippon in its first year raced ahead of the long time top producer United States Steel. With a production of 33.6 million metric tons of crude steel during the 1970 calendar year, Nippon is now a good 5-million ton ahead of its American competitor.

Japan's success was mainly not at the expense of West Germany but of the United States. The American steel mills produced only 123 million tons last year, almost 9 million tons less than in 1969. The U.S. share in the world steel output fell from 23.6 per cent in 1969 to 21.3 per cent in 1970. At the same time, Japan's share rose from 14.7 per cent in 1969 to 16.2 per cent last year. The world steel output in 1969 and 1970 was 558 million tons and 341 million tons, respectively. The pressure of Japanese steel exports on international markets is evident when one considers that these rose by 20 per cent in the first quarter of 1971 to 5.98 million tons, compared with the first quarter of 1970, although the overall Japanese crude steel output fell by 925,000 tons to 22.2 million tons in the same period. According to the latest figures from the Common Market Commission, the E.E.C. steel production capacity will rise from 127 million tons to 161 million tons by 1974.

CALCUTTA

Growing Traffic Congestion

The City Affairs Committee of the Indian Chamber of Commerce, Calcutta, has urged the Calcutta Corporation and the West Bengal Government to give urgent attention to the problem of growing traffic congestion in the city streets. Among the various recommendations made by the committee are: double parking of cars and trucks on roads must be eliminated; the responsibility of repairs of pavements and roads dug up should vest with the same authority; increasing encroachment of roads and pavements by hawkers and shopkeepers and advertisement hoardings on pavements should not be permitted; and entry of trucks and lorries in the central part of the city between 8 a.m. and 8 p.m. should be restricted. Parking facilities should be provided for them outside the city limits. Loading and unloading of goods should be encouraged during the night time.

MONEY MARKET

Call Rate Declines

The short-term money market has been easy this past week. With the advent of the slack season, the demand for fresh funds has declined and lenders are busy unloading their funds. As a result, the call rate has come down to 3½ per cent from 5 per cent last week. The demand for remittances has been nominal. The supply of tea bills has been nominal while that of gunny bills has been moderate. The pound-sterling has remained steady against most major foreign currencies during the week.

The latest statement of the Reserve Bank of India for the week ended 7th April, 1972, shows a drop of Rs. 97.91 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 183.43 crores, compared with the previous week. Their borrowings from banks have declined by Rs. 126.91 crores to Rs. 80.54 crores, of which advances against usance bills have amounted to Rs. 25.93 crores, against Rs. 98.42 crores. Balances held abrod by the Reserve Bank in the Banking Department show a drop of Rs. 7.41 crores to Rs. 174.76 crores.

USE OF GOLD COINS

A CORRESPONDENT writes in Current Coint: Are sovereigns circulating in India among the natives or are they not ? Do not all speak at once. The fact seems to be that there is an army who are prepared to swear that the gold coin is being taken up seriously, and another, and perhaps larger, army who are prepared to swear no less emphatically that sovereigns are mostly imported for hoarding and the manufacture of jewellery. As the polite Irishman would say, no doubt both armies are right; but we see that there is now official evidence to show that sovereigns are at the present moment used in greatly increasing numbers for the payment of land revenue to the Government. This is not being done to oblige the sovereign, but to obviate the many difficulties previously experienced in transporting large sums in rupees. This is quite a new innovation and was practically unknown a year or two ago. It may or may not mean an increase in our gold circulation (we don't propose to argue that knotty point), but it is a significant fact, and a very welcome one to the officers who have to count the money and forward it elsewhere.

FROM

CAPITAL

18th April, 1912

A Ditcher's Diary

AFTER GIVING THE CUSTOMARY BUDGET blows to the much-harassed taxpayers, Mr. Chavan and his colleagues in the economic Ministries want the Economic (sic) Editors to connive at their misdeeds each year. But when he and his colleagues dragged us to New Delhi last week to join this year's Economic Editors' Conference, I could well imagine—like my counterparts in the financial Press—that no effort would be spared to undertake a brain-washing operation and to teach a bit of New Economics to the Economic Editors. Believe you me, dear reader, Mr. Chavan fell sick at the last moment and his redoubtable Minister of State stated that he would have a session with us later, a promise which was not kept. But what was lost in the swings was more than made up in the roundabouts by having an interesting dialogue with the top brass of the Finance Ministry who did provide many convincing answers to the basic questions which bedevil the Indian economy today. Why do away with the development rebate, I asked, when the Government is keen, on Mr. Chavan's own admission, to introduce a suitable incentive scheme for accelerating industrial growth? Quick came the answer that the Government was eager to divert industries to backward areas for which a suitable incentive scheme was being devised. But after the 19 sessions we had to attend because of the benign hospitality of the P.I.B. all in the course of three days, we were left with the unavoidable impression that the Ministers and their senior Secretaries were treating us as performing circus animals who were used to long sessions from morning till night. But compared with last year's Economic Editors' Conference, when the Ministers were beaming with confidence, they had apparently been on the defensive this year and were busy passing on the buck from one Ministry to another. How puerile did it sound when the Minister for Industrial Development, Mr. Moinul Haque Choudhury, was defending his Ministry for the country's sluggish industrial growth rate or when the Company Affairs Minister, Mr. Raghunath Reddy, was trying to explain how he and his colleagues were working hard to dispose of applications from the so-called monopolies or dominant undertakings! Not so was the Steel Minister, Mr. Mohan Kumaramangalam, who was apparently treating us as his country cousins visiting the town. How is that the Minister, who had been repeatedly turning down the suggestion for a steel bank for the last two years, has accepted it at last? What would be the position of the proposed steel holding company, especially when private steel companies have shareholding by the L.I.C. and the Unit Trust as well as private shareholders whose interests might not coincide with those of the Steel Ministry? The Minister for Civil Aviation and Tourism, Dr. Karan Singh, I must say, was overgenerous to our stomach. But he appeared to be at a loss to explain how he would improve efficiency in Indian Airlines. Incidentally, an ill wind blew us to Lucknow Airport while we were on our way to Delhi. But could you believe, dear reader, that we were detained at the airport for well over five hours without so much as some food, drink or even a glass of plain water?

IT WAS LEFT TO A BRITISH CORRESPONDENT in Delhi to report last week a curious coincidence between Mrs. Indira Gandhi's address to the Federation of Indian Chambers of Commerce and Industry on 25th March and an article by Mr. Mahbub Ul Haq, a Pakistani economist, published in a Hongkong magazine last January. According to this report by Mr. Peter Hazelhurst of *The Times*, London, the coincidence was first discovered by Delhi business men, who seem to have found it more than a little puzzling. Puzzling it indeed is; it is one thing for the Prime Minister of India to agree with the views of a Pakistani economist, quite another for her to express them in identical language. *The Times* report says that "the economist's article was used sometimes almost word for word by the Prime Minister". The verbal resemblance seems confined only to a few passages; yet the closeness of the resemblance is startling enough. I do not think there is anything necessarily wrong in our Prime Minister accepting someone else's economic philosophy; and Mr. Haq can hardly claim any exclusive right to the views expressed in his article. That man does not live by G.N.P. alone is not exactly an original idea; nor is it a major discovery that "once you have increased your G.N.P.

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by producing luxury houses and cars, it is not very easy to convert them into low-cost housing or bus transport". But one would have expected the Prime Minister to use different words to express the same thought. A conceptual coincidence is perfectly understandable; but it is highly embarrassing to find entire sentences in a major policy statement seemingly lifted from a magazine article. For example, Mr. Haq wrote: ". . . the very institutions we created for providing faster growth and capital accumulation frustrated later on all our attempts for better distribution and greater social justice." The Prime Minister declared: "The very institutions we have created for promoting faster growth and capital accumulation now seem to frustrate our attempts for better distribution and greater social justice." Mr. Hazelhurst has quoted a Delhi industrialist as saying: "We seem to have a Pakistani economic adviser now." This may be an unfair banter, but evidently the Government found someone uncommonly lazy to write Mrs. Gandhi's speech for the F.I.C.C.I. meeting. If it is true that poverty will not necessarily take care of itself once G.N.P. has been taken care of, it may also be that language will not take care of itself merely because some acceptable ideas have been found ready at hand in a magazine article. I wonder what excuse, if any, has been offered by the speech-writer concerned; he cannot have found the Prime Minister in a readily forgiving mood.

ONE AFTER ANOTHER, NEARLY ALL the assumptions underlying the American strategy in Vietnam have now been demolished. Yet the Nixon Administration is unwilling to recognise this and face up to the irreducible reality of a struggle that cannot be put down by a superior military force. A communist offensive had been predicted, but when it came the Americans and the Saigon Government forces were taken unawares both by its timing and by its scale. Soon after it began General Creighton Abrams described it as a last-gasp effort that would merely cause "a lot of unnecessary blood-letting". It would certainly be naïve to underestimate the American capacity to cause death and destruction; but the North Vietnamese and the Vietcong are unlikely to make this mistake. It is the Americans who tend to underrate the will, stamina and resilience of the Indo-Chinese people. Two days after General Abrams's assessment, Major-General James F. Hollingsworth, senior U.S. adviser to South Vietnamese forces in Military Region III, declared that he was feeling "real good" because he could "kill them all before they can get back". But he admitted that the communists were "difficult to kill because they are like mice in a haystack". Apparently, the task has turned out to be much more difficult than he thought. Let alone being killed, the communists continued their advance, and President Nixon apparently thought that the killing had to be extended deep inside North Vietnam in order to deter the advancing forces in the South. It is too late in the day to waste words on the savagery of the war; but can the war be ended even on Washington's own terms by destroying Hanoi, Haiphong and other northern cities? Casualties, both military and civil, will mount; devastation will spread to both the countryside and urban and industrial areas; but Hanoi and its allies in South Vietnam may still refuse to be governed by what an American expert has described as the "calculus of pain". Mr. Nixon's advisers and admirers insult not only the Vietnamese resistance but also their own intelligence when they suggest that the North Vietnamese retain their capacity to fight entirely because of external aid. Sir Robert Thompson, the British counter-insurgency expert, who seems to have unbounded admiration for the American strategy, says that without Russian aid "the North Vietnamese would be nothing and there would be peace tomorrow". If such aid could be so decisive the Egyptians would have finished off Israel by now; and peace has not followed the Israeli military success. Sir Robert does not seem to have grasped the fact that Vietnam is not another Malaya.

A FRIEND WHO PAID HIS SECOND visit to Dacca last week—the second after the liberation of Bangladesh, that is—could not regard it as exciting as his first trip in January. To an extent, he feels, this was inevitable. On his first visit he had the exhilarating experience of rediscovering a land which was familiar in spite of many changes; and the people of Bangladesh had the first exhilarating taste of freedom which he too could share. This time there was little that he wanted to see as part of an emotional exploration; and for the people of Bangladesh the experience of freedom has naturally lost much of its emotional exuberance. Yet these are not the only reasons why he found Dacca a little uninspiring last week. The process of repair and reconstruction could itself be a source of inspiration both to the participants and to visiting observers; but one does not immediately sense a purposeful dynamism in Dacca today. It is difficult to explain this, for my friend saw a massive display of organised dynamism. There was a mammoth rally of students, and for hours he watched an almost unending stream of energetic boys and girls surging towards the Race Course maidan with thunderous slogans pledging complete dedication to the task of rebuilding the nation. But people in hundreds of cars immobilised by the procession looked *blasé;* and the shopkeepers and ordinary pedestrians did not seem to share the youthful enthusiasm. Perhaps the shopkeepers were a little apprehensive, because the student demonstrators not only campaigned against rising prices but also resorted to some "direct action" to bring prices down. And the onlookers in the imported cars were probably a little tired of the continuing confusion and thinking nostalgically of past days of selective affluence. My friend was rather tired of the condescending talk of the prosperous middle class there about poverty and squalor in West Bengal and the excellence of the foreign goods they could buy until recently. Could it be that all this reflected a resentment against the new political and trade ties with India? The resentment may not be confined to politically motivated or externally instigated groups; if so, the continuing ritual of extolling the virtues of India-Bangladesh friendship could be counter-productive. At any rate, my friend failed to see why a reception had to be organised in Calcutta for Mr. Quader Siddiqui. The "Tiger of Tangail" may be a valiant young man; his exploits against Pakistani forces also showed him to be a leader of considerable organising ability. But he is hardly the kind of hero either Bangladesh or India needs most at the moment.

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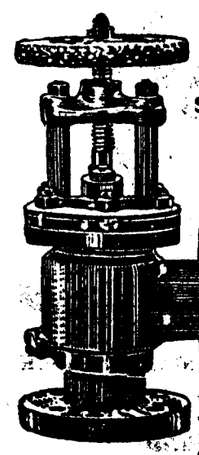

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MANAGEMENT

Rationalised Planning : The Base for Management Action

By Dharma Vira Aggarwala

Changes in business practices are presenting managements with some of the most difficult problems in decision-making. To cope with these changes, every organisation needs to plan its policies carefully.

IN today's world, change is the rule, not the exception. Things do not remain static. This phenomenon is most noticeable in business management practices, where changes of increasing magnitude and greater complexity are presenting the executives with some of the most difficult problems in decision-making. These changes permeate each and every process of business. A change taking place in one process or part has its impact on another. And the executive must keep himself abreast of the changes in methods and techniques in various areas of business.

There are many reasons for these changes, all of which emphasise the need for planning. They are evident not only in products and services but also in the management skills and techniques employed. And the changes have also brought about conditions of uncertainty. These changes, irregular and unpredictable as they are, sometimes place the executive in difficult situations while making decisions and initiating action.

In a very wide sense, planning is practised in every society or organisation, in as far as it means rationalisation and forethought. In business management practice, planning is the primary function that precedes other activities, *viz.*, organising, staffing, directing and controlling. In other words, in the absence of planning, there would be nothing to organise, no staff to deal with, no one to direct and no need to control. The basis of planning must be facts and facts alone. The executive chooses a set of facts, analyses the probable relationship of the facts to each other at a future data, estimates how they will shape the things to come, and then proposes the right course of action. Thus planning is the preparatory step for executive action.

At Every Level

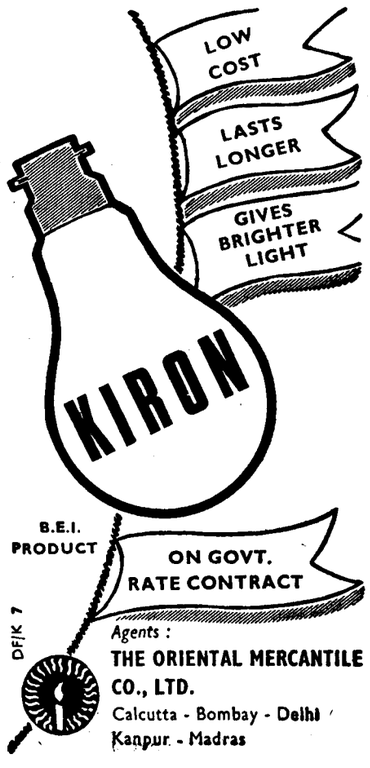
Foresight is the essence of planning. In business planning it means assessing the future requirements and conditions and making provision for them. Most successful actions are planned. Planning helps in accelerating production, minimising costs and raising sales. Not only the top-level executive but executives at every level have to plan. The alternative to planning lies in *ad hoc* decisions and random activities which will lead to confusion and chaos, besides waste of valuable time, money, material and energy. Lack of planning disturbs the order of priorities of actions and makes co-ordination impossible within an organisation. Planning reduces needless overlapping of efforts and irrelevant actions.

The process of planning involves answering the following basic questions: (1) what action is to be taken? (2) why is that particular action necessary? (3) where will it be done? (4) when will it be done? (5) who will do it? (6) how will it be done? and (7) with what will it be done? The planning function of the manager involves the selection of objectives, policies, procedures and programmes which appear to him as likely to yield the best results. So it is also decision-making, in a way. The basic purpose of a business enterprise is, of course, to make and sell products or render a service, for which there is a demand and for which people are prepared to pay.

The Co-ordinating Links

Policies can be considered as the sanction by which all exercise of authority is carried out. The co-ordinating links in an organisation are provided by policies. Policies take us nearer the goals of achievement. A clear formulation of policies helps the executive to plan every operational aspect of the enterprise. General policy formulation is the responsibility of management at its highest level, *i.e.*, the board of directors in the case of a limited company. The general policy is further split into departmental divisions and sectional parts of the organisation for follow-up under the overall supervision of the top management. In policy formulation, all possible contingencies should be anticipated so that the organisation may not be taken by surprise by the course of events. Policies hastily conceived seldom meet with success. Policies should be clear, definite and consistent.

Coming to the fundamental characteristics of planning, the most important are forecasting, selection of a particular course of action and impliedly the rejection of some alternatives, pervasiveness, inter-dependability, consistency and co-ordination, flexibility, continuity, stability, comprehensiveness, econom



and non-ambiguity. The basic test of planning is action-leading. That is, has the planning led to actions which have taken the business forward? The answer to this will show how good or bad the planning was.

The Major Effort

Planning assignments are not like routine action jobs. Some persons may be good at action jobs but lack the planning know-how, and *vice versa*. The approach has to be different. A person doing planning work is almost exclusively tied down to it whereas a person doing an action job has often to be on the move. In most of the big organisations, the major planning effort is the job of top executives, asssisted by junior executives and other staff who collect facts and work out the details for the former. Other management executives concerned chalk out their minor sub-plans.

Planning takes up a major part of the time of some executives. It all depends on the size and nature of the enterprise. One executive may not be able to cope with the amount of planning required in the enterprise. In such cases, planning work has to be divided among several executives and even sub-divided and delegated to subordinates. The subordinates work out the plan on the basis of the broad outlines furnished by the executives. Controllers and accountants play an important part when the money aspects of the plan are worked out.

All the plans must have co-ordinating links if they are to be effective. Planning today involves widest participation. The executives solicit opinions and advice, gather facts from different sources, hold consultations with others and seek their acceptance of and approval to the plan under formulation. Planning is often assigned to a committee. The advantage of employing committees for this purpose is that their broad-based composition helps in securing a sympathetic understanding of the plan among the various units of an enterprise. Furthermore, they provide an opportunity for an exchange of ideas. Committees also bring together the many-sided abilities and talent of the participants for planning work. But under the present conditions, it is imperative for big companies to set up a central planning department to co-ordinate the plans of different departments, both for short-term and long-term projects.

Significant Advantages

The most significant advantages of planning include: keeping alive the competitive spirit, facilitating systematic and methodical work, minimising irrelevance and waste, better and more constructive use of facilities, providing an overall picture of the operations of an enterprise, ensuring co-ordination, and helping control.

While planning is a fundamental function of management, it has its own limitations which necessarily circumscribe the scope of the executives engaged in it. These limitations generally are: limitation of information, time limit, administrative limitations, action delay limit, the psychological barrier, and the general apathy to change.

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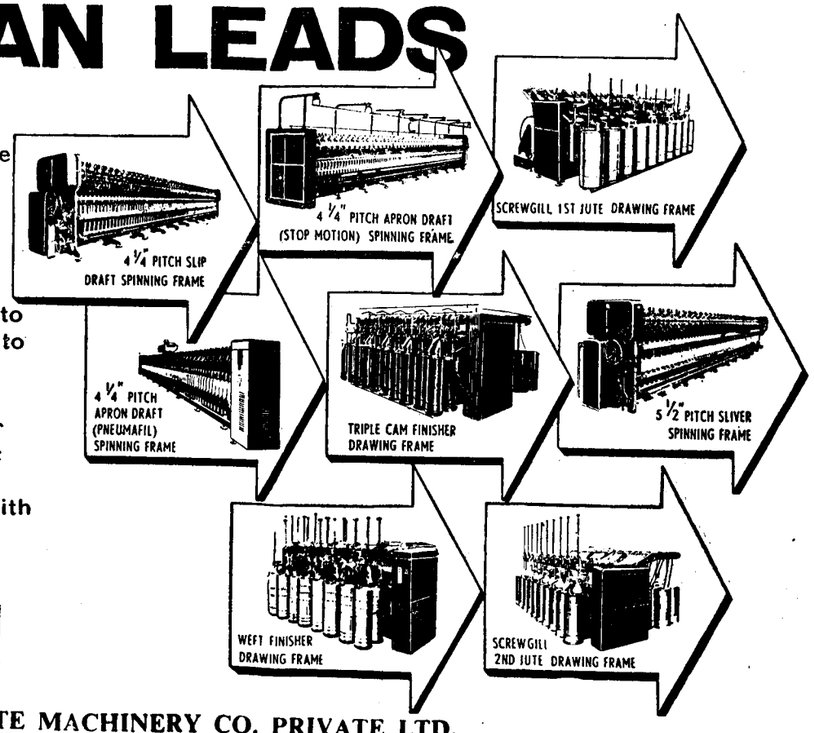

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SPECIAL ARTICLES

Eliminating the States' Reliance on Overdrafts

By P. K. Bhargava

The increasing reliance of the States on overdrafts from the Reserve Bank of India has had a crippling effect on the country's economy. It is to be hoped that the Centre's decision to put a stop to this practice will be implemented in all seriousness.

IT is a serious problem of the Indian federal finance that the division of functions and resources between the Central and State Governments has tilted the scale in favour of the former. The Centre has relatively elastic and productive sources of revenue whereas the States have to discharge expensive social and development functions—the demand for which is of an expanding nature. On the other hand, the States have relatively inelastic and inadequate sources of revenue. This is clearly borne out by the fact that during the last two decades from 1950-51 to 1970-71 (Budget), the tax revenue of the Central Government increased from Rs. 405 crores to Rs. 2,967 crores, or by 633 per cent, whereas during the same period the revenue from State taxes increased from Rs. 222 crores to Rs. 1,399 crores, or by 530 per cent.

While there is an imbalance in the revenue resources and requirements of the States, the unilateral actions taken by the Central Government have accentuated the inadequacy of the resources of the States and have deprived them of their legitimate shares out of income-tax on companies and tax on railway passenger fares. The continuing rise in prices and the resulting demand for more dearness allowance has also strained the States' finances. Natural calamities and other unforeseen developments necessitating additional expenditure have aggravated their financial difficulties. Consequently, the State Governments have learned to live beyond the available means. Deficit Budgets have become a permanent feature of State finances. They have also increasingly resorted to overdrafts from the Reserve Bank of India.

The State Governments' reliance on overdrafts has assumed serious proportions in recent years. In the past, they were able to manage their financial transactions within the specified limits of ways and means advances but the year 1950 witnessed the first overdraft of an appreciable size. In April 1953, the Reserve Bank raised the limits of ways and means advances for all the States from Rs. 1.58 crores to Rs. 7.88 crores so that the State Governments could meet their increasing financial requirements. Each State Government could also avail itself of the special ways and means advances of Rs. 2 crores against the securities of the Government of India. In spite of these increased limits, the Centre had to provide an *ad hoc* loan assistance of Rs. 128 crores to seven States during the Second Plan and again an assistance of Rs. 286 crores to 11 States during the Third Plan to enable them to clear off their unauthorised overdrafts. In March 1967, the Reserve Bank further raised the limits of ways and means advances to Rs. 18.75 crores in all and special advances up to a further amount of Rs. 37.50 crores. In spite of the increased accommodation provided by the Reserve Bank to the States, the Central Government had to sanction *ad hoc* loans amounting to Rs. 149 crores during 1966-67.

The State Governments have very liberally availed themselves of the overdrafts facility from the Reserve Bank. The States had a modest overdraft position of Rs. 31.25 crores on 1st March, 1968, which rose to Rs. 144.68 crores in 1969 and shot up to Rs. 370 crores at the end of June 1971. The position appears to have become worse in view of the fact that 16 of the 18 States have in their Budgets for 1971-72 left uncovered deficits aggregating to a massive figure of Rs. 258 crores, after taking into account the additional taxation of nearly Rs. 12 crores levied by some States. These deficits would aggravate the already serious problem of overdrafts of the States on the Reserve Bank which ultimately have to be covered by the Centre. One consequence of the increasing reliance on overdrafts by the State Governments is that it has come in their way of resource mobilisation. Moreover, the clearance of such overdrafts by the Centre through *ad hoc* loans has had a crippling effect on the economy.

Thus, there is an urgent need to check unauthorised overdrafts by the State Governments. As a first step, they must clearly accept the basic fact that the overdraft facility or the ways and means advances from the Reserve Bank are meant only for meeting short-term or temporary requirements and these should not be treated as a means of raising additional resources to cover budgetary deficits. In case it is felt by a State that the financial difficulty is not a temporary one and is likely to prolong, then either the State concerned must make efforts to raise extra resources or it must reduce its non-essential expenditure. If it finds itself unable to do either of these, then it should approach the Centre and act according to its advice rather than resorting to overdrafts.

The State Governments must make every effort to raise their share of additional resources. Past experience shows that while the Central Government has mostly fulfilled its target of raising additional resources, the State Governments in general have lagged behind in this respect. It may be mentioned here that the Central Government has already exceeded its target of extra resource mobilisation in the first three years of the Fourth Plan whereas the State Governments have raised only Rs. 800 crores out of their additional taxation target of Rs. 1,098 crores during the Fourth Plan, which means that they have to collect a further Rs. 300 crores through additional taxation in the last two years of the Plan. The State Governments thus have to raise extra resources more speedily if fiscal discipline is to be maintained.

It may be emphasised here that the size of the States' Annual Plans should depend on their efforts to mobilise resources. States which raise adequate resources and show greater zeal in that direction should be given some incentive by the Central Government so that other States may be encouraged to follow suit. The State Governments should in no case be allowed to resort to deficit financing through the back door of unauthorised overdrafts as that will continue to damage the country's economy and

make sound monetary management difficult.

A periodical review should be made of the States' ways and means advances position. The Reserve Bank should keep a watch on the ways and means advances of each State, and such advances should not be allowed to continue beyond three months. If the Reserve Bank deems it necessary after considering the financial position of a State that it needs such assistance, then it should renew the existing ways and means advances; otherwise it should ask the State concerned to pay off its ways and means advances. If the State Government does not comply with the request of the Reserve Bank, the latter should issue a notice to the State that it will stop making payments on behalf of the State (as it has done in the past) and inform about it to the Government of India so that timely action can be taken. However, it is in the broader national interest that such a situation should not arise and there should be frequent consultations between the States' Finance Departments and the Central Finance Ministry in order to maintain fiscal discipline. The Planning Commission should also review the States' Plans from time to time so that State Governments learn to cut their coat according to their cloth.

Financially, it is all to the good that a decision was taken, after carefully considering the entire financial strategy of the Fourth Plan, to put an end to the States' overdrafts from 1st April, 1972. But it remains to be seen how far the decision is actually carried out. It is needless to say that a general policy on overdrafts is needed so that there is no room for any inter-State jealousy. The Central Government has announced the appointment of a technical committee, consisting of representatives of the Reserve Bank, the Central Finance Ministry and the Planning Commission, to study the problem of overdrafts by States. It is to be hoped that the committee will suggest suitable measures to put a stop to this undesirable practice.

Unemployment : The Gaps in the Bhagavati Committee's Report

By M. R. Meher

The Bhagavati Committee's report does not go beyond the known solutions for tackling the unemployment problem. And its recommendations on the method of financing its proposals for creating 4 million new jobs would seem to be ill-conceived.

THE interim report of the Bhagavati Committee on unemployment has been greeted with much criticism by the Press on the ground that it does not go beyond known employment-oriented programmes and that its recommendations on the ways and means of financing its proposals for creating employment for 4 million people are ill-conceived. The problem of unemployment and underemployment in the country has persisted for long. Economists and various committees have from time to time gone into the question in depth. In many studies various means for remedying the problem have been suggested. No new discoveries could, therefore, have been expected from the Bhagavati Committee. The committee could have been expected to make its selection from among the proposals of economists and others for tackling the problem, to pinpoint the priorities in the pursuance of the Government's policies for promoting employment, and to suggest suitable administrative measures for proper utilisation of funds earmarked for promoting employment. This was important, for some of the programmes under the Plans—several among them were announced with much fanfare—have not made any headway (such as the community development projects), some have not yet taken off and some have not been in operation for a reasonable period of time to produce results and to enable one to judge their impact on the problem of unemployment.

The committee's interim proposals relate to rural unemployment, not to the unemployment of the educated in urban areas. The programmes proposed include extension of some of the schemes for which provision has already been made in the Fourth Plan—road building, minor irrigation, rural electrification, acceleration of rural water works programmes, etcetera. As the employment potential of minor irrigation works is large, an additional area of about half a million hectares at a total cost of about Rs. 100 crores is proposed, in addition to the Plan programmes already under implementation. The rural electrification programme is proposed to be extended to cover 37,000 villages and to provide 300,000 pump-sets over and above the existing Plan projects. Rural housing is another priority project proposed. It calls for efforts to undertake a construction programme at the rate of .8 unit a thousand persons or 360,000 new units in 1972-73 and .9 unit a thousand persons or 410,000 units for 1973-74, making a total of 770,000 units at an estimated investment of Rs. 230 crores over the next two years. It has recommended the setting up of a rural housing corporation

The committee's recommendations include provision of adequate arrangements for processing and marketing of dairy, poultry and piggery products of small farmers and farm labourers. The allocation of funds for each district under the crash scheme for rural employment is proposed to be suitably fixed after taking into account its population and other peculiar features. Other proposals include the expansion of primary education, a mass literacy drive, full utilisation of installed capacity of various industries, the establishment of a watchdog agency for sick industrial units, and liberalisation of the bank credit policy to pomote self-employment.

The committee estimates the outlay on the programmes it has proposed to create employment for 4 million people to be about Rs. 2,000 crores. Since the schemes proposed, except the one for rural housing, are already povided in the Fourth Plan to the extent of Rs. 1,260 crores, the proposals of the committee involve an additional expenditure of about Rs. 740 crores. To raise these resources the committee suggests funds from the public financial institutions and also a surcharge on income and corporate taxes, a tax on commercial advertising and the extension of income-tax to the rural sector. The proposal for an employment surcharge on personal and corporate incomes is open to serious objection, as it would have adverse effect on savings and investment which are necessary for economic and industrial growth. It is not understood how the committee has ignored the widely recognised fact that the rates of income-tax and corporation tax are already so high that they act as a disincentive and also encourage widespread evasion.

It has been admitted by Government spokesmen also that the limits of direct taxation on income and on corporations have already been reached. With the present heavy strain on Government finances and declining foreign aid, it is not realistic to expect funds for employment to be earmarked from increases in income and corporation tax. It is also not clear why the proceeds of the tax on commercial advertising which would fall mainly on industries in the cities and towns should be earmarked for rural employment. In the present state of the economy, with stagnation in industrial production and the present low rate of industrial growth, it is necessary to do everything possible to give incentives to savings and productive activity. That would also go towards promoting employment.

As for the proposal of the committee in regard to extension of the income-tax to the rural sector, that is a measure which is long overdue. It has been long recognised that agricultural incomes which have benefited from the expenditure under the Plans on agricultural development and the "green revolution" are not making their due contribution to the needs of the public Exchequer. A committee has been recently appointed to go into the question and make recommendations, and the matter may have to wait till the committee makes its report. There is no doubt that in so far as the problem of remedying rural unemployment and underemployment is one of finding resources, it is necessary to integrate agricultural incomes in the income-tax system. The existing agricultural income-tax, which has been imposed in some States, makes only a minimal contribution to the State revenues.

The committee's proposal to provide employment for 4 million people appears to have relation to available statistics of the Employment Exchanges according to which there are about 4.5 million registered unemployed in the country. But the committee recognises that the actual number must be much larger. There are persons, particularly in rural areas, who do not register, and there are those in employment who register to get a better job. Besides these figures do not account for underemployment which is extensive in rural areas. It is estimated that 40 per cent of the rural population are underemployed. There is also seasonal unemployment in the rural areas.

With the increase in population, it has further been estimated by some economists that it would be necessary to provide more than 6 million new jobs a year. But the report is not open to criticism on the ground of its limited range. The proposal may be taken as a starting point. In fact, some economists have estimated that to provide employment for all unemployed persons on even a subsistence wage, it would be necessary to have an outlay of about Rs. 1,000 crores a year. The problem of unemployment has to be dealt with on a continuous and long-term basis and an immediate solution is not possible within the limits of the country's resources. There is also need for a massive increase in savings and investment and integrated industrial and fiscal policies for promoting productive activity in every sphere.

Need for a Rational Pricing Policy for Public-sector Units

By Suresh Chandra Srivastava

The pricing policy of public-sector units in India is not based on any definite commercial principle. Subject to special considerations, they should, however, try to make reasonable profits.

THE pricing policy of public-sector undertakings in India is neither uniform nor based on any definite commercial principle. Sometimes the prices are fixed on the "cost plus margin" basis; and in some other times, the basis may be "no-profit-no-loss", or "below-cost", or "what the trafic can bear" or just "parity". Although as a general rule, it has been laid down that the concerns should work as far possible on "business principles", in reality, no principles for pricing have been evolved. But this is detrimental to stable growth. For the public undertakings, one of the best things would be to follow the surplus principle of price fixing which implies that they should not only pay their way but also make legitimate profits.

In a developing economy like India's, it is no longer possible to cling fast to the traditional concept that public enterprises should not try to earn profit on the ground that they are meant to serve the people. As Professor Arthur Lewis has observed, "It is folly to keep down prices in the nationalised industries, thereby raise private sector's profit and then to have to borrow these profits to finance investments in the nationalised industries." If the enterprises make no profit, the whole of their capital supply, initial and expansional, must come from the Government which will have to raise the same either by "increasing taxation which may be difficult or inducing inflation which is also dangerous." Public enterprises have to play a more positive rôle in the Indian economy which is suffering from a chronic paucity of capital for investments and where, therefore, much of the developmental activities have of necessity to fall on the State. This makes it imperative for the State to realise a surplus from these undertakings to finance other development activities.

It has been argued that prices in public concerns should be fixed on the basis of the marginal cost principle so as to ensure the optimum allocation of resources. This principle, it is also believed, will lead to maximum output. However, there are several difficulties in measuring marginal costs which make the calculation of cost arbitrary, especially where an industry produces a number of items. In India, particularly because she is in the early stages of industrial development, the marginal cost in the short run is bound to be different from the long-run cost and hence it is necessary not only to take into account the current cost but also to be able to forcast with some accuracy the behaviour of cost in the future. Besides, the marginal cost principle means maximum utilisation of output which cannot always be achieved since there is bound to be unutilised capacity in an industry.

It would then appear that the concept of price being equal to average cost is more valid as a price theory for a developing economy like India's. However, this theory suffers from the

limitation that it is difficult to measure correctly all the inputs. The time factor is another important element in pricing. That is why it is argued that pricing in public enterprises should cover current cost as well as capital cost. Another suggestion often offered is to charge discriminating prices for goods. Such a policy should be based on a classification of consumer goods and capital goods or on a classification of the clientele. Since the policy of the Government in a developing economy is to encourage investment and to discourage consumption, a policy of discriminating prices could be applied to achieve the result.

However, the public sector in India has not entered in a big way into the production of consumer's goods because it is felt that at this stage of her economic development large-scale investment in the consumer's goods industry could be a misdirection of the resources which may more profitably be used in setting up basic industries. Hence, for some time there is no possibility of earning a surplus in the public sector by charging higher prices on consumer's goods. Another argument which may be put forward against such a policy is that a distinction between capital goods and consumer goods in the matter of pricing may lead to confusion and undesirable situations. Unless a blanket price policy is fixed for consumer's goods produced both by the public and private sectors, a situation might arise where the private industry might decide to offer lower prices for certain items to compete out the public sector, or *vice versa*. Prices may also be discriminatory between customers. Those who are able to pay more may be asked to pay a higher price for the same commodities. This is followed in railways and is known as charging "what-the-traffic-will-bear." And this may be a useful method for earning surpluses from public enterprises.

But all this does not imply that public enterprises in all circumstances should earn profit. Sometimes in the larger interest of the nation they may have to sell at a loss or at "no-loss-no-profit" basis. In fact, in the interest of economic growth, certain products may have to be sold at a loss. It all depends upon the type of commodity or service involved, what part it plays in stimulating economic development, and what the overall effect such a policy would have on national income and savings.

Last Week in Parliament

(FROM OUR NEW DELHI CORRESPONDENT)

Except for pungent criticism of the Government by some prominent leaders from time to time, there is now hardly any Opposition in Parliament. In such a situation, any ripple within the ruling Congress as the one caused recently by Mr. Chandrasekhar's speech in the Rajya Sabha attacking the industrial licensing policy cannot but attract more than usual interest.

IT is unfortunate, nevertheless true, that the Opposition in Parliament is fading out. Except for occasional outbursts by the Jana Sangh leader, Mr. Atal Behari Vajpayee, the Marxist Communist leader, Mr. A. K. Gopalan (ably assisted by Mr. Jyotirmoy Bosu), and the D.M.K. leader, Mr. Krishna Manoharan, (after the defeat of his Party in the Pondicherry by-election), there is hardly and Opposition in the Lok Sabha. The reason for this is to be found in the general demoralisation of the Opposition after the rout of all the parties in the State Assembly elections. The Opposition parties have still not been able to get over the shock they received in last month's polls. The Marxist Communist leaders, who are here for the meetings of their Politburo and Central Committee, tried to raise a lot of dust over what they call the "rigging" of elections in West Bengal, but other parties, which also lost to the Congress, do not see much substance in the Marxist allegation. Their only grievance is that the Congress made full use of the Governmental machinery. It is also said that the unlimited financial resources of the ruling Party made the electoral battle "uneven" and, therefore, it is no wonder that the Congress has won.

In this situation, any ripple within the ruling Congress attracts more than usual interest. When Mr. Chandrasekhar spoke in the Rajya Sabha the other day attacking the Government's industrial policy, it received everybody's attention. Mr. Chandrasekhar said that the Government had relegated the Monopolies Commission to the background and encouraged the larger business houses to set up new units in the name of increasing production. He also joined issue with the Central Planning Minister, Mr. C. Subramaniam, on the priorities of planning—whether essentials were getting priority over luxuries, and, in particular, whether the small car project should get all the urgency that was at one time given to it. The general whip of the Congress Party is that any criticism of the Government's policies should be made within the Party. Mr. Chandrasekhar has clearly defied this whip. Whether he did so deliberately or out of frustration and disapproval of the Government's policies and the Party bosses' reaction to the outburst will be known shortly.

Meanwhile, another Young Turk, Mr. Krishna Kant, took the platform of the Party executive committee to warn "erring" Chief Ministers of the consequences of their failure to implement land ceilings expeditiously and strictly according to the directive of the High Command. He felt that Chief Ministers like Mr. Zail Singh of Punjab were "dragging their feet" on the issue of implementing land ceilings. Mr. Krishna Kant tried to make out that three former Chief Ministers—Mr. Brahmananda Reddy of Andhra Pradesh, Mr. S. C. Shukla of Madhya Pradesh and Mr. Mohanlal Sukhadia of Rajasthan—had to quit their posts because of their failure to impose land ceilings in their States. The general impression is that since the Lok Sabha elections in 1971 seldom has the executive committee of the Congress Parliamentary Party faced such a stormy session as on the land ceiling issue. The Chandrasekhar speech in the Rajya Sabha and Mr. Krishna Kant's outburst in the Party executive put together can mean two things—that the Young Turks are impatient with the slow and tardy implementation of the Party programme or that they are sowing seeds of discord in the ruling Congress. Either way the Party leadership has to be on the alert.

SPOTLIGHT ON STATES

Tamil Nadu: Implications of the New Relief Measure for Farmers

(BY A SPECIAL CORRESPONDENT)

The Tamil Nadu Government's proposed Bill to give relief to cultivating tenants is laudable. But it has a dark side too, for it would cripple even the small landholders.

THE Tamil Nadu Government has decided to give cultivating tenants relief from the burden of paying arrears of rent outstanding at the end of June 1971. A Bill to this effect has been introduced in the State Assembly and it seeks to give the above relief subject to the condition that the cultivating tenants will pay the rent due for the current year within six months from the date on which the proposed Act comes into force. However, even though such reforms are implemented with good intentions, the results are sometimes contrary to the very objective of helping the poor and the middle class. Land reforms in Tamil Nadu have been implemented with a view to avoiding exploitation of labour, to prevent concentration of landholding, to provide fair wages for the agricultural labour and to bring about consolidation of land which is one of the norms fixed by the Planning Commission for land reform. But any legislation or measure has to be judged by the results they produce.

Thanjavur district in the fertile Cauvery delta is noted for its contribution to agricultural production. The proposed Bill for giving relief to the cultivating tenants has caused certain stir in the agricultural economy and this is evident from the reported distress sale of valuable lands in Thanjavur district. The proposed legislation is considered unimaginative, because this will cripple even the medium and small landholders. No doubt, the State Government's decision to wipe off the arrears of lessees and tenants up to the end of June 1971 is laudable, but this is a major socio-economic measure whose economic and financial consequences have begun to be felt keenly by the small and medium landholders. The wiping off of arrears of dues in any sector naturally leads to a certain amount of complication and damages the relation between tenants and owners. It is reported that even owners of 15 acres of land also want to dispose of their holdings due to the unhelpful attitude of the Government.

As for the lands already taken over by the Government from landholders and distributed to the landless people, it is reported that the agricultural compensation bonds given to the landowners by the Government have been pressed for sale in the market with no ready buyers at reasonable prices. As for the beneficiaries to whom the surplus lands had been distributed by the Government, part of the amount towards the value of land had been recovered as advance. But it is found that no further amounts could be collected from the beneficiaries of land as the tenants were not able to pay the balance. In view of this development, the holders of compensation bonds have understandably become nervous about their getting the compensation amount on the due date. This has again increased the pressure of sales in these bonds.

According to official statistics, in Thanjavur district about 83 per cent of the landowners are owning less than five acres of land. When this is the case, any imbalance and disturbance to the normal credit structure in the agricultural economy will produce an unfavourable effect. In view of this, it is pleaded by many agriculturists that something should be done by the Government to bring about normalcy in the thinking of agriculturists. It is suggested that the proposed legislation should at least exempt small and medium landholders.

There is another aspect to the social side of this proposed legislation which needs careful attention. At the moment, there are large-scale arrears of rent due from tenants of private lands and the wiping off of these arrears will affect the small and medium landholders. Apart from this, it is estimated that a sum of Rs. 2.50 crores is due from tenants cultivating lands owned by temples in Thanjavur district. It is clear that the proposed legislation will affect the credit structure of the rural economy in a vital and prosperous district of Thanjavur.

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LABOUR

Recognition of Unions: Limited Accord on Framing a Formula

(BY A SPECIAL CORRESPONDENT)

Three of the major trade union organisations have reached an agreement on the formula to be followed for recognition of unions. It is hoped that the other trade unions will also accept the formula.

IT has long been recognised that one of the best ways to avoid unhealthy trade union rivalry and to promote collective bargaining in industries would be to recognise the majority union of the employees as the sole bargaining agent. It would avoid unions outbidding each other in demands on the employer in order to increase their membership, enable the bargaining agent to assume fuller responsibility in negotiating with the employer and even to co-operate with management in increasing production. But for long there has been disagreement among the central trade union organisations on the method of selecting the bargaining agent, the I.N.T.U.C. favouring the method of verification of paying membership and the other organisations favouring determination by secret ballot. The National Labour Commission did not give a lead on the question, the majority of the Commission preferring to leave it to the discretion of the proposed Industrial Relations Commission, while four members in their minority report supported the method of verification.

At the informal trade unions' conference held in May 1971, the Central Minister for Labour, Mr. R. K. Khadilkar, suggested that the trade unions should give concrete proposals for how to select a bargaining agent and that a small committee of the principal trade union federations should be formed to study and report on this matter within two months. Soon after, the I.N.T.U.C. and the H.M.S. formed a consultative committee with a view to establishing better understanding and closer co-operation between the two organisations, and as a first step towards unity and solidarity of the working class in the country. The committee was to take a common stand on issues affecting the working class in particular and the economy of the country in general. Two other committees were formed, one consisting of three representatives each of the I.N.T.U.C., A.I.T.U.C. and H.M.S. and another of representatives of the A.I.T.U.C. H.M.S. and C.I.T.U. for discussion of a common policy on the subject of the mode of union recognition, whether by verification of membership or by secret ballot or other alternative method.

The committee of the I.N.T.U.C., A.I.T.U.C. and H.M.S. had several meetings to evolve an agreement on the question of the method of determining the bargaining agent in an industry or establishment. While there was general agreement on the formula for recognition, there was no agreement as to whether the formula can be applied to unions which were already recognised under the State laws or the code of discipline. At the last Indian Labour Conference Mr. Khadilkar observed that the Government could not wait indefinitely for the trade unions to reach an agreement. However, at the request of the I.N.T.U.C. and the A.I.T.U.C., six months were given to reach an agreement.

Meanwhile, there was the war with Pakistan; and at a meeting in December 1971 of representatives of employers and unions in the major industries, it was suggested that a working party of employers' and workers' representatives should be formed. The working party was to suggest a suitable machinery for the settlement of disputes and to give a "new look" to industrial relations not only for the period of the hostilities but also for the postwar period. At the first meeting of the working party representing the I.N.T.U.C., A.I.T.U.C. and H.M.S. and the employers on 7th February, 1972, the Central Labour Minister urged it to consider the appeal by the President of India and the Prime Minister for a moratorium on strikes and lock-outs for three years. The union representatives arrived at a tentative agreement in regard to union recognition and other matters relating to the machinery for settlement of disputes, avoidance of strikes in sensitive areas, etcetera.

The representatives again met on 13th, 14th and 15th March to finalise the agreement. At these meetings a limited "accord" was reached on these issues, but there were points of difference on the application of the formula for recognition of unions in certain areas and industries covered by State laws. The representatives also discussed the possibility of setting up a National Council of Trade Union Centres comprising the I.N.T.U.C., A.I.T.U.C. and H.M.S. They, however, felt that the remaining points of difference could be discussed some time in mid-April by which time the national executives of the three organisations could take a decision.

The executive committee of the I.N.T.U.C. has since then passed a resolution urging the Government to go ahead with the industrial relations legislation based on the limited accord reached among the three central trade union organisations on the question of union recognition. As for recognition of unions the limited accord was on the following lines. The formula agreed provides for recognition to be given to the majority union through verification of membership. Where on verification the difference in the respective strength of the unions is marginal, a secret ballot is to be taken of all the workers employed in the plant or industry for determining the bargaining agent. If the ballot shows that the lead of the majority union over its rivals is marginal, it will associate the other unions, securing a certain percentage of votes, in negotiations with the employers.

When a union is already recognised under the State Industrial Relations Law the formula will not apply and that law will govern. Where a union has already been recognised under the collective agreement or under the code of discipline, it will be liable to be challenged under the formula after a period of two years from the date of the last recognition. The agreement has still not been finalised, but the points of difference being few and not vital, there should be no difficulty in resolving them. The agreement covers important issues which have defied solution for years.

INSURANCE

L.I.C.'s Role in Developing a Sound Infrastructure

(BY A SPECIAL CORRESPONDENT)

By investing in rural electrification, housing development and water-supply and drainage schemes, the Life Insurance Corporation is helping in the development of an infrastructure for the country. The policy-holder has the satisfaction that the money he pays by way of premium is being utilised in many national development projects.

THE L.I.C. is dong its best to build a sound infrastructure for the country. The reason is obvious. The Corporation believes in providing essentials and its symbol, *viz.*, "two hands protecting the flame of life" not only represents the hope and aspiration of the assured and his loved ones but of India's financial strength that in turn implies better homes, better agriculture and better civic and social amenities, besides more industries and increased employment. In the opinion of Mr. T. A. Pai, a former chairman, the Corporation is trying to build an infrastructure of society through its investments and the "policyholder has been made aware that the money he pays by way of premium is ploughed back to him in some form or the other to raise his living standards and for better amenities of life."

It is, therefore, only natural that some of the municipalities and zilla parishads throughout India are enjoying the benefits of the L.I.C.'s investments. Indeed, the financial assistance from the Corporation has made possible the early completion of some of the national projects in rural and semi-rural sectors. This kind of assistance has been rendered by the Corporation with the object of creating a sense of participation among policyholders. In this context, Mr. Pai has noted that the investments of the L.I.C. will have to conform to the "national needs" and the citizens are reaping the maximum benefit from the accumulation of its total assets (*viz.*, Rs. 1,989 crores).

The total investments of the life department in 1971 were distributed as follows: the public sector 74.8 per cent, co-operative sector 9.9 per cent, joint sector 0.3 per cent and the private sector 15 per cent. While investing the minimum required under the statute in Government securities, the Corporation has been alive to the problems of India's economic development and the bare necessities of the common man. To illustrate: considering the infrastructure so essential for national development, the L.I.C. has invested in 1970-71 about Rs. 309 crores in rural electrification; Rs. 279 crores in housing development; Rs. 50 crores in water-supply and drainage schemes; Rs. 92 crores in agricultural development through land mortgage banks (with the proposed allocation of Rs. 5 crores for setting up storages for the Food Corporation of India); and about Rs. 28 crores in small-scale industries through industrial estates and assistance to the State Financial Corporations. Incidentally, the Corporation has already sanctioned housing loans to the extent of Rs. 300 crores. The first of its model township has started in Borivli, Bombay, with 4,000 flats to be followed up in Calcutta, Bangalore, Lucknow, Hyderabad, etcetera. During the period April 1971 to September 1971, the Corporation has granted loans to (a) municipalities and zilla parishads for drainage and water-supply schemes amounting to Rs. 5.68 crores; (b) State Electricity Boards Rs. 3 crores; (c) co-operative sugar factories Rs. 80 lakhs, and (d) apex co-operative housing finance societies Rs. 13 crores.

Interestingly, the year 1970-71 has been eventful in many respects. For example, disbursements of loans to municipalities and zilla parishads for water-supply and sewage schemes were Rs. 11 crores in 1970-71 (against Rs. 5.5 crores in 1969-70) with the L.I.C. entering a new field in rural water-supply schemes through loans to zilla parishads. Also, greater assistance was extended to the State Electricity Boards in 1970-71 by advancing Rs. 48 crores (against Rs. 32.50 crores in 1969-70) in addition to the investment of Rs. 20 crores in State Electricity bonds. Besides, the Corporation has subscribed to the debenture of the Madras Corporation to the extent of Rs. 1 crore to finance its capital works programme, advanced a loan of over Rs. 2 crores to 15 municipalities in Uttar Pradesh to help their water-supply schemes, advanced over Rs. 29 lakhs to local bodies in Gujarat for water-supply schemes and granted a loan of Rs. 25 lakhs to Gujarat for damages caused to water-supply systems due to floods. The Corporation helped in 1970-71 the municipalities of Mysore and Maharashtra to provide better water-supply and drainage systems.

It is clear from the above facts that in its effort to build up the nation's infrastructure, the L.I.C. is doing much more than ploughing back the savings of policyholders. Indeed, the financial assistance granted by the Corporation to different State Electricity Boards, housing societies, municipal boards and zilla parishads is only symbolic of the L.I.C.'s effort in building the infrastructure of India's economy. The policyholder is satisfied that the Corporation is trying to improve his living standard and that his money paid as premium is ploughed back through investments in national development projects. By directing its investment towards socially desirable purposes, the Corporation has fulfilled the objective of nationalisation.

PEOPLE AND PERSONALITIES

Mr. Colin Kerr has been appointed National and Grindlays Bank's Regional Director for Asia (Pacific area) with his headquarters in Hongkong.

Mr. B. K. Ghose has been elected chairman and Mr. A. K. Sen vice-chairman of the Eastern Regional Committee of the Indian Chemical Manufacturers Association for the current year.

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INDUSTRY

Setting up Consortia to Raise Exports of Machine Tools

(BY A SPECIAL CORRESPONDENT)

The prospects for Indian machine tool exports are quite bright. Instead of individual manufacturers making their own efforts, they should set up well-organised export consortia to achieve better success in overseas markets.

THE Indian machine tools industry has registered spectacular growth during the past 30 years. Starting in early 1940s, the industry now has 72 units in the organised sector. The production of machine tools rose from a mere Rs. 28 lakhs in 1950 to Rs. 26.64 crores in 1969. Apart from showing considerable growth in production, the industry has witnessed a progressive rise in the exports. For instance, the export of machine tools from India which stood at Rs. 66 lakhs in 1966-67 reached Rs. 2.96 crores in 1969-70. The upward trend in machine tools exports, however, could not be maintained in 1970-71, when the exports amounted to only Rs. 2.82 crores. This has been the situation when lots of export orders were secured recently at the Hanover exhibition and a reasonably good acceptability of Indian machine tools was noticed by Indian business men abroad. This shows that there is something wrong at home which is holding back the industry to cash on the bright prospects for Indian machine tools abroad.

As a first step to increase the export of machine tools, the industry should concentrate on the main markets of the U.S.A., Canada, the U.K., West Germany, France and Australia which together account for nearly 54 per cent of the world demand and 40 per cent of world imports. Next in order of importance for penetration come the markets of Belgium, Luxembourg, Switzerland, Sweden, Denmark, Russia and the east European countries, which account for 25 per cent of the world demand and 22 per cent of world imports. The third priority should be given to developing countries whose share in the world imports is about 20 per cent.

Research and development are other important areas. The products planned for export should be adopted, modified and redesigned to meet the end-user's requirements abroad. This necessitates an investment in market research in selected export markets before any extensive export programme is undertaken. An expenditure of this type should be regarded as an essential and worthwhile capital investment. It is, however, heartening to know that a few leading firms have already adopted this approach and redesigned their products with good results.

Presently, Indian machine tools are little known in export markets. Furthermore, India has yet to gain reputation for supplying engineering goods of the highest quality. This means that Indian firms must continue to offer substantial price advantages—about 10 per cent or 20 per cent below the prices of other similar products—to compete against established domestic brands and against better known imported machines. This policy will not have to continue indefinitely but must be viewed as a necessary and predictable cost of sales for the next few years.

Exports of machine tools are not presently subject to compulsory inspection and quality control. The Indian Standards Institution has, however, laid down certain standards and test procedures for some of the machine tool accessories and parts taking into account the minimum geometric accuracy and machine characteristics like speeds, feeds and tool part height. Important factors like raw materials, workmanship, design, availability of certain minimal production and testing facilities and seasoning of the castings, so vital to the productivity of machine tools, are, however, outside the purview of the present I.S.I. standards. With a view to increasing the export of machine tools, it is, therefore, necessary to examine the present standards and bring them at par with the international specifications. This is an area where the Central Machine Tools Institute can be of great assistance to the industry.

Although the shortage of steel is the basic raw material problem in the production of machine tools, the quality variation of certain supplies (such as pig iron) is also serious. This sometimes results in rejection rates of 10 per cent to 35 per cent of production in some foundries. Acute shortages of high carbon and alloy steel occur frequently. Ultimately the solution to these problems lies in closer liaison between the machine tools manufacturers, suppliers and the Government.

Shipping rates and freight anomalies are other problems. Sellers of machine tools in Japan, West Germany, the U.K. and Czechoslovakia (through Yugoslavia), which are India's major competitors, enjoy a substantial freight advantage in first priority markets like Canada, the U.S.A. and Australia. For instance, while the freight from India to the U.S. Atlantic Coast works out to $65.82 a cubic metre for machine tools, Japanese sellers pay only $49.6 and U.K. sellers only $38.88 for the same destination.

India must take advantage of the advances in technology abroad through proper licensing arrangements and should not grudge the payment of a fair royalty for important imported know-how. Its importance has been amply illustrated by Japan, whose bill for imported know-how rose eight-fold from $20 million in 1955 to $160 million in 1964. In comparison, India's annual expenditure on royalties was only of the order of $7 million in 1968. At present, foreign collaborators understandably take short-term interest in such collaboration projects because of the restriction on royalty payments. In practice, the royalty paid averages only 2.5 per cent a year on the f.o.b. value.

Last but not least, the problem area which requires serious thought by the industry relates to the consortium approach. If the industry takes cue from the cable and wire manufacturers, it should form a consortium so that a wider range of machine tools with adequate after-sale-service arrangements can be offered to foreign distributors by a single company. The present trend of individual manufacturers making their own export effort is not expected to yield the desired results and may cause frustration. If these efforts are pooled together and canalised through well-organised export consortia, much better success can be achieved.

INVESTMENT

Prospect of Faster Industrial Growth Cheers Operators

THE stock markets have presented a firm appearance this past week and have touched a new high for the year. And judging by their prevailing mood of optimism, they seem determined to carry on their bull campaign. Last week's improvement has been attributed to sustained support from professional operators as well as investors and scarcity of fresh offerings. While gains have been widespread, non-cleared shares have made a much better showing than the more popular speculative counters, many of which have been rather subdued by substantial corrective profit-taking. The volume of business has been fairly good and an encouraging aspect of the recent stock exchange activity is the steady increase in investor enquiries. The corporate news has continued to be favourable. Polyolefins, Modella Woollens, Baroda Rayon, Tata Engineering, Warner-Hindustan and Sandoz—to mention some important names—have had a message of cheer for their shareholders.

New Delhi's clarification that the applications by larger industrial houses, when cleared by the Task Force, will not be referred to the Monopolies Commission has aided sentiment, since this will facilitate a quicker expansion of capacity of units belonging to larger houses. The bullish sentiment has also been helped by the report that the World Bank has recommended to the Aid-India Club a selective cancellation of outstanding debts from India. The growing bullish fervour in the stock markets reflects essentially their optimistic assessment of the economic prospects. It is not just because the Government has provided for a substantial increase in the current year's Plan outlay. The market feels that the Government is really earnest about achieving a much faster growth and is inclined to adopt a more pragmatic approach to tackle economic problems.

The proposed steel bank with an estimated stock of about 50,000 tonnes of steel materials procured in expectation of requirements should give a boost to the steel-based industries which have often been forced to keep their capacity idle for want of the requisite raw material. Likewise the cotton textile industry is also expected to perform much better because of the improved supply of cotton. Prospects for faster industrial growth seem brighter than in the past.

Gilt-edged securities have lacked interest this past week, although the rates have remained quietly steady. The 3 per cent Conversion loan 1986 is quoted at Rs. 59.50. Interest in State Government loans has been selective and the volume of business has remained restricted.

The Calcutta stock market has remained steady this past week. The prospect of a rapid industrial recovery in West Bengal has apparently cheered operators. As a result, investment enquiries have broadened. Among engineering shares, Shriram Bearings, Jessop and Burn have hardened. Among jute shares, Birla and New Central have been steady. Among coal shares, Amalgamated, Bengal, Equitable and South Karanpura have been transacted. Among miscellaneous shares, Chemicals and Fibres, Hindustan Aluminium, G.E.C., Electric Construction, and Woolcombers of India have been supported. Among tea shares, Bishnauth and Ranicherra have been done.

Dalal Street has been in a cheerful mood throughout the week. Occasional profit-taking induced mainly by technical considerations has not exerted any unsettling effect on the general trading sentiment. But for the small profit-taking in leading equities, the market would have given a still better account of itself and scaled still higher peaks. An outstanding feature of the week's trading has been the sustained flow of investment enquiries in many counters. Among steels, Tata Steel have recorded an impressive rise on institutional buying and short-covering. Engineering shares have evoked good support. Associated Bearing have been in the limelight and recorded the sharpest rise for any single week. Tata Enginering, S.L.M.-Maneklal and Bihar Alloys have been the other bright spots. Among automobiles, Hindustan Motors have shown a marked rise on sustained buying enquiry. Chemical shares have ruled distinctly firm with Colour-Chem, Polyolefins, Indian Dyestuff, N.O.C.I.L., Indian Organic and Chemicals and Fibres recording handsome gains. Shipping shares have also displayed a firm tone. Among cements, only Orissa have been marked higher. Associated Cements have remained rather subdued. Tyre shares have been quietly steady. Among paper shares, West Coast have been marked higher while Sirpur have been subdued. Among miscellaneous counters, United Carbon, Hindustan Aluminium, Century Enka and South India Viscose have registered good gains.

The Madras stock market has met with selective support this past week, and the volume of trading has been moderate. Among planting shares, Consolidated Coffee and Peria Karamalai have received attention. But Manjushree have been quiet while Kil Kotagiri have attracted some interest. In the textile section, Madura Mills have met with demand while South India Viscose have advanced on reports of satisfactory working of the Company. Travancore Rayons have attracted sellers but Mettur Beardsell have met with better support. In the miscellaneous section, India Cement, Ashok Leyland and Aluminium In-

COMPANY REPORTS

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

American Express
Bayer (India)
Firestone Tyre
Kasturbhai Group
Philips India
Phillips Carbon
Ranicherra Tea
Sandoz (India)
S. S. Duncan
Sylvania and Laxman
Tata Steel
Tide Water Oil
United Bank

dustries have moved up. Sugar shares have shown a mixed trend. E.I.D. have declined while Aruna Sugar have remained steady. Among bank shares, Indian Bank, Indian Overseas and Canara Bank have met with enquiries.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 27/60—27/60—27/20—27/25—(22/40)
Dunlop India 32/20—32/40 x.d.—32/10—32/40—(39/40)
Guest, Keen, Williams 37/40—37/75—37/00—37/65—(34/90)
Hindustan Motor 11/05—11/10—10/60—10/65—(13/10)
Howrah Jute 9/25—9/37—9/06—9/06—(7/37)
Indian Aluminium 34/60 x.d.—35/05—34/40—34/85—(38/00)
Indian Cable 22/50—22/85—22/20—22/80—(17/00)
Indian Copper 3/04—3/06—3/02—3/04—(4/18)
Indian Iron 8/60—9/05—8/60—8/90—(11/95)
Jaipur Udyog 8/50—8/50—8/50—8/50—(9/50)
Jayashree Tea Industries 16/75—16/87—16/69—16/87—(17/00)
Kesoram Industries 21/00—21/00—19/95—20/35—(17/20)
Orient Paper 37/05—37/10—36/05—36/30—(38/95)
Orissa Cement 21/05—21/20—20/60—20/95 (18/81)
Rohtas Industries 4/70—4/75—4/55—4/70—(6/25)
Textile Machinery 11/60—11/65—11/10—11/25—(10/40)

Kasturbhai Group Mills : Higher Sales Achieved

THE Kasturbhai group of textile mills—Arvind, Aruna, Asoka, Ahmedabad New Cotton, Nutan, Raipur and Saraspur—have turned out mixed results for 1971. While all the mills have improved upon their sales in 1970, only four mills, namely, Arvind, Aruna, Nutan and Raipur, have shown a rise in gross profit. And only Raipur has done really well in that not only are both sales and gross profit higher but margins too have improved. Of the seven mills, only two, namely, Arvind and Raipur, have distributed more by way of dividends ; Raipur has raised the dividend by two points—from Rs. 16 to Rs. 18 a share—whereas in the case of Arvind the distribution is larger at Rs. 40 lakhs (against Rs. 36 lakhs) because the dividend reduced from Rs. 24 to Rs. 20 a share is payable on the capital enlarged by the one-for-three bonus issue.

The sharp rise in cotton prices is said to be the main reason for the generally poor performance of most mills. The average cost of Indian and foreign cotton ruled higher by about 60 per cent and 25 per cent, respectively, compared with the previous year. The impact of higher costs could not be mitigated through a rise in the selling prices of finished products. It is stated that the atmosphere of uncertainty prevailing during the prewar period and non-movement of goods during and immediately after the Indo-Pakistani war adversely affected turnover of the Companies resulting in larger carryover stocks at the end of the year. The outlook for the current year, however, is considered encouraging as there has been a substantial decline in cotton prices.

Arvind Mills: Sales have risen from Rs. 9.07 crores to Rs. 10.21 crores and the gross profit is marginally higher at Rs. 1.98 crores, against Rs. 1.92 crores in the preceding year. The dividend has been reduced from Rs. 24 to Rs. 20 a share but since the dividend for 1971 is payable on the enlarged capital resulting from the one-for-three bonus issue, the distribution is higher at Rs. 40 lakhs (against Rs. 36 lakhs). Allocations include depreciation Rs. 45.64 lakhs (against Rs. 41.87 lakhs), development rebate reserve Rs. 11 lakhs (against Rs. 7 lakhs) and taxation Rs. 71 lakhs (same), leaving a net profit of Rs. 67.21 lakhs (against Rs. 70.53 lakhs). The Company has transferred Rs. 62.90 lakhs (against Rs. 66.20 lakhs) to general reserve No. 1 and Rs. 9 lakhs (against Rs. 8.80 lakhs) to general reserve No. 2. The Company's exports amounted to Rs. 44.20 lakhs, against Rs. 35.25 lakhs in the previous year. Expenditure on reorganisation and renovation incurred during the year amounted to Rs. 49.18 lakhs.

Aruna Mills: Sales are up from Rs. 4.94 crores to Rs. 5.32 crores and the gross profit is almost the same as in 1970—Rs. 65.37 lakhs, against Rs. 65.34 lakhs. The directors have recommended a dividend of Rs. 14 a share on the higher capital as enlarged by the one-for-two bonus issue, against Rs. 21 a share paid for the previous year, with the result that the total distribution is unchanged at Rs. 10.50 lakhs. Appropriations include depreciation Rs. 19.40 lakhs (against Rs. 17.74 lakhs), development rebate reserve Rs. 4.75 lakhs (against Rs. 5.75 lakhs) and taxation Rs. 18 lakhs (against Rs. 19 lakhs), leaving a net profit of Rs. 23.22 lakhs, against Rs. 22.85 lakhs in 1970. The Company received Rs. 1.17 lakhs of tax credit certificates. A sum of Rs. 21.10 lakhs (against Rs. 22.90 lakhs) has been transferred to general reserve.

Asoka Mills: Despite a rise in sales from Rs. 7.06 crores to Rs. 7.61 crores, the gross profit made by Asoka Mills in 1971 is down from Rs. 64.74 lakhs to Rs. 59.35 lakhs. The dividend, reduced from Rs. 21 to Rs. 14 a share, is payable on the capital enlarged by the one-for-two bonus issue, thereby maintaining the total distribution at Rs. 10.50 lakhs. After providing Rs. 22.99 lakhs (against Rs. 22.25 lakhs) for depreciation, Rs. 3.25 lakhs (against Rs. 5.50 lakhs) for development rebate reserve and Rs. 15 lakhs (against Rs. 17.50 lakhs) for taxation, the net profit for 1971 amounts to Rs. 18.11 lakhs, against Rs. 19.49 lakhs in the previous year. General reserve gets Rs. 14.50 lakhs, against Rs. 19.50 lakhs. The Company's exports in 1971 were higher at Rs. 30 lakhs, against Rs. 15.43 lakhs in 1970. The Company is awaiting an industrial licence for its P.V.C. project.

Ahmedabad New Cotton: The Company has turned out disappointing results in that the gross profit is down from Rs. 45.16 lakhs to Rs. 28.12 lakhs even though sales have increased from Rs. 4.75 crores to Rs. 5.08 crores. The dividend, however, has been kept unchanged at Rs. 18 a share. After providing Rs. 17.77 lakhs (against Rs. 16.67 lakhs) for depreciation, Rs. 3.75 lakhs (against Rs. 5.50 lakhs) for development rebate reserve, Rs. 1.50 lakhs (against Rs. 10 lakhs) for taxation and after making some adjustments, there is a surplus of Rs. 1.52 lakhs, against Rs. 11.86 lakhs in the previous year. The dividend will absorb Rs. 5.37 lakhs (same) and to meet this liability, a sum of Rs. 3.30 lakhs has had to be withdrawn from general reserve.

Nutan Mills: The Company has fared better than in 1970, with sales rising from Rs. 3.31 crores to Rs. 4.13 crores and the gross profit from Rs. 30.61 lakhs to Rs. 33.21 lakhs. The dividend has been maintained at Rs. 18 a share absorbing Rs. 5.40 lakhs. After providing Rs. 12.93 lakhs (against Rs. 11.36 lakhs) for depreciation, Rs. 4.80 lakhs (against Rs. 10 lakhs) for development rebate reserve and Rs. 6.50 lakhs (against Rs. 6 lakhs) for taxation, there is a surplus of Rs. 8.98 lakhs, against Rs. 3.25 lakhs in the preceding year.

Raipur Mills: The Company has done very well, with sales, profits and margins better than in 1970. Sales have increased by 5.4 per cent from Rs. 4.43 crores to Rs. 4.67 crores and the gross profit by 12.6 per cent from Rs. 67.01 lakhs to Rs. 75.45 lakhs. The dividend has been raised from Rs. 16 to Rs. 18 a share, absorbing Rs. 13.50 lakhs (against Rs. 12 lakhs). Allocations include depreciation Rs. 22.74 lakhs (against Rs. 20.64 lakhs), development rebate reserve Rs. 6.25 lakhs (against Rs. 5.25 lakhs), taxation Rs. 20 lakhs (against Rs. 17 lakhs) and general reserve Rs. 22.90 lakhs (against Rs. 24.60 lakhs). The Company's exports rose from Rs. 10.99 lakhs to Rs. 17.99 lakhs. The Company has received a letter of intent for setting up a plant for the manufacture of fine china crockery with an annual capacity of 1,800 tonnes. However, after carefully studying the profitability of the project and the total capital cost, the directors have deferred the decision to implement the project.

Saraspur Mills: Despite a rise in sales from Rs. 4.47 crores to Rs. 5.21 crores, the gross profit made by the Company is down from Rs. 48.70 lakhs to Rs. 42.29 lakhs. The dividend has been maintained at Rs. 18 a share absorbing Rs. 7.20 lakhs (same). After providing Rs. 18.59 lakhs (against Rs. 17.43 lakhs) for depreciation, Rs. 3.50 lakhs (against Rs. 17 lakhs) for development rebate and Rs. 7 lakhs (against Rs. 1.50 lakhs) for taxation, there is a surplus of Rs. 13.20 lakhs, against Rs. 12.77 lakhs in the preceding year.

PHILLIPS CARBON

A Difficult Year

IN their latest report for the year ended November 1971, the directors of Phillips Carbon Black Ltd say that the operations of the Company in 1971 were adversely affected by the steady increase in the cost of raw materials and services as well as an acute shortage of feedstocks which was aggravated by the breakdown of road communications in Bihar. The disturbed industrial climate in West Bengal also interfered with the working of the plant and with supplies. The profit has declined from Rs. 87.27 lakhs to Rs. 56.84 lakhs —a decrease of 34.86 per cent, after providing Rs. 15.35 lakhs (against Rs. 17.77 lakhs) for depreciation. In view of the Company's poor performance, the dividend has been reduced from 15 per cent to 12 per cent, absorbing Rs. 24.75 lakhs which will be paid out of general reserve. This offers a yield of 6.6 per cent at the present price of Rs. 18.25 a share of Rs. 10 each. Allocations include Rs. 31.90 lakhs (against Rs. 49 lakhs) for taxation and Rs. 17,000 (against Rs. 20,000) for development rebate reserve. After making other adjustments, there remains a balance of Rs. 24.77 lakhs (against Rs. 38.07 lakhs) which is proposed to be transferred to the general reserve. Sales were shown at Rs. 3.55 crores (against Rs. 3.56 crores).

AMERICAN EXPRESS

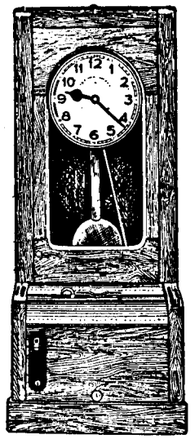
Higher Profit

AMERICAN Express International Banking Corporation (Indian branches) has fared well during 1971. The Company has shown a higher profit of Rs. 36.28 lakhs, against one of Rs. 33 lakhs, after providing Rs. 3.83 lakhs (against Rs. 3.52 lakhs) for depreciation on the banknig company's property. Deposits have increased from Rs. 40.94 crores to Rs. 46.16 crores and investments from Rs. 12.64 crores to Rs. 13.86 crores. Advances are also up from Rs. 25.82 crores to Rs. 29.53 crores. (The consolidated balance-sheet of the bank was published in last week's issue of *Capital*.)

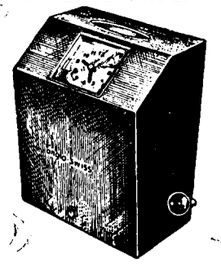
SANDOZ (INDIA) : SALES UP

DESPITE an increase of 18.3 per cent in sales from Rs. 8.51 crores in 1970 to Rs. 10.07 crores in 1971, the gross profit made by Sandoz (India) is slightly lower at Rs. 123.29 lakhs, against Rs. 125.38 lakhs in the previous year. The ratio of profit to sales has come down from around 14.7 per cent to 12.3 per cent. A major part of the increase in turnover has come from the agro-chemical division which registered a sharp rise of 75 per cent. The fall in profitability is attributed partly to higher material costs and partly to the revaluation of the Swiss franc in May 1971. The dividend has been maintained at 11 per cent. After providing Rs. 30.91 lakhs (against Rs. 25.34 lakhs) for depreciation, Rs. 2.33 lakhs (against Rs. 42,250) for development rebate reserve and Rs. 58.80 lakhs (against Rs. 63.50 lakhs) for taxation, the net profit for 1971 amounts to Rs. 31.25 lakhs, against Rs. 36.12 lakhs in 1970. After adjustments, the surplus of Rs. 34.73 lakhs (against Rs. 37.23 lakhs) has been transferred to general reserve out of which the proposed dividend absorbing Rs. 16.50 lakhs (same) will be paid.

While the agro-chemical division performed the best, the dyes and chemicals division could not maintain the excellent performance of the previous year due to the recession in the textile industry. Sales of pharmaceuticals, especially basic substances, recorded a satisfactory improvement. The Company's chairman has urged the Government to let the pharmaceutical industry earn a reasonable return so that it can plough back resources for expansion and thus prevent shortages of drugs. The prospects for the industry depend on the Government's policy. With the expansion programme scheduled for the production of polyester and polyamide, the dyes and chemicals division is expected to do better. The outlook for the pesticides division is also considered promising. The Company has performed well on the export front. With a view to boosting exports, the Company has established its own marketing organisation in certain African countries.

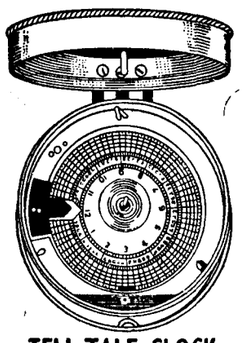


TIME RECORDER



ON D. G. S. & D. LIST

JOB COST RECORDER and



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UNITED BANK

New Scheme of Assistance

THE farmers in villages are being brought within the ambit of banking in increasing numbers by United Bank of India in its area of operation. It is, however, seen that a large number of tea garden workers and people in the immediate neighbourhood of tea estates are also engaged in raising foodgrains and cash crops. The bank has formulated a scheme which aims at increasing their income from the land by rendering necessary financial assistance and facilities for adopting improved methods of cultivation. The success of the scheme will depend on the active co-operation of the tea estates and the cultivators concerned. The scheme will provide work to family members of the workers and raise their income and thereby tend to reduce social imbalance *vis-à-vis* the well-settled people and will bring prosperity to the workers. The scheme will, therefore, create a more agreeable climate of working in the tea estates. The execution of the scheme will ensure the supply of larger quantity of foodgrains to tea estates consequent upon the increase in output in their own land or in the immediate neighbourhood. Increased production will enable the estates to cut down on the amount spent on food subsidy.

FIRESTONE TYRE

Donation to Defence Fund

FIRESTONE Tyre and Rubber Co. of India Private Ltd has made a contribution to the country's defence effort. The Managing Director of the Company, Mr. F. J. Reighley, has recently presented a cheque for Rs. 2.50 lakhs to the Prime Minister, Mrs. Indira Gandhi, for the National Defence Fund.

TATA STEEL

Production Figures

THE Tata Iron and Steel Co. has reported a marginal improvement in the production of salable steel during the year ended March 1972, with the output rising to 1.39 million tonnes from the previous year's figure of 1.38 million tonnes. The production of pig iron is placed at 1.63 million tonnes, against 1.67 million tonnes in 1970-71. The output of steel ingots also is lower at 1.70 million tonnes, against 1.71 million tonnes. The Company registered the lowest level of production in all categories of steel in April. The maximum level of salable steel production was achieved in December at 129,000 tonnes while in the case of steel ingots and pig iron the highest level of production was in January 1972 at 154,000 tonnes and 152,000 tonnes, respectively.

S. S. DUNCAN

Results Improve

THE brief preliminary figures released by S. S. Duncan show an impressive improvement in the Company's working results for the year ended October 1971, compared with that in the preceding year. Sales have gone up by 55.4 per cent from Rs. 1.30 crores to Rs. 2.02 crores and the gross profit has risen by 48.6 per cent from Rs. 42.10 lakhs to Rs. 62.52 lakhs. The dividend has been maintained at 25 per cent but it is also payable on the bonus shares issued on a one-for-five basis. After providing Rs. 4.72 lakhs (against Rs. 4.62 lakhs) for depreciation, nil (against Rs. 60,000) for development rebate reserve and Rs. 38.50 lakhs (against Rs. 20.50 lakhs) for taxation, the net profit for 1970-71 amounts to Rs. 19.36 lakhs, against Rs. 16.38 lakhs in 1969-70.

TIDE WATER OIL

Margins Eroded

DESPITE an increase in sales from Rs. 2.30 crores to Rs. 2.51 crores, the profit of Tide Water Oil Co. (India) Ltd for the year ended October 1971 has declined from the previous year's Rs. 4.43 lakhs to Rs. 2.77 lakhs, after providing Rs. 1.26 lakhs (against Rs. 88,402) for depreciation. A taxable interim ordinary dividend of 5 per cent has been paid absorbing Rs. 60,000. The directors recommend payment of a taxable final ordinary dividend of 5 per cent on the 120,000 shares which will be paid out of general reserve. The Company had paid a total taxable ordinary dividend of 20 per cent in the previous year. This offers a yield of 9 per cent at the present price of Rs. 11.06 a share of Rs. 10 each. Taxation is allocated Rs. 1.20 lakhs (against Rs. 2.65 lakhs), development rebate reserve Rs. 37,560 (against Rs. 5,893) and general reserve Rs. 60,110 (against Rs. 1.82 lakhs). A sum of Rs. 600 has been written back from development rebate reserve. The directors say that profitability of the Company's operation had earlier suffered considerably due to an increase in non-recoverable excise duty which had its impact on operations during 1971.

SYLVANIA AND LAXMAN

Bright Future

AT the annual general meeting of Sylvania and Laxman Ltd, the chairman, Mr. Laxman S. Agarwal, informed the shareholders that the Company's turnover had increased from Rs. 2.62 crores to Rs. 2.92 crores during the year ended September 1971, an increase of Rs. 30 lakhs from the previous year. The directors have declared a dividend of 7½ per cent for the year, against 6 per cent for the previous year. The Company is making rapid progress for implementing its huge expansion programme of lamp making, *viz.*, automobile lamps, G.L.S. lamps, high wattage lamps, telephone switch board lamps and mercury vapour lamps. The Company has also received letters of intent for the manufacture of industrial gases and for increasing glass shells production from 15 million to 30 million annually.

BAYER (INDIA)

Bonus Issue

THE directors of Bayer (India) have proposed a bonus issue of equity shares on a one-for-five basis. The bonus issue, which is subject to the consent of the Controller of Capital Issues, will involve capitalisation of Rs. 60 lakhs from reserves. The bonus shares will rank for dividend from 1st January, 1972. The directors have also proposed to increase the authorised capital of the Company from Rs. 3 crores to Rs. 5 crores.

RANICHERRA TEA

Back to Dividend List

THE working of Ranicherra Tea Co. Ltd has been satisfactory during the year 1970. The Company has returned to the dividend list with a taxable ordinary dividend of 5 per cent, absorbing Rs. 38,250. This offers a yeild of 8.6 per cent at the present price of Rs. 5.81 a share of Rs. 10 each. After providing Rs. 1.55 lakhs (against Rs. 1.34 lakhs) for depreciation, the profit has amounted to Rs. 1.04 lakhs, against a loss of Rs. 3.52 lakhs in the previous year. Transferring Rs. 7.75 lakhs from buildings and machinery reserve and Rs. 1.54 lakhs from general reserve, the entire loss has been wiped off, leaving a balance of Rs. 16,992 to be carried forward. The salable crop was 588,010 kilograms (against 500,390 kilograms) and the average sale price was Rs. 6.06 (against Rs. 5.37) a kilogram. The estimate for the season 1971 provided for a crop of 630,000 kilograms at a revenue expenditure of Rs. 34 lakhs.

PHILIPS INDIA : SHARE ISSUE

PHILIPS India Ltd has received the consent of the Controller of Capital Issues for the issue of 1,330,000 equity shares of Rs. 10 each at a premium of Rs. 15 a share. The break-up will be as follows: 294,000 equity shares will be issued to N. V. Philips' Gloeilampenfabrieken, in conversion of its loan; 420,000 shares will be issued for cash on a rights basis to the existing Indian shareholders; 92,400 shares will be issued for cash to the whole-time Indian directors and employees of the Company; and 523,600 shares will be offered for cash to the Indian public. After the issue, 40 per cent of the total issued and paid-up share capital of the Company will be held by the Indian public.

During 1971, the production of lamps was maintained at full capacity at the Company's factory in Kalwa, near Bombay. Following new developments made by the collaborators, the Company introduced fluorescent lamps with triple coil electrodes and anode rings to replace the double coil lamps. Moreover, the production of special fluorescent lamps with built-in reflector coating (T.L.F.) was taken up. It was possible to satisfy a large part of the demand for the Company's lighting fittings and accessories. Plans have reached an advanced stage to establish production of high wattage incandescent lamps, mercury vapour lamps, halogen lamps, infra-red lamps and Krypton miners' safety lamps and to expand the production capacity of mercury discharge burners used in the production of mercury vapour lamps. The production of electrodes increased in 1971. The factory in Loni maintained the production of electronic components at a satisfactory level. Certain professional electronic components were specially manufactured for the use by defence establishments. The production of radio sets at the factory in Calcutta was maintained at a satisfactory level notwithstanding unsettled conditions.

The telecommunication factory in Calcutta worked at its planned level of production of fully transistorised portable trans-receivers which are being delivered against a firm order from the Government. The order is expected to be completed by 1973. The factory also started the production of military electronic equipment designed by the Electronics and Radar Development Establishment (E.R.D.E.) of the Government of India. The Company's research and development laboratories continued their efforts in the field of design and development of new products, improvement of existing products and of production processes and towards import substitution and cost reduction.

Plans have reached an advanced stage to establish the production of tape recorders for which the Company holds a letter of intent. The Government has granted the Company a letter of intent for the production of null indicators. The Company has submitted to the Government of India a comprehensive plan indicating the areas that it proposes to enter in the next few years and the products involved. The plan envisages substantial new investments incorporating greater diversification, particularly in the area of professional electronics. This plan, when approved by the Government, will enable the Company to introduce in the country new technologies while at the same time providing expansion of its existing activities so necessary for its continuous corporate viability. The Company's exports during the year amounted to Rs. 60 lakhs.

COMMODITIES

The Minimum Statutory Price for Raw Jute to be Enforced

THE Central Minister for Foreign Trade, Mr. L. N. Mishra, has reportedly communicated the Government's intention to enforce a minimum statutory price for raw jute and mesta from the ensuing 1972-73 season to the Chief Ministers of the major jute- and mesta-growing States —West Bengal, Assam, Bihar, Orissa, Andhra Pradesh and Tripura. The Agricultural Prices Commission had earlier recommended the fixing of a minimum support price on a statutory basis, as already indicated by Mr. Mishra at the recent annual meeting of the Indian Jute Mills Association. The Central Government has also advised the Jute Corporation of India to make the necessary arrangements both in the primary and secondary markets to absorb heavy fibre arrivals, particularly between July and September. The statutory measure, when implemented, will make it illegal for persons to buy or sell raw jute or mesta at less than the indicated price, thus offering an assured and remunerative return to growers. Mr. Mishra has also requested the States concerned to extend all assistance to the Jute Corporation and also to gear their enforcement machinery in such a manner as to be able to bring to book persons who defy the statutory minimum price measure.

Little Surprise

The industry and fibre trade circles have, however, expressed little surprise over the proposed measure. For except during periods of peak pre-festival rush of arrivals in the upcountry markets and serious post-flood disruption of transport at break-of-gauge and transhipment points, fibre prices have ruled pretty firm, much above the official floor levels during the past few seasons. But even then the benefit of the price-crash hardly accrued to the mills and mill agents, for their up-country godowns were full. Besides, they had been suffering from an acute financial stringency. The State Trading Corporation and the Jute Corporation, which had been entrusted with the specific task of carrying on price-support operations on an extensive scale with liberal financial accommodation, failed to handle the situation firmly. So, people in touch with the industry and the fibre trade wonder how the State and Central authorities will be able to enforce the statutory prices in respect of about 7 million bales of fibre changing hands in millions of transactions by several thousand farmers in hundreds of markets in seven States of India.

Trade Delegation to Russia

A four-man trade delegation left New Delhi for Moscow last week-end on a week's tour to explore the Russian market. Led by Mr. P. Guha Thakurta, deputy chairman of the Calcutta Jute Fabrics Shippers Association, the team includes Mr. M. D. Poddar, Mr. K. K. Kanoria and Mr. L. G. Toolsidass. It is the third trade delegation to that country, the two previous teams being jointly sponsored by the C.J.F.S.A. and the Indian Jute Mills Association in 1968 and 1970. The delegation will study the scope for extending the volume and range of Indian jute goods exports to Russia and make a fresh assessment of the export prospects of jute goods specialities and non-traditional items.

Synthetics in Carpet-backing

The substitution of synthetics for jute also in tufted carpet-backing, especially in the U.S.A., has "alarmingly accelerated" in recent years, says a recent I.J.M.A. newsletter. Nearly 95 per cent of U.S.-made tufted carpets, according to the I.J.M.A., have two backings—one primary and the other secondary. The newsletter says that jute has lost its share of the market in both. Between 1968 and 1971, the share of jute in total primary backings came down from 81 per cent to only 63 per cent while the corresponding share in secondary backings declined from 71 per cent to 66 per cent. The total share of jute against total backings (primary and secondary) used was 64.5 per cent in 1971, compared with a figure of over 76 per cent in 1968.

Tripartite Meeting

In view of the strike-threat given by several trade unions demanding, among other things, a minimum wage of Rs. 300 a month, Dr. Gopaldas Nag, West Bengal Labour Minister, convened a tripartite

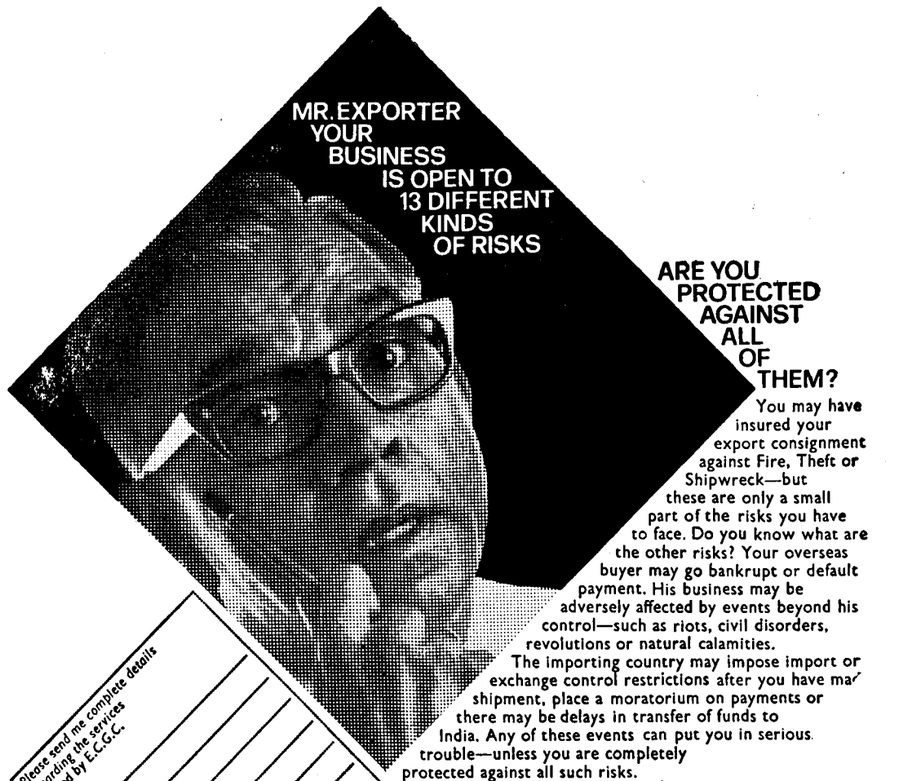
I.J.M.A. STOCK FIGURES FOR MARCH

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

Description	31st March, 1972		29th February, 1972		Increase over (+) or decrease from (−) last month		31st March, 1971	
	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)	000 Metres (Lakh Yds.)	000 Tonnes (000 Tons)
Hessian cloth and bag	8,33,64 (9,12)	24.5 (24.1)	9,81,63 (10,74)	28.7 (28.3)	—1,47,99 (—1,62)	—4.2 (—4.2)	12,99,45 (14,21)	38.3 (37.7)
Sacking cloth and bag	9,19,07 (10,05)	40.5 (39.9)	10,25,96 (11,22)	45.6 (44.8)	—1,06,89 (—1,17)	—5.1 (—4.9)	8,86,23 (9,69)	38.9 (38.3)
Carpet-backing	1,09,76 (1,20)	12.2 (12.0)	1,03,28 (1,13)	11.4 (11.2)	+6,48 (+7)	+0.8 (+0.8)	1,03,03 (1,13)	11.7 (11.5)
Others		8.5 (8.2)		9.5 (9.4)		—1.2 (—1.2)		7.0 (6.9)
Grand Total (000 Tonnes/Tons)		85.5 (84.2)		95.2 (93.7)		—9.7 (—9.5)		95.9 (94.4)

Note : All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, and New Central and Shree Hanuman. The figures in brackets are in British measures.



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meeting on Wednesday. The dispute had in the meantime been referred to the P. C. Mullick Wage Committee. While industry circles adhered to the stand that the demand for a revision of the minimum wage was untenable, the State Government held that a total strike in the jute industry was undesirable, particularly at a time when the industrial climate in the State had been improving and more so when the world demand for jute goods could only be met by the Indian jute industry. Any factor causing a setback in jute goods production at this stage was sure to be followed by severe internal and international repercussions.

Gunnies Firm

Buoyant conditions marked trading in the Calcutta gunny market during the past week, although the top gains were partially pared towards the close on scattered profit-taking. The exceptional firmness was caused by the strike notice served by the trade unions belonging to two rival groups, demanding a minimum wage of Rs. 300 a month for a worker and the settlement of other outstanding demands which had already been referred to the P. C. Mullick Wage Committee. Although the West Bengal Labour Minister, Mr. Gopaldas Nag, had asked the trade union and I.J.M.A. representatives to meet him at the secretariat on 19th April, there was no immediate impact on the market. For both the industry and the operators appeared to be well-sold for the remainder of the season. Production had been affected by intermittent load-shedding by the Calcutta Electric Supply Corporation in the command area and in the event of a total strike, it would be difficult for sellers to keep to their commitment schedules. Fresh enquiries from and business with overseas and major internal consumers, including the D.G.S.D., were conspicuous by their absence. Nor were mills or operators interested in any enquiry or business for the present. The reported acceptance by the Government of India of the I.J.M.A. suggestion that the D.G.S.D. and other official agencies should continue absorbing some 23,400 tonnes of heavy goods a month between January and May 1972, leaving the mills free to dispose of the balance of their output around 37,000 tonnes to meet the other commitments, produced a helpful impact on sentiment. The bullishness was reinforced by the announcement of production, despatch and stock figures for March for the mills reporting to the I.J.M.A. The statements showed that because of a longer working month, output had risen by 10,500 tonnes over the February level to 104,100 tonnes, with the maximum gain of 5,400 tonnes being scored in respect of sacking to 46,000 tonnes. Turnover was small and the closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	Apr.	May	June	July-Sept.
10in. 7½oz	85.00	82.00	79.00	74.00
10in. 8oz.	94.00	—	—	—
10in. 10oz	106.50	103.50	100.00	95.50
B Twills	284.00	280.00	275.00	265.00
Heavy Cees	285.00	281.00	278.00	265.00
Cornsacks	—	—	—	—
A Twills (U.S.)	341.00	341.00	338.00	332.00
Liverpools	339.00	339.00	332.00	316.00

Fibre Prices Harden

Raw Jute prices hardened by about 50 paise a maund over the preceding week-end level to Rs. 54.50 a maund, basis Assam Bottoms, f.o.r. Calcutta ready delivery, on sustained mill interest in selected grade fibre in the face of extremely limited offerings. Floating stocks of these grades were much short of the market demand and so mills were obliged to concede the premium sought. With the absorption of the available lots, mills retired to the side-lines, inducing a sort of panic among the holders of average and lower grade fibre relating to the disposal of their holdings. They reduced the prices but failed to enthuse interest in the industry. The stalemate on the labour front also caused an erosion of mill interest in fibre procurement, which caused further bearishness. Reports from Calcutta port indicated that the sole loader for the U.K., which was also going to Dundee and which was the last direct loader for Dublin till end-June, was under heavy pressure for the shipment of the held-over lots of jute bales. Reports from Bangladesh indicated the bleak prospect of sowings. The Jute Board and the Bangladesh Jute Mills Association had not yet announced the official support prices for fibre or the next season's output target. Turnover was small and the closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	April-May Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	154.06	143.34	53.50
Northern Jute	148.70	137.98	51.50
Western Desal Jute	139.32	128.60	48.00
Selected Daissee	170.13	159.41	59.50
Assam-Agartala Tossa	167.45	156.74	58.50
Mesta :			
Assam Mesta	135.30	127.26	47.50
Selected Daissee Murshidabad	131.28	123.24	46.00
Bihar Dist.	120.57	109.85	41.00

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

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

	(000 metres and 00,000 yds.) Mar. '72	Feb. '72	Mar. '71
Hessian	10,04,95 (10,99)	9,21,93 (10,08)	7,89,05 (8,63)
Sacking	10,35,87 (11,33)	9,16,64 (10,02)	8,21,38 (8.98)
Carpet-backing	1,83,06 (2,00)	1,69,02 (1,85)	1,37,78 (1,51)
	(000 tonnes and tons)		
	Mar. '72	**Feb. '72**	**Mar. '71**
Hessian	29.4 (28.9)	26.9 (26.5)	24.7 (24.3)
Sacking	46.4 (45.7)	41.0 (40.4)	37.4 (36.8)
Carpet-backing	19.5 (19.2)	18.3 (18.0)	15.2 (15.0)
Others	8.8 (8.6)	7.4 (7.3)	6.4 (6.3)
Grand Total	1,04.1 (102.4)	93.6 (92.2)	83.7 (82.4)
Hours worked:	208.0	184.0	184.0

Note : All figures are at bale-point.

N.B.—These statistics are based on replies received and represent all members of the Association, and New Central and Shree Hanuman. The figures in brackets are in British measures.

COMPANY AND PUBLIC NOTICES

AVERY INDIA LIMITED
28/2 Waterloo Street, Calcutta.

PURSUANT to Section 154 of the Companies Act, Notice is hereby given that the Register of Members and Share Transfer Books will be closed from 12th May to 29th May 1972, both days inclusive, for payment of Dividend, if sanctioned.

By Order of the Board
R. K. IYENGAR
Secretary

20th April 1972
Calcutta.

STOCK PRICES AND YIELDS

The following are the official quotations of leading shares quoted at the Calcutta Stock Exchange and their respective yields. Fuller details of shares quoted at the Calcutta, Bombay and Madras Stock Exchanges and of the accounts of companies are published in the final week's issue of "Capital" every month.

Ordinary Paid-up Value Per Share Rs.		Dividend Percent 1970	Dividend Percent 1971	Current Market Price Rs. 17-4-72	Yield %
	CLEARED SECURITIES				
10	Birla Jute	9	11	27.35	4.0
10	Burrakur Coal	12	5	7.62	6.6
10	Dunlop India	20	20	32.40	6.2
10	G. K. W.	16	20	37.40	5.3
10	Hind Motors	Nil	Nil	10.90	...
10	Howrah Jute	Nil	Nil	9.12	...
10	Ind Aluminium	14	17	34.90	4.9
10	Indian Cable	2½	15	22.60	6.6
2 sh.	Indian Copper	11.1	...	3.05	6.6
10	Indian Iron	6	6	8.90	6.7
10	J. K. Cotton	Nil	...	8.70	...
10	Jaipur Udyog	10	5	8.50	5.9
10	Jayshree Tea	11	...	16.75	6.7
10	Kesoram Ind	10	...	20.25	4.9
10	National Rubber	Nil	...	6.31	...
10	Orient Paper	10	11½	36.20	3.2
10	Orissa Cement	12½	...	20.80	6.0
10	Rohtas Ind.	Nil	Nil	4.65	...
10	Texmaco	Nil	...	11.20	...
	COAL				
10	Amalgamated	10	10	10.62	9.4
100	Bengal	12	...	92.00	13.0
10	Bengal-Nagpur	2½	...	8.06	3.1
10	Borrea	12½	...	9.00	13.9
10	Karanpura	20	10	8.87	11.3
10	Katras Jherriah	10	...	9.06	11.0
10	New Beerbhoom	16	...	9.37	17.1
10	North West	2½	...	9.50	2.6
10	Pench Valley	10	10	10.56	9.5
10	Raneegunge	10	7½	10.25	7.3
10	Rewa	20	20	22.00	9.1
10	S Karanpura	20	20	11.25	17.8
10	W Bangal	8½	8½	7.25	11.7
	COTTON				
10	Basanti	Nil	...	2.56	...
10	Bharat Com	12	...	16.31	7.4
10	Bowreah	12½	...	13.69	9.1
5	Cawnpore	Nil	...	3.44	...
10	Dunbar	Nil	..	9.56	...
10	Elgin	6	...	7.12	8.4
	ENGINEERING				
10	Braithwaite	...	...	4.75	...
10	Biecco Lawrie	Nil	Nil	6.87	...
10	Bridge & Roof	2½	...	35.19	0.7
100	Burn & Co.	Nil	...	82.00	...
10	Cal Steel	5	..	8.25	6.1
10	Hind Wire	10	10	14.37	7.0
10	Ind St. Wagon	Nil	...	5.44	...
10	Industrial Cont	...	...	13.94	...
10	Jay Eng.	8	10	13.75	7.3
10	Jessop & Co.	Nil	...	5.81	...
10	J. K. Steel	Nil	3	10.31	2.9
3	Kumardhubi	Nil	...	4.81	...
2	Marshall	Nil	...	1.50	...
10	Sen-Raleigh	Nil	...	7.06	...
10	Simon-Carves	15	...	14.75	10.2
10	Wellman Incan.	10	Nil	8.12	...
	JUTE				
10	Agarpara	5	5	9.28	5.4
100	Anglo-India	5	7½	148.00	5.1
100	Auckland	Nil	Nil	88.00	...
10	Bally	10	10	15.31	6.5
£5	Barnagore	Nil	Nil	100.00	...
10	Budge-Budge	12	...	9.75	12.3
10	Champdany	5	Nil	13.50	...
10	Chitavalsah	Nil	...	10.25	...
100	Dalhousie	Nil	Nil	115.00	...
10	Fort William	Nil	Nil	15.00	...
10	Ganges	7½	7½	9.44	7.9
100	Hastings	2½	1	101.00	1.0
12½	India	4.8	8	12.06	8.3
100	Kamarhatty	Nil	..	107.00	...
100	Kankinarrah	Nil	...	62.00	...
100	Kinnison	Nil	Nil	74.00	...
10	National	Nil	...	11.25	...
10	Nellimarla	Nil	...	9.56	...
10	New Central	Nil	...	5.87	...
10	Northbrook	Nil	Nil	20.12	...
100	Union	Nil	Nil	82.00	...
1	Waverley	Nil	...	3.75	...
	CEMENT AND LIME				
10	Asoka	6	Nil	5.00	...
10	Bisra Stone	15	15	13.69	11.0
10	Dalmia	12½	...	13.31	9.4
10	Karanpura Dev.	5	...	12.44	4.0
10	Kumardhubi Fire	20	20	18.45	10.8
10	Orissa Minerals	12½	12½	10.87	11.5
5	Sone Valley	Nil	...	1.40	...

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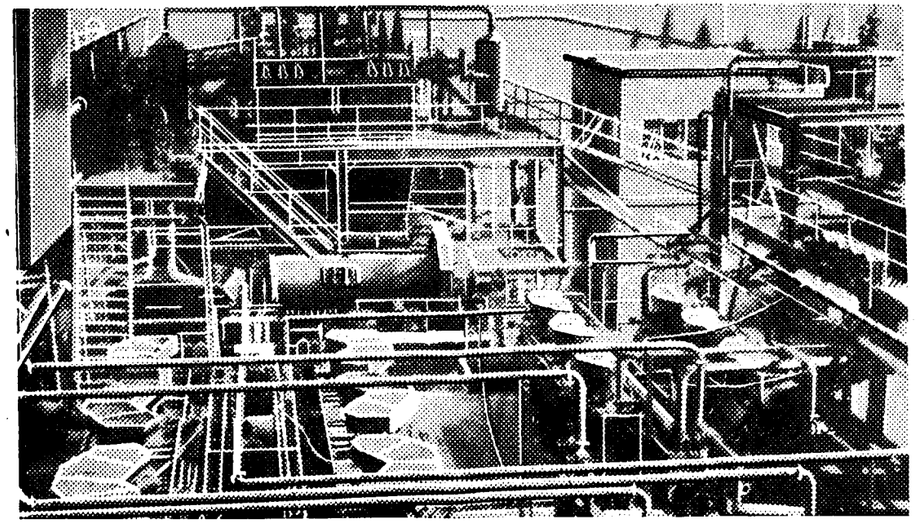

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Monopolies: Facts and Fancy

AFTER appointing the Monopolies Commission in August 1970, New Delhi has gradually discovered that it has been hoist with its own petard. The creation of the Commission to implement some of the major recommendations of the Dutt Committee has inevitably brought in its wake numerous hindrances which have apparently retarded the country's industrial growth. The Government, on its part, could not foresee the fact that the setting up of the Commission might open up the Pandora's box which might prove to be a positive handicap in streamlining the industrial licensing policy and procedures. So it has now decided to pack up the Commission with new members with the ostensible purpose of helping it to take prompt decisions on cases referred to it without occasional differences of opinion among its members. But it is high time that the Government took note of the fact that the submission of notes of dissent by one or two members of the Commission might create needless complications, even though such notes of dissent may be outweighed by the majority opinion.

It will be recalled that the Monopolies Commission was brought into being at a time when the Government was relentlessly fighting the phantoms of monopoly and concentration of economic power, regardless of the fact that in a developing country like India which is struggling hard to accelerate industrial growth, cases of monopolies, dominant undertakings or even of concentration of economic power are not strictly major problems as in some of the mature western economies today. It was still more unfortunate that the Commission was set up at a time when the country's economy was limping pathetically after a major recession had hit it hard a few years ago. The curbs on industrial licensing that were introduced following the recommendations of the Dutt Committee and the constant shadowboxing against monopolies and dominant undertakings have proved to be a serious deterrent to rapid industrial growth. The bogey against big business houses, which the Government has raised in keeping with its socialistic philosophy, has inevitably created a crisis of confidence among industrial entrepreneurs; and this has been mainly responsible for the country's sluggish industrial growth during the past few years. It is no wonder, therefore, that the Central Minister for Industrial Development, Mr. Moinul Haque Choudhury, had to confess in the Lok Sabha the other day that India's industrial growth rate during 1971-72 was unlikely to exceed 3 per cent, against the estimate earlier made in the *Economic Survey* of the rate being 4 per cent during the year.

The packing up of the Monopolies Commission with the Government's own chosen members is apparently the result of the frequent differences of opinion among the members in arriving at crucial decisions. Ever since its inception, the Commission has been a house divided against itself. It will be recalled that since the Commission began its work, the Department of Company Law Affairs had referred 23 cases to it while the Commission has given its opinion on only 12. What is more, there have been differences of opinion among its members in as many as seven cases. The Government spokesman, who recently defended the expansion of the Commission, did point out that it had a heavy workload and as a result, the personnel needed to be expanded to deal with difficult cases promptly and efficiently. But the slow tempo of work of the Commission does not indicate that the workload on its members is much too heavy. Does it not only suggest that the Government is worried about the frequent differences of opinion which unnecessarily stall the work of the Commission and damage New Delhi's socialistic image? But it is necessary to consider several

points as the Government makes an attempt to reorganise the Commission. In the first place, New Delhi should set clear guidelines rightaway as to how the Commission should conduct its enquiries. Secondly, there is a lot of vague ideas about inter-connected undertakings, more so because of the abolition of the managing agency system. Thirdly, since the concentration of economic power is to be discouraged at all costs, it is necessary to clarify to what extent such concentration will be detrimental to public interest.

In other words, as the Monopolies Commission is reorganised, the Government should come out with clear guidelines and remove all ambiguities to ensure that they do not hinder the country's industrial growth. The Central Minister for Industrial Development claimed in the Lok Sabha a few days ago that the pace of industrial licensing had been accelerated in 1971, although the Estimates Committee of Parliament has pointed out that the number of pending applications up to November 1971 amounted to 3,104. But if the tempo of industrial growth is to be further accelerated, the Government would be ill-advised to curb the growth of big industrial houses on the pretext of monopolies and concentration of economic power since they have the required experience, technical know-how and expertise to implement industrial projects which are vitally needed in the country. Furthermore, in view of the sluggish growth of industries, it might be essential in certain cases to take decisions on substantial expansions of existing undertakings by a Cabinet committee without referring such cases to the Monopolies Commission whose probe into such cases is destined to be tardy and time-consuming. In fact, in spite of the current political obsession with the socialistic shibboleths and the fashion to raise a battle cry against monopolies and concentration of economic power, there is a vast area where the Monopolies Commission can fruitfully exercise its powers under the Monopolies and Restrictive Trade Practices Act. For example, about 9,000 cases have so far been registered by the Registrar of Restrictive Trade Practices Act under the relevant provisions of the M.R.T.P. Act. Now as the Monopolies Commission is being expanded, should it not keep itself busy with such cases which will undoubtedly take a lot of its time and attention for many years to come?

The expediency of adopting this course becomes manifest in the light of the handling of the cases of Dunlop India and Delhi Cloth Mills by the Monopolies Commission, both of which have been protracted and arduous. There have been differences of opinion among the members in the initial stages, although the Commission has now reportedly cleared the applications of both the Companies, subject to certain conditions. Dunlop India had proposed to manufacture 20,000 metres of steel cord conveyor belting a year and raise the installed capacity of reinforced rubber conveyor belting and of V-belts and fan belts. According to reports, one of the conditions laid down by the Commission is that the Company's return on steel cord conveyor belting and reinforced rubber conveyor belting should not exceed 9.8 per cent of its total sales. Another is that it should export 10 per cent of the production of steel cord conveyor belting and reinforced rubber conveyor belting. Furthermore, the Company's proposed project would be located in Goa as demanded by it and not as an adjunct to the Ambattur or Sahaganj factories. The D.C.M. project, which envisages the manufacture of 25,000 tonnes of high duty, thinwalled alloy iron castings a year, has also been cleared.

But what is of crucial importance for the country's rapid industrial growth is not so much the clearance of one or two projects by the Monopolies Commission, for many industrial entrepreneurs are still running from pillar to post with a view to getting a clearance from it. However, as the chairman of Dunlop India, Mr. R. G. S. Nairn, has pointed out, his Company is the only producer in India of aircraft tyres and tubes. It is, therefore, natural that the Company should enjoy some monopolistic advantages for these products. But should its pioneering efforts for achieving self-reliance in them be penalised on this account? Under the circumstances, unless the Government takes a realistic view of the monopolies and dominant undertakings and prepares well-thought-out guidelines for this purpose, uncertainties and confusion will continue to cloud the minds of entrepreneurs who find it difficult to decide once for all whether or not they should undertake fresh investments in the economy, although the Prime Minister and her Cabinet colleagues have been trying to cheer them up through verbal exhortations from time to time.

Sick Units in Public Sector

BY a strange coincidence, the gratuitous advice of the West Bengal Chief Minister, Mr. S. S. Ray, to industrialists to shed their holdings in private companies in favour of the public sector has been preceded only by a day by a scathing criticism of the working of two giants in the public sector—Heavy Electricals (India) Ltd, and Heavy Engineering Corporation, Ranchi—by the Parliamentary Committee on Public Undertakings. Mr. Ray and other like-minded men in his Party would do well to make a careful study of these two reports before indulging in any loud thinking on how the private sector should behave. It is a pity that men in positions of power and influence should close their eyes totally to the state of affairs in the public sector and make statements that do not help to secure the national objective of larger production and a higher economic growth rate.

Mr. Ray should, however, be thanked for making it clear that the suggestion was his own and did not in any way reflect the thinking of the Government. But in an incipient democracy like India's, personal views of those in power often tend to be equated with the policies of the Government and the men of less importance in the administration invariably take it upon themselves to translate into action what their masters would like to be done. The plea of the West Bengal Chief Minister that 51 per cent of the shares in major industries should be held by the public sector in order to promote the concept of a joint sector is most unconvincing. Mr. Ray would have acquitted himself creditably had he invited the private sector in turn to invest in the giant public undertakings so that their working and profitability could be improved. In the absence of a two-way traffic, it will be idle on the part of Mr. Ray to expect that industrialists would voluntarily surrender their majority holdings in private companies merely to propagate a concept, the utility of which in the present context is yet to be proved. In any case, Mr. Ray's presumption that every joint sector project should give a dominant position to the public sector in equity participation in itself seems misplaced. There could be joint-sector projects with the majority holdings remaining in private hands and the public sector having a dominant voice in the administration.

But the question that remains unanswered is whether the mere association of the public sector in a project is enough to guarantee good results. The performance of the public sector as a whole has been so poor that it is hardly possible to acquiesce in such an idea. The very mention of the names of several big public undertakings like Hindustan Steel Ltd, Heavy Engineering Corporation, Heavy Electricals, and Mining and Allied Machinery Corporation only brings to the mind the huge losses that the nation is suffering annually from these projects. A few years ago, the Committee on Public Undertakings reported that the M.A.M.C. had eaten up its capital with losses exceeding Rs. 20 crores. In its latest report, the Committee has stated that Heavy Electricals Ltd is in the same position of having wiped out its capital base of Rs. 50 crores with its recurring losses in the last 15 years. The H.E.C. is heading for a similar position.

The losses of H.E.C. are far in excess of the earlier estimates of the Central Ministry of Steel and Mines and totalled up to Rs. 73 crores till the end of 1970-71. The loss in 1971-72 is estimated at about Rs. 14.50 crores. Thus the cumulative losses till the end of March this year are over Rs. 87 crores. It is amusing to find that in its annual report for 1971-72, the Central Steel Ministry glosses over the losses and takes comfort in the fact that H.E.C. made a profit of Rs. 1 crore before payment of interest to the Government and depreciation charges. The actual losses of H.E.C. in 1971-72 and 1972-73 are likely to be much more than the estimated sum of Rs. 23.5 crores, according to the Committee on Public Undertakings.

What the ruling Party leaders must note is the fact that these losses are not due to any unforeseen happenings, accidents or labour troubles. The Committee on Public Undertakings, after examining the working of H.E.C., has come to the painful conclusion that the Corporation has suffered "mainly because it has lacked an organisational set-up which would bring up in an integrated manner the three complexes of foundry forge plant, heavy machine building plant and heavy machine tools plant, which constitute the heavy engineering complex at Ranchi". When public-sector management is so poor, what is the idea in extending it to units that are at least well managed today, merely to advance the concept of a joint sector?

In the case of Heavy Electrical (India) Ltd, the Committee found that its losses were nearly Rs. 60 crores at the end of 1970-71, compared with its paid-up capital of Rs. 50 crores. Because of this "grave financial position", the Company is stated to be resorting to heavy borrowings. The balance on account of overdrafts has increased from Rs. 5,000 in 1968-69 to Rs. 10.04 lakhs in 1970. Apart from the losses incurred by this giant project, its non-adherence to its delivery schedules has been responsible for shifting back the generation of nearly 1,425 megawatts of power as the completion of six hydro projects and three thermal projects has been delayed. According to the Committee on Public Undertakings, the latest revised delivery schedule indicated by H.E.L. in June last year is likely to slip back further in some cases. The Committee has pointed out that "such delays have affected the growth of industrial production and investment both in the public and private sectors besides having other implications, like putting the company to a financial loss due to payments of penalties to customers under the penalty clause, confidence of the customer being shaken by not getting timely supply of the equipment and consequently affecting the order position."

It is clear from a perusal of the two reports of the Committee relating to H.E.C. and H.E.L. that the remedy lies not in changing ownership but in improving management. Unless and until the existing units in the public sector are placed on a sound footing, both financially and in terms of productivity, it will be highly risky to bring under the umbrella of the joint sector units that are in the private sector merely to conform to the ideological predilections of a few in the ruling Party. Admittedly, public undertakings in heavy industries require a long gestation period but that plea cannot be repeated *ad nauseam* to condone avoidable lapses in the administration. What is needed is the development of a national sector in which both private industries and public undertakings will co-operate with each other without being inhibited by ideological considerations.

Gaps in Industrial Licensing

THE Estimates Committee's report on industrial licensing has come at an appropriate time. Some of the suggestions contained in the report should be useful, particularly in the context of the changes that are being contemplated by the Government in its economic policy. Industrial licensing is an important lever in the Government's hands which it can use to achieve certain well-defined objectives. These objectives —or what are called priorities—are now being worked out by the Planning Commission. Therefore, it would be worth while for the Commission also to keep in mind the Estimates Committee's recommendations, because these have a relevance in assuring growth in selected sectors during the Fifth Plan period.

Bemoaning the "unsettling effect" of frequent changes in the industrial licensing policy, the committee has suggested that the licensing policy and procedures should generally hold good for a "reasonably long time, say, a minimum of five years, coinciding with the Five Year Plan." The policy should also be announced before the commencement of the Plan period "so as to attract most competitive applications for the issue of industrial licences on merit." Having more or less synchronised the Annual Plans with the announcement of the Central Budget, it should not be difficult for the Government to follow the committee's suggestion. For instance, the Government introduced a new industrial licensing policy only two years ago—in February 1970. Should this be changed before the end of the current Plan period in 1973-74 ? A decision will depend not only on the Government's economic objectives but also on its political ideologies. If the reports about rethinking on economic policy have any basis, then it would be appropriate for the Government to review the industrial licensing policy also along with changes in the overall economic policy.

Some of the lines along which minor changes could be brought about even in the existing industrial licensing policy have been suggested by the Estimates Committee. For instance, speaking about some exemptions that are not now available to larger industrial houses, foreign companies and monopoly houses, the committee notes that these exemptions are fixed on the monetary

value of fixed assets of undertakings. As the monetary value of fixed assets is related to varying cost and price structures, there is a need for reviewing these limits of exemptions from time to time, say, after every three years. The committee has added that in order not to discourage entrepreneurs from putting up housing colonies for their workers, the Government should consider excluding the value of housing colonies for the purposes of exemption from licensing. Referring to the list of larger industrial houses, the committee suggests that it should be kept under constant review so that applications from larger industrial houses may be examined on a realistic basis. All these suggestions could be incorporated in the present policy, if the Government wishes to, without involving any major changes in the policy itself.

A suggestion of the committee on which there can be two opinions relates to the link between industrial licensing and production targets based on certain realistic demands. The committee itself notes that since March 1970, the issue of industrial licensing was uninhibited by capacity restraints. "This may be justified as a short-term corrective action, but in the long run, industrial licensing would have to be subjected to production targets based on more realistic projections of demand over a certain period." What the committee wants is not clear, but one of the objectives of the industrial licensing policy of February 1970 was to prevent people from cornering licences. Moreover, subjecting industrial licensing to production targets, although these may be based on realistic demand projections, can lead to shortages in some commodities. Time and again, the country has witnessed "realistic demand projections" turning out to be not so realistic. Caution is, therefore, necessary before reversing the gear on this point.

The committee has justifiably devoted much attention to the rôle of industrial licensing in the development of backward regions. It notes that during 1969, 1970 and 1971, only 91 licences were issued for setting up industries in backward areas out of a total of 752 licences issued during the period. Even in respect of the 91 licences issued, the Government did not have ready data as to how many of them had actually fructified. Although 77 per cent of the total investment in the public sector has been in the backward areas, the committee feels that the problems of these areas is still "a formidable one." The Planning Commission and the Central and State Governments have to work in a coordinated way for the development of these areas. There is a rôle some entrepreneurs can be asked to play in removing unemployment and poverty in these areas, but this requires some imagination on the part of the States concerned. Moreover, it is unwise to emphasise that the mere setting up of industries will make milk and honey flow in these impoverished areas. Industrialisation is not the only solution to the problem of backward areas. It is no use counting the licences issued to set up industries in backward areas; this gives no idea of the "formidable" nature of the problem.

On licensing procedures, the committee has made a number of interesting suggestions. If the purpose behind giving a letter of intent to a party was to have any meaning, this should be granted within three months from the date of application. It has also pointed out the enormous delays in the disposal of licence applications and the lack of co-ordination between the Central Ministry of Industrial Development and the various administrative Ministries concerned. Although the pace at which letters of intent and industrial licences were being issued has improved in 1971, the total number of applications pending in November 1971 was 3,104. What has alarmed the committee was the large accumulation of licence applications relating to the petrochemical and electronics industries. While petrochemical units produced a variety of raw materials for a number of consumer goods, in electronics there is much employment potential. The Departments of Chemicals and Electronics have, therefore, been asked to dispose of the applications within the next three months. That the committee has been provoked to say this indicates that the state of affairs in these two Departments must be bad indeed.

The Sugar Muddle

THE sugar industry continues to present a picture of extreme sickness. The high open market prices show no indication of coming down. Production in this season is heading for a substantial shortfall compared with the previous year's 4.2 million tonnes and might just scrape through up to 3.1 million tonnes or so. There is no firm sign yet of any appreciable rise in sugarcane acreage, although New Delhi, not very convincingly, is claiming an increase in view of the higher prices now being offered to growers. In all, the state of the industry can hardly be said to be reassuring. And the hope that official policies will be able to take care of these problems and set the industry firmly on the road to badly-delayed growth has at best been deeply shaken. A sub-committee of the Central Cabinet has been entrusted with the task of evolving a new policy for the coming season beginning in October. But till then, the arrangement under what can at the most be described as an apology of a sugar policy would presumably continue and the consumer, grower, producer and trader alike would remain put where they now find themselves—in a blind alley.

It sounds unbelievable but then it is true that for all its thunder and fury, New Delhi does not have so much as a policy on sugar. Short-term expediencies—drawn up in total disregard of the long-term interests of the industry—have been pieced together to serve as an alibi for a policy and to guide the Government's approach to the industry. So much so indeed that the Estimates Committee of Parliament has now been constrained to suggest that the "ad hocism" that has characterised the policy be given up rightaway and that the base for a more durable, long-term plan be laid. The committee's barely concealed reproach has not come a day too soon. Even before the industry had the time to settle down to the changed situation arising from decontrol, threats of reimposition of control are being hurled at it. Even before the new system of distribution through fair price shops has been given a fair trial, New Delhi is thinking of raising the percentage of levy sugar from 60 to 80. Like a pendulum, the sugar policy has continued to swing from one end to another. Its most undesirable part perhaps is that it has given rise to an impression, totally unwarranted though, that somehow the interest of the grower has to clash with that of the consumer and the producer. From this, it follows that a solution of the industry's problems cannot be worked out unless the interest of one or the other is sacrificed. But there is hardly any rationale for such a premise.

The fact is that for all these years New Delhi has spent most of its time and energy experimenting with the distribution aspect of the industry, disregarding the interest of production. The Fourth Plan's original target has been 4.7 million tonnes of sugar (of which 500,000 tonnes are to be earmarked for export and buffer stock). Against this, the licensed capacity now comes to 5.2 million tonnes, of which only 3.7 million tonnes have been implemented by the end of the 1970-71 season. By the end of the Plan period, the installed capacity at the present rate of implementation of licences should be somewhere between 4.5 million tonnes and 4.7 million tonnes. And since it is too much to expect a 100 per cent capacity utilisation, there is bound to be a shortfall by the end of the Plan period. What is more, the Plan estimates themselves now appear to be on the low side. The level of internal consumption was worked out on the assumption that the *per capita* consumption would rise from 6.1 kilograms in 1965-66 to 7 kilograms by 1973-74. But the income elasticity of demand for sugar has proved to be higher than estimated and if enough sugar can be made available, the *per capita* consumption would reach 8 kilograms by the end of the Fourth Plan period. This would mean that internal consumption alone would absorb 4.7 million tonnes, leaving aside the requirements of exports and buffer stock. Thus within the next two sugar years, production has to be raised from about 3.1 million tonnes in the current season to about 5.2 million tonnes which, given the present sugar policy, should seem to be virtually impossible unless the weather gods and the policy-makers combine to bring about some sort of a miracle.

How to raise production thus becomes the basic question. One of the immediate measures to be taken is to check the shift of acreage from sugarcane to other crops. This can be done only by assuring the growers of attractive returns and by convincing them that if they produce more, they do not stand to lose because of a fall in price. The large-scale diversion of cane to *khandsari* and *gur* manufacturers has also been eating into supplies to mills which already have to contend with a very low recovery percentage. Another big problem that growers face is non-availability of funds. The Pasricha Committee, which has recently submitted its report on the steps to raise sugarcane production, has estimated that at a modest scale, the production loan required for the cane crop is about Rs. 1,250 a hectare. Since the nationalised banks are still not in a position to meet this demand, the committee has suggested the setting up of a statutorily empowered development agency for sugarcane production. The co-operative sector of the industry can also play a more important rôle in promoting growers' interest and raising production; at present, it accounts for nearly 35 per cent of production. There is clearly a case for greater incentives to this sector. As for mills' relations with growers, there is evidently room for improvement. The outstanding arrears due to growers now come to about Rs. 180 crores. And to the extent the payments have not been made, the cash incentive for increasing production can be said to be missing. But that is only one aspect of the problem. There are others equally, if not more, important. And nothing short of an integrated all-round policy can tackle them effectively.

Indian Envoys and Exports

IN recent years, the Government of India has been urging its envoys to take a keen interest in the problems of economic development. As compared with a few years ago, Indian embassies in many countries are now in a better position to handle their economic assignments, but a great deal more has yet to be done. Heads of Indian Missions from 27 countries in south, south-east and east Asia assembled in New Delhi recently to have joint dicussions on problems affecting this region. The Federation of Indian Export Organisations took this opportunity to arrange a meeting between the envoys and the representatives of export promotion councils and similar bodies. The discussions revealed considerable scope for increasing and diversifying India's exports to the Asian countries as well as for setting up joint ventures.

India's total exports to the 27 Asian countries increased from Rs. 529 crores in 1969-70 to Rs. 591 crores in 1970-71. If Russia is excluded, India's exports to these countries went up from Rs. 353 crores in 1969-70 to Rs. 381 crores in 1970-71. India had a favourable balance of trade with this region to the extent of Rs. 314 crores in 1970-71 but if Russia is included, it came to Rs. 209 crores. But a closer look at the figures reveals that India's volume of trade with many Asian countries continues to be quite small. For example, in 1970-71 Indian exports to Indonesia were valued at only Rs. 4.10 crores, the Philippines Rs. 1.36 crores, Thailand Rs. 5.71 crores and New Zealand Rs. 5.97 crores. With many other countries in this region, such as Bhutan, Republic of Korea, Laos, and Mongolia, the trade has been negligible or nil.

How can the envoys help Indian business men to promote exports? There are many ways of doing this. For example, Indonesia is receiving this year foreign aid of about $500 million, of which $300 million will be untied. The Indian embassy can tell the export promotion councils and other bodies in this country what will be Indonesia's requirements of imported goods and how far India will be able to supply them. The import requirements of many other Asian countries like Japan Hongkong, Malaysia and the Philippines are expected to increase sharply in the coming months. The Indian embassies should be able to watch closely the trend in their imports and the activities of other competitors and keep Udyog Bhavan and other organisations continuously and correctly informed about the developments. Th changes in import policies in foreig countries should also be brought t the notice of Indian exporters promptly. The embassies should assess carefully the impact of fairs and exhibitions held in the countries concerne Whether India participates in all th fairs and exhibitions or not, the embassies should be able to find out whic new products are being introduced b the competitors and to what extent th will have an impact on exports fro this country.

The embassies should also be mo active in helping Indian business m to set up joint ventures in Asian cou tries. Many of the latter provide

variety of incentives to foreign investors. Japan, West Germany and Britain have been able to set up a large number of joint ventures in many Asian countries. But India's progress in this respect has been very slow. Indian business men have been able to achieve some success in joint ventures only in Malaysia. Here, nearly 20 joint ventures, engaged in the manufacture of steel furniture, cotton textiles, glass bottles, confectionery and auto parts, have been set up by Indian business men and these are making progress. But in Indonesia, there is no Indian joint venture. In Ceylon, about six Indian projects for which permission was given, had to be abandoned because of political uncertainty and other reasons. The only Indian venture which seems to be working well in Ceylon is the one set up by Jay Engineering Works for the manufacture of sewing machines. This unit started production in September 1961 and up to 1968-69, it had repatriated Rs. 4.37 lakhs as divided.

In Afghanistan, Australia, Fiji, Japan, the Philippines, Singapore and Thailand, India has not made any headway in setting up joint ventures. The Government of India should reconsider its policy towards joint ventures and make such modifications as may be necessary in the procedure so as to make it worth while for Indian industrialists to set up industries in the Asian countries. The country's embassies can play a useful rôle in this respect by advising New Delhi and the industrialists as to what should be done to enable India to establish joint ventures for which the scope seems to be considerable.

Simultaneously, Indian embassies in the Asian countries need to be strengthened suitably to play these rôles more effectively. Many of the embassies at present are not equipped adequately with the kind of staff that is necessary to make an intelligent study of the problems of foreign trade and economic co-operation. The envoys themselves should have some background of economic developments and should take a lively interest in matters of trade and not just leave them to their commercial secretaries. They should also not be disturbed from their assignments too frequently and be allowed to remain in a country at least for five years so as to enable them to acquire a fairly thorough knowledge of the local problems. The embassies should keep themselves in continuous touch with India's export promotion councils, commodity boards, and other export-oriented organisations. Countries like Britain, Japan, West Germany and the U.S.A. make effective use of their embassies to develop their foreign trade. Indian embassies, especially those in the Asian countries, must do the same; they must help in imparting dynamism to the country's foreign trade.

CURRENT COMMENT

CURBING DEFECTIONS

New Proposal

The ruling Congress has a massive majority in the Lok Sabha and in almost all the States it has been returned to power with an overwhelming majority. The kind of political uncertainty that existed prior to the mid-term poll to the Lok Sabha in 1971 does not exist any more. The question of floor crossing too has ceased to be an issue of much practical import. Following the fourth general elections in 1967, in a number of States, the Congress Party lost its majority and coalition Governments came into existence. But, since the parties forming coalitions had nothing in common they remained, at best, amalgams of convenience. Influential political leaders exercised a good deal of control over the Governments and the moment they found that they had nothing to benefit from a particular Ministry, they encouraged defections to bring about its downfall. Ministries came and went out of existence almost in a routine manner. Every political party discovered to its cost that defections did not pay. There was a consensus that measures should be devised to put an end to defections. The ruling Congress which lost power in many States was the most enthusiastic advocate of the move to end defections.

At one time, a draft Bill was prepared to give legislative sanction to some of the proposals made by the committee on defections. The Opposition parties did not, however, show any enthusiasm as by then it became more than apparent that the ruling Congress had come to stay in power and defections of the kind that took place earlier would not continue any more. Under the proposal now being contemplated, a member who defects to another party will be obliged to quit the membership of the legislature and seek fresh election. This, most members would be unwilling to do since elections are an expensive affair and, secondly, and the more important factor, there is no guarantee that defecting members would be re-elected. This would thus discourage defections. It must also be considered how far a law of this kind will be valid. It is the fundamental right of every citizen to hold any political opinion he chooses and propagate it. There is the right of association guaranteed in the Constitution and, as such, one wonders how the Government by legislation can restrict this right. Any proposal to curb the right of persons to join the political party of their choice will also be harmful. The committee itself has said that such a proposal would have the effect of freezing the political parties in their present state and, thereby, hinder their organic growth which is an essential part of the democratic process. But nothing can be said in favour of a person when he decides to cross the floor just for the sake of political convenience.

COAL TAR

Severe Shortage

The coal tar based industries in the country are going through a crisis due to an acute shortage of raw material. Most of the major manufacturers of coal tar products are finding it extremely difficult to carry on their business as they are being forced to run their plants at a fraction of the installed capacity. Unless the Government intervenes to bring about an improvement in the supply position, most of the manufacturers will be left with no alternative but to close down, resulting in widespread unemployment. Because the main coke oven plants in the country are situated in the coal producing areas in West Bengal and Bihar, the coal tar based industries have been localised in this region. In spite of good prospects of exporting coal tar products during this year, the industry is being forced to restrict production because of the severe raw material shortage. The commodity, which sold at Rs. 201 a tonne in 1965, is now selling at Rs. 611 a tonne. And the scope for exports will be lost unless there is an improvement in the supply position.

The shortage has arisen, first, because the steel companies are buying up large quantities of coal tar and are

ing it as fuel in place of furnace oil. is surprising that a valuable and rce material like coal tar is being owed to be burnt up by the steel its. In Britain, the use of coal tar a fuel has been banned. Secondly, considerable portion of the coal tar oduction is going to traders who e selling the same at exorbitant ices.

EST BENGAL

Economic Outlook

A seminar on economic outlook for Vest Bengal was organised by the ferchants' Chamber of Commerce n Calcutta a few days ago. Mr. arun Kanti Ghosh, Minister for ommerce and Industry, Governent of West Bengal, inaugurated it nd Mr. A. R. Kanoria, vice-presient of the Chamber, presided. The ther participants were Mr. B. P. garwala, Mr. S. P. Mehta, Mr. J. Chakravarti and Mr. S. N. garwal. In his welcome address Mr. anoria expressed his firm convicion that a bright future was ahead f this State, notwithstanding the ecent setback, particularly in the ontext of the present move of the entral and State Governments to xpedite economic revival. According o Mr. Kanoria, the slow progress as due to the lack of finance, ower shortage, low labour productivity, labour unrest, shortage of aw materials and decline in Governent orders. These drawbacks were to be removed first, if any effective results were to be expected out of the measures that were under contemplation.

HALDIA

A Coal-blending Plant?

The Central Ministry of Steel and Mines has virtually ruled out the possibility of importing coke to meet the requirements of the Visakhapatnam, Vijayanagar and Salem steel plants in the south. Poland has expressed its inability to supply coke after 1975. But a lobby is believed to be working for inducing New Delhi to import coke from Australia. Meanwhile, Dr. A. Lahiri, director of the Central Fuel Research Institute, has prepared a scheme to set up a coal-blending plant in Haldia to supply the coke-oven requirements of the three steel plants. Under this scheme, raw coal, to be brought from different mines, will be washed in Haldia for obtaining cleaned products required for blending. The middlings obtained from washing can be used in a power plant.

In the second phase, a coke oven is proposed to be set up in Haldia which will cater to the needs of a pig iron plant that may be established there and also produce coke in sufficient quantity for export of 100,000 tonnes annually. A tar processing plant is also proposed to be set up in the second phase for supply of phenolics, tar bases, aromatics, pitch, etcetera, as basic materials for the ancillary chemicals industries. Blended coal is proposed to be sent to the different steel plants by coastal shipping and the ships on their return trip may bring back iron ore for the coastal steel plants for blending, provided the move proves economically feasible. As far as Haldia is concerned, its proximity to the iron ore mines makes it a good site for the production of iron and steel. It is for the Government of West Bengal and the coal mining and engineering industries to press for such an integrated project.

UNION FINANCES

Broad Trends

Speaking on the 1972-73 Central Budget at the Indian Council of Economic Affairs in Calcutta a few days ago, Mr. S. C. Roy, its working president, said that the total gross revenue of the Government of India was Rs. 5,348.77 crores, composed mainly of income-tax, corporation tax, estate duty, wealth tax, Custom duty and Central excise duties. The total tax revenue of the 19 States came up to Rs. 1,606.92 crores, of which 63.2 per cent was contributed by sales tax and State excise, whereas the contribution of motor-vehicle tax and stamp and registration was only 12.10 per cent. Mr. Roy emphasised that Custom, excise and sales tax affected the pockets of the poorer class of the people. In this connection, he quoted figures to show that in 1968-69, in the U.K., income-tax, etcetera, were responsible for 60.7 per cent of the total revenue. In the U.S.A., in 1971, 62.34 per cent of the total revenue was contributed by income-tax.

Mr. Roy stated that the Budget contains a provision of Rs. 433.21 crores, *i.e.*, 9.68 per cent of the total revenue, for social and development services. Such expenditure by the 19 States came to Rs. 1,334.39 crores, against a total State revenue of Rs. 3,752.30 crores. The overall position of the Government of India and the 19 States revealed that 19.04 per cent of the total revenue was being spent for social and development services, making a *per capita* expenditure of Rs. 32.14. In the U.K., the total expenditure by all public authorities for similar services amounted to Rs. 16,848 crores giving a *per capita* expenditure of Rs. 3,060. The Russian Budget for 1971 envisaged expenditure of 83.3 per cent of the entire Budget for the national economy and social and cultural measures. This means an expenditure of Rs. 564.17 a person a year.

MANAGEMENT

Training of Personnel

The third annual convention of the Indian Society for Training and Development held recently in Madras provided much ground for thinking on new lines in training and developing management and supervisory personnel in industry and Government. Mr. M. K. Raju, president of the All India Management Association, stressed the importance of a national centre for imparting such training, to be financed on a levy-*cum*-grant basis by industry and the Government. Industry is likely to derive immediate benefit from the scheme. According to Mr. M. K. Raju, such training would add Rs. 350 crores a year to production without any further investment on machinery and plants. It is, therefore, obvious that the country is now losing this much of valuable wealth in terms of production by not having trained personnel. The future of Indian industry is bound to be influenced not only by the rate of investment but by the evolution of a managerial class to achieve the best results. Mr. Raju has referred to a survey of the managerial profile in Madras and the educational qualifications of managers. It is a fact that managerial ability is not exclusively a product of university education although a basic university education adds the capacity of a manager.

POTTERY

Unutilised Capacity

Presiding over the annual general meeting of the All India Pottery Manufacturers' Association in Calcutta a few days ago, Dr. S. K. Banerjee said that the development of the industry had been particularly rapid during the last 15 years or so. Along with rapid rise in production, quality of t

products such as dinnerware, sanitaryware, insulators and glazed tiles had also improved consistently. But still there was unutilised capacity in many fields of the industry and it was, therefore, high time that the industry should enter the export market in a big way. During the last few years, Indian ceramic products such as sanitaryware, table and household potterywares and insulators were exported to more than 20 countries, including the U.S.A., U.K., West Germany, France and Australia.

ENGINEERING

Big Export Orders

Three engineering firms have secured big export orders for expansion of Tuanku Ja'Afar Power Station in Malaysia. Valued at over Rs. 14 crores, the orders have been secured by two public-sector undertakings (Bharat Heavy Electricals Ltd, Trichi, and Instrumentation Ltd, Kota) and T.E.X.M.A.C.O., a leading Company of Calcutta in the private sector. The orders comprise a large variety of equipment, including boilers, instrumentation and control panel systems as well as structural fabrication. Bharat Heavy Electricals had earlier secured another order from the same authority for a value of Rs. 2.26 crores. The present order is for the third and final phase of extension of the Tuanku Ja'Afar Power Station. The order secured by T.E.X.M.A.C.O. is of particular interest in view of the fact that the structural steel work will involve erection of up to a height of 155 feet (equivalent to a 15-storeyed building) and has been secured in the face of stiff competition from some of the world-renowned firms.

FREIGHT

Rise in Indo-U.S. Route?

On behalf of the Eastern India Shippers Association, its president, Mr. Sanjoy Sen, has expressed grave concern over the reported decision taken by the Calcutta East Coast of India/U.S.A. Conference to effect a further general increase in freight rates in the India/U.S.A. trade route from some time in August next. It is understood that the conference is contemplating to increase rates by 11½ per cent from India to the east coast of the U.S.A. and 17½ per cent to the west coast of the U.S.A. This decision has come as a great surprise because this conference had made a general increase in freight rates only in February 1971. In 1969, freight rates from India to the U.S.A. were increased twice; first in January, by 10 per cent and, subsequently, in November, by 5 per cent with 7 per cent to 10 per cent on jute manufactures. At a time when the U.N.C.T.A.D.-III was considering ways and means of promoting exports from the developing countries, the U.S.A. Conference should have followed the Consultation Procedure in its true spirit by having a prior discussion with Indian shippers, Mr. Sen said.

Meanwhile, at a meeting held a few days ago between the Eastern India Shippers Association and the Bay of Bengal/Japan/Bay of Bengal Conference, it was decided that the conference would reconsider the question of granting promotional freight rates to a number of commodities referred to it by the E.I.S.A. Earlier, in his preliminary observations, the E.I.S.A. president, Mr. Sanjoy Sen, had expressed the feeling that this meeting would not have been necessary had the conference accepted the "consultation procedure" in its true spirit. In pursuance of the decision taken at the meeting which the Benjapeon had had with the All India Shippers Council in March 1971, the E.I.S.A. had forwarded to the conference a list of commodities which, in its opinion, required special freight treatment for the growth of their exports. A meeting was also arranged with the conference in June 1971 to discuss in detail the proposals submitted by the Association. But the Benjapeon summarily turned down all the applications without assigning any reasons whatsoever. He criticised the conference's behaviour as unhelpful.

MONEY MARKET

Easier Trend

The short-term money market has been easier this past week. The call rate has fluctuated between 3¼ per cent and 3 per cent and the market has closed at 3¼ per cent. The demand for remittances has been small. The supply of both tea and gunny bills has been nominal. The pound-sterling has been steady against most major foreign currencies during the week.

THE INDIAN TOBACCO INDUSTRY

A CORRESPONDENT writes in Current Coin: The quantity of tobacco leaf grown in India every year is enormous. There is not a village of any pretensions that has not its tobacco patch. For centuries tobacco-growing has held a prominent position in India as the raw material for the *bidee*, or native cigarette, and for the queer mixture smoked in *hookahs*. But notwithstanding all this experience in growing, the Indian tobacco industry has remained in a backward state because the methods of curing have been primitive to a degree. We understand that this defect is about to be remedied, for experiments at Pusa are said to have shown that Indian leaf, scientifically cured, not only equals but may actually excel American tobacco. It is to be feared, however, that the taste for rank tobacco amongst the natives, the result of long years of custom, will die hard; but, in a way, that is a detail. The fact remains that the huge inflow of cheap European cigarettes has given the middle classes a taste for well-seasoned tobacco, unknown in the *bidee*; that the recent tobacco duty has dealt a heavy blow to this import trade and that the demand is being met by the cigarette factories especially established in India for the purpose. It is for these factories that well-cured Indian tobacco is required, and there is good reason to suppose that it will not be long before they obtain all they require. There is also a market abroad for leaf of the right quality, and so it may well be that the Indian tobacco industry, so long in the rut of neglect, is about to enter an era of good promise.

FROM

CAPITAL

2nd May, 1912

A Ditcher's Diary

I THINK IT WOULD BE POINTLESS AT this stage to speculate on the possible outcome of an Indo-Pakistani summit meeting. It will still be about a month before the summit is reached; and it may be easier to assess the prospects from what President Bhutto does in the meantime. He could make things considerably easier for all concerned by recognising Bangladesh before his meeting with Mrs. Gandhi. He may have his difficulties; and I do not want to be harsh on him at this point. Mr. D. P. Dhar was almost ecstatic in describing his meeting with the Pakistani President; the "sparks of intellect" which so fascinated the Indian emissary have occasionally been noticed by others as well. Even his severest critics have seldom regarded Mr. Bhutto as unintelligent; indeed, some people have perhaps suspected him to be a shade too clever to be totally dependable. But even such criticism must now be suspended. Mr. Dhar was evidently impressed by his sincerity. There is no reason to suspect that the sincerity was feigned, or that Mr. Dhar's warm references were no more than diplomatic politeness. The Indian emissary could have been polite in wholly unemotional terms; but the evident feeling with which he spoke showed that he had been genuinely impressed by Mr. Bhutto's attitude. Pakistan's President has a highly mercurial temperament; if his present mood is helpful one can only hope that it will last. It is also to be hoped that his own attitude will influence general opinion in Pakistan; the Pakistani Press, in particular, should be persuaded to take a more constructive line. Mr. Dhar's impeccable performance should be a help; there must have been much to try his patience, but he showed no irritation at all. Indeed, he seemed determined to make a success of his mission. What he accomplished was not only a diplomatic *tour de force*, but also a considerable public relations feat. There was a beautiful touch at Rawalpindi airport when he took out of his pocket a book of poems by Faiz Ahmed Faiz and read out to reporters a piece calling upon all men to live as brothers. And he added that Mr. Bhutto would be welcomed in Delhi "as a friend, as a brother, as one of us". If in all this there was a trace of flamboyance, it must have been uncommonly engaging. It is to be hoped that when the time comes Mr. Bhutto's performance will be equally engaging; the Pakistani President's flamboyance sometimes manifests itself in a very awkward fashion, but he is a sophisticated man and knows how to be charming. Of course, much more important than any superficial charm will be the degree of maturity he shows at the summit meeting.

I HAVE JUST READ A VIVID ACCOUNT of the ritual that was resumed in Paris last week: the ritual of the Vietnam peace talks. I cannot see why the talks should still be regarded as having anything to do with peace in Vietnam. The talks, which began almost exactly four years ago, were first about the shape of the conference table and who should attend. Since January 1969, they have consisted mostly in an exchange of abuse. From time to time the two sides—I do not think that President Thieu's representatives and their American supporters should mind being described as constituting one side while the other side represents communists from both parts of Vietnam—have put forward detailed plans for a political settlement, but the approaches are so different that there has so far been very little to talk about with any seriousness. The Americans go on accusing the communists of avoiding "meaningful exchanges", but Washington shows no greater interest in what seems "meaningful" to the communist side. But the ritual of the meetings, though occasionally interrupted, seems to be acquiring a permanence which would have been amusing but for what has been happening in Vietnam itself. Correspondents who have been covering the meetings for some time are said to have passed the stage of both diversion and boredom. In the early days of the talks, when Mr. Henry Cabot Lodge was the chief American negotiator, the two sides exchanged pleasantries over coffee during breaks in the official slanging match. But now, I am told, they spend the entire meeting time "at the serious business of abusing one another". A Press briefing follows; but the old hands in the Press corps do not ex-

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C—2

pect any news. On behalf of the U.S. delegation, the usual answer to almost every question is: "No comment." The American spokesman occasionally adds by way of explanation that he cannot answer speculative questions or questions about private talks. The communist delegates are no more forthcoming; but there is said to be one interesting difference. While the American spokesman always looks worried, the communists never stop smiling; and although they do not disclose anything, they never say: "No comment." I am not surprised to learn that they are on excellent terms with even the American correspondents. But how long will this ritual continue, and to what end? Last week the Americans agreed to resume it in highly unflattering circumstances; the situation has become still less flattering since. But Washington cannot solve anything by breaking off the talks either, nor by still further escalation of the war. There are things more important than Mr. Nixon's *amour-propre.*

IT IS NOT LONG AGO THAT THE word Mafia was synonymous with murder, extortion and legal inviolability. About five years to be exact, when the Casa Nostra, the Mob, was suspected of having a hand in the early waves of political kidnapping. Wrongly as it happened, this was not their scene at all, and from then on they appeared to be subsiding into well-deserved oblivion. There was even a film about them, and a book; also dark rumours about sons deserting fathers in the business and becoming doctors, lawyers, even school teachers. Indeed, history had begun carving the verdict "Has Been" on the Mafia's tombstone. But now it seems they have made a comeback, with the streets of New York again running in blood. They would have done better not to have bothered, at any rate if the aim is to remind the world they are still a power to be reckoned with. The clear fact is that since they went into semi-retirement, others have come up to fill their place in the world's Chamber of Horrors—the Tupermaros; Arab hijackers; Black Power; the Provisional I.R.A. And when it comes to killing, to demanding money with menaces, to defying the forces of the law, the new model has shown itself infinitely superior to the old. It could be argued there is no valid comparison. The Mafia never killed indiscriminately, and rarely anybody who did not have it coming anyway. Racketeers they may have been, and ruthless certainly; but guerrillas they were not.

THE RECENT CHANGE OF GOVERNment in that delicious little "Island in the Sun", Jamaica, has rightly been interpreted as a sign of political maturity. Just like Westminster, people have been saying, whatever that might mean. It is certainly true that the pattern of political change since Jamaica became self-governing in 1944 has been wholly admirable in a democratic sense. A credit to the island itself, and to the British parliamentary model, it also serves as a welcome contradiction to all those whites who find it convenient to believe that people with black faces cannot govern themselves. But here there is room for a note of warning, because it would appear that the fall of Mr. Shearer's Jamaica Labour Party can be traced to a special reason, one not immediately apparent from a quick look at the island's political scene. In a word, the culprit is the tourist. Jamaica relies on this particular milch cow for a fair proportion of her national wealth, and anybody who has been there can readily understand why that is possible. But the tourist has one serious drawback, in fact two. The first is that his appearances, rather like a migratory bird, coincide with the seasons and produce cyclical changes in prices. This phenomenon can cause discomfort enough in relatively prosperous countries; both Britain and France, to name only two, have recently discovered that the price of being major tourist attractions in terms of heightened inflation can be disastrously expensive. The second drawback is that although classed as an "invisible" export, a tourist is nothing of the kind. He, or worse still she, tends to be all too visible, and can cause much resentment when splashing money around and relaxing provocatively on the beach.

MR. WILLIAM SAFIRE IS ONE OF President Nixon's three principal speech writers; and who could be better qualified to write a book about political phrase-mongering? I have not yet read *The New Language of Politics,* but Mr. Henry Brandon, reporting from Washington, has given a vivid and amusing account of it in *The Sunday Times.* Not unnaturally Mr. Safire thinks that slogans and catchwords are extremely important in a political career, particularly in an election campaign, but he retains sufficient detachment to see that "words are the opium of politicians", perhaps not in Washington alone. And he remains exceedingly quick-witted, both in spotting a cliché and in making fun of it. Jargon has its ebb and flow; as Mr. Safire points out, four years ago nobody would have been able to decipher a sentence like: "Despite the *instant analysis* and the *effete snobs,* the *silent majority* supports *Vietnamisation* and the steady *winding down* has allowed our allies to *hack it.*" Perhaps four years ago it would have been claimed that the strategy of *Let Asians fight Asians* and of *de-escalation* had enabled America's allies to win the *hearts and minds of the people,* despite anything that *sensation-seeking* commentators and the *egg-heads* might say; at that time the silent majority was perhaps the *great unwashed guys,* although originally "great unwashed" was Edmund Burke's phrase for the "little man". It was Mr. Nixon himself who first spoke of the silent majority, but apparently he did not want the phrase to become a catchword. In fact Mr. Nixon, we are told, is generally shy of phrases; and it is good to know that even an American President has put his foot down on words like hegemony, viable, meaningful, knowledgeable and exacerbate. "We are in two minds about 'ambivalent'," Mr. Safire reports. Mr. Safire himself once coined the phrase "nattering nabobs of negativism", just for the fun of the ridiculous alliteration; but James Reston of the *New York Times* did not find it funny and denounced it as "the worst example of alliteration in American history". The history of Indian journalism can provide more striking examples. When Dinesh Gupta, the young Bengali terrorist, was executed, the headline in a Calcutta newspaper was: "Dauntless Dinesh Dies at Dawn". I am also told that many years later a report on Mr. Johnson's election victory carried the headline: "It's L.B.J. for whom the poll tolled: Goldwater bowled". Both stories may be apocryphal, although the sub-editor allegedly responsible for the dauntless invention is said to have often recalled it with pride.

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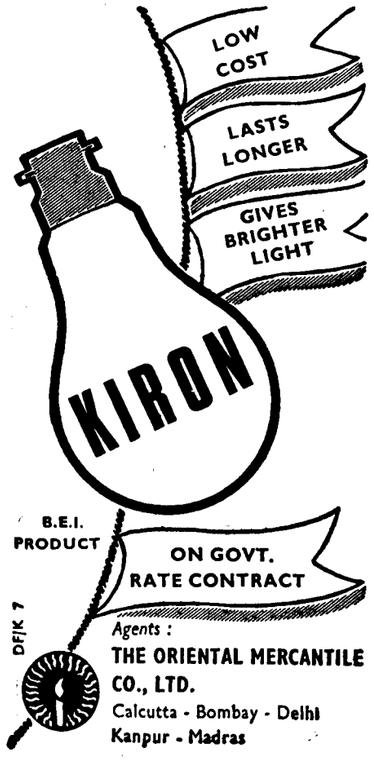
MANAGEMENT

How Management Can Get the Best out of Computers

By K. K. Rai

A computer will be effective and useful only when the executives understand how it works and what it can do. It will never be useful where its uses and utility are not fully appreciated by management.

ONE hears a lot about computers these days. Many organisations have installed them. While some are using them to their advantage, others have them as ostentatious prestigious symbols. With the arrival of computers in an organisation, there have been structural changes, very often resulting in a changed status of several executives and certainly of working relationships, which become necessary to accommodate the technicians and the data processing managers. Such changes, however, have not been accepted willingly in all cases. There has often been resentment and on a few occasions they have resulted in the exit of some of the executives. Even where the computer has established itself and has become a useful and essential part of an organisation, opinions about its benefits and utility, especially in decision-making, do not always happen to be objective and are very often highly emotional, ranging from unconcealed contempt to "managerial ego" stemming from the investment. It is not uncommon to hear the computer being derided as a gimmick or a stunt.



A computer is a beast of burden. It has no intelligence. There is no basis, therefore, for attributing some of the human emotions to a computer. Essentially a computer performs only two functions. The first is the arithmetical process of adding. The second is its ability to follow instructions. The first is utilised to make the computer perform all arithmetical operations. The second is used to compare results of its computations with a pre-set figure and to follow one of the alternative methods or processes on the basis of the result of such comparisons.

Functions of Memory Bank

A memory bank is attached to the calculating or computing unit, and this can record references for future use. Such a memory bank usually comprises two sections—one is for instantaneous reference and the other where data are recorded on a magnetic tape. In case of records on tape, references take a small fraction of a second. Thus the use of a computer involves precise pre-determination of what one wants this beast of burden to do. The computer then performs its two functions of adding and following the instructions and taking the alternatives (often called the "logic" of the computer) and reproducing the result on a punch card or typing it on its output unit.

The computer makes up for its lack of brain by its fantastic speed. And today's computers are many times faster than their predecessors. Still only when one knows what a computer can do and when one has the problems where the services of a computer are needed, then and then only one should decide to hire such a machine, or, if it is more economical, buy one. Computers have become invaluable for applying various techniques of operational research to industry. In distribution, marketing, inventory control, forecasts of return and many other fields, where mathematical analysis is possible, computer becomes essential because the number of calculations involved are astronomical and beyond human capacity. But, the accuracy of the results depends on the accuracy of the data and the instructions fed to the computer. If these are wrong, the results will be wrong. Another grave danger lies in oversimplification of a problem in making a mathematical model.

A Useful Tool

The computer can be used only as an instrument for carrying out orders expeditiously and faithfully, but can never replace the thinking expertise and acumen of the executive. It is not a substitute for talented and experienced leaders of industry. It is only a useful tool for improving their information-collecting process, an aid in giving expected results of changes in strategy—in short a faithful servant performing the back-breaking chore of figurework quickly and accurately and presenting it to the master and always ready and eager for more. Yet a computer is costly. If it is not fully utilised, it becomes an uneconomical investment. It requires good operators, who can translate the instructions in a language which the computer input unit understands and which can be transcribed by it on a punch card or tape, to be fed ultimately to the computer's "computing unit".

Even if a computer is essential, its installation and efficient staffing are not sufficient. Very often it gives rise to a supercillious attitude on the part of the data processing manager or his staff. Very often there is a communication gap between the executives and the data processing or computer staff. Good relations between the data processing manager and other executives are of very great importance. The computer will be effective and useful only when the executives understand how it works and what it can do and, therefore, feel its needs and appreciate its help. It will never be useful if it has to be thrust down unwilling throats.

SPECIAL ARTICLES

Will U.N.C.T.A.D.-III Give a New Lead to Aid and Trade Policies ?

By M. B. Lal

The earlier U.N.C.T.A.D. sessions did little to check the steady deterioration in the poor nations' aid and trade prospects. Will the Santiago session improve the aid and trade prospects of the developing countries ?

BY 1980 the *per capita* income of advanced countries comprising 25 per cent of the world's population will rise from $2,400 a year as at present to $3,600. During the same period, the annual *per capita* income of the remaining three-fourths of mankind living in the so-called developing countries will rise from $180 to $280. The gap between the two groups seems to be widening at a startling rate and there is little one can do about it. Who is to blame for this sorry state of affairs ? The proceedings so far of the U.N.C.T.A.D.-III now in session in Santiago tend to place the blame almost entirely on the developed countries. They have been described as exploiters and the charge is no doubt substantially true. But does the matter end there ? Have exploiters of any kind ever given up exploiting merely out of remorse ? Does calling them names help ?

The facts and figures that have come to light in the wake of the U.N.C.T.A.D.-III suggest that conditions of aid and trade have been steadily deteriorating and the four-yearly meetings of the U.N.C.T.A.D. in 1964 and 1968 have made no difference to this trend. Far from achieving the target of 0.7 per cent of the G.N.P. of the donor country as official development aid (O.D.A.), there has been a decline. Between 1960 and 1967, U.S. official aid fell from 0.53 per cent to 0.33 per cent. The share of the U.K. and France also fell although there was a slight increase in the percentage of West Germany and Japan. Even for these countries it was nowhere near the target. The average for all donor countries was 0.35 per cent—half the desired figure—and was destined to remain so till at least 1975.

If aid from the advanced countries was disappointing, trade did no better. The share of the developing countries in world exports dropped from 30 per cent in 1950 to 17.6 per cent in 1970. The prices of the exports of the poor have either been marginally rising or static or in some cases declining while the prices of sophisticated products of the developed countries have been constantly rising. The poor countries have come up against a new barrier. The richer nations have been putting up protective walls of various kinds and insulating themselves. The biggest factor in this direction has been the formation of the European Common Market. It has protected the member-countries of Europe from competition among themselves to the detriment of outside exporters. The U.S.A., the largest buyer, has put up tariffs and imposed severe quota restrictions ostensibly to meet the challenge of the E.C.M. but actually with much wider consequences.

The purchasing power of the reserves of the poor nations which were necessarily in hard currency fell by $500 million as a result of the continuing international monetary crisis. The value of the exports of the developed countries rose by $3,600 million while that of the rich countries rose by only $400 million. This is not all. The debt burden of the developing countries has been steadily mounting and has touched the staggering figure of $60 billion. The servicing obligations are so heavy that they make net aid negligible.

To make matters worse, the advanced countries have devised another means of extorting money from the poor countries. Although 60 per cent of the total international cargo is accounted for the poor countries, they own only 8 per cent of the world's shipping capacity. The rest is owned by powerful foreign corporations which often enter into cartel arrangements to fleece the poor. This further neutralises whatever little "aid" might be offered. Within the last few years, there have been many sharp freight hikes.

And finally, two other politico-economic factors make the entire business of aid and trade between the rich and the poor a hazardous phenomenon for the latter. One is the rôle of private foreign capital in financing the development of poor countries. Recent disclosures about International Telephone and Telegraph Company (I.T.T.) in Chile have only helped to dramatise a danger that has always been there. Furthermore, as is clear from India's own experience, the remittances from the subsidiaries of these companies have been making increasing dents on the scarce foreign exchange resources of the poor nations. With an annual turnover of $300 billion—more than the G.N.P. of all nations except the U.S.A. and Russia—these corporations are continually adopting insidious means to break into the markets of the poor countries.

The other factor is the unabashed subservience of free trade to politics in the advanced countries. Thus, merely because it did not like Indian policies over Bangladesh, the U.S.A. threatened to cut off imports of Indian jute. And Russia is equally guilty of similar political inhibitions in trade. The latest such instance has been the reported U.S. secret move to cut off replenishments of the International Development Association. India has been traditionally getting 40 per cent of I.D.A. loans and stands to lose most. This will have an adverse impact on India's trade and industry.

All this suggests that the U.N.C.T.A.D. is hardly the right agency to help. The U.N.C.T.A.D.-II took some halting steps towards an agreement on a generalised scheme of preferences (G.S.P.) for exporting the manufactures of the developing economies to the rich countries, but the benefits of the scheme have been more than neutralised by the measures subsequently adopted by the U.S.A., the U.K. and the E.C.M. countries in the wake of the monetary crisis in the last few years. The U.N.C.T.A.D.'s efforts to arrive at commodity agreements have hardly made any progress.

Yet, some helpful suggestions have emerged and these deserve careful consideration. One is the now well-known advice of Mr. Robert McNamara, the World Bank President, to the developing nations not to concentrate too much on import substitution but to co-ordinate their economies with the developed nations to achieve a faster rate of growth

and get out of the protectionist rut which often proves counter-productive. But there are many snags in Mr. McNamara's advice. While the poor countries are in desperate need of the technology and machinery of the advanced countries, the price of obtaining these should not be permanent economic subservience. The old relationship of economic imperialism under which the backward countries provided the grist to the mills of the advanced nations should not be revived under any garb. The backward nations must strive to get the best technology in every field. Their rôle in relation to the rich nations should be "complementary and not supplementary". This must be the essence of any understanding between the two. Another suggestion made at the U.N.C.T.A.D.-III that deserves to be pursued carefully by both groups is that of expanding the facility of the S.D.R.s as a kind of a new reserve currency to finance the plans of the developing nations.

Compared with the magnitude of the problem, all these are at best palliatives. Prosperity is not something that the advanced countries will place in the hands of the poor like a gift or dole. The U.N.C.T.A.D.-III will have served its purpose if it can impress on the backward countries the fact that salvation lies in their own hands. They have to unite and they have to strain every nerve to meet the challenge of hunger and poverty in the world. They have also to realise that the remedy is not ideological but technological. Whether a country is communist, capitalist or feudal, its progress will depend essentially on the rate at which it acquires new technology and the amounts that it succeeds in ploughing back into new industries. All this may require tightening of belts and massive diversion of resources into productive channels. In other words, new economic concepts and yardsticks may have to be evolved and these may transcend ideology or old economic theories of supply and demand. There is still time for the U.N.C.T.A.D. to direct its energies into more concrete and fruitful channels.

The Report of the Irrigation Commission: A Plan for the Use of Water Resources

(BY A SPECIAL CORRESPONDENT)

The Irrigation Commission has recommended priority for irrigation over power generation. But the future projects, it warns, will be more expensive because of their difficult locations and the complex technology involved.

THE Irrigation Commission, which was appointed by the Central Government under the chairmanship of Mr. A. P. Jain, has recently submitted its comprehensive report. It is now for the Government to act on the commission's major recommendations and thus ensure a co-ordinated use of the water resources of the country. The total utilisable water resources have not been systematically studied so far except for the Indus river system. Preliminary studies relating to the Godavari, the Krishna, the Narmada and the Tapti indicate that the entire water resources of these rivers can be utilised. The water of the Cauveri has already been utilised.

Of the 493 T.M.Cu.M. of water in the Ganga, it should be possible to use about 185 T.M.Cu.M. for irrigation. A higher rate of utilisation is not possible for reasons of topography and the shortage of storage site. Most of the water of the river still continues to flow into the Bay of Bengal. There is little possibility of utilising the water of the Brahmaputra except through a few medium and minor lift irrigation schemes in Assam. The west-flowing rivers of India are also important sources of water. They carry, on an average, nearly 247 T.M.C. but due to the narrowness of the coastal plains through which they flow, the possibilities of using the water for irrigation are very limited. Although the Mahanadi and other east-flowing rivers have a vast water potential, all of it cannot be utilised and nearly 74 T.M.C. would continue to flow into the Bay of Bengal. The commission has estimated that the utilisable water resources of the country amount to 666,000 M.Cu.M.

Since independence, the gross irrigated area from major, medium and minor works has risen steadily to 28 million hectares in 1960 and to 33.13 million hectares in 1967-68. A sum of Rs. 3,000 crores has been spent till the beginning of the Fourth Plan on irrigation schemes. The commission has proceeded on the assumption that river basin and, in the case of a large river, a sub-basin are the natural unit for planning water resources. The planning should be based on an assessment of the surface and sub-surface water resources of the basin and their utilisation. The commission has formulated certain guidelines for formulating river basin plans. First, the basin plan should present a comprehensive outline of development possibilities of land and water resources to meet the anticipated regional and local needs. Secondly, the plan should indicate a broad framework of various engineering works to be taken up in the basin, establish priorities in respect of water use for various purposes, record priority of projects and show the need for earmarking water for any specific purposes. Thirdly, the basin should be periodically reviewed and revised to take into account changes in storage capacity and the extent and pattern of water use.

Domestic requirements should have the highest priority in the allocation of water. The commission recommends priority for irrigation over power generation. An important suggestion made by it is that the agriculture department should determine the pattern of cropping in consultation with the irrigation department and not *vice-versa* as is the case now. There should be a number of fully investigated schemes ready so that financial resources may not get deployed on relatively uneconomic schemes. The quality of investigations should not be sacrificed to speed up project formulation. The investigation of irrigation projects and their ayacut development should be taken up simultaneously. Studies of soil conservation measures, particularly for the more critical areas in catchments, should be taken in hand at the same time.

The commission has broadly categorised irrigation policy under three heads. First, maximum production a unit of area as in the Brahmaputra valley, Kerala and the Indo-Gangetic plain; secondly, maximum production a unit of water as in the regions of medium and low rainfall which constitute about 70 per cent of the cultivated area of India; and finally the maximum area served as in drought-affected areas. The commission has laid special emphasis on preparing a comprehensive ayacut development plan for every major and medium irrigation project, simultaneously with the preparation of a plan for the project. The commission is of the opinion that a special administrative agency for co-ordinated and expeditious development of command areas under medium and major projects is very necessary. No separate cadres should be created for the ayacut development programme and the relevant departments of the State Governments should continue to discharge their functions within the ayacut under the normal departmental control. Each irrigation project must have a separate ayacut development agency.

The commission has emphasised that once a scheme is taken up for implementation, it must be constructed at an optimum pace determined by technical considerations and the necessary funds must be provided for it. Where an irrigation scheme is too large, the State concerned should negotiate with the Central Government for special financial accommodation. Irrigation works were making a net annual contribution of Rs. 1 crore to the Exchequer at the time of independence. But there was an annual loss of Rs. 56.60 crores in 1967-68! The commission has said that irrigation works in a State should give an annual income at least equal to the annual cost of operation.

Of great significance is the commission's recommendation to set up a high level authority called the "National Water Resources Council" to take policy decisions relating to the conservation, utilisation and inter-basin transfer of water and to lay down priorities for the use of water as well as to keep a continuous watch on the working of the river basin commissions and problems of inter-State rivers. The Prime Minister should be its chairman and the Central Irrigation Minister its vice-chairman. The commission has gone into the entire field of irrigation with thoroughness. Its recommendations would help in evolving proper guidelines for every aspect of the subject. Since the country's future lies in its agricultural wealth, irrigation holds the key to prosperity. It is to be hoped that the report will be taken full advantage of by the powers that be.

Last Week in Parliament

(FROM OUR NEW DELHI CORRESPONDENT)

Last week Parliament mainly devoted itself to the debates on the demands for grants for the External Affairs Ministry and the Ministry of Industrial Development. Both debates yielded some positive announcements relating to the policies of the two Ministries.

PARLIAMENT was preoccupied last week with debates on the demands for grants for the Ministries of External Affairs and Industrial Development, both of which yielded some positive announcements of the Government's policies relating to India's relations with her neighbours and industrial growth at home. For the Lok Sabha, where keeping the quorum has been a problem (possibly because of the massive majority for the Congress), the attendance of members during the two debates was indeed impressive. The External Affairs Minister, Mr. Swaran Singh, had a full House to listen to his elaboration of India's attitude towards Pakistan, China, Russia and the United States. In the same way, the Industrial Development Minister, Mr. Moinul Haque Choudhury, also faced full House which was keen to know what specific measures the Government proposed to take to revive industrial activity in the country.

Earlier in the week, the House also heard with satisfaction two announcements made by the Prime Minister, Mrs. Indira Gandhi. The first related to curbing the use of foreign money for election and other purposes, and second to put an end to political defections. On both issues, Mrs. Gandhi was as usual firm. She said that broadly the law on use of foreign money would mean an outright prohibition for political purposes, prior approval of the Government in some cases, and statutory obligation to intimate the Government of the receipt of such funds in certain other cases. The Prime Minister's announcement of the proposed Bill on defection was welcomed since this will at least save the three non-Congress Ministries that are now in existence—those in Orissa, Tamil Nadu and Kerala.

The External Affairs Minister's reply to the debate on his Ministry's demands for grants was noteworthy for what he said about Pakistan, China and the United States. Apart from saying that India was determined to resolve all issues peacefully, Mr. Swaran Singh said, with reference to Pakistan, that a dialogue had now been started on a note of friendship and accommodation. He, however, pointed out that friendship was a two-way traffic and India hoped President Bhutto "will grasp the hand of friendship" extended by her. About China, all that Mr. Swaran Singh could say was that the channels of normalisation existed and, whenever any positive opportunity came, India would take advantage of it. But he was very emphatic concerning the United States. He said that if the U.S.A. started rearming Pakistan directly or indirectly, India would take it as a deliberate attempt to disrupt peace and increase tension in this region. The implication was clear—that India would have to take appropriate measures to counter any such threat, although he could not have spelt it out in so many words.

Mr. Moinul Haque Choudhury had an announcement to make in his reply to the debate relating the demands for grants for his Ministry. He disclosed that the Government intended to set up a public-sector project soon for dry batteries, a joint-sector scooter project (which might come in 12 months) and a holding company for machine tools. But on the question of monopoly houses and the issue of licences, Mr. Choudhury had to refute the allegation that the licensing policy was bent in favour of monopolists or foreign capital. While he was defending the Government's licensing policy, the Estimates Committee of the Lok Sabha came out with a scathing criticism of the policy itself. The committee said that the frequent change in the licensing policy was itself an "unsettling" factor on industrial growth. It called for a clear and unambiguous policy which would hold good for a reasonably long time, say, a minimum of five years, coinciding with the Five Year Plans.

SPOTLIGHT ON STATES

Need for Exploiting the Industrial Potential of Darjeeling

(BY A SPECIAL CORRESPONDENT)

Darjeeling has virtually remained a neglected district despite its industrial growth potential and tourist attraction. In implementing its sixteen-point programme, the West Bengal Government should place the development of the Darjeeling district high on the list.

THE Government of West Bengal has recently issued a statistical analysis of the industrial potential of Darjeeling; and its findings reveal to what extent the development of this district has suffered in many respects. Darjeeling has acquired fame as the queen of hill stations and as a producer of high quality tea. But its resources have not been utilised effectively. Apart from tea, Darjeeling has a large number of small-scale industrial units but most of them do not seem to be running on healthy lines.

As at September 1971, there were 714 small-scale units in Darjeeling of which 140 were engaged in textiles, including wearing apparel, 130 in food and beverages, 64 in the manufacture of metal products, 52 in chemicals, 44 in the manufacture and repair of transport equipment, and the rest in footwear, wooden furniture, printing and allied industries, photographic and optical goods, and miscellaneous industries. But it appears that most of these industries have been facing serious difficulties of one type or another.

Power shortage has been a major handicap facing the industries in Darjeeling. Power is provided to this district by the West Bengal State Electricity Board, Darjeeling Municipal Electric Supply Company and Kalimpong Electric Supply Company. But the availability of power has been quite inadequate and, as a result, the existing industries running on power are "almost on the verge of collapse". The study adds that the level of infrastructural facilities in this district is "poor in view of the existing position of resources and entrepreneurial capacities available".

The agricultural resources of Darjeeling are large but they are not being used in the best interest of the district. It is said that the yield of paddy is "poor" and so Darjeeling depends on the neighbouring districts and States for rice. In 1967-68, Darjeeling had 77,200 acres under *aman* paddy and the yield was 28,900 metric tons. But in 1970-71, the area under *aman* paddy was only 76,206 acres and the yield 21,700 metric tons. Although irrigation in the district is difficult, it should still be possible to improve the yield by the application of fertilisers and the adoption of scientific techniques of cultivation.

The district, however, is rich in the yield of vegetables and fruits, especially oranges and pineapples. In 1970-71, Darjeeling produced 4,552 tonnes of winter vegetables, 9,900 tonnes of summer vegetables, 27,600 tonnes of orange, 1,282 tonnes of pineapple, and 2,100 tonnes of plum. These figures are exclusive of Kurseong, Kalimpong and Siliguri which also produce substantial quantities of fruits and vegetables. It should be possible to increase the production of all these items to much higher levels by resorting to scientific methods of cultivation. The Government of West Bengal should explore the prospects for setting up industries for the processing of fruits and vegetables. If this is encouraged, it will help not only to prevent wastage but will also enable the farmers to get higher incomes and enjoy beter standards of living. Processed foods and vegetables can also have a large export demand.

Scope exists also for a number of other industries. For example, forest products like timber, firewood and bamboo provide opportunities for setting up a wide variety of small-scale industries. The district has a large livestock population consisting of over 200,000 cattle, besides sheep, goats and pigs. But there does not exist any organised industry based on their products. The Government's study says that cheese, butter and *ghee* are being produced by the people of the hills "in a crude way" which supports a good number of families. The Government should take some positive measures so that the cattle wealth of Darjeeling can be made to yield bigger benefits to the people

In any programme for the development of Darjeeling, the tea industry should, of course, get considerable attention. The district has 143 tea gardens, with an area of 28,760 hectares and employing about 60,000 persons. The average yield is about 20,000 metric tons a year. But the condition of the industry is far from healthy. As the chairman of the Indian Tea Association said recently, "there is much misunderstanding and ignorance about this area and its tea which has led to a point where, unless something is done, the tea industry there will die". He pointed out that because of environmental and climatic conditions, Darjeeling yields are low and this automatically means an extremly high cost of production, more than that of the plane. He regretted that despite the severe loss suffered through landslides and other natural calamities, the Government increased the excise duty on Darjeeling tea by 200 per cent.

The tourist potential of Darjeeling also needs intensive and imaginative development. The West Bengal Government's study says that about 100,000 tourists visit Darjeeling, Kalimpong and Kurseong every year, although Darjeeling attracts the largest number. It points out that the infrastructural facilities for tourists are quite inadequate and, therefore, arrangements are being made to augment transport, accommodation and other conveniences required by tourists.

In implementing the sixteen-point programme for West Bengal's economic revival, Darjeeling should get special attention in view of its large potential for industrial growth as well as for attracting foreign tourists. The Government of India should also take a keen interest in the betterment of Darjeeling, especially in view of its large potential as an earner of foreign exchange through tourism and the export of tea. New Delhi should not only allot more funds for Darjeeling but should see to it that these are effectively spent. For 1970-71, the Government of India sanctioned for Darjeeling Rs. 15 lakhs for irrigation, Rs. 7.5 lakhs for land improvement, Rs. 3 lakhs as transport subsidy, Rs. 8.81 lakhs for animal husbandry and Rs. 4.88 lakhs for agro-based industries. Besides, funds were allotted for other purposes also. It is necessary to utilise these grants in such a way as to improve quickly Darjeeling's infrastructure, particularly road transport, power, and water supply, so that the economy of the district can get a big impetus for growth.

MONEY AND BANKING

Are the Recommendations of the Banking Commission Practicable?

(BY A SPECIAL CORRESPONDENT)

The Banking Commission has made a number of recommendations for the extension of the banking network and the improvement of customer services. Are the recommendations practicable?

MANY epochal changes have taken place in the banking system during a comparatively short span. The criticism that the Government should have reconstituted the Banking Commission, which was set up about two and a half years ago, and redrafted its terms of reference in the light of these developments is perfectly valid. That was one reason why while going through the 760-page document one sometimes gets the impression that the report lacks touch with current realities. But for this lacuna, the blame cannot be laid at the door of the commission. The main thrust of the commission's scheme is in favour of two or three all-India banks and six or seven regional banks, each specialising in developing banking services in a broad region. It wants the lead bank scheme to conform to this pattern. But the question is: should the Government make radical changes so soon after the nationalisation of the major banks? Secondly, should the Government abandon the lead bank scheme in its present form when it has started making a perceptible impact? In order to be able to conduct the operations efficiently, the banks' internal organisational structure, the commission wants, should be radically transformed. But it offers a rather hackneyed solution in the form of decentralisation of work at branch offices so as to give the branch managers sufficient time to devote attention to planning, co-ordination, control and training.

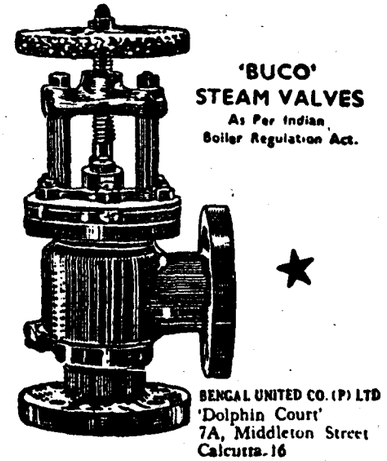
Perhaps the most controversial part of the commission's report relates to the proposal of a massive drive to open rural banks linked to the co-operative sector. It suggests the formation of a network of rural banks through special legislation by Parliament to extend assistance to small farmers and weaker sections in rural areas more effectively. It wants the co-operative sector to cover 500,000 villages and feels that primary co-operative banks can be reactivated to link the three-tier co-operative structure at the village, district and the apex level in a State to the commercial banking system. But the problem of mounting overdues afflicting the co-operative banks cannot be wished away. Everybody is agreed on the need for an improvement in the financial position of co-operative banks by greater care in the distribution of loans and improved efforts for the recovery of dues. But the commission does not seem to have much to say on how to improve the efficiency of banks.

The commission ignores the practical difficulties in extending banking to the rural areas. It does not say why higher rural incomes have not been finding their way to the banking system to any significant extent. Merely opening a branch in a small town or a village does not mean that people with money would queue before the bank counters. The development of rural banking requires significant changes in the organisation of rural branches, in the method of their working and in the pattern of their staffing.

The commission's suggestion for the setting up of housing finance corporations is most novel. It wants these finance institutions to handle the credit facilities for the construction of houses. This proposal, if accepted, will set in motion large-scale construction activity, but will the Government shed its lethargy? The commission has also dealt with the functioning of chit funds and suggested the enactment of an All-India Chit Fund Act, if need be by an amendment of the Constitution, to protect the interest of the public. Differentiating the "chit funds" from "nidhis", the commission wants the Government to extend to them not only refinancing facilities but also tax concessions on the ground that they fill certain gaps in the credit structure. It urges banks to regularise the functioning of "indigenous bankers" and suggests the linking of these agencies to the banking system.

Perhaps the most important and the least controversial proposal is in connection with the improvement of customer services. It recommends the adoption of the teller system for the encashment of cheques and receipt of cash for credit to accounts. It has recommended prompter counter service, use of local languages and a quicker clearance of outstation collections. It insists that credit for collection must be given within a specified period irrespective of procedural delays. Banks are also likely to welcome the courier service advocated by the commission. A bank-giro is another important innovation.

The case for merchant banking cannot be disputed. The commission wants this to be encouraged in Bombay, Calcutta, Madras and New Delhi. Their general purpose should be: syndication, financing and promotion of Indian projects and investment management and advisory management to medium and small savers and to provident funds, pension funds, etcetera. This has been a long overdue reform. The commission also deserves kudos for paying attention to management development, training and education of bank personnel. It suggests application of modern techniques of management to the banking system. The manager should obtain regularly in a compact, comprehensive and intelligible form all information necessary for policy formulation, performance evaluation, control and economic analysis. What is needed is a forward-looking management development policy. Unfortunately, that is lacking at present. Will the nationalised banks take a cue from the Banking Commission's recommendations? There is no reason why they should not, if they are keen to progress on right lines.



TAXATION

Taxability of Solatium Given for Loss of Office

By C. R. Thiaga Raja Varma

A group of companies in England paid in 1963 unsolicited "solatium" to a chartered accountants' firm after its services as the group's auditors were terminated. A question arose whether the amount was taxable; the court, however, thought that it was not.

THE subject of taxation has been proving to be a fertile field yielding bumper crops of interesting cases. One such case, which took place in England, is discussed here. Although the Income Tax Act of India is not in *pari materia* with the English Act, English decisions on fundamental concepts and general principles unaffected by the specialities of the British Act are always referred to as aids for guidance. This particular case—*Walker (Inspector of Taxes) versus Carnaby Harrower, Barham and Pykett*—has been reported in the 15th February, 1971 issue of the *Income-tax Reports*. (Volume 79, Part 7.) In order to enable a proper understanding of this case, a very brief outline of the scheme of the English Income Tax Act may be given. The Income Tax Act, 1952, consolidated all the income-tax legislation in England. It consists of 532 complicated sections plus 13 schedules. However, the sources of income are classified into five schedules lettered from A to E inclusive, each with its own set of rules.

These are: Schedule A: Property tax—now abolished by Section 14 of the Finance Act, 1963. Schedule B: Tax charged in respecet of occupation of lands, but excluding houses, offices and business premises. Schedule C: Tax on all profits arising from public revenue dividends payable in the U.K. Schedule D: Tax on income or profits from trades, professions or vocations—not covered under any other schedule. Generally, these are the income of self-employed persons, and the types of taxes are: case I—tax on trades; case II—tax on profession or vocation; case III—tax on discounts, profits on certain securities and certain types of interest, case IV—tax on most income arising from foreign securities; case V—tax on income from foreign possessions; case VI—tax on profits, etcetera, not covered elsewhere; case VII—short-term capital gains tax; and case VIII—tax on property income. Schedule E: Tax on profits from any office, employment or pension—which is deducted by employers under the "Pay As You Earn" scheme.

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In this case, the taxpayers, a firm of chartered accountants, had for many years acted as auditors to the Motor Union Insurance Co. Ltd and five other associated companies. After the 1962 audits of the said companies had been completed, the taxpayers were asked not to seek reappointment in view of the installation of the system of centralised machine accounting for the group. The request was complied with and the taxpayers were paid audit charges for 1962 audits and separate charges for work done by them in connection with certificates for Board of Trade returns and branch audits. On 2nd August, 1963, the taxpayers received a letter from the Company thanking them for their services and enclosing a cheque for £2,567 5s describing the sum as a "solatium for the loss of office". The letter and the cheque were unsolicited and voluntary. By a strange coincidence it so happened that the sum was equivalent to the final year's audit fees. The sum was included in the computation of their profit as accountants under case II of schedule for 1964-65. The taxpayers disputed the inclusion and appealed to the Special Commissioners. After hearing the rival contentions, the Special Commissioners decided in favour of the taxpayers and held that the payment was not taxable. The Crown appealed.

Pennycuick J., who heard the case, analysed in detail the two grounds on which the Special Commissioners reached their conclusions in favour of the assessee firm, *viz.*, that the payment was *ex gratia* and unsolicited and, secondly, the facts were quite different from those in *Blackburn* versus *Close Bros Ltd. (1960) 39 T.C. 164* on which the Crown relied. Dealing with the first ground, Pennycuick J. observed that although there was a great volume of authority on voluntary payments made to the holder of an office, there was litlte authority on such payments made to someone who was carrying on a trade or profession chargeable under case I or II of schedule D.

The test must be whether a voluntary payment made to someone carrying on a trade or profession is properly to be regarded as a receipt to be taken into account in computing the profits of that trade or business. The position is quite different from that in respect of volulntary payments of pure income character. In this case, the payment made by the Company was purely voluntary and the fact that the amount paid was identical with the fees paid to the firm during its last year of office will not alter its character in any way. The subject matter of assessments under cases I and II is the full amount of the profits or gains of the trade or profession computed on the basis of ordinary commercial principles.

Ordinary commercial principles do not require the bringing into account of voluntary payment made not for any services rendered by the firm, but by way of recognition of past services or by way of consolation for the termination of a contract. There is also nothing in the charging words of schedule D, cases I and II, which make it necessary to take a wider view as regards voluntary receipts. In view of this position, on this particular ground, the judge also reached the same conclusion as that of the Commissioners.

As far as the applicabilitv of *Blackburn versus Close Bros Ltd* was concerned, although the Commissioners

distinguished the decision in favour of the taxpayer firm, Pennycuick J. thought that they were in error as far as technical points under schedules D and E were concerned. The accountants, like any other professional men, are chargeable upon their profits under case II of schedule D; on the other hand, the holder of an office, including a firm of chartered accountants where they hold an office is chargeable under schedule E. The provisions of Section 37, which is commonly known as the "Golden Handshake Section", clearly recognise that a payment of this character, although not hitherto chargeable under schedule E, might be chargeable under some other schedule. Such a charge can primarily arise under schedule D—case I or II. However, Section 38(3) exempts from tax such golden handshake payments under the sum of £5,000. As this exemption is applicable to the present case, the question of charge under Section 37 does not arise here.

The facts of *Blackburn versus Close Bros Ltd* are in all relevant respects identical with those of this case except in one vital respect, namely, that the payments were voluntary. The payment could not also be said to have been a trading asset or stock in trade or a receipt in lieu of stock in trade because the taxpayers had not traded in buying or selling of auditorships. In view of these reasons, the appeal of the Crown was dismissed and it was held that the payment was not chargeable to tax. It would be interesting to guess as to what would happen if a similar case were to arise in India!

Section 28(ii) of the Income Tax Act, 1961, takes in, within the fold of business income, any compensation or other payment due to or received by any person, in respect of termination of or variation in the terms relating to (a) management by such person of whole or substantially the whole of the affairs of an Indian company; (b) management by such person of the whole or substantially the whole of the affairs in India of any other company; and (c) agency in India, held by such person for any part of the business activities of any other person. If the case is one of employment and is not covered by Section 28(ii) as explained above, any compensation due to or received by an assessee from his employer or former employer at or in connection with the termination of employment or the modification of its terms will be considered as "profits in lieu of salary" and taxed under the head "salaries".

Cases of compensation for loss of office which do not involve the relationship of employer and employee and which do not fall under Section 28(ii) would continue to be governed by the general principles of the income-tax law and such compensation would be regarded as capital receipt. As the case covered by this article falls under the last mentioned category, one is inclined to think that even if such a case were to arise in India, it would be governed by the general principles of the income-tax law and hence the payment might be regarded only as a capital receipt.

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LABOUR

Should There be a New System of Distributing Bonus ?

(BY A SPECIAL CORRESPONDENT)

Mr. Naval H. Tata's observations on bonus and productivity at the recent annual general meeting of the Employers' Federation of India throw new light on the two vexed issues. He feels that some practical alternative should be found for disbursing bonus directly by the Government, without management being involved in it.

THERE are not many in the country who can speak on the labour problem with authority, sincerity and a sense of responsibility as Mr. Naval H. Tata. His presidential address at the annual general meeting of the Employers' Federation of India, held recently in Bombay, was a lucid exposition of the major issues agitating the minds of employers. Such vexed issues as automation, bonus, productivity, strikes and lockouts were all dealt with. There were also some constructive suggestions.

There is some consensus of opinion on the selective approach to introducing computers; the work of the Tripartite Committee on Automation does not, however, appear to have made much progress. As Mr. Tata has rightly said, advanced countries, with the aid of computers, have kept pace with highly developed tecnology, while India is quibbling over its introduction by way of even selective application in a restricted way. After all, the army of unemployed goes on increasing and the mere banning of computers is not going to solve the problem of such a dimension. Even socialist States like Russia, in their rapid economic strides, did not hesitate to make use of computers. The impact of computer use on the employment potential of these countries could not have been less severe than that in this country.

An agonising appraisal of the operation of the Bonus Act has convinced Mr. Tata of the need for exploring the possibilities of alternative schemes. According to him, "no labour legislation of the Government of India has caused more discord and dispute between the two than this well-intentioned legislation, which misfired from the start". He had a dig at the Khadilkar formula which was brought forward at the time of the elections and the fallacy underlying the whole approach. His thesis is that although 4 per cent remains the minimum bonus under the Act, the absolute amount has gone on rising, thanks to the advance registered in dearness allowance which is linked to the cost of living index. Mr. Tata did some plain-speaking on the alleged grievances of workers about the veracity of the audited balance-sheets and profit and loss accounts of companies.

Mr. Tata feels that "bonus would cease to be a threat of industrial peace only if some other practical alternative is found for disbursing bonus directly by the Government, without management being involved in it". He suggested in this connection a surcharge related to production and disbursed as a national dividend to labour. He, however, added that he himself was not sure how far it was feasible. Nor did he elaborate the idea. Mr. Tata's another suggestion, namely, a direct increase in wages, deserves serious consideration. And proper incentive schemes like payment by results should be instituted to compensate the worker for additional output and exertion involved in different tasks. Such a rationalisation is the need of the hour rather than indulging in endless disputes and appointing committee after committee on bonus.

There has not been any concerted effort to improve productivity on the part of trade unions; much concern has been expressed on "sharing the gains of productivity." According to Mr. Tata, as a rule most of the trade unions by instinct are opposed to all forms of rationalisation, modernisation, automation and in fact any measure direct or indirect to improve productivity. Such an attitude has naturally discouraged attempts of managements to aim at higher productivity and higher profits with the same input of labour by offering better wages through added incentives.

Mr. Tata has sought to analyse the reasons for the lack of motivation for higher productivity. He has also done well to ask the employers to put the searchlight inward. To quote him: "It is up to the management to understand and appreciate the reasons for such lack of motivation for productivity. It is for them to try and make the trade unions and preferably the workers understand and appreciate the fallacy in their thinking. It needs to be explained to them that apart from the employers' selfish interest, the nation needs higher productivity to attain our national goals in which they are also one of the beneficiaries. Employers should realise that in an age of 'production by consent' it will be difficult to expect any breakthrough in higher productivity without the co-operation of the unions as well as the workers."

In the present mood of the Government, however logical Mr. Tata may be, it is too much to ask it to enact a legislation compelling workers to give 60 days' clear notice for an indefinite strike, as the employers have been asked to do so in the case of closure of production units in accordance with a recent Central legislation. The fact, however, remains that the Government has yet to learn the basic ideology that sound industrial relations cannot be legislated. They must emerge out of an evolution of progressive understanding between labour and management through a process of give and take. The employers' views have thus been ably presented by their representative. It is for the Government and trade unions to appraise them objectively in the overall interest of the nation.

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INVESTMENT

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THE stock markets have continued to present a remarkably firm front and have pushed their way further up, striking a new high for the year. Gains recorded during the past week have been more widespread and quite marked in many counters. With buyers dominating the scene, intermittent profit-taking has been readily absorbed without any significant setback in prices. Both cash and cleared securities have evoked steady and fair support, reflecting the revival of confidence. Growth shares are now being avidly sought and quite often stockbrokers have found it difficult to complete their orders for want of offerings in the market. Very few counters have wound up the week with minus signs.

Quite a number of favourable influences have been at work during the week and bulls are not slow to avail themselves of the opportunity. The Prime Minister, Mrs. Indira Gandhi's statement that the Government would resist the temptation of nationalising industries indiscriminately is regarded as yet another indication of her pragmatic approach to economic issues. Sentiment has also been aided by expectations of the favourable outcome of the Indo-Pakistani talks at the emissaries level. Hopes that the forthcoming Indira-Bhutto summit might result in solving most of the outstanding issues between the two countries have brightened. Nothing but good can come out of the summit meeting scheduled for early June and if the meeting is really successful, it would have opened a new chapter in the relations between the two countries. In any case, the political climate is now more congenial than before.

There has been plenty of company news to cheer the market during the week. Antifriction Bearings, Blue Star, Khandelwal Udyog, J. K. Synthetics, Pfizer, Tezpur Tea, Gourepore and Auckland Jute, Associated Rubber, John Fowler, N.O.C.I.L., Orissa Cement and Coromandel Fertiliser—to mention some names—have had pleasing news for their respective shareholders in one form or another. The industrial growth rate is expected to show a good rise in course of time because of the improved supply of important raw materials. The Central Minister for Industrial Development, Mr. Moinul Haque Choudhury, has struck a hopeful note about the industrial outlook. The Central Steel Ministry is planning to add another 1 million tonnes of ingots to the country's steel production during the current financial year. The increased availability of steel is bound to have a beneficial impact on the industrial tempo.

The stock markets seem pleased with the Government's decision to expand the monopolies panel on the argument that this will make for a quicker disposal of cases referred to the panel. The move to streamline the industrial licensing procedure through computerisation has also been welcomed as it will minimise delays and help reach rational decisions. The view is widely shared that the stock markets will continue to respond to the improving investment and economic climate and investors can look forward to better days ahead.

Gilt-edged securities have lacked interest this past week. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Interest in State Government loans has been selective, and the volume of business has remained restricted.

The Calcutta stock market has maintained firm conditions this past week, although there has been some profit-taking towards the close. Operators have welcomed the move of the West Bengal Government to set up a State Planning Board headed by the Chief Minister, Mr. S. S. Ray. Corporate news during the week has been quite helpful. Among engineering shares, J. K. Steel, Burn, Electrosteel Castings and Braithwaite have improved. In jute shares, Birla, Budge-Budge Amalgamated, Barnagore and Agarpara have hardened. Among coal shares, Western Bengal and Raneegunge have been transacted. Among miscellaneous shares, Aluminium Corporation, Shaw Wallace, Woolcombers of India and J. K. Steel have been supported. Among tea shares, Huldibari, Banarhat and Grob have been traded.

Distinctly firm conditions have continued to prevail on the Bombay stock market this past week. Equity prices have hardened further on sustained investment and speculative support. Higher levels have attracted profit-taking, but it has been easily absorbed. The underlying sentiment continues to be bullish. The volume of business has been fairly good and outside interest has been on the increase. Cotton textiles have held firm on optimistic reckoning of the industry's prospects because of cheaper cotton. Despite considerable selling during the latter part of the week induced by rumours of reduction in tyre cord prices, Century Mill shares have scored a further handsome rise on balance. Century, J. K. Synthetics, National Rayon and Indian Rayon have registered sizable gains over the week on keen buying and scarcity of offerings. Steel shares have continued to rule firm on steady support. Among engineering shares, Bihar Alloy, Tensile Steel, National

COMPANY REPORTS

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

Ahmedabad Advance
American Express
Anil Starch
Antifriction Bearings
Bank of Baroda
Blue Star
Blundell Eomite
Canara Bank
Century Mills
Chemopulp Tissues
Dunlop
Empire Jute
Enfield India
Globe Auto
Goodyear
Indian Aluminium
Kothari Sugars
National and Grindlays
Podar Mills
Rathi Steel
Raymond Woollen (Kenya)
Regal Papers
Scindia
Standard Mills
Swastik Rubber
Tata Chemicals
Tinplate Co.

Machinery, Voltas, Zenith and Khandelwal Udyog have been the outstanding firm features. Tata Engineering have also evoked fair support. Shipping and cement shares have displayed a firm tendency. Among automobiles, Premier Automobiles have recorded a further rise, although the best levels have not been sustained. Chemical shares continued to rule firm with Tata Chemicals, Bayer, Indian Dyestuff, Synthetics and Chemicals and Gujarat Fertiliser scoring fair gains. Tyre shares have been quietly steady. New India Assurance have been easy. Paper shares have been steady with West Coast attracting moderate support. Among miscellaneous counters, Premier Construction and United Carbon have been among the bright spots. Tata Oil have ruled steadier while Motor Industries have been subdued by profit-taking. Electric shares have maintained a steady tone.

The Madras stock market has witnessed a mixed trend this past week, although there has been some profit-taking towards the close. In the planting section, Peria Karamalai and Manjushree have attracted business. Cochin Malabar have advanced due to better buying enquiries while Midland have also attracted support. In the textile section, Madura have declined on selling pressure while South India Viscose and Loyal Textiles have also been bought. Anglo-French Textiles have also been in demand on account of encouraging working results for 1971. In the sugar section, Deccan and Andhra Sugar have been favoured while E.I.D. have dropped on selling pressure. Among bank shares, Indian Bank have improved while Indian Overseas Bank have remained steady.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 28/05—28/25—27/65—28/00—(23/35)
Dunlop India 34/05—34/15—33/25—33/50—(39/00)
Guest, Keen, Williams 37/20—37/30—35/90—37/10—(37/30)
Hindustan Motors 10/65—10/80—10/30—10/55—(12/95)
Howrah Jute 9/25—9/25—9/00—9/19—(6/87)
Indian Aluminium 35/85—36/00—35/25—35/60—(38/55)
Indian Cable 24/00—24/20—23/45—23/60—(17/75)
Indian Copper 3/03—3/10—3/03—3/08—(4/15)
Indian Iron 10/15—10/25—9/90—10/06—(11/95)
J. K. Cotton 8/80—8/80—8/60—8/70—(10/80)
Jaipur Udyog 8/15—8/55—8/15—8/55—(9/20)
Jayashree Tea & Industries 17/25—17/31—17/00—17/19—(18/06)
Kesoram Industries 20/55—20/55—19/80—20/35—(16/50)
National Rubber 7/94—8/06—7/75—7/81—(7/50)
Orient Paper 37/50—37/50—36/75—37/15—(39/10)
Orissa Cement 20/90—21/35—20/75—21/30—(18/45)
Rohtas Industries 5/20—5/45—4/90—5/25—(6/10)
Textile Machinery 11/80—12/15—11/70—12/00—(10/65)

Indian Aluminium Shows Excellent Performance

ADDRESSING the annual general meeting of the Indian Aluminium Company Ltd, Mr. H. V. R. Iengar, chairman, said that the Company's plants had performed exceptionally well in 1971. (*A fuller version of the speech was published in last week's issue of Capital.*) The Company's plant in Belgaum has achieved production to the planned extent. Other plants in Muri, Hirakud, Alupuram and Belur have set new records of production. But the foil plant in Kalwa was closed for two months due to labour trouble. A new sheet mill in Taloja has been commissioned. The hot and cold mills have been brought into operation and further finishing facilities will be soon brought into use. The chairman said that there should be a balanced development of both fabricating and smelting capacity since semi-fabricated operational capacity is linked by the Government to smelter capacity at about 50 per cent level. The production of aluminium should be expanded to meet the growing demand of the Indian market. The Company is, therefore, planning to expand its production capacity at Belgaum further.

The Company has had to absorb further large increases in basic raw material costs since prices continued to be controlled at the level fixed by the Government in May 1971. The chairman said that by effecting considerable improvements in efficiency at the Company's plants, it has been possible to show satisfactory results. The Company has applied to the Controller of Capital Issues for permission to issue bonus shares in the ratio of one to two; the approval is still awaited. The reason for the delay is that the matter of bonus issue is linked to a reduction in Alcan's equity in the Company according to the current policy of the Government. The chairman is happy to say that Alcan has indicated to the Company its willingness to conform to the gradual reduction of foreign equity participation. The chairman said that the removal of the aluminium industry from the category of a priority industry and the levy of a surcharge of 2½ per cent on income-tax would have an adverse effect on the Company's results.

AMERICAN EXPRESS

Record Earnings

THE first-quarter consolidated earnings of American Express Company increased by 37 per cent to $24.8 million or 1.04 a share, as compared with $18.1 million or .76 a share last year. This has been disclosed by Mr. Howard L. Clark, chairman and Chief Executive Officer. The net operating income from travel and financial services (other than insurance) increased to $7.9 million from $7.2 million. Gains on sales of investment securities for this group of services were $1.5 million, compared with $1.3 million the year before. The net operating income of the insurance subsidiaries increased to $13.1 million from $7.8 million. Gains on sales of investment securities by these subsidiaries amounted to $2.2 million, against $1.8 million in the first quarter of 1971.

In a comment on the extent of these gains, Mr. Clark said: "While we expect another satisfactory increase in earnings for the year as a whole, the rate of increase may well be less than in the first quarter." He stated that the property-liability insurance subsidiaries continued to show gains in premium volume and earnings and added that their fine performance reflected a continuation of profitable underwriting results in virtually all lines of business along with a continued gain in net investment income. The lower frequency of claims and the reduction in the rate of increase in the average cost of claims that benefited last year's results have continued through the first quarter of 1972.

ANTIFRICTION BEARINGS

Rights Issue

ANTIFRICTION Bearings Corporation is issuing rights shares at par on a one-for-one basis to raise an additional capital of Rs. 69.78 lakhs to meet part of the cost of the Company's expansion programme aimed at raising its production capacity from 464,000 to one million roller and taper roller bearings a year. Most of the imported machinery required for this expansion has been purchased and arrangements have been made for the requisite finance from financial institutions. If all goes well, the enhanced capacity is likely to be commissioned some time in the last quarter of the current year.

The preliminary statement on the Company's working in 1971 shows a small setback, compared with the previous year's performance. Despite a 5 per cent increase in sales, the gross profit is down by about 9 per cent. The fall in profitability is attributed to an increase in the cost of imported and indigenous raw materials and increased wage bill. While sales are up from Rs. 130.38 lakhs to Rs. 137.09 lakhs, the pre-tax profit, after providing Rs. 17.60 lakhs (against Rs. 15.30 lakhs) for depreciation and after making adjustment for certain items relating to previous years, is lower at Rs. 24.03 lakhs, against Rs. 30.61 lakhs in the preceding year. A sum of Rs. 6.20 lakhs (against Rs. 2.25 lakhs) has been provided for development rebate reserve and Rs. 4.50 lakhs (against Rs. 15.50 lakhs) for taxation, and the surplus of Rs. 13.45 lakhs (against Rs. 12.80 lakhs) has been transferred to general reserve. Despite the setback in profits, the dividend has been kept unchanged at 12 per cent on the enlarged capital and it will absorb Rs. 8.27 lakhs (against Rs. 7.20 lakhs).

RATHI STEEL

Share Offer

RATHI Alloys and Steel is offering for public subscription at par 270,000 equity shares of Rs. 10 each and 10,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each to raise part of the finance for its Rs. 1.74-crore project for the manufacture of mild steel, high carbon steel and alloy steel ingots/billets. The list for the public issue, which is fully underwritten, opened on 3rd May and will close on 13th or earlier but not before 5th May. The Company which has been licensed to produce 40,000 tonnes of steel ingots/billets a year has already gone into production in Ghaziabad (U.P.). The first furnace was commissioned in September 1971 and the second one in March 1972. The Company now proposes to install a double strand continuous casting machine with a cogging mill as part of the second phase. The cogging mill plant has already arrived and the Company's application for importing continuous casting plant has been cleared.

The cost of the project, estimated at Rs. 1.74 crores, is being met by the share capital of Rs. 52 lakhs and loans from financial institutions amounting to Rs. 1.22 crores. Out of the present issue of Rs. 52 lakhs in equity and preference shares, the promoters and their associates have taken up Rs. 15 lakhs in equity shares. The balance is now being offered for public subscription. The Company expects a turnover of about Rs. 1.50 crores for the current year ending June 1972. Turnover is expected to rise to Rs. 3.50 crores in 1972-73, to Rs. 4.50 crores in 1973-74 and to Rs. 5 crores in 1974-75. The pre-tax profit is estimated at around Rs. 55.26 lakhs for 1972-73, Rs. 100.80 lakhs for 1973-74 and Rs. 134.48 lakhs for 1974-75. The management expects to be able to pay a dividend of 10 per cent for the year commencing on 1st July 1972.

NATIONAL AND GRINDLAYS: HIGHER PROFIT

IN his chairman's annual statement to the shareholders of National and Grindlays Bank Ltd, Lord Aldington said that he remained sincerely convinced of the value to the economies of developing countries of the support of private industrial and institutional investment from overseas. He said that the private-sector support which included with it managerial and technical involvement was likely to be stronger and better controlled than any technical assistance and contractual arrangements available under inter-Governmental agreements. Investment is vital to development, but trade facilities are equally important if the development of these countries is to prove economically rewarding.

The group pre-tax profit of National and Grindlays Bank Ltd and its subsidiary and associated Companies in 1971 has risen from the previous year's £6,450,000 to £10,520,000. Taxation absorbs £5,500,000 (against £3,360,000). Before charging exceptional items, the group net profit for the year attributable to members of National and Grindlays Bank Ltd amounts to £4,161,000 (against £2,948,000). The amount attributable to members after charging exceptional items of £1,433,000 (against credit £1,164,000) is £2,728,000 (against £4,112,000), of which £2,486,000 (against £3,665,000) has been dealt with in the accounts of the bank. The interim dividends paid and proposed for the year amount to 19 per cent (same) which absorb £2,137,000. After charging exceptional items and the payment of dividends, the amount retained by the group in revenue reserve will be £591,000 (against £1,975,000). Total deposits stand at £849,700,000 (against £817,200,000) and the total advances at £454,400,000 (against £478,000,000).

It is stated that the principal reason for the sharp increase in the trading profit between the two years was the steady improvement in management efficiency. The profit from trading in the United Kingdom declined from the previous year's percentage of 61 to 55, but that from Asia and Africa, respectively, rose from 25 to 27 and from 12 to 18. The largest increase in the percentage share of profit, therefore, flowed from the bank's operations in Africa. The bank's business in India and with India has been well maintained; and deposits in India have continued to rise. It has considered a number of useful additional sterling loan proposals to assist in India's industrial and commercial development. The merchant banking division in India is advising a large number of top class industrial customers.

BANK OF BARODA

Multi-service Agency

BANK of Baroda's Multi Service Agency branch was inaugurated on 25th April, 1972, by the Custodian, Mr. V. D. Thakkar. The Multi Service Agency represents an attempt on the part of Bank of Baroda to translate the ideas of the Thakkar Committee into action with a view to bringing credit within the reach of a vast multitude of social and economic groups. This agency will strive to make credit an instrument of social uplift and of economic welfare of the hitherto neglected sections of society and enable them to earn reasonable income through self-employment. It will provide small borrowers integrated financial assistance as well as a package of technical services, such as procurement of raw materials, management of business and marketing of products. The Multi Service Agency is thus primarily a service agency providing a range of services to a wide spectrum of small borrowers.

CENTURY MILLS

Margins Eroded

THE Century Spinning and Manufacturing Company has maintained the dividend for 1971 at Rs. 45 a share (final Rs. 29 and interim Rs. 16). The preliminary figures show an increase of 5.5 per cent in gross turnover from Rs. 52.62 crores to Rs. 55.52 crores. The gross profit, however, is down by 12 per cent from Rs. 14.85 crores to Rs. 13.09 crores. While the increase in turnover is attributed to a higher volume of production, margins have got eroded by the all-round rise in costs of production on the one hand and lower realisation, particularly from the sale of rayon yarn, on the other.

After providing Rs. 250.37 lakhs (against Rs. 288.61 lakhs) for depreciation, Rs. 26 lakhs (against Rs. 16 lakhs) for development rebate reserve and Rs. 580 lakhs (against Rs. 706 lakhs) for taxation, the net profit amounts to Rs. 453.24 lakhs, against Rs. 474.51 lakhs in the preceding year. Together with the refund of income-tax and certain provisions no longer required, the disposable surplus amounts to Rs. 509.77 lakhs (against Rs. 474.51 lakhs). Allocations include gratuity Rs. 104.14 lakhs (against nil), interim dividend Rs. 56.78 lakhs (same), general reserve Rs. 200 lakhs (against Rs. 307.73 lakhs) and dividend equalisation reserve Rs. 148.85 lakhs (against Rs. 110 lakhs). The final equity dividend and preference dividend absorbing Rs. 115.77 lakhs (same) are to be paid out of dividend equalisation reserve. The Company's gross block has increased from Rs. 41.01 crores to Rs. 43.24 crores over the year. The net block is lower at Rs. 13.09 crores, against Rs. 13.30 crores at the end of 1970.

The Company is reported to have maintained its performance so far in the current year. The outlook for the textile division has improved because of the fall in cotton prices. The Rs. 13-crore cement plant is expected to go into production by the end of 1973. The plant will have a capacity of 600,000 tonnes of cement a year. The Company has not yet received a licence for setting up a seamless steel pipes plant. The Government's consent to the proposed one-for-one bonus issue is still awaited.

The Company has decided to revive the application made to the Controller of Capital Issues some two years ago for the issue of bonue shares on a one-for-one basis by capitalising Rs. 3.55 crores from general reserve. The original application could not be favourably considered by the Government in view of its policy not to allow more than two bonus issues in a period of five years. Since this time limit is now over, the Company has revived the application.

TINPLATE CO.

Sales and Profit Up

THE Tinplate Co. of India Ltd shows satisfactory working results for 1971. Sales are up from the previous year's Rs. 17.28 crores to Rs. 20.40 crores and the profit before taxation has risen from Rs. 90.62 lakhs to Rs. 1.04 crores, after allocating Rs. 6.23 lakhs (against Rs. 5.73 lakhs) for depreciation. A taxable final ordinary dividend of 10 per cent has been declared and this together with an interim dividend of 7.5 per cent makes a total dividend of 17.5 per cent for the year. Taxation is allocated Rs. 60 lakhs (against Rs. 53.64 lakhs), development rebate reserve Rs. 4.57 lakhs (against Rs. 3.97 lakhs) and general reserve Rs. 46.25 lakhs (against Rs. 14.70 lakhs). After making other adjustments, there is a balance of Rs. 2,756 which is carried forward, against Rs. 5,629 brought in. The directors say that during the year under review the necessary import licences were obtained and no difficulty was experienced in maintaining production.

SCINDIA

Role in Growth of Shipping

SPEAKING at the ninth national maritime day celebration in Calcutta recently, Mr. N. M. Trivedi, Manager of the Calcutta branch of the Scindia Steam Navigation Company, highlighted the progress of Indian shipping. He said that its phenomenal growth can be seen from the fact that from the pre-independence 192,000 g.r.t., the volume today had exceeded 2.7 million. Furthermore, on the eve of independence, Indian ships were allowed to ply only in the coastal and near regions, while today Indian shipping is plying on all the oceans of the world and carries at least 45 per cent of the liner trade and about 21 per cent of the total foreign trade of India. It can thus be said that the pioneering efforts of the Scindia Company during the early days has borne fruit.

BLUE STAR : GOOD RESULTS

BLUE Star has reported substantially improved results for 1971. Sales at Rs. 9.68 crores show an increase of 15 per cent over the previous year's figure of Rs. 8.39 crores and the gross profit has gone up by as much as 40 per cent from Rs. 30.22 lakhs to Rs. 42.22 lakhs. The dividend has been maintained at 12 per cent but since it is payable this time on the capital enlarged by the one-for-four rights issue, the total distribution will be higher at Rs. 9.23 lakhs, against Rs. 7.53 lakhs in the previous year. After providing Rs. 4.78 lakhs (against Rs. 3.88 lakhs) for depreciation, Rs. 65,000 (against Rs. 78,000) for development rebate reserve and Rs. 23.30 lakhs (against Rs. 14.94 lakhs) for taxation, the net profit for 1971 amounts to Rs. 13.69 lakhs, against Rs. 10.62 lakhs in the previous year. After adjustments, a sum of Rs. 13.93 lakhs (against Rs. 10.80 lakhs) has been transferred to general reserve out of which the proposed dividend will be paid.

GLOBE AUTO

A Prosperous Year

GLOBE Auto Electricals has stepped up the dividend for 1971 from 6 per cent to 8 per cent. This follows an impressive improvement in the Company's working during the year and prospects of still better performance in the current year. Sales in 1971 at Rs. 1.78 crores show an increase of about 34 per cent over the previous year's figure of Rs. 1.33 crores and with gross profit jumping by as much as 90 per cent from Rs. 6.42 lakhs to Rs. 12.12 lakhs, the ratio of profit to sales has improved from around 4.8 per cent to 7 per cent. After providing Rs. 2.67 lakhs (against Rs. 2.11 lakhs) for depreciation, Rs. 4,357 (against Rs. 61,138) for development rebate reserve and Rs. 2.75 lakhs (against nil) for taxation, the net profit amounts to Rs. 6.66 lakhs, against Rs. 3.70 lakhs in the preceding year. After adjustments, the disposable surplus amounts to Rs. 6.11 lakhs (against Rs. 3.70 lakhs).

The Company's sales during the current year are expected to show an increase of about 45 per cent over the 1971 figure. The order-book position is good and important orders from defence and other customers are under execution. The demand for automobile ancillary products is on the increase. The Company's research and development laboratory has developed new types of products for heavy commercial vehicles and tractors. The Company expects to achieve a turnover of about Rs. 5 crores by 1975.

PODAR MILLS

Margins Squeezed

PODAR Mills has maintained the dividend for 1971 at 10 per cent. The preliminary figures, however, indicate an erosion of margins due to an increase in production costs without a compensating rise in the selling prices of products. Despite a rise of over 13 per cent in sales from Rs. 6.86 crores to Rs. 7.77 crores, the gross profit is down by 6.5 per cent from Rs. 67.24 lakhs to Rs. 62.86 lakhs. After providing Rs. 28.35 lakhs (against Rs. 26.14 lakhs) for depreciation, Rs. 22 lakhs (against nil) for development rebate reserve and with no tax liability as before, the net profit works out to Rs. 12.51 lakhs, against Rs. 41.10 lakhs in the previous year. After adjustments, a sum of Rs. 13.64 lakhs (against Rs. 40.81 lakhs) has been transferred to general reserve out of which the proposed equity and preference dividends absorbing Rs. 15.50 lakhs will be paid. Arrears of development rebate reserve at the end of 1971 amounted to Rs. 40 lakhs. The Company will not have any tax liability for the current year as well.

In view of the substantial decline in cotton prices, the Company expects to show improved results for the current year. The Company spent Rs. 35 lakhs in 1971 on modernisation and renovation. It has chalked out a programme of renovation estimated to cost Rs. 1.50 crores over the next three years. When completed, it will result in a marked improvement in the Company's operational efficiency. The programme is proposed to be financed with internal resources and borrowings.

DUNLOP

Awards Won

TWO Dunlop publications have won first prizes in the 1971 Annual Awards Competition organised by the Indian Association of Industrial Editors. The Company's house magazine, *Dunlop Gazette*, was adjudged the best external magazine and the *Story of the Wheel*, an illustrated booklet, covering the history of wheels through the ages, was considered the most prestigious publication.

SWASTIK RUBBER

Sales and Profit Rise

SWASTIK Rubber Products Ltd has recommended payment of an unchanged dividend of 12 per cent on equity capital, and 9 per cent and 9.5 per cent on preference shares for the year 1971. The Company's sales have gone up to Rs. 7.37 crores, against Rs. 6.04 crores in the previous year. The pre-tax profits, after providing Rs. 29.02 lakhs for depreciation calculated on the straight-line basis, amount to Rs. 30.54 lakhs, against Rs. 22.18 lakhs in the previous year. The amalgamation of the Bank of Maharashtra Ltd with Swastik has become effective from 31st December, 1971, on getting the consent of the Controller of Capital Issues. The capital base of the Company has been substantially enlarged. The additional funds obtained by the Company will be utilised for implementing the schemes submitted at the time of the merger proposal and it is hoped that these will add to the growth and profitability of the Company.

BLUNDELL EOMITE

Half-yearly Results Improve

BLUNDELL Eomite's pre-tax trading profit (unaudited) for the six months ended December 1971 has increased by 48 per cent to Rs. 14.63 lakhs (against Rs. 9.88 lakhs), after providing Rs. 3.50 lakhs (against Rs. 3.51 lakhs) for depreciation. This substantial improvement in results has been achieved by concentrating more on profitability than on higher sales, although turnover is also expected to show a satisfactory improvement by the end of the year. The Company has decided to repeat an interim dividend of 4 per cent. It is expected that this dividend will be paid without any duduction of tax at source out of the tax exempt income from the Company's new industrial undertaking in Thana.

KOTHARI SUGARS

New Plant

KOTHARI Sugars and Chemicals Ltd is going ahead with its expansion programme in establishing a new sugar factory in Bellary district of Mysore State. The new sugar plant in Mysore will have a daily crushing capacity of 1,500 tonnes of sugarcane. The estimated cost of the project is Rs. 3.60 crores. The scheme is being financed partly by loans and internal finance and partly by the issue of rights shares. It is said that Rs. 80 lakhs will be raised through the issue of rights shares at par. The balance of Rs. 2.8 crores will be met through medium-term loans and retained earnings. The Company has obtained permission from the Controller of Capital Issues for making the rights issue. The directors expect the new factory in Bellary to be commissioned in the 1973-74 season. The Company is also making arrangements to cultivate sugarcane around the factory. Sugar recovery is expected to be 10.5 per cent.

REGAL PAPERS

A New Venture

REGAL Papers is setting up India's first high gloss cast-coated paper plant in Ghaziabad with completely indigenous know-how. The project, which is estimated to cost about Rs. 80 lakhs, is entirely technician-oriented. The plant is expected to produce 1,500 tonnes of paper annually. If all goes

well, the plant is likely to go into commercial production in July 1973. The cost of the project (Rs. 80 lakhs) is proposed to be met from the share capital of Rs. 28 lakhs, a foreign currency loan of Rs. 32 lakhs from the I.C.I.C.I. and borrowings of Rs. 20 lakhs from other financial institutions. The Company proposes to raise Rs. 17.50 lakhs in equity and preference shares from the market in June. Equity shares worth Rs. 10.50 lakhs are being taken up by the promoters, thus making up the share capital of Rs. 28 lakhs. The Company hopes to earn a gross profit of about Rs. 15 lakhs on a turnover of about Rs. 80 lakhs in the first year of its operations. Sales in the second year are expected to rise to Rs. 1.20 crores yielding a gross profit of about Rs. 32 lakhs. The promoters are hopeful about a maiden dividend after 18 months of the Company going into commercial production.

GOODYEAR

Record Sales Expected

ACCORDING to Goodyear, tyre manufacturers in the U.S.A. should be able to increase their unit sales by 5 per cent this year. Revenues are also expected to increase by 7 per cent or 8 per cent due mainly to the increasing market share of the higher priced biasbelted tyres. Goodyear, which expects to fare much better, has forecast record sales and earnings in the first quarter of this year. These should outstrip the record $809 million sales in the first quarter of 1971, and the highest ever first-quarter earnings of $33.1 million achieved in 1969.

RAYMOND WOOLLEN (KENYA)

Excellent Results

RAYMOND Woollen Mills (Kenya), a subsidiary of Raymond Woollen Mills, Bombay, has reported highly encouraging results for 1971, enabling the management to declare a maiden dividend of 10 per cent. With sales up from 3.39 million Kenya shillings (Rs. 32.3 lakhs) to 5.98 million Kenya shillings (Rs. 56 lakhs), the net profit has gone up from a mere 201,000 Kenya shillings (Rs. 1.91 lakhs) to 1.58 million Kenya shillings (Rs. 15 lakhs). The Indian parent Company will receive 180,000 Kenya shillings (Rs. 1.7 lakhs) by way of dividend on its investment, besides the management fee of 175,000 Kenya shillings (Rs. 1.7 lakhs) subject to local taxes.

AHMEDABAD ADVANCE

Sales Up but Profit Down

AHMEDABAD Advance has suffered a sharp setback in its working in 1971. While sales are up by about 16 per cent from Rs. 8.26 crores to Rs. 9.65 crores, the gross profit has declined by 45.5 per cent from Rs. 92.69 lakhs to Rs. 50.60 lakhs. The dividend has been maintained at Rs. 12 a share. The new 21,000 shares issued during the year rank for dividend for five months of the year. Allocations include depreciation Rs. 30.65 lakhs (against Rs. 33.97 lakhs), development rebate reserve Rs. 5.80 lakhs (against Rs. 19.50 lakhs), taxation nil (against Rs. 16 lakhs), contingencies reserve Rs. 5 lakhs (against nil) and general reserve Rs. 9.10 lakhs (against Rs. 23.20 lakhs). The proposed dividend absorbing Rs. 14.36 lakhs (against Rs. 13.31 lakhs) will be paid out of general reserve.

CHEMOPULP TISSUES : SHARE OFFER

CHEMOPULP Tissues Ltd will be shortly entering the capital market with an issue of 120,000 equity shares of Rs. 10 each and 4,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each at par. The issue is fully underwritten by U.P. State Industrial Corporation Ltd and leading brokers. Rs. 2.50 a equity share and Rs. 25 a preference share are payable on application. The subscription list will open on 17th May, 1972 and close on 27th May, 1972 or earlier but not earlier than 20th May.

The Company's factory in Gaziabad (U.P.) is nearing completion and will be commissioned by September this year. The Company will be making 1,750 tons of tissue paper a year. There is a keen demand for different categories of paper. Within the total demand of various categories the demand for tissue papers has shown a faster rate of growth than those of any other variety. The production from the Company's unit is expected to find easy sale since the demand for such paper exceeds the existing production capacity. The directors, therefore, feel that, subject to unforeseen circumstances, the Company shoud be able to pay a reasonable dividend to the holders of equity shares from the second year of its operation.

STANDARD MILLS

Better Results

STANDARD Mills has turned out substantially improved results for 1971, with both sales and profit about 11.5 per cent higher than in 1970. The dividend, however, has been kept unchanged at Rs. 28 a share. Sales, net of excise duty of Rs. 2.80 crores (against Rs. 2.47 crores), have gone up from Rs. 25.21 crores to Rs. 28.14 crores and the gross profit has increased from Rs. 3.79 crores to Rs. 4.23 crores. After providing Rs. 1.77 crores (against Rs. 1.53 crores) for depreciation, Rs. 33.88 lakhs (against Rs. 23.85 lakhs) for development rebate reserve and Rs. 68.30 lakhs (against Rs. 38.25 lakhs) for taxation, the net profit amounts to Rs. 144.50 lakhs, against Rs. 163.94 lakhs in the preceding year. After taking into account tax credit certificates in respect of earlier years amounting to Rs. 4.12 lakhs and after providing Rs. 12.98 lakhs for taxation for an earlier year, the disposable surplus comes to Rs. 135.64 lakhs out of which a sum of Rs. 86.90 lakhs (against nil) has been transferred to tax exempt profits reserve and Rs. 48.74 lakhs (against Rs. 163.94 lakhs) to general reserve. The proposed equity dividend amounting to Rs. 49.17 lakhs (same) and the preference dividend claiming Rs. 68,640 are to be paid out of general reserve. A substantial part of the equity dividend is likely to be exempt from tax. The Company expects to further improve upon its performance this year. The capacity of its chemical division is being expanded considerably. Besides, the textile division is likely to fare much better because of the considerably cheaper raw material prices.

ANIL STARCH

Bigger Dividend

THE preliminary statement from Anil Starch Products on its working results for 1971 shows a marked improvement over the previous year's performance. The dividend has been stepped up from 10 per cent to 12 per cent and the enhanced dividend is payable on a capital as increased by the one-for-three bonus issue. The total distribution on equity shares will be Rs. 11.95 lakhs, against Rs. 7.47 lakhs in the preceding year. While net sales, including other receipts, are only slightly better at Rs. 7.56 crores, against Rs. 7.47 crores in the preceding year, the gross profit has gone up by as much as 142 per cent from Rs. 22.42 lakhs to Rs. 54.32 lakhs. The ratio of profit to sales has improved from around 3 per cent to 7.2 per cent. After providing Rs. 25.09 lakhs (against Rs. 30.21 lakhs) for depreciation and Rs. 8.30 lakhs (against nil) for development rebate reserve. the year's working shows a net profit of Rs. 20.87 lakhs, against a net loss of Rs. 7.79 lakhs in the preceding year. After certain adjustments, a sum of Rs. 19.49 lakhs has been transferred to general reserve. The proposed equity and preference dividends absorbing Rs. 12.30 lakhs (against Rs. 7.82 lakhs) will be paid out of general reserve.

The Company has changed the method of calculation of depreciation which has resulted in an excess provision of Rs. 44.78 lakhs for past years and this amount has been transferred to general reserve. In view of the change in the method of accounting, the net profit is increased by Rs. 7.45 lakhs. Subject to the sanction of the Controller of Capital Issues, the board has decided to issue 100 equity shares of Rs. 100 each at par or at a premium to be issued to persons decided by the board, with a view to bringing the issued capital to a round figure of 100,000 shares.

EMPIRE JUTE

Dividends Skipped

AFTER providing Rs. 3.74 lakhs (against Rs. 4.45 lakhs) for depreciation and Rs. 18,000 (against Rs. 1.27 lakhs) for development rebate reserve, the profit of the Empire Jute Co. Ltd has amounted to Rs. 8.42 lakhs for the year ended July 1971, against one of Rs. 8.48 lakhs in the previous year. The dividends have been skipped. After transferring Rs. 39,000 (against Rs. 19,700) from development rebate reserve and making other adjustments, there is a debit balance of Rs. 5.65 lakhs which is proposed to be carried forward, against a debit balance of Rs. 14.46 lakhs brought in. Sales have increased from Rs. 2.10 crores to Rs. 2.84 crores.

CANARA BANK

Impressive Performance

THE Canara Banking Corporation (Mangalore) did exceedingly well in 1971, making rapid strides in all directions—branch expansion, deposit mobilisation, credit disbursement and advances to the priority sectors. The bank opened as many as 24 new branches in 1971, against only two in the preceding year, taking the number of branches at the end of the year to 104—up 30 per cent over the previous year-end figure of 80. Deposits increased over the year by 39.5 per cent from Rs. 22.41 crores to Rs. 31.27 crores and advances by 35.3 per cent from Rs. 15.32 crores to Rs. 20.67 crores. Credit made available to the priority and neglected sectors at Rs. 4.48 crores showed an increase of 67.5 per cent over the previous year-end level of Rs. 2.67 crores; and it formed 21.8 per cent of the bank's total advance at the end of Decembr 1971. The number of accounts under the priority and neglected sectors increased from 2,294 to 4,088. The bank has also taken up financing of primary agricultural co-operative societies.

The net profit made by the bank in 1971, after making the usual provisions, including taxation and payment of bonus to staff, is higher at Rs. 6.22 lakhs out of which a sum of Rs. 1.25 lakhs has been transferred to the statutory reserve fund. The unchanged equity dividend of 10 per cent absorbs Rs. 2.50 lakhs while preference dividends take up Rs. 83,000.

TATA CHEMICALS

Sales Up

TATA Chemicals has maintained the upward trend in production as well as in sales. The output of soda ash during the first nine months of the current financial year (July to March) is placed at 180,188 tonnes, representing an increase of 24,884 tonnes (or 16 per cent), compared with the production in the corresponding period of the previous year. The total value of sales (inclusive of excise duty) of all products has gone up by Rs. 2.42 crores (or 28.3 per cent) to Rs. 10.89 crores, the corresponding figure for 1970-71 being Rs. 8.56 crores.

ENFIELD INDIA : RECORD SALES

THE directors of Enfield India Ltd have stepped up the equity dividend to 12 per cent for the year ended December 1971 from 10 per cent in the previous year, following an excellent performance with a rise in both profit and sales. Total sales reached a record figure at Rs. 729.30 lakhs (against Rs. 641.19 lakhs). The profit amounts to Rs. 24.27 lakhs, after providing Rs. 20.91 lakhs for depreciation. This compares with the previous year's profit of Rs. 20.13 lakhs, after providing Rs. 20.27 lakhs for depreciation. Adding to this profit Rs. 26,958 brought forward from the previous year, Rs. 1.16 lakhs being development rebate written back, and Rs. 39,064 being provisions no longer required, there is a total sum of Rs. 26.09 lakhs available for appropriation. Out of this, a sum of Rs. 3.65 lakhs (against Rs. 3.10 lakhs) is transferred to development rebate reserve. Donations amount to Rs. 58,122 (against Rs. 25.551). The preference dividend at 9.50 per cent absorbs Rs. 95,000 and the equity dividend will claim Rs. 8.76 lakhs. Bonus for the previous year amounts to Rs. 3.44 lakhs. A sum of Rs. 8.50 lakhs (against Rs. 9 lakhs) is transferred to general reserve. The balance of Rs. 20,112 is being carried forward.

The Company has embarked on a big expansion programme. With the installation of balancing equipment at the existing Tiruvottiyur factory, near Madras, it is expected that there will be an improvement in output of motor-cycles at 13,000 in 1972. Arrangements are now being made to establish an entirely new factory in the backward area of Ramanathapuram district. The total capital outlay on this project is Rs. 95 lakhs. While internal resources will be utilised to the extent of Rs. 21 lakhs, the balance of Rs. 74 lakhs will be raised through loans.

COMMODITIES

Cost of Production in Bangladesh Jute Mills May Go up, Warns Expert

A LEADING jute technologist of Bangladesh, Mr. A. S. M. Sahid, is of the opinion that "our jute industry has survived so long practically on export bonus vouchers and not on its own efficiency". In an article published in a recent issue of the *Bangladesh Observer,* he feels that the export bonus voucher scheme having been withdrawn, the industry in Bangladesh will have to face direct competition with not only the jute industry in India and other countries but also the home-based mighty synthetic substitutes industry in the international market. Meanwhile, the price of raw jute has shot up sharply and workers have been pressing hard for higher wages and additional fringe benefits. For meeting these additional and unforeseen demands, the cost of production is likely to be inflated.

Mr. Sahid says that the industry has played a vital rôle in the economic growth of Bangladesh during the past 18 years or so and has provided a springboard for the training of industrialists and the first generation of professional managers, supervisors and skilled workers. They can well continue to play their significant rôle in the all-round development of the country, provided they can manage to keep their workers in good humour by offering periodic wage increases to absorb the impact of soaring living costs. But unless labour also plays its rôle in increasing its overall output, how can the industry meet the incidence of higher wages without shifting the additional burden on the shoulders of the ultimate consumers, arousing their stiff resistance and encouraging the substitution by alternative products, processes and practices ?

Mr. Sahid says that in spite of the brand new condition of the machinery, productivity is terribly low in the industry. The mills hardly attain 55 per cent efficiency in hessian and 65 per cent in sacking. He complains that there is no uniformly accepted norm for computing the efficiency of an establishment. The practice varies from mill to mill. Some units assess their efficiency on the basis of the operating looms and spindles, while in others, the criterion is the total number of looms and spindles installed. When there is such a divergence of approach in such a simple matter, there is little uniformity.

Changed Context

Hence, in the totally changed context now, Mr. Sahid pleads, the Bangladesh jute industry has to concentrate on such prerequisites as management qualifications, standardisation, quality control in production, precise job description, specification and rationalisation, and the like. In the absence of the essential facilities for training up managerial, engineering, processing, technical supervisory cadres and skilled workers, Mr. Sahid advocates the prompt setting up of suitable institutions by the allotment of wartime priorities. As there is little time to lose, he suggests that the existing supervisory and skilled cadres should better be offered short refresher courses or part-time lessons, so as to fill the vacuum as quickly as possible.

Talks on Strike Threat

Following the failure of the third round of the tripartite wage talks in Calcutta on Saturday, the rival groups of trade unions, including the I.N.T.U.C., A.I.T.U.C., C.I.T.U. and the two U.T.U.C.s, who had submitted separate charters of demands were believed to have come closer to pursue their strike threat unless the employers agreed to offer a scaled-down minimum wage of Rs. 265 a month. But there were rumours of a division in the ranks of employers with the heavily booked few preferring to buy a settlement on dictated terms and the rest adhering to their rigid stand of agreeing to a wage level of Rs. 210 or Rs. 215, against the existing rate of Rs. 189. In the absence of a precise formula for working out the figure acceptable to either party, arbitrary bargaining seems to be the only method now open to avert a crisis.

An I.J.M.A. team had reportedly been in New Delhi and sought the immediate intervention of Mr. L. N. Mishra, Central Minister for Foreign Trade, for averting the showdown. He was stated to have contacted the West Bengal Chief Minister, Mr. S. S. Ray, over the telephone and had asked him to send the State Labour Minister, Dr. G. D. Nag, to New Delhi for an immediate meeting. Dr. Nag had a meeting with the Foreign Trade Minister and the representatives of the industry and trade unions at an informal round of talks on Tuesday and Wednesday. Meanwhile, charging managements with having adopted an "adamant attitude" the I.N.T.U.C. had urged the Central Foreign Trade Minister to "exercise his influence in averting the strike."

Load Shedding

Production in 22 jute mills, representing 35 per cent of the manufacturing capacity, on both banks of the Hooghly, came to a halt at different hours on Tuesday following extensive load-shedding by the Calcutta Electric Supply Corporation. The areas affected by the power cut were Bhatpara, Bhatpara North, Garulia, Agarpara, Barrackpore and Howrah South. In view of an already critical shortage in certain categories of jute goods, the production loss of approximately 1,600 tonnes valued at Rs. 60 lakhs is bound to have serious consequences on the industry's domestic as well as export trade, apart from aggravating industrial relations by causing the lay-off of workers.

Divergent Trends in Gunnies

After a hectic spell of buoyant price-upsurge in hessian, the Calcutta gunny market developed divergent trends during the past week. Considerable hopes were pinned on the third round of tripartite wage talks on Saturday, but they were belied when the parties failed to agree to an acceptable minimum wage. While the employers stuck to Rs. 210 or Rs. 215, against the current rate of Rs. 189, the State Labour Minister adhered to his earlier suggestion of Rs. 235 and the rival trade unions scaled down their demand from Rs. 300 to Rs. 265. The unions were reported to have argued that since a losing industry like the engineering offered a minimum wage of Rs. 245, the jute industry which had been enjoying "boom" conditions should settle around a higher figure. Some said that since the workers had gained Rs. 35.60 at the time of settlement of the strike in 1969, the settlement this time, if it was to take place without a strike, should offer more than that figure. But the employers appeared to be divided on the issue of buying a settlement. The crux of the problem appeared to be that neither the employers nor the employees had any scientific basis to fix up the reasonable wage. Wages were not fixed on the basis of what the industry could bear but through hard bargaining between the parties. Hence Clive Row was inclined to believe that whatever might be the final outcome, the settlement would impose a further burden on the production cost which, in the final analysis, was to be passed on to the shoulders of the ultimate consumers with all the resultant complications. Reports of satisfactory shipping instructions, the proximity of end-April settlement and fears of the threatened strike ultimately governed market sentiment. The bears were severely mauled for their folly in keeping their forward sales uncovered and had to square up their outstanding open positions by conceding rising prices. Since mid-week, the trend turned quieter with the elimination of the covering demand. But despite paring of the top gains, turnover declined appreciably. Sacking was neglected throughout. The registration of T.S.D. and N.T.S.D. contracts for sacking for the first four days of the week at around 7,600 bales revealed a sharp drop from the comparable level of the previous week at some 22,000 bales. This abnormal easiness, particularly in the last week of the month indicated a very weak technical position. Turnover was moderate in hessian and small in sacking. The closing undertone was easier.

Latest available quotations (in rupees) at the Calcutta market were as follows:

	May	June	July-Sept.
40in. 7½oz.	86.00	82.00	77.00
40in. 8oz.	94.00	—	—
40in. 10oz.	108.00	104.00	99.50
B Twills	283.00	277.00	268.00
Heavy Cees	284.00	277.00	268.00
Cornsacks	—	—	—
A Twills (U.S.)	339.00	355.00	331.00
Liverpools	332.00	328.00	316.00

Latest available quotations (in Bangladesh rupees) issued by the Bangla Desh Jute Mills Association were as follows :

	May-June	July-Sept.
40in. 7½oz.	82.75	81.75
40in. 10oz.	109.00	107.00
B Twills	267.00	265.00
Heavy Cees	268.00	266.00
Cornsacks	272.00	271.00
Carpet-backing	4,900	4,700

The raw jute market ruled sluggish almost throughout the past week but staged a moderate recovery on Saturday despite inadequate support from mills and mill agents. Industry circles complained of a shortage in the availability of selected grade fibre for batching purposes. They were in short supply in the market too and commanded a handsome premium which the buyers had to concede in spite of reducing their offtake. The impending strike threat was casting its lengthening shadows on the fibre market. Most mills preferred to reduce their offtake to the barest minimum levels. The threat of the imposition of minimum statutory prices by the Government of India and their drastic enforcement at all levels and the prevailing shortages and high prices of fibre in Bangladesh called for caution. Since the hopes of receiving abundant supplies of the early crop from Bangladesh have been dampened, industry and trade circles appeared to be worried over the ultimate prospects. Some bulls had still been operating in Calcutta and secondary fibre markets, adhering to their limited holdings in expectation of much higher prices as the season would draw to a close. The weather was dry in the Gangetic West Bengal and the Damodar valley districts, causing considerable damage to jute plants on irrigated plots. The condition of the early sown areas in north Bengal, Assam, north Bihar and Cooch Behar was reportedly good. Arrivals hovered around some 20,000 maunds a day in the upcountry markets. But the quality was definitely of lower than average grades. Turnover was small. The closing undertone was steady.

Latest available quotations (in rupees) at the Calcutta market were as follows:

	May-June Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	154.06	143.34	53.50
Northern Jute	148.70	137.98	51.50
Western Desal Jute	139.32	128.60	48.00
Selected Daissec	170.13	159.41	59.50
Assam-Agartala Tossa	167.45	156.74	58.50
Mesta :			
Assam Mesta	135.30	127.26	47.50
Selected Daissee Murshidabad	131.20	123.24	46.00
Bihar Dist.	120.57	109.85	41.00

SERVICE WORLD-WIDE

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The Vijaya Bank Ltd.

Regd. Office: Light House Hill Road, Mangalore-3.
Admn. Office: Race Course Road, Bangalore-1.

Statement by the Chairman Shri Mulki Sunder Ram Shetty

at the 40th Annual General Meeting of the Shareholders of the Bank held at Mangalore on April 28, 1972

Ladies & Gentlemen,

It is my privilege today to welcome you to the 40th Annual General Meeting of the Bank. Our performance in the period under review has been creditable as will be seen from the figures before you. I take it that you have already read the Balance Sheet and Profit and Loss Account for the year 1971.

Shri Mulki Sunder Ram Shetty

The Economic Scene in 1971

In the year left behind, the political arena in the country was dominant, and replete with events, some of which led the country to the crest of history. Early in the year the setting up of a stable government at the centre, with a thumping majority for the ruling group in the general elections to Parliament was the big event in our political scene. Soon started the refugee problem by the influx of evacuees from East Pakistan culminating in a fourteen day war at the end of the year. While the war with Pakistan left some small dents in our economy it also built up an image for us in the world of nations, created greater confidence in us and a new spirit to meet the emerging challenges. It must also be said to the glory of the nation that all political parties stood solidly behind the government throughout this period of crisis.

There were natural calamities like floods and droughts in different states, including a devastating cyclone. The familiar features of inflation, rising costs, labour unrest and unemployment did however have their natural repercussions. The financial burden on our economy increased so heavily that additional taxation had to be resorted to by the government in the middle of the year. The dollar crisis and the consequent stir in the exchange market were dealt with by our government with an alert awareness of the international monetary situation. Exports were kept up and the foreign exchange reserve was satisfactory during the year. As the year progressed the economy showed distinct signs of slackening, with a pronounced slowdown in industrial production, but as a redeeming feature, the production of food grains was maintained.

It is against this background that we examine the performance of our Bank, a bank in the private sector working in close competition with the other larger banks spread all over the country.

The Banking System

The year 1971 was a fairly successful year of steady growth for all the banks. The average growth of deposits for all the banks in India together was 20.6% as against 16.4% in 1970. The number of branches increased to 12,985 from 11,184 in the last year. On an average 150 new bank offices per month were opened in 1971. The average population served by a branch of the bank declined to 42,000 in December 1971 from 52,000 in December 1970, and 65,000 in June 1969. The banks met their challenge of deposit mobilisation with added vigour to take the total deposits to Rs. 6,85(crores at the end of the year 1971. The credit needs of the priority sectors continued to get support from all the banks. The total advances of all banks stood at Rs. 4,966 crores at the end of the year. The credit expansion in the banking system was only 11.5% in 1971 as against 23.1% in 1970. Unlike in 1970, deposits did not lag behind credit in 1971. The average credit deposit ratio was as high as 77.4% in 1971 but the bank borrowings from the Reserve Bank to meet credit needs were less than in the previous year.

The report of the Banking Commission set up in 1969 has already been presented to the Parliament. Further developments in the structure and organisation of banking in the country are awaited, depending on the extent of the government's acceptance of the Commission's recommendations.

The deposits of our Bank stood a Rs. 43.64 crores on December 31, 1971 The increase in deposits was 58% a against the average growth of 20.6% of all the banks. For us three successive years have been record years. To keep up the momentum was a big challenge. To have kept it was a proud achievement.

It is no small pride for us to give you a flash back. Ten years ago in 1961 our deposits stood at only Rs. 1.44 crores. In May 1962 your present Chairman took over as the Honorary Chairman of the Bank. Seven years later, in May 1969 when the Honorary Chairman was appointed as the full-time Chairman and Chief Executive of the Bank, the deposits were below Rs. 15 crores. In a few months, by 1969 December, it was Rs. 18.71 crores, an increase of 42% over 1968. In 1970 it was Rs. 27.52 crores, an increase of 47% over 1969. In 1971 it was Rs. 43.64 crores, an increase of over 58% over 1970, probably the highest among banks in the country. I repeat, it was a record for us. Our advances increased by 47% in 1971 and stood at Rs. 25.84 crores with the average credit deposit ratio in 1971 at 63.35%. As you will see from the Balance Sheet, our working results were encouraging. Our gross earnings rose by nearly 53% and our net profit by about 75% to enable us to step up our rate of dividend this year to 12%.

We have opened 15 branches in the year 1971, taking the total number of branches to 141 at the end of the year. 75% of our branches are in the rural and semi-urban areas and 25% in urban and metropolitan areas. Today, we have over 150 branches. Our target for the year is 200 branches. Against 21 branches in 1961, you can imagine the long way that we have travelled these 10 years.

Current Year

The potential for further deposit growth through branch expansion still exists. But banks have now to go slow and be more selective in their approach to branch expansion. Unless a village or a town is a really potential centre, the banks should not venture into such places. Wastage of manpower and other resources has to be eliminated. Nevertheless, the Reserve Bank of India has programmed the opening of 5,000 branches, in the next 3 years which should work out at about 140 branches a month. In the face of this proposed massive expansion, to what extent an individual bank in the private sector can grow in the years ahead is a matter of guess. But from the growth achieved in the last few years I am as optimistic as ever. Let us hope for the best. It was not a mere expansion for us in 1971 but more a consolidation of our position in centres where we had established earlier.

We obtained in the year under report a licence to deal in foreign Exchange. We have opened a Foreign Exchange Department in our Bank to deal in all foreign currencies. Your Chairman went abroad to establish contacts with some of the foreign banks in the month of October 1971. The Bank has now account and agency arrangements with many of the leading banks in other countries. The Bank is at present conducting foreign exchange operations from seven centres—Bangalore, Mangalore, Bombay, Madras, Cochin, Delhi and Hyderabad. More centres will be covered as and when it is deemed necessary.

Personnel

At the end of 1970 we had on our staff 1,462 persons of all categories. At the end of 1971 the strength was just 1,896, an increase of 30%. Our staff deposit ratio stood at 52 per crore of deposits at the beginning of the year. It has declined to 43 per crore at the end of 1971. Our working ratio of salaries and allowances to gross earnings declined from 33⅓% in 1970 to 29% in 1971.

Our growth is fast and the need for training our staff is engaging our attention. In addition to training them in our own Training Institute, we send some of our officers to courses conducted by the Reserve Bank of India and other training establishments in the country. Our Chief Accountant was at the Administrative Staff College, Hyderabad, for a short course on financial administration. We had sent one of the officers in our agricultural advance cell for a course on Farm Credit Management conducted by the Indian Education Committee, New Delhi. The 23-day course included 18 days tour of Thailand, Philippines, Japan, South Korea and Hong Kong. We propose to depute one of our senior managers to attend the International Banking Summer School in the United States and another officer to Germany for training in foreign exchange. We have plans to train more of them both in and outside India. On the initiative taken by the Reserve Bank of India, a combined staff training college is soon to be set up at Coimbatore for the non-nationalised banks in South India. It will interest you to know that your Chairman has been elected as the first Chairman of the governing body of the combined staff college.

In a developing institution, no single individual at any level is expected to shoulder the increasing demands for technical competence. What we have yet to do therefore is a further streamlining of our administration in keeping with current management thinking. The pattern of banking has changed. As I said a year or two ago, the old concepts in the management of men, money and material are being pushed out of vogue by the rising tide of social and scientific forces. What is demanded of banks is a high degree of resilience in set up, staff and structure to meet the changing concepts and conditions. The new trends and techniques call for enterprise and expertise at every level. We have to grow our own executive timber. We hope to start a department for management development to develop our own personnel to occupy managerial and executive posts. The purpose behind is to keep well trained men readily available to fill up posts. We must have the right men at the right time in the right place, individuals developed by us with a sense of pride in the organisation and a feeling of growing participation in the progress. We are a bank predominently youthful in its staff structure with a good spicing of age and maturity at the superstructure. It is only natural for us to grow and grow we must.

Our Thanks

Now let me pay my tributes to our esteemed members of the Board of Directors. My colleagues on the Board gave me their unstinted co-operation. Very sincerely I thank all of them and also the members of the Local Advisory Committees for their unfailing support.

My thanks are due to the Secretary, other Executives, officers and the staff at the Administrative Office of the Bank for their devotion to duty throughout the year. The untiring efforts of group managers, branch managers, other officers and the staff have contributed greatly to our deposit growth. I am deeply appreciative of their dedicated efforts and enthusiasm. I do thank one and all of them.

I take this opportunity to express my gratitude to the Bank's customers and well-wishers for their valuable help, co-operation and understanding at all times.

To you, our shareholders, I am extremely grateful for the confidence reposed in me and my colleagues on the Board.

Thank you.

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

UNITED BANK OF INDIA

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

Previous year	CAPITAL AND LIABILITIES		
Rupees		Rs P.	Rs. P.
	1. CAPITAL :		
	Paid-up Capital :		
2,68,77,119	(Wholly owned by Central Government)		2,68,77,119 00
	2. Reserve Fund and other Reserves :		
1,54,05,290	Statutory Reserve and other Reserve Funds		1,69,55,289 89
	3. Deposits and other Accounts :		
77,62,60,890	Fixed Deposits and Cash Certificates	99,46,04,095 93	
18,43,669	Staff Security Deposits	21,16,175 51	
77,66,08,957	Savings Bank Deposits	94,07,87,561 14	
48,17,70,098	Current Accounts, Contingency Accounts, etc.	54,07,69,382 55	
203,64,83,614			247,82,77,215 13
	4. Borrowings from Other Banking Companies, Agents, etc.		
13,60,241	(i) In India ... ... (Includes an amount of Rs. 43,56,741.40 borrowed from the Industrial Development Bank of India and Agricultural Refinance Corporation)	52,31,741 40	
1,12,063	(ii) Outside India	1,12,063 30	
14,72,304			53,43,804 70
	Particulars :		
	(i) Secured—		
1,12,063	(a) By part of the Bank's Investments	1,12,063 30	
4,01,905	(b) Under Refinance Scheme (vide 5(I)(i) as per contra)	43,56,741 40	
9,58,336	(ii) Unsecured	8,75,000 00	
3,11,43,187	**5. Bills Payable :**		3,08,00,822 99
	6. Bills for Collection being Bills Receivable as per contra		
16,29,47,463	(i) Payable in India	17,51,71,074 40	
1,65,72,895	(ii) Payable outside India	1,41,30,135 96	
17,95,20,358			18,93,01,210 36
	7. Other Liabilities :		
1,27,98,161	Branch Adjustments	2,66,71,840 63	
11,35,341	Unclaimed and Unpaid Dividends	10,72,878 54	
1,50,000	Staff Gratuity Fund	1,50,000 00	
1,17,36,628	Sundry Liabilities for Expenses and others	87,33,167 68	
2,58,19,130			3,66,27,886 85
9,02,29,715	**8. Acceptances, Endorsements and Other Obligations per contra**		10,68,49,658 28
	9. Profit and Loss :		
11,81,710	Balance as on 31-12-1970	23,10,194 28	
11,81,710	*Less* : Transferred to the account of the Central Government	23,10,194 28	
—		—	
29,10,194	*Add* : Profit for the year after providing for Taxation	41,71,181 99	
29,10,194		41,71,181 99	
6,00,000	*Less* : Transfer to Reserve Fund in terms of Section 17 of the Banking Regulation Act, 1949	15,50,000 00	
23,10,194	Balance to be transferred to the Central Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 ...		26,21,181 99
	10. Contingent Liabilities :		
13,39,724	(i) Claims against the Banking Company not acknowledged as debts	13,80,988 65	
	(ii) Money for which the Banking Company is contingently liable :		
23,87,650	(a) Liability for partly paid shares held by the Bank on Investment Account ...	38,87,650 00	
—	(b) Guarantees given on behalf of Directors or Officers	—	
16,27,40,636	(c) Guarantees given on behalf of others	14,66,30,313 72	
—	(iii) Liability on Bills of Exchange re-discounted	—	
8,80,77,586	(iv) Liability on account of outstanding forward contracts	10,14,00,881 41	
240,92,60,911	Carried over ...		289,36,54,189 19

UNITED BANK OF INDIA

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

Previous year	PROPERTY AND ASSETS			
Rupees			Rs. P.	Rs. P.
19,77,86,668	**1. Cash :** In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes)			24,05,69,153 05
	2. Balances with other Banks on Current Account :			
55,10,571	(i) In India		1,12,75,420 09	
66,68,538	(ii) Outside India		72,61,782 87	
1,21,79,109				1,85,37,202 96
3,00,000	**3. Money at Call and Short Notice :**			5,78,00,000 00
	4. Investments (at or below market value) :			
43,39,05,238	(i) Securities of Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments		58,84,03,696 02	
		Rs. P.		
17,94,560	(ii) (a) Fully paid Preference Shares	14,06,759 56		
21,93,322	(b) Fully paid Equity Shares	24,39,322 30		
23,77,002	(c) Partly paid Equity Shares	38,77,002 00	77,23,083 86	
63,64,884				
57,40,602	(iii) Debentures or Bonds		57,40,602 50	
	(iv) Other Investments			
93,46,429	(a) Pakistan Central and Provincial Government Securities ...	93,46,428 72		
87,500	(b) Foreign Securities	87,500 00		
1,32,250	(c) Capital Redemption Policy	1,36,332 50		
2,50,000	(d) Shares of Unit Trust of India	2,50,000 00		
—	(e) Gold	—	98,20,261 22	
98,16,179				61,16,87,643 60
45,58,26,903				
	5. Advances :			
	(*Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors*)			
	I. Loans, Cash Credits, Overdrafts, etc :			
116,17,84,309	(i) In India ... ... (Includes an amount of Rs. 36,77,600.00 relating to medium term advances in respect of which finance has been obtained from the Industrial Development Bank of India and Agricultural Refinance Corporation as per contra)	132,99,85,933 87		
1,72,75,020	(ii) Outside India	1,72,75,019 79	134,72,60,953 66	
117,90,59,329				
	II. Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)			
21,48,67,951	(i) Payable in India	22,21,50,914 81		
2,46,83,055	(ii) Payable outside India	2,47,71,890 00	24,69,22,804 81	
23,95,51,006				159,41,83,758 47
141,86,10,335	(Particulars required by the Banking Regulation Act, 1949 are contained in a separate schedule attached to and forming part of this Balance Sheet)			
	6. Bills Receivable being Bills for Collection as per contra :			
16,29,47,463	(i) Payable in India		17,51,71,074 40	
1,65,72,895	(ii) Payable outside India		1,41,30,135 96	
17,95,20,358				18,93,01,210 36
9,02,29,715	**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations** as per contra			10,68,49,658 28
	8. Premises Less Depreciation :			
1,00,28,643	Cost as on 31st December 1970		1,30,40,954 85	
30,12,312	Additions less deductions during the year		1,06,98,390 24	
1,30,40,955			2,37,39,345 09	
2,79,293	*Less* : Depreciation written off to date		7,71,843 58	
1,27,61,662				2,29,67,501 51
	9. Furniture and Fixtures : Less Depreciation :			
67,80,427	Cost as on 31st December, 1970		84,23,718 16	
16,43,291	Additions less deductions during the year		75,73,343 05	
84,23,718			1,59,97,061 21	
10,46,512	*Less* : Depreciation written off to date		25,21,640 46	
73,77,206				1,34,75,420 75
237,45,91,956	Carried over ...			285,53,71,548 98

UNITED BANK OF INDIA—Cont'd.

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

Previous year	CAPITAL AND LIABILITIES—*Contd.*		
Rupees		Rs. P.	Rs. P.
240,92,60,911	Brought forward ...		289,36,54,189 19
	NOTES :		
	1. The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provision of Section 10(1) of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with Section 29 of the Banking Regulation Act, 1949.		
	2. Provision to the full extent for future gratuity to the staff has not been made, liability for which has not yet been ascertained.		
	3. Assets & Liabilities of Bangladesh (Previously East Pakistan) branches of United Bank of India Limited stand entrusted to the Custodian of the Bank. Since no further information was available about the assets and liabilities of the said branches after 30th July 1965, they have been incorporated as such in the Balance Sheet at pre-devaluation parity as on that date. Income & Expenditure accounts of these branches from 1965 onwards have accordingly not been included in the accounts.		
240,92,60,911	TOTAL ...		289,36,54,189 19

M. SEN SARMA
General Manager
K. L. ROY
Chief Accountant

B. K. DATTA
Custodian

J. LAKRA
K. P. BAROOAH
S. K. SEN
D. N. GHOSH
GHULAM GHOUSE
Directors

Calcutta-1, 28th April, 1972.

Profit and Loss Account for the year ended 31st December, 1971

Previous year	EXPENDITURE		Previous year	INCOME (Less Provision made during the year for bad and doubtful debts and other usual and necessary provisions)	
Rupees		Rs. P.	Rupees		Rs. P.
6,29,31,519	1. Interest Paid on Deposits, Borrowings, etc.	8,25,16,987 89	12,41,54,893	1. Interest and Discount	15,90,56,320 20
5,88,04,971	2. Salaries, Allowances and Provident Fund (including Bonus paid to staff Rs. 51,73,198.75)	6,90,21,078 72	1,28,19,471	2. Commission, Exchange and Brokerage	1,42,85,654 72
(43,55,552)			3,19,583	3. Rents	3,45,493 81
4,350	3. Directors' and Local Committee Members' Fees and Allowances ...	6,000 00	—	4. Net Profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account) ...	14,932 14
47,19,010	4. Rent, Taxes, Insurance, Lighting etc.	60,99,654 35			
1,03,212	5. Law Charges	96,414 60		5. Net Profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	Nil
17,45,808	6. Postage, Telegrams, Telephones and Stamps	20,59,767 38			
1,40,650	7. Auditors' Fees	2,00,000 00	—	6. Income from non-banking assets and Profit from sale of or dealing with such assets	1,112 15
16,91,587	8. Depreciation on and Repairs to the Bank's Property	29,55,666 97			
	9. Stationery, Printing, Advertisement etc.	40,26,087 14	1,442		
26,06,651			3,71,125	7. Other Receipts	4,69,968 16
—	10. Loss from Sale of or dealing with non-banking assets	—	—		
20,08,562	11. Other Expenditure	30,20,642 14			
29,10,194	12. Balance of Profit	41,71,181 99			
	(Expenditure in 1971 against item No. 9 includes an amount of Rs. 9,31,972.48 being public relations and publicity expenses)				
(8,11,934)					
13,76,66,514	TOTAL ...	17,41,73,481 18	13,76,66,514	TOTAL : ...	17,41,73,481 18

Note :—

Payment to Custodian

Previous year Rs.			Rs.	P.
60,000	(*i*)	Salary ...	60,000	00
—	(*ii*)	Allowances ...	—	
—	(*iii*)	Bonus ...	—	
5,000	(*iv*)	Provident Fund	4,999	92
2,186	(*v*)	Medical Benefit	1,060	71
—	(*vi*)	Sitting Fees ...	—	
	(*vii*)	Perquisites (calculated in accordance with Income Tax Rules)	1,800	00
1,800				
—	(*viii*)	Gratuities, etc.	—	

M. Sen Sarma
General Manager :

K. L. Roy
Chief Accountant :

B. K. Datta
Custodian :

J. Lakra
K. P. Barooah
S. K. Sen
D. N. Ghosh
Ghulam Ghouse
Directors :

In terms of our attached report of even date.

K. N. Gutgutia & Co.
Chartered Accountants :
33, Netaji Subhas Road,
Calcutta, 28th April, 1972

Lodha & Co.
Chartered Accountants :
14, Government Place East,
Calcutta-1, 28th April, 1972.

UNITED BANK OF INDIA—Cont'd.

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

Previous year	PROPERTY AND ASSETS—*Contd.*		
Rupees		Rs. P.	Rs. P.
237,45,91,956	Brought forward ...		285,53,71,548 98
	10. Other Assets Including Silver :		
71,36,802	Interest accrued on Investments	93,08,819 60	
4,95,596	Tax deposited and paid in Advance or deducted at source less provision	8,50,392 95	
16,78,231	Stamps, Stationery and Printed Materials	22,88,054 55	
1,93,692	Land and Buildings less Depreciation	1,93,691 84	
96,25,910	Premises under Construction	3,20,843 85	
1,42,41,152	Sundries (Temporary Advances, Suspense, Leasehold properties, Security Deposits, Outstanding Rents, Adjusting Accounts, Collection Assets etc.)	2,40,10,520 59	3,69,72,323 38
3,33,71,383			
12,97,572	**11. Non-Banking Assets, Acquired in Satisfaction of Claims** (At Book Value)		13,10,316 83
240,92,60,911	TOTAL		289,36,54,189 19

In terms of our attached report of even date

K. N. Gutgutia & Co.
Chartered Accountants
33, Netaji Subhas Road,
Calcutta, 28th April, 1972.

Lodha & Co.
Chartered Accountants
14, Government Place East,
Calcutta-1, 28th April, 1972.

SCHEDULE NO. I

Particulars required under the Banking Regulation Act, 1949 attached to and forming part of the Balance Sheet as at 31st December, 1971.

Particulars of Advances

Previous year Rupees		Rs. P.
128,10,69,186	(*i*) Debts considered good in respect of which the Bank is fully secured	146,34,87,854 56
4,38,30,182	(*ii*) Debts considered good for which the Bank holds no other security than the debtors' personal security ...	7,43,80,799 22
9,37,10,966	(*iii*) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	5,63,15,104 69
—	(*iv*) Debts considered doubtful or bad not provided for	—
141,86,10,334		159,41,83,758 47
31,81,533	(*v*) Debts due by Directors or Officers of the Bank or any of them either severally or jointly with any other persons	37,82,014 00
—	(*vi*) Debts due by Companies or Firms in which the Directors of the Bank are interested as Directors, Partners or Managing Agents, or, in the case of Private Companies, as Members	—
31,81,533	(*vii*) Maximum total amount of advances including temporary advances made at any time during the year to Directors or Managers or Officers of the Bank or any of them either severally or jointly with any other persons	37,82,014 00
—	(*viii*) Maximum total amount of advances including temporary advances granted during the year to the Companies or Firms in which the Directors of the Bank are interested as Directors, Partners, or Managing Agents, or, in the case of Private Companies, as Members	—
4,24,961	(*ix*) Due from Banking Companies, Banks under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and foreign banks	6,57,309 00

K. N. GUTGUTIA & CO.
Chartered Accountants

LODHA & CO.
Chartered Accountants

AUDITORS' REPORT

THE PRESIDENT OF INDIA,

(1) We have audited the attached Balance Sheet of United Bank of India as at 31st December, 1971 and the Profit & Loss Account of the Bank for the year ended on that date, in which are incorporated the returns of 36 Branches audited by us, 166 Branches audited by other auditors and the unaudited returns in respect of 117 Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.

(2) The Balance Sheet and Profit & Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—
  (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1971 ;
  (ii) the Profit & Loss Account read with the notes thereon shows a true balance of profit for the period covered by the accounts;
(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory ;
(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank ;
(d) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Calcutta,
28th April, 1972.

K. N. GUTGUTIA & CO.
LODHA & CO.
Chartered Accountants

ALLAHABAD BANK

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

31st December, 1970		CAPITAL AND LIABILITIES	31st December, 1971	
Rs.	Rs.		Rs. P.	Rs. P.
		1. CAPITAL :		
		Paid-up Capital :		
—	1,05,00,000	(Wholly owned by Central Government)		1,05,00,000 00
		2. Reserve Fund and other Reserves :		
—	1,69,95,975	Reserve Fund		1,80,95,974 79
		3. Deposits and other Accounts :		
76,72,93,533		Fixed Deposits	87,81,06,121 74	
34,17,31,933		Savings Bank Deposits	39,89,49,022 75	
29,80,08,625		Current Accounts, Contingency Accounts, etc.	32,33,52,191 37	
	140,70,34,091			160,04,07,335 86
		4. Borrowings from other Banking Companies, Agents, Etc. :		
38,64,943		(*i*) In India	99,328 66	
13,28,764		(*ii*) Outside India	12,70,249 19	
	51,93,707			13,69,577 85
		Particulars :		
28,00,000		(*i*) Secured by part of Bank's investments	Nil	
23,93,707		(*ii*) Unsecured	13,69,577 85	
51,93,707			13,69,577 85	
—	1,50,99,862	**5. Bills Payable**		3,10,79,051 14
		6. Bills for Collection being Bills Receivable as per contra :		
10,89,14,462		(*i*) Payable in India	11,87,54,843 28	
1,91,25,958		(*ii*) Payable outside India	2,01,31,538 80	
	12,80,40,420			13,88,86,382 08
		7. Other Liabilities :		
3,28,39,536		Branch Adjustments	2,36,34,440 77	
1,11,943		Unclaimed Dividends	1,09,853 33	
5,000		Deposit by Nominee Subsidiary	5,000 00	
	3,29,56,479			2,37,49,294 10
—	8,17,97,174	**8. Acceptances, Endorsements and other Obligations** per contra		9,05,44,799 29
		9. Profit and Loss Account :		
7,97,025		Balance as per last Balance Sheet	20,97,653 15	
Nil		*Less* : Amount transferred to Central Government	20,97,653 15	
7,97,025			(*a*) Nil	
42,50,628		Profit for the year brought from Profit and Loss Account (subject to provision for Bonus to Staff)	54,06,976 18	
26,25,000		*Less* : Provision for Bonus to staff for the year	30,06,000 00	
5,25,000		*Less* : Transferred from Contingencies Account	Nil	
21,00,000			(*b*) 24,00,976 18	
21,50,628			(*a*)+(*b*) 24,00,976 18	
29,47,653				
8,50,000		Transferred to Reserve Fund	11,00,000 00	
	20,97,653	Balance to be transferred to Central Government		13,00,976 18
		10. Contingent Liabilities :		
19,72,274		Claims against the Bank not acknowledged as debts	17,52,397 70	
5,16,43,979		Guarantees and Indemnities—		
Nil		On behalf of Customers	8,48,40,412 17	
1,29,23,060		On behalf of Directors and Officers	Nil	
19,00,000		Liabilities on account of Outstanding Forward Exchange Contracts ...	1,43,31,380 00	
		Uncalled Liability on Ordinary Shares	31,50,000 00	
	169,97,15,361	Carried over. ...		191,59,33,391 29

ALLAHABAD BANK

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

31st December, 1970		PROPERTY AND ASSETS	31st December, 1971	
Rs.	Rs.		Rs. P.	Rs. P.
		1. CASH :		
—	11,48,64,411	In hand and with Reserve Bank of India and State Bank of India (including Foreign Currency Notes)		11,89,35,883 81
		2. Balances with other Banks :		
20,37,616		(*i*) In Current Accounts in India	13,38,532 10	
37,480		(*ii*) In Current Accounts outside India	Nil	
	20,75,096			13,38,532 10
	1,25,00,000	**3. Money at Call and Short Notice**		5,90,00,000 00
		4. Investments (at or Below Cost) :		
		(*i*) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments ; of which Rs. 7,00,000 (Last year Rs. 7,00,000) has been lodged as security for guarantees given to Government Departments	46,16,52,284 39	
37,17,76,391		(*ii*) Fully paid Ordinary Shares	14,65,000 00	
10,72,000		(*iii*) Partly paid Ordinary Shares	31,50,000 00	
19,00,000		(*iv*) Debentures or Bonds	10,50,500 00	
10,74,000		(*v*) Other Investments	2,00,000 00	
2,00,000		(*vi*) Gold	Nil	
Nil				
	37,60,22,391			46,75,17,784 39
		5. Advances :		
		(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)		
		(*i*) Loans, Cash Credits, Overdrafts, etc.—	Rs. P.	
85,97,24,382		(*i*) In India	91,72,13,933 54	
Nil		(*ii*) Outside India	Nil	
85,97,24,382				91,72,13,933 54
		(*ii*) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments)	Rs. P.	
9,43,04,408		(*i*) Payable in India	9,13,76,892 64	
55,19,977		(*ii*) Payable outside India	30,40,516 81	
9,98,24,385				9,44,17,209 45
	95,95,48,767			101,16,31,142 99
		Particulars of Advances :		
77,90,61,987		(*i*) Debts considered good in respect of which the Bank is fully secured	81,44,44,113 95	
8,36,54,272		(*ii*) Debts considered good for which the Bank holds no other security than the debtors' personal security	8,31,71,702 89	
9,68,32,508		(*iii*) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ...	11,40,15,326 15	
Nil		(*iv*) Debts considered doubtful or bad, not provided for	Nil	
95,95,48,767			101,16,31,142 99	
8,52,897		(*v*) Debts due by directors or officers of the Bank or any of them either severally or jointly with any other persons	11,83,837 32	
Nil		(*vi*) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	Nil	
8,52,897		(*vii*) Maximum total amount of advances, including temporary advances made at any time during the year to the directors or managers or officers of the Bank or any them either severally or jointly with any other persons	12,63,584 47	
Nil		(*viii*) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members ...	Nil	
15,27,724		(*ix*) Due from banking companies	11,49,994 52	
		6. Bills Receivable being Bills for Collection as per contra :		
10,89,14,462		(*i*) Payable in India	11,87,54,843 28	
1,91,25,958		(*ii*) Payable outside India	2,01,31,538 80	
	12,80,40,420			13,88,86,382 08
	8,17,97,174	**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations** per contra		9,05,44,799 29
		8. Premises Less Depreciation :		
1,39,02,265		At cost as at 31st December, 1970	1,41,24,766 80	
2,25,654		Additions for the year to 31st December, 1971	6,85,353 48	
1,41,27,919			1,48,10,120 28	
3,152		*Less* : Deductions for the year to 31st December, 1971	Nil	
1,41,24,767			1,48,10,120 28	
48,39,985		*Less* : Total depreciation to 31st December, 1970	50,61,292 50	
92,84,782			97,48,827 78	
2,21,308		*Less* : Depreciation for the year to 31st December, 1971	2,25,907 37	
	90,63,474			95,22,920 41
	168,39,11,733	Carried over ...		189,73,77,445 07

ALLAHABAD BANK—Cont'd.

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

31st December, 1970		CAPITAL AND LIABILITIES—*Contd.*	31st December, 1971	
Rs.	Rs.		Rs. P.	Rs. P.
	169,97,15,361	Brought forward ...		191,59,33,391 29
		Notes : 1. The Balance Sheet has been prepared in conformity with Form "A" of the Third Schedule to the Banking Regulation Act, 1949. ...		
		2. No provision has been made in the Accounts for future payments of gratuities to employees, the liability for which has not been ascertained. The gratuities are charged to Account as and when paid.		
		3. At a few branches, Balancing of Subsidiary Ledgers is in progress.		
		4. Balances with Banks in Pakistan have been shown under the head "Other Assets" without regrouping the figures of the previous year.		
	169,97,15,361	GRAND TOTAL Rs. ...		191,59,33,391 29

B. LONGMATE,
General Manager,
(Accounts and Finance)

Profit and Loss Account for the year ended 31st December, 1971

31st December, 1970	EXPENDITURE	31st December, 1971	31st December, 1970	INCOME (Less provision made during the period for bad and doubtful debts and other usual or necessary provisions)	31st December, 1971
Rs.		Rs. P.	Rs.		Rs. P.
8,32,87,412	1. Interest paid on deposits, borrowings etc.	6,39,53,194 11	9,67,86,953	1 Interest and Discount	11,63,18,608 03
3,88,24,626	2. Salaries and Allowances and Provident Fund	4,36,95,797 57	1,18,49,054 26,19,794	2. Commission, Exchange and Brokerage 3. Rents	1,30,22,200 13 29,49,189 26
8,250	3. Directors' and Local Committee Members' Fees and Allowances ...	16,000 00		4. Net profit on sale of investments, gold and silver, land, premises and other assets (*not* credited to Reserves or any particular Fund or Account). ...	
80,62,299	4. Rent, Taxes, Insurance, Lighting, etc.	1,12,82,116 12	Nil		Nil
1,16,303	5. Law Charges	1,94,496 99		5. Net profit on revaluation of investments, gold and silver, land, premises and other assets (*not* credited to Reserves or any particular Fund or Account)	
13,70,750	6. Postage, Telegrams and Stamps ...	14,49,140 67			
1,49,300	7. Auditors' Fees (including for Branch Auditors)	1,35,000 00			
12,10,869	8. Depreciation on and repairs to the Bank's property	12,91,585 97	Nil		Nil
12,30,723	9. Stationery, Printing, Advertisement, etc.	14,19,685 98			
Nil	10. Loss from sale of or dealing with non-banking assets	Nil	Nil 5,43,952	6. Income from non-banking assets, and profit from sale of or dealing with such assets	Nil
32,88,593	11. Other Expenditure	40,64,643 92	Nil	7. Other Receipts	6,18,640 09
42,50,628	12. Balance of Profit (subject to provision for Bonus to Staff)	54,06,976 18		8. Loss (*if any*)	Nil
11,17,99,753	GRAND TOTAL, Rs. ...	13,29,08,637 51	11,17,99,753	GRAND TOTAL, Rs. ...	13,29,08,637 51

Notes : (1) The Profit and Loss Account includes expenses of the Allahabad Bank Nominees Limited. ... ...

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

(3) Item No. 9 includes an amount of Rs. 2,92,261.22 on account of advertisement (last year Rs. 2,13,094). ...

(4) The above figures are exclusive of the salary, perquisites and other benefits of the present Custodian appointed on the 18th July, 1970, as the same are yet to be fixed by the appropriate authorities and, therefore, not charged in the accounts. ... ...

B. LONGMATE
General Manager
(Accounts and Finance)

B. K. Mookerjea,
Custodian.

S. N. Srivastava,
T. Tiwari,
M. A. Zahir,
N. Sethuraman
} *Directors*

ALLAHABAD BANK—Cont'd.

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

31st December, 1970		PROPERTY AND ASSETS—*Contd.*	31st December, 1971	
Rs.	168,39,11,733		Rs. P.	Rs. P.
		Brought forward ...		189,73,77,445 07
		9. Furniture and Fixtures Less Depreciation :		
1,38,69,073		At cost as at 31st December, 1970	1,46,82,449 99	
13,00,511		Additions for the year to 31st December, 1971	11,02,813 02	
1,51,69,584			1,57,85,263 01	
4,87,134		*Less* : Deductions for the year to 31st December, 1971	18,355 94	
1,46,82,450			1,57,66,907 07	
65,80,056		*Less* : Total depreciation to 31st December, 1970	74,39,896 61	
81,02,394			83,27,010 46	
8,59,841		*Less* : Depreciation for the year to 31st December, 1971	8,85,808 46	
	72,42,553			74,41,202 00
		10. Other Assets Including Silver :		
61,34,446		(*i*) Interest accrued on investments but not collected	78,66,581 44	
6,21,466		(*ii*) Rent and Service Charges recoverable	10,20,725 26	
17,10,325		(*iii*) Stationery	20,89,230 92	
58,431		(*iv*) Stamps	64,320 60	
31,407		(*v*) Book Value of a Claim for Land Compensation against a State Government	31,406 45	
5,000		(*vi*) Nominee Company	5,000 00	
Nil		The net assets of the Nominee Company amount to Rs. 5,000 represented by deposit with the Bank, per contra		
	85,61,075	(*vii*) Sundries	37,479 55	
	Nil			1,11,14,744 22
		11. Non-Banking Assets Acquired in Satisfaction of Claims		Nil
	169,97,15,361	GRAND TOTAL, Rs. ...		191,59,33,391 29

B. K. MOOKERJEA
Custodian

S. N. SRIVASTAVA
T. TIWARI
M. A. ZAHIR
N. SETHURAMAN
} *Directors*

Particulars of Custodian's Remuneration

1970 Rs.		1971 Rs.
47,100	1. Salary	Nil
15,436	2. Perquisites calculated as per Income-tax Rules and Other Benefits	Nil
62,536	Total ...	Nil

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the foregoing Balance Sheet of Allahabad Bank as at 31st December, 1971, and also the foregoing Profit & Loss Account of the Bank for the year ended as on that date, in which are incorporated returns of :
   (i) 36 Branches for the year ended 31st December, 1971 audited by us.
   (ii) 68 Branches audited by the other Auditors for the year ended 31st December, 1971.
   (iii) Out of 74 Branches for the year ended 31st December, 1971 audited by other Auditors, audited returns and reports from 6 Branches were still awaited at the date of this report. In respect of these 6 Branches unaudited returns were incorporated.
   (iv) 143 Branches not visited by us, for the exclusion of which Branches from audit, concurrence of the Reserve Bank of India was obtained.
2. The Balance Sheet and Profit and Loss Account have been drawn up in forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that :—
   (a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :—
      (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1971 ;
      (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Accounts ;
   (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory ;
   (c) the transactions of the Bank which have come to our notice have been within the powers of the Bank ;
   (d) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Calcutta,
The 29th April, 1972.

RAY & RAY
Chartered Accountants

P. K. MITRA & CO.
Chartered Accountants

COMPANY AND PUBLIC NOTICES

THE AUCKLAND JUTE CO. LTD.

NOTICE OF INTERIM DIVIDEND

The Board of Directors of the Company at its Meeting held on the 26th April, 1972, has declared the following interim dividends, subject to deduction of tax at source, payable on or after the 1st June, 1972, to those members of the Company whose names shall appear in its Registers of Members as on 1st June, 1972:—

On the Cumulative Preference Shares @ 7.15% for the year ended 31st March, 1971.

On the Redeemable Cumulative Preference Shares @ 5.85% for the year ended 31st March, 1971.

On the Ordinary Shares @ Rs. 10/- per share for the year ended 31st March, 1972.

The Registers of Members shall be closed for the above purposes from the 22nd May, 1972 to the 31st May, 1972, both days inclusive.

THE AUCKLAND JUTE COMPANY LIMITED.
(R. N. DUTTA)
Secretary.

Registered Office,
Chartered Bank Buildings,
Calcutta - 1.
Dated: 27th April, 1972.

GUEST, KEEN, WILLIAMS, LIMITED

PURSUANT to Rule 4A of the Monopolies and Restrictive Trade Practices Act 1969, it is hereby notified that Guest, Keen, Williams, Limited propose to give notice under Sub-Section (1) of Section 21 of the aforesaid Act to the Government of India (Department of Company Affairs, Company Law Board, New Delhi) in the matter of expansion in their existing capacity to manufacture High Tensile Steel Bolts, Nuts, Screws, Studs and Allied Fasteners from 2,400 tonnes per annum to 4,400 tonnes per annum at their existing factory in the Bolt & Nut Unit of their Fasteners Division, 97, Andul Road, Howrah-3.

The High Tensile Fasteners are generally used in various industries such as automobile, engineering, electrical, petro-chemical and other key industries in the manufacture of diverse items such as passenger cars, trucks, tractors, power-tillers, earth moving equipments, scooters, mopeds, diesel engines, machine tools and transmission towers etc.

Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, New Delhi, stating the nature of his interest therein within fourteen days of the publication of this notice.

For GUEST, KEEN, WILLIAMS, LIMITED
(S. RAY)
Director & Secretary

Registered Office:
3A Shakespeare Sarani,
Calcutta 16,
West Bengal.
19th April, 1972.

THE GOUREPORE COMPANY, LIMITED

THE Board of Directors of this Company has recommended payment of the undernoted dividends for the year ended 31st December, 1971:—

(1) Dividend on Ordinary Share Capital @ 12½% per annum.

(2) Dividend on Preference Share Capital @ 8.75% per annum.

Payment of any dividend declared at the Annual General Meeting to be held on 24th May, 1972, will be made to those shareholders whose names appear on the Company's Register on 24th May, 1972 or in accordance with their instructions.

Notice is hereby given that the Register of Members of Share Transfer Books of the Company will remain closed from the 13th to the 24th May, 1972, both days inclusive.

THE GOUREPORE COMPANY, LIMITED,
S. C. BHANDARI
Director.

2, Fairlie Place,
Calcutta-1, 3rd May, 1972.

JAGATJIT COTTON TEXTILE MILLS LIMITED

PUBLIC NOTICE

NOTICE is hereby given pursuant to the provisions of Rule 4A of the Monopolies and Restrictive Trade Practices Rules 1970, that an application is being submitted to the Central Government under section 23(4) of the Monopolies and Restrictive Trade Practices Act, 1969 for approval to the purchase by Jagatjit Cotton Textile Mills Ltd. (hereinafter called 'the company') of equity shares in Guptalon Ltd.

The substance of the application is that the Company intends to subscribe upto Rs. 90 lacs in 90,000 equity shares of Rs. 100/- each at par of Guptalon Ltd.

Any person interested in the matter may, if he so desires, intimate to the Central Government in the Department of Company Affairs within fourteen days from the date of publication of this general notice, his views with regard to the proposal contained in the Company's application and also the nature of his interest therein.

For JAGATJIT COTTON TEXTILE MILLS LIMITED,
M. M. THAPAR
Managing Director.

Registered Office:
Thapar House,
25, Brabourne Road,
Calcutta-1.
The 29th April, 1972.

BOOKS RECEIVED

Communications and National Integration in Communist China. By Alan P. L. Liu. (Published by the Oxford University Press, Bombay. Review copy received from Oxford University Press, Mercantile Buildings, Calcutta 1. Price Rs. 45, pages 225.)

Price Indexes and Quality Change Edited by Zvi Griliches. (Published by Harvard University Press, Cambridge, Massachusetts. Review copy received from the Oxford University Press, Mercantile Buildings, Calcutta 1. Price $7, pages 287.)

The Course of American Economic Growth and Development. By Louis M. Hacker. (Published by Wiley Eastern Private Ltd., J 41 South Extension 1, New Delhi 49. Price Rs. 10, pages 382.)

Indian Estate Duty Law. By S. A. L. Narayana Row. (Published by the Madras Law Journal Office, Post Box 604, Madras 4. Price Rs. 40, pages 512.)

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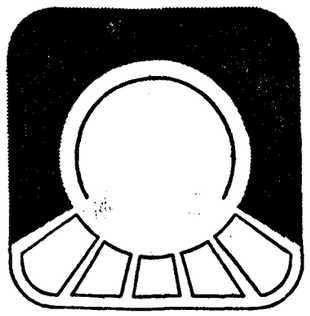

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World Monetary Reform

IN retrospect, the most important feature of the third general meeting of the U.N.C.T.A.D. could well turn out to be the demand of the poorer countries for a greater share in deciding the world's future monetary affairs. This is not because the claim for more participation is a morally valid one, although it certainly is. The reason must be sought among the tensions which are now building up within the Group of Ten, particularly between the United States and the enlarged European Community. In other words, it is the political rather than the economic facts of international life that now seem to be shaping up in favour of the developing nations, and full advantage should be taken of them. Basically, the position is that the U.S.A. has become thoroughly exasperated and disillusioned with the attitude of the Europeans towards its own plans for the world's monetary future, and is now anxious to dilute their influence in the counsels of the I.M.F. and the Group of Ten by widening these bodies to include greater representation from the poorer countries. India's name has been specifically mentioned as a likely candidate.

It is difficult at first sight to understand exactly how the Americans can visualise such a plan working in their interests. An expanded Group of Ten, for instance, could prove even more unwieldy than the present body, and just as resistant to the designs of Washington. With its poor current performance on foreign aid and international trade, it would seem the U.S.A. is more vulnerable to criticism and pressure from the developing world than the Europeans. However, the fact is that Washington regards the enlargement of the community as a potential threat to its monetary interests and is, therefore, prepared to sponsor reform. What it appears to have in mind is not so much a "Group of 20", as some reports suggest, but one of only 12 countries with the proportion of European representation no larger than it is now. The newly-created places would be filled by representatives from Latin America, southern Asia and Australasia. The Europeans would be forced to co-ordinate their policies more closely, which would meet the chief American complaint that at the moment they talk with too many national voices. This is a perfectly valid criticism, as was adequately proved by what happened during the long negotiations for devaluing the dollar which ended with the Smithsonian agreement last December.

It was made perfectly clear during the recent meeting of Finance Ministers from all ten prospective Community members that the prevailing European view was against significant changes in the Group of Ten. The policy adopted was that any new framework should supplement the rôle of the Group rather than supplant it. Clearly this does not rule out the participation of the poorer countries altogether, even if it does seem to limit it. In the meantime, the Europeans are engrossed in the business of aligning their national currencies more closely. It now seems likely this process will go ahead at a faster rate than earlier believed possible; Britain, for instance, has shown herself surprisingly amenable to an idea which, on the face of it, looks like proving extremely costly to her economy. But until it is completed, there is little chance that the seven members of the enlarged community now represented on the Group of Ten will be content to see their numbers reduced to two or three.

This is one reason why the U.S.A. has now changed its attitude to the

Werner-style plan for a European monetary union from one of vague hostility to almost eager support. It is accepted in Washington that it will contribute much to consolidating the Community into a monolithic trading and monetary bloc, but this is now regarded as inevitable. The main thing as far as the U.S.A. is concerned is that the freedom of the dollar should be increased by the formation of a single European currency against which it could float. The chaos of last autumn remains ever fresh in the minds of the American monetary authorities, and the determination is growing to ensure that the dollar is never again put in the position it was then. The reversal of the former U.S. attitude now seems complete. From being lukewarm towards closer European unity it is now its warmest advocate; from being unenthusiastic about S.D.R.s it seems to feel they are the answer to most future monetary problems; from being the chief opponent of a louder voice for the poorer countries, the approach now is that the sooner they are heard the better. There is a whole quarry of interesting speculation here for future international historians.

But perhaps the most radical of all the reversals which have taken place in Washington recently is that towards the I.M.F. The counterpart of this, of course, is the enthusiasm with which the Europeans are now supporting the Fund in its consistent pressure on the U.S.A. to permit at least partial convertibility of the dollar. As long ago as last August, when the dollar's convertibility was first suspended, the Managing Director of the Fund, M. Pierre-Paul Schweitzer, was urging the Americans to adopt a more realistic price for gold and to offer some of their still considerable stocks in settlement of a proportion of the massive dollar debts outstanding around the world. Since then attitudes have hardened on both sides, with the Fund staunchly supporting a return to more orthodox monetary management and the U.S. determinedly clinging to its inconvertible dollar. This attitude is now causing considerable resentment among the Europeans, and especially the British, who are anxious to repay their indebtedness to the Fund from accumulated dollars rather than gold and S.D.R.s. Most of the increase in Britain's currency reserves over the past two years has been in dollars, and as a result gold and S.D.R.s now represent only one-fifth of the total, compared with nearer four-fifths a few years ago. A compromise will doubtless be reached, but there is growing resentment in London at what is regarded as Washington's ingratitude for all that Britain has done in the past decade to avoid embarrassing the dollar.

American obstinacy over the question of convertibility is causing resentment elsewhere than in London. It is accepted there is no chance of persuading Washington to fund the dollars acquired in the run-up to the Smithsonian agreement. But many countries still feel sore at having to go on piling up dollars in the year or so still required for devaluation to work the trick on the U.S.A.'s external account. What is particularly irritating for them is the American authorities' apparent reluctance to support the new dollar parity with appropriate domestic credit restraints. But there is no sign of Washington making any concessions on this score. On the contrary, the attitude continues to be that if other countries do not want to hold dollars then the remedy lies with them; they can let their currencies appreciate. Little dismay is being shown at the possibility of countries imposing exchange controls on short-term U.S. capital flows, although there is some slight fear that measures taken against American companies might have an unwanted effect on general international relations.

Thus the American approach comprises mainly the mailed fist when applied to the Europeans. For that reason it seems unlikely the idea of enlarging the Group of Ten will be conceded without a fight. Washington is doubtless relying for help on the eagerness of the developing countries to gain a greater say in matters which so obviously affect them vitally. It has even suggested that the new Group should have some slight responsibility for international trading questions as well as purely monetary ones. This is about the first really promising break in the Americans' support for the G.A.T.T. since that organisation was formed. It is difficult at the moment to predict just how far this sudden conversion to wider democracy in world economic affairs will go in the United States. It may not survive the return of the dollar to its former health and strength, if that in fact happens. But while it lasts the poorer countries have a unique opportunity for realising at least a part of their ambitions for a greater say in managing the international economy, and it is certainly one they should do their best to take advantage of.

Waiting for the Summit ?

IT has now become clear beyond doubt that if President Bhutto wishes to succeed in the summit meeting in New Delhi—there is now an uncertainty when this will be held—he has to recognise Bangladesh first. The second point which is no longer in the realm of speculation is that to get the 93,000 Pakistani prisoners of war back, he has also to give the Prime Minister, Mrs. Indira Gandhi, some positive indication that he will never take to arms to settle the Kashmir dispute. It is evident that these are the absolute minimum safeguards needed to protect the national interests of Bangladesh and India, respectively. Indeed, the Governments in the two countries cannot do less than to assure themselves on these points before sitting at the conference table with President Bhutto. While the mission of Mr. D. P. Dhar appears to have been fairly successful, it is not yet clear whether President Bhutto or his representatives have given him any firm understanding on these issues. If some more persuasion is required before Islamabad would see reason, another lower level meeting may precede the summit.

President Bhutto would perhaps do well to recognise that India and Bangladesh have already given him several concessions. The first and foremost of these is their willingness to talk to him. Secondly, in India as well as in Bangladesh, the climate of suspicion and hostility generated by Pakistan's actions is slowly giving place to a genuine desire for peace. Mrs. Gandhi rightly told foreign correspondents in New Delhi during Mr. Dhar's stay in Murree that while the Pakistani Press had stepped up its anti-Indian stance, the Indian Press had tried to create a climate of understanding. Mr. Bhutto also needs to be reminded that while he and other Pakistani leaders were still talking of war, India had declared a unilateral cease-fire the moment the limited objective of creating conditions for the return of the 10 million Bangladesh refugees to their homeland was achieved. Despite the continued belligerency of Pakistan, India did not use the opportunity that was there to settle old scores.

The fundamental point that will have to be remembered during talks with Pakistan is that while Mrs. Gandhi and Sheikh Mujibur Rahman have been consistent in their conciliatory attitude towards Pakistan, Mr. Bhutto has not reciprocated in the same measure. The Pakistani President as well as the Pakistani Press continue to blow hot and cold. This makes it necessary for India and Bangladesh to be cautious in accepting Mr. Bhutto's promises on their face value. Mr. Bhutto should know well that under no circumstances would India think of resorting to force to regain occupied Kashmir from Pakistan. And there is no other issue between the two countries that could lead to a war. President Bhutto has given the highest priority to raising three new divisions for his army. Any Government in this country would be within its rights to ask President Bhutto to explain his intentions in the context of such actions before agreeing to sit with him at the conference table. And yet, New Delhi seems to have taken a somewhat indulgent view of this vital lapse. It would only be prudent to suggest that while there is no harm done in merely talking, a settlement which gives to Pakistan what it wants—the prisoners of war—must not be arrived at before knowing Pakistan's future intentions.

At the same time India would be well advised to take note of some recent hopeful developments in Pakistan. The most important of these is that some limited form of democracy has been just introduced there. The military caucus which ruled Pakistan for 13 years is subdued at the moment but not vanquished. It can raise its head again. While India and Bangladesh cannot yield on their fundamental interests—and President Bhutto should realise this in his own interest—there may be no harm in being generous to him on other issues. One such issue is that of the trial of the P.O.W.s by the Government of Bangladesh. There is no doubt that if justice were to be meted out to the Pakistani soldiers, a large number of them would be hanging from the nearest trees. But often justice does not lose in quality if tempered with mercy, especially if such mercy can also serve the cause of peace and perhaps indirectly contribute to the creation of a just society in Pakistan. This is an area where both India and Bangladesh can stretch generosity to its limits to accommodate President Bhutto and help him to save his face in his own country.

Then there is the question of disengagement of troops by both sides along the western front. In this India is at an obvious handicap. This country's main bases are far from the border. In the event of a surprise attack from Pakistan, India would take much longer to rally its forces from their peace-time position. A certain degree of preparedness would seem to be essential all the time. India would perhaps have to think of intermediate stations. The two countries would have to live under a system of mutual deterrence in the interest of peace until Pakistan changes its stand on Kashmir.

And lastly, there is the shadow of the Big Powers across the sub-continent which cannot be ignored. The U.S.A., Russia and China have each shown great interest in the area. China and the U.S.A. have gone to the extent of including Indo-Pakistani affairs in the joint *communiqué* issued after the Nixon-Chou talks in Peking. In recent years the temptation has been too great for Pakistan to extract the maximum benefit by playing one power against another. President Bhutto's projected trip to Saudi Arabia, Jordan, Iran and Somalia before the New Delhi summit meeting suggests that he may still be keeping his options open between peace and war. India, with all its desire for peace, cannot overlook this basic fact about the present Pakistani leadership.

West Bengal : New Planning Board

THE setting up of a Planning Board for West Bengal fills a long-standing gap in the economic administration of this State and conforms to the perceptible shift towards decentralised, grass-root planning about which there is so much talk in the country today. Among the functions to be discharged by the Board, one of the most important will be to explore the ways of tapping newer sources of revenue. It is a pity that one of the most industrialised States should find it difficult to raise no more than Rs. 100 crores of additional resources over a period of five years. The availability of developmental resources, it would seem, is conditioned more by the flow of wealth—of which the State has not much in recent years—than by its stock. But now that fresh income is expected to be generated by an acceleration in economic activity, the Board, it is hoped, will find it easier to locate newer areas of finance. The district units should also help not only to identify the problems and prospects of each region but also suggest areas which can be tapped for resource mobilisation. If West Bengal's one basic problem has been the smallness of its successive Five Year Plans, it is largely because it has failed to garner enough resources from within. Now that preliminary work has started on the Fifth Plan, the State has to impress on Yojana Bhavan that it not only deserves a much bigger Plan but can also pay for it to a larger extent than before.

About the composition of the Board, however, misgivings have been expressed in certain quarters. If the people get the planning agency they deserve, the inhabitants of West Bengal could have legitimately expected a better deal. Nobody expects to find all the greatest names in a "Who's Who" on a planning board, but since planning is essentially a highly specialised job, membership of such agencies demands a certain level of expertise which cannot just be improvised, as a surgeon does in an emergency. From this standpoint, the composition of the present well-knit Planning Commission in New Delhi bears emulation. But the Board that takes charge of West Bengal's planning needs in comparison is a much bigger unit. One of its obvious strong points is the wide cross-section of disciplines represented on it—but that can be its weakness also. After all, there is a danger that too many cooks might spoil the broth. Planning preferably should be based on a consensus, which, however, might elude a team that has as many as 16 members. In any case, the induction of some members with direct experience of industry and banking, like Mr. Bhaskar Mitter and Mr. B. K. Dutt, should give the Board a practical orientation.

A planning agency has to function essentially as a brain-trust. For formulating conventional routine policies and for implementing them, the bureaucracy can be depended upon. If the Board now set up becomes just another Government department, it will fail to serve the objectives the authorities have in mind. Similarly, if in the garb of a separate planning wing, the officialdom assumes the initiative of drawing up blue-prints for the State's development, it would be less than a desirable situation. The Board has to function with the aid and advice of the bureaucracy, but the decisions it should take must be its own based on its own perspective. And that is why such agencies are generally supposed to be filled by experts who would refuse to be swayed by other people's counsel and can initiate, if need be, studies on different subjects.

In any case,, a challenging task lies ahead for the Planning Board. The State has no dearth of problems, of which unemployment tops the list. The Labour Minister, Mr. Gopal Das Nag's observation that with over 4 million unemployed young men, the State is virtually sitting on top of a volcano may be slightly rhetorical but sums up the situation most adequately. The State authorities are banking on a faster rate of industrial growth to provide the answer to this massive problem, but many of the projects envisaged are characteristically of a capital-intensive nature. Emphasis has also been laid on small-scale industries and agro-based units, and power is proposed to be supplied to them for development. But the power supply position is not good at the moment and unless a crash programme is undertaken to improve the performance of the existing generating units and to set up additional capacity, the dream of an upturn in rural industries may just end as a chimera. The agricultural sector is also tipped to absorb some of the unemployed, but farm mechanisation, which has to be resorted to if productivity of the soil has to be raised, and job creation may not go side by side.

One of the important functions of the Board will be to check the progress made in different developmental projects. It will, in fact, be in overall charge of all the programmes undertaken by the C.M.D.A. and such other agencies. The policing job, although important, will not, however, suffice. The main task before it will be to build a model—not in the abstract connotation of an economist's jargon but in a practical sense—which will help the State to break through the barriers and bottlenecks that have stifled its growth and lift the State's economy to a higher level of activity. The State administration and the Planning Board can look forward to the fullest support from the Centre and that should make their task a shade easier. But the momentum of development cannot be sustained for long unless it itself cultivates and promotes the dynamics of growth. Till now, one has the impression that somehow these forces have remained bottled up in West Bengal. It is for the Board to take off the lid.

Trade Accord with Russia

THE accord reached in Moscow last week on greater Indo-Russian co-operation in the field of trade is, undoubtedly, to the mutual advantage of both the countries. For the first time, India has been able to wrest assurances of larger supplies of its "critical" requirements from Russia in the current year. It is well known that in the past Russia, while accepting in principle the Indian demand for greater diversification of the bilateral trade between the two countries, had not done much to translate this into action and meet India's needs of such "critical" materials like non-ferrous metals, fertilisers and newsprint. As a result of the recent Moscow talks, it has now been agreed that Russia will supply substantially larger quantities of these materials in the current year. Evidently, Moscow realises that it should not miss an opportunity to strengthen Indo-Soviet trade ties by offering to sell goods that will no longer be financed by generous American aid. Moscow has, no doubt, played its cards well.

According to Press reports, the two countries have agreed to raise the volume of their trade exchanges in the current year up to about Rs. 500 crores, which will be about 30 per cent higher than the turnover in 1970. A part of this increase will be accounted for by larger supplies of fertilisers, newsprint and non-ferrous metals like zinc and copper. Russia has offered to double the quantity of its zinc exports to India and raise exports of copper from the previous average of 400 tonnes a year to 1,500 tonnes this year. The newsprint quota has similarly been raised from 40,000 tonnes to 50,000 tonnes. Fertilisers, the import of which costs India hundreds of crores in foreign exchange, will be another major item of supply from Russia. The import of fertilisers this year is expected to be about 200,000 tonnes. In addition, Russia has offered to export larger quantities of kerosene and diesel oil, which again constitute a major item of import from free foreign exchange sources.

Since the trade between the two countries is on a self-balancing basis, Russia will also be importing more of Indian consumer goods and industrial products. Some of the items to be imported by her for the first time will be fabrics and garments from polyester and cotton blend, rayon and synthetic fabrics, silk garments, linoleum, textile machinery, automobile ancillaries and parts, magnetic tapes, machine tools, and cosmetics. The value of Indian cosmetic exports alone is expected to be of the value of Rs. 8 crores.

The trade accord is not so important for the increases it has provided for in the mutual exchange of goods as for the systematic attempt it makes to correlate one's needs to the other's capacity to supply. Thus, for instance, Russia has offered to assist India in the development of certain export industries whose products are in demand in that country. It has agreed to extend financial assistance, under Article 11 of the Indo-Russian agreement on trade and economic co-operation, for the setting up of projects whose products will be exported to Russia. Understanding has also been reached between the two countries on the export of products from such Russian-aided projects as are already in this country. It must, however, be noted that the Russian commitment to this principle is nothing new, although little has been done in pursuance of this so far. In fact, the Mining and Allied Machinery Corporation, Heavy Engineering Corporation and the Surgical Instruments Factory will also reduce their losses considerably if a fillip of this kind is forthcoming from Russia.

During the Moscow talks, Russia is also reported to have offered to conclude a new deal under which it will export steel to India for conversion into bolts and nuts, to be re-exported to that country. The unit value added in the process will more than cover the cost of transport and of conversion in this country. But what surprises one is that the deal should be confined to such small items as nuts and bolts and should exclude the more important steel products like rolled products for which there is adequate capacity in this country. If Russia is really keen to help India in the generation of new employment opportunities, it should broadbase its offer and agree to enlarge the scope for a real division of labour between the two countries over a wider range of goods. Pending accord on this, India should go ahead to make the most of Moscow's offer to send 5,000 tonnes of steel to this country for conversion into nuts and bolts for re-export to Russia.

No detailed information is as yet available of the progress on the deal already negotiated between New Delhi and Moscow on the conversion of Russian cotton into textiles in this country. It will be necessary to keep the progress of such projects in constant review and take measures needed to ensure that they do not go awry. In fact, in spite of the very friendly political and economic relations between India and Russia, there has not been much expansion of the area of real economic co-operation between the two countries. The accent has so far been on Russian assistance for Indian projects, especially in heavy industries. The time has come for a shift in this emphasis and for diversifying the pattern of co-operation and trade. If the recent Moscow talks pave the way for this necessary change, they can be construed to have been really fruitful.

Care, however, needs to be taken to see that India, in her enthusiasm to develop firmer trade and economic ties with Russia, does not tie herself to the apron strings of Moscow. That will be both economically and politically undesirable. The so-called radical elements in the ruling Party and its allies, owing allegiance to the Russian ideology, are bound to pressurise the Government to extend the current process further to total dependence on the socialist countries of eastern Europe for trade expansion and economic co-operation. They will also want domestic policies to conform to this line of thinking as is already evident from the demand made in the Lok Sabha last week for nationalising the top 75 big business houses. The Government should be wary of such pressures and keep a proper balance in its economic relations with all friendly nations of the world. The accord with Russia must, therefore, be welcomed with this caution. India's national interests must remain supreme in reshaping her trade relations and economic co-operation with the socialist countries, as well as the developing countries of Asia and Africa. In other words, India's trade policy must be based on her long-term interests rather than on expedients of a passing nature.

Dilemma of Indian Airlines

THE surfeit of troubles which Indian Airlines is having at the moment calls for some serious rethinking on the future of civil aviation in the country. While there is much discontent from the pilots down to the rank and file in the administrative cadres, at the top management level too there is a feeling that, compared with Air-India, Indian Airlines somehow receives less attention from the Government. This may be merely an excuse to cover up the bad handling of industrial relations by Indian Airlines in the last five years. For instance, the management could have landed the airlines in a sorry mess recently—over a dispute concerning just 14 employees coming under the category of carpenters, tailors, plumbers and masons. The Air Corporations Employees Union gave a strike notice on the ground that the I.A. management was violating last year's agreement with it and was denying the benefits of the agreement to these 14 employees. The management at first said the A.C.E.U. had no jurisdiction to speak on behalf of these employees, a stand which it resiled from barely a week later. This shows an absolute lack of imagination on the part of I.A. in the matter of wage negotiations.

Having said this, another aspect of industrial relations in the aviation industry has also to be kept in mind. This is the question of parity in wages in Air-India and Indian Airlines. It is on this principle of parity that Indian Airlines recently negotiated an agreement with its pilots. Although the terms agreed to are yet to be approved by the Government, the point to note is that Air-India has already concluded an agreement with its pilots. So there is not much either Indian Airlines or the Government can do to deny some extra benefits to the pilot, unless of course the Government decides to ignore the principle of parity. The All-India Aircraft Engineers Association, which represents engineers from both airlines, is also at present negotiating an agreement with Indian Airlines and the talks have dragged on for some time. For obvious reasons, the engineers have chosen to bargain with Indian Airlines first. The Air Corporations Employees Union and the Indian Aircraft Technicians Association have already got most of what they wanted from Indian Airlines. Having in principle conceded something more also to the pilot—although this agreement is yet to be ratified—Indian Airlines management will find it difficult to deny engineers their demands. But the engineers' demand has come at a time when it is proving to be the proverbial last straw on the camel's back. There is a sudden realisation in Governmental circles that the airline employees have been getting away with too much and their salaries have no reality with wages in other sectors of industry. Therefore, the terms agreed to by Indian Airlines with the pilots are reportedly before the Prime Minister's Secretariat.

The point that emerges clearly is that the present high wage structure in the aviation industry is largely due to the fact that no one has bothered to ensure a common overall industrial relations policy. Air-India settles its wage problems without apparently giving a thought to the effect its wage scales can have on Indian Airlines. Nor is there any evidence so far of any consultation between the two airlines on wage questions, although the principle of parity has been laid down by the Khosla award. Indian Airlines, despite all its admitted weaknesses, unfortunately comes out worst in the present situation because the disruption in domestic services resulting from wage disputes attracts greater attention than dislocation of Air-India's services. Whether it is a disruption in Air-India or Indian Airlines, the loss is caused to the country and it is time, therefore, that

people in authority started thinking in terms of having a common and uniform industrial relations policy for both airlines.

Another area where a common approach has to be adopted is in utilisation of the available fleet. It is admitted that unlike Indian Airlines, which operates under monopoly conditions, Air-India has to operate under keen competition from international airlines. Naturally the latter has to have the best fleet. But domestic air services are no less important in the modern world. Their disruption can also affect the world image of India. Moreover, unlike Air-India, Indian Airlines has to operate certain services in the overall national interest, although these may be uneconomical. Hence it has to make its money from its overall operations. Here the area of operations that has to be given to Indian Airlines assumes some importance. With the acquisition of its fourth jumbo soon, and with its existing fleet of nine *Boeing 707*s, Air-India is likely to have some surplus capacity in the near future. At present one of Air-India's *Boeing 707*s is in the limited use of Indian Airlines. The time has come to start joint planning, not merely in the acquisition of new aircraft but in utilising the available fleet to the best advantage of the country, irrespective of whether the aircraft belongs to Indian Airlines or Air-India.

An ideal solution might be to have one single company operating both the domestic and international services. But this cannot be done quickly, as this will require fresh legislation, apart from the complications involved in the smooth amalgamation of the top management personnel in both airlines. Another solution to ensure the co-ordinated development of the aviation industry could be to have a common chairman for both airlines. These are major changes, and require serious consideration before implementation. But joint fleet planning and a common approach to industrial relations can be brought about without much changes in the organisational set-up of the two airlines. This will not only benefit both the airlines but will be in the larger interests of the country.

CURRENT COMMENT

DEFENCE ITEMS

Exporting in a Big Way

Mr. V. C. Shukla, Central Minister of State for Defence Production, informed the Lok Sabha that the Government had decided to enter the export market for defence items in a big way. He justified the policy by saying that unless the export was on a large scale, it would be difficult to maintain continuity in production in the defence units. Mr. Shukla added that in 1972-73 a start had been made by exporting defence items valued at Rs. 2.70 crores. He revealed that a public-sector corporation would be set up soon for the export of defence items. The Government's anxiety to ensure production at full capacity of the defence factories is understandable. But certain aspects of the export policy need clarification. Mr. Shukla said that exports would be made to friendly countries. This would mean practically all the countries with which India has trade relations.

If India is to export defence items in a big way, it should inform all friendly countries what items are available for sale and at what prices. Unless these facts are widely publicised, the export orders that the country will get will be small. Is the Government going to undertake a publicity campaign in foreign countries about the potential for export? Moreover, how is the Government going to ensure continuity in export orders? Again, how will the Government check the re-export of defence items, especially to countries that are not friendly to India? Mr. Shukla said that the export of defence items would be made in consultation with the Ministry of External Affairs. Does it mean that the Ministries of Foreign Trade and Finance will not be consulted in this matter? There are bound to be numerous items of defence which contain a large proportion of materials imported against free foreign exchange. Are such defence items also to be exported freely?

Mr. Shukla said that, apart from encouraging exports, the defence factories would undertake the production of "civil trade items" so as to enable them to maintain full production. He did not, however, disclose the "civil trade items". But the Government should see to it that while undertaking the production of such items, the factories in the private sector are not affected. The Minister disclosed that as a result of the efforts of the research and development wing of the Defence Ministry and the co-operation of about 2,000 scientists working in the country, it had been possible to save foreign exchange to the extent of Rs. 110 crores. This is commendable. But the Minister did not say how much foreign exchange India continued to spend every year on importing arms and defence stores. Official statistics are not available on this subject. But informed sources believe that such imports are valued at between Rs. 300 crores and Rs. 400 crores a year. It is true that the Ministry of Defence Production has been making continuous efforts to achieve self-sufficiency in defence equipment, but in the absence of firm data, it is difficult to say how soon the country will be able to reach that goal.

I.R.C.I.

A Year of Operation

The Industrial Reconstruction Corporation of India (I.R.C.I.) has completed a year of operation and already it has made a mark on the industrial scene of West Bengal. As its vice-chairman, Mr. V. V. Chari, Deputy Governor of the Reserve Bank of India, told Press correspondents in Calcutta last week, after going through the initial teething troubles, the Corporation was now getting ready to play a more significant rôle in the revival of the State's industries. One particular area where the I.R.C.I. is trying to be effective is in filling the management gap that has afflicted many units in the State, according to Mr. C. T. Das, Managing Director of the Corporation.

During its first year's operation, the I.R.C.I. has not only been able through its reconstruction finance to secure reemployment of 19,319 workers but has also saved employment of another 19,007 workers who were threatened with unemployment. But it is not purely a financial institution. It is a reconstruction agency and in fulfilment of that rôle, it not only provides reconstruction assistance in terms of finance but also reconstructs the management both at the top and operational levels. This measure of restructuring the management goes a long way in getting the reconstruction programme carried through. The I.R.C.I. has also to take such other measures of control as are considered necessary to ward off unhealthy interference by the erstwhile management with the reconstruction programme.

The I.R.C.I. has so far received 300 applications of which 48 with potential for viability have been sanctioned assistance. Some 13 cases which had no potential for viability have been rejected, while another 47 cases have been redirected to banks and financial institutions as they did not qualify for assistance from the I.R.C.I. Other cases are either in the pipeline or awaiting their turn for study. In addition to itself sanctioning financial assistance, the I.R.C.I. has arranged through banks assistance aggregating about Rs. 5.14 crores.

The matter of labour productivity through good relationship has been one of the main principles of reconstruction of the I.R.C.I. The response from labour has generally been satisfactory in the cases of the I.R.C.I.'s assisted units. The units which have been assisted so far are in various stages of development. Except in a few cases, the actual performance has generally been in accordance with the projections made by the I.R.C.I. for reconstruction. At the instance of the Government, the I.R.C.I. has decided to associate itself with the reconstruction of units taken over under Industries (Development and Regulation) Act. It of course comes forward for assistance only where its own independent study indicates the future economic viability of the unit. It is also accepted that the I.R.C.I.'s usual control over the taken-over unit will continue through all stages of reconstruction.

INSURANCE

Study in U.K. Universities

Insurance is becoming increasingly promoted as a subject for study in British universities, both in teaching undergraduates and in post-graduate research. The latest development is the decision by the British Insurance Association to support a management course for post-graduate students which will include insurance topics at the City University in London. The course is the result of studies by Mr. H. A. L. Cockerell, who retired recently as Secretary of the Chartered Insurance Institute to become a Senior Research Fellow. He has examined the courses available at the City University's Graduate Business Centre and the requirements of the industry and he concluded that there was a need for an insurance-related content in a course leading to a M.Sc. degree in administrative sciences. The B.I.A. has agreed to finance the appointment of a lecturer and it is hoped that the course will be established enough to attract financial support from Government funds.

NOTICE

Due to continued load shedding and labour trouble at the press, the publication of "CAPITAL" has been getting delayed since last week. We would request our readers and advertisers to bear with us till the situation improves.

CHEMICALS

Growth in West Bengal

With a view to stimulating the growth of the chemical industry in West Bengal, the eastern regional committee of the Indian Chemical Manufacturers Association has decided to hold monthly meetings to discuss the relevant issues. The regional committee is also studying the research and development work carried out by C.S.I.R. laboratories and industrial units. Once the data have been compiled, it would be possible to locate the gaps between the research activities of the research institutes and the industry. In the context of the study of pollution, the regional committee considers that although the magnitude of the problem in the country is not alarmingly high at the moment, it is time for the chemical industry to become conscious of its responsibilities.

BANGLADESH

Further U.K. Grant

The British Government has decided to make a further allocation of £6,000,000 for relief and rehabilitation in Bangladesh. Announcing this in the House of Commons recently, Sir Alec Douglas-Home, Foreign and Commonwealth Secretary, said the money would be spent on purposes to be agreed with the Bangladesh Government and U.N. relief officials in Dacca. Sir Alec in his statement said that the "principal anxiety had been that there would be a shortage of food in Bangladesh leading to famine. Fortunately, according to the Bangladesh Government, the necessary supplies of foodgrains for the next three months have been assured. They are not, therefore, asking for immediate further assistance in the form of food supplies. The paramount needs now are to improve the distribution of the available supplies and to provide seed and fertilisers for the next crop. These considerations have dictated the make-up of the aid supplied under Britain's £3,000,000 pledge.

In view, however, of the continuing need, exemplified in the United Nations Secretary-General's appeal to the countries of the world for assistance, the U.K. Government has decided to set aside a further £6,000,000 for relief and rehabilitation in Bangladesh, to be spent on purposes to be agreed with the Bangladesh Government and the United Nations Relief Operation, Dacca. Sir Alec added that the Government has in mind, in particular, a further cash payment to the United Nations, the repair of the Hardinge and King George VI bridges, the purchase of rice to supplement food supplies later this year, and the supply of 12 'Sea trucks' to meet an urgent request by the United Nations Secretary-General.

INDUSTRIAL STATISTICS

Handbook for 1970-71

Industrial statistics, covering indices of production, employment, imports, exports, etcetera, are available from many sources but it takes up a good deal of time and energy to obtain these data promptly and regularly as well as in a simple and comprehensive form. The *Handbook of Statistics for 1970-71* published by the Indian Engineering Association is designed to fill this gap.

Materials have been drawn from authoritative publications issued by Government and other official agencies and the object has not only been to present data, but also to make them comprehensible. Specific sectors covering ferrous and non-ferrous metal industries, industrial machinery, electrical equipment, machine tools, agricultural machinery and equipment, as well as up-to-date information on growth of the corporate sector, import and export of engineering goods and raw materials, are the notable features of the publication.

Additional information is also given on raw material prices, national income estimates, labour employment and other related data. The publication is priced at Rs. 17.

C.G.C.

Good Business in First Year

The total loans and other credit facilities covered by the guarantee of the Credit Guarantee Corporation of India amounted to over Rs. 20 crores at the end of September 1971, according to the first annual report of the Corporation for the period 14th January, 1971 to 31st December, 1971. No guarantees were invoked during 1971. The entire guarantee fee of Rs. 4.05 lakhs received by the Corporation has been set apart as a reserve for unexpired guarantee risks, while the surplus of Rs. 4,298 after writing off preliminary expenses (Rs. 87,458) and providing for taxation (Rs. 6.32 lakhs) has been transferred to general reserve. The Corporation was registered under the Companies Act on 14th January, 1971. It provides guarantees for loans and other credit facilities extended by (i) scheduled commercial banks to transport operators, dealers in fertilisers, etcetera, (ii) financial corporations to transport operators, small hoteliers, business enterprises engaged in the generation or distribution of electricity or any other form of power, etcetera, and (iii) scheduled commercial banks all over the country and State and Central co-operative banks in certain areas to service co-operative societies assisting artisans and workers engaged in any form of industrial activity.

INDO-GERMAN VENTURES

Export Performance

Indo-German joint ventures earn valuable foreign exchange for the country. They doubled their exports in 1970 compared with the 1966-67 export figures. Exports of Indo-German firms are destined for many countries all over the world, including the Federal Republic of Germany. Of the covered existing Indo-German firms 88 per cent undertake exports. The percentage of export to the total production ranges from 0.25 to 97, the average percentage being 20. Leading exporters among Indo-German joint ventures are Gedore Tools, Dr. Beck and Co., Siemens India, Motor Industries, Hoechst Pharmaceuticals, Teksons, Traub India, Telefunken, Asian Dehydrates and Famatex.

THE APPLICATION OF MANURES

A CORRESPONDENT writes in Current Coin: The question of the manuring of land is one that greatly affects a country like India where agriculture forms the chief industry. Rich as India is in natural productiveness, it is an admitted fact that soil cultivation can greatly increase the quality and quantity of the crops, and even good soils on which healthy plants are grown can often be improved, when a course of manuring is undertaken. The principal question of manuring has already been solved and countries, such as Germany and the United States, have benefited to a great extent by the application of manures. In countries where manuring is taken up generally, failure of crops is practically unknown, and as more manures are used, the average returns of the crops are increased. Even the effect of bad weather is often greatly minimised. India is greatly awakening to the necessity of using manures, and as the general conditions of the land, etcetera, have not yet been thoroughly investigated, and as the planter and *raiyats* are not properly educated up to the use of, and the benefits to be derived from their uses, it cannot be too strongly impressed upon them that this question is of the greatest importance.

FROM

CAPITAL

9th May, 1912

NON-BANKING COMPANIES

Loans from Directors

It has been brought to the notice of the Reserve Bank of India that the directors of some non-banking companies are accepting deposits from the public either themselves personally or through the proprietary or partnership concerns floated by them, and that the deposits so collected are being placed with the companies concerned as loans from directors, says a Reserve Bank Press note issued a few days ago. This practice is apparently followed with a view to avoiding the obligation to observe, in respect of these moneys, the requirements contained in the directions issued by the Reserve Bank, since loans "received from a person who at the time of the receipt of the loan was or is a director of the company" are not treated as deposits and are, consequently, outside the scope of the regulatory provisions contained in the directions. Members of the public canalising their moneys through directors or their concerns (proprietary or partnership) for being deposited with companies are advised that only the moneys deposited directly with the companies are governed by regulatory provisions.

MONEY MARKET

Call Rate Up

The short-term money market has remained erratic this past week. The call rate initially fluctuated between $3\frac{1}{4}$ per cent and $3\frac{1}{2}$ per cent. But due to the agitation of bank employees, the demand for funds has improved towards the close, with the result that the call rate has improved to 4 per cent and some small business has been done even at $4\frac{1}{2}$ per cent. The demand for remittances has been small. The supply of gunny bills has been moderate while that of tea bills has been small. The pound-sterling has been steady against most major foreign currencies during the week.

The latest statement of scheduled commercial banks for the week ended 28th April, 1972, shows a drop of Rs. 30.34 crores to Rs. 5,219.16 crores in advances, compared with the previous week. Deposits have increased by Rs. 62.09 crores to Rs. 7,767.52 crores. Banks have increased their borrowings from the Reserve Bank by Rs. 25 lakhs to Rs. 22.85 crores and their investments by Rs. 37.67 crores to Rs. 1,711.84 crores.

A Ditcher's Diary

THE CALCUTTA WEATHER IS STILL benumbingly oppressive ; and, as we were frequently reminded last week, it can be made totally unbearable by the so-called shedding of electrical load, which is even affecting the production of *Capital* these days. On one particular day, with the temperature over 100 degree Fahrenheit, there was no power supply in my area for more than seven hours. That the ordeal was split into three spells merely meant that the morning and the evening were almost as bad as the afternoon. Several more statements have been made on the power crisis, but very little light has been shed on the mystery of load-shedding. Perhaps the least illuminating was a statement by the West Bengal Chief Minister alleging sabotage. From the newspaper reports it was not altogether clear whether Mr. Ray saw the saboteur's hand behind the entire power crisis, or whether he was referring only to the recent incidents at Durgapur and Raniganj. According to one newspaper report, the police are not sure whether the explosion in a Raniganj water supply plant was due to sabotage ; in any case, the incident had no bearing on power supply. The breakdown of a 75 MW power generating unit at Durgapur certainly had a chain reaction on supply in Calcutta and suburbs, but no details of the alleged sabotage have yet been given. If sabotage is proved, the public would like to know what the Government is doing about it. And even if this particular case of breakdown could be shown to be the result of sabotage, the Government will have to explain the state of affairs in other generating and supply units. Surely bad planning and poor execution cannot be due to sabotage ; nor can saboteurs have much to do with poor maintenance, inadequate repair, and deficiencies in day-to-day operation. And certainly saboteurs have not held up the coal, or the wagons to carry it, that the Calcutta Electric Supply Corporation needs so desperately. Anyway, the ordeal would become no more bearable if one became convinced that the responsibility lay with "disruptive and anti-democratic forces" and not with incompetent or lethargic administrative and technical personnel. Mr. Ray hinted at sinister forces trying to subvert the Government's time-bound programmes. If such forces exist and have become active, they should certainly be tracked down and brought to book. But the public may have become a little cynical about time-bound programmes, at least so far as power supply is concerned. Apparently, one of the targets for May is the extension of electricity to 250 more villages. Will more load be shed in Calcutta and the industrial areas to make this possible?

PRESIDENT BHUTTO SEEMS TO THINK it more important to impress the Indian Press than to convince the Indian Government. Yet another Indian journalist, Mr. B. G. Verghese of the *Hindustan Times*, has had an exclusive interview with him. As in the interviews he had previously given to representatives of the *Times of India*, the *Indian Express* and the *Statesman*, Mr. Bhutto did his best to give the impression of a man dying to live in peace with India, indeed he said he was determined to continue his search for peace "even if it kills me". And Mr. Verghese found him relaxed, cordial, friendly and expressing "an intuitive sense of confidence". There was nothing in the report to suggest that the interviewer was sceptical about any of the promises made or postures struck. Commentators within the country, however, are becoming increasingly sceptical. Few of them seemed fully to share the breezy optimism that Mr. D. P. Dhar expressed after his talks at Murree and Islamabad, and the misgivings grew considerably after the Pakistani attack on Indian positions at Kaiyan. What Mr. Bhutto said at a Press conference on Sunday served only to deepen the suspicion about his real intentions. On the day the *Hindustan Times* published its editor's account of his reassuring interview, the *Indian Express* carried a signed leading article by its editor-in-chief describing Mr. Bhutto as "a man in a hurry to prove himself all things to all men" ; and the next day the *Statesman* was almost equally critical. Even Mr. D. P. Dhar may be a little disheartened after Mr. Bhutto's performance at his Press conference last Sunday. What sort of

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business can one hope to do with a man who finds nothing incompatible between his holding the office of President and his denouncing in public the Supreme Court of his own country? And he still thinks that he can impress people by insulting references to the Bangladesh Government. From what he told Mr. Verghese, it appears that he would like to meet Sheikh Mujibur Rahman in a third country and make a final appeal for some kind of association. And then he would return and tell his people that he had tried his best but the Sheikh had declined. But why can't he do this straightaway? The Sheikh has repeatedly pointed out that Bangladesh can have no link with Pakistan beyond normal diplomatic ties, and there can be no talk until such ties are established through Pakistan's recognition of Bangladesh. Evidently, Mr. Bhutto does not accept this as the Sheikh's last word.

BY ALL ACCOUNTS THE REACTION IN British governing circles to the "slap in the eye" sustained by President Pompidou in his recent referendum was that he had it coming. The Heath Government, struggling hard against those advocating a referendum on Britain's entry into the Common Market, was just not amused when the President announced his. Nor was the choice of dates much appreciated, 23rd April being the day of England's patron saint, Saint George. There is little tendency in London to interpret the vote as opposing the British entry into Europe, but the lesson has not been lost that referenda can be tricky things to handle at times. The opposition to the idea of introducing them to Britain at all is expected to harden even among those who had previously been in two minds about them. Of course, the advocates can be expected to increase their pressures. With the Heath Government's popularity on the economic front as low as it is at the moment, a referendum would assume the character of a vote of confidence in the Ministry rather than a verdict on whether Britain should go into the Common Market. This is something Mr. Heath and his team just could not afford, although it does not exclude the possibility that they might go to the country in a general election. The Government sailed into the recent labour chaos with the threat to call an election, something which is reported to have caused Mr. Wilson a few nightmares. There is still the chance that this is what it will do, perhaps later this year when the Common Market legislation is safely through Parliament and the Labour Party's unity is under its maximum seasonal strain following the annual conference. Such a move would combine a vote of confidence with a referendum, and the Government would almost certainly win it for the good reason that Labour would be in a complete disarray. There is no chance of Mr. Heath taking the same risk as President Pompidou.

THE HIGH LEVEL OF INTERNATIONAL farce which marked the fifth anniversary of Greece's "Colonels' " Government recently seemed to cause a good deal of rather hysterical merriment among its numerous critics throughout the world. I suspect that it was because they were glad to be distracted from the fact that their predictions about the regime's durability persist in being proved wrong. Surely the point which must be faced after five relatively stable years is that Greece has done better under her current masters, unattractive though they may be, than she could have hoped to have done under their predecessors. I know little about the colonels myself, and I only thank my good fortune I do not have to live under them. But when the choice is between a stern Government, or virtually no Government at all, there is only one decision the sensible man can make. Having said that, I am now ready to join the critics in deploring the extent to which the regime maintains its repressive hold on the country. The view is that the United States is mainly responsible for this, that as his main external prop Washington could do more to persuade Mr. Papadopoulos to wear a human face. I suspect this overrates American influence. Moreover, it lacks credibility though being held most strongly by those who, in any other context, are inclined to condemn the United States for too much interference in the affairs of other countries.

THE CASE OF DR. VINOD SHAH, THE young scientist of the Indian Council of Agricultural Research who committed suicide a few days ago, has generated some controversy. The debate will be counter-productive if it is invested with an excess of emotion. It is, of course, impossible not to sympathise with the gifted young man who put an end to his life because of apparently unbearable frustration; and it is profoundly sad to think of the bereaved family. But this was not the case of a young man driven to suicide after a hard and fruitless struggle to get a job or find other means of supporting himself and his family. Dr. Shah was not facing starvation. What he had been denied was a promotion that he considered to be his due. It is entirely possible that he fully deserved what he had been denied, that a grave injustice had been done to him, that he was not only disappointed but also humiliated by the selection actually made. Even assuming all this to be true, it must be pointed out that such experiences are not altogether uncommon in life. It is difficult, therefore, to avoid the suspicion that Dr. Shah was an exceptionally emotional man. That does not mitigate the tragedy of his death; all it may imply is that his suicide itself is not necessarily sufficient proof that he had no other course open to him. But one must also consider certain other questions raised by his suicide letter. Although he was finally driven to the extreme step by his failure to get what he thought he deserved, he had long been frustrated by his professional environment. If his suicide is regarded as a protest against professional standards and conditions of work in the I.C.A.R., it immediately becomes much more serious than an individual tragedy. And it is in this light that Dr. Shah's case must be considered. It may not be entirely coincidental that another I.C.A.R. scientist committed suicide about 12 years ago; and complaints about working conditions and professional norms in this organisation have been heard on other occasions as well. Indeed such complaints are common about most scientific establishments in the country. It is bad enough that bright young scientists do not get adequate material rewards; it is infinitely worse when they do not get even any professional satisfaction. I know of several brilliant young men who feel totally disillusioned after having given up attractive jobs abroad in the hope of doing something worth while at home. They miss "job satisfaction" much more than any creature comfort.

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MANAGEMENT

Designing an Effective Control System for Measuring Individual Performance

By Navin Chandra Joshi

An effective control system will have to be evolved for making individuals in an organisation accountable. It is essential to establish a link between decision-making and measurement of results.

THE management system of any concern must provide for the decision-making needs of different levels of management, *i.e.,* top, middle and supervisory personnel at the work level. Each of them also requires information control systems for its own specific needs. Thus, an essential link has to be established between decision-making and measurement of results. Factors which tend to disclose the dynamic potential of the business need to be measured. At the same time, it is necessary to interpret the differentials of potential in the various departments of an enterprise.

The system of management that attempts to put heavy stress on control and not on responsibility makes the real issue submerged in a mass of irrelevancies. In this context, the Pareto's law that "in any series of elements to be controlled, a small fraction, in terms of numbers of elements, always accounts for a large fraction in terms of effects" has an important bearing. This, in effect, means that the vital few must be separated from the trival many. In fact, to attempt to control everything is to control nothing. Hence, under the law of selectivity, key factors of control have to be selected for designing a management control system.

Accountability of Individuals

Now progressive management techniques are said to widen the application of conventional management tools for evaluating the human component of business. In this way it will be possible to hold individuals accountable, at various levels of the organisation for the proper performance of their managerial function. An appropriate designing of the control system can play an important part in making this effective. It may be pointed out that an executive can be held responsible provided (i) he knows what he is expected to achieve and also that it is achievable, (ii) he knows what he is actually achieving, and (iii) it is within his personal control to regulate what is happening. With all these conditions being present simultaneously, it is reasonable to hold the person in question responsible for taking decisions and for implementing them. If all these provisos are not observed, it may well lead to the rise of *alibis.*

If management is to cope with such increasing complexities, methods must be developed to meet them. There is no longer any justification for slavish adherence to systems which do not fully meet the challenge. The many-sided pyramid of management made up of a series of ascending layers represents a different level of management at each layer involving a different type of decision. On each face of the pyramid and hence in each facet of management a control activity does take place. It is, therefore, necessary to put the various facets of control together into a "fully integrated system" of control, one which must embrace the whole pyramid, not just individual facets. This is necessary for properly presenting control information for top management decision.

Assigning Responsibilities

The foregoing co-ordination will lead to the establishment of the controller function. It is a function intended as a major aid to management decision-making; to present and, as far as possible, interpret facts in order that management may make decisions and take action thereon. While doing so it will have to assign responsibilities for various functions. The controller's task begins with the design of the control system to meet management needs. This means that he is virtually the leader of the team when a new system is being designed and installed. He will guide the systems designers, systems analysts and computer programmers to achieve a control system tailored to management's needs. He selects the key factors, remembers the Pareto's law and the control points. He requires to segregate the non-controllable factors so that the picture of the controllable aspects does not get confused. He relates the plans and decisions to individual accountability at the various levels of management. In this way, a team effort is achieved with effective action throughout. The controller himself may not be a specialist in the setting of physical standards but he is to ensure that the basis used for this will meet the needs of the control system. He will work with the various executives to build the agreed standards into departmental plans. From the departmental plans will be prepared the overall plan for the concern.

However, the present-day specialisation in business concerns has made it increasingly difficult to identify the responsibility of particular executives. For example, at the level of supervision, can it really be said that a foreman is answerable for the performance of his shop when the planning department is in fact giving him instructions as to the order in which work should be done, the processes to be used, the time to be offered for bonus purposes, the supply of jigs and tools and a great deal more? Whether it is called planning, production, control, methods engineering, drawing office, production engineering or by any other name and howsoever these sections or functions are related together, the supervisor has certainly a dozen excuses for delay because a dozen things have been wished upon him by other people. It is true that his immediate superior in the line, called the production manager, will in fact control all these specialists. Unless a problem like this is squarely faced, the quite thick layer of junior and middle management when chased for results will, in their turn, reply that they have not the authority to ensure results and cannot, therefore, be held fully responsible. This then becomes a demoralising and a confusing situation in which the buck is passed on in spite of a control system prevailing in the organisation.

The alternative to individual responsibility is to base policy on definable groups; to accept that in modern specialised systems, individuals cannot. in the nature of things, be made responsible for a complex function, except at a very high co-ordinating level. The line manager cannot shout down a designer, metallurgist, chemist, electrical engineer and perhaps one or two more highly specialised men who may form a necessary part of his function. Hence, a system of collective responsibility may be experimented upon. In the scheme of integrated control, this aspect can be usefully explored for effective implementation as a management principle.

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CMPI-53-243

SPECIAL ARTICLES

Curbing Inflation through a Viable Incomes Policy

By Suresh Chandra Srivastava

India has been facing an acute inflation for many years. The country needs a viable incomes policy to fight it effectively.

THE Indian economy has been suffering from an acute inflation for over a decade and a half. During the mid-'sixties, the economy was in the grip of a severe inflation. Prices have maintained a continuously rising trend. The index of wholesale prices (1952-53 equals 100), which was 125.1 in 1961-62, rose to 156.1 in 1965-66; it shot up to 191.3 in 1966-67, recording an increase of 16 per cent in a single year. In 1967-68, prices registered a rise of 11 per cent. The rich harvest of 1967-68, however, had a salutary effect on the price level; the price index declined by about 1 per cent in 1968-69.

Prices again showed an upward trend in 1969-70, the wholesale price index recorded a rise of 4.5 per cent. In the period between 15th November, 1969 and 31st March, 1970, the general index recorded a rise of 7.5 per cent—spread over almost all the major sub-groups. Food articles recorded a rise of as much as 7.9 per cent, industrial raw materials 16.4 per cent and manufactures 4.6 per cent. The prices have gone up further since then. The presistent rise in the price level has considerably eroded the external and internal value of the rupee. It may be noted that after two devaluations the rupee, which once had an official exchange value of Rs. 2.50 to the dollar, now stands at Rs. 7.25, and that the black market figure, as quoted by Deak and Co. of Honkong, is Rs. 12.

Savings of the middle class have virtually disappeared, and life insurance has lost much of its meaning as old-age or family protection. The *per capita* national income at 1960-61 prices has gone up by merely 4 per cent over the last decade, and in fact, during three of these ten years it was almost back to the starting figure of 1960-61. History is likely to repeat itself during the 'seventies if the undue rise in prices is not timely arrested.

The factors affecting prices are investment, Government expenditure, money supply and wages. A rising investment expenditure has created a level of aggregate demand which is far in excess of supply. The response of output to investment has been sluggish, mainly as a result of the failure on the agricultural front. The failure of agriculture and the resultant short supply of foodgrains and industrial raw materials in the face of ever growing demand has led to a rise in the prices of food articles. This in turn is raising the cost of living and thereby wages. The cost levels of industrial output are moving up as a result of the rise in wages and prices of industrial raw materials. Thus, agricultural non-response of output to investment has released the "cost-push" forces which are being fed by "demand-pull" forces released by the increase in aggregate demand arising out of enlarged investment expenditure. Had the balance-of-payments position been comfortable, sufficient imports could have been made to make up the deficiency in real supply. The demand for capital goods being inelastic and foreign exchange reserves being at a low ebb, this cannot be done. Thus, the disparate growth in demand and supply mainly as a result of the agricultural failure has generated an inflationary gap resulting in a general increase in the price level.

Government expenditure—both of the Centre and of the States—has recorded a steady rise over the last two decades. Huge sums have been going into irrigation and multipurpose river schemes, railways, industrial schemes, scientific departments, educational and medical facilities and defence. Some of the expenditures, like those on the railways, scientific departments, education and medical facilities, do not contribute directly to output, whereas those on irrigation, multipurpose river projects and industrial schemes bear fruit in course of time. Expenditures on defence and administration are totally unproductive. Since these expenditures have a large construction-al element, they generate substantial wage incomes. These wage incomes exert a pressure on the wage-goods, particularly food articles whose supply has not been increasing at the required rate because of the failure of agriculture.

There is no let up on Government's consumption expenditure, no worthwhile effort in generating savings, and none at all in sound investment. Even in mobilising public savings, the earlier enthusiasm seems to have vanished. The deficit of Rs. 225 crores might have had some justification if it had any relationship to production. But even as a plain and simple financial deficit it is now going to increase sharply, as the Centre has accepted its employees' wage demands amounting to Rs. 106 crores. This, in turn, will have a snowballing effect with renewed pressure on the States and on industry. The State deficits of Rs. 200 crores will also rise as fresh commitments are made. At the other end of the scale, the inflationary pressures derive much strength from the Government's own policies which have given a further momentum to the growing income in rural areas. As long as the Governments at the Centre and in the States do not pick up enough courage to tax agricultural income and wealth, much of the enhanced incomes will be spent on consumption goods.

In retrospect, the Government's credit policy after the nationalisation of banks would also seem to have made its own contribution to inflation. The money supply during 1969-70 went up by much more than 10 per cent at twice the rate of growth of output, and in the first five months of 1971-72 by another 3 per cent. During 1969-70, bank credit increased by over 18 per cent and subsequently by another 7 per cent. Much of this credit is claimed to have been diverted to low income groups, farms and a whole lot of other people who could have only aggravated the spending spree.

Wages in India have during the last quarter of a century gone ahead of production. In the period 1950-51 to 1962-63 for which data are available, the average money wage index had risen by 61.9 per cent over the 1950-51 level of 100, while the change in average product was only 24 per cent for the same period. Even the link between bonus and profits has been broken. This is quite in contrast to Japan. In that country, wages have been rising by more than 11 per cent every year during the last decade.

Even so, this increase has been wholly absorbed through a contribution of helpful factors, such as higher production, increase in fixed capital a worker and technical innovations. Until recently, Japan's price level has not only risen but also shown a decline in the case of exported products.

It is against this background that the Central Finance Minister, Mr. Y. B. Chavan, has talked of an incomes policy. In effect, this policy would mean that the rise in various incomes, such as wages and salaries, company profits, personal incomes from interest, dividends and rent, and the farmer's income, is moderated and they bear the right relationship to each other. It would seek to hold the growth of incomes, particularly of wage income in line with the growth of output. Besides, an incomes policy would ensure that the generation of money incomes is consistent with the social objectives of the Plan and that the disparity in income distribution is reduced. If incentives to work and save are to be retained, this objective should primarily be directed towards the reduction of disparity in consumption standards. This, however, cannot be achieved unless its first objective of maintaining a stable environment relating to the process of income formation is realised. These two aspects of an incomes policy are thus interrelated and are best attained if it is made to supplement the monetary, fiscal and other economic policies of the country.

Trade with Bangladesh : Greater Scope for Supplies from West Bengal

(BY A SPECIAL CORRESPONDENT)

The West Bengal Government is understood to have impressed upon the Centre that the goods to be exported to Bangladesh should come, as far as possible, from this State. As the suggestion is reasonable, New Delhi should consider how to implement it.

THE Government of West Bengal is understood to have impressed upon the Centre that in developing trade with Bangladesh, this State should be able to play an important rôle. The State Government is said to have urged New Delhi to ensure that the goods to be exported to Bangladesh from India are supplied, as far as possible, by industries located in West Bengal. The suggestion is quite reasonable and it is hoped that New Delhi will consider how best it can be implemented. The present trade agreement between India and Bangladesh does not seem to provide much scope for industries in West Bengal to supply the requirements of the new nation. The border trade, of course, will benefit considerably the people living in border areas. But the rupee trade, as provided in the agreement, does not seem to offer much opportunity to West Bengal's industries. The agreement envisages exports from India of goods valued at Rs. 25 crores. The major items are as follows: cement Rs. 4.50 crores; asphalt Rs. 1 crore; coal Rs. 4 crores; cotton yarn Rs. 1.5 crores; and tobacco Rs. 10 crores. Other items in the Indian export list include cotton textiles Rs. 25 lakhs, movies Rs. 15 lakhs, chemicals and pharmaceuticals Rs. 25 lakhs, and machinery and spare parts Rs. 50 lakhs.

It will be seen that cement, a major item of export from India, is not produced in West Bengal. Most of the tobacco that is going to be exported to Bangladesh will be from Andhra Pradesh. Cotton textiles will also be exported mostly from other States although cotton yarn may be supplied from West Bengal. As far as coal is concerned, it is not know how much of it will be exported to Bangladesh from West Bengal and how much from other States. The trade agreement provides for the export of only Rs. 50 lakhs worth of machinery and spare parts. Bangladesh must be requiring large quantities of machinery and spare parts which the engineering industries in West Bengal are in a position to supply. Similarly, West Bengal's chemical and pharmaceutical industries can provide more than what is shown in the trade agreement. Perhaps, Bangladesh may be getting some of these requirements from other countries with which she has concluded trade agreements.

The agreement also provides that imports and exports of commodities and goods produced or manufactured in India or Bangladesh, which are not included in the schedule to the agreement, will be permitted in accordance with the foreign exchange laws and regulations in force in either country. Such imports and exports can also take place, which are in excess of the values specified in the schedule to the agreement. But business men in India and Bangladesh have no information about the procedures to be followed in this regard. How are they to know when exactly have the values of exports and imports, indicated in the schedule to the agreement, been exceeded?

The State Trading Corporation has set up a special cell to deal with the trade with Bangladesh. The West Bengal Government is understood to have suggested that this cell should have its headquarters in Calcutta; this will enable the State to get more attention from the S.T.C. in dealing with Bangladesh. Does it really matter much whether this cell has its head office in Calcutta or elsewhere? What is more important is that industries in West Bengal should be able to maximise their production so that, after fully satisfying the domestic needs, some surplus is left for meeting the requirements of Bangladesh. Apart from the scarcity and high prices of raw materials, West Bengal's industries continue to be handicapped by the shortage of power. These problems deserve top priority to enable West Bengal to play its part in developing trade with Bangladesh.

Many consumer goods are scarce in West Bengal, but some of these figure in the trade agreement for exports from India. For example, there is provision for the export of infant milk food valued at Rs. 25 lakhs. Since last July, there has been a persistent shortage of this item in West Bengal; although the situation has now somewhat improved, supplies are not yet adequate. West Bengal needs large quantities of cement but the availability is quite insufficient. It is estimated that West Bengal at present is getting only about 17,000 tonnes of cement from other States, compared with its requirement of about 125,000 tonnes. The shortage of wagons is said to be mainly responsible for the irregular flow of cement from Bihar and Orissa to West Bengal. The Government of India should see to it that while large quantities of cement are exported to Bangladesh, the needs of West Bengal are also fully met. As for imports from Bangladesh, the items of special interest to West Bengal include fresh fish, jute batch-

ing oil, raw jute, movies and miscellaneous goods. The value of fresh fish to be exported to India is placed at Rs. 9 crores and raw jute at Rs. 7.5 crores.

There is provision in the trade agreement not only for the exchange of commodities but also for making mutually beneficial arrangements for the use of waterways, railways and roadways for commerce between the two countries. This provision will be of particular advantage to West Bengal. Its implementation will take time but the Government of West Bengal should be able to draw up specific proposals in consultation with the Centre for strengthening communications with Bangladesh. The agreement also says that the two Governments will give reasonable facilities for holding trade fairs and exhibitions and visits of business delegations. But if the Government is to play the dominant rôle in developing trade between India and Bangladesh, there does not seem to be much scope for business delegations. It will be unfortunate, however, if business organisations in either country do not take the initiative or show enthusiasm in promoting trade and co-operation in many fields. For instance, there is an imperative need for the jute industries in both the countries to start discussion about a common policy in regard to certain matters. The Indian Jute Mills Association has recently drawn attention to the serious inroads that synthetics are making into the carpet-backing market in the U.S.A. The I.J.M.A. has warned that complacency about jute carpet-backing will be "dangerous". This warning needs to be heeded not only by New Delhi but also by Dacca. The fact that the jute industry in Bangladesh is nationalised while it is in the private sector in India need not be a major obstacle to the evolution of a policy for joint action in certain fields. The trade agreement was signed on 28th March and it is due for a review at the end of six months. The Government of West Bengal should carefully watch how the trade agreement is actually implemented and to what extent it is proving beneficial to this State.

How Finance Corporations Can Play a More Useful Role

By A. Raman

The setting up of finance corporations in Asian countries has helped promote the latter's industrial growth. These corporations can play a more useful rôle if they advance a greater part of their loans for encouraging new enterprises.

IN the developing countries of Asia, one sees so many finance corporations for promoting economic growth; and most of them are institutions which supply mainly long-term capital for industrial development. At the present time, in view of the enormous increase in the demand for funds, commercial banks also are in the field of long-term financing, but finance corporations are able to provide a far larger volume of long-term funds. Unlike commercial banks, which have a multiplicity of functions, finance corporations are specialised institutions. Also, they provide technical assistance, which is not done by commercial banks.

There are development banks or finance corporations in the well-developed countries, too, such as the United Kingdom where the Finance Corporation for Industry and Industrial and Commercial Finance Corporation are supplying capital for industrial growth. But, in the advanced economies, these institutions do not assist in laying the foundation for industrial growth; they help the already existing industries which are well-developed. But, in many countries of Asia, which are industrially underdeveloped, finance corporations have to be of help in laying foundation for the industrial structure, apart from supplying capital to existing industrial units. Many finance corporations were started in Asia in the 'fifties with governmental efforts and the support of international institutions such as the World Bank, International Finance Corporation and the International Development Association, apart from the assistance of the leading financial institutions of the United Kingdom, the U.S.A. and West Germany.

In India, there are a number of finance corporations for promoting industrial growth. In Ceylon, for enabling the long-term financing of agriculture and industries, an Agricultural and Industrial Credit Corporation and a State Mortgage Bank were established. But these institutions could not supply long-term capital to any significant extent, and hence the central bank took the initiative and established the Development Finance Corporation of Ceylon in 1956. In the beginning, the activities of the Corporation were limited, but subsequently, they began to increase. In Indonesia, the Indonesian Development Bank was set up by the Government in 1951 for financing long-term development projects.

In Pakistan, the Industrial Finance Corporation was established in 1949 and the Agricultural Development Finance Corporation was set up in 1952. But, in order to enable the agricultural and the industrial sector to get more financial resources, the Pakistan Industrial Credit and Investment Corporation was established in 1957 as a privately-owned development Company. Both Pakistani and overseas investors have interests in this institution. In the supply of foreign exchange, the Corporation has been of much use and, so far, more than 450 loans have been sanctioned by it.

In 1957, the Lazard, Freres and Company and the Chase International Investment Corporation of New York were requested by the Government of Iran to help in establishing a private industrial investment bank in Iran. As a result of this, the Industrial and Mining Development Bank of Iran was started. Sixty per cent of the capital was supplied by the Iranians initially and the remaining resources were made available by private investors in the U.S.A. and Europe. During the first decade of its working, this institution had granted 156 loans and it had investments in equities in ten concerns on its own behalf. New enterprises mainly in the textile, metal products, cement and food processing industries were granted more than half of the loans sanctioned by the Corporation.

In the growth of industries in the Republic of China, the China Development Corporation of Taiwan has played an important rôle. It was started in 1959 as a result of the efforts of a number of leading bankers and business men to supply medium and long-term finance, give guarantees, provide equity capital and underwrite services to the private entrepreneurs. Nearly two-thirds of the finances supplied were for the development of the ceramic, chemical and textile industries. Even in the first five years of its working, the Corporation granted loans to more than 260 projects. Another industrial finance corporation in Asia is the Nepal Industrial Development Corporation which participates in or otherwise assists all types of private industrial enterprises, which the Corporation deems to be technically feasible and economically sound, extends financial assistance to industrial concerns, engages in industrial consultancy and training, purchases and sells shares, stocks, bonds and debentures, issues preferred and debenture shares and thus helps in establishing new industrial concerns. The Corporation has been helpful in promoting Nepal's industrial growth.

Industrial development banks, too, function in some countries and they serve as apex institutions for industrial financing in some cases. The Industrial Development Bank of Canada is a model for some of them. In some cases, industrial development banks not only undertake the functions usually discharged by finance corporations, but they also supply equity capital, grant foreign exchange loans and supply resources to various finance corporations. The important industrial development banks in Asia are those in Burma, India and the Philippines. The establishment of the Asian Development Bank has given a fillip to the various finance corporations and development banks in the region.

A number of issues arise concerning the working of these corporations. First, should they be under private or public ownership? Most of them are under private ownership and they also provide a lot of funds for private industries. This is understandable because private enterprises are very much dependent upon them. Secondly, the question arises as to whether there may not be difficulties such as the duplication of activities and the lack of co-ordination between the different corporations when there is a multiplicity of finance corporations. Thirdly, what ought to be the relations between the central banks and the various finance corporations? It is felt in some quarters that the central banks, when taking interest in development banking functions, will not be able to do sufficient justice to the orthodox central banking responsibilities. Fourthly, should they grant loans to newer concerns or should they lend to the already well established institutions? Certainly the usefulness of these corporations would be much greater if they encourage newer concerns.

Controversy Over Land Ceilings

(FROM OUR NEW DELHI CORRESPONDENT)

The Young Turks and the Farmers' Forum in Parliament are seemingly pulling in opposite directions following a controversy arising out of the Central Land Reforms Committee's report. One compromise formula reportedly being worked out at this writing is to ask the Committee to amend that part of its report which gave rise to the controversy.

AT the time of this writing the end is not in sight of the controversy over land ceilings arising from the report of the Central Land Reforms Committee and the Congress election manifesto, which strikes a different note. While the issue has been discussed at the meetings of the Executive Committee of the Congress Parliamentary Party several times and the Agricultural Minister, Mr. Fakhruddin Ali Ahmed, has explained how a change in the wording of the recommendations came into being, there is an ominous confrontation between the Young Turks and the Farmers' Forum in Parliament. It is incorrect to call it a confrontation between the "progressives" and rich farmers.

In fact, the Farmers' Forum, which has been in existence for quite some years, has been reactivised this year. This time, not only does the Forum consist of members from all parties but it has as its president no less a person than Mr. Nathuram Mirdha, chairman of the National Agricultural Commission, a high-powered body set up by the Government of India to rationalise the farm structure in the country. At the time of its "rebirth", the sponsors made it clear that they were, in fact, up against the industrial magnates who were urging the Government to tax the rural sector on the mistaken plea that it was the farmers, not the industrialists, who were rich.

In enacting legislative measures, some State Governments have tried to be more "radical" than others, and the tendency is to lower the ceiling to the minimum possible extent. This is all right in States like Kerala and Mysore where, because of the terrain, the availability of land is far less than the population trying to live on it. But in the case of States on the Gangetic plan, like U.P., Punjab, Haryana, Rajasthan and Madhya Pradesh, the land ratio is different. As in the case of procurement prices, so also on land ceilings, what the Government has to regard as supreme is the need for increased agricultural production.

The entire controversy now hinges on whether the reduced ceiling of 10 to 18 acres for a family relates to land getting irrigation facilities from "Government" sources or from non-Government sources. The protagonists of the "all sources" of irrigation rely on the Congress election manifesto which only refers to land ceilings and not on sources of irrigation, whereas the Central Land Reforms Committee has suggested a range for the purpose of fixing the conversion ratio for different categories of land, taking into account the availability of water, productivity, soil classification and the crops grown. Thus, the States enjoy complete freedom if they want to fix a land ceiling lower than the one recommended by the committee. However, in view of the controversy arising not only within the ruling Party but also in Parliament and State Assemblies, the Central Government was very wise in reconvening the Central Land Reforms Committee in Delhi on 8th May to elaborate its earlier recommendations to avoid confusion.

One compromise formula being worked out is that the Central Land Reforms Committee should amend the controversial sentence in its recommendation so as to redefine the 10 to 18-acre ceiling for family as applicable to "land under assured irrigation from Government or other sources capable of growing two crops". However, the "Young Turks" may still continue the fight.

CAPITAL, 11th MAY, 1972 783

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8, Lyons Range, Calcutta-1.
G. M. PYNE,
14, India Exchange Place, Calcutta-1.

MADRAS

PATERSON & COMPANY,
11/12, Second Line Beach, Madras-1.
CHITRA & COMPANY,
322/323, Linghi Chetty Street, Madras-1.

DELHI

HARBANS SINGH MEHTA & COMPANY,
33, Regal Building,
Parliament Street, New Delhi-1.
AMRITLAL BAJAJ & COMPANY,
United India Life Building,
'F' Block, Connaught Place, New Delhi-1.

BOMBAY

LEWIS & JONES,
Bank of Baroda Building,
Apollo Street, Bombay-1.
CHAMPAKLAL DEVIDAS,
Bhupen Chambers,
Dalal Street, Bombay-1.
BATLIVALA & KARANI,
Union Bank Building,
Dalal Street, Bombay-1.
HARKISONDASS LUKHMIDASS,
Stock Exchange Building,
Apollo Street,
Bombay-1.
MERWANJEE BOMANJEE DALAL,
Allahabad Bank Building,
Apollo Street, Bombay-1.
DHIRAJLAL MAGANLAL SONS,
Dalal Street, Bombay-1.

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Cuttack, Bhubaneswar, Madras, Bombay, Calcutta, New Delhi, Ahmedabad, Bangalore and Hyderabad.

ALLAHABAD BANK:

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SPOTLIGHT ON STATES

Economic Backwardness of U.P. : Need for Mobilisation of More Resources

(BY A SPECIAL CORRESPONDENT)

A slow economic growth rate, coupled with a marked increase in population, has been responsible for a low per capita income in Uttar Pradesh. The prospects for the State will improve if the Government succeeds in mobilising more resources for development.

IT is said that to secure a larger-than-due share in national political leadership, Uttar Pradesh has suffered economic backwardness. The Pradesh Congress has now sent Professor V. B. Singh to the Rajya Sabha and it is hoped that he will be able to convince the Centre of the measures to be taken for improving the economy of the populous State. The *per capita* income in U.P. at the beginning of the planning era was higher, compared with the national *per capita* income. The State then ranked fifth in terms of *per capita* income. But now the *per capita* national income at current prices is Rs. 543, as against Rs. 498 in U.P. and the latter stands nearly at the bottom among the States. The *per capita* income in 1960-61 in U.P. was Rs. 246 and this increased to Rs. 253 in 1969-70 at constant prices rising by less than 3 per cent in a decade or an annual increase of nearly 0.3 per cent at constant prices. The growth rate of the State's income is considerably lower as compared with the national growth rate with the result that with each passing year the difference between the two is rising. During the last ten years, the State's income increased by 25 per cent at constant prices but during the same period the population also rose by 22 per cent with the result that there was only a marginal increase in the *per capita* income.

Obviously such a growth rate is very inadequate, particularly in the context where vast masses live in an abject poverty. According to the latest National Sample Survey, 10 per cent of the households in U.P. have a *per capita* monthly expenditure of less than Rs. 17 and 50 per cent of the households live on less than 50 paise a day and the average expenditure for the population as a whole is only one rupee and six paise a day on a *per capita* basis. Such is the extent of poverty and low living standards in the State. There has been a substantial rise in agricultural production but that is due more to the increase in the area under cultivation than to an improvement in productivity. There is no longer much scope for increasing the area under cultivation and in the future it is only by intensive cultivation that agricultural growth can be sustained. The high-yielding varieties have great possibilities of increasing the productivity but the absence of irrigation facilities is a great limiting factor. At present, only one-third of the net cultivated area is irrigated in spite of the massive investments in irrigation projects and after incurring an annual loss of Rs. 10 crores on State irrigation works. Meanwhile the irrigated area is increasing by about 200,000 hectares a year.

The recent spurt in grains production should not lead to complacency, for after the irrigated area in saturated with high-yielding varieties, it will be difficult to increase the area further in the absence of assured irrigation facilities. At the time of the inauguration of the First Plan, 28 per cent of the net cultivated area in U.P. was irrigated; after 20 years the percentage stands at 33. Therefore, it is only on one-third of the cultivated area that intensive agriculture can be practised and high-yielding varieties grown. It then follows that greater investments in irrigation and power is the dying need of U.P. as power-driven pump sets have proved to be the most effective method of increasing irrigation. But the difficulty is that there are not enough resources with the Government to step up the investments in power projects and irrigation works, particularly the minor ones.

In the field of industrial growth, the performance has been disappointing. Very few industries have come up. Small-scale industries have not fared so well as to make any difference in the composition of the State's income. The percentage contribution of industries in the State's income continues to be below 10.

The average annual Plan outlay during the Third Plan period was of the order of Rs. 110 crores and the same has increased to about Rs. 170 crores in the current financial year. Taking into consideration the price rise, it will be found that investments in real terms have declined. The population in the State is increasing by nearly 2.5 million a year and increasing resources will be required to maintain the old growth rate. But the most depressing aspect of the picture is that the State appears to be helpless in augmenting resources. It is depending on market borrowings and Central assistance. Market borrowings demand debt servicing which takes away one-fifth of the tax revenue of the State. And when the State fails to mobilise resources from within, it cannot depend much on Central assistance.

The tax revenue of the State has increased from Rs. 154 crores in 1961-62 to Rs. 354 crores in 1971-72, or in other words it more than doubled itself in a period of ten years. The Central assistance is around Rs. 130 crores. There is a nominal receipt of Rs. 1.5 crores from commercial enterprises. The total receipts of the State Government were Rs. 494 crores in 1971-72. The abolition of land revenue on smaller holdings has resulted in a loss of Rs. 15 crores a year but nothing has been done to make up the loss either by stepping up the rates of land revenue on larger holdings or increasing the rates of agricultural income-tax. As the bulk of investments has gone to the agricultural sector and there is excessive land concentration in a few hands who alone have reaped all the benefits, it will be desirable to tax them. But the U.P. Government, for reasons best known to it, has failed to move in that direction.

PEOPLE AND PERSONALITIES

Mr. Philip C. Jessup has been appointed a director of International Nickel Ltd. He is the Company's Secretary and Chief Legal Officer and holds similar office with International Nickel Ltd's U.K. subsidiary—Henry Wiggin and Co. Ltd.

Mr. Kisan Mehta, who heads the Indian business of Coca-Cola, has been appointed vice-president and area manager.

BOOKS

Growth of the Corporate Sector

The Corporate Economy—Growth, Competition and Innovative Power. Edited by Robin Marris and Adrian Wood. (Published by Macmillan and Co. Ltd, London. Pages 453, price £6.)

The book is the result of an investigation sponsored by the Harvard University Programme on Technology and Society. The investigation is concerned with the problems of the modern western economic systems in responding to the technical and social needs of the times. More particularly, it is concerned with the large-scale corporate sector of the economy on on the one hand and the public economic sector on the other, in relation to the strength or weakness of their respective and inter-dependent capacities to support the development of a "good society". The investigation is in response to a wide range of contemporary critical analyses. It assumes that the present system has failed to counter adverse effects of technology to meet major social needs. It also assumes that the present market economy is far less competitive than is traditionally claimed. With these basic assumptions, the objectives of this study are to advance understanding of how the system actually works, and, secondly, to prescribe policies for improvement.

The eleven chapters contributed by different authors reflect various aspects of corporate growth and problems. The three empirical appendices survey the literature on the size, growth and profitability of firms. R. M. Solow examines response of growth-oriented and profit-oriented firms to stimuli like changes in factor prices, discount rate, and excise and profit taxes. Although it is difficult to distinguish one kind of firm from the other, he concludes that a growth-oriented firm will choose a higher rate of growth than a profit-oriented firm. Robin Marris finds that larger corporations have larger threat-strength in any market and can therefore command more favourable shares in co-operative outcomes. If it were not for the fact that size creates bargaining strength, there is no guarantee that firms which have the capacity for fast long-run growth would be able to obtain adequate outlets for their resources, and they might, therefore, experience a falling rate of operating profit due to the pressure of competitive environment. "Because the symmetry exists, the system can expand with a persistent high level of concentration, which would probably be increasing if it were not for the existence of a modest rate of new entry into the population of large firms." All in all, the book gives a good exposition of the working of an economy dominated by large corporations. At the same time, it examines important facets of the theory of growth within a firm.

NAVIN CHANDRA JOSHI

Development Economics

Economic Theory and the Underdeveloped Countries. By H. Myint. (Published by Oxford University Press. Price $3.95, pages 351.)

The authoress has been a firm supporter of the old classical economic theory, as it is applicable to underdeveloped economies. But backward economies have their peculiar features, and so like many other economists, Mrs. Myint also started believing to some extent in the rationale of a broader dynamic approach to economic development. But after the post-war experience of the underdeveloped economies, Mrs. Myint has once again started defending the static optimum theory. This in a nutshell is the theme of this book, made up of a collection of papers written by the authoress in the 'fifties.

Edited by Mr. G. M. Meir, the book consists of four parts, which include her interesting papers on topic like the "Universities of South-east Asia and Economic Development", which she wrote sometime in 1962. In the paper on 'Economic Theory and the Underdeveloped Countries", the authoress has pleaded the case for increasing international aid to the underdeveloped countries, particularly India, as according to her, "the theory of economic development of the underdeveloped countries should come to be dominated by a conventional mode that most closely resembles India" (page 21). She has given a number of logical arguments in favour of this case. In other papers also, the authoress has put forward her ideas quite frankly, although in the introduction, she herself has made it clear that it is possible to raise objections against the optimum theory from the side of welfare economic theory, in terms of the Second Best Theorem and the distribution of means.

In the chapters on international trade, the authoress has dealt with the direct as well as the indirect effects of trade and trade policies. The third part of the book is on education and development. She has also explained the close relationship which exists between the external and internal aspects of economic policies. This volume, which has been included in a series on world poverty, is a welcome addition to the literature on development economics.

V. SHOBHA CHOPRA

Profile of Managers

Indian Manager—His Social Origin and Career. By Sagar C. Jain. (Published by Somaiya Publications Pvt. Ltd. 172 Naigaum Cross Road, Bombay 14. Price Rs. 30, pages 263.)

Published in 1971, the book is based on a study conducted by the author as a part of his doctoral thesis and was sponsored by Cornell University, New York. Investigations and interviews were conducted in 1962/63, and considering that much has happened since to change the management scene in India, the study has a limited perspective. No one disputes the significance of trained managerial manpower in the process of industrial development and economic growth, but India's horizons are much larger than the central theme of the study, *i.e.*, the life history and bio-data of managers. Managers can no longer be regarded as distinct species, and whether they come from any particular cross-section of community, religion, or caste should be of no relevance as long as they are imbued with the philosophy of management

and know the techniques for implementation against the Indian background.

Within the total of 263 pages, there are 95 tables, and the reader can have his pick on career patterns of managers, their religion, their origin Statewise, occupation of their fathers and fathers-in-law, and the backgrounds of their wives, etcetera. Regrettably, there is no mention of the overriding consideration of money bearing on the preference of managers to be, whether they come from north, south, east or west. Although it is clear in the body of the book that the public sector attracts certain types of managers with middle class origins, the author forgets that families with insufficient background of modern industry would prefer to send their sons for secure jobs in Government rather than in the wilderness of private enterprise.

In 1962 the All India Management Association was only six years old, and any anthropological analysis of Indian managers and their comparison with Europe or America must be regarded as an academic exercise with restricted utility. The trouble with tables is that they can be used only for making other tables for future researchers. Considering what the national economy needs in the way of a large number of pragmatic operators, the utility of the book to a day-to-day practitioner, in the current jargon, is minimal. An average reader of management journals might comment after reading the book, "So What".

S. B.

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Investors' Yearbook

The Investors' India Year-Book, 1971. (Published by Place, Siddons and Gough (Private) Ltd, 6 Lyons Range, Calcutta 1. Price Rs. 25, pages 468.)

The 57th edition of *The Investors' India Year-Book, 1971*, retains the same contents, style of presentation and general format as in the previous edition. The yearbook gives much information about the companies listed in the Calcutta and other Stock Exchanges in India. Many related matters, such as taxation and terms of business, have been provided in the volume. It includes some important new issues offered to the public from September 1970 to December 1971. In order to ensure comparability of all statistics given for each company, the highest and lowest prices of each share is quoted for the companies' accounting year and not the calendar year. The volume should prove to be a useful reference book to all those interested in stock exchange securities.

Stock Exchange Yearbook

The Calcutta Stock Exchange Official Year Book 1971. (Published by the Calcutta Stock Exchange Association Ltd, 7 Lyons Range, Calcutta 1. Price Rs. 25, pages 898.)

Every care has been taken to bring out the 35th edition of *The Calcutta Stock Exchange Official Year Book, 1970*, making the work as comprehensive and useful as possible. The yearbook retains the usual features. Particulars relating to the previously existing companies have been brought up-to-date and those relating to newly enlisted ones have been added. Investors and others interested in company affairs will find the yearbook useful.

World Monetary Crisis

World Money in Ferment. By G. R. Ponkshe. (Published by Lalvani Publishing House, 210 Dr. D. N. Road, Bombay 1. Price Rs. 34, pages 285.)

The book is a collection of articles analysing the world economic scene during the years 1963 to 1968, written by a senior journalist and now Chief Officer (Development), State Bank of India, Central Office, Bombay. The analysis generally appears to be incisive. It provides an interesting study of the fight for supremacy between gold and the American dollar leading to the emergence of "paper gold". There is an interesting discussion on the Wilson Government's unsuccessful efforts to get Britain into the European Economic Community. The diplomatic offensive launched by France and West Germany to establish the supremacy of franc and deutschemark over dollar has been hinted at in parts two and four. The chapter on "India and Pakistan Compared" on the basis of a report by Professor Mason in three major fields of economic activities—agriculture, industry and export—is sketchy. Serious students of the world economic system will, however, be benefited by the discussion on the Kennedy round of negotiations to lower trade barriers and the appendix on the S.D.R. scheme.

ASOKE MOHAN ROY

Vegetable Pests

Elements of Vegetable Pests. By J. P. Singh. (Published by Vora and Co., Publishers Private Limited, 3 Round Building, Bombay 2.)

The author has brought out this book to record the most recent information on vegetable pests and insecticides to farmers and to those engaged in the study of agriculture as a vocational subject. Although several well-known and standard works on the subject are already available, the present work is intended to supplement the information already in existence.

MONEY AND BANKING

How Successful Has Been the Lead Bank Scheme ?

(BY A SPECIAL CORRESPONDENT)

The advocates of the lead bank scheme claim that its progress has been quite satisfactory. But much more was expected of it in initiating the development of the lead districts.

IT will be recalled that the lead bank scheme came into operation towards the close of 1969 giving a concrete shape to the "area approach" to development recommended by the study group on organisational framework for the implementation of social objectives. The banking system, since then, has seen many structural changes and it would be pertinent to find out as to how far the objectives of the scheme have been realised. The advocates of the scheme have been arguing that the progress of the scheme has been quite satisfactory.

Up to 1971, out of 335 districts allotted to the banks, 220 district survey reports have been received by the Reserve Bank of India. Under the scheme as many as 3,561 bank offices have been opened—of these 757 offices are in underbanked districts. These figures evoke one's interest in the branch expansion statistics. As the nationalisation of 14 major commercial banks is often quoted as the stepping stone in the geographical and other coverage of banking facilities, it is essential to compare the position as it obtained during the two and a half years before and after the date of nationalisation. Statistics compiled in the table reveal that while the eight underbanked States, *viz.*, Assam, Bihar, Jammu and Kashmir, Madhya Pradesh, Nagaland, Orissa, Uttar Pradesh and West Bengal together accounted for 24.9 per cent of banking offices in 1966, it went up to 25.2 per cent in June 1969 and the position further improved to 27.7 per cent in 1971. In other words, both before and after nationalisation 50 per cent of the population of India had only 25 per cent to 28 per cent of banking offices. This contrast is often ignored by the advocates of the lead bank scheme.

It is also argued that the scheme has created awakening in the countryside in as much as lending by banks for agriculture has been on the increase in the post-nationalisation period. But it is admitted in the *Economic Survey of 1971-72* that there has been a "levelling off" in the advances to the priority sectors in the recent past. It would, therefore, be true to say that the achievements of the lead bank scheme in initiating or quickening the process of development of the lead districts have not been up to the mark. Had the surveys been really impressionistic, they would definitely have pointed to the true pockets of banking potentialities in the underbanked States. That would have pressed the authorities to spread more of banking to the underbanked rather than improving the lot of the sufficiently banked States.

Another important point to be noted here is that the available statistics show that these eight underbanked States accounted for as much as 29.5 per cent of commercial bank deposits in 1966; the position had improved to 30.4 per cent in 1969. As against this, the underbanked States had 33 per cent of commercial bank credit business in 1966 which has slumped to 28.7 per cent in 1969. It is wondered whether such diversion of business from the underbanked to sufficiently banked States is desirable.

It is no doubt remarkably good on the part of the banking authorities to have considered the case of underbanked centres on an urgent footing. The banking network has been spread to cover almost all unbanked centres identified so far. It would now be necessary to consider another urgent task of stopping the flow of banking business from the underbanked States to properly banked States so as finally to remove the so-called disparate spread of banking facilities. As the *per capita* income in these States has been rising at a faster rate to reach the all-India average, the lead bank scheme should not prove a hindrance to their development.

NUMBER OF COMMERCIAL BANK OFFICES IN UNDERBANKED STATES

State	31st December, 1966	30th June, 1969	31st December, 1971	Col. (2)-Col. (1)	Col. (3)-Col. (2)	Percentage share in total		
						31st December, 1966	30th June, 1969	31st December, 1971
Assam	70	81	159	11	78	1.1	1.0	1.2
Bihar	227	273	507	46	234	3.4	3.3	3.9
Jammu and Kashmir	28	35	106	7	71	0.4	0.4	0.8
Madhya Pradesh	265	343	634	78	291	4.0	4.2	4.9
Nagaland	2	2	5	—	3	—	—	—
Orissa	81	100	187	19	87	1.2	1.2	1.4
Uttar Pradesh	585	747	1,269	162	522	8.9	9.0	9.8
West Bengal	386	504	734	118	230	5.9	6.1	5.7
Total	1,644	2,085	3,601	441	1,516	24.9	25.2	27.7
Other States/Union Territories ...	4,951	6,177	9,384	1,226	3,207	75.1	74.8	72.3
All States	6,595	8,262	12,985	1,667	4,723	100.0	100.0	100.0

TRANSPORT

Increasing Road Transport Capacity for Ensuring Rapid Economic Growth

(BY A SPECIAL CORRESPONDENT)

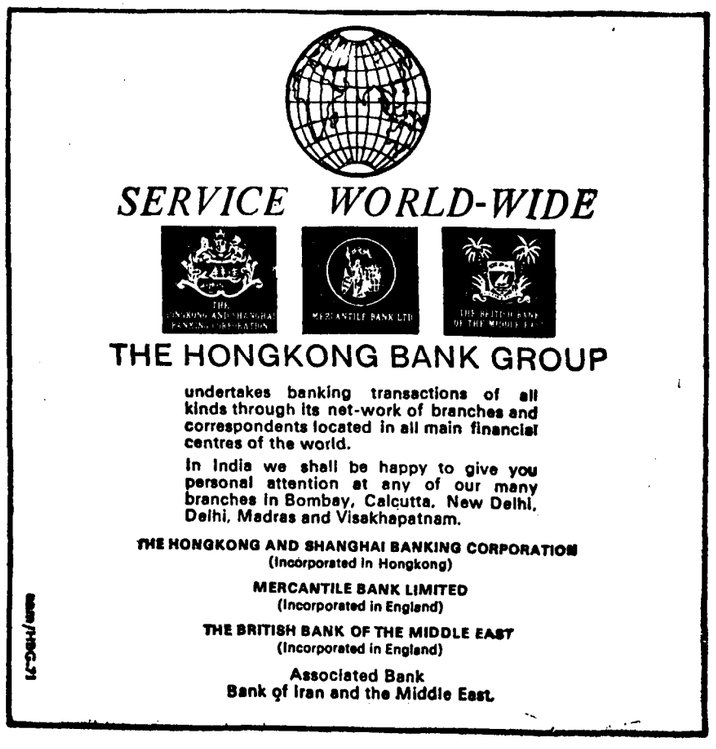
The country's insufficient road transport capacity is a deterrent to further economic progress. There is no reason why this sector should not get higher allocations when both the Central and State Governments are getting more and more revenue from it.

DUE to the economic progress in the post-independence period, there is now great pressure on the country's transport system. It has, therefore, become necessary to prepare an accelerated programme for developing capacity for road transport. The Estimates Committee has observed that "it is not the railways alone which should be called upon to discharge all the public service obligations but the road transport should also be willing to take at least a minimum share of such social and economic obligations."

India has so far done piecemeal planning to add transport to certain points. The demand for carrying capacity has always run ahead of the actual increase in production. The proposed outlay for road development during the Fourth Plan period is Rs. 760 crores (Rs. 400 crores in the Central sector and Rs. 360 crores in the State sector). This is a great irony, for the E.C.A.F.E. Committee on co-ordination has argued that in transport it is not enough merely to maintain a rate of development at par with any other economic factor. Rather, in a developing economy, the rate of expansion in transport has to be greater than in any other sector. The truth also remains that in spite of considerable investments in transport during the last decade, the position has not significantly improved. The cumulative effect of the failure of power and transport has often been the slowing down of the tempo of industrial production. In the words of a leading industrialist, shortages of fuel, transport and power constitute the threefold economic crisis of India.

Transport bottlenecks, like power shortages, serve as "brakes in production." For instance, the raisings and movements of coal have been affected due to the crisis of wagons. The irregular supply of the fuel has been causing serious concern to the coal-consuming industries. In fact, a survey has revealed that out of 246 industrial units, 47 per cent had to slow down production for periods even up to nine months while 19 per cent had to suspend production, in most cases totally, for want of coal. Again, in retrospect, some coal-consuming industries in the eastern region had to change to furnace oil in the absence of coal and incur heavy costs. The point remains: can the country allow such a situation to continue in the present emergency? The need of the hour, therefore, is to revise the road transport targets. The Central and State Governments are getting more and more revenues (in fact, a surplus of revenue over expenditure) from road transport operators. Since 1957-58, the surplus has increased very fast—from Rs. 41 crores in the First Plan to Rs. 144.7 crores, Rs. 778.6 crores and Rs. 2,000 crores (estimated) in the Second, Third and Fourth Plans, respectively.

In the light of the experience of Britain during the second World War, India may well attempt to ensure the fullest co-ordination among the different branches of inland transport by a consistent roads policy and a deliberate allocation of traffic; to maximise the inland transport capacity by utilising the existing resources more efficiently; to assess in advance the expected demand for inland transport and to relate it to the capacity of the transport system; to exercise control over the chief forms of inland transport and offer transport services; and to restrict or control the demand for inland transport giving preference to the most essential.



INVESTMENT

Technical Considerations Induce Caution in Share Trading

THE stock markets have had a rather quiet time this past week with interest tending to be rather selective. While certain shares have continued to receive attention on special considerations, the markets as a whole have been unable to improve upon their previous week's high mark. Light but persistent profit-taking has produced a setback in equity prices. Very few counters have managed to wind up the week with plus signs. Since the preceding rise had been quite steep, technical considerations have induced caution. Bulls chose to cash some profits before the markets showed symptoms of weariness.

Apart from the continuous flow of good corporate results, there has been little in the week's news which could be regarded as bullish to carry the market further up. The corporate news has indeed been pleasing. Gujarat Fertilisers, Mahindra Ugine, Enfield India, Caledonian Jute, Guest, Keen, Williams, and Hindustan Lever —to mention some important names— have had a message of cheer for their respective shareholders. Most company chairmen continue to forecast better prospects for the current year. The cotton textile machinery, dyes and chemicals, jute textile and engineering industries are now doing better than before. While last week's setback has essentially been technical, trading sentiment has been unsettled by reports of violation of the cease-fire line in Kashmir by the Pakistani army. Since peace has been restored fairly quickly, the markets have not had to put up with this disturbing factor for more than a few days.

The threat of a strike by jute workers in West Bengal has also caused anxiety and protracted talks to avert the strike have yielded fruitful results only at the last moment. It is indeed very heartening to find that an accord has been reached on the wage dispute as an indefinite strike would have seriously affected the export of jute goods. With the economic indicators beginning to point upward a little more sharply and the investment climate showing more signs of improvement, the view is widely shared that the stock market is likely to move up under the impetus of the general expansionary impulse in the economy. There will be occasional pauses and some of them could be painful also.

Gilt-edged securities have attracted little business this past week, although the price trend has been steady. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Interest in State Government loans has been restricted, although some securities have received selective support.

The Calcutta stock market has remained steady this past week, although there has been intermittent profit-taking which has led to the paring of top gains. Turnover has been fair, but there has been no noticeable improvement in investment enquiries. Among engineering shares, Guest, Keen, Williams, Jessop and Shri Ram Bearings have hardened. Among jute shares, Kinnison, Union, Reliance and Birla have improved. Among coal shares, Bengal, Raneegunge and South Karanpura have changed hands. Among miscellaneous shares, J.K. Synthetics, Brooke Bond and Universal Cables have been supported. Among tea shares, Methoni, Sapoi and Rajgarh have been traded.

Dalal Street's performance this past week has been rather patchy. Some select shares have moved further up but few could maintain the improved levels in the face of profit-taking which has been widespread and quite pronounced in certain counters. Turnover has been moderate. Net changes over the week have shown widespread losses but the underlying sentiment appears to be fairly steady as the setback is considered to be mainly technical. The bright spots of the week include Century Enka, Premier Automobiles, South India Viscose, Indian Dyestuff, Mukand Iron, Century, Tata Oil and Larsen and Toubro. The list of shares, which have suffered substantial losses on profit-taking, includes Motor Industries, Synthetics and Chemicals, Gujarat Fertilisers, Bombay Dyeing, Ceat Tyres, Tata Chemicals and Great Eastern Shipping. Changes over the week in other shares have been confined within narrow limits.

The Madras stock market has remained fairly steady this past week, but the volume of trading has been moderate. Better corporate news has apparently helped sentiment. In the planting section, Cochin Malabar, Peria Karamalai and Consolidated Coffee have attracted business. In the textile section, South India Viscose and Travancore Rayons have been supported. In the sugar section, Deccan have remained steady while E.I.D. have also met with demand. Aruna Sugar and Kothari Sugars have improved due to better support. In the miscellaneous section, Mettur Chemical and India Cement have been steady. Ashok Leyland, Aluminium Industries, Sesha-

COMPANY REPORTS

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

Allahabad Bank
Chemo-Pharma
Coromandel Fertilisers
Elpro International
Gaekwar Mills
Heavy Electricals
Hindustan Lever
Jesons Electronics
J. K. Chemicals
Khandelwal Udyog
Kothari (Madras)
Kothari Sugars
Mothola Co.
Mukand Iron
National Machinery
NOCIL
Pfizer
Premier Construction
Punjab Tractors
Tube Investments
United Bank
Vijaya Bank

sayee Paper and Mandya National Paper have met with demand. Among bank shares, Indian Bank have been supported.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 27/95—28/05—27/10—27/25—(22/80)

Burrakur Coal 7/75—7/75—7/75—7/75—(12/37)

Dunlop India 33/30—33/70—33/00—33/05—(38/80)

Guest, Keen, Williams 37/10—38/00—36/85—37/00—(37/05)

Hindustan Motor 10/65—10/80—10/30—10/35—(12/70)

Howrah Jute 9/37—9/56—9/37—9/50—(7/06)

Indian Aluminium 35/65—36/05—35/25—35/35—(38/65)

Indian Cable 23/90—24/55—23/35—24/05—(18/35)

Indian Copper 3/10—3/30—3/05—3/30—(4/15)

Indian Iron 9/95—10/05—9/55—9/60—(12/15)

J. K. Cotton 8/85—8/95—8/65—8/70—(11/00)

Jaipur Udyog 8/45—8/55—8/35—8/50—(9/10)

Jayashree Tea & Industries 17/19—17/31—16/94—16/94—(18/44)

Kesoram Industries 20/50—21/30—20/25—20/50—(16/35)

Orient Paper 37/25—37/60—36/75—36/90—(39/25)

Orissa Cement 21/15—21/30—20/50—20/70—(18/80)

Rohtas Industries 5/35—5/40—5/00—5/10—(6/25)

Textile Machinery 11/90—12/10—11/35—11/60—(11/30)

Hindustan Lever : Sales and Profit Rise

SALES of Hindustan Lever for the year ended December 1971 has risen to Rs. 134 crores from Rs. 119 crores in the previous year. Distributable profits, which had suffered a serious setback in 1970 due to substantial increases in raw material costs, recovered from Rs. 2.39 crores to Rs. 2.75 crores after tax, capital expenditure on scientific research and net transfer to development rebate reserve. Results for the current year will depend significantly upon the outcome of discussions with the Government in regard to prices of products which are subject to price control.

Progress was made in import substitution and in further improving techniques for processing unconventional indigenous raw materials. Greater emphasis was given to exports which rose by Rs. 74 lakhs to Rs. 5.52 crores. Included in these are increased exports of synthetic detergents to Russia. The directors have resolved to recommend a final dividend of 90 paise a share, subject to deduction of tax, making a total dividend of Rs. 1.50 a share for 1971.

JESONS ELECTRONICS

Share Offer

JESONS Electronics, which is setting up a dry-cell battery plant in Ghaziabad in collaboration with the Japanese firm of Yai Dry Battery Ltd, is offering for public subscription at par 245,000 equity shares of Rs. 10 each and 15,000 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. The list for the public issue which is fully underwritten will open on 19th May and will close on 30th May or earlier but not before 23rd May.

The project is estimated to cost Rs. 197.50 lakhs which is proposed to be met by the share capital of Rs. 65 lakhs and loans from financial institutions. Equity shares worth Rs. 20.5 lakhs are being taken up by the promoters and their associates and shares worth Rs. 5 lakhs are reserved for the Japanese firm which is collaborating in the venture. The balance is being offered to the public. The Company has been licensed to produce 60 million dry cells a year. If all goes well, the plant is likely to go into production by April 1973. Mr. Raunaq Singh, a director of the Company, told newsmen in Bombay the other day that about 60 per cent of the Company's production was already committed to a leading manufacturer of transistor sets. The management is also hopeful of exporting 5 per cent of the production. The Company expects a turnover of Rs. 1.5 crores in the first year, Rs. 2.5 crores in the second year and Rs. 3.5 crores to Rs. 4 crores in the third year. The Company is likely to have a gross profit margin of about 25 per cent on its turnover. The management hopes that the Company will be in a position to pay a dividend of 10 per cent or 12 per cent a year after the commencement of production. Lala Charat Ram is the chairman of the Company.

PUNJAB TRACTORS

Share Offer

PROMOTED by the Punjab State Industrial Development Corporation, Punjab Tractors Ltd will be entering the market shortly to raise Rs. 93.50 lakhs in equity and preference shares to meet part of the cost of the project. The Company is setting up manufacturing facilities in Mohali, near Chandigarh. The 20 and 30 horse power tractor to be called "Swaraj" will be the first tractor to be made in the country with entirely indigenous technology developed by the Central Mechanical Engineering Research Institute to suit Indian farming conditions. Civil construction work is in progress and the first tractor is expected to be rolled out towards the end of next year. The installed capacity of the plant will be 5,000 tractors in the first phase to be raised subsequently to 12,000 tractors.

The project estimated to cost Rs. 3.70 crores is proposed to be met by the share capital of Rs. 1.40 crores and loans from financial institutions amounting to Rs. 2.30 crores. The Company has an authorised capital of Rs. 2 crores made up of Rs. 1.20 crores in equity shares and Rs. 80 lakhs in preference shares. The present issue consists of Rs. 80 lakhs in equity shares of Rs. 10 each and Rs. 30 lakhs in cumulative redeemable preference shares of Rs. 100 each. Out of this equity shares worth Rs. 16.50 lakhs are being taken up by the promoters, directors and their associates. The remaining capital—Rs. 63.50 lakhs in equity shares and Rs. 30 lakhs in preference shares—is to be offered for public subscription.

KOTHARI SUGARS

Rights Issue

KOTHARI Sugars and Chemicals, which is setting up a new sugar factory in Siruguppa (Mysore State) with a crushing capacity of 1,500 to 2,000 tonnes a day, proposes to offer rights equity shares on a one-for-one basis at par towards the end of May or early June to raise additional share capital of Rs. 80 lakhs to meet part of the finance required for the sugar factory. The entire project is estimated to cost Rs. 3.60 crores. This will be met by the additional share capital, borrowings from banks and financial institutions and internal resources.

The Company has already declared an interim dividend of 6 per cent for the current year ending August. The management expects to be in a position to pay a final dividend of 7 per cent or 8 per cent. The new shares will rank for the final dividend. The new sugar factory is expected to go into production by October or November 1973 and will contribute to the profits from the 1973-74 season. The Company is planning to put up a distillery and undertake the manufacture of several chemicals in course of time.

VIJAYA BANK

All-round Growth

IN his chairman's statement at the annual general meeting of the Vijaya Bank Ltd held recently in Mangalore, Mr. Mulki Sunder Ram Shetty said that the bank had maintained its record of progress for three successive years. The bank's deposits stood at Rs. 43.64 crores at the end of December 1971. The increase in deposits was 38 per cent, as against the average growth rate of 20.6 per cent for all the banks. Advances at Rs. 25.84 crores have increased by 47 per cent. The working results of the bank are encouraging. Its gross earnings have risen by nearly 53 per cent and the net profit by 75 per cent. The dividend has been raised to 12 per cent. The bank has opened 15 new branches bringing the total to 141 at the end of the year. The chairman said that a licence has been obtained to deal with foreign exchange. A foreign exchange department has been opened to deal with all foreign currencies. The bank has now account agency arrangements with many of the leading banks in other countries. (A fuller version of the statement appeared in last week's issue of *Capital*.)

TUBE INVESTMENTS

Rise in Turnover

THE chairman of Tube Investments of India Ltd, Sir A. Ramaswami Mudaliar, in his statement to the shareholders, gave an account of the operations of the Company during the year ended December 1971. As for the equity dividend of Rs. 10.50 a share declared for the year, Sir Ramaswami has pointed out that it may appear to be modest when compared with the dividend paid by some of the other engineering units in the country. It is pointed out that some of the plants and machinery are nearly 15 to 20 years old and, therefore, the Company has to provide funds for an expensive renovation programme. In view of this, the directors felt it prudent to conserve funds. Turnover improved to Rs. 14.32 crores from Rs. 13.53 crores in the previous year. The pre-tax profit showed an increase in spite of a provision for gratuity for the year to the extent of Rs. 5.28 lakhs and payment of a sizable sum to employees who left the service of the T. I. Cycles of India unit under a voluntary separation arrangement. The chairman said that exports by T. I. Cycles of India were made even though better margins were available on domestic sales. Even this avenue is not available to the Company now because of the control on the selling price of bicycles. Sir Ramaswami referred to the position of the bicycle industry at the moment which had been affected adversely by the squeeze on profit because of the increases in material costs and higher Government levies without a corresponding increase in the price of bicycles.

MUKAND IRON : EXCELLENT PROGRESS

IN a statement, Mr. Viren J. Shah, vice-chairman and managing director of Mukand Iron and Steel Works Ltd, says that the progress of the Company in all its divisions, after recession, has been so consistently noteworthy that it is now in a position to enter into joint ventures abroad—in south-east Asia, in the Middle East and farther still even in Australia or Canada. Over a period of more than 30 years, the Company has acquired sufficient technical know-how, managerial talent and manufacturing facilities to undertake collaboration right from the project stage to production. Having encountered problems which are common to all developing economies, the Company is now in a position to help them better. Already, it has made a beginning in Malaysia with a steel foundry against global competition and it hopes to reach a few more countries. The Company can provide consultancy services and undertake turnkey jobs both at home and abroad.

Labour-management relations in the Company have entered a new phase of joint endeavour towards progress. A five-year settlement with labour has been made covering wages, dearness allowance and all other collateral benefits, and the Company has improved the staff schemes involving an extra expenditure of about Rs. 60 lakhs a year. The striking feature of the settlement, according to Mr. Shah, is the recognition of a common purpose by the workmen, the union and the management. He considers the preamble to the settlement as of the utmost value since it defines the common objectives. These are: to promote good relations through co-operation and discipline; to maintain the dignity of labour and the dignity of supervision; to endeavour for the maximum prosperity of the Company and the raising of the standard of living of the employees; and to resolve all conflicts, as far as possible, at the discussion table. Already, shop committees have started functioning and most of the day-to-day problems are being solved speedily. All court matters have been withdrawn.

Simultaneously, the Company is considering certain welfare measures by way of social responsibility. Earmarking 1 per cent of the net profits of the Company every year for this purpose is under active consideration, to provide incentives for education, medical facilities, better living, etcetera. The Company is already spending about Rs. 10 lakhs on welfare schemes covering items like family planning, worker education, medical check-ups and co-operative activities.

As a matter of policy and practice, the Company is committed to the development of all its employees, from the workmen right up to the executives. In fact workmen have risen to executive positions in the Company. Training and development constitute a top priority item. The total accent, in brief, is on creating a consultative rather than a centralised management, with opportunities of participation by employees in taking decisions and implementing them at all levels.

ALLAHABAD BANK

Satisfactory Results

ALLAHABAD Bank has shown satisfactory working results for 1971. The profit (subject to provision of bonus to staff) has risen from the previous year's Rs. 42.51 lakhs to Rs. 54.07 lakhs, after providing Rs. 12.92 lakhs (against Rs. 12.11 lakhs) for depreciation and repairs to the bank's property. Deposits have increased from Rs. 140.70 crores to Rs. 160.04 crores and investments from Rs. 37.60 crores to Rs. 46.75 crores. Advances are also up from Rs. 95.95 crores to Rs. 101.16 crores. (The bank's balance-sheet was published in last week's issue of *Capital*.)

UNITED BANK

Good Results

UNITED Bank of India has fared well during 1971. Its profit has increased from the previous year's Rs. 29.10 lakhs to Rs. 41.71 lakhs, after providing Rs. 29.56 lakhs (against Rs. 16.92 lakhs) for depreciation and repairs to the bank's property and Rs. 8.25 crores (against Rs. 6.29 crores) for interest paid on deposits, borrowings, etcetera. Deposits and other accounts are up from Rs. 203.65 crores to Rs. 247.83 crores and investments from Rs. 45.58 crores to Rs. 61.17 crores. Advances are shown at Rs. 159.42 crores (against Rs. 141.86 crores). (The bank's balance-sheet was published in last week's issue of *Capital*.)

PFIZER

Margins Down

THE very brief preliminary statement from Pfizer on its working results for the year ended November 1971 shows that while both sales and profits have gone up, margins have been under pressure. As against a 20 per cent increase in sales from Rs. 17.34 crores to Rs. 20.84 crores, the net profit after providing for depreciation, development rebate and taxation—these figures have not been disclosed—is up by 11 per cent from Rs. 1.55 crores to Rs. 1.73 crores. The decline in margins is attributed mainly to a reduction in prices of a number of important products under the Drugs (Price Control) Order and the rise in costs of materials and other expenses. Their impact would have been more severe but for the Company's sustained efforts to improve operational efficiencies, to cut down costs and to increase productivity. The management fears that the impact of the Drugs (Price Control) Order will become more pronounced in the Company's future performance, particularly with the continuing rise in material costs and expenses.

COROMANDEL FERTILISERS

A Good Year

COROMANDEL Fertilisers Ltd has produced encouraging working results for the year ended December 1971, with its profit showing a marked improvement over the previous year. The directors point out that the profit would have been still higher but for the Central levies imposed during the year and steep increase in the cost of raw materials, electricity and freight. The gross profit, before depreciation and interest, amounts to Rs. 923.57 lakhs (against Rs. 834.22 lakhs) . After deducting from this profit Rs. 308.42 lakhs (as against Rs. 332.86 lakhs) towards interest and Rs. 447.16 lakhs (against Rs. 445.86 lakhs) for depreciation, there is a profit balance of Rs. 167.99 lakhs. Adjustments in respect of previous years amounted to Rs. 8.08 lakhs, leaving a profit of Rs. 159.91 lakhs. After adjusting this amount against the brought-forward loss of Rs. 396.63 lakhs, there is a deficit balance of Rs. 236.72 lakhs which is being carried forward. Sales amounted to Rs. 26.80 crores (against Rs. 25.10 crores).

Referring to the operations during the year, the directors' report says that the plant in Visakhapatnam operated uniformly well throughout the year. Production amounted to 247,000 tonnes which is 85 per cent of the rated capacity. This represents an improvement of about 12 per cent in total tonnage and 9 per cent in terms of plant nutrient over 1970.

NOCIL : MAIDEN DIVIDEND

NATIONAL Organic Chemical Industries Ltd, popularly known as Nocil, has turned out encouraging results for 1971 which has enabled the directors not only to wipe off the outstanding deficit but also to recommend a maiden dividend of 5 per cent. As against a 22 per cent increase in sales from Rs. 23.52 crores to Rs. 28.79 crores, the gross profit made by the Company at Rs. 7.93 crores is up by 50 per cent over the 1970 figure of Rs. 5.29 crores. After providing Rs. 3.47 crores (against Rs. 3.33 crores) for depreciation and transferring Rs. 7.37 lakhs (against Rs. 3.78 lakhs) to capital expenditure account, the surplus amounts to Rs. 4.39 crores, against Rs. 1.91 crores in the preceding year. Out of this, Rs. 2.81 crores are to be utilised to wipe off the deficit brought forward from the previous year. A sum of Rs. 82 lakhs has been transferred to deferred taxation reserve and Rs. 15 lakhs to development rebate reserve. The proposed maiden dividend will require Rs. 60 lakhs. The amount of statutory development rebate reserve as at the end of 1971 is estimated at Rs. 11.79 crores, against which only Rs. 15 lakhs have been set aside. Further provision will be made in subsequent years. The Company's plants operated satisfactorily during the year and the Company generally maintained the price line for its range of products.

HEAVY ELECTRICALS

Rise in Production

THE State-owned Heavy Electricals factory in Bhopal has registered an increase of over Rs. 5 crores in the production for 1971-72 over the previous year. The factory produced plant and equipment worth Rs. 32.76 crores during 1971-72, against Rs. 27.57 crores in 1970-71. The factory has made available to the country and also abroad sophisticated heavy electrical equipment worth over Rs. 158 crores. The major accomplishments of the factory include completely equipping and commissioning of three hydro power stations, two thermal power stations, over 230 diesel electric locomotives, three out of every four suburban trains operating in the Calcutta area and one out of every four suburban trains operating in the Bombay area. Main steam turbines for propelling Indian nevy warships have also been supplied by the factory. The production highlights of the year 1971-72 include manufacture, for the first time in India, of class H insulated

D.C. industrial motors, tank type capacitors of 135 kVAr ratings, 67,500 kVAr, 25 kV, 4,000 amps coreless reactor with special magnetic shield, 30 kA booster transformers and largest ever manufactured in the country 120,000 kW steam turbine generator.

KHANDELWAL UDYOG

All-round Improvement

KHANDELWAL Udyog has turned out encouraging results for 1971. Production, sales, profit and margins—all are higher than in 1970. Improved results have enabled the Company to clear all arrears of preference dividends. Last year, the Company had cleared preference dividends for 1967 and 1968; this time it is paying preference dividends for 1969, 1970 and 1971. The value of the Company's production during the year rose to Rs. 133.05 lakhs from Rs. 96.23 lakhs in 1970. Sales have increased by 32 per cent from Rs. 96.95 lakhs to Rs. 127.91 lakhs and the gross profit has gone up by 45 per cent from Rs. 12.04 lakhs to Rs. 17.54 lakhs. After providing Rs. 1.06 lakhs for depreciation, and Rs. 5.92 lakhs for the payment of preference dividends for three years, a sum of Rs. 2.50 lakhs has been transferred to the preference share redemption fund account. With the present trend of production and order booking, the directors expect the Company to show further improvement during the current year.

GAEKWAR MILLS

Satisfactory Results

DESPITE a steep rise in the cost of raw cotton and a higher wage bill, Gaekwar Mills have produced satisfactory results for 1971. Sales are higher at Rs. 4.02 crores, against Rs. 3.72 crores in 1970 and the gross profit too is a little higher at Rs. 26.02 lakhs, against Rs. 25.71 lakhs. The equity dividend has been maintained at 16 per cent which will absorb Rs. 6.40 lakhs. In addition, the directors have recommended the issue of bonus shares on a one-for-four basis by capitalising Rs. 10 lakhs from general reserve. Given normal trading conditions, the Company is expected to do well in the current year.

J. K. CHEMICALS

Results Disappoint

J K. CHEMICALS has reported extremely disappointing results for 1971. The gross profit has shrunk to Rs. 44.63 lakhs from Rs. 242.48 lakhs in the preceding 18-month period. Sales are down from Rs. 8.08 crores to Rs. 4.09 crores. The sharp decline in the ratio of profit to sales from 30 per cent in 1969-70 to 10.9 per cent in 1971 shows how badly the margins have been eroded. This is attributed mainly to the heavy fall in realisation in respect of sodium hydrosulphite, the principal product. The Company had to reduce prices heavily because of the unfavourable market conditions arising from the import of the chemical and the start of new plants.

Despite disappointing results, the directors have proposed a total dividend of 15 per cent made up of 12 per cent final and 3 per cent interim, the same as paid for 1969-70. The equity shareholders will thus be receiving a dividend of Rs. 15 a share for 1971, against Rs. 15 a share paid for the 18-month period previously. After providing Rs. 23.84 lakhs (against Rs. 45.20 lakhs) for depreciation, Rs. 2.70 lakhs (against Rs. 3.65 lakhs) for development rebate reserve and Rs. 5.25 lakhs (against Rs. 132.30 lakhs) for taxation. the net profit for 1971 amounts to Rs. 12.84 lakhs, against Rs. 61.33 lakhs for 1969-70. After adjustments, the surplus of Rs. 15.42 lakhs (against Rs. 61.53 lakhs) has been transferred to general reserve. The equity and preference dividends absorbing Rs. 10.60 lakhs are being paid out of general reserve.

KOTHARI (MADRAS)

Diversification Plans

KOTHARI (Madras) Ltd, which has come into being as a result of the merger of five companies—three plantations and two textile mills—belonging to the Kothari group, has a number of schemes on hand to diversify its activities into new fields. The Company holds a licence for the manufacture of electronic components of various types. The project which is proposed to be implemented shortly is likely to involve a capital outlay of Rs. 50 lakhs to Rs. 1 crore. It is also proposed to set up a unit for the manufacture of automotive batteries with an installed capacity of 300,000 batteries a year. A letter of intent has been secured and collaboration has been concluded with a West German firm. The outlay on this project is estimated at around Rs. 2 crores. There is also a proposal to go in for the manufacture of various plastic items, such as rigid P.V.C. pipes, films, containers and heavy-duty bags of various specifications. It is also proposed to manufacture calendered plastic and printed plastic materials. This project, estimated to cost Rs. 2 crores to Rs. 3 crores, is intended to be implemented in three stages.

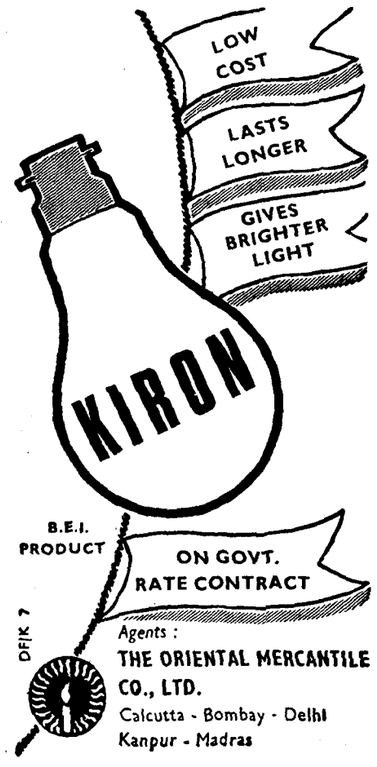
NATIONAL MACHINERY : GOOD RESULTS

THE working results of National Machinery Manufacturers for 1971 show an impressive improvement over the previous year's disappointing performance which was attributable largely to the 50-day lock-out. The Company's sales have increased sharply from Rs. 5.44 crores to Rs. 8.33 crores and the gross profit has gone up manifold—from a mere Rs. 15.56 lakhs to Rs. 110.83 lakhs. Improved results have enabled the directors to recommend the payment of a dividend of Rs. 8 a share, against nil in the preceding year. Appropriations of profits include depreciation Rs. 19.37 lakhs (against Rs. 18.63 lakhs), development rebate reserve Rs. 4.53 lakhs (against Rs. 20,000), taxation Rs. 27.10 lakhs (against nil), goodwill written off Rs 25.06 lakhs and general reserve Rs. 34.46 lakhs. The proposed dividend absorbing Rs. 20 lakhs will be paid out of general reserve.

The current year started rather badly, with stocks having piled up to a total of Rs. 85 lakhs. But things have started looking up recently. If the current trend persists, the Company's sales are expected to show a further rise of about 10 per cent over the 1971 level. The Company has set up another unit in Baroda in order to give a wider base to its manufacturing activities. This unit will initially produce machinery for the production of synthetic fibres. The Company expects to take up the manufacture of other machinery in course of time. When in full production, the Baroda plant is likely to increase the Company's annual turnover by about Rs. 5.5 crores. The Company has started an extensive export drive and it has recently booked an order for the supply of automatic looms to Sudan valued at Rs. 25 lakhs.

The Company has also plans to promote a project jointly with the Gujarat Industrial Investment Corporation which holds a letter of intent for manufacturing 400,000 numbers each of rubber tyres and tubes. The capital outlay on this project, to be located in Baroda, is estimated at around Rs. 14 crores, including equity capital of Rs. 3 crores. The Gujarat Industrial Investment Corporation will take up 26 per cent of the equity capital and Kothari (Madras) 25 per cent. A collaboration agreement has been arranged with a U.S. firm. The Company has also a proposal to establish a wrist watch factory in Tamil Nadu in collaboration with Timex of the U.S.A. This project is estimated to cost about Rs. 2 crores.

The total turnover of Kothari (Madras) is around Rs. 16 crores. This is expected to expand in the coming years. The profit which is now around Rs. 90 lakhs is likely to show an appreciable increase when the diversification plans are implemented and the existing lines are strengthened. The modernisation of the textile mills is proceeding at a fast pace. The Company has already declared an interim dividend of 10 per cent for the current year ending August. The directors hope to be able to declare a final dividend of 10 per cent. The Company plans to issue rights shares by the end of this year to raise finance for various projects.



PREMIER CONSTRUCTION

Results Disappoint

PREMIER Construction has reported extremely disappointing results for 1971 and the dividend has been slashed from Rs. 16 to Rs. 6 a share. According to the preliminary figures, the gross profit has shrunk from Rs. 63.48 lakhs to Rs. 17.53 lakhs. After providing Rs. 82,000 (against Rs. 84,000) for depreciation and Rs. 6 lakhs (against Rs. 17 lakhs) for taxation, the net profit amounts to Rs. 10.71 lakhs, against Rs. 45.64 lakhs in the previous year. After adjustments, a sum of Rs. 10.87 lakhs (against Rs. 45.64 lakhs) has been transferred to general reserve out of which the proposed dividend is to be paid.

CHEMO-PHARMA

Sales Up but Profit Down

THE preliminary statement released by Chemo-Pharma Laboratories on its working results for 1971 shows a marked contraction of margins as a result of the lowering of drug prices under Government orders and cost escalation. Despite an increase of 9.8 per cent in sales from Rs. 1.16 crores to Rs. 1.27 crores, the gross profit has shrunk by 16.7 per cent from Rs. 10.33 lakhs to Rs. 8.60 lakhs. The dividend, however, has been maintained at 12 per cent and it is payable on the increased capital resulting from a rights issue of Rs. 10 lakhs made in May 1971. After providing Rs. 3.29 lakhs (against Rs. 3.32 lakhs) for depreciation and Rs. 1.43 lakhs (against Rs. 3.26 lakhs) for taxation, the net profit for 1971 amounts to Rs. 3.88 lakhs, against Rs. 3.75 lakhs in the preceding year. The disposable surplus after adjustments is placed at Rs. 3.65 lakhs (against Rs. 3.06 lakhs).

The production in the fine chemicals division was much below the capacity as the Company did not get any allocation of 3 and 4 cyanopyridine, the two principal raw materials for this division. The project for manufacturing formaldehyde and melamine formaldehyde moulding powders has commenced production at the new site in Kalyan. The initial product is stated to have been well received in the market. The expansion programme for fine chemicals is nearing completion and it is expected that production in some of the departments will start soon and the whole plant will lgo into production thereafter. The expansion and diversification will help the Company to increase production and profitability during the current and future years.

MOTHOLA CO.

Dividend Maintained

MOTHOLA Co. Ltd has maintained the taxable ordinary dividend of 10 per cent during 1971 which absorbs Rs. 60,000. This offers a yield of 8.1 per cent at the present price of Rs. 123 a share of Rs. 100 each. The Company has made a profit of Rs. 1.13 lakhs (against Rs. 1.15 lakhs), after providing Rs. 48 (against Rs. 53) for depreciation. Taxation is allocated Rs. 65,000 (against Rs. 58,000). After transferring a sum of Rs. 11,872 (against Rs. 1,695) from excess provision for taxation and making other adjustments, there is a balance of Rs. 24,755 which is proposed to be carried forward, against Rs. 24,389 brought in. The interest from loans and deposits has amounted to Rs. 1.47 lakhs (against Rs. 1.38 lakhs).

ELPRO INTERNATIONAL

Bigger Dividend

ELPRO International has raised the dividend for 1971 to 12 per cent from 10 per cent paid for the previous 15-month period. This follows a marked improvement in the Company's performance during the year. It has earned a gross profit of Rs. 47.59 lakhs on a turnover of Rs. 3.23 crores, against Rs. 38.48 lakhs on a turnover of Rs. 2.65 crores in the preceding 15-month period. The increased turnover is attributed to additional lines of manufacture. Exports showed an appreciable increase during the year. After providing Rs. 11.34 lakhs (against Rs. 13.13 lakhs) for depreciation, Rs. 1.72 lakhs (against Rs. 2.62 lakhs) for development rebate reserve and Rs. 19.50 lakhs (against nil) for taxation, the net profit amounts to Rs. 15.02 lakhs, against Rs. 22.73 lakhs. The proposed dividend will absorb Rs. 10.20 lakhs, against Rs. 8.50 lakhs, A sum of Rs. 4.56 lakhs (against Rs. 11.45 lakhs) has been transferred to general reserve.

COMMODITIES

Jute Strike Averted : Mills Worried Over Higher Wage Burden

TRADE and industry circles have heaved a sigh of relief over the conclusion of the bipartite agreement between the jute industry and workers even though they are rather worried over the cost implications. More than a hundred hours of talks at bipartite and tripartite levels, both in Calcutta and New Delhi, preceded the agreement. It removes the threat of a total strike by about 250,000 workers in the industry — about 16,000 permanent and the rest casual or *budli*—in the 63 jute mills in the State from 8th May. The agreement, which entails an additional wage burden to the tune of Rs. 20 crores a year, will be valid with retrospective effect from 15th April last. It offers a minimum wage of Rs. 235 a month for a worker, as originally suggested by the West Bengal Labour Minister, Dr. Gopal Das Nag. Of this, basic salary will be Rs. 160, including house rent allowance, and dearness allowance of Rs. 75, linked to the consumer price index which now stands at 817 (with 1939 equals 100).

Dearness Allowance

The agreement lays down that the dearness allowance will remain unchanged even when the index dips below 817 points. When it rises above that level, every worker will receive an additional dearness allowance of 25 paise a point of rise in the index. In the case of a fall up to the floor level of 817, a downward adjustment of the dearness allowance will be made on that scale. Offering an increase of Rs. 45.60 a month in the wages of a worker, including the *budli* workers, the agreement will be in force up to the end of May 1975. After that, it will remain valid unless terminated by either of the parties through a notice, submitted to the other side two months in advance. In terms of the accord, all arrears of dues will be paid within 30 days from the execution date of the pact. It also stipulates that up to 90 per cent of the present workmen on the register of employees will be made permanent and at least 15 per cent of the remaining section guaranteed employment for 220 days in a year, along with fringe benefits like provident fund, bonus, gratuity, overtime allowance, Employees' State Insurance facilities, earned leave on a *pro rata* basis and the usual festival holidays. Fringe benefits and leave pay will be calculated on the total amount of wages, *i.e.*, basic wages and dearness allowance combined.

I.J.M.A.'s View

The settlement of the dispute in the jute industry, which the Indian Jute Mills Association has signed solely with the purpose of avoiding a strike, will cost the mills about Rs. 355 a worker every month or Rs. 120 more than the minimum basic wage agreed to, says an I.J.M.A. Press note. It is computed that the average monthly wage in the industry will be about Rs. 275 a worker ; but he will be costing his company an additional Rs. 80 a month towards its contribution to his provident fund at the rate of 8 per cent, gratuity at 4 per cent, bonus at 7 per cent, and other fringe benefits such as E.S.I., and festival holidays. In fact, as a result of the wage increase, certain sections of workers will have to pay income-tax. The cost impact of the increase by Rs. 20 crores annually in the industry's wage bill from the present level of Rs. 90 crores is bound to tell on its economic viability and its competitive strength *vis-à-vis* synthetics and other jute manufacturing industries elsewhere, since the average cost of converting raw jute into fabrics will go up by about Rs. 170 a tonne. In view of a greatly increased burden of costs now placed on the industry, the Association hopes that the Government, both Central and State, will assist it in every possible way in its endeavour to compete in overseas markets. It is also to be expected that the workers, who are to benefit immensely by the settlement, will exert themselves to increase production to the rated capacity of every machine.

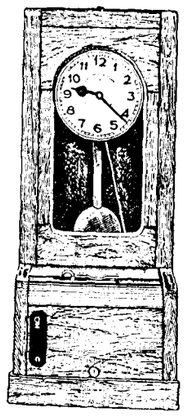
Spokesmen of the I.N.T.U.C., A.I.T.U.C. and H.M.S. have expressed their satisfaction over the settlement relating to the major demands of jute mill workers. These included minimum wages, permanence of *budli* workers, and night-shift allowance. But the CI.I.T.U., the two U.T.U.C.s, and the T.U.C.C. have issued notes of dissent, observing that they "strongly felt that the workers could have received much higher wages and better amenities if some trade unions and the Government extended consistent support to the just demands of workers." They further held that "we have been forced to sign the agreement in our eagerness to maintain the much cherished unity and avoid disruption in our ranks" for the I.N.T.U.C., A.I.T.U.C. and H.M.S. had already decided to settle the strike. The West Bengal Chief Minister, Mr. Siddhartha Sankar Ray, maintained that the Government "had not let down the workers, nor had it harmed the industry, judging from the profits the industry had made."

Gunny Statistics

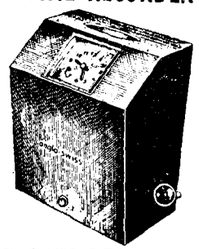
I.J.M.A. statistics for the ten-month period ended April showed that mills reporting to the Association produced a total of 949,200 tonnes of end-products this season, against 800,100 tonnes last season. While the production of carpet-backing cloth rose by 66,200 tonnes to 185,600 tonnes, sacking increased by 52,000 tonnes to 416,400 tonnes, hessian by 13,700 tonnes to 278,800 tonnes and other goods by 17,200 tonnes to 68,400 tonnes. With exports advancing by 68,400 tonnes to 540,200 tonnes and the internal offtake by 50,400 tonnes to 426,500 tonnes, overall despatches registered an increase of 118,800 tonnes to 966,700 tonnes. While carpet-backing cloth exports revealed an increase of 42,500 tonnes to 182,400 tonnes, indicating a sustained demand and keen offtake, sacking improved by 18,600 tonnes to 97,700 tonnes and miscellaneous goods by 8,100 tonnes to 27,600 tonnes. Hessian suffered a fractional decline by 800 tonnes to 232,500 tonnes.

Sharp Recession in Gunnies

Following an initial spurt induced by frantic short and shipper-covering by genuine sellers on the eve of the threatened industrywide indefinite and total strike from Monday, the Calcutta gunny market suffered a sharp recession since mid-week. The protracted tripartite talks held

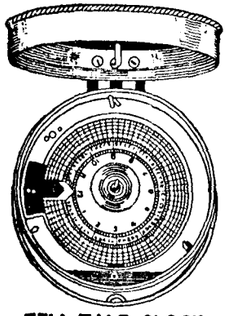


TIME RECORDER



ON D. G. S. & D. LIST

JOB COST RECORDER and



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at the instance of the State Labour Minister proved abortive until Sunday night when the parties finally agreed to a compromise formula. Industry and market circles were not quite precise about the extra burden the pact would put on the industry. But on a rough assessment, the annual impact was estimated around Rs. 20 crores, *i.e.*, about Rs. 25 more on every tonne of the product exported. There was no report of any fresh business, nor were the mills or the operators keen on negotiating any deal in view of the prevailing uncertainties. Meanwhile, apprehending the worst, mills and holders of P.D.O.s took precautionary steps of leaving the minimum quantum of ready delivery goods and fibre in mill warehouses or in the process of manufacture. Around the week-end, prices eased on a broad front on profit-taking and due to some extent of long liquidation by bulls in an unwilling market. Barring a substantial turnover with major shippers on Tuesday, transactions were more or less of a speculative nature. Trade and industry circles seemed worried over the wage dispute. They had been disappointed to note that none spoke of the need for adhering to a minimum norm of performance—both qualitatively and quantitatively—in order to offer the industry some endurable means of meeting the extra incidence of wages. They repeatedly mentioned that the absence of Bangladesh from the market last year and its restricted presence there since the partial resumption of manufacturing operations had been followed by some increase in the overseas offtake of Indian jute goods. But the price-differential between Bangladesh and India, amounting virtually to the quantum of Indian export duties, had induced overseas customers to tap Dacca before exploring the Calcutta market. For some time, Bangladesh was unlikely to be in a position to make any worthwhile contribution in meeting the world demand. As the bulk of the output of the industry there was likely to be siphoned off to the large number of countries which had entered into a favoured nation agreement with the new republic, interest in Indian goods was likely to be less keen. In addition, prices offered in bilateral pacts were generally much lower than the open market rates. Hence, Clive Row was apprehensive of stiff price resistance from overseas customers. Turnover was small to moderate. The closing undertone was quietly steady.

Latest available quotations (in rupees) were as follows:

	May	June	July-Sept.	Oct.-Dec.
40in. 7½oz.	85.50	82.50	76.50	73.00
40in. 8oz.	94.00	—	—	—
40in. 10oz.	107.50	104.00	99.50	95.50
B Twills	281.00	276.00	269.00	265.00
Heavy Cees	282.00	276.00	269.00	265.00
Cornsacks	—	—	—	—
A Twills (U.S.)	330.00	330.00	327.00	325.00
Liverpools	324.00	324.00	314.00	310.00

Fibre Firm

After ruling fairly easy during the first half, raw jute prices firmed up rather sharply during the latter part of the week despite the protracted negotiations with the trade unions to reach a settlement on the threat of an impending strike. Reports of a severe heat wave blowing through most of the jute-growing States induced caution among operators. Although the condition of plants was quite satisfactory in the early sown areas and in the specially irrigated zones, there was an unavoidable delay in soil preparation in the Indo-Gangetic belt. Both mills and the fibre trade welcomed the report relating to the despatch of the first consignment of about 8,000 bales of fibre from Gauhati to Calcutta along the riverine route through Bangladesh. The resumption of the riverine traffic, it was hoped, would remove one of the stiffest bottlenecks, which has been creating complications to all concerned, including the railways and the road transport operators during the peak fibre-marketing seasons. Turnover was small. The closing undertone was firm.

Latest available quotations (in rupees) were as follows :

	May-June		
	Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	156.75	147.36	55.00
Northern Jute	155.40	142.00	53.00
Western Desal Jute	146.02	132.62	49.50
Selected Daissee	176.83	163.43	61.00
Assam-Agartala Tossa	174.15	160.75	60.00
Mesta :			
Assam Mesta	142.00	131.28	49.00
Selected Daissee Murshidabad	137.98	127.26	47.50
Bihar Dist.	124.58	113.87	42.50

GUEST KEEN WILLIAMS LIMITED

CHAIRMAN, MR. K. C. MAITRA'S STATEMENT

The following is the statement by the chairman, Mr. K. C. Maitra, on the occasion of the forty-second annual general meeting held in Calcutta on the 5th May, 1972.

It is my pleasant task to welcome you to this 42nd Annual General Meeting of your Company. The Annual Accounts and Directors' Report have been circulated and with your permission I shall take them as read.

Board of Directors

Mr. A. H. Sethna who joined the Board on 12th June, 1964 has resigned from it on 30th December, 1971 on his retirement. I must add, however, that his association with the Sankey Electrical Stampings part of the Company is longer, going back to April 1961. Throughout this time, his knowledge and experience of the Steel Industry were of great assistance to the Board, and on your behalf and mine I would like to place on record our great appreciation of the services rendered by him during his long association with us.

I have also to report to you the resignation of Sir Henry Wilson Smith, KCB, KBE, Deputy Chairman of our associated company in U.K.—Guest Keen & Nettlefolds Ltd. Although Sir Henry only joined our Board in June 1970, his interest in our affairs has been continuous throughout his service with GKN, and we have greatly benefited from his mature counsel and experience. Again on your behalf and mine I would like to place on record our great appreciation.

It gives me pleasure to welcome to our Board Mr. S. K. Nanavati, whose appointment as a Director from 4th February, 1972 is noted in the Directors' Report. I am also glad to tell you that Mr. H. S. Killick, M.C., TD., one of the Executive Vice-Chairmen of Guest Keen & Nettlefolds Ltd., joined the Board of Directors from 30th March, 1972. Your Company is indeed fortunate in obtaining the services of men of this calibre and distinction.

Operations during 1971

The Directors' Report circulated to you has already covered the salient features of the 1971 results, and I need not repeat them here. But I cannot let the achievement, for the first time, of Rs. 50 crores turnover pass without a special mention. I shall at the end of my statement, as is customary, thank the members of the GKW team at all levels for its contribution during the year ; but I think you would wish me to make special reference to this landmark—such figures are only achieved when the whole of our strength is pulling in the same direction. As it happens, achievement of Rs. 50 crores comes almost exactly 50 years after Henry Williams (India) Ltd. set up its first manufacturing activity in Calcutta in 1922. This Private Company later grew and became associated with Guest Keen & Nettlefolds Ltd., U.K. in 1934 leading eventually to the public company of Guest Keen Williams Ltd., in 1956. The contribution to the Indian economy, to employment, and to indigenous availability of needed materials and products, brought about by this combination of private enterprise and association with one of the world's great international companies, is obvious. It is our earnest hope that it can long continue to thrive and to grow.

The area where we are most disappointed with our performance is export. I am glad to be able to tell you that we have booked some good orders already in 1972, although price competition in export markets is, if anything, fiercer than last year. We should be able to hold our position, but we have much further work to do in order to get our exports back on to a growth track.

I would also like to comment on the apparently high liquid resources we are maintaining. I do not think it is sufficiently realised how the combination of inflation, high tax rates, and growing volume of business, place heavy demands on resources. For example, the book value of our stocks at 1st January, 1972 was Rs. 14.26 crores. If this year we hold merely unchanged volume, but suffer 5% inflation, the value of stocks will rise by Rs. 71 lakhs. To finance this from internally-generated resources requires a pre-tax profit of about Rs. 2.1 crores. If one couples this purely inflationary impact, with the need to achieve expansion in real volume and re-equipment of our fixed capital base, the pressure on funds is obvious.

Bonus Issue

Before I begin to speak on 1972 and the future, I must give the shareholders a piece of disconcerting news. You will recall that, at an Extraordinary General Meeting held in November 1971, it was decided that an application should be made to Government to permit a 1 for 2 issue of Bonus Shares by capitalising the entire amount standing to the credit of the Share Premium Account, and some of the General Reserve. By an Order received shortly after the Directors had signed their Report, the Government has turned down the request for bonus issue on the ground that Rs. 1.11 crores of the total Share Premium Account was "created by consideration other than cash", which they do not permit to be capitalised. This policy of Government raises important points which affect both our Company and yourselves as shareholders, for it effectively freezes a part of our Share Premium Account for many years to come. We are carefully examining the matter and, for the moment, I would request you to bear with us till we come to some definite conclusions. I couple this with an assurance that it is still our wish to effect a bonus issue on the best basis we can devise consistent with Government policy.

Current Prospects

Looking back, the recession of 1966/67 affected all industry. Your Company had to go out of the dividend lists in respect of its operations in 1967 and 1968: although we traded at a profit, it was all wiped

out by the heavy interest charges on borrowings at that time. In 1969 and 1970 we came back into profitability, coupled with rigid control on assets to restore the healthy liquid position I have already referred to. Last year we moved forward again and we were able to support the higher activity levels with internally-generated funds.

In 1972, we expect further turnover increase (and indeed, sales in the first four months are ahead of the equivalent period of last year although not as much as we would have liked). But costs are also rising; in particular, in the Emergency Budget last December increases in excise duties and regulatory duties were announced. In view of the general economic situation, and the Government's wish to maintain the price line, we decided to absorb these extra costs at that time. The main budget in March further increased the same duties, and whilst on certain products we have been obliged to raise our prices, we are still absorbing a substantial portion of the combined impact.

Meanwhile, it is common knowledge that the rate of growth in industrial production has markedly slowed down over the last 12 months, although one must hope that the increased Plan expenditure also included in the Central Budget will help to stimulate a faster rate. If we are to make a contribution to holding the price line against inflationary cost pressures, an expanding economy is vital—particularly in a company like ours, supplying materials and components to the manufacturing industry. Equally vital is the need to ensure that expansion is not disrupted by industrial strife—certain of our major customers are currently suffering from this canker, and it has materially affected our sales to date.

Against this background, the problem of 1972 may be summarised by saying that we have to run quite fast just to stay where we are, and maintain the 1971 profit figures. I believe this to be possible; but to achieve further profit improvement we need very substantial increase in our turnover, and that in turn would require a marked surge forward in the economy as a whole.

The Economic Climate

At this point, I would like to make some of the more general observations which Chairmen are customarily permitted on these occasions. They tend to display a certain sameness, one to another, and to repeat the words of leader-writers, politicians, and other pundits. This year, more than ever, it is difficult to avoid this repetition. National events in the last twelve months have been so total in their impact upon the life of the country, so demanding of effort from its people and its institutions, and have wrought such a drastic change both in our present situation and our possible future, that comment on other matters runs the risk of triviality by comparison.

When I last addressed you, the most massive popular vote in a free democracy had installed a Central Government with overwhelming strength in the Lok Sabha. Within days of its installation it was faced with a crisis on our Eastern border which, although external in its source, was immediately internal in its impact through one of the greatest refugee movements ever seen. For nearly nine months we vainly sought the peaceful solution we would have so much preferred: but circumstances imposed on us military action, carried but by our armed forces with surgical precision. A new nation was born, essentially out of its own strength—particularly strength of national purpose, and therefore looking to us not as a parent but more as a godfather. We gladly accept the role, cherishing and supporting the independence of Bangladesh by giving political, moral and economic support insofar as that country itself determines what it would wish to have. Finally, in March the electorate gave a further mandate in the States to the leadership which has seen us through such a difficult year.

These are great events in the life of a nation. They have given rise to a sense of unity and purpose which, if constructively put to work in the national interest, can yield a rich harvest within the framework of a stable Government. The ways in which we seek to use this newfound strength in pursuit of our national objectives, are commonly expressed in certain slogans which, by constant repetition, attain the status of inviolable truth. But the danger of adopting a slogan as an inviolable truth is that we cease to think. It is always easier to repeat a cliché, parrot fashion, than it is to think about problems more fundamentally; this easy road is a luxury which no nation, and particularly its leaders, can afford. As Bernard Shaw said "The golden rule is that there are no golden rules". Moreover, there is also a tendency that, where a rule has been devised in pursuance of a particular policy objective, it becomes sacred even though in a particular application the rule may achieve results quite opposite to the policy it was intended to support. This is a characteristic of bureaucracy everywhere—it "works to rule" in a quite literal sense, for this is the way the elected political authority seeks to exercise its political will through the administrative machine.

Let us examine for a moment one of the most popular ideas of the day, namely the need for self-reliance. As a target to be set in front of the country, it is in many ways eminently desirable. There is no reason why we should depend on others for what can be achieved by our own material and human resources. We must resist the tendency to rush for outside help at the slightest provocation and to ignore or condemn whatever can be done indigenously. However, it would be wise to remember that in this country technological developments have been taking place (and still continue to take place) at such a rapid pace that no country, however advanced, is or will ever be completely self-reliant in the absolute sense. Even countries like America, Great Britain and France have all in the last five years had balance of payments crises leading to devaluation: in our struggle to raise our exports and control our imports, we keep company with the most developed of countries.

Thus self-reliance is not an absolute goal, it is relative to the standards of living which we wish to secure for our people. We could be self-reliant today: there is no absolutely essential requirement—essential, that is, for supporting life for our people—which is not either already indigenously produced or obtainable within the limits of our existing foreign exchange earnings. But a self-reliant India on this basis would also be a poorer India—self-reliance under these terms means quite simply "cutting our coat according to our cloth". Surely, we should aim higher than this!

I believe it would be particularly misleading to take self-reliance as an overriding objective in the sphere of fixed capital formation. The capital needs of India are probably greater than those of any other nation in the world. It has been said that if we achieve 6% per annum compound economic growth rate, allowing for the expected growth in population, it will take us 20 years to double the per capita income of our people. Twenty years from now, that will still condemn many to grinding poverty by any standards, and many more to poverty by the standards which will then exist in most of the rest of the world.

The cure does not lie wholly within our borders. To what extent can we honestly ask millions of people, who have so little, nevertheless to save—to forego marginal improvement in their current condition in return for future benefit? Yet if the State generates revenue surplus to fund State Capital Investment, this is financed by savings of the people; even if private industry generates its own surplus, it comes ultimately from the prices paid for its products, paid by the people as ultimate users of the goods they make. India currently has a low rate of capital formation as a percentage of Gross National Product, and although politicians and economists are fond of saying it should be raised they rarely draw attention to the consequence of such a policy—that we should spend less on current consumption!

This is indeed a cruel dilemma—more investment we must have to achieve 'Garibi Hatao' in the future, but if the cost is less consumption now, that is 'Garibi Bachao'. Surely, one solution—in this context, a good socialist solution—would be to attract to this country capital from those people and nations that have far higher margins between current wealth and current need; who have, therefore, both a greater propensity and a greater ability to save and invest. The rich nations of the world have a huge capital market, India has a huge capital need. Surely our policy should be such as to encourage world capital to invest in India.

Assistance from the outside world can take two forms. The first is official aid from Governments and from institutions such as the World Bank. Here, the cliché is "aid without strings", which carries the implicit assumption that no aid carries no strings. In practice, no aid would carry the string of unabated poverty. By all means we should reject strings which defeat our national objectives, debilitate our attitude to hard work, or violate our international conscience; on the other hand why shuld not we continue to welcome, as we have done in the past, development assistance the fruits of which have been so obviously not to our detriment.

The aid contribution from official sources is comparatively well known. It is perhaps less well known that the flow of funds from private sources in the developed countries to the developing is almost as great as the total official aid. In 1970, according to provisional World Bank figures, the net flow of private funds was $6.4 bn compared to the official flow of $8.3 bn. This huge source of wealth is one from which India should seek at least her fair share. It is sad that by a combination of tax structure, specific restrictions, and interminable procedures making a mountain of every molehill, India presents to the world capital market one of the least attractive investment propositions.

Finally, let me make one comment on the ideal of distributive justice. I use the word ideal deliberately, because I genuinely believe that we must aim for it. It is taken to mean inter alia that the proportion of total production resources held in the State Sector, or in the Small Scale Sector, should grow as compared to the proportion held by established companies like ourselves. If we are allowed to grow at the maximum rate which we can achieve, in support of the objectives of increased employment and attack on poverty, and if the State Sector and the Small Scale Sectors grow faster, we would wholeheartedly applaud. But if the rate of growth in the State and Small Scale Sectors is inadequate, and re-distribution is achieved by holding down companies like us to a still more inadequate rate of growth, this will merely redistribute stagnation! The percentages may look better on paper, but will the people really benefit?

All our social objectives, however well meant they may be and however appalling are the problems they are designed to cure, fail if there are not economic resources to carry them out. I am well aware that there are problems and difficulties in the course I have been advocating, particularly the need to ensure that we do not leave to future generations burden of debts which they cannot support. But I believe most sincerely that alternative policies to those currently in favour must be constantly reviewed, otherwise they go by default. More than anything else, what I am pleading for is a result-oriented pragmatic approach to our economy, and a rejection of unthinking adherence to clichés or slogans. In such a result-oriented pragmatic approach, we would eagerly wish to join; for we believe that in the future, as in the past, we can echo the proud words of Othello—"We have done the State some service, and they know it".

Our Associates

A highlight of the year to date has been the visit in February of Sir Raymond P. Brookes, Group Chairman, and Mr. J. F. Insch, Deputy Chairman of Guest Keen & Nettlefolds Ltd., U.K. This visit gave concrete evidence of the importance which our associates attach to our affairs, and their presence with their charming ladies was a great pleasure to us. We are currently fortunate in having in our midst Mr. H. S. Killick, whose appointment to our Board I have already referred to. In the opposite direction, GKN continue to receive our people for training in their Works in U.K., as well as rendering valuable technological assistance.

Conclusion

It remains for me to thank our employees for their continued cooperation. All of them have had to work under somewhat difficult conditions, particularly during the last war with Pakistan. It is to their efforts that we owe the improved working of the company already achieved, and I am quite sure we will not be lacking in their support for our plans to move ahead in the years to come.

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

COMPANY AND PUBLIC NOTICES

W. H. TARGETT & COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of W. H. Targett & Co. Limited will be held at the Board Room of Messrs. Bird & Co. (Private) Limited, Chartered Bank Buildings, Calcutta-1, on Monday, the 12th day of June, 1972, at 10.35 A.M. o transact the following business:—

1. To consider the Profit and Loss Account of the Company for the year ended 31st December, 1971, the Balance Sheet as at that date and the Committee of Management's and Auditors' Reports thereon.

2. To declare dividend recommended by the Committee of Management.

3. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS

4. To appoint Mr. K. N. Srivastava, a Committee Member, who retires and in this connection to consider and, if thought fit, to pass the following resolution of which the prescribed notice has been received by the Company and which will be proposed as an Ordinary Resolution:—

"RESOLVED that Mr. K. N. Srivastava be and is hereby appointed a Member of the Committee of Management of the Company whose period of office shall be liable to determination by retirement of Members of the Committee of Management by rotation".

The Register of Members of the ompany will be closed from the 30th fay, 1972 to 12th June, 1972, both ays inclusive.

By Order of the Committee of Management
W. H. TARGETT & Co. LTD.
D. K. DAS GUPTA
Secretary

Registered Office:
19, R. N. Mookerjee Road,
Calcutta-1, 3rd May, 1972.

Note : (a) A Member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote instead of himself. A proxy need not be a Member of the Company.

(b) The Dividend, if declared, will be paid on or after 26th June, 1972, to those Shareholders so entitled whose names appear in the Company's Register of Members on 12th June, 1972, or to their mandatees. No application for Dividend Warrants will be necessary.

EXPLANATORY STATEMENT

With regard to item No. 4, Mr. K. N. Srivastava who was appointed to fill the casual vacancy caused by the resignation of Mr. K. L. Dua, retires at this Meeting as Mr. Dua had he continued to hold office, would have retired by rotation at this Annual General Meeting. Notice has been received from a Member under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. K. N. Srivastava as a Committee Member. Mr. K. N. Srivastava has filed his consent with the Company to act as a Member of the Committee of Management of the Company, if appointed.

CAPITAL LIMITED

NOTICE is hereby given that the Annual General Meeting of CAPITAL LIMITED, will be held at the Board Room of Bird & Co. (Private) Limited, Chartered Bank Buildings, Calcutta-1, on Monday, the 12th June, 1972, at 10.30 A.M. to transact the following business:—

1. To consider the Profit and Loss Account of the Company for the year ended 31st December, 1971, the Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.

2. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS

3. To appoint Mr. D. K. Das Gupta, a Director, who retires and in this connection to consider and, if thought fit, to pass the following resolution of which the prescribed notice has been received by the Company and which will be proposed as an ordinary resolution:

"RESOLVED that Mr. D. K. Das Gupta be and is hereby appointed a Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

By Order of the Board
CAPITAL LIMITED
D. K. DAS GUPTA
Secretary

Registered Office:
19, R. N. Mookerjee Road,
Calcutta-1, 28th April, 1972.

Note : A Member entitled to attend and vote at this Meeting may appoint a proxy to attend and vote instead of himself. A proxy need not be a member of the Company.

EXPLANATORY STATEMENT

With regard to item No. 3—Mr. D. K. Das Gupta who was appointed to fill the casual vacancy caused by the resignation of Mr. H. D. Wahi, retires, as Mr. Wahi would have retired by rotation at this Annual General Meeting had he continued to hold office as Director. Notice under Section 257 of the Companies Act, 1956, has been received by the Company from one of its Members intending to propose the appointment of Mr. D. K. Das Gupta as a Director. Mr. Das Gupta has filed his consent with the Company to act as a Director of the Company, if appointed.

Notice is hereby given that the Annual General Meeting of the Tea Planters Benevolent Institution will be held at the Royal Exchange, 6, Netaji Subhas Road, Calcutta-1, on Wednesday, 14th June 1972 at 10-30 a.m.

DIVIDENDS DECLARED OR PROPOSED

Khardah Co. Ltd—Nil

Killick Nixon Ltd—Rs. 11 per share (0), subject to tax

Modi Industries Ltd—12 p.c. (0), subject to tax

CAPITAL

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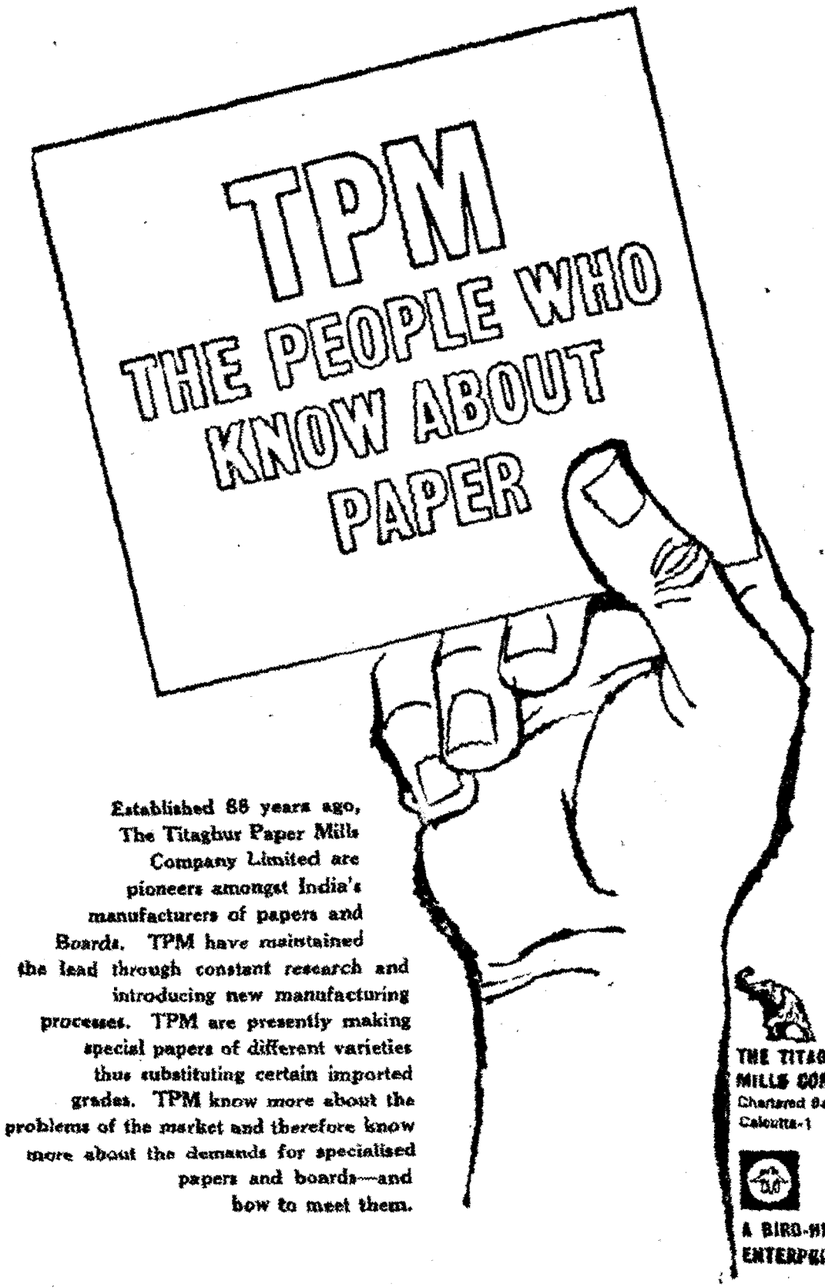

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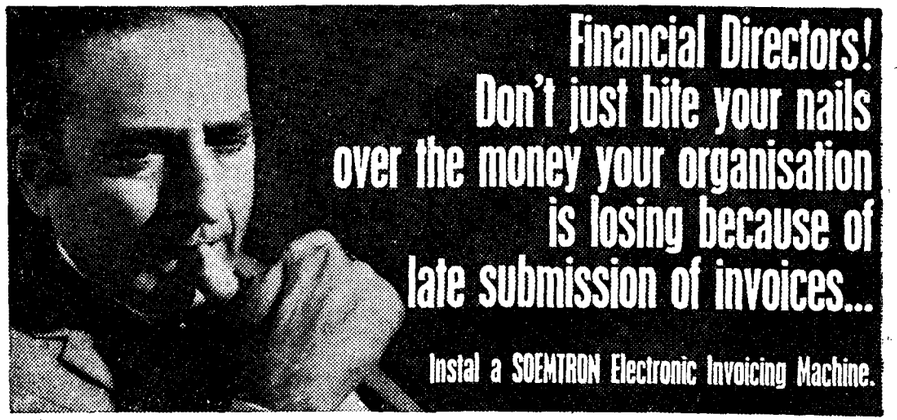

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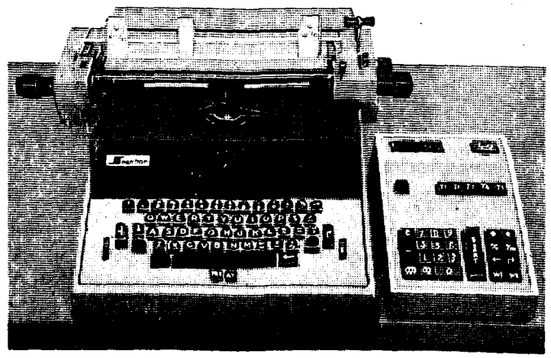

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The Soaring Price of Gold

THE rise in the free-market price of gold since the beginning of this year has been truly phenomenal. No responsible predictions have come anywhere near it. From around $43 an ounce it has soared to marginally below $60. This represents more than a 30 per cent increase in the price of a metal which otherwise had fluctuated by no more than 15 per cent from the official level since the second World War. In May alone, the London quotation jumped by more than that. Inevitably it is speculation that is responsible for pushing the price up in this way. Turnover has tended to fall as sellers have become more reserved. There have been technical factors at work; but mainly the rise is more or less soundly justified by basic considera tions of physical supply and demand. That is why there appears to be no serious doubt that it will continue for as far ahead as it is reasonable to foresee. A price of $60 an ounce is no longer regarded in London, the world's main gold market, as outrageous, or even a temporary barrier. Assuming an annual 4 per cent rate of world inflation, the conservative prediction of Consolidated Gold Fields is that the price will be at least $75 an ounce by 1978.

This market performance of a metal as strategically important to the world's monetary and trading system as gold inevitably raises many crucial questions. First, it is important to identify the temporary influences, those which cannot be strictly classified as speculation, from the longer-term factors involved. In May, the more important of these were the shortage of supply, and rumours of a higher official price partly touched off by the resignation of Mr. John Connally as Secretary of the U.S. Treasury. During the month, both Russia and South Africa appear to have slowed down their normal sales to the market. Rumour in London had it that a higher official price for gold was among the bribes Mr. Nixon would offer in Moscow for Russian co-operation in saving America's face in Vietnam. The departure of Mr. Connally, known to be an advocate of the ultimate demonetisation of gold, merely strengthened such stories. They need not be dismissed as fantasy, although for reasons unconnected with Mr. Nixon's visit to Moscow. There is now a distinct change in feeling among the U.S. authorities about the continuing rôle of gold in the world's monetary system in the same way as there appears to have been some rethinking about the dollar as an international reserve currency. These two items go hand in hand. At the moment it is impossible to say how far the change of heart has actually gone, and the probable answer is, not very far. But if it has made any progress at all, there is obvious justification for expecting yet another increase in the official price of gold before long. President Nixon is believed to have been astonished how easy it was to get the last one through the U.S. Congress.

The partial withdrawal of Russia from the gold market in May was probably only temporary, a speculative decision in anticipation of a higher price to come. The behaviour of the South African authorities would seem to be based on longer-term considerations. The turnround in that country's balance-of-payments situation has reduced the need to sell gold, and the priority now is to rebuild stocks as a reserve against the future. Supplies of gold from South Africa could remain on a reduced level for perhaps a year or more, or even longer. Producers there are still predicting a gradual fall in output, and so far there is no evidence that the rise in price is stimulating more production. For processing of the large quantities of low-grade ore to be profitable, it is esti-

mated the free-market gold quotations would have to exceed about $70 an ounce. Even on recent performance, this could take some time, and anyway it would have to be convincing for the necessary investment to be undertaken. More likely is that in the meantime gold supplies from Australian mines, many of them coming into production for the first time, will increase.

The longer-term physical demand for gold can be roughly divided into two categories, industrial and monetary. The industrial demand for gold is undoubtedly growing, and can be expected to do so as world economic activity expands. It may even rise at a faster rate due to the increasing number of sophisticated industrial processes which use gold. It is more difficult to predict the progress of monetary demand, or hoarding as it is more correctly called. This has been increasing steadily along with world inflation and despite the frequent rumours that the yellow metal might be demonetised. Nobody now takes this seriously, and even if it were to happen it is doubtful whether there would be any material impact on the demand for hoarded gold. This is much more likely to be affected by costs, such as prevailing interest rates, or security, nowadays a problem anywhere in the world. About all it is safe to say that such demand is unlikely to decline, but could rocket if world inflation increases, or there is a sudden deterioration in the international situation. It is no coincidence that the sharpest rise in the London gold price occurred around the time the Americans were mining Haiphong harbour.

The one fairly reliable prediction that might be made about monetary gold is that the rumours of a large increase in the official price, one of the order of, say, 50 per cent, can be ruled out. As already mentioned, there has been a change of heart in U.S. monetary circles about the reserve-currency rôle of the dollar, and this might seem to point logically to another price increase. But it would only be a small one, certainly no more than a further 10 per cent on top of that arranged under the Smithsonian Agreement last December. It would be most likely to come about as a result of another dollar devaluation. The possibility of its being part of a plan to increase the world's monetary reserves seems improbable. This idea has been resisted for so long by the U.S.A., and involves so many political considerations which are still relevant, that it can be excluded with every degree of certainty. Any increase in reserves may now be easily arranged through expanding the issue of Special Drawing Rights.

Thus the position of gold as far as the U.S. authorities are concerned might briefly be summed up as follows: although there has been a retreat from the policy of demonetisation, and another small increase in the official price need no longer be ruled out altogether, it remains highly unlikely there will be any reversion to the kind of reliance on the yellow metal as the king-pin of international monetary affairs which prevailed throughout the 1950s, and indeed up to the Washington Accord of March 1968. So whatever else might sustain a buoyant gold market, it will not be this. However, if the price rises too steeply for other reasons, it is difficult to see how the U.S. authorities can remain altogether indifferent. Furthermore, it would be asking too much of the loyalty of the world's central banks to the Washington Accord to expect them to stay out of the market and neglect the profits they could make there by buying and selling against currencies. So far there has been no sign of this happening, and in many ways it is surprising. One of the things on which all sections of the London market seemed to be agreed during May was that such a state of affairs could not be expected to last indefinitely.

This brings the discussion full circle to the point where it must be conceded that what has happened to the free gold price this year can be traced back to the growing gap between physical demand and supply which expert market opinion has been predicting for at least three years. Even without world inflation and the increasingly unstable international political situation, this factor would have accounted for some rise in the gold price. The fact is that a combination of industrial demand and traditional habits of gold hoarding are at the moment quite sufficient to push the price upwards, and will probably remain so until the supply is increased. As any radical dishoarding can be ruled out, even assuming the world were to settle down tomorrow, this extra supply will doubtless have to come from newly-mined metal; it is definitely not going to be from Fort Knox, as was the case before March 1968. That means either South Africa, whose production position is fairly well known, or Russia, of whom nobody seems to know anything. And then there is Australia, although any dramatic increase in supplies from this source is not at the moment considered likely.

Success at the Moscow Summit

IMMEDIATE reactions to a great event can often be wrong and caution is always advisable. But even with this reservation it appears that President Nixon and Mr. Brezhnev may well have given a new direction to world history by their Moscow summit. The most interesting feature of the series of momentous agreements signed by them is that they have come at a time when many political observers the world over were expecting a unilateral cancellation of the summit by Russia because of the U.S. action in Vietnam. As it turned out, the events in Vietnam failed to divert the two world leaders from their main objective: to work out the modalities of a gradual *détente* between them. At the best of time, they could not have improved upon their present performance. Where then do the events in Vietnam fit in this picture? And what about the new Washington-Peking axis? Were these mere diversions to keep the world guessing? Could these be the master strokes in diplomacy of Dr. Kissinger? Has China been tricked by the U.S.A.? While making a show of understanding with the Chinese, was the U.S.A. all the time secretly working towards a lasting peace with its main rival, Russia? Or was President Nixon genuinely hoping for a lasting peace with both the mutually antagonistic communist giants at the same time—an ambition that is too good to be true at this stage? The U.S. objective in befriending China was obviously restricted to the immediate need to withdraw the remaining American forces from Vietnam and seek to halt the spread of communism in Asia through diplomacy. The U.S.-China relations are thus confined largely to Asian affairs. The containment of Russia does not

appear to have been the purpose of the Peking summit between President Nixon and Mr. Chou En-lai in February. China could not be of much help to either of the two Super-Powers in the event of a major armed clash between them. While China may be a Big Power, there are only two Super-Powers. This perhaps is the single most important and decisive feature of international relations today.

From this it follows that should the U.S.A. and Russia eventually succeed in fully resolving their differences, the whole pattern of international relations would change. It may sound incredible now but it is quite on the cards that in the event of such an understanding between the Super-Powers, a third force may emerge with the E.E.C. countries, China, India and Japan as its members. The current hostility between India and China may become a thing of the past. India, Pakistan and China have a very important lesson to learn from the Moscow summit. While Russia has been steadfast with its allies through thick and thin in recent months, it is much more so to its own national interest. It gave all-out support to India and North Vietnam in their wars. But it adopted a cautious approach towards the Middle East crisis. It is in Europe that Russia wants peace through a collective security conference more than in any other part of the world.

The Russians have not allowed Vietnam to come in the way of peace with America. They seem to feel that once they come to an understanding with the U.S.A. on the bigger issues of suspicion between them, Vietnam is a small matter that can take care of itself. Where does India fit in in this picture? Obviously, if the Russians can look at the Vietnam scene in the wider global perspective as distinct from the private national interest of the North Vietnamese, there is absolutely no reason to believe that they would be more indulgent towards India. The Americans and the Russians may not be so crude as to follow up their mutual understanding with a division of the globe between them into respective areas of influence but they would certainly be more relaxed and authoritative and less solicitous in their dealings with the third world.

The agreements between the U.S.A. and Russia signed in Moscow are a great leap forward. They touch almost the entire gamut of suspicion and rivalry between them. The suspicions will not end overnight. Each may still try secretly to score over the other in missile sites, submarine-borne launchers and I.C.B.M. stocks. There is still no clear understanding on the fate of the deadly multiple independently targeted re-entry vehicles (M.I.R.V.). Nor is there any guarantee that one country will not outpace the other in space technology, an important element in defence preparations, despite their resolve to put a joint team in space by 1975. But everything cannot be achieved in one meeting. The important thing is that the ice has not only been broken but has also substantially melted. It is also evident that it has now become a vested interest of both President Nixon and Mr. Brezhnev to pursue the friendly line they have taken to earn credence in their own countries. They cannot keep blowing hot and cold in the same breath and yet keep the confidence of their peoples. This is more so for President Nixon. It is now obvious that while keeping the Peking visit almost a year before the Presidential election as a facade, he was all the time working to achieve a spectacular success in Moscow to tilt the vote in his favour. This he may well have succeeded in doing if contrary winds do not start blowing from Moscow between now and November. Perhaps both Brezhnev and Nixon will try to help each other to remain in power and thus add a second string to the bow of Soviet-U.S. understanding.

Anomalies in Foodgrain Prices

THE Agricultural Prices Commission has done well to highlight, in its latest report to the Government on minimum support prices for paddy, the glaring anomalies in the latter's agricultural pricing policy. The report of the Commission has not yet been made public but from what has appeared in the Press, it is evident that the Commission is in favour of the evolution of a uniform pricing policy in respect of all foodgrains. It is right in taking the view that the consumer price of wheat should not continue to be subsidised heavily by the State at the cost of other foodgrains, especially rice which is consumed most in the major part of the country.

The logic behind the Commission's recommendations in this regard is convincing and cannot be brushed aside, as the Central and State Governments have been doing for the last four years in respect of its recommendation for lowering the procurement price of wheat. Incidentally, the Commission deserves to be complimented for not taking a pessimistic view of the fate of its recommendations and toeing a line that will be more acceptable to the Government. In stating what it deems right, without fear or favour, the Commission has discharged its duty to the public faithfully. It is a pity that some of the elected representatives of the people fail to look at the reports of the Commission in proper perspective and indulge in uninformed criticism of the expert body and, occasionally, even demand its abolition. Nothing will be more dangerous to the formulation of right policies in a democracy than to shut out different views, however unpalatable they may be.

What is commendable in the approach of the Commission is its consistency. It has not come forward with expedient solutions to please the politicians in power but has restated a position that it has consistently taken. For example, on the question of subsidising wheat prices, the Commission has always expressed the fear that its continuance will have an adverse effect on other foodgrains. The Commission is of the definite view that the continuance of this dual approach to foodgrain prices is unfair to consumers and cultivators of paddy and coarse grains. Even in its report on the price policy for *kharif* cereals last year, the Commission had pointed out that "whereas the consumer of coarse cereals has to pay a price which includes all the distributive cost and margins, the consumer of wheat pays a subsidised price for this superior cereal. This becomes all the more anomalous because consumers of coarse cereals are usually the poorer sections of society". Surely, a Government that is committed to the programme of "garibi hatao" and ameliorating the lot of the poor cannot close its eyes to the obvious injustice that is being done to them in the pricing of their most essential daily need.

There are, as the Commission has observed, at least two compelling

reasons why the support prices of paddy should be higher than what they were last year. In the last 12 months, paddy cultivation has been hit by drought, floods and cyclones, and production this year may be only 100,000 tonnes to 150,000 tonnes more than that of the last *kharif* season. The increase has been obtained largely by the growing of summer paddy crops in areas like West Bengal. If the multiple cropping of paddy is to be encouraged and cultivators are to take to the high-yielding varieties with greater enthusiasm, then paddy must also carry an incentive price like wheat. In fact, the Commission has even gone further to suggest gradual phasing out of incentives in the form of higher prices for wheat and raising them for rice and cash crops. In view of the decline in the demand for coarse grains all over the country, the Commission has not recommended any increase in the minimum support prices for them as it is not necessary to encourage any increase in their output.

The second reason why the Commission thinks it necessary to give a higher price for paddy is the rise in the cost of cultivation in recent months. The prices of various inputs for paddy cultivation have gone up. For instance, the price of fertilisers has risen by 4 per cent. Agricultural wages have also gone up in some States. In the case of coarse grains, however, the rise in the cost of production has been more or less cancelled out by the increase in yield an acre. That is another reason why the Commission has not recommended an increase in the existing minimum support prices for coarse grains. But, as the Commission itself admits, the data available on the cost of production of every cereal are scanty and there is a need to organise a systematic collection of such data for determining the support and procurement prices.

Lately, the Commission has also been underlining the need to have minimum support prices for the major cash crops. The minimum price fixed for raw jute has undoubtedly stabilised the conditions in the raw jute market. The Commission has now recommended that there should be similar minimum prices for raw cotton, although it may not be possible to make them statutory because of the wide dispersal of cotton cultivation and consumption. The need for a minimum support price in the case of cotton has assumed importance only this year because of a bumper crop and the consequent slump in prices. The Commission has recommended a similar approach to sugarcane.

The entire agricultural strategy is now oriented towards raising the production of not only cereals but also of cash crops through the propagation of the high-yielding varieties. If this strategy is to succeed, it is necessary to pursue a sound policy in relation to prices. It is not cultivators of wheat alone who need to be protected and assured of an incentive price; cultivators of other foodgrains also need the same treatment. The evolution of a national policy in this regard becomes urgent as delay causes unnecessary rancour and bitterness as between States growing wheat and others growing rice and coarse grains. Even during the recent Chief Ministers' conference held to consider the wheat procurement prices, murmurs were heard from the rice-producing States about the discriminative policy of the Centre.

Instead of weakening the Agricultural Prices Commission by ignoring its recommendations and acting purely on political considerations, the Centre and the States would do well to give some immediate thought to the need for an effective policy in regard to pricing of not only foodgrains but also of cash crops. After all, the subsidy of Rs. 135 crores to be paid this year for wheat distribution through the rationing system is borne by the entire country. There must, therefore, be some semblance of fair play and justice in formulating the agricultural pricing policy.

Fuel Policy for the 'Seventies

THE first part of the Fuel Policy Committee's report, a summary of which was released last week, has come at a time when the Government seems less concerned with the energy sector or with a "fuel policy for the 'seventies" (the theme of Part I). Judging from the extent of attention given to issues like ceilings on agricultural land and urban property, proposals to take over what are called monopoly houses or at least bring them under the umbrella of the joint sector, it would not be surprising if the Fuel Policy Committee's report is allowed to accumulate some dust, although development of the energy sector is vital to the growth of the economy as a whole.

With the approach to the Fifth Plan yet to be finalised and with so many new ideas in the air about the priorities to be adopted in the next Plan period to achieve, partly at least, the ruling Party's objective of "garibi hatao," it may not be the appropriate time now to consider and finalise a fuel policy for the 'seventies. In the absence of knowledge about the priorities in the Fifth Plan, the committee has based its recommendations on the framework of the perspective plan given in the Fourth Plan document. This document envisages a rate of growth of the country's economy at 6.2 per cent a year during the Fifth Plan period and up to 1980-81. The committee has taken these long-term targets as given and has not attempted to scale down the order of requirement merely because the estimates would appear to be on the high side, compared with the growth rate registered by the economy in the last few years. In other words, what the committee has said is that if the targets indicated in the perspective plan are to be achieved, the demand for energy by the end of the 'seventies will be so much. If the targets themselves undergo a change, the committee's report itself will become unreal.

The committee's recommendations will, therefore, have to be considered in this context. Its estimates are broadly as follows: the demand for coal is likely to rise up to 165 million tons in 1978-79, including coal used for power generation. (The consumption in 1971-72 was of the order of 70 million tonnes). In other words, the coal raising capacity has to be more than doubled in the next Plan period. As for petroleum products, the demand is estimated at 34 million tonnes by the end of the Fifth Plan period, including oil products used as feedstock for the fertiliser and other allied industries. The total refinery throughput now is about 20 million tonnes. As far as electricity is concerned, the committee's estimate of demand by 1978-79 is 156 million kilowatt hours. And to be able to achieve this level of energy demand the estimated total investment is about Rs. 7,500 crores (Rs. 690 crores on coal, Rs. 323 crores to Rs. 390 crores on oil refining, and Rs. 6,400 crores on electricity generation).

Whether this level of demand will materialise, it is difficult to predict, particularly in the context of the changes in priorities proposed in the Fifth Plan. An earlier estimate of coal demand had completely gone awry. Hence there will be some hesitation in accepting the committee's estimates. But whether the estimates come true or not, some of its suggestions are worth considering by the Government in the interest of conservation of the fuel resources in the country. One noteworthy suggestion relates to increased use of coal not only for power generation, but as feedstock for fertiliser plants. The committee is of the view that the use of fuel oil for power generation and by industrial consumers should be discouraged. In other words, it has placed much emphasis on coal as a source of energy.

Apart from wanting to discourage the use of some petroleum products for fertiliser production and power generation, the committee has also suggested a measure which will reduce the country's dependence on foreign crude supplies. The committee states that studies made by it on the basis of the current ratio of the price level of crude and oil products, especially fuel oil, show that the total refinery capacity to be set up in the Fifth Plan period could be considerably reduced if "hydro-cracking of the heavier fractions" (like fuel oil) of crude to maximise the yield of middle distillates (like kerosene, H.S.D., L.D.O. and A.T.F.) is undertaken on a large scale. The growth rate in the demand for middle distillates is more than that of other petroleum products and therefore the committee's idea is worth pursuing. But it is also worth keeping in mind the fact that the committee has made the above suggestion on the basis of "the current ratio of the price level of crude and oil products". Fuel oil may be available now in the world market fairly easily and at competitive prices; but there is no guarantee that the situation will last throughout the 'seventies.

Noting that critical shortages in coal would be in respect of prime coking coal, the committee states that in order to conserve the scarce resources of prime coking coal, immediate attention should be given not only to increase the production of medium coking coal but also to boost its use in the steel plants. As for non-coking coal, a concerted and co-ordinated effort, including the opening of new areas in outlying coalfields where super thermal power stations can be set up, has been suggested to raise production. The committee has found that the utilisation of machines in coal mining is very much below the rated capacity. In choosing the technology for coal production, therefore, it wants proper weightage to be given to machine utilisation under Indian conditions and the availability of abundant labour force. This is a warning against too much mechanisation, particularly in a situation wherein the machines are not put to the best use and manpower is available in plenty.

Among the measures suggested by the committee to replace the use of petroleum products in the domestic sector, one is the establishment of gas plants for cities with a population of over 1 million. To discourage the use of firewood and dung cake for fuel, it has suggested that the "gobar gas scheme" of the Khadi Village Industries Commission should be encouraged. The committee has indicated that it proposes to give an outline of a comprehensive fuel technology plan in its final report, but in the meantime has suggested preliminary action in such matters as setting up an institute for energy studies, production of synthetic oil from coal and the possibilities of producing synthesis gas on a large scale at low cost. Speedy implementation of the atomic power projects is considered essential by the committee, which has submitted its report in part in the hope that it will enable the Government to take the necessary investment decisions quickly. But whether the Government will take these decisions at the right time depends upon many imponderables.

Towards Trade Union Unity

THE decision of the three central trade unions in the country—I.N.T.U.C., the H.M.S. and the A.I.T.U.C.—to form a National Council of Trade Unions is a welcome step and should lead to beneficial results if it is matched by a desire to work in a united manner both in the interests of employers and employees. There is no denying the fact that it is trade union rivalry that has been responsible for many of the ills plaguing industrial relations in this country. The proposed National Council is expected to thrash out all controversial issues through discussions before talks are held with employers or even Government representatives. Mr. R. K. Khadilkar, Central Minister for Labour, has indeed done a fine job in bringing at least three trade unions together. One of the main points over which there has been considerable disagreement is in relation to the setting up of Industrial Relations Commissions (I.R.C.s). The National Commission on Labour observed that the existing dispute settlement machinery had certain basic weaknesses. It was for this reason that the Commission recommended that permanent I.R.C.s should be set up both at the Centre and in the States, each with a person having judicial qualifications and experience as its president. It had also suggested the setting up of labour courts.

This recommendation of the Commission was discussed at several meetings of trade unions and Labour Ministers, but there was no agreement nor was it possible to arrive at a consensus. Ultimately, the Standing Labour Committee recommended that in place of the existing one-man tribunals, three-man Industrial Relations Commissions should be set up at the Centre and in the States. The function of conciliation was, however, to be left to the appropriate Governments. It was also urged that the management or the representative union should have the right to approach the I.R.C. directly for the adjudication of disputes. The Committee backed the idea of constituting labour courts to deal with the interpretation and implementation of awards, claims arising out of rights and obligations under the labour laws and agreements, cases of discharge or dismissal of workers and such other matters as might be assigned to the courts. While the Government was processing the recommendations of the Standing Labour Committee to promote legislation on the proposed dispute settlement machinery, two of the central trade unions—the A.I.T.U.C. and the Hind Mazdoor Sabha—demanded a fresh review of the industrial relations policy. Accordingly, two separate conferences of

central trade unions and employers' organisations were held in May 1971 to consider the basic aspects of the Government's industrial relations policy, but no agreement could be reached.

Subsequently, at the instance of the Labour Minister, the trade unions met to explore the possibilities of reaching at least a limited accord on the basic questions relating to the dispute settlement machinery and the recognition of trade unions. All seemed to be working well when during the early part of this month, the A.I.T.U.C. and the H.M.S. withdrew their support from certain conclusions reached on the ground that the I.N.T.U.C. had not agreed to the application of a national formula on recognition to areas and industries covered by the State laws and to the maintenance of parity among trade unions for representation on bipartite committees. It was alleged that the I.N.T.U.C. adopted a rigid stand on the applicability of the Central law on industrial relations to States like Maharashtra, Gujarat and Madhya Pradesh.

Meanwhile, the Government itself had been making efforts to promote legislation on industrial relations and at the last conference of the State Labour Ministers, it has met with general approval. The formation of the National Council of the three important trade unions would also help in giving a decent trial to the proposals of the Central Government. Under the proposed scheme, all industrial disputes are to be settled by direct negotiations with the recognised union or along with other unions. When such negotiations fail, the parties will settle the dispute by reference to mutually accepted arbitration. If direct negotiations fail or in the absence of any agreement to settle a dispute in a non-essential service or industry by voluntary arbitration, either party may request the three-man I.R.C. to adjudicate the dispute. It is open to the Government to intervene at any stage and refer it to the I.R.C. if in its opinion the dispute is likely to affect a large number of workers or endanger the economy. If a dispute has repercussions in more than one State or affects the economy at large, the Central Government has the right to refer it to the National Industrial Relations Commission. As far as essential services are concerned, if negotiations fail and there is no agreement on voluntary arbitration, it is open to either party to refer the matter to the I.R.C. for adjudication. If such reference is not made, the appropriate Government can do so or at its discretion direct the Conciliation Officer to mediate.

As a prelude to all this, I.R.C.s will be set up both at the Centre and in the States. Labour courts will also be set up in all the States. The Central scheme provides that prior notice will have to be given for every strike and lock-out. The rules of a trade union must provide that before every strike, a ballot should be organised. A strike decision will have to be supported by two-thirds of the total membership of the union. As for the recognition of trade unions, the Central scheme has laid down an elaborate procedure based on the limited accord and other recommendations of the National Commission on Labour. The formulation of a new industrial relations policy is, therefore, a step forward and the eagerness with which the State Ministers generally agreed to the Central scheme only shows their anxiety to ensure that labour-management relations are placed on a friendly basis. Here again, what has to be ensured is that politics does not dominate trade union matters.

CURRENT COMMENT

WEST BENGAL

Massive Investment Needed

The need for massive investment by both the public and private sectors to revive the economy of West Bengal was stressed by the speakers at the annual general meeting of the Indian Chamber of Commerce held in Calcutta last week. The State Finance Minister, Mr. Sankar Ghose, said that while the Government would favour the growth of medium and small-scale units as long as technology did not come into conflict with size, the larger industries should avail themselves of the opportunity to invest in the heavy and core sectors. The big business houses should also set up units in the joint sector, which was proposed to be developed in a big way, he said.

The Central Government is now showing much keener interest in the revival of the State's economy. Central investment in 1972-73 would be to the tune of Rs. 142 crores, against only about Rs. 45 crores in 1969-70. But investment, he said, should lead not only to growth; it should also try to serve the larger social purposes of creating new channels of employment, eliminating poverty and narrowing down disparities in society. At the same time, economic activity must be tuned to the achievement of the goal of self-reliance. "We cannot have growth without social justice or social justice without growth", he observed.

Mr. Ghose laid emphasis on the need on the one hand to modernise the traditional industries in the State like jute, tea and engineering, and to develop new lines of industry like petrochemicals and electronics on the other. Unless industry got into the stride, the agricultural sector could not also make much headway. For integrated economic development, rapid industrialisation must proceed side by side with agricultural growth. He expressed the hope that, with the political stability now achieved in the State, its economy would also start showing signs of revival.

In his presidential address, Mr. Sanjoy Sen urged the State Government to indicate clearly which industries were going to be developed in the next few years and the rôle private entrepreneurs were expected to play in this programme. He felt that the joint sector offered good scope in the State but it was necessary to lay down the guidelines and to ensure that the projects in this category were given reasonable freedom to operate. He stressed that the time had come to take a firm decision about the projects in Haldia, including the petrochemical complex, so that private entrepreneurs might start their plans for participation in the development of the downstream industries. Decision on the proposals to set up a shipbuilding yard and also a free trade zone in Haldia should be expedited.

Mr. Sen contended that even for genuine productive purposes, bank credit was difficult to obtain. But this point was contested by Mr. R. K. Talwar, chairman of the State Bank of India. He said he was not aware of a single instance where a genuine production need had been neglected by banks. It might be that there had been delays in sanctioning credit, for the credit appraisal

methods had been changed since nationalisation. But banks generally were having a fairly comfortable resources position in recent months and there was no question why credit would be denied to those who genuinely needed it. Mr. R. B. Shah, who was elected the new president of the chamber, pleaded for quicker disposal of credit applications for delays sometimes created difficulties for industries.

MINI-STEEL PLANTS

Plea for Subsidised Power

A symposium organised by the Technical and Engineering Services Division of the Indian Engineering Association in New Delhi a few days ago has recommended that the Government should supply subsidised power to mini-steel plants. In the metallurgical field, the aluminium industry, like the electrolysis-based chemicals industry, gets bulk power at a cheaper rate. In the electric-melting iron ore reduction process, electricity is one of the major raw materials. As electric furnaces can alleviate the acute steel and scrap shortage, many speakers at the symposium felt that iron ore reduction by electric melting should be considered as a R and D effort. The demand has been made at a time when a number of States are considering to withdraw or have already withdrawn the facilities of concessional power supply to the metallurgical industries. So, it is doubtful whether the Central Government will recommend to the State power generating authorities to provide subsidised electricity to the controversial mini-steel plants—especially those intending to use sponge iron instead of scrap. The railways have been the main source of scrap but while its supplies have risen at a rate of 4 per cent, the demand for scrap is increasing at a 10 per cent rate.

A recent review of the financial position of the State Electricity Boards shows that out of 15 Boards and the Delhi Electricity Supply Undertaking, only six—those of Gujarat, Madhya Pradesh, Maharashtra, Mysore, Rajasthan, Tamil Nadu and Delhi—have achieved the target of 11 per cent returns as stipulated by the World Bank in 1969-70 and 1970-71. Assam failed to achieve even 1 per cent return in 1970-71. The consensus among the Boards is now in favour of introducing uniform tariffs within the areas allotted to each of them. The Central Ministry of Irrigation and Power has also requested the States to achieve uniformity in tariffs for each category of consumers within their respective boundaries. So, it is doubtful if any State will be willing to offer subsidised power any more to the metallurgical industries.

FOREIGN TRADE POLICY

Need for Pragmatism

Addressing the annual general meeting of the Calcutta Import and Export Trade Association (C.I.E.T.A.) in Calcutta a few days ago, its chairman, Mr D. K. Choudhuri, emphasised the need for a pragmatic approach in formulating the foreign trade policy of the country. Elaborating on the theme of developing an export culture, Mr. Choudhuri suggested a number of changes in the import and export policies. He said that there was considerable delay in issuing R.E.P. licences which were primarily meant for replenishing imported stocks used in an exported product. The procedure for processing R.E.P. licence applications was also very cumbersome and the C.I.E.T.A. had, therefore, suggested that the need for submitting bills of lading and invoices for each shipment should be dispensed with and instead a certified statement from a nationalised bank duly authenticated by an auditor should serve the purpose. The Government had already accepted the auditor's certificates as a basis for issuing actual users licences and this facility should be extended to cover other areas too. Mr. Choudhuri also stated that the Association preferred a sliding scale of penalty for non-fulfilment of export obligation. At present all exporters were punished uniformly—whether one had exported up to 4.9 per cent or not exported at all. Mr. Choudhuri also advocated the need for greater decentralisation in licensing work through the various port offices instead of looking up to Delhi for each and every decision.

Mr. Choudhuri said that the C.I.E.T.A. considered that the present need-based policy of import licensing based on consumption certificate was one of the most prudent Government policies ever followed. Mr. M. M. Sen, Chief Controller of Imports and Exports, Government of India, said that if the country's exports did not rise substantially, a need for reallocation of foreign exchange for import licences might arise. Mr. Choudhuri considered that the requirement of advertising details of capital goods in *Indian Trade Journal* served more often as a hindrance rather than any help to a prospective entrepreneur. There was a vast Government organisation in the D.G.T.D. which should keep itself abreast with manufacturing developments in the country and should therefore be able to guide an applicant with regard to local availability of a particular item, and to that extent the need for advertising in the *Indian Trade Journal* could be misunderstood as a cover up for deficiency.

Mr. Choudhuri also advocated the need for a fresh look at the classification of priority and non-priority industries since the country's economy had undergone substantial change since the list was first prepared. Spare parts licensing policy continued to be a subject of controversy. An arbitrary percentage on the installed c.i.f. value of an equipment no doubt simplified matters in so far as scrutiny and disposal of an application were concerned, but very often the amount licensed for the import of spares fell far short of actual requirement. In such cases the only way to keep going on was to carry on with worn out parts with whatever repairs possible. Another way to solve the problem was to buy licences at premium and use the flexibility clause for the import of spares; the balance of the purchased licence remains unused.

TRADE UNION COUNCIL

A Healthy Development

In a Press statement issued a few days ago, Mr. H. S. Singhania, president, All-India Organisation of Employers, has said that the formation of the National Council of Trade Unions by the three major trade union centres, *viz.*, Indian National Trade Union Congress, All India Trade Union Congress and the Hind Mazdoor Sabha, is epochal in the history of the Indian trade union movement. He has congratulated the leaders of these three organisations for bringing this about. Everyone, whether directly or indirectly concerned with labour movement, should welcome this healthy development, he said.

INDO-U.S. TRADE

Heading for a Good Year?

India appears to be heading for another good year in exports of goods and materials to the United States. It has increased its exports during the first three months of 1972 by $38.3 million over the same period in 1971. U.S. Department of Commerce figures show that during the January-March 1972 period, exports from India to the United States totalled $114.8 million, against $75.5 million for the same period in 1971. The United States imported $298 million of goods from India during 1970. In 1971, the United States increased its imports from India to $329 million, a gain of $31 million. U.S. Commerce officials said a few days ago that one reason for the increase of exports from India to the United States was U.S. buying of more jute fabrics from India. Jute fabrics are used in a variety of ways in the United States, one predominant use being in the construction industry.

CO-OPERATIVES

Uneven Performance

Review of the Co-operative Movement in India 1968-70, which has recently been brought out by the Reserve Bank, points out that as a result of adoption of the new technology in agricultural production and wider acceptance of modern innovations, certain gaps in credit requirements came to light and this necessitated the adoption of a multi-agency approach for the provision of agricultural credit. In this situation, the co-operatives have been called upon to undertake increased responsibilities and to participate in the financing of agricultural production programmes on a larger scale than that in the past. The performance had, however, been uneven as between the States. Thus, of the total loans of Rs. 540.1 crores issued by the primary agricultural credit societies in the country as a whole during 1969-70, the States of Gujarat, Kerala, Maharashtra, Punjab and Tamil Nadu accounted for about 56 per cent of the loans, whereas the States of Assam, Bihar, Jammu and Kashmir, Orissa, Rajasthan and West Bengal accounted for hardly 9 per cent. Similarly, in the sale of agricultural produce by the non-credit societies, the co-operatives in the former category of States accounted for about 54 per cent of the sales while the States in the latter category for about 6 per cent only. The *Review* concludes that although the progress made by the movement during the two years, 1968-1970, was fairly satisfactory, qualitatively it continued to suffer from certain defects.

TEACHING OF INDIAN ECONOMICS

THERE are few subjects on which such arrant nonsense has been written, both in newspapers and books, as Indian economics, and, painful to relate, some of the worst offenders have been and are still prominent Indian publicists and journalists, the prime products of the Indian universities. Ranade is a name to conjure with on an Indian Congress platform, but one has only to consider his alarming proposition that India in the nineteenth century was deliberately *ruralised* to realise that his knowledge of economics is sadly to seek. We could quote numerous fallacies as mischievous from the writings and public utterances of living Indians who enjoy a great reputation among the educated classes as economists and financiers. The reason for this brilliant ignorance —we decline to call it moral obliquity or malignant perversity—is easy of explanation. It was the fashion when these writers were schoolboys and students for their English professors, who should have known better, to teach them economics from a purely western standpoint. The young minds were sown with the teachings of Mill, Malthus, Ricardo and even Ruskin, to quote only types of schools, and left to apply the resultant inchoate cults to a set of conditions which had not entered into the western philosophy.

FROM
CAPITAL
30th May, 1912

FOUNDRY

Shortage of Coke

Addressing a Press conference in Calcutta this week, Mr. J. R. Seksaria, chairman, Indian Foundry Association, referred to the difficulties the industry was facing in getting coke supplies. The foundry industry in the country had developed considerably and provided employment for a very large number of workers. It produced more than 1 million tonnes of castings a year. It also contributed to the export efforts of the country to the tune of over Rs. 3 crores. The performance of the industry in terms of employment and export could be increased substantially provided its immediate difficulties were removed, he observed. Mr. Seksaria stated that in the matter of coke distribution, the claim of consumers was often ignored. A part of the supplies was going to traders and middlemen who would sell the material to parties of their choice at exorbitant prices, and this had a very adverse effect on the industry. Because of the inadequate supply of the material from the Durgapur Projects Ltd direct to the Association, it was not able to meet the full requirement of the member-firms.

MONEY MARKET

Call Rate Steady

The short-term money market has remained more or less steady this past week. The call rate has fluctuated between 3¼ per cent and 3½ per cent. The supply of funds has been good and the demand too has improved. But operators have shown a tendency to borrow at a lower rate. The demand for remittances has been small. The supply to tea bills has been small while that of gunny bills has been moderate. The pound-sterling has remained steady against most major foreign currencies.

The latest statement of the Reserve Bank of India for the week ended 19th May, 1971, shows a drop of Rs. 3.88 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 262.37 crores, compared with the previous week. Their brrowings from the Bank have decreased by Rs. 24.20 crores to Rs. 15.04 crores, of which advances against usance bills have amounted to Rs. 3.35 crores, against Rs. 13.93 crores. Balances held abroad by the Reserve Bank in the Banking Department show a rise of Rs. 9.49 crores to Rs. 212.94 crores.

A Ditcher's Diary

THE STARS AND STRIPES FLUTTERED over Moscow last week along with the glowing red stars on the horizon, indicating a thaw in the protracted coldwar diplomacy between the world's two Super-Powers. Who am I to say that the political drama staged by President Nixon and Mr. Brezhnev as the two important heroes has not brought the two countries nearer to a state of peaceful co-existence instead of the cold-war confrontation in which they stayed for ages? The Congress Working Committee, I see, has welcomed the Moscow summit talks, but why is it that the Prime Minister, Mrs Indira Gandhi, joined others in taking a dim view of the Moscow discussions, especially of the long statement of the principles to avoid military confrontations to reach the eventual goal of the total world disarmament? Any overture for a lasting world peace is welcome, although it is necessary to ensure that in taking a big step forward, the Super-Powers do not take two steps back in their zeal to maintain their long-standing ideological and political rivalry. Things came to a pretty pass indeed when in the face of Hanoi's mighty offensive against South Vietnam, President Nixon decided to intensify the bombing of the North and to mine its harbours, which sent jitters around the world's leading stock markets concerning the inevitability of the third World War. As a shrewd politician, President Nixon, I dare say, has played the game of brinkmanship only too well. Since his six-day visit to China last February, with the ostensible purpose of breaking the mysteries of Mao's Iron Curtain, President Nixon has been playing his cards close to his chest concerning the Moscow summit talks. A large number of agreements that have been reached in Moscow covering a wide spectrum of issues have been the result of patient and laborious spadework over months following the President's China visit. Mr. Nixon could well imagine that his success or failure at the Moscow summit could make or mar his chances for re-election in November. Accompanied by Mrs. Nixon, Dr. Henry Kissinger, Mr. Nixon's National Security Adviser, Secretary to State, Mr. William Rogers, a staff of 36 and a large Press corps of 260, President Nixon has just returned to the U.S.A. with the smug satisfaction that his continued efforts for an East-West *détente* have not all gone in vain. But after the Moscow summit talks concerning the total world disarmament and what-have-you, how is it that the *Daily Telegraph* has brought out a cryptic report that the U.S.A. was planning to build a powerful spy satellite to keep watch on military activities in the Soviet Union and China? I am not at all convinced that the project is all that important for reconnaissance in view of the U.S. Government's arms limitation agreement with the Soviet Union. Or, is the speculation true that the two Super-Powers have concluded secret agreements while carrying on their Moscow summit talks?

FOR THOSE WITH A TASTE FOR REAL-life thrillers, that saga of the bomb scare on the *Queen Elizabeth II* had just about everything. A frantic search for a cargo of death in mid-ocean. A dramatic parachute drop in which even the weather co-operated by adding difficulty without ensuring disaster. Mysterious telephone calls; F.B.I. men watching for who claimed the loot; the lot. Even Iain Fleming at his best never surpassed this, and whoever thought up the plot, assuming that is how it all came about, was surely a genius. He, or she, deserves a prize, when they come out of prison that is. It could be that they have done Cunard, and the rest of the world's shippers, a service by highlighting a danger which would sooner or later have materialised anyway. It is a point of view. But they have also done something else, and that is to show the world just how easy it is to persuade a large company with property and lives at stake to part with big money. At one stage Cunard was positively advertising the fact that the ransom was available to anybody who could tell them where to find a bomb. And such was the detail of the news coverage that even I now know how such an operation can be conducted. I cannot believe that everybody else will be as reluctant to use the knowledge. If we are not now due for a wave of ship hijackings, bomb scares and such like, then I miss my guess. It is a frightening prospect, and

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opens up a vision of successful crime in virtually all directions. After Governor Wallace was shot, Mr. Bernard Levin, writing in *The Times*, congratulated television on the competent fashion in which the whole affair had been detailed for the edification of future would-be assassins. The same sort of expertise that goes into revealing just how a goal is scored in television football, he pointed out; and all done with equal dispassion. Shall we ever see an end to the accelerating rate of big crime when it is so easy to get a training in its techniques? The cinema was once blamed for providing this kind of service. Its successors are showing themselves infinitely superior in efficiency.

THE CENTRAL BOARD OF FILM Censors, I am told, is going to be more stern against sex in the Indian cinema. Apparently this righteous resolve follows some controversy over a Hindi film called *Zaroorat*, made by the same director who created a little stir with *Chetna*. Both got "A" certificates; so did at least two other Hindi films shown during the past one year: *Do Raha* and *Dastak*. Of these four films, it is only *Do Raha* which exploited sex for its own sake and in an offensive way. The other three had scenes no less candid, but these did not seem totally devoid of cinematic purpose. *Chetna*, for example, showed a call-girl trying to entice an unsuspecting young man into bed; the girl was daringly revealed, but the scene was central to the film's psychological theme. There was similar exposure of a young woman in *Dastan*, but only to show her traumatic lack of privacy. And now *Zaroorat*, in which the young heroine has to show much of herself at the insistence of her lecherous employer and, in another scene, to submit herself to this man's demands in a desperately cruel situation. There is also a scene showing a fashionable young tart satisfying the perverse whim of an old client. But however arresting the sight of the heroine's anatomy, the more dominant feeling is of her helplessness; again, the way the tart has a shower together with her ageing client has something so funny about it that the total effect is not primarily one of prurience. None of these three films could be regarded as a major work of art; in parts, they were extremely naïve. But at least they had a seriousness which is not altogether common in the Hindi

cinema; and the courage with which they treated sex was part of this seriousness. On the contrary, many of the successful fairy-tale productions, which do not even attract an "A" certificate, exploit sex in more insidious ways. A mythological theme provides a ready excuse for scanty attire; even a film about contemporary life can show the heroine appearing as a briefly clad Radha or Shakuntala in a dance performance; similar scope is provided by a rural background since a village belle is supposed to be always inadequately covered. Then, of course, there are the grotesque cabaret scenes, introduced ostensibly to show the ways of vice which the film is designed to expose and condemn. If *Zaroorat* presents a much exposed prostitute and her fully clothed client together under the shower, a "respectable" Hindi film shows a good deal of Mumtaz's ample form being joyously showered when the telephone rings and she has to take the call only partially draped by a towel. The censors are barking up the wrong tree, which might indeed be the right kind of revelation.

THE NEWS THAT CHINA HAS decided to adopt the Roman alphabet genuinely surprised me. I thought the decision was taken ten years ago. Moreover, if I had the time I would be prepared to dig out the report I read about it, so vivid is it in my memory. Doubtless the explanation is that it has all been decided over again, the first occasion being sadly forgotten what with all that cultural revolting and preoccupation with who is to succeed Chairman Mao. Anyway, if this time the Chinese are in earnest about reform, notwithstanding the implied tribute to those arch-imperialists, the Romans, then one can only welcome it as a change for the better. Not only should it be easier for the rest of the world to communicate with them; it could also help us to understand a little of what does go on behind that mask of apparent inscrutability. Mind you, it would be a pity if the world lost altogether what must be the most interesting and artistic of all its alphabets. It deserves to survive really as a study in itself.

A FEW WEEKS AGO, THE TIMES carried an excellent article by Mr. Alan Gibson about C. B. Fry, the great cricketer who was born on 25th April, 1872. No less enjoyable than this centenary tribute was some of the correspondence that followed. I wonder how much about Fry is generally known today. As Mr. Gibson has pointed out, Fry was a classic in all respects, beginning with his scholarship. At Oxford, he got a first in Mods; and later, when editing a magazine, he first laid down that no sentence should exceed 25 words and then, finding himself unable to observe the rule, relaxed it in favour of those who had benefited from a classical education and thus "understood how to frame subordinate clauses". For 29 years he held the world record for the long jump and played association football for England. But it was in cricket that his performance was the most memorable. After appearing for Southampton in the final of the F.A. Cup on a Saturday, he made 82 on the following Monday at the Oval, playing for London County against Surrey. Nothing was more brilliant or fruitful than his partnership with Ranjit. As Mr. Gibson says: "When he and Ranjitsinhji were batting together, there can never have been a better cricketing illustration of the difference between the classical and romantic." All this is beyond controversy; but there appears to be some doubt as to whether Fry was really offered the kingdom of Albania. After Mr. Gibson's article appeared, one correspondent, presumably an Australian, wrote that he had been informed by Dulcepsinhji, then Indian High Commissioner in Australia, that Ranjitsinhji himself had worked the so-called offer of the Albanian throne as a joke on Fry, and "uncle had to keep it up so as not to hurt Fry's feelings". But Professor Rushbrook Williams, who succeeded Fry as Ranji's adviser, claims that the Albanian affair was not a leg-pull, and that he learnt this from both Ranji and Fry. Of course, no formal offer was made, but apparently an Albanian Bishop called on the Indian prince and his English adviser during the 1920 session of the League of Nations and intimated that if a candidate—preferably English—could be found who was ready to spend £10,000 annually in Albania, the Crown would be at his disposal. Apparently Fry was interested, and Ranji would have found the necessary funds for him. But Ranji did not want to lose his services, and the matter ended there. I don't think the world lost anything; there cannot have been any cricket in Albania even before the communists took over. And think of what the Albanian Maoists would have thought of days when a king preferred cricket to ping-pong.

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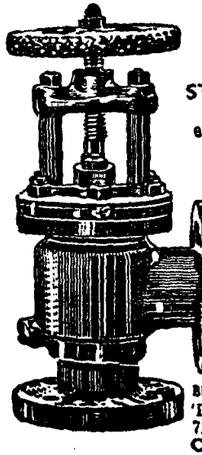

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MANAGEMENT

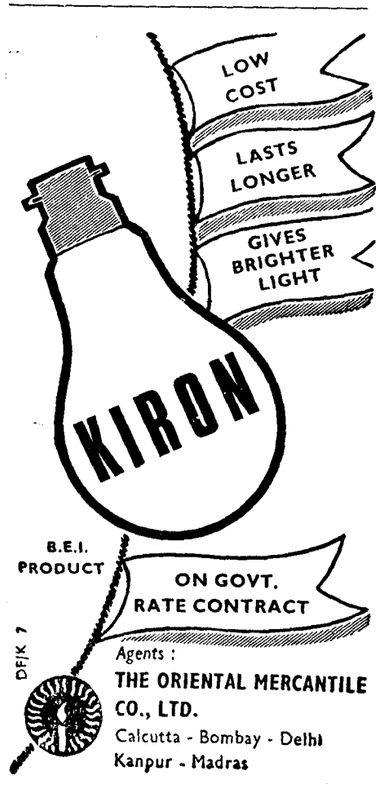
Adapting Marketing Management to Shifts in Consumer Behaviour

By P. Chattopadhyay

Director of Research,
Institute of Cost and Works Accountants of India

Marketing managers can no longer plan their strategies on the basis of studies on consumer behaviour alone. As markets become more competitive, the need to understand the consumer a little more closely becomes increasingly important.

LITERATURE on marketing management has so far concentrated almost entirely on consumer behaviour, emphasising the aspect that customer is business. While this is not illogical, on its own it touches only a fringe of the problem as a whole. Consumer behaviour is hardly independent of the environs in which he is placed at a point and over a period of time. Unless the entire environment is studied, stressing all the components thereof, consumer behaviour leaves out some crucial questions that require careful consideration by the marketing management in an organisation, in deciding on different policy issues relevant to both the internal market and exports. Indeed, the question of understanding the consumer a little more closely is assuming more and more importance even in the context of domestic sales in view of the overt signs of the economy switching on to a competitive one from relatively insulated conditions which have so far prevailed.



In some industries, competition is already keen. One has only to stand and stare in a market place to notice how, for instance, chemical detergents vie with each other to get sold! In the markets abroad, shifts and switches are much more violent and rapid. In the circumstances, the characteristics of consumer behaviour have to be closely examined with reference to the factors that condition them from time to time. First, a study of consumer behaviour is not complete without reference to these factors and, secondly, consumer behaviour cannot be independent of these factors. In many important ways, consumer behaviour itself conditions these factors, while, at the same time, being conditioned by them in an interactive process.

The Market System

In this mutually interactive market system, there are essentially many components, if one looks at it as a closed economy. They are, the suppliers, the buyers and between them, the Government. If the process is seen as an open one, with imports and exports, one may put the Government of the foreign country to make a quadrangle of forces and a so-called *force field*. This *force field* largely explains the trade that takes place within the country and abroad at a point of time and over a period of time. The suppliers consist of individuals, firms and companies—private and public limited. The buyers also consist of individuals, firms and companies—private and public limited.

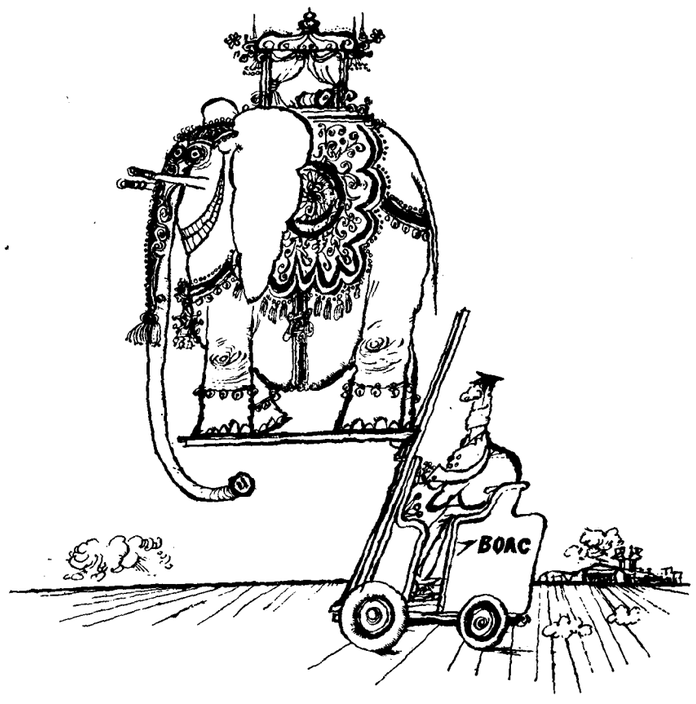
On the other hand, Government as a pluralistic entity shows multiplicity of behaviour patterns, as an umpire in a game, as a direct participant in the marketing process in the rôle of both buyer and seller, as a sponsor of the rôle of the suppliers and buyers other than itself and as a protector of the interests of the suppliers and buyers of the country *vis-à-vis* imports and the competition from other countries and as a Government in its dealings with those of other countries. Within each group, there is interaction of different types not only among similar institutions but also among different ones. It is interesting to chart out the behaviour pattern of each of the participants in the interactive process and to see how the sum total of this interaction influences consumer behaviour.

Suppliers' Behaviour Pattern

As for the behaviour pattern of suppliers, the picture is a mixed one, dots, dashes and lines of different depths coming in the way of a clearer vision. The suppliers suffer from all kinds of diseconomies, partly internal and partly external. Wastes of various types are rampant. A scientific attitude to management is conspicuous by its absence. Factor supply is subject to various constraints, leading to underutilisation of installed capacity on a wide scale. It is still believed by many suppliers that they sell in a sellers' market, not caring to maintain their supply pipelines on a regular and continuous basis and to price their products to win and to retain customers. Quality standards are not adhered to strictly and opportunities showing up in different directions are allowed to slip by unnoticed. This is due to inertia, perhaps due to a refusal to change.

Below the surface, however, signs of a market turning into a buyers' one are already appearing in a large number of industries and many of those suffering from inertia are likely to be caught unawares. The customer has become choosy in almost all lines—both capital and consumer goods. The present official policies prefer multiple supply sources not only in the private sector but also in the public sector. The aversion to monopolistic practices and the spread of small and medium-

Anything goes!



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scale units would strengthen this attitude further. In the circumstances, a supplier in any particular line has to reckon with the behaviour of his fellow suppliers and the organised wooing of the customer in many ways adopted by them may mean that he has to eke out a field either away from particular markets or market segments or to plan to combat the onslaught of competitors by superior or different products or even meet the competitors on their own grounds. The purpose is to inform the customer of the product in view and to influence his buying behaviour. The reaction of the customer in such conditions will be rather different from what it would be if there were no such attempt to woo him.

Supply behaviour requires to be closely examined with respect to the status of competition in particular lines, the number of such suppliers, the size of the market and the possibilities of export, pricing policies of the competing suppliers and the innovations effected or claimed to be effected. Apparently, this behaviour would materially differ from product to product when one considers the features of the capital and consumer goods industries. That such supply behaviour is an essential part of marketing has already become obvious in some cases, especially in the context of export of jute manufactures, in which internal competition has become very keen. What pains one to notice in this is that none seems to be interested in having this kind of exercise and almost the entire focus is laid on the customer at home and abroad, while the tug-of-war among suppliers takes away half the wind out of their sails. The fun is that even the customer within the country and outside seems to know of this and exercises his buying decisions in such a manner that takes account of the existence of multiple sources of supply of similar goods or substitutes and does not fall for the wiles of any supplier in any garb whatsoever, including various marketing strategies. There is the classic Indian case in which the hard luck story was primarily related to the bungling on the supply front. The case is that of "bleeding Madras" fabrics and their performance in the U.S. market. It seems, however, that suppliers have refused to be wiser even after the event.

The consumer and his behaviour in different contexts have been studied from the point of view of different intellectual disciplines. The general stress in such studies has, however, been on the premise that he is an independent decision-maker as far as buying decisions are concerned. That he is not independent is a matter of fact and that his decisions are influenced significantly by factors and forces not accommodated by the marketing gimmicks and strategies are not as much appreciated even in the advanced countries, leave aside India. But the time has already come when the customer had to be identified as a part of a larger interactive system and the buying decisions exercised by him were related to the system as such. Of course, there are variations in the cases of different products and commodities but within a certain range, this is true in all cases. Moreover, in these days of organised consumer education, even advertisements and publicity programmes and other marketing and promotional devices always run the risk of misfiring. In some other cases, exhaustive marketing campaigns by one firm was ultimately utilised by a competitor, supplying a better or more attractive product having the same end-uses. All these questions should make the suppliers much more calculative than they are now, and in directions not always pointed out by the literature on the subject.

The Government's Rôle

To cap the interplay of factors between suppliers and consumers, the Government has reacted differently in this game depending on the strength of either side, apart from putting itself as a party in the game. Thus, in addition to the traditional regulative rôle, the Government has sponsored suppliers of some products and commodities, promoted the end-uses of several items such as fertilisers and insecticides, participated directly in the production, import and export as also domestic marketing of many items, negotiated trade agreements with other Governments, fixed prices seeking to be fair to both suppliers and consumers and prohibited import and export of those items calling for such steps depending on the availability of such items. There is hardly any item marketed in India which totally escapes the notice of the Government. In a majority of these cases, various duties are levied to discourage internal consumption while drawbacks and refunds are allowed when these goods are exported from the country. From the point of view of the marketing management of industrial and business enterprises, it is essential to keep track of all these factors while attempting to trace the behaviour patterns of consumers in markets within the country and abroad. It is necessary to underscore the fact that consumer behaviour or even consumption behaviour is largely a product of the situation in which the suppliers and consumers are placed in a system in which they are but two parties in a *game of four.*

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PRESSMAN-PPM-4

SPECIAL ARTICLES

Is There a Case for Giving Greater Autonomy to States ?

By M. R. Meher

The D.M.K.'s demand for greater autonomy for the States has set off a controversy on the distribution of powers in a federal set-up. While the autonomy demand goes against the national interest, there is certainly a case for the decentralisation of powers in certain spheres.

THE distribution of powers between the Centre and States in a federal set-up has been a matter of long controversy. The framers of the Indian Constitution had before them the experience of the scheme of the Government of India Act, 1935, and they had no particular bias. Dr. Ambedkar believed that the Constitution was both unitary and federal according to the requirements and circumstances. According to one expert, "India is not a federal State. In the final analysis it is a unitary State in concept and analysis." Some other scholars have, however, emphasised the "co-operative federalism" of the Constitution, a centralisation in response to the exigencies of national planning and decentralisation on account of the Centre's dependence on the States for the implementation of its policies.

Recently, and particularly since the sweeping proposals of the Rajamannar report, the Centre-State equation has been a subject of acrimonious controversy. The demand of the D.M.K. at one time for Dravida Nadu and more recently for autonomy has been strongly opposed by opinions elsewhere in India on the ground of the need for maintaining national strength and unity. The Tamil Nadu Chief Minister, Mr. M. Karunanidhi, has in a recent statement said that his demand for autonomy is a demand for more power, but that should not encourage separatist tendencies. According to him, the Centre should have exclusive powers over matters like defence, foreign affairs, currency and inter-State communications. As for the rest, there should be discussion between the Centre and States on their respective spheres. The Central Minister for Planning, Mr. C. Subramaniam, has said that the Tamil Nadu Government has never suffered for want of powers. In progress achieved, Tamil Nadu stood third among the States in the country.

There should be a strong Centre to safeguard the unity of the country. Mr. Subramaniam said that if the D.M.K. wanted more power for bringing in social justice and establishing an egalitarian society, that could be done with the powers now available. Although the Centre can chalk out programmes for this purpose, the ultimate responsibility for implementing them lies with the State Government. He asked the D.M.K. Government to state in clear terms whether it was going to be a Government implementing the Central Government's policies to user in socialism or a Government indulging in confrontation with the Centre. The Tamil Nadu Congress has resolved that the D.M.K.'s demand for autonomy goes against national interest, that the demand may lead to a separate State and that it is necessary to save the Tamil Nadu people from being cut away from the mainstream of national life.

The demand for more autonomy is connected with the allocation of resources from the Centre to the States. It has been said that the Centre's sources of income are elastic while the States' are not and that the Centre has been assuming overlordship over the States. But the States have not used fully the powers they already have for raising resources for development. For example, the agricultural sector has not made contribution according to its capacity to the much-needed State revenues. Increase in prices since independence has rendered land revenue completely out of alignment with the current economic situation. The agricultural income-tax which is levied only in some States makes only a minimal contribution to the State revenues. These sources of revenue have not been fully tapped in spite of pressing needs for development funds. The States continue to make overdraft on the Centre. The supposed want of powers has not come in the way of Punjab making great progress. As for Tamil Nadu, it has received more than its fair share of Central projects.

However, a distinction should be made between autonomy and decentralisation. It is not that there is no case for more decentralisation in certain spheres, but for this amendment of the Constitution is not necessary. The States should have more freedom in shaping their policies in the sphere of economic and industrial development. Here the Centre's policy has too long been influenced by ideologies which have adversely affected the rate of economic growth and consequently employment opportunities. The Centre may well consider the decentralisation of certain powers of licensing of industries which would enable the States to achieve a more rapid industrial growth, or in the alternative associate the States more in planning and also in the licensing of industries. There is a strong case for the States having a voice in the licensing of industries in their areas. While it may be conceded that a balanced development of all areas in the country is desirable and this can be done only by the Centre, excessive zeal on this account may hinder overall industrial development.

To conclude, no amendment of the Constitution is necessary for ensuring proper and harmonious relations between the Centre and the States. As stated by the Administrative Reforms Commission, the provisions of the Constitution governing Centre-State relations are adequate for the purpose of meeting any situation or resolving any problems that may arise in this field. Within the framework of the Constitution it is, therefore, feasible to develop healthy federal conventions. As has been observed by Dr. P. B. Gajendragadkar, in a multi-religious, multi-racial and multi-lingual federal structure as in India, different kinds of narrow loyalties struggle for supremacy in the public life of the country. These narrow loyalties, though legitimate within certain limits, must not be allowed to compete with the primary loyalty to India.

The Central Finance Minister, Mr. Y. B. Chavan, has given an assurance that the sixth Finance Commission will have wider powers of reference to consider the question of greater financial viability to the States. This shows that the Centre has an open mind on making necessary adjust-

ments in Centre-State relations within the framework of the Constitution. But the autonomy demand as mooted by the D.M.K. and its leaders would adversely affect the integrity and unity of the country. In all federal systems, the needs of the present times have led to the growth of centripetal, and not centrifugal tendencies, and to a greater rôle for the Centre.

U.N.C.T.A.D.-III : Lessons for the Developing Nations

By M. B. Lal

The U.N.C.T.A.D.-III has made it obvious that the developed countries are in no mood to do much for the developing ones. The latter should now realise that self-help, unity and co-operation between themselves are the only way for their survival.

REASONS for the failure of the U.N.C.T.A.D.-III in Santiago may be found in the Nixon-Brezhnev summit. As the Big Power blocs come closer to each other, their desire to compete for the favours of the developing nations recedes. International trade is increasingly becoming a monopoly of the small number of highly industrialised nations. The developing countries are being pushed to the fringes of global commerce. If, as is widely reported, plans for a ten-fold increase in U.S.-Soviet trade, from $200 million to $2 billion a year, materialise from the Nixon-Brezhnev meeting, it would eventually inevitably be at the cost of the respective trade of these countries with the developing nations. The resulting blow to the foreign exchange earnings of the developing countries by such cataclysmic political and economic developments in the global power system would perhaps be even severer than the disastrous impact on Indian exports feared from Britain's entry into the E.E.C.

This is not to say that peace and goodwill between the two great powers, Russia and the U.S.A., is not desirable. The only alternative to a lasting peace between the two giants would, in the long run, be an all-out nuclear war that could lead to the destruction of the entire human race. For this reason alone, a U.S.-Soviet *détente* would seem both inevitable and essential to all mankind. But if the nuclear fall-out of a war between Russia and America could destroy all life on this planet, the fall-out from a total peace between the two would also not be conducive to a very congenial political environment for the people of the poor nations. They may be spared physical death but may suffer in the bargain economic strangulation. With the trend towards global peace, the economies of the big nations or groups of nations are becoming more and more complementary to each other and less and less competitive, although on the surface competition seems to be the main driving force behind them. Thus it has now become conceivable for some giant private companies in the U.S.A. to plan extraction of oil worth $1,000 million a year in Siberia for the expanding American market. The vast Russian resources of non-ferrous metals may be similarly tapped. The Russians may buy in return large quantities of machinery to produce a variety of consumer goods and sophisticated equipment of which they are still short. In sum, it will be a technical collaboration at the highest level.

Similar deals are being currently negotiated between the U.K. and the E.E.C., the E.E.C. on the one hand and Russia and its east European allies on the other, between the western world and Japan, between Japan and China and between China and the West—particularly the U.S.A. All in all, a colossal multi-national conglomerate is taking shape among the industrialised nations. Even a limited understanding between them could further reduce the ever diminishing share of the developing countries in world trade and severely restrict their capacity to import technology and equipment sorely needed for rapid growth.

Once this happens, the developing countries should brace themselves for a new kind of global colonialism the like of which has never been witnessed before. Already, in trade matters, the developing countries are reduced to the position of underlings who have to subsist on the left-overs from the tables of the rich. With the increase in the membership of the club of the rich "haves", there may be hardly any left-overs at their table to appease the appetites of the "have-not" nations The outcome of the U.N.C.T.A.D.-II clearly establishes that the big countries are not willing to allow even small concessions, leave alone fundamental changes in the economic relations between them and the rest of the world. Broadly speaking, four major issues came up at the conference These are: aid, trade, liquidity and shipping. On each point the industrialised nations put their foot down Thus the proposal to set up an organisation to assist the 25 poorest countries was torpedoed and replaced by a pious resolution which amounts to nothing. There are no commitments no time-bound programmes, for the transference of even a minute and specified fraction of the rich nations income to the poor.

On trade, likewise, the two most important suggestions made at the Conference were rejected. One would have provided for consultation between the U.N.C.T.A.D. and the G.A.T.T, on matters relating to primary commodities. The G.A.T.T. would consult nobody, the big nations ruled. And the other sought a meeting next year of the commodities committee of the U.N.C.T.A.D. to prepare concrete plans on commodities. Instead, an innocuous resolution proposing to set up trade centres to advertise the wares of "third countries" was adopted. The persistent complaints of the better off developing countries, which are in an intermediate stage of industrialisation, that the General Scheme of Preferences (G.S.P.), ushered in with great fanfare at the U.N.C.T.A.D.-II, had been neutralised by subsequent developments was ignored. India and other nations complained that new barriers raised through multi-national organisations like the E.E.C. and preferential tariffs had more than nullified the promised gains of G.S.P. A large number of the developing countries expressed alarm at the closed shop of the E.E.C.

The advanced nations were even more tight-lipped on the question of liquidity which they seemed to treat as their private preserve. For a moment it seemed that a major breakthrough was in the offing and that the poor countries might win two important concessions: the linking of the proposed paper currency of the Special Drawing Rights (S.D.R.s) with aid and, secondly, the right to have a hand in

(Continued on page 921)

UNITED INDUSTRIAL BANK LIMITED

Registered and Head Office : 7, WELLESLEY PLACE, CALCUTTA-1

THIRTYSECOND REPORT

Directors' Report for the year ended 31st December, 1971.

Gentlemen,

The Directors have pleasure in presenting to the Shareholders thirty second annual report on the, working of the Bank for the year ended 31st December, 1971. The Profit & Loss Account for the year ended 31st December, 1971 and the Balance Sheet as on that date and the Auditors' Report thereon are annexed.

2. The Directors are glad to record that the Bank's working during the year under report has resulted in a profit of Rs. 4,34,477.45 as against Rs. 3,18,876.58 in the preceding year and that the Bank has been able to maintain the pace of all round progress steadily. Out of the current year's profit, a sum of Rs. 0.87 lakhs has been transferred to General Reserve under Section 17 of Banking Regulation Act, 1949.

3. During the year under review the Bank's deposits increased by Rs. 218.70 lakhs to Rs. 1065.82 lakhs recording a rise of 25.8% compared to 20.6% achieved by all scheduled commercial banks. In the previous year, deposits had risen by Rs. 157.75 lakhs (22.8%) to Rs. 847.12 lakhs. Time deposits of the Bank rose by 35.6% while demand deposits increased by 18.4%. During the year 1970, time and demand deposits had risen by 36.2% and 14.4% respectively. Of the total increase in deposits during the year 1971, time deposits accounted for as much as 59.4% and demand deposits 40.6%.

4. During the year, the Bank's advances increased by Rs. 104.53 lakhs from Rs. 522.41 lakhs to Rs. 626.94 lakhs representing a rise of 20% as compared with the rise of 17.8% in the previous year. Advances sanctioned by the Bank to small scale industry, which are guaranteed under the credit guarantee scheme of the Government of India, amounted to Rs. 193.22 lakhs.

5. The gross income of the Bank increased during the year by Rs. 18.28 lakhs from Rs. 63.56 lakhs to Rs. 81.84 lakhs representing an increase of 28.8% as against 22.3% in the preceding year.

6. The Bank's Investments have increased from Rs. 210.65 lakhs to Rs. 278.43 lakhs out of which 97.8% was invested in Government and other Trustee Securities.

7. The liquidity ratio of the Bank continues to be high. The liquid assets of the Bank comprising cash in hand, balance with other banks, money at call and on short notice and Govt./Trustee securities as at the close of business on the 31st December, 1971 worked out to 41.6% of the total deposits.

8. The Bank has taken up a programme of branch expansion and since obtained necessary licences from Reserve Bank of India for opening during the current year three branches at Behala, Naihati (West Bengal) and Marufganj (Patna City-Bihar). Effective steps towards opening those branches are being taken.

9. The Share holders are aware that the Bank's branch at Naraingunge in East Pakistan (now Bangladesh) was taken over by the custodian appointed by the Govt. of Pakistan on the 8th September, 1965. Since then no statement has been forthcoming. The last known unaudited figures of assets and liabilities of the Branch as at 7.9.65 have, therefore, been incorporated in preparing the Balance Sheet of the Bank as at 31st December, 1971 and it has not been possible to compute the Profit & Loss Account for the year 1971 in respect of the said Branch. Sanction has been obtained from the Govt. of India for exemption from audit of the Branch under the provision of Section 228(4) of the Companies Act 1956.

10. Sarvasri Pravash Banerjea and R. N. Kolay, two of the Directors would retire under the Articles but being eligible, offer themselves for re-election.

11. Messrs Pal & Roy, Chartered Accountants appointed as the Auditors of the company at the last Annual General Meeting, retire under the Articles but being eligible, offer themselves for re-appointment.

12. The Directors appreciate the co-operation they have received from all categories of staff. The relation between the management and the staff had always been cordial.

Dated, Calcutta,

The 17th April, 1972.

For and on behalf of the Board of Directors,

N. L. CHATTERJEE
Chairman.

CAPITAL, 1st JUNE, 1972

UNITED INDUSTRIAL BANK LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 1971.

31-12-70 Rs. P.	CAPITAL AND LIABILITIES	31-12-71 Rs. P.	Rs. P.
	1. Capital :		
	Authorised Capital :		
29,25,000 00	75,000 Ordinary Shares of Rs. 39/- each		29,25,000 00
	Issued Capital :		
22,20,777 00	56,943 Ordinary Shares of Rs. 39/- each		22,20,777 00
	Subscribed Capital :		
22,03,890 00	56,510 Ordinary Shares of Rs. 39/- each fully called up	22,03,890 00	
2,966 65	*Less* : Calls unpaid	2,966 65	
22,00,923 35			22,00,923 35
4,54,000 00	**2. Reserve Fund and other Reserves :**		5,41,000 00
	3. Deposits and other Accounts :		
3,64,66,192 84	Fixed Deposits, Cash Certificates etc.	4,94,55,697 17	
2,81,06,054 17	Savings Bank Deposits	3,29,02,559 32	
2,01,39,356 78	Current Accounts, Contingency Accounts, etc.	2,42,23,517 03	
8,47,11,603 79			10,65,81,773 52
	4. Borrowings from Other Banking Companies, Agents, etc.		
Nil	(i) In India	Nil	
Nil	(ii) Outside India	Nil	
			Nil
	Particulars :		
Nil	(i) Secured by part of Government Securities as per contra	Nil	
Nil	(ii) Unsecured	Nil	
9,51,038 70	**5. Bills Payable :**		16,50,486 27
	6. Bills for Collection being Bills Receivable as per contra		
1,74,48,382 11	(i) Payable in India	2,47,65,846 64	
Nil	(ii) Payable outside India	Nil	
1,74,48,382 11			2,47,65,846 64
	7. Other Liabilities :		
2,556 95	Unclaimed Dividends	2,556 95	
6,94,729 12	Branch Adjustments	5,67,087 07	
22,500 00	Share money refundable in respect of advance of calls	22,225 00	
86,82,038 57	Liability on account of assets taken from transferor Banks for collection as per contra ...	85,08,994 62	
2,63,291 38	Others	2,78,653 40	
96,65,116 02			93,79,517 04
15,82,760 21	**8. Acceptances, Endorsements and other Obligations per contra**		16,58,068 99
	9. Contingent Liabilities :		
	1. Claims against the Banking Company not acknowledged as debts (Previous year—Rs. 81,606.50)	1,04,173 16	
	2. Guarantee given on behalf of others (Year to 31st December, 1970—Rs. 21,64,553.88) ...	18,79,461 63	
	3. No provision for future gratuities to staff has been made in these accounts, the liabilities for which have not been ascertained.		
11,70,13,824 18			14,67,77,615 81

N. L. CHATTERJEE, *Chairman*

K. D. ROY, R. N. KOLAY } *Directors.*

G. CHATTERJEE, P. BANERJEA } *Directors.*

B. BHATTACHARYA, N. BASU, H. K. DAS GUPTA } *Directors.*

31-12-70 Rs. P.	PROPERTY AND ASSETS	31-12-71 Rs. P.	Rs. P.
	1. Cash :		
81,64,690 81	(i) In India in hand and with Reserve Bank and State Bank (Including foreign Currency Notes)	86,35,060 59	
23,519 73	(ii) Outside India in hand and with State Bank of India	23,519 73	
81,88,210 54			86,58,580 32
	2. Balance with Other Banks on Current Accounts :		
1,44,757 20	(i) In India	3,81,863 53	
98,360 51	(ii) Outside India	98,360 51	
2,43,117 71			4,80,224 04
52,00,000 00	**3. Money at Call and Short Notice :**		80,00,000 00
	4. Investment (at or below cost)		
2,04,77,769 82	(i) Securities of the Central and State Governments and other Trustees Securities including Treasury Bills of the Central and State Governments (include face value of Rs. 6,15,000 cost—Rs. 6,15,877.50 pledged under the Bank Guarantee Scheme and face value of Rs. 10,00,000.00 cost Rs. 10,00,000.00 kept separately under an order of the High Court at Calcutta dated the 21st day of December, 1963)	2,72,56,479 87	
	(ii) Shares Fully Paid—		
2,62,734 18	Ordinary Shares	2,62,734 18	
1,46,532 75	Preference Shares	1,46,532 75	
206 00	Deferred Shares	206 00	
4,09,472 93		4,09,472 93	
53,000 00	(iii) Debentures or Bonds	52,000 00	
1,24,968 75	(iv) Other Investments	1,24,968 75	
Nil	Pakistan Government Securities	Nil	
2,10,65,211 50	(v) Gold (Market value under items (ii) & (iii) as at 31st December, 1971 Rs. 2,15,275.62 and market value of item (iv) not known).		2,78,42,921 55
	5. Advances : (Other than Bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)		
	(1) Loans, Cash Credits, Overdrafts, etc.		
4,67,23,898 56	(i) In India	5,64,39,293 07	
4,08,038 35	(ii) Outside India	4,08,038 35	
4,71,31,936 91		5,68,47,331 42	
	(2) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Government)		
51,09,220 56	(i) Payable in India	58,46,622 22	
Nil	(ii) Payable Outside India	Nil	
51,09,220 56		58,46,622 22	
5,22,41,157 47			6,26,93,953 64
	Particulars of Advances : As per Separate Statement annexed		
1,74,48,382 11	**6. Bills Receivable being Bills for Collection as per contra**		
Nil	(i) Payable in India	2,47,65,846 64	
	(ii) Payable outside India	Nil	
1,74,48,382 11			2,47,65,846 64
15,82,760 21	**7. Constituents Liabilities for Acceptances, Endorsements and Other Obligations** per contra		16,58,068 99
2,512 34	**8. Premises Less Depreciation :**		11,928 71
	9. Furniture and Fixtures Less Depreciation :		
4,58,860 92	Total cost to 31st December, 1970	5,35,017 48	
99,512 44	Additions during the year	1,08,812 38	
5,58,373 36		6,43,829 86	
23,355 88	*Less* : Sales during the year	20,541 90	
5,35,017 48		6,23,287 96	
2,71,472 10	*Less* : Total depreciation to 31st December, 1971	3,05,543 29	
2,63,545 38			3,17,744 67
	10. Other Assets Including Silver :		
4,68,390 95	Adjusting Accounts	7,70,926 68	
5,01,530 41	Income-tax refundable and tax deducted at source	5,03,710 24	
3,75,951 67	Stationery, Stamps, Suspense, etc.	21,61,595 81	
10,170 59	*Nath* Bank Ltd (in liquidation)	9,752 62	
86,82,038 57	Assets taken from transferor Banks for collection as per contra	85,08,994 62	
1,00,38,082 19			1,19,54,979 97
2,47,186 06	**11. Non-Banking Assets Acquired in Satisfaction of Claims—at Cost :**		2,47,186 06
	12. Profit and Loss :		
7,48,735 23	Balance as per last Account	4,93,658 67	
	Less : Profit for the year 1971	4,34,477 45	
	Less : Transfer to Reserve Fund under Section 17 of the Banking Regulation Act, 1949	87,000 00	
2,55,076 58		3,47,477 45	
4,93,658 67			1,46,181 22
11,70,13,824 18			14,67,77,615 81

Note :—Figures of the previous year have been recast wherever necessary to make them comparable with the figures of the current year.

J. N. BISWAS, *General Manager.*

K. K. DUTTA, *Chief Accountant.*

UNITED INDUSTRIAL BANK LIMITED—Cont'd.

Particulars of Advances

31-12-70	Attached to and forming part of Balance Sheet as at 31st December, 1971.	31-12-71
Rs. P.		Rs. P.
4,90,98,974 43	(i) Debts considered good in respect of which the Banking Company is fully secured	5,87,82,233 51
11,43,574 42	(ii) Debts considered good for which the Banking Company holds no other security than the debtors, personal security	14,93,043 52
19,98,608 62	(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	24,18,676 61
Nil	(iv) Debts considered doubtful or bad not provided for	Nil
5,22,41,157 47		6,26,93,953 64
44,803 02	(v) Debts due by Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons	87,453 43
Nil	(vi) Debts due by Companies or firms in which the Directors of the Banking Company are interested as Directors, Partners or Managing Agents or in the case of Private Companies as Members	Nil
53,482 46	(vii) Maximum total amount of advances, including temporary advances made at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons	98,263 01
Nil	(viii) Maximum total amount of advances, including temporary advances granted during the year to the Companies or Firms in which the Directors of the Banking Company are interested as Directors, partners or Managing Agents or in the case of Private Companies, as Members	Nil
Nil	(ix) Due from Banking Companies	Nil

Profit and Loss Account for the year ended 31st December, 1971

1970	EXPENDITURE	1971	1970	INCOME (Less Provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	1971
Rs. P.		Rs. P.	Rs. P.		Rs. P.
27,43,149 29	1. Interest paid on Deposits, Borrowings etc.	38,45,067 19	57,21,154 95	1. Interest & Discount	75,91,732 05
27,72,639 57	2. Salaries & Allowances and Provident Fund	33,03,192 52	2,23,039 60	2. Commission, Exchange and Brokerage	2,40,643 91
			Nil	3. Rents	Nil
7,600 00	3. Directors' and Local Committee Members' Fees and Allowances	10,040 00			
2,04,661 67	4. Rent, Taxes, Insurance, Lighting etc.	2,16,461 06	99,387 49	4. Net Profit on sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any Particular Fund or Account)	2,924 26
10,739 18	5. Law Charges	8,246 76			
19,691 14	6. Postage, Telegrams & Stamps	24,503 80			
8,000 00	7. Auditors' Fees	8,000 00			
			Nil	5. Net Profit on revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any Particular Fund or Account)	Nil
57,613 77	8. Depreciation on and Repairs to the Banking Company's Property	63,293 48			
1,12,057 72	9. Stationery, Printing & Advertisement, etc.	1,28,890 40	7,498 41	6. Income from Non-Banking Assets & Profit from sale of or dealing with such Assets	8,089 80
			3,04,998 54	7. Other Receipts	3,40,196 45
Nil	10. Loss from sale of or dealing with Non-Banking Assets	Nil	Nil	8. Loss	Nil
1,01,050 07	11. Other Expenditure	1,41,413 81			
3,18,876 58	12. Balance of Profit	4,34,477 45			

Particulars of remuneration relating to Chairman & Chief Executive Officer.

1970 Rs. P.		1971 Rs. P.
	Note:	
24,000 00	(i) Salaries	25,200 00
Nil	(ii) Dearness and other Allowances	Nil
Nil	(iii) Bonus	Nil
1,500 00	(iv) Bank's contribution to Provident Fund & Pension Fund	1,575 00
Nil	(v) Perquisites and other Benefits: Free use of Bank's Car	Nil
25,500 00		26,775 00
63,56,078 99		81,83,586 47
		63,56,078 99
		81,83,586 47

N. L. CHATTERJEE, *Chairman.*

K. D. ROY, R. N. KOLAY, G. CHATTERJEE, P. BANERJEA, B. BHATTACHARYA, N. BASU, H. K. DAS GUPTA — *Directors.*

J. N. BISWAS, *General Manager.*

K. K. DUTTA, *Chief Accountant.*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the Balance Sheet of UNITED INDUSTRIAL BANK LIMITED as at 31st December, 1971 and the annexed Profit & Loss Account of the Bank for the year ended on that date in which are incorporated the returns from the branches audited by us, except for Pakistan Branch which has been exempted from the requirements of Section 228 of the Companies Act, 1956 by virtue of Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961. As far as Pakistan Branch is concerned, the latest available unaudited figures of assets and liabilities viz. as of the 7th September, 1965 have been incorporated without compilation of the Profit & Loss Account.

Subject to the foregoing remarks applicable to Pakistan Branch, we report that :—

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory ;

(b) The transactions of the Bank which have come to our notice, have been within the powers of the Bank ;

(c) In our opinion, proper books of accounts, as required by law, have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches of the Bank ;

(d) The Bank's Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of the account and returns ;

(e) In our opinion and to the best of our information and according to the explanations given to us the said accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, the said Balance Sheet gives a true and fair view of the state of affairs of the Bank as at 31st December, 1971, and the Profit & Loss Account gives a true and fair view of the Profit for the year ended on that date.

PAL & ROY
Chartered Accountants.

2, Church Lane, Calcutta,
Dated the 27th March 1972.

(*Continued from page 916*)

the shaping of liquidity values through the International Monetary Fund. On both points they met with bitter disappointment. The *status quo* would rule. It is noteworthy that in effect linking of S.D.Rs to aid would not necessarily amount to a major concession since the S.D.Rs would continue to be linked to the dollar and gold which operate in favour of the rich. But even this was not expected.

The only agreement that may be considered worth the paper it was written on was on shipping. Here, for the first time, the big shipping nations agreed to draft a shipping code and even permit some measure of Government interference to save the developing countries that account for more than half the world's cargo from exploitation by the shipping lines. But it is too early to be jubilant about it. If it works as G.S.P. did, even the last traces of a tangible benefit from the U.N.C.T.A.D.-III would be lost. But the U.N.C.T.A.D.-III has done one great good. It has opened the eyes of the developing nations that seemed too eager to suspend their disbelief in the one-sided and avaricious policies of the advanced nations. They should now realise that whatever the price it may demand, self-help, unity and co-operation between them is the only way for them to escape a state of permanent servitude.

Can the Bonus Review Committee Suggest an Acceptable Formula ?

(BY A SPECIAL CORRESPONDENT)

Even if the Bonus Review Committee suggests an acceptable formula, it may not just lead to a lasting solution of the bonus issue. The chances are that sooner or later demands will be put forward for more and more bonus.

THE idea of setting up a Bonus Review Committee has been in the air for quite some time. The Central Minister for Labour and Employment, Mr. R. K. Khadilkar, mooted the proposal as early as September last along with his new formula, known as "Khadilkar formula," which was virtually imposed on unwilling employers in the wake of labour unrest stemming from a demand for more bonus. What the Minister initially proposed, at the suggestion of trade unions, was an amendment to the Bonus Act, 1965, raising the minimum bonus from 4 per cent to 8.33 per cent. As could only be expected, the employers' organisations opposed the move on the ground that it would hit marginal units hard and aggravate the problem of unemployment. It was also submitted that the payment of bonus, when there was no profit, was against the fundamental principle of "*no profit, no bonus*".

Subsequently, at the Central Labour Minister's suggestion, a tripartite meeting of employers' representatives, trade union leaders and the Government was convened in Bombay under the chairmanship of Mr. Khadilkar. As no agreed formula could be evolved, the meeting ended without any tangible result. The Minister, however, did not give up his hope and in a subsequent meeting in September, an informal agreement was arrived at. One of the points in the agreement was that "a committee consisting of representatives of employees, employers and economists, with an independent chairman, shall be set up immediately to go into the entire scheme of bonus, including the minimum and maximum". The committee was expected to submit its report within six months.

Paradoxically enough, it took more than six months to announce the appointment of the committee. To be precise, the informal agreement stipulating the setting up of the committee was announced on 22nd September and the Bonus Review Committee under the chairmanship of Dr. B. K. Madan was constituted on 28th April, 1972. The Government has, however, kept to its word about the composition of the panel in as much as adequate representation has been given to both labour and management, besides a labour economist. The interest of the consumer seems to have been sidetracked, although it can reasonably be expected that Dr. S. D. Punekar, the economist member, will give an objective appraisal of the entire gamut of the problems.

The task of the Madan panel is really challenging. It has been asked, among other things, to enquire (i) whether there is a case for raising the minimum bonus from 4 per cent and if so, to what level ; (ii) whether the present upper limit on payment of bonus and the system of "set-on" and "set-off" require any alteration, and if so, on what lines ? and (iii) whether the entire bonus payment should be related to production and productivity. A rider has been added, as usual, that the committee will make a careful assessment of the likely impact of its recommendations on the economy before finalising them. The committee has also been asked to examine whether establishments employing less than 20 workers may also be covered under the Act.

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This is in keeping with the general trend now set in the field of labour legislation, widening the scope of social security measures and wage benefits to those employed in small establishments. A demand has already been raised by the workers' representatives that labour employed in public-sector undertakings should also be brought under the purview of the Bonus Act.

A Bill was introduced in Parliament by Professor Madhu Dandavate on 20th November, 1971, which sought to amend the Payment of Bonus Act to cover important undertakings in the public sector, like the L.I.C. and Bombay Electric Supply and Transport Undertaking. Both the I.N.T.U.C. and A.I.T.U.C. have asked for widening the scope of the Act for the purpose. In all probability, this demand is likely to be acceded to by the Government.

Having thus traced the background and the terms of reference of the Bonus Review Committee, the question naturally arises as to what it can achieve in real terms, namely, to generate and maintain cordial industrial relations and increase production and productivity. If the past is any guide, even an optimist cannot but express his doubts about the practical achievement of committees and commissions, particularly on industrial matters. Both labour and management will put forward their points of view and neither side will budge an inch, although ultimately the latter will have to yield to pressures from various sides. In the case of bonus particularly, even assuming the Madan panel produces a workable and acceptable formula, it may not just lead to a lasting solution to the problem. Sooner or later, demands will be put forward for more and more bonus, on one pretext or the other.

Thus, the cardinal objective of Government intervention for an amicable settlement based on certain agreed and scientific principles is lost and the number of industrial disputes will go on increasing. Will the Madan panel recommend and the Government and the parties concerned accept that once its suggestions are put forward, no dispute on bonus will be entertained by any court in the country for a minimum period of ten years? In that case, the committee's labour will not have been lost. Maybe, it is only wishful thinking. But then, there is no point in appointing a committee, accepting its recommendations and flouting them before even the ink is dry.

The Budget Session in Retrospect

(FROM OUR NEW DELHI CORRESPONDENT)

The Budget session of Parliament, which has just ended, did not confine itself to legislative business directly connected with the country's finance. It took up several Bills which aim at bringing about important socio-economic changes.

THE marathon Budget session of Parliament came to an end this week and members have dispersed with a sense of relief that they have gone through not only the rigours of legislative work but also of the weather which was particularly harsh this year. They will have enough time to look back on what they have achieved during the session and get prepared for an even more eventful session in August. The session will be noteworthy in that the members will be re-enacting on the mid-night of 14th/15th August the political drama that ushered in independence 25 years ago.

It will be wrong to describe the session that has just ended as a mere Budget session. So much of legislative business, not directly connected with the finances of the country, was packed into the session that it was much more than a Budget session. Take, for instance, the introduction of two Constitution (Amendment) Bills, one for abolishing the privileges of the I.C.S. officers and another for inclusion of the Kerala Land Reforms Act in the ninth schedule of the Constitution in order to safeguard the interests of cultivators against eviction by landowners. There was also a Bill for the nationalisation of general insurance companies whose management was taken over by the Government a year ago. These are pieces of legislation which have far-reaching social import.

Parliament was also preoccupied with that vexed question of land ceilings which brought out the amorphous character of the ruling Congress Party, which neither wants to lean on the extreme left nor on the extreme right. The last word on ceilings has not been said, and the Party directive will come when the A.I.C.C. holds its session in Delhi towards this week-end. But this much is clear that the radicals, who want to hasten land reforms without caring for the repercussions of radicalism on the country's agriculture, will not have their way. The elections to the Congress Parliamentary Party have proved that the radicals cannot take the ruling Party for a ride. Some topmost radicals were humbled in the Party elections while the moderates got through either unanimously or with large votes. If this is an indication of the way the wind is blowing in the Party, the A.I.C.C. cannot afford to be any more radical.

The crucial question on land ceilings is not whether or not the Party should implement its election manifesto, but on whether the ceilings should be fixed at such a low level as would harm agricultural production. Years of patient effort has gone into converting India's food deficit into a surplus. Is the position so laboriously built up for increasing food production to be thrown overboard simply because some radicals, who are clearly in a minority in the Party want radicalism in the Government's economic policies? If there is a radicals' lobby in the Congress Party, there is also a Farmers Forum which is asserting itself. A delegation of this Forum, led by Mr. Nathuram Mirdha, met the Prime Minister, Mrs. Indira Gandhi, to voice its misgivings about the possible recommendations of the high-level committee appointed by the Congress leaders to study the land ceilings. The Forum has made it abundantly clear that it is not opposed to implementing the Party manifesto, but that a clear distinction should be drawn between Government and private irrigated land. Also, the ceiling should be fixed at such a level as to ensure a certain reasonable minimum income to farmers.

SPOTLIGHT ON STATES

Assam : Move to Utilise the Coal Reserve

(BY A SPECIAL CORRESPONDENT)

A number of studies have been carried out at the Central Fuel Research Institute on the feasibility of hydrogenation of Assam coal. There is no reason why the State Government should not be able to secure a high priority for the project.

THE liberation of Bangladesh and the prospects of cheap river routes have improved the climate for massive investments in the neglected State of Assam. The pre-election foundation-laying ceremony of the oil-based complex in Bongaigaon has confirmed that from the "defence" angle, there is no longer any hesitation in approving major industrial projects in Assam. An impression has also been created that some defence experts are now eager for the large-scale exploitation of sulphur-rich Assam coal. Assam has a huge reserve of coal, although the rest of India has little knowledge of it. Due to a number of economic and political factors, only a small part of the known reserves has so far been mined.

The main deposits are located in north and south Assam; the upper Assam deposits in Namchik and Makum areas are better known. The gross reserve of upper Assam has been estimated at 2,500 million tons, as against 1,180 million tons in Garo hills of Meghalaya. Of these, the Makum coalfield is the best known and contains more than 1,600 million tons of coal. The existence of additional quantities of coal in areas so far not drilled in upper Assam has also been reported. The fully proved deposits lie in the lease area held by Assam Railway Trading Co. Ltd which, in its ten-square mile lease area has nearly 270 million tons of coal (up to a depth of 300 metres). Production has varied from 500,000 tons to 790,000 tons during the past ten years. The market for this coal in Assam is limited to the high sulphur and friability of the fuel and development of oil and gas in upper Assam. Its current selling cost is fairly high; this is due to the limited market and obsolete mining techniques deployed. Coal will be cheaper if modern mechanised methods are applied.

The tertiary coals have low-ash, high vitrinite concentration and have high non-aromatic carbon concentration in the organic matter. It has also comparatively high hydrogen and for its rank it is low in oxygen. Apart from its ease of washability and remarkably low inherent ash content, the ash contains unusual concentration of rare elements like germanium.

The growing demand for petroleum products and failure to locate any new major oil source are leading Indian planners to think of better utilisation of the huge reserve of rather low-quality coal to the maximum extent. The Central Fuel Research Institute, Dhanbad, is in favour of exploiting Assam coal for conversion into synthetic crude oil. There are three major technological processes to turn coal into liquid fuel and chemicals and the Dhanbad scientists are in favour of "direct hydrogenation" process. Assuming a 50-per cent availability of coal, the gross reserve indicates a firm availability of coal "asmined" of the order of 1,000 million tons in upper Assam only, which in terms of syncrude is of the order of 500 million tons. This may be compared with the proved reserves of not more than 90 million tons of oil in Assam. Fortunately, natural crude and gas in Assam are also available almost in the same area and together they can be better exploited and processed.

A number of studies have been made at the C.F.R.I. on the economic feasibility of hydrogenation of Assam coals. An independent and more expert study has also been done by Dr. E. E. Donath under the sponsorship of the U.S.A.I.D. The conclusions derived from the theoretical considerations of the nature of Assam coals have been experimentally confirmed at the C.F.R.I., Carnegie Institute of Technology, Pittsburgh, and the University of Utah. The coal hydrogenation project can have a dual impact on the above situation by providing both chemical and oil (although as by-products) to industries and thus creating substantial employment potential in Assam at the same time increasing the total quantum of crude. The existence of sulphur is an advantage here.

A coal hydrogenation plant can produce not only chemicals that can be normally produced in a petroleum refinery, but also ammonia, phenol, cresols, nitrogenous bases, etcetera, which are, in a way, by-products, and whose removal or conversion involves low costs. The product pattern in a coal hydrogenation plant can also be very flexible. The C.F.R.I. has prepared detailed technological and techno-economic feasibility studies for converting Assam coal. These should be considered seriously by all concerned. The State Government should be able to secure a high priority for the project. Foreign collaboration will be available for the project as the Fertiliser Corporation of India has secured such assistance for its coal-based fertiliser plants.

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INSURANCE

Success of the L.I.C. in Reducing Costs and Extending Insurance Cover

(BY A SPECIAL CORRESPONDENT)

The L.I.C. has always laid considerable emphasis on economy in working expenses. At the same time, it is working towards the goal of extending insurance cover to all sections of the commmunity.

IN India, the cost to mobilise every Rs. 100 crores through life insurance is Rs. 29 crores. Which is why efforts should be made to reduce the cost of insurance. The reason is simple. If the poor people are not paid the price for saving, then they would refrain from saving. The, L.I.C has already maintained the bonus for two years ended March 1971, at the annual rate of Rs. 22 a thousand rupees for whole life policies and Rs. 17.60 a thousand rupees for endowment ones (*i.e.,* higher bonus rates compared with the two years ended March 1969), in spite of heavy odds like the declining value of the rupee, only to make insurance more attractive.

The truth remains that there is no substitute for life insurance. It is also one of the best forms of savings. The Indian market for life insurance is expanding steadily. The insurance benefits against taxation induce high income groups to subscribe more and more to life insurance. However, some insurance executives point out from experience that life covers by Indian policyholders are seldom treated as mere covers against risks as is evident from the overwhelming preference for "with profit" policies. In other words, they believe that every policyholder expects the insurer to pay back the capital sums with interest as well as with compensation for subsequent erosion in the value of money. An irony indeed when according to Mr. T. A. Pai, irrespective of war and peace "the L.I.C. remains one of the major instruments to mobilise savings of the people. The objectives of the nationalised life insurance are not comparable to those in the private sector when business was done for its own sake. Life insurance has to provide security and mobilise more and more money for strengthening of the economy."

No doubt, the L.I.C. is always keen on improving the yield of life fund and lays considerable emphasis on economy in working expenses. For instance, the Corporation's overall expenses for 1970-71 was 27.19 per cent, against 27.69 per cent in 1969-70 while the corresponding renewal expense ratio in 1970-71 was 14.65 per cent, against 16.15 per cent in 1969-70. But even then, is it proper to compare the working expenses of the L.I.C. with other insurers in the private sector in other parts of the world ? More so, the Corporation has to face rising costs in all spheres of its activities. Indeed, private insurers enjoy the privilege of concentrating their activities on economically viable areas at reduced costs or financing a particular class of business. But the responsibility of the L.I.C. is to spread its activities far and wide in backward areas or even to cover smaller policies. Hence. there cannot be a single yardstick for judging the performance of a private-sector insurer and the L.I.C. It is essential to evaluate the performance of the Corporation in the field of national welfare and not in terms of cost control.

In this context, the decrease in the mortality rate and the inflationary trend come into the limelight. An overall reduction in premium rates as also the distribution of the increased share of profits among policyholders are often suggested in some quarters as ideal measures to make insurance more popular among fixed-income groups. But here also the fact remains that the insurance premium has not been raised, although the cost of everything has gone up much higher. The Corporation had to suffer a loss for reducing the extra charge of premium over the age group of 40 years during its centenary year. Besides, to protect the policyholders against depreciating money value, the "own-your-house" scheme has been gradually extended to the purchases of flats and reductions in the mortgage redemption rates. Also, for non-profit policies, the premium rates have already been reduced and in the case of with-profit policies, the Corporation has increased the rate of bonus. Similarly, premium rates for mortgage redemption, temporary assurance, two-year temporary assurance and convertible term assurance plans have been substantially reduced from March 1971. In addition, terms in regard to occupational hazards have been liberalised and the Corporation is keen on making prompt settlement of claims.

Finally, one may recall here the recommendation of the Administrative Reforms Commission. The Commission has recommended the abolition of zonal offices so that the divisional offices could function as head offices. In effect, the Commission has been in favour of making the divisions all important and responsible for development and servicing of business in terms of (a) business cost, (b) underwriting and (c) lapses. And such a process of decentralisation is expected to be further extended to branches in order to serve the interests of policyholders at the grassroot level.

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PEOPLE AND PERSONALITIES

Mr. K. C. Balakrishnan has been appointed General Sales Manager—Tyres of Dunlop India Ltd.

TAXATION

Liquidation Court and Tax Assessment : An Important Supreme Court Decision

By C. R. Thiagaraja Varma

An important question of tax law that came up before the Supreme Court recently was whether an Income-tax Officer was bound to obtain leave of the liquidation court if he decided to reassess a company ordered by it to be wound up. The Supreme Court's verdict was that the I.T.O. was not bound by any such obligation.

EARLY in January this year, the Supreme Court delivered its judgment in the case of *S. V. Kondaskar, Official Liquidator and Liquidator of the Colaba Land and Mills Co. Ltd. (in liquidation) versus V. M. Deshpande, Income-tax Officer, Companies Circle I (8), Bombay, and another.* The judgment has been reported in two recent issues of the *Income-tax Reports* (Volume 83, Parts 9 and 10). The issue involved in the case was quite interesting and important both from the point of view of company law and income-tax law.

In this case the Supreme Court considered the question whether it was necessary for an Income-tax Officer (I.T.O.) to obtain leave of the liquidation court when he wanted to reassess a company ordered to be wound up by the court for escaped income in respect of past years. The Supreme Court held that the I.T.O. was entitled to commence or continue assessment or reassessment proceedings in resepect of a company ordered to be wound up by the court, without obtaining leave of the court under Section 446 of the Companies Act, 1956.

Section 446 of the Companies Act, 1956, which is a crucial section as far as this case is concerned, is intended to safeguard the assets of a company in the process of being wound up against wasteful or expensive litigation in regard to matters capable of being determined expeditiously and cheaply by the winding up court itself. It provides that when a winding up order has been made or the official liquidator has been appointed the provisional liquidator, no suit or other *legal proceeding* shall be commenced, or if pending at the date of the winding up order, shall be proceeded with, against the company, except by leave of the court and subject to such terms as the court may impose [Section 446 (1)]. The section also empowers the court in exercise of its insolvency jurisdiction to entertain or dispose of all suits or proceedings by or against the company, all claims made by or against the company and other questions whatsoever so that winding up proceedings might be expedited. As a result, notwithstanding any provision in any law for the time being in force, all suits by or against a company in the process of being wound up could be instituted in the court in which the winding up proceedings are pending. Sub-section (3) provides that any suit or proceeding by or against the company which is pending in any court other than that in which the winding up of the company is proceeding, may, notwithstanding anything contained in any other law for the time being in force, be transferred to and disposed of by that court. The above provisions do not apply to any proceedings pending in appeal before the Supreme Court or a High Court.

As for the relevant provisions in the Income Tax Act, it may be noted that Chapter XIV, beginning with Section 139, prescribes the procedure for assessment. Section 147 empowers the I.T.O. concerned to assess or reassess escaped income subject to the provisions of Sections 148 to 153. Section 148 requires that the I.T.O., as a condition precedent to the assessment under Section 147, should issue a notice to the assessee containing all or any of the requirements which may be included in a notice under Section 139(2).

It is necessary now to consider the facts of the case. The Colaba Land and Mills Co. Ltd (in liquidation) was ordered by the Bombay High Court on 7th October, 1959, to be wound up under the provisions of the Companies Act, 1956, and the Official Liquidator was appointed its liquidator. Earlier, on 1st May, 1958, the Official Liquidator had been appointed by the High Court its provisional liquidator. On 23rd August, 1966, the I.T.O. concerned issued six different notices under Section 148 of the Income Tax Act, proposing to reopen the assessment of the Company and to reassess it in respect of the assessment years 1950-51 to 1955-56. On 31st December, 1966, the I.T.O. served further notices, under Section 142(1), upon the Official Liquidator calling upon him to produce certain accounts and documents and to furnish any information called for by the said officer. It was also indicated that failure on the part of the Official Liquidator to comply with the terms of those notices would not only result in *ex-parte* assessment against the Company but might also entail penalty under Section 271 of the Income tax Act.

On an application made by the Official Liquidator to the High Court questioning the jurisdiction of the I.T.O. to issue the said notices or to proceed with the reassessment of the Company without obtaining the leave of the court under Section 446(1) of the Companies Act, a single judge of the Bombay High Court granted an injunction restraining the I.T.O. from assessing or reassessing the said Company for the assessment years 1950-51 to 1955-56. However, an Appellate Bench of the High Court set aside the injunction on the ground that the proceedings by way of assessment before the I.T.O. were outside the pale of jurisdiction of all civil courts, including the company court.

The matter went on appeal to the Supreme Court. Mr. S. T. Desai, who appeared for the Official Liquidator, referred to a catena of decisions in support of the contention of the Official Liquidator. Some of these decisions relate to the construction of Section 171 of the Indian Companies Act, 1913, which provided for preventing any suit or other legal proceeding against a company which is in the process of being wound up, except by leave of the court. Although there is no difference in substance between that Section and the provisions of Section 446(1) of the Companies Act, 1956, the decisions cited did not lay down that *assessment* proceedings under the Income tax Act should be held to be within the contemplation of Section 171 of the Indian Companies Act, 1913.

In the course of his argument, Mr. Desai also tried to extend the scope of the decision of the Supreme Court in *Balwant Sing versus Bharupal, I.T.O., New Delhi (1968) 70 I.T.R. 89.* In that case, the Income-tax Officer was held to be a court for the purpose of Section 195(1)(b) of the Code of Criminal Procedure. On the strength of this decision, he contended that if the expression "other legal proceedings" in Section 446 is to be construed to mean a proceeding in a court, then the I.T.O. must be considered to be a court when holding assessment or reassessment proceedings. The Supreme Court disposed of this contention with the observation that merely because the I.T.O. was considered to be a court for the purpose of Section 195(1)(b) of the Code of the Criminal Procedure, it did not necessarily follow that the said officer must be considered to be a court for the purpose of Section 446 of the Companies Act.

Two decisions referred to by Mr. Desai lent more direct support to his contentions. These are, *Union of India, versus Sethi Spinning Mills Ltd. (in liquidation) (1962)46 I.T.R. 193 and Mysore Spun Silk Mills Ltd (in liquidation) in re: official liquidator versus C.I.T. (1968)68 I.T.R.* 285. The former decision was by the Punjab High Court and the latter by the Mysore High Court.

In both these cases it was held that the I.T.O. must obtain leave of the winding up court for commencing or continuing assessment or reassessment proceedings. The Mysore High Court observed that the corporate existence of the Company continued even after the winding up order and hence any receipt in the course of winding up which would attract liability to income-tax under appropriate provisions of the Income Tax Act would be liable to income-tax or for payment of tax under the Income Tax Act. However, the I.T.O. should obtain the leave of the winding up court under Section 446 of the Companies Act before taking any action for the purpose of quantification or collection of the income-tax. Similarly, the collection of tax can only be by securing the order of the winding up court for payment of tax in the light of the appropriate provisions of the Companies Act.

While the Supreme Court found itself in agreement with the view regarding collection of tax assessed, it did not accept the view that for the purpose of quantification of income-tax also leave under Section 446 of the Companies Act should be obtained. The Supreme Court came to the conclusion that the above two decisions did not lay down the correct rule of the law that the I.T.O. must obtain leave of the winding up court for commencing or continuing assessment or reassessment proceedings. This conclusion is based on the reasoning that while holding assessment or reassessment proceedings the I.T.O. does not perform the functions of a court as contemplated by Section 446(2) of the Companies Act.

"The Income-tax Act is a complete code and it is particularly so with respect to the assessment and reassessment of income-tax. The fact that after the amount of tax payable by an assessee has been determined or quantified its realisation from a company in liquidation is governed by the Companies Act [because the income-tax payable also being a debt has to rank *pari passu* with other debts due from the company proceedings for computing the amount of tax must be held to be such other legal proceedings as can only be started or continued with the leave of the liquidation court".

The Supreme Court pointed out rightly that it would lead to anomalous consequences if the winding up court were to be held empowered to transfer the assessment proceedings to itself and assess the company to income-tax. The language of Section 446 must be so construed as to eliminate such startling consequences as investing the winding up court with the powers of an Income-tax Officer conferred on him by the Income Tax Act. Even the legislature could not have intended such a result.

There is no principle on which the liquidation court should be vested with the power to stop assessment proceedings for determining the amount of tax payable by a company which is being wound up. The liquidation court would have full power to scrutinise the claim of the revenue after income-tax has been determined and its payment demanded from the liquidator. At that stage it would be open to the liquidation court to decide how far under the law the amount of income-tax determined by the department should be accepted as a lawful liability on the funds of the company in liquidation. By this process it can fully safeguard the interests of the company and its creditors.

In view of the above position, the Supreme Court dismissed the appeal of the Official Liquidator and held that in the instant case the I.T.O. had jurisdiction to issue reassessment notices under Section 148 of the Income Tax Act, 1961 (to reopen the assessments for the assessment years 1950-51 to 1955-56) without obtaining the leave of the High Court under Section 446(1) of the Companies Act, 1956.

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INVESTMENT

Talk of Curbs on Dividend Distribution Affects Share Prices

TRADING on the stock markets this past week has been characterised by restricted turnover and narrow fluctuations. The general tone has been somewhat steadier. The all-India index for equities has kept fluctuating between the preceding week's low and high points, indicating the markets' mood of indecision. Offerings have tended to dry up but buyers have continued to adopt a cautious approach. The scarcity of offerings, short-covering and selective replacement buying have produced a modest recovery in prices. The week's news has provided a mixed fare. By far the most pleasing news has come from Moscow where the summit talks between President Nixon and the Soviet leaders have been successful. Co-operation between the two Super-Powers can indeed have a tremendous impact on the international situation, political as well as economic. And this explains the renewed upsurge in Wall Street which has touched a new all-time high despite the deterioration in the Vietnam situation.

The corporate news too has continued to make a pleasant reading. But the stock markets are having no easy time. Their peace has been disturbed by the radical rhetoric repeatedly indulged in by responsible leaders. Much too much has been said about the ceilings on land holdings and urban property. The Central Minister for Planning, Mr. C. Subramaniam, has stated that the private sector will be assigned a diminishing rôle in the Fifth Plan. This is because the Government does not subscribe to the philosophy of profit motive on the basis of which the private sector functions. The Central Finance Minister, Mr. Y. B. Chavan, has gone on record as saying that there cannot be any doctrine of mixed economy. One really wonders what will happen to the economy if the Government were to expand its rôle further in a big way without being able to manage even the existing undertakings well. It is the poor performance of the public sector which is at the root of many ills afflicting the country's economy.

Mr. Chavan is also reported to have stated that the Government is thinking of placing some curbs on companies declaring dividends out of their reserves. What exactly the Government has in mind has not been spelt out. But considering that even some of the leading companies are often obliged to pay dividends from their reserves, the implications of this move can be far-reaching. Dividends have a very important bearing on the outlook for equities. Anything which adversely affects the outlook for dividends is bound to undermine the investor's confidence

Gilt-edged securities have remained dull, with the volume of business being very small. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. Interest in State Government loans has been selective, although turnover has been restricted.

The Calcutta stock market has remained quietly steady this past week, although sentiment has slightly revived towards the close. But trading has been restricted with operators showing no enthusiasm to extend their commitments. Among the discouraging developments which have affected sentiment has been the threat of an impending coal strike, the Government's decision to take over the raw jute trade and the possibility of a higher statutory minimum price for raw jute which might affect the competitive capacity of gunny exports from India. Among engineering shares, Guest Keen Williams, Bihar Alloy and Burn have been steady. Among jute shares, Gourepore, New Central, Hukumchand and Birla have been easier. Among miscellaneous shares, Indian Oxygen, Union Carbide, Woolcombers of India and India Tobacco have been supported. Among tea shares, Bormah Jan, Banarhat and Assam Brook have been traded.

Dalal Street's overall trading pattern this past week, although far from being decisive, suggests that the reactionary phase which has been under way since about the end of April has run its course. There has been a marked decline in offerings at lower levels, although confidence to follow the rise is still lacking. In slow dealings, equity prices have developed a hardening tendency. While price changes over the week-end show a mixed pattern, gains have far outnumbered the losses. Bears have been inclined to cover their sales and buyers too have lent effective support. Among cotton textiles, Century have been well supported and Bombay Dyeing too have ruled steadier. Standard have been subdued but they also have staged a small rally at the close. Rayons have displayed a steadier tone with Century Enka, South India Viscose and Baroda Rayon receiving fair attention. National Rayon have been slightly subdued. Steel and engineering shares have ruled steadier on moderate support at lower levels. Shipping shares have staged a fair recovery from their lowest levels. Chemical shares have turned steadier on moderate support at lower levels. Gujarat Fertilisers, N.O.C.I.L., Colour-Chem, Bayer and Synthetics and Chemicals have evoked good interest. Automobile shares have kept subdued. Cement shares have been quietly steady. Among miscellaneous shares, Hindustan Aluminium, Motor Industries, Mahindra Ugine and Ceat Tyres have ruled steadier while United Carbon have been marked lower.

The Madras stock market has received selective support this past week,

COMPANY REPORTS

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

Ceat Tyres
Devidayal Cable
Digvijay Cement
Hindustan Machine Tools
Indian Cable
Larsen and Toubro
Ondal Investments
Punjab National Bank
Shalimar Paints
United Industrial Bank
W.B.S.E.B.
Williamson Magor

although the volume of business has been moderate. In the planting section, business has been done in Nelliampathy and Nilgiri Tea. Nonsuch have been favoured while Manjushree have declined on selling pressure. Textile shares have met with selective support. As a result, Anglo-French and Loyal Textile have improved on scarcity of offerings. In the sugar section, E.I.D. and Sakthi Sugars have been traded. In the miscellaneous section, Dalmia Cement and Mettur Chemical have declined. Lakshmi Machine Works have also been lower due to selling pressure. Among other shares in the section, Seshasayee Paper and Binny have been traded.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 26/90—27/30—26/80—27/00—(22/60)
Burrakur Coal 6/62—7/12—6/62—7/12
Dunlop India 31/65—32/30—31/65—32/05—(37/50)
Guest, Keen, Williams 35/70—36/80—35/70—36/40—(37/10)
Hindustan Motors 10/10—10/10—9/85—9/95—(12/35)
Howrah Jute 8/19—8/19—8/00—8/00—(7/00)
Indian Aluminium 35/00—36/05—34/90—35/60—(37/05)
Indian Cable 23/75—24/15—23/70—23/70—(17/55)
Indian Copper 3/40—3/48—3/04—3/12—(3/86)
Indian Iron 9/10—9/19—8/90—8/95—(12/00)
J. K. Cotton 7/10—7/20—7/10—7/10—(11/50)
Jaipur Udyog 8/00—8/30—8/00—8/20—(9/00)
Kesoram Industries 19/65—20/20—19/65—19/90—(16/15)
Orient Paper 34/80—35/50—34/80—34/90—(38/20)
Orissa Cement 20/60—21/20—20/60—21/10—(18/25)
Rohtas Industries 4/80—4/90—4/65—4/80—(6/05)
Textile Machinery 10/55—10/70—10/45—10/60—(11/15)

United Industrial Bank : All-round Progress

IN their report for the year ended December 1971, the directors of the United Industrial Bank Ltd state that the bank had been able to achieve all-round progress. The profit of the bank has amounted to Rs. 4.34 lakhs, against Rs. 3.19 lakhs. Out of the profit, Rs. 87,000 have been transferred to general reserve. Deposits have increased by Rs. 218.70 lakhs to Rs. 1,065.82 lakhs, recording a rise of 25.8 per cent, compared with 20.6 per cent achieved by all scheduled commercial banks. Time deposits of the bank have risen by 35.6 per cent while demand deposits have increased by 18.4 per cent. Of the total increase in deposits, time deposits accounted for as much as 59.4 per cent and demand deposits 40.6 per cent. Advances have increased by Rs. 104.53 lakhs, from Rs. 522.41 lakhs to Rs. 626.94 lakhs, representing a rise of 20 per cent, against one of 17.8 per cent. Advances sanctioned to small-scale industry, which are guaranteed under the credit guarantee scheme of the Government of India, amounted to Rs. 193.22 lakhs.

The gross income has increased by Rs. 18.28 lakhs, from Rs. 63.56 lakhs to Rs. 81.84 lakhs, representing an increase of 28.8 per cent, against 22.3 per cent. Investments have increased from Rs. 210.65 lakhs to Rs. 278.43 lakhs, out of which 97.8 per cent was invested in Government and other securities. The directors mention that the liquidity ratio of the bank continues to be high. The bank has taken up a programme of branch expansion. It has obtained necessary licences from the Reserve Bank of India for opening three branches during the current year, two in West Bengal and one in Bihar. (The bank's balance-sheet appears elsewhere in this issue of *Capital*.)

SHALIMAR PAINTS

Share Offer

SHALIMAR Paints will be soon entering the capital market with an issue of 411,700 equity shares of Rs. 10 each at par. Out of the present issue, 41,170 shares have been reserved for subscription by wholetime directors and employees of the Company. At the time of application, one will have to pay Rs. 5 a share and the balance is to be paid on allotment. The list which will open on 5th June will close on 14th June or earlier at the discretion of the directors but not before 7th June. The present issue will increase the paid-up capital of the Company from Rs. 104 lakhs to Rs. 145.17 lakhs. The Indian participation is to rise from 16.25 per cent to 40 per cent. The proceeds of the present issue will be utilised in the business of the Company and with the strengthening of its capital base it will be in a position to increase its manufacturing activities in the future. The directors expect the pre-tax profit for 1972 to be higher than that for 1971. On this basis, they expect to recommend a dividend for 1972 on the increased capital which would give a yield of "not less than 8 per cent" on the issue price of the shares. The new equity shares would participate in the dividend for the six months ending December 1972.

CEAT TYRES

Higher Profits

AT the recent annual general meeting of Ceat Tyres of India Ltd, Mr. P. A. Narielwala, chairman, said that 1971 was a significant year for the Company. He said that the Company's expansion programme was completed by early July. The new plant and equipment went into production without any significant teething troubles. Labour relations have been good and the Company's production of automotive tyres has improved from 483,544 units in 1969 to 724, 265 units in 1971. There has been handsome growth in profits also and the Company has recommended a higher dividend of Rs. 15 a share. The chairman said that with the plant continuing to run at more than its full capacity during the first four months of the current year, and a ready offtake of the entire output, the shareholders may look forward to another successful and profitable year.

The Company's bicycle tyre plant in Nasik (Maharashtra) will be ready to go into production during the second half of the current year. The civil construction work is expected to be completed before the onset of the monsoon ; machinery for the plant, including the imported items, is already at the site. If the tyres made in trial production come up to the Company's satisfaction, "Ceat" bicycle tyres will be in the market by the last quarter of the current year. The chairman feels that except for a few sizes of truck tyres, no tyre shortage is apprehended in the current year. But a shortage is likely to arise in 1973 and will be felt more strongly in 1974 unless steps are taken to license additional capacities.

WILLIAMSON MAGOR

Sales and Profit Rise

WILLIAMSON Magor and Co. Ltd has fared well during 1971. Sales are up from Rs. 1.40 crores to Rs. 1.51 crores, and the pre-tax profit has increased from the previous year's Rs. 19.80 lakhs to Rs. 20.63 lakhs, after providing Rs. 10.80 lakhs (same) for depreciation. The taxable ordinary dividend has been maintained at 10 per cent, absorbing Rs. 4.97 lakhs. This offers a yield of 9.5 per cent at the present price of Rs. 10.50 a share of Rs. 10 each. The usual dividends on cumulative preference shares of 9.3 per cent amounting to Rs. 46,500 have been paid. Allocations include Rs. 11 lakhs (against Rs. 10.50 lakhs) for taxation, Rs. 25,000 (against Rs. 16,500) for development rebate reserve, Rs. 11,200 (against Rs. 42,500) for development allowance reserve, Rs. 1.50 lakhs (against Rs. 4 lakhs) for general reserve and Rs. 2.20 lakhs (against nil) for contingency reserve. After making other adjustments, there is a balance of Rs. 19,565 which is proposed to be carried forward, against Rs. 7,331 brought in.

The Company has entered into an agreement to buy the Romai Tea Estate belonging to the Romai Tea Co. Ltd at a price of Rs. 22 lakhs, with effect from 1st January, 1972. This purchase is subject to the Reserve Bank of India's approval. With regard to the prospect for the 1972 tea season, the directors consider that it is too early to make a forecast. However, with economies effected in operational costs, it is expected that the 1972 results should show an improvement, but unless relief is given in excise duty by the Government of India, the improvement may not be forthcoming.

DIGVIJAY CEMENT

Bigger Dividend

SHREE Digvijay Cement has raised the dividend for 1971 from 11 per cent to 12 per cent. This follows an all-round marked improvement in the Company's performance during the year. Production, sales, exports and profits are significantly higher than in 1970. The performance of the asbestos division has been particularly encouraging, with production rising from 28,414 tonnes to 43,928 tonnes and sales from Rs. 2.85 crores to Rs. 4.66 crores. Cement output registered only a small increase from 738,000 tonnes to 776,000 tonnes and sales rose from Rs. 9.86 crores to Rs. 10.77 crores. Combined net sales of cement and asbestos are up by 21.4 per cent from Rs. 12.71 crores to Rs. 15.43 crores. But with margins in the cement division eroded by the rise in costs, the gross profit has recorded a relatively small increase of 14.3 per cent from Rs. 157.21 lakhs to Rs. 179.69 lakhs. The Company exported 118,000 tonnes of cement mostly to the Middle East countries, showing an increase of 40 per cent over the previous year's figure. The Company's exports account for about 54 per cent of total cement exports from the country in 1971.

After providing Rs. 58.50 lakhs (against Rs. 56.13 lakhs) for depreciation, Rs. 11.50 lakhs (against Rs. 3.50 lakhs) for development rebate reserve and Rs. 53.72 lakhs (against Rs. 38.70 lakhs) for taxation, the net profit for 1971 amounts to Rs. 55.97 lakhs, against Rs. 58.88 lakhs in the preceding year. A sum of Rs. 25 lakhs (same) has been transferred to debenture redemption reserve and Rs. 31 lakhs (against Rs. 41 lakhs) to general reserve. The equity and preference dividends absorbing Rs. 35.15 lakhs (against Rs. 32.65 lakhs) are to be paid out of general reserve.

During the first four months of the current year, the production of cement is placed at 275,000 tonnes, against 295,000 tonnes in the same period of 1971 ; the output of asbestos products is higher at 18,000 tonnes, against 16,000 tonnes. Exports during these four months are placed at 27,000 tonnes. Total sales amount to Rs. 3.75 crores, against Rs. 4 crores during January-April 1971.

PUNJAB NATIONAL BANK

Substantial Progress

DURING 1971, the Punjab National Bank made substantial progress in deposit mobilisation, expansion of credit with particular reference to the priority sectors and branch expansion and has shown much better working results than in the previous year. The gross income of the bank at Rs. 39.1 crores was higher by Rs. 6.9 crores or 21.4 per cent, compared with an increase of Rs. 5.3 crores or 19.8 per cent in the previous year. This resulted in a higher net profit for the bank, after making necessary provisions, at Rs. 245.20 lakhs for 1971, compared with Rs. 214.01 lakhs in the previous year. Out of the net profits, a sum of Rs. 129 lakhs was provided for bonus to staff and Rs. 55 lakhs was transferred to reserve fund, against Rs. 110 lakhs and Rs. 43 lakhs, respectively, during the previous year. The balance amount of Rs. 61.20 lakhs, against Rs. 61.01 lakhs in 1970, is being transferred to the Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, forming a return of 6 per cent on the amount of compensation paid by the Government.

Deposits rose by Rs. 77.5 crores to Rs. 537.2 crores, as compared with an increase of Rs. 68.6 crores in the previous year. Advances increased by Rs. 38.7 crores to Rs. 341.9 crores. The

LARSEN AND TOUBRO : MERGER COMPLETED

THE Controller of Capital Issues has given his consent to Larsen and Toubro Ltd to issue shares and bonds to the shareholders of Canara Bank Ltd in lieu of the bank's shares. This was the last step in completing the amalgamation of Canara Bank Ltd with Larsen and Toubro. Under the provisions of the amalgamation, Larsen and Toubro will receive around Rs 305 lakhs from Canara Bank Ltd and in return will issue equity and preference shares and convertible and redeemable bonds to the shareholders of the bank. The shares and bonds issued will be entitled to dividend and interest *pro rata* for the period 1st October, 1971, to 31st March, 1972, since the amalgamation is effective retrospectively from 1st October, 1971.

Under the merger scheme, to each holder of five shares of Canara Bank Ltd, Larsen and Toubro will issue eight equity shares, three 9.5 per cent cumulative redeemable "A" preference shares of Rs. 50 each, five 8 per cent convertible bonds of Rs. 22 each and one 8 per cent redeemable bond of Rs. 85.

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Subscriptions will be received from 5th June, 1972 and closed on 10th June, 1972 or at any time earlier without notice, if fully subscribed. The Board reserves the right to retain subscriptions received upto 10% in excess of the sum of Rs. 500 lakhs.

APPLICATIONS ALONG WITH THE SUBSCRIPTIONS IN CASH OR CHEQUE WILL BE RECEIVED AT :—

(i) The office of the Financial Adviser & Chief Accounts Officer of the Board at 48/1, Diamond Harbour Road, Calcutta-27 ;

(ii) The office of the Superintending Engineer, Calcutta Circle, of the Board at 9, Old Post Office Street, 3rd Floor, Calcutta-1 ; and

(iii) At the branches of the United Bank of India at Bombay, Madras, Gauhati, New Delhi (Asaf Ali Road Branch) and Jalpaiguri (North Bengal).

Copies of the Bond Prospectus and application forms can be had from any of the offices mentioned above.

S. K. MUKERJEI
Chairman
West Bengal State Electricity Board
Calcutta.

bank's liquid resources in the form of cash and investments in Government and other trustee securities stood at Rs. 199.1 crores, compared with Rs. 173.1 crores in 1970. During the year, good progress was made in extending credit to the priority and hitherto neglected sectors. Advances to these sectors increased from Rs. 46.52 crores to Rs. 59.32 crores. As at the end of 1971, these constituted 17.4 per cent of the bank's total advances. The increase in the outstanding during the year was about 27.52 per cent and this compares very favourably with the increase of 8.26 per cent for all public-sector banks. Correspondingly, the number of loan accounts in these categories increased from 35,385 at the end of 1970 to 44,907 at the end of 1971. During 1971, the bank opened 99 offices, as compared with 91 and 88 opened during 1970 and 1969, respectively. At the end of 1971, the bank had a total of 809 banking offices out of which over 67 per cent were in rural and semi-urban centres.

DEVIDAYAL CABLE

Electronics Complex

DEVIDAYAL Cable Industries has decided to diversify its activities and it will soon be entering the electronics field. It has secured a letter of intent to manufacture 30,000 tape-recorders a year and the management is hopeful of receiving a letter of intent for the manufacture of desk-top calculators. The electronics complex is being set up in Bangalore. The Company intends to enter into technical collaboration with Vidyut Research, an Indo-American joint venture, which has already developed a prototype of electronic desk-top calculator. The project for the manufacture of desk-top calculators is esti mated to cost about Rs. 25 lakhs.

The Company has also applied for industrial licences to manufacture essential components which have many uses in electronics equipment. The Company is also planning to undertake the manufacture of diamond wire drawing dies with foreign collaboration. It has already obtained a letter of intent to manufacture annually 2,500 diamond wire drawing dies. Apart from making dies available to the ferrous and non-ferrous wire drawing industry, it will reduce the Company's cost of dies and make its products more competitive.

The Company is doing better this year. Its sales in the first three months are placed at around Rs. 1.55 crores, against Rs. 1.38 crores in the same period last year. The management expects turnover this year to rise to around Rs. 6.50 crores, against Rs. 5.26 crores in 1971.

H.M.T.

Excellent Results

THE State-owned Hindustan Machine Tools, which came out of the woods last year, has reported further all-round impressive progress in 1971-72. Production is up by about 40 per cent from Rs. 20.37 crores to Rs. 28.61 crores and sales have increased by 43 per cent from Rs. 20.43 crores to Rs. 29.27 crores. The net profit has recorded a three-fold increase from around Rs. 31 lakhs to Rs. 1 crore. The pre-tax profit is placed at around Rs. 3.10 crores, against Rs. 1.94 crores in 1970-71. The Company's chairman and managing director, Dr. S. M. Patil, has stated that the net profit would have exceeded Rs. 1.50 crores but for the labour trouble in the Kerala unit.

The production of machine tools registered a rise of 26 per cent from Rs. 16.34 crores to Rs. 20.59 crores and sales increased by 33 per cent from Rs. 16.36 crores to Rs. 21.82 crores. The production of watches increased by 14 per cent from Rs. 4.03 crores to Rs. 4.60 crores and sales by 15 per cent from Rs. 4.07 crores to Rs. 4.69 crores. The progress of the tractor division in Pinjore was satisfactory. Tractor assembly commenced during the year and the division assembled 1,600 tractors valued at Rs. 2.59 crores. The detailed project report on the die-casting and plastic injection moulding machine division in Bangalore has been submitted to the Government. In the meantime, the division has assembled Rs. 53 lakhs worth of machines and despatched Rs. 43 lakhs worth during the year. The working of the printing press division in Kalamassery was affected by the short supply of imported components. The Company exported machine tools worth Rs. 1.10 crores and watches worth Rs. 1 lakh during 1971-72, the corresponding figures for 1970-71 being Rs. 1.08 crores and Rs. 85,000.

W.B.S.E.B.

Market Loan

THE Reserve Bank of India has permitted the West Bengal State Electricity Board to raise a market loan of Rs. 10.75 crores during 1972-73. The first instalment of the loan of Rs. 500 lakhs will be opened for public subscription on 5th June, 1972.

INDIAN CABLE

New C.T.C. Plant

THE Indian Cable Company Ltd has recently started manufacturing, for the first time in India, continuously transposed conductors (C.T.C.), a major recent development in the field of high voltage power transformer winding. Commissioned in March 1972, the Company's new C.T.C. plant is the only one in Asia, apart from Japan.

ONDAL INVESTMENTS : PROFIT UP

THE working of the Ondal Investments Co. Ltd during 1971 shows satisfactory results. The profit has increased from the previous year's Rs. 1.34 lakhs to Rs. 1.51 lakhs, after providing Rs. 55,403 (against Rs. 91,539) for taxation and Rs. 4,821 (against Rs. 5,356) for depreciation. The taxable ordinary dividend of 10 per cent has been maintained, absorbing Rs. 75,000 which will be paid out of general reserve. This offers a yield of 7.1 per cent at the present price of Rs. 14.10 a share of Rs. 10 each. The entire profit of Rs. 1.51 lakhs has been transferred to general reserve. Income from investments (gross) has amounted to Rs. 1.44 lakhs (against Rs. 62,925). The Company's portfolio is representative of investments quoted on the Calcutta Stock Exchange, with the exception of certain shares and debentures costing Rs. 5.28 lakhs for which no quotations are available. The total of the market value of the investments for which quotations are available, together with the book-value of the unquoted investments, as at 31st December, 1971, amounted to Rs. 23.33 lakhs, against the book-value of Rs. 25.87 lakhs.

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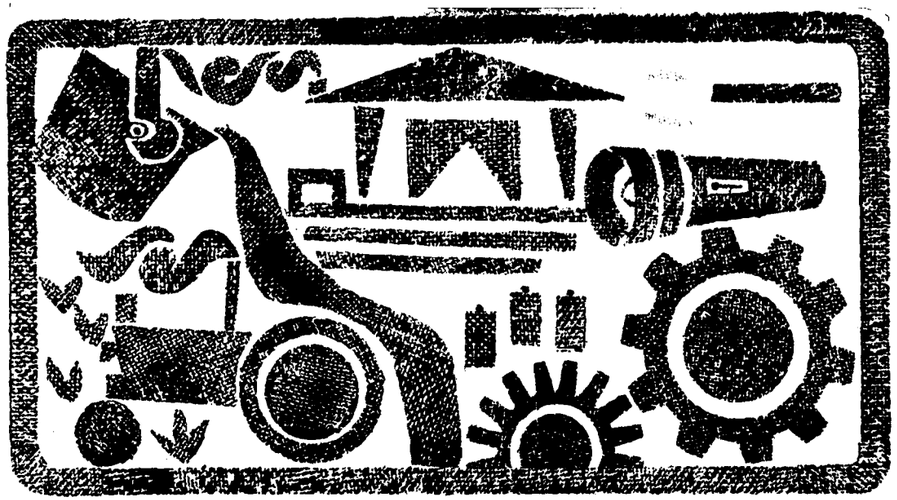

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COMMODITIES

I.J.M.A. Urges Fibre Import to Make up Shortfall in Crop

THE Indian Jute Mills Association has reportedly appealed to the Central Government to make "immediate arrangements for the import of substantial lots of raw jute from Bangladesh and Thailand." Because of the drought conditions in most jute and mesta-growing States, an I.J.M.A. spokesman indicated in Calcutta on Sunday, the crop might not exceed 5.5 million bales, against the Planning Commission's target of 6.4 million bales and the industry's requirement of some 7.6 million bales next season. A spokesman of the West Bengal Agricultural Department said that the department had apprised the Central Government of the damage caused to jute by the prolonged drought. Against the Planning Commission's target of 3.8 million bales for 1972-73 and the actual yield of 3.4 million bales this season, the yield, he feared, might decline to some 2 million bales and "even less". He estimated that the State had lost in the process around Rs. 30 crores in terms of money.

A J.C.I. spokesman said that the Corporation had not yet received any intimation from the Central Government for the procurement of raw jute from Bangladesh or mesta from Thailand. Asked about the outcome of the J.C.I's earlier talks with the Bangladesh Jute Board for the absorption of a sizable lot of raw jute lying in the interior areas of northern Bangladesh, he said that these were being transported to the border areas in trucks. The transaction was a commercial operation. The rate was based on the Calcutta price of the respective grades, less the actual cost of transport of fibre from their storage places to Calcutta.

Support Price

The Government of India intended to "fix the support price of the lowest quality of jute at Rs. 46 a maund, or Rs. 115 a quintal," according to a Press report from Patna which quoted Mr. L. N. Mishra, Central Minister for Foreign Trade. The support prices for other grades of jute would reportedly be announced in a fortnight. Meanwhile, jute industry and trade circles appear to be a bit confused over the issue for the Agricultural Prices Commission, in its recommendations on the price policy for raw jute for the ensuing 1972-73 season, had suggested that the statutory price of Assam Bottoms, f.o.r. Calcutta ready, should be fixed at Rs. 115 a quintal. The earlier statement by the Minister in the Lok Sabha that the Central Government had decided to take over the entire trade in raw jute under a phased programme and that the Jute Corporation of India would purchase 600,000 bales of fibre had induced caution in these circles. The statutory minimum prices to cover all varieties would apply to all primary and secondary markets. These would be announced in time to enable growers to decide if it would be profitable for them to sow jute or to change over to some alternative crop. With a view to enabling growers to receive a remunerative price for their product, Mr. Mishra also announced the Government's decision to set up five new jute mills—one each in Orissa, Bihar, Andhra Pradesh, Assam and Tripura.

The salient aspects of the scheme announced by the Minister are the steps to be taken by the J.C.I to organise its purchases on "a massive scale" from the ensuing season to eliminate the possibility of any price depression in any market, following arrivals of fibre on a large scale. All purchases would be made through departmental centres and co-operative societies. Where these were not available, private trade might be engaged as agents but for a year or two only, till branches of official agencies have been set up. In the "absence of a lobby", Mr. Mishra alleged, "jute growers in this country had been persistently denied their dues so long" for which the Government intended to take over the entire jute trade "to save jute cultivators from further exploitation."

J.C.I.'s Plans

According to circles close to the Jute Corporation of India, the J.C.I. plan of operations during the ensuing season aims at achieving a purchase target of 60,000 bales of fibre. It seeks to confine its initial operations to 15 selected upcountry markets during the period of peak pressure of arrivals and absorb jute direct from the growers through departmental purchase centres and viable growers' co-operatives, where they exist. It may also appoint agents from the private trade, when deemed necessary. The J.C.I. has also prepared a supplementary plan for buffer stock operations during such periods to siphon off excess supplies from the market and relieve the pressure on prices. It proposes to release jute so absorbed during the lean months to even out seasonal fluctuations in supplies and prices. Despite the nominal scale of J.C.I. operations during the initial stages, covering only some 10 per cent of the annual turnover, these circles hope that growers will be assured of better prices during periods of glut in supplies. With a view to ensuring a reasonable margin of profit in simultaneous trading, the J.C.I. will carry on its operations on a commercial scale.

Of the major difficulties to be encountered in this highly technical operation, a J.C.I. spokesman said, the biggest one will be how to man the field organisation. Personnel recruitment has posed a major problem for the management. Another complication is that jute is offered for sale in an unassorted state. Thirdly, the J.C.I. may find it difficult to establish direct contact with growers, for the latter dispose of about 60 per cent of their produce at their doors to *farias* and *beparis*, sometimes against earlier advances. J.C.I. officials apprehend considerable resistance from the trade as well.

The ideal agency for such activities is no doubt the well-organised growers' co-operatives, but so far these have not been developed in this part of the country. Warehousing has posed yet another problem. The Corporation has approached the State and Central Warehousing Corporations for the provision of necessary facilities near the 15 selected centres of operation. As for baling the fibre bought, necessary arrangements have to be made by the J.C.I. The provision of finance is unlikely to pose much of a problem, for negotiations are in progress with the State Bank of India which may ultimately advance some Rs. 15 crores against the hypothecation of the jute in the warehouses.

Despite the many problems initially faced by the Bangladesh Gov-

ernment and the agencies connected with the movement of export cargo from inland centres to ports and the delay in resuming exports till March, the Dacca Jute Board has succeeded in exporting 750,000 bales of raw jute and 50,000 tons of jute goods, worth some 50-crore takas by the end of April, says the Bangladesh Sangbad Sangstha in a recent despatch. Exports during May and June are expected to be maintained at around 300,000 bales of fibre and 35,000 tons of end-products, worth some 26-crore takas a month, making a total of 135,000 bales of jute and 120,000 tons of jute goods from Chittagong port and the Chalna-Mangla anchorages. This would almost reach the original Jute Board target of 1.5 million bales of fibre and 130,000 tons of jute goods, worth about 115-crore takas for the second half-year of the current jute season.

Gunnies Close Steady

The Calcutta gunny market opened the past week on a shaky note on reports of widespread pre-monsoon showers in the major jute-growing States and in sympathy with the bearish trend in the fibre market. Reports of a sizable pick-up in exports by the industry in Bangladesh and in forward bookings induced fears of a large-scale diversion of overseas custom, mainly because of much lower prices over Calcutta levels. The bulls came out to unload their long positions in an unwilling market producing a snow-ball impact on the deteriorating sentiment. The elimination of some bulls and the clearance of a lot of market load, combined with reports of dry and sultry weather, helped in arresting the drift. The proximity of end-May squaring up operations also induced a lot of interest from shorts and shippers, directly helping a reversal of the trend. But there was a setback to shipments from the port during the week due to the delay in the location and clearance of the ill-fated *Dhanalakshmi*. As a result, the time-schedules of scores of import and export vessels were temporarily upset. Earlier during the week, overseas interest was negligible. Only scattered enquiries were reported from Russia and eastern Europe. But since mid-week, talk of the Central Government's interest in substantial lots of heavy goods for July-September delivery was an additional bullish factor. Besides, Russian bookings of some 60 million yards of hessian during the past fortnight or so appeared to be much above their normal offtake. The demand for hessian also broadened from east European countries. New Zealand was said to have bought some ready and near-delivery goods while the Sudan entered the market for heavy lots of sacking for extended delivery schedules. Mills continued to be cautious, for it appeared rather difficult to cover fresh sales for forward positions by matching fibre purchases. Yet another factor reinforcing the bullishness in the Calcutta market was the sizable decline in mill stocks, despite sustained efforts by mills to maintain the output at the maximum levels. The closing undertone was steady.

Latest available quotations (in rupees) were as follows:

	June	July-Sept.	Oct.-Dec.
40in. 7½oz.	83.50	78.50	76.00
40in. 8oz.	92.00	—	—
40in. 10oz.	107.00	103.00	100.00
B Twills	274.50	271.00	268.00
Heavy Cees	274.50	271.00	268.00
Cornsacks	—	—	—
A Twills (U.S.)	331.00	333.00	334.00
Liverpools	325.00	320.00	315.00

The following were the latest quotations (in takas) from the Bangladesh Jute Mills Association:

	June	July-Sept.	Oct.-Dec.
40in. 7½oz.	85.75	85.00	85.00
40in. 10oz.	113.00	112.00	112.00
B Twills	267.00	265.00	265.00
Heavy Cees	267.00	266.00	266.00
Cornsacks	272.00	270.00	270.00
Carpet-backing B. Bottoms	4,700.00	4,700.00	4,700.00
	—	—	—

Small Turnover in Fibre

Fibre prices reacted on a broad front from the seasonal peak level of Rs. 60 a maund, f.o.r. Calcutta ready, basis Assam Bottoms, during the past week on reports of well-distributed pre-monsoon showers in the jute-growing States. Both industry and fibre trade circles felt a lot of relief over the prospects of the monsoon breaking out a week ahead of schedule. But the improvement in weather proved to be short-lived and drought and sultry conditions had returned, adversely affecting the standing plants and delaying sowing operations in the Indo-Gangetic plains of West Bengal. The week-end rumour that the I.J.M.A.'s first estimates about the next crop to be around 5.5 million bales fell much short of the minimum mill requirements. Reports from Bangladesh also indicated a lot of damage to the standing crop due to intermittent spells of drought . The Central Foreign Trade Minister, Mr. L. N. Mishra's announcement in Parliament that the Government intended to introduce statutory minimum prices of all grades of fibre at different marketing centres and to gradually take over the entire trading in raw jute produced some initial nervousness. But when it became known that the Jute Corporation proposed to absorb only some 600,000 bales of fibre in 15 selected markets during periods of peak pressure of arrivals, the misgivings were considerably allayed. Crop arrivals were maintained around 20,000 maunds a day but they were generally not of very good quality. Holders appeared to be extremely keen on clearing up their stocks now when prices had been ruling very much above the official support levels. As mill interest was confined to odd lots of selected grade jute, which changed hands at quoted prices, these deals could not produce any sobering impact on sentiment. Inclusive of 556,000 bales purchased but not delivered at the end of April, against 425,000 bales a year ago, I.J.M.A. mills had been carrying an inventory of 1.962 million bales, against 1.635 million bales around end-April last year. This quantum was deemed about adequate for running the mills for 3.37 months at the April level of jute intake. Considering the loss of production due to intermittent load-shedding during May, fibre trade circles were inclined to believe that the seasonal carry-over might be much larger. Turnover was small, confined to odd lots of better grade fibre. The closing undertone was easier.

Latest available quotations (in rupees) were as follows:

	June-July Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	171.47	158.07	59.00
Northern Jute	166.11	152.72	57.00
Western Desal Jute	156.74	143.34	53.50
Selected Daissee	187.55	174.15	65.00
Assam-Agartala Tossa	184.87	171.47	64.00
Mesta :			
Assam Mesta	152.72	142.00	53.00
Selected Daissee			
Murshidabad	148.70	137.98	51.50
Bihar Dist.	132.62	121.91	45.50

COMPANY AND PUBLIC NOTICES

DUNCAN BROTHERS & COMPANY LIMITED

Notice under Rule 4A of the Monopolies & Restrictive Trade Practices Rules, 1970)

IT is notified for public information that Duncan Brothers & Company Limited intends to invest out of its fund in the shares of Birpara Tea Company Limited for which Duncan Brothers & Company Limited act as 'Secretaries' and in conformity with the provision in M.R.T.P. Act an application under Section 23(4) of the Monopolies and Restrictive Trade Practices Act, 1969 is being made to the Department of Company Affairs, New Delhi.

Any person interested in the matter may make representation to the Secretary, Government of India, Department of Company Affairs, New Delhi, within a fortnight of publication of this Notice stating the nature of his interest in the proposal.

DUNCAN BROTHERS & CO., LTD.
SD/- R. P. GOENKA
Director.

Calcutta,
29th May, 1972.

BIRPARA TEA COMPANY LIMITED

(Notice under Rule 4A of the Monopolies & Restrictive Trade Practices Rules, 1970)

IT is notified for public information that Birpara Tea Company Limited intends to invest out of its funds for the purchase of fully paid Ordinary Shares in the Marybong & Kyel Tea Estates Limited and an application under Section 23(4) of the M.R.T.P. Act 1969 is being made in compliance with the provision of the Act.

Any person interested in the matter may make representation to the Secretary, Government of India, Department of Company Affairs, New Delhi, within a fortnight of publication of this Notice stating the nature of his interest in the proposal.

BIRPARA TEA COMPANY LTD.
SD/- D. K. SEN
Director.

Calcutta,
29th May, 1972.

CALCUTTA JUTE MFG. CO. LTD.

NOTICE is hereby given that the Annual General Meeting of the shareholders of the company will be held at the Registered Office of the company at 20, Old Court House Street, Calcutta-1, on Thursday the 29th June 1972 at 3 p.m. to transact the following businesses.

(1) To approve and adopt the audited accounts of the company for the year ended 31st December 1971 and the Balance Sheet as at that date together with the Directors' and Auditors' Report thereon.

(2) To elect a Director in place of Sri R. K. More who retires by rotation but being eligible, offers himself for re-election.

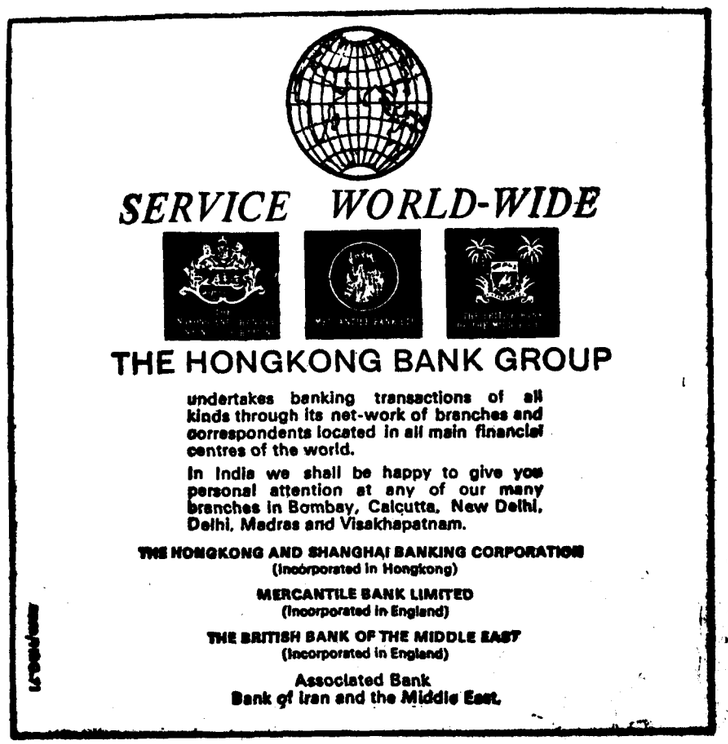
(3) To declare dividends on Cumulative Preference shares.

(4) To appoint auditors for the current year and fix their remuneration.

(5) To pass, with or without modification the following resolution which will be proposed as special resolution:—

"Resolved that consent of the company be and is hereby accorded to Sri Durga Prasad Poddar, a relative of the Joint managing Directors of the company, to hold an office or place of profit in the company by way of his re-appointment as chief Administrative Officer on a monthly remuneration of Rs. 1500/- and Bonus as is payable to other employees of the company, with effect from 1st July 1972 for a period of 5 years on the terms and conditions set out in the draft agreement placed before the meeting and signed by the Chairman for the purpose of identification."

The share transfer books of the company will remain closed from 22nd



June to 29th June 1972 (both days inclusive).

By order of the Board
K. P. PODDAR
Jt. Managing Director

Regtd. Office:
20, Old Court House Street,
Calcutta-1
The 25th May 1972

Note : (1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his place and a proxy need not be a member.

(2) Dividend on Preference shares will be paid out of General Reserve Account to those shareholders whose names appear on Register on 29th June and will be so paid within the prescribed time.

(3) Explanatory Statement pursuant to Section 173 of the Companies Act 1956 :—

Item No. 5 of Notice :

Sri Durga Prasad Poddar is in the employment of the company as a chief Administrative Officer on a remuneration of Rs. 1500/- per month along with Bonus payable to other employees. The terms of his said employment expires on 30-6-1972 and the Board of Directors in their meeting held on 25th May 1972 have decided to re-appoint him for a period of 5 years on the remuneration of Rs. 1500/- per month along with Bonus as noted above.

He is a relative within the meaning of the Companies Act 1956 of Sri D. P. Poddar and Sri K. P. Poddar, Joint Managing Directors and as such consent of the company by way of a special resolution is necessary under provisions of Section 314 of the Act. Hence this resolution is recommended for your approval. Copy of draft agreement is available for inspection at the registered office during business hours.

By order of the Board
K. P. PODDAR
Jt. Managing Director

NEW INDIA INVESTMENT CORPORATION LIMITED

Notice is hereby given that the Thirty Fifth Annual General Meeting of the Company will be held at the Registered Office of the Company at 9, Brabourne Road, Calcutta, on Wednesday the 28th June 1972 at 3.30 P.M. to transact the following business:—

(1) To Receive and adopt the Director's Report and Audited Accounts for the year ended 31st December, 1971.

(2) To elect Directors.

(3) To appoint Auditors for the Current year and to fix their remuneration.

The Register of Members & Share Transfer Register Books of the Company will be closed from 24th June to 28th June 1972 both days inclusive.

By Order of the Board
B. P. GOENKA
Director

Calcutta
May 30, 1972.

Note : A member entitled to attend and vote at the meeting may appoint a Proxy to attend and vote instead of himself. A proxy need not be a member.

INDIA TOBACCO COMPANY LIMITED

THE Directors have today decided to recommend to the shareholders at the Annual General Meeting to be held on 10th August, 1972, the payment of a final dividend for the year ended 31st March 1972 of 7½% (subject to tax) which together with the interim dividend of 7% (subject to tax) makes a total of 14½% for the year (1971—14%)

The net profit for the year is Rs. 3,80,04,608 (1971 Rs. 3,46,72,314) after deducting all charges and expenses, providing for taxation for the year amounting to Rs. 3,55,50,828 (1971—Rs. 3,84,22,496) and transferring Rs. 23,40,743 (1971—Rs. 10,67,191) to Development Rebate Reserve.

The final dividend, if approved, will be payable on or after 12th September 1972, to the shareholders whose names appear on the Register on 10th August 1972. The Register of Members will be closed from 28th July to 10th August 1972, both days inclusive, and share transfers received in order at the office of the Company's Registrars (Jardine Henderson Limited, 4 Clive Row, Calcutta-1) by 27th July 1972 will be in time to be passed for payment of the dividend to the transferees.

By Order of the Board
F. REHMAN
Secretary

27th May 1972
VIRGINIA HOUSE,
37 Chowringhee,
Calcutta - 16.

COMPANY MEETINGS AND DIVIDENDS DECLARED OR PROPOSED

Name of Company	Date	Hours I.S.T.
The Ondal Investments Co., Ltd.	12-6-72	10 a.m.
Garuda Investments Co., Ltd.	12-6-72	10-15 a.m.
The Sendra Investments Co., Ltd.	12-6-72	10-30 a.m.
Dalmia Cement (B) Ltd.	27-6-72	11 a.m.
New India Investment Corpn. Ltd.	28-6-72	3-30 p.m.
Orissa Cement Ltd.	29-6-72	11-30 a.m.
The Calcutta Jute Mfg. Co., Ltd.	29-6-72	3 p.m.

Williamson Magor & Co. Ltd—10 p.c. (0), subject to tax

Bishnauth Tea Co. Ltd—10 p.c. (0), subject to tax

Nagri Farm Tea Co. Ltd—12½ p.c. (0), subject to tax

Soom Tea Co. Ltd—Nil

Gohpur Tea Co. Ltd—Nil

Dimakusi Tea Co. Ltd—20 p.c. (0), subject to tax

Jessop & Co. Itd—Nil

New Beerbhoom Coal Co. Ltd—10 p.c. (0), subject to tax

Basmatia Tea Co. Ltd—5 p.c. (0), subject to tax

Hoolungooree Tea Co. Ltd—Nil

India Tobacco Co. Ltd—7½ p.c. (f)(0), subject to tax

Jeewanlal (1929) Ltd—10½ p.c. (0), subject to tax

BOOKS RECEIVED

Theory and Practice of Insurance in India. By M. Mushtaque Ahmad and Mohammed Arif Khan. (Published by Educational Book House, Aligarh 2. Price Rs. 15, pages 502.)

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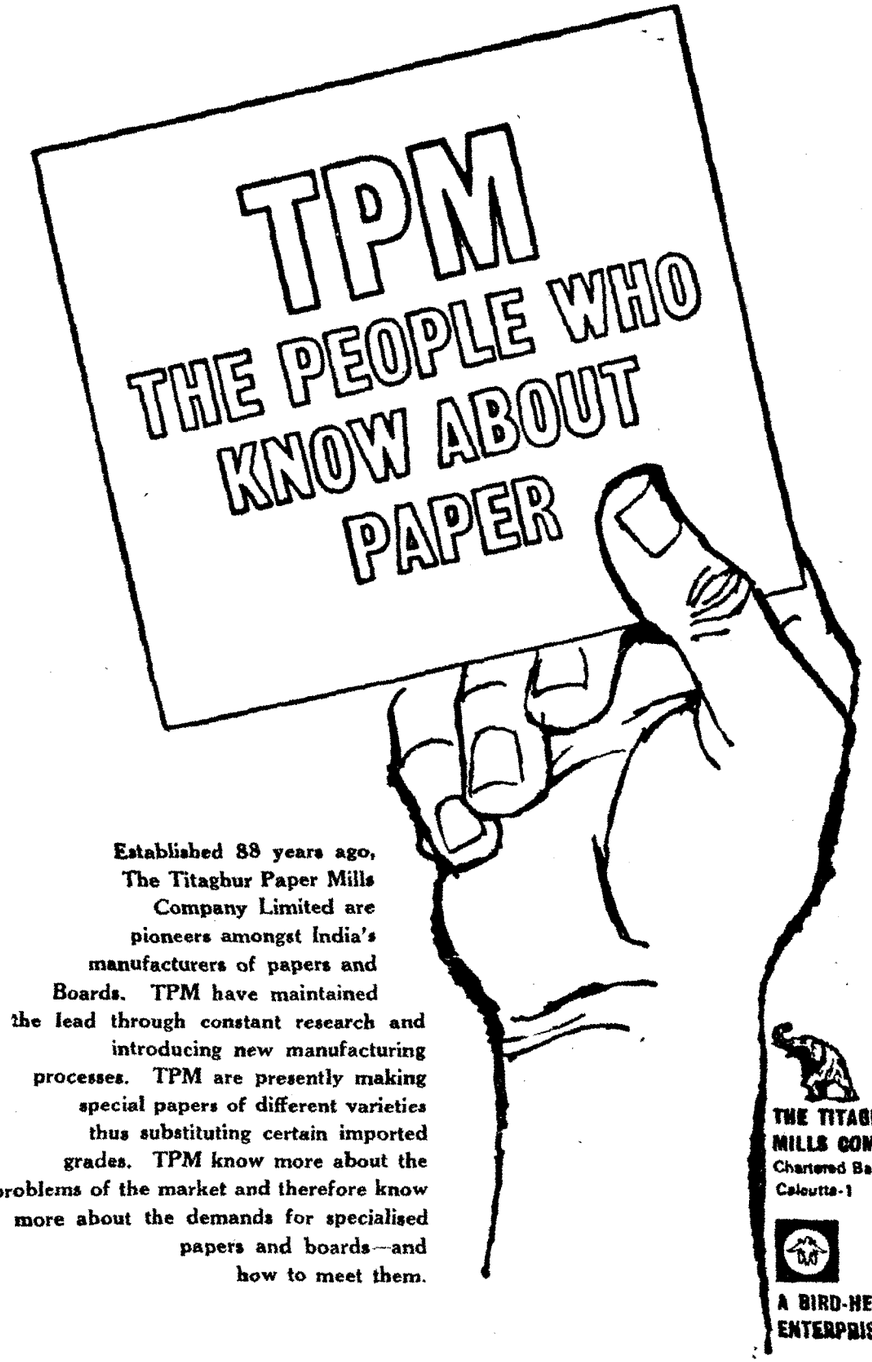
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General Insurance Take-over

AFTER dilly-dallying for about a year, the Government has at last come forward with a Bill to nationalise the general insurance companies. It will be recalled that New Delhi decided to take over the management of 106 general insurance companies with gross assets of about Rs. 250 crores in May 1971. The Central Finance Minister, Mr. Y. B. Chavan, hinted in Parliament last year that he might place the General Insurance Business (Nationalisation) Bill in the current year's Budget session. Although Mr. Chavan has apparently kept up his promise, the provisions of the Bill have raised a lot of hue and cry in both Parliament and outside. The Bill, in effect, has set some dangerous precedents which the Government may unhesitatingly emulate in casting its net of nationalisation further afield in keeping with its socialistic philosophy in the years to come.

It would be premature to shed tears over the State take-over of general insurance companies, for the simple reason that the decision on nationalisation is already a *fait accompli*. It is good that the Government has placed the Bill before Parliament without protracted delay because, otherwise, the general insurance companies would have been unable to plan their programmes of action in view of the many imponderables which followed immediately after the State take-over of management of these companies. The shadows of various uncertainties will now be removed as the companies will be in a position to chalk out their programmes in line with the directives issued from New Delhi. The decision to create four corporations is the right one. It will undoubtedly introduce an element of competition between them, since a monolithic organisation like the Life Insurance Corporaiton will prove to be a positive handicap in handling a competitive business like general insurance. But the proposal to create four corporations has not apparently pleased the employees' union which has also opposed the payment of what it calls "heavy compensation" to the 106 general insurance companies which the Bill now seeks to nationalise.

But the quantum of compensation fixed for the 106 general insurance companies, which the Bill now seeks to nationalise, has not obviously been satisfactory. In fixing the criteria of compensation, the Government should have considered many points, such as the present and future potential of the business as well as the assets, liabilities and reserves of the companies concerned. It should have also considered the impact of the compensation payment on the morale of investors. As it is, the General Insurance Business (Nationalisation) Bill proposes to provide a little over Rs. 33 crores to the 106 Indian and foreign insurance companies which the Bill now seeks to nationalise. The amount, on the face of it, is inadequate by any standards. The proposal to pay meagre compensation has already sent jitters around the stock market because it is generally believed that in extending its net of nationalisation in future, the Government may arbitrarily pay any amount of compensation to any industry that it might take over to fulfil the ruling Party's socialistic pledges. The proposed compensation works out roughly to around 9 per cent, which cannot be regarded as generous especially because some of the companies have been nurtured with loving care by some pioneering entrepreneurs whose task was admittedly much too difficult in the initial stages.

The payment of a paltry compensation has also created the fear that

the Government may pay even lower compensation in taking over certain industries in the future, regardless of their profits, gross assets and reserves. In view of the Government's socialistic leanings, it is necessary to fix certain firm principles concerning the payment of compensation for a nationalised enterprise. In fact, investors' disappointment over the proposed low level of compensation to the general insurance companies has been reflected in the sharp decline in the quotation of New India Assurance shares from Rs. 45.50 to Rs. 38.50, although they slightly revived towards the close following the announcement of a dividend of Rs. 6 a share. In view of the glib talk of fixing ceilings on agricultural holdings, urban property and even on personal incomes as well as many socialistic pronouncements made at the recent meetings of the National Development Council and the A.I.C.C. in New Delhi, the morale of investors has been seriously affected, which has been aggravated by the proposal to pay inadequate compensation to general insurance companies.

This apart, the Government has not obviously followed a rational policy in preparing its criteria of compensation. On the face of it, it has placed emphasis on the market value of the shares as well as the dividend announcements made by the companies over the past three years in fixing the unitwise quantum of compensation. It is an open secret that many companies have been declaring higher dividends and depleting their reserves in the belief that the Government would nationalise these companies since the talk of State take-over of general insurance companies has been thick in the air after the Congress prepared its ten-point manifesto in 1967. At the same time, some companies have been pursuing prudent dividend policies even at the cost of shareholders and have been building up reserves over the years. It is no wonder, therefore, that the criteria of compensation which the Government has now prepared will not satisfy the companies which have been pursuing conservative dividend policies with a view to strengthening their reserves. New Delhi should, therefore, reconsider the formula of compensation by providing due weight to these factors.

However, one welcome feature in the General Insurance Business (Nationalisation) Bill is the principle of paying compensation directly to shareholders after nationalisation. The Lok Sabha has just referred the Bill to a Joint Select Committee of Parliament which will submit its report on the various provisions when Parliament opens for its monsoon session. But the move to refer the Bill to the Joint Select Committee was opposed because it was regarded essentially as a Finance Bill and so could not have representatives of the Rajya Sabha on it. It was, therefore, convincingly argued that the Bill in question should have been considered by a committee of the Lok Sabha. When the report of the Joint Select Committee will be made available to Parliament, many significant suggestions will undoubtedly be put forward to improve the contents of the Bill. Meanwhile, the Government should pay serious attention to some of its important provisions, including the criteria of paying compensation so that the confidence of investors might not be affected at a time when their morale is already low.

N.D.C.: A Meaningless Dialogue ?

THE so-called discussion at the National Development Council last week on the approach to the Fifth Plan turned out to be no more than an exercise in platitudes. The Chief Ministers came with their prepared speeches and read them in a ritualistic manner one after another. The Prime Minister, Mrs. Indira Gandhi, in her capacity as the chairman of the Planning Commission, spoke at the beginning and end of the two-day session without revealing what exactly was proposed to be done to achieve the objectives set out in the approach paper. Equally vague was the Central Minister for Planning, Mr. C. Subramaniam, who commended the Planning Commission's approach paper to the Chief Ministers.

Both Mrs. Gandhi and Mr. Subramaniam claimed that the new approach marked a departure from the strategy of the earlier Plans which were largely growth-oriented. The accent has now shifted to meeting the basic needs of the people and increasing employment opportunities in both urban and rural areas. The Planning Minister explained that the proposed "direct attack" on poverty would involve expanding employment opportunities and income in the rural areas where they are most needed, an effective programme of land reforms, provision of basic minimum needs, raising of adequate resources for the purpose and the determination to put through the process within a framework of self-reliance. The objectives are unexceptionable and it is, therefore, not surprising that the broad approach was endorsed by almost every Chief Minister.

But as the Prime Minister and the Planning Minister themselves admit, the approach is couched in very general terms, and when more specific proposals are made there is bound to be greater differences of opinion. Take, for instance, the issue of Central assistance. There was considerable opposition to the suggestion of the Prime Minister that the present pattern of Central assistance might have to be changed to provide for a larger share to the backward States to enable them to catch up with the more advanced States. While the advanced States were in favour of giving more to the backward States, the former resented any cut being made in their share to help the latter. In other words, there was the usual plea for more Central assistance to all.

Similarly, on the crucial question of resource mobilisation, few States were prepared to commit themselves to new and radical measures of taxation to raise more revenues. Instead Tamil Nadu asked that the States should be allowed to levy the additional excise duty—a power that the Centre exercises now. The Prime Minister turned down the demand promptly. But that is not the end of the controversy, for the matter is sure to be raised by several States with the sixth Finance Commission to be set up soon. Thus, the States were concerned more with the size of their plans and the assistance they would get from the Centre than with issues of policy. The Kerala Chief Minister, Mr. Achutha Menon, no doubt, raised certain pertinent questions as to how the Centre proposes to implement the programmes envisaged in the approach paper. For instance, he wanted to know what would be the industrial policy, the agricultural production and pricing policy and the means of achieving self-reliance. Mr. Menon, of course, had his own solutions which included the nationalisation of all industries owned by the so-called monopoly houses, as though that is the panacea for all the ills of the economy. He was joined in this demand by the Chief Minister of Tamil Nadu.

But as the Chief Ministers of West Bengal and U.P. pointed out, what is even more important than deciding on the approach to the Fifth Plan is to tone up the efficiency in implementing the Fourth Plan programmes in the remaining two years. Mr. Siddhartha Sankar Ray presented the problems of his State in the right perspective when he said that the attack on poverty could have some meaning for the people of West Bengal only if steps were taken immediately to increase irrigation facilities, remove all constraints to capacity utilisation in the manufacturing sector and develop new industries in the small, medium and large sectors. That was the only way to provide the base for the more ambitious programmes of the Fifth Plan.

It is a pity, however, that the approach paper did not come in for a critical appraisal at the National Development Council. That was because there was no "discussion" in the proper sense on the approach paper. It was a laborious exercise of each Chief Minister expressing his views on the paper without any opportunity for discussion on points raised by any of the Chief Ministers. Few bothered to point out the contradictions between the professions and practices of the Central Government. Both the Prime Minister and the Planning Minister averred that for the first time the Centre was strong enough to implement progressive policies and take bold decisions. But it occurred to none of the Chief Ministers to ask why in that case the Centre gave in to pressures from Punjab and Haryana on the issue of wheat procurement price even though it was known that the subsidy, as a result of maintaining the procurement price at the current level, would amount to no less than Rs. 135 crores this year. It remains to be seen if the Centre will act any differently when the question of fixing the support prices for wheat comes up for consideration shortly.

The Prime Minister is right that there can be no softness in the war on poverty. But if the Centre decides to be soft to a section of the people, it cannot avoid being soft to others. If the wheat producer is heavily subsidised, it is unfair to expect the producer of rice and cash crops to resign himself to his fate. Socialism must not be at the cost of equity and justice. Nor does socialism mean the destruction of all old values, good or bad. For instance, it is difficult to understand the Prime Minister's question whether the profit motive can have a place in a socialist society. She also deprecated the acquisitive spirit and the western type of competition. Are these bad in themselves? They may have worked badly in certain situations but to damn them all and question their utility is to shut one's eyes to realities. Does the Prime Minister realise that it is the lack of a profit motive that has been responsible for the heavy losses of public undertakings, about which, surprisingly, no reference was made at the National Development Council's meeting?

While the Prime Minister and the Planning Minister have reason to feel gratified at the large volume of support to the approach paper from members of the National Development Council, they would do well to remember that this has been achieved by skirting the real issues of a much more vital nature. A mere show of radicalism will not eradicate poverty, which is unfortunately widespread in this country. Radical measures will no doubt be necessary but they will have to be tempered with pragmatism in order to get the optimum results in as short a period as possible. The Planning Commission, which is currently engaged in preparing papers on the industrial policy, agriculture, prices and other major issues of planning, has a big rôle to play in shaping the right policies.

Farakka : The Credibility Gap

THE case of the Farakka project gets curiouser and curiouser. This ambitious venture originally intended to save Calcutta port and the river Hooghly now ironically appears to pose the greatest threat to their future. And this is nothing short of a cruel joke for Farakka, Calcutta and for that matter the entire eastern region. For long years, the project remained a bone of contention between the Government of India and the erstwhile East Pakistani Government and when the issue at last looked like getting settled after the emergence of Bangladesh, New Delhi's Irrigation and Power Ministry seemed to have posed a fresh crisis for Farakka.

The original idea behind the project, approved in principle as early as 1960, was to bring more waters into the river Hooghly for its better flushing. As it is, it does not get enough water, and this results in heavy silting on the river-bed. While the draft, as a result, is being badly reduced to affect navigability, desilting and dredging operations become more and more expensive. It is an unequal battle though, and sooner or later, the river is likely to become unfit for modern shipping. And that will mark the death of Calcutta port and of its entire hinterland spread over the eastern States. Indeed, nothing would be more fallacious than to believe that Haldia can be a substitute for Calcutta. Haldia after all is not meant for this purpose, for it will handle only some specialised forms of shipping and cargoes. It can at best be a complement to Calcutta port, not a replacement. Already Calcutta port's business is fast dwindling; once it ranked next only to Bombay in traffic, but it has now gone further down the list. And the fact has been repeated so many times that the authorities cannot just feign ignorance nor can they disclaim responsibilities.

But even worse things seem to be in store for Calcutta. The Central Minister for Shipping, Mr. Raj Bahadur's loud assertion that the port will not be allowed to die sounds somewhat hollow today. Right from the beginning, New Delhi's handling of the Farakka project has lacked clarity and even if there is no sure reason to question its sincerity in this respect, the impression has got around that a section of the Central Government at least is trying deliberately to obfuscate the issue. And awkwardly, the Central Minister for Irrigation and Power, Dr. K. L. Rao, has been caught at the very centre of this rather unsavoury controversy. While Dr. Rao has every right to feel that he has been misunderstood, there is no doubt however that his sometimes inconsistent statements have been largely responsible for the credibility gap that has emerged on the Farakka issue.

A typical instance is provided by the Central Irrigation Minister's latest statements on how much water would be allowed for the river Hooghly. After long and detailed studies, experts have held that a minimum of 40,000 cusecs are needed for the lean months to flush the river; as for the monsoon months, there is not much of a problem for it gets enough water in any case. In fact, during the talks with Pakistan on the Farakka project, Dr. Rao himself had insisted on a minimum supply of 40,000 cusecs to 46,000 cusecs for the Hooghly during the dry months. But now he appears to be quietly shifting his stand. From the latest "operational pattern" that he has elaborated, it appears that the river Hooghly would not get more than 20,000 cusecs of water during the summer months—and that too provided the quantity is available. Farakka has already paid heavily for the whims and caprices of a few men, but the latest move seems to cap them all.

Indeed, in India's hydrological planning, the Farakka project and the river Hooghly appear to be the most dispensable items. Thus even when the problem of ensuring enough supplies for the Hooghly is looming large, one irrigation project after another has been coming up in the upper stretches of the Ganga, thus complicating further the problem of downstream flow. The Central Irrigation Ministry has revealed that 32 major and 170 medium irrigation projects have so far been sanctioned in the upstream part of the Ganga basin. If the proposal for the Ganga-Cauvery link, starting in Patna, materialises, the supplies for the Hooghly will be affected still more. And if after all this the lower stretches of the river that fall in West Bengal are left high and dry, some people in New Delhi apparently hope that the State will accept the fact with grace.

It is heartening, however, that the West Bengal Government has been seized of the significance of these covert moves to reduce Farakka to a costly Rs. 156-crore showpiece even before it has taken shape. It intends to publish a white paper on the subject and the Chief Minister, Mr. S. S. Ray, is to have talks with Dr. Rao in the middle of this month. The authorities of Calcutta port have already been to New Delhi to apprise the Irrigation Ministry of their views. But Farakka's supplies are not the only disquieting point. The slow progress in the construction of the project and of its essential feeder channel—the target dates for which after repeated revisions have been fixed at late 1973—has reasons to cause serious misgivings. And the sooner the atmosphere is cleared of the stifling suspicion, the better it will be for the Farakka project and for the country as a whole.

The Right Approach to Automation

THE Committee on Automation headed by Professor V. M. Dandekar, director of the Gokhale Institute, which submitted its report to the Government last week, has taken a stand on the introduction of computers which may not be palatable to many managements but seems the most sensible suggestion in the context of the growing demand for workers' participation in management. In suggesting that the introduction of computers by commercial and industrial establishments should be subject to a prior agreement with workers, the intention of the committee is not to give the latter the right to veto the move. Unreasonable critics might say that this will be the effect of the committee's recommendation; but as Professor Dandekar has pointed out, if the process of consultation is initiated, he could not see any reason why workers should oppose such a management decision—particularly if the management could convince that computerisation is being undertaken in the long-term interests of the undertaking.

During the short period since the introduction of computers in India, the attitudes of workers and unions have gone through the phases of outright hostility and opposition to acquiescence or adjustment to change subject to some checks and safeguards. The committee feels that as computers were introduced in most cases without consultation with the workers' union, this had often led to apprehension and suspicion. According to the statistics furnished by the committee, in most cases (83.3 per cent), many of them in the public sector, computers were introduced by managements without prior consultation with the employees or their unions. While in 35 cases (out of which 22 related to the public sector) there was no prior consultation, prior agreements were obtained in seven cases. The committee has observed that "wherever consultation preceded the introduction of automation and the employees or their unions were taken into confidence, the process of the introduction and its working has been quite smooth; in units where the unions were ignored in arriving at the final decision to introduce the computer, difficulties arose, particularly where the workers were well-organised."

Judging from some of the other recommendations of the committee—and keeping in mind the fact that the workers' representatives were amply represented on the committee—one must admit that the union representatives have not taken an unhelpful stand in the introduction of computers. The committee has made a distinction between commercial undertakings and other institutions. In the latter category has been included educational scientific and research institutions, statistical organisations of the Central and State Governments and defence establishments. In these undertakings, the committee feels, the use of computers should be permitted subject to the reasonable provision of protecting the existing employment. It has also taken the stand that "a computer facility is in the nature of a public utility or an infra-structure facility." Since it is so, computer service facilities should be established in the public sector which could be made use of by individual units.

It should be obvious from all this that there is no organised opposition to the introduction of computers; in fact, the committee has clearly stated that "the legitimate and proper use of computers in commercial and industrial establishments is an aid to management for improving its efficiency which could not be achieved otherwise." While thus not objecting to the introduction of computers, the committee has stressed the need for appropriate regulation of the use of computers in the present stage of the country's socio-economic development. Prior agreement with workers—for which the committee has laid down elaborate procedures—should, therefore, be viewed as one form of regulation aimed at preventing the adverse effects of automation.

Stating that India's experience of automation is yet too short to enable the committee to make any firm assessment of the long-term impact of computerisation, the committee points out that although in a few cases computers were introduced without a clear understanding of their utility, in many other cases companies went in for computers because of the "growing volume of operations and the development of professional management". The committee has also found, from the data made available to it, that although computerisation of work has generally led to a decrease in employment in the affected departments, this decrease has been more than offset by the increase in employment in the E.D.P. sections, thus leading to an increase in total employment. Of the 24 organisations analysed, in eight there was a reduction of 547 persons out of a total of 6,690, *i.e.*, by about 8 per cent. In the remaining 16, the number employed increased by 900, *i.e.*, about 12.3 per cent. On average, the employment in the departments affected by computerisation declined by 5.3 per cent. Taking into account the increase in the E.D.P. sections, the net increase was of the order of 2.4 per cent. These facts also once again emphasise that given the right approach, it will not be difficult to persuade labour to accept modern methods of management.

A.I.C.C. : A Tame Debate

THE All India Congress Committee concluded its two-day session in New Delhi last week with the usual promises and assurances. For several weeks before the meeting was to take place, Party leaders had been saying that the session would be a momentous one. But as the session started, it soon became apparent that some of the basic problems like land and urban ceilings would not figure in the discussions since the Party itself had not been able to come to any firm decision. The result was that nearly half of the time was devoted to a rather puerile discussion on international problems. But even here, the foreign policy formulations did not figure much and members confined themselves to talking somewhat desultorily about the country's relations with Bangladesh, the U.S.-Soviet summit, the situation in Vietnam and so on. The debate itself was most uninspiring and did not throw much light on what India proposes to do for easing tensions. This is perhaps because the country is not exactly in a position today to shape world opinion.

There was, however, general support to the Congress Party's resolution that there should be an immediate stoppage of bombing of D.R.V.N. territories and that the mines blocking North Vietnamese ports should be removed. The committee also rightly condemned the recent escalation of the conflict accompanied by what it called "naked acts of aggression". Of more immediate interest to the country was the view expressed by top leaders of the Party on the forthcoming talks which the Prime Minister, Mrs. Indira Gandhi, are to have with the Pakistani President, Mr. Z. A. Bhutto. Several members welcomed the initiative taken by Mrs. Gandhi in this respect. Mr. Swaran Singh, Foreign Minister, also made it clear that for talks to be successful, it was necessary for Mr. Bhutto to recognise Bangladesh first. In fact, some of the members even said that there should be no talks with Mr. Bhutto unless the recognition had been accorded.

The fact that will have to be noted by Pakistan is that Bangladesh has become a reality and there is no use ignoring this fact any more. Pakistan also must realise that the normalisation of relations with India alone can lead to lasting peace in Asia and much of the money that was being spent now on armed forces could be diverted for more constructive and developmental purposes. Mr. Swaran Singh also did well to remind Pakistan that only bilateral talks between the two countries would help in restoring normal relations and there was no question of intervention by any third country, howsoever powerful it might be.

There is a section among Congressmen which has been advocating the view that there should be no negotiations with China. But the resolution which was adopted by the A.I.C.C. lays down that there should be a strengthening of relations with every country, including China. There was a strong demand during the session that this part of the resolution should be deleted. But the Foreign Minister made it clear that there was nothing wrong is seeking friendship with China. He indeed put the problem in the right perspective when he said that the Government of India is fully conscious of what it costs to have tension along the border with China.

What exactly would be the outcome of these observations by the Foreign Minister and the Prime Minister is not yet clear but they have at least given an idea of how the Government's mind is working in relation to some of the more important international issues. It was perhaps a little disappointing that the Government spokesmen did not go any deeper into the forces that shaped the country's foreign policy. There have only been superficial observations which made the entire debate somewhat half-hearted.

As far as national issues were concerned, the session lost much of its charm after it became known that the economic situation as such had not been included as a subject matter of discussion. The Planning Commission's approach paper on the Fifth Plan was placed before the committee for discussion and members had not much to say about it since they were not prepared for it. The highly controversial subject of land reforms did not figure even in an indirect manner since the Prime Minister had already advised against raising the issue at the session. The special committee which went into the question of land ceilings had submitted its report but it had not been made public. Obviously, there seems to be some rethinking on the part of the Prime Minister and her colleagues on the question of land ceilings. This is perhaps to be welcomed since there is a recognition of the fact that public opinion is not strongly in favour of a drastic ceiling on land holdings.

The "Young Turks" who on occasions like this are generally vociferous were lying low, largely in view of the strict warning given by Mrs. Gandhi. Mr. C. Subramaniam, Central Planning Minister, did well to warn the ultra radicals that if they expected Birlas and Dalmias to sacrifice their earnings, they (ultra radicals) too should learn to give up something in the interest of the common man who could not secure even the basic minimum needs. Thus although the session as a whole did not produce anything constructive, it at least put the "Young Turks" in their place. The ruling Party should now try to concentrate on measures which will have an impact on society at large instead of losing itself in a maze of slogans.

CURRENT COMMENT

WEST BENGAL

Concession for Monopolies?

The West Bengal Chief Minister, Mr. Siddhartha Sankar Ray's observations at the recent meeting of the National Development Council that it was important for the State that monopoly houses should have opportunities to expand have evoked considerable interest in Calcutta's industrial circles. West Bengal has three-fourths of the monopoly houses, Mr. Ray said and suggested that suitable legislation should be made for these units to enter the joint sector. The plea is not a new one, though. A nearly-similar proposal was made by a former Chief Minister, Mr. Ajoy Mukherjee. But it was turned down by the Centre on the ground that no exception could be made in the case of an individual State and that such a move would go against the current line of thinking on monopolies. Industrial circles are thus keenly watching how the Centre responds to Mr. Ray's suggestions, particularly in the context of the urgency New Delhi now attaches to the State's economic development. Besides, the present Chief Minister is also known to carry a lot of weight in New Delhi's corridors of power.

If most of the monopoly houses have begun their rise from this State, it is equally true that much of the State's economic advances in the past decades has also been due to the enterprise and zeal of these units. Business circles are thus not sure that it will be possible to rejuvenate the State's industry by keeping the bigger units in a state of freeze under anti-monopolies restrictions. The joint sector idea is being actively canvassed by the West Bengal Government but it would be too much to expect, these circles hold, that the monopoly houses would develop great fascination for this idea right now.

STOCK EXCHANGES

Plea for Forward Trading

The recent annual general meeting of the Madras Stock Exchange Ltd provided an occasion for serious thinking on the outlook for the capital market. Mr. M. Sankaran, the outgoing president, referred to a pick up in activity during the last few months due to political stability in the country. He expressed the hope that with reasonably satisfactory corporate results and distribution of decent dividends to shareholders by many companies, there was a good deal of investment opportunity. Emphasising the need for a stable industrial policy and for incentives for the private sector, he observed that the recommendations of the Wanchoo Committee should be given effect to in full so as to augment revenue at the existing levels of taxation and to eliminate tax evasion. Mr. Sankaran referred to the examples of the U.K., Japan, West Germany and the U.S.A. which have slashed down taxes in order to boost the economy.

Mr. Sankaran expressed the hope that the Government would permit the resumption of forward trading in stock exchanges so that an active market could result and succeed in attracting savings from the people. He regretted that the recommendations of the Anjaria Committee, whose report had not been made public, had been shelved. The question of liberalising credit facilities against shares was also touched upon by the president.

NATIONALISATION

Prior Study Urged

At a meeting of the Standing Advisory Committee of the Federation of Indian Chambers of Commerce and Industry in New Delhi a few days ago, the question of nationalisation was considered from different angles. In the event the Government felt that nationalisation of any industry or business was desirable, the matter should be referred for study by an independent agency, the committee felt. This agency may be entrusted with the task of finding out as to how best the objectives of nationalisation could be realised and also the quantum of payment to those who are dispossessed of their interest in the industry or business. It was also the feeling of the committee that such payment has to be made not only when undertakings are nationalised but also in the case of take-over of trade by the Government. For, in this case, while the traders are deprived of their means of livelihood, they have to give compensation to their own employees who lose their jobs. In the past a variety of imports and even internal trade have been canalised and no compensation whatsoever has been paid to the importers or traders.

INDO-AUSTRALIAN TRADE

Good Prospects

An Indian delegation, with Mr. D. C. Kothari as its co-leader, recently visited Australia. In its talks with representatives of Government and business, the delegation explored the possibilities of increasing the Indo-Australian trade. In continuation of the delegation's work, Australia is contemplating to send out to India next year a high-powered study team to consider the question of Indo-Australian joint ventures. During the course of its work there, it was felt that specialised delegations would have to follow the present one to identify areas where mutual co-operation was possible.

The delegation felt that there was sufficient opportunity now for the export of textiles. The possibility had arisen as a result of lower cotton prices which, it was presumed, would be maintained. If this was possible, there was no reason why Indian textiles should not find a large entry into Australia. Coming down to specific items like jute and tea, it was felt that because of the high cost structure, jute had suffered in Australia and elsewhere in the world. If export duties were suitably revised, India might be able to push sales of jute products in Australia. With a population of barely 12 million, Australia does not offer a wide market for tea. Recently, Indonesia has stepped in and has increased her exports from 15 per cent of Australia's tea imports to 30 per cent. Ceylon's exports have declined from 50 per cent to 40 per cent while those of India have fallen to a bare 10 per cent. Still with lower export prices, India can perhaps recapture the lost market and also improve on the same.

ENGINEERING

Team to South-east Asia

The Engineering Association of India has sponsored a five-member delegation to visit Malaysia, Singapore, Thailand, Hongkong and Japan. The team consists of Mr. M. K. Jhawar (leader), president, Engineering Association of India; Mr. H. N. Khira, chairman, Engineering Association of India (western region); Mr. K. G. Khosla, immediate past chairman, Engineering Association of India (northern region); Mr. Farhat Said Khan, sales manager, Tata Iron and Steel Co. Ltd; and Dr. R. D. Vidyarthi, secretary, Engineering Association of India.

The team would study the industrial base, pattern and composition of trade and the nature of competition in these countries and the organisation and technique of trade development in the two of the biggest free ports of the world, namely, Singapore and Hongkong. In the recent past some of the south-east Asian countries like Malaysia, Singapore and Thailand have evinced great interest in the development of the engineering industries in collaboration with Indian companies. Already about a dozen joint ventures for the manufacture of steel furniture, cables and conductors, machine tools and gauges, diesel engines and electric motors, steel castings, cycle chains and air compressors and hydraulic jacks are successfully operating in Malaysia and Thailand. The Japanese industry is also getting increasingly interested in India for diversifying its exports. In Japan, the delegation would explore the possibility of co-operation with Japanese organisations in having export tie-ups for supply of goods and services to third markets and the extent to which the engineering industries in India can be established for export to Japan and third markets. It would also try to find out the willingness of Japanese firms to stock-pile steel in bonded warehouses at important ports in India on a consignment basis. The delegation left India on 4th June and will remain out for 16 days.

BANK ADVANCES

Curbs Relaxed

The Reserve Bank of India has exempted processing and manufacturing units covered under the rural industries projects from the provisions of all selective credit controls, in order to alleviate their difficulties in procuring finance from banks. The Reserve Bank has also reduced the minimum margin on advances (i) against groundnut and (ii) against stocks of *vanaspati* to *vanaspati* manufacturers from 75 per cent to 60 per cent. Correspondingly, the minimum margin on advances against warehouse receipts issued by the Central or State Warehousing Corporations, covering stocks of (i) groundnut and (ii) *vanaspati* to *vanaspati* manufacturers will be reduced to 50 per cent.

IMPORTS

Difficulties Explained

Mr. M. M. Sen, Chief Controller of Imports and Exports, Government of India, recently met the members of the committee of the Merchants' Chamber of Commerce in Calcutta. Various points relating to the import and export trade were taken up for discussion at the meeting. It was pointed out that the country, because of its climatic conditions, needed textile goods made of long staple cotton but as against this it produced only short and medium staple cotton in abundance. The Chamber, therefore, suggested that instead of banning the import of long staple cotton which was reported to be under the contemplation of the Government, the best course would be to allow the export of coarse and medium varieties of cotton and make long staple cotton imports against such exports. Mr. Sen appreciated the force of the argument and agreed to examine the proposal.

Some members brought to the notice of Mr. Sen that their applications for the import of some machinery duly recommended by the sponsoring authorities had been kept hanging for more than three years and then ultimately rejected in spite of such applications being duly recommended by all the sponsoring authorities. Mr. Sen suggested that such cases might be individually referred to him and he would have them duly examined on merit.

I.E.A.

Seminar on Work Stoppages

Inaugurating a seminar on "Work Stoppages: Causes and Remedies" organised by the Indian Engineering Association (Northern Region) in New Delhi recently, Mr. Justice Hardayal Hardy, Chief Justice of Delhi High Court, observed that there could be no increase in wages, bonus and other benefits in factories unless production increased. By strikes, the capacity of industry to pay higher wages and to confer other benefits on workmen suffered a setback. Strikes led to closures and lock-outs. They also led to lay-off and retrenchment. The result, he added, is economic recession and depression which hits the economy of the country. Mr. V. P. Punj, chairman, I.E.A.(N.R.), said that the country had passed through difficult times, first, due to the influx of almost 10 million refugees from Bangladesh and, subsequently, because of the war with Pakistan. The national emergency was still there and the need of the hour was to maximise production. Workers and employers should, therefore, agree, as a voluntary gesture, to avoid work-stoppages at least for a specified period. Mr. Punj said that the idea mooted by President Giri that there should be a moratorium on strikes and lock-outs deserved close consideration by both labour and management.

BANGLADESH

Aid Agreement with U.S.A.

The United States and Bangladesh have recently concluded their first bilateral aid agreement providing for $90 million of American assistance to Bangladesh. The agreement was signed in Dacca by Assistant A.I.D. Administrator, Mr. Donald G. Macdonald, and the Secretary of the Bangladesh Planning Commission, Dr. A. K. M. Gulam Rabbani. It is designed to provide maximum flexibility and speed in the use of the funds to meet the priority needs of Bangladesh for reconstruction and rehabilitation. All funds will be provided under the agreement on a grant basis, requiring neither interest nor repayment. The funds may be used by the Bangladesh Government for the import of bulk commodities such as cotton, tallow, pesticides and fertiliser, as well as for financing high priority projects such as coastal embankments construction for protection against flooding, restoration of power supplies, rebuilding of roads and bridges, and possibly other areas in which the United States has engineering expertise and prior experience in Bangladesh. In addition, the United States will continue to supply food to Bangladesh as a separate activity, financed under the Food for Peace programme.

SHAREHOLDERS

A New Forum

In a meeting of a group of shareholders held in Calcutta a few days ago, a body entitled "National Forum of Shareholders" was formed with Mr. M. C. Bhandari as its president. A Press release of the forum says that it was felt for a long time that there

was no organisation to fight for the interests of shareholders on a national scale. This body will take up the issues objectively with company management and the Government authorities on an all-India basis for the benefit of shareholders. The main objects of this forum, among other things, are to act as an advisory bureau for shareholders, and as a processing centre for their complaints. It will also act as representative of shareholders before appropriate authorities.

TRANSPORT

Plans for Delhi

The Railway Board has sanctioned a survey for the techno-economic feasibility studies for a mass rapid transit system in Delhi. A sum of Rs. 34.9 lakhs has been provided for the survey in the current financial year. Its total cost will be about Rs. 40 lakhs. After the survey is completed, a project report will be submitted. If the project is found technically and economically feasible, further action for approval and sanction of the Government will be initiated.

U.N.D.P.

Three Projects Approved

India's leather industry, which has an annual output of Rs. 200 crores and provides employment to over 800,000 persons, is sought to be modernised and export-oriented with the financial and technical assistance approved by the governing council of the United Nations Development Programme at its recent meeting in New York. The council has also decided to extend similar assistance to a five-year project of streamlining the marketing and inspection facilities for agricultural products, especially perishable goods, and the establishment of a structural engineering research centre in Madras for solving problems of building and relevant industries. All the three projects have provision for training abroad counterpart Indian personnel who will be in a position to take over and run them efficiently on their completion. The U.N.D.P. assistance of $351,4000 to the leather industry will be through the supply of equipment and experts to the Central Leather Research Institute in Madras. Although India ranks first among the cattle-rearing countries of the world, she ranks only fourth in the production of hides and skins. With another U.N.D.P. contribution of a little over $1 million, the Central Agriculture Research and Training Institute in Nagpur will be equipped with modern machines. For the regional centre of structural engineering research in Madras, the U.N.D.P. will extend assistance to the tune of $666,500 with the Government of India contributing nearly double the amount in rupees for local costs.

I.I.F.T.

Annual Convocation

At the recent annual convocation of the Indian Institute of Foreign Trade in New Delhi, 43 participants were awarded diplomas after the successful completion of the ten-month diploma programme in international trade. The Institute is pioneering the cause of training, research and market surveys in the field of foreign trade in the country. In the last seven years of its existence, it has conducted 70 training programmes with the participation of 2,000 persons, including some from abroad. The diploma programme in international trade is the basic training programme of the Institute. This is the only full-time programme on international trade in the country, where the participants are thoroughly trained in the principles and practices of export marketing. The objective of the programme is to build up a competent cadre of young export management personnel. Intensive training has been imparted to the participants in all the areas of international trade.

MONEY MARKET

Call Rate Steady

The short-term money market has remained unchanged this past week. The call rate has fluctuated between 3¾ per cent and 3½ per cent and the market, on most occasions, has closed squarish. The demand for remittances has been small. The supply of tea and gunny bills has been moderate. The pound-sterling has been steady against most major foreign currencies during the week.

The latest statement of the Reserve Bank of India for the week ended 26th May, 1972, shows a rise of Rs. 6.37 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 268.74 crores, compared with the previous week. Their borrowings from the Bank have increased by Rs. 11.20 crores to Rs. 26.24 crores, of which advances against usance bills have amounted to Rs. 3.58 crores, against Rs. 3.35 crores. Balances held abroad by the Reserve Bank in the Banking Dpartment show a rise of Rs. 4.74 crores to Rs. 217.68 crores.

ADVANTAGES OF A GOLD MINT

A CORRESPONDENT writes in Current Coin: As I look at it, the establishment of a gold mint would not be primarily for coining sovereigns to fulfil the requirements of circulation, but to set in circulation or provide for export the large amount of gold bullion lying idle in the country. No country imports gold largely without having occasionally to export it, and the Indian occasions are famine years when the surplus exports of merchandise are insufficient to cover Home expenses, and have to be supplemented by bullion. On those occasions a mint would, I imagine, be of most valuable assistance in bringing into circulation India's inert reserves of held-up metal. This is the only initial advantage which India would obtain from a local gold mint or mints. Eventually mints would do more than turn out coin in famine years. They would refine and coin the gold from the Indian mines, and they would constantly be at work coining Indian melted gold. They would tend to keep both coined and uncoined gold in more active circulation. The loss to India during the last 100 years or so from the lock-up of precious metals must be prodigious. As you may have noticed in my former writings, I hold that idle money in any form is as deadly a burden on capital as unoccupied houses, uncultivated fields or idle machinery. It may be that taking all these things into consideration they may not in the aggregate compensate for the cost of a gold mint.

FROM
CAPITAL
6th June, 1912

A Ditcher's Diary

THE A.I.C.C. PROCEEDINGS LAST week did not seem to have any clear political purpose. The resolution on the international situation is unlikely to disturb the universe. Although it may have been relevant in the context of the Moscow summit to put it on record that the smaller Powers have both problems and a mind of their own, the Government's foreign policy is not a subject of very keen domestic interest at the moment. The economic debate was without any focus; its tentative nature could be anticipated from the Planning Commission's exploratory approach "towards an approach to the Fifth Plan". Yet the session was not wholly uninstructive or uninteresting. The radicals appeared to be both sadder and wiser, although I am not sure exactly whom Mr. Mohan Kumaramangalam had in mind when he said: "It is easy to be radical and it is fashionable to talk left." Was he thinking of the hitherto vociferous Congress Left or of his former colleagues in the C.P.I.? That, however, matters little; the point must have been driven home to all concerned. And Mr. C. Subramaniam further reminded the radicals that it was not big industrialists alone whose standards of living were above the national average; the radicals themselves would have to "come down" if they wished to be true to their professions. But I doubt if anybody really means what he says. Mr. Bibhuti Mishra referred to the "fat salaries", the "luxuriously furnished bungalows" and the "air-conditioned Impala cars" of Ministers engaged in the "garibi hatao" operation; and Mr. Subramaniam admitted that he too had to "come down", after pointing out that men like Mr. Krishna Kant did not live on the poverty line either. Everybody seemed to be pleading guilty, but there was no clear commitment to any expiatory course. Such an exercise would be ordinarily pointless; but the Ministerial statements made it clear that there is no painless road to a socialist paradise. Such pragmatism should be useful, but it is still overlaid with much misleading rhetoric. Mrs. Gandhi said that the Party must play a major rôle in carrying out the "garibi hatao" programme. This is unexceptionable if it merely means that the Party must guide, prod and correct the Government. But the impression seems to have gained ground that the Party must be directly involved in the Government's functions. Indeed, it has been suggested that once a land ceiling is fixed, the Party's young cadres should fan out into the villages and force landowners to part with surplus land. A Congress version of the Cultural Revolution? What would the young militants be called? White Guards, after the colour of the *khadi* cap? Or Tricolour Guards, after the Party flag?

I WONDER WHY IT TOOK THE Indian public more than two months to know what the Italian magazine *L'Europea* reported on 27th April. It is curious that no foreign news agency immediately transmitted the report to India; it must have been clear to all that what Mr. Bhutto had reportedly said about Mrs. Gandhi would be top priority "copy" for the Indian Press, even if it shocked and infuriated all sections of Indian opinion. Was something done to stop transmission of the report, or perhaps its circulation by any Indian wire service? The U.N.I. report last Thursday said that the 27th April issue of the magazine had "just become available" in New Delhi, but did not say how. I am told that the source was South Block itself. If my information is correct, someone in the External Affairs Ministry thought it might be a good idea to circulate the *L'Europea* interview at this stage, just to show what an unspeakable cad the Pakistani President is. Perhaps the idea was to discourage expectations of much progress at the summit. Perhaps the Government as a whole had shed its optimism after Mr. Bhutto's performance during his tour of some west Asian and African countries. If so, the publicity given to the report and the outraged reaction to it might help in

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putting him in the defensive during his visit to New Delhi towards the end of this month. Whatever the explanation, I find it difficult to believe that such an explosive report reached the Indian Press through routine channels. It appears that Pakistan has already had to do some explaining, but nothing will convince me that its flamboyant President was entirely misreported. Mr. Bhutto has said many things in the past which would be inconceivable in civilised diplomatic discourse. He seems inordinately proud of his intellect, but it is the intellect of a *precocious* child trying to impress the adult world. Evidently he thinks it smart to be supercilious; and his arrogant assertions only betray his frustration and impotence. He may be clever in a superficial way; he may also have some devious political cunning. But he simply has not grown; and it annoys him to see that Jawaharlal Nehru's daughter has grown into a leader of great stature. One of the most stupid remarks that could be made about Mrs. Gandhi is that she is what she is because she is Nehru's daughter. It is this remark that makes me wonder if Mr. Bhutto is really intelligent.

NOW THAT THE PEARCE COMMISSION on Rhodesia seems to have delivered a verdict which Mr. Ian Smith long ago threatened would be "the end of the road" in his country's dealings with Britain, what are the further possibilities? Unless she is prepared to wash her hands of the whole Rhodesian business altogether, which seems politically impracticable, Britain can surely not leave things as they are. It must be remembered that what at first sight would seem a victory for the black Africans, must inevitably lead to further repression against them when it dawns on the whites what the failure to reach a settlement is going to cost. But public opinion in Britain is even less disposed to use force against the Smith regime than it was in 1965. With Northern Ireland on its hands, it is difficult to condemn such reluctance out of hand. World opinion can doubtless be relied on to continue opposing Mr. Smith, but we all know how ineffective that is. Especially when the United States has already publicly made clear that she is prepared to defy the international economic sanctions when it suits her to do so. These will of course continue. But increasingly it must be the case that the only serious sufferers will be the British and the black Rhodesians. Altogether it would be difficult to imagine a more senseless farce than the sanctions policy has become. One move being suggested at the United Nations, I see, is that Britain should go ahead and draw up a Constitution for an independent Rhodesia in consultation with whatever spokesmen for the blacks she is able to find. I cannot believe the Heath Government would be prepared to do that, even if the idea had any serious merit. Nothing could be better calculated to show up British ineffectiveness, without at the same time doing anything constructive for the people concerned. The probable result would be the Smith regime moving even further to the right, or being replaced by a more oppressive one still. I feel myself that the best course for Britain now would be to admit defeat, encourage Rhodesia back into the world community, and try to speed up the process by which time alone will solve the problem as to who is to rule.

CAPITAL, 8th JUNE, 1972

AFTER READING A FEW OF THE many tributes to the late Bertrand Russell on his 100th birthday, I dug back into our past files to re-read some of the things I said about him in his time. Not very complimentary they were, either; for which fact I now feel rather guilty. After all, it is not particularly pleasing to find that one was less than wholly in sympathy with the greatest philosopher of the century, an outstanding man in any day or age. It was his behaviour, should I say his antics, which I appear to have found so reprehensible; those manifestations of his character which seemed so completely at odds with the power of his intellect. Such ambivalence was just not to be reconciled in one for whom reason was reputed to be the main guide in life. For instance, in the cause of human liberty and dignity there is little doubt that he did much to promote the greatest tyranny of all, namely communism, at any rate among his more youthful admirers. His attack on atomic weapons, too, inevitably restricted to western countries, seemed calculated to disturb the balance on which the peace of the world, its immunity to nuclear war, mainly rests. Other instances abound, and there is no doubt that in his later years he was a great embarrassment to that form of western democracy which was at least trying to live up to some of his ideals of freedom.

A FRIEND WHO HAS JUST RETURNED from a brief visit to Paris says that it is not always a pleasure to meet fellow Indians abroad. In spite of various restrictions, a surprisingly large number of Indians manage to get away on business or pleasure trips to Europe and America. But this growing familiarity with foreign travel seems to have had little effect on patterns of individual or group behaviour. There were a few other Indians staying at the same hotel as my friend, and on the morning of their arrival they were loudly complaining that they had been given no eggs for breakfast. When it was explained to them that a continental breakfast did not normally include eggs but they could have whatever they wanted for extra payment, they became indignant. It never occurred to them to tip the taxi-driver or the boy who took their luggage to their rooms, or even to say *merci* for any service done. We can, of course, always plead lack of foreign exchange when defending our stingy disregard for civilised customs, but one does not notice any particular insufficiency of exchange while observing Indians on a shopping spree in London or Paris, Rome or Munich, New York or Hongkong. On his return flight my friend was seated next to an Indian couple who lost no time in starting a conversation with: "Your good name . . .?" The conversation soon turned to their purchases of foreign goods, which predictably included gadgets they had never seen before. Of course they had bought a camera in Munich, but had not the foggiest notion of such things as aperture or shutter speed. They were amazed to learn that my friend had bought hardly anything but a large bottle of liquor and a small bottle of scent. And when they learnt that he had made such journeys before they exclaimed: "Ah, you are the man whose advice we need. How can we get our things through the Customs?" Evidently they did not believe him when he said that he really did not know. The display of the acquisitive instinct was vulgar; "the craze for foreign" was positively obscene. But I am told that it is still more obscene in Delhi where there is a mad rush for second-hand imported goods, including used underwear, auctioned by members of the diplomatic community. Think of the smart young women trying to be seductive in *lingerie* used and discarded by wives and daughters of foreign diplomats. Seductive or not, they are surely thrilled by the thought.

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MANAGEMENT

Salary Administration : A New Concept in Management

By Natesan Subramanian

Evolving a satisfactory salary structure in a company is a complex process. In order to be truly effective, any such structure needs to have built-in fairness.

A SENIOR works manager who is due to retire in a year's time is told that having reached his maximum grade he would not receive any further increments. He quits the company and joins competition ; the company has not only lost a good man but has strengthened the hands of a competitor. An efficient lady secretary leaves her present employer who is willing to pay a higher salary to a new recruit because it is the going rate, but would not review the salary structure of the staff already employed. And an organisation is faced with the prospect of losing its key men due to its insistence on maintaining the *status quo* in salary structure. The common factor in all these cases is that these have been precipitated by an arbitrary salary administration policy. With the emergence of competition and the growing demand for established skills as well as for new skills, companies are increasingly paying attention to a hitherto neglected area of personnel management—the one relating to salary administration. Salary structures which had been evolved by sheer guess-work or on an *ad hoc* basis are being replaced by scientific structures compiled with the assistance of consultants and salary administrators, in order to attract good men and to keep the ones already working.

A Complex Process

Evolving a satisfactory career and salary structure is a complex process and the object of this article is mainly to generate interest in this area. Any salary structure is bound to be influenced by the interaction of supply and demand for jobs. This interaction provides a market value which can be described as "the going rate". Consequently, a large demand for people with certain skills automatically means an increase in the "going rate" and a surfeit of people with certain skills naturally would lead to a decrease in the going rate. An analysis of salaries offered in the last few years indicates that from time to time the salary structure had risen whenever new skills were in demand. There was a time when engineers were in great demand, this was followed by a boom for chartered accountants, cost accountants and later company secretaries. With the emergence of new skills relating to operational research, business administration and management accounting, employers are willing to pay more for the latest know-hows.

In order to evolve an effective salary structure it is necessary to clarify what salary executives want. Is it the highest they can squeeze out of the company—the maximum rate ? Or is it what most other people similarly placed get—the market rate ? Or a fair pay for the level of work—equitable rate ? It has generally been conceded that people are most often happy if they can get the equitable rate. The underpaid or the overpaid staff are always subjected to psychological stresses and strains. While the underpaid constantly hold it against their employers, the overpaid experience strains in their anxieties to justify the high salaries they are paid.

Equitable Payment

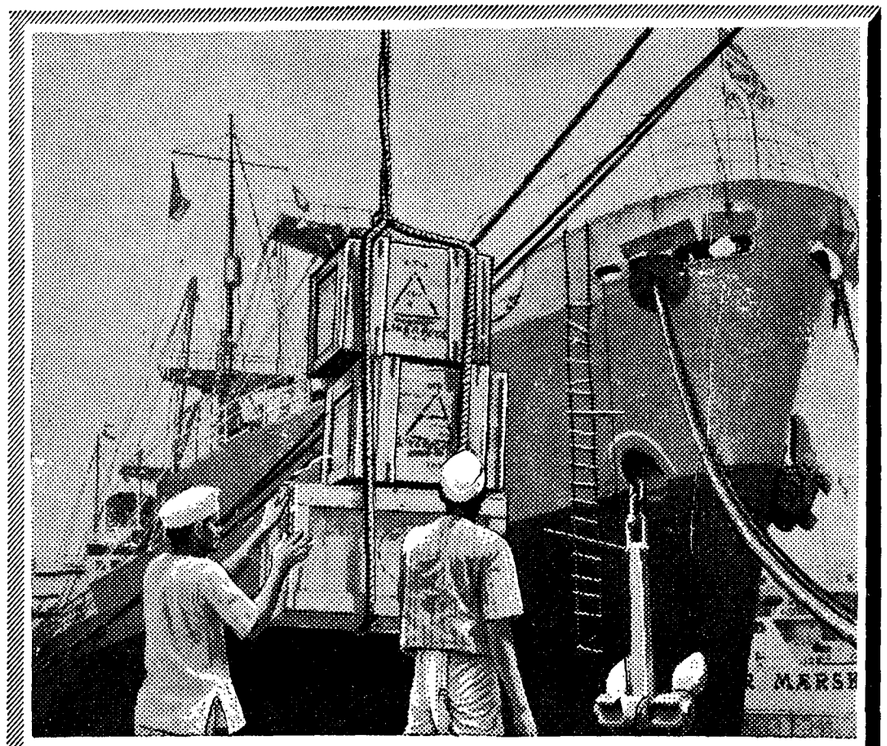
While this classification is highly simplified in theory, it is seen that in practice, it is very difficult to identify the three types. Some research has been undertaken in Britain and the U.S.A. in these areas and the popular one relates to Professor Elliott Jaques's unique system of equitable payment. According to Jaques, people desire a salary that accurately reflects the level of work in their job. The level of work within a job can be described to be equivalent to the amount of judgment and discretion that has to be exercised in order to do the job satisfactorily. In other words, it is the exercise of discretion which is linked to the factor of responsibility. Professor Jaques further elaborates that the level of work in a job can be measured because one can measure the length of time for which the jobholder has to use his discretion before the results of his decisions are directly reviewed by his superiors. This measurement is called the *time-span of discretion* and the time-span for any job is to be the longest possible period for which discretion can be exercised without direct management review.

Another interesting system developed in America, commonly known as the Hay-M.S.L. System, introduces an objective analysis of executive duties and responsibilities for comparison. Appraising salaries starts with drawing up of job description and standard procedures for job analysis and evaluation. This system awards scores for experience and technical expertise, the element of problem-solving involved in the job and the accountability of the person. In problem-solving, a distinction is made between creative and adaptive decision-making ; while a researcher does creative decision-making a sales manager may be merely adaptive by carrying out the company's overall policy.

The Problem Areas

It will be relevant to examine now the problems that companies experience in practice. The biggest problem area in salary administration, however, is one relating to the "top flight ones" in every company who are constantly pushing themselves forward. It becomes all the more difficult for a company to deal with these people because these are the ones who are also producing the results. Therefore, the career-structure evolved by a company needs to take into account the fact that there is a steady progression as an individual grows in the company. These top flight ones are very conscious of the rate of salary growth and the mobility evidenced by job-hopping in recent years is the outcome of their deep anxiety to maintain the rate of salary growth.

Another problem area in the administration of salaries is the delicate balance which has to be maintained as to what constitutes salary increases. It is common knowledge that salary



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increases contain two elemenets—(1) the outcome of general increases due to inflationary trends; and (2) increases relating to merit and promotion. In the absence of any exact method for differentiating these two elements, companies do a lot of guess-work for administering salary increases. Some guidelines, nevertheless, are available in this area also. A general above-the-board increase is not very frequent in any company and therefore is easily identifiable. Furthermore, most companies provide a salary scale with gradation and increments for satisfactory performance. Consequently, the element which is the outcome of merit and promotion therefore can be identified as the principal problem area. Here again, promotion is at intervals and is therefore more easily distinguishable of the two. Promotion does not mean more money immediately: it means the right to go on getting further increases. By this process of elimination one is thus struck with the problem of identifying the element of merit in a salary increase. Progressive companies identify this aspect by performance evaluation, usually on an annual basis.

Fringe Benefits

Any study of salary administration is not complete without a reference to the incentives and fringe benefits that companies offer these days. Government legislation is being increasingly brought to bear on these benefits and therefore a lot of thought is given to evolve a reward system which will continue to motivate executives. Apart from the general benefits provided such as house, conveyance, leave and medical facilities, companies have evolved schemes for greater involvement of executives in the company's future. The two well-known schemes relate to exercising share options and awarding pensions. While share options have proved very attractive, pensions do not hold the same attraction for on-the-move young executives; they argue that most pension plans get devalued as a result of inflationary pressures. At least, one company has come up with a bold solution to this problem by fixing the pension on the salary that a executive earns in the last few years of his career with the company. Other illustrations of fringe benefits which do not cost the companies very much but mean a lot to the executives are the free travel benefits that airline companies offer and the discount at which automobile companies offer cars to their employees.

In the final analysis, the principle of any salary administration revolves round the basic question of rewarding the efficient. In order to be truly effective, it is necessary that any structure has built-in fairness and justice elements. As Mr. Robert Townsend said in his *Up the Organisation*, while rewarding outstanding performance is important, it is equally important to ensure that the "underachievers" do not get rewarded.

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SPECIAL ARTICLES

Evolving a Formula for Fixing Freight Rates by Conference Lines

By I. M. Sahai

Exports of many Indian goods have suffered due to frequent freight hikes by Conference lines. Although the Government enjoys wide powers under the Merchant Shipping Act, the best thing will be to encourage shippers and Conference lines to evolve a suitable formula for fixing freight rates.

SHIPPING freight is an important ingredient of India's export prices. In the export trade, the freight bill on average amounts to over 10 per cent of the total cost of cargo. If one takes certain individual commodities, freight as percentage of the f.o.b. value is prohibitively high, up to 90 per cent for asbestos cement fittings to the U.K. and Europe. The effect of the shipping freight structure on India's total trade will be easily understood, for over 90 per cent of India's foreign trade is seaborne.

During the period 1969-71 Indian shippers had to face a number of increases in freight rates. One Conference and rate agreement after another came out with proposals for fare increase and over two dozen Conferences have actually increased freight rates. While India's otherwise uncompetitive export cargo needs sympathetic freight treatment, unjustified freight increases have rendered many export items unworthy of competition in foreign markets. Such increases are inimical to the nation's export promotion efforts. Exports of commodities like oilcakes to the U.K. and western Europe, hessian to the U.K. and the U.S.A. and pepper to the U.S.A. have declined because of high freight rates. Many non-traditional items like glass, sanitarywares, cables, iron and steel products and certain chemicals are not able to compete in foreign markets partially because of the high incidence of freight.

A reasonable method of fixing freight rates is the "cost of service" principle but generally Conferences fix freight rates on the basis of "what the traffic can bear." Usually different shipping companies operating on the same route form monopolistic combines known as Conferences. These combinations of liner companies operating on a particular route are formed to eliminate competition among themselves. Various member-companies agree to charge freight at specified rates which guarantee them semi-monopolistic profits. There are agreements also to regulate and allocate sailings among member-lines. The frequency of shipping services is maintained at a low level so that the scheduled services are assured of packed sailings. Shipping companies forget that the shipper has to supply the ordered goods in time. It has been reported that foreign buyers are reluctant to place orders with Indian exporters because they are not able to supply goods in time. In spite of a ready market abroad and sufficient cargoes for these destinations, the Conferences operating on these routes have not provided the requisite shipping space in order to create an artificial scarcity. Cargoes have to wait for weeks together to find space in ships bound for the U.K. and the Continent and the Far East.

Besides limiting competition among members, Conferences also try to eliminate potential or actual competitors by adopting the deferred rebate system or entering into loyalty contracts with shippers. Under the system of deferred rebate, a shipper is allowed a rebate of about 10 per cent if during a period of 12 months, he does not patronise any non-member shipping company. Under the system of loyalty contracts, which is also known as the dual-rate system, a shipper tied to a particular Conference for a fixed period is charged at a lower rate than are other customers. If the shipper commits a breach and ships his cargo by vessels of a non-Conference line, he not only forfeits his benefits under the contracts but may also be liable to penalty.

Discrimination is often practised by these Conferences on the basis of goods, ports and countries. Such decisions are certainly within the right of Conference lines but complaints arise when these amount to the exploitation of helpless shippers. It is interesting to note that for fibre glass and sewing machines the freight rates from India to the Gulf Ports are almost equal to the freight rates from Japan to the same destinations, although the distance from Japan is almost twice the distance from India.

Another evil of the Conference system is that Conferences do not care for the interests of underdeveloped countries. Conferences have failed to provide direct links to new markets in east and west Africa, South America and in the Persian Gulf, even though there is plenty of traffic and potential for growth. Under the system of Conferences, even the most inefficient operator is assured of a decent return with the result that members of a Conference cease to be cost conscious. Freight rates remain high due to the inefficiency of the shipping companies and it is the shipper who suffers. The Bonner Committee (U.S.A. 1961) had emphasised the need to check such malpractices.

Various methods have been suggested and evolved to bring an end to these malpractices but still Conferences enjoy semi-monopolistic powers in the fixing of freight rates. As far as India is concerned, the only moderating influence in such circumstances can be provided by the presence of Indian shipping companies in Conferences and in rate agreements. Foreign lines will definitely have to care for Indian interests if they realise that national lines can provide alternative services. During the post-independence period Conferences serving India have through the efforts of Indian lines shown appreciation and growing awareness of the country's export needs. National shipping lines have on occasions objected to proposed freight increases by Conferences dominated by foreign shipping companies and exercised a moderating influence on such freight revisions. It has also to be borne in mind that Indian shipping companies are also run on business principles and no

individual shipping line would be willing to suffer losses to promote exports.

Under the Merchant Shipping Act, the Government of India has wide powers to check and regulate rates charged by Indian shipping companies. The Government has so far not adopted any legislative measure or safeguard against the monopolistic functioning of Conferences. The Government's attitude has been influenced by the fact that since Indian liner companies, including the public-sector Shipping Corporation of India, are members of all important Conferences in India's overseas trade, they will be able to settle matters themselves. But if and when the need arises, the Government of India can take steps to check monopolistic freight rates and safeguard the interests of Indian exporters.

Between these two extremes, exercising the provisions of the Merchant Shipping Act and leaving matters to themselves, there lies another option. The Government may adopt a policy on freight rates by preparing a list of export items which require concessions. It can also decide the quantum of such freight rates, taking into consideration the level of comparable international freight rates, the requirements of particular routes and the operating cost of shipping companies. Shippers should also help the shipping lines in reducing freight rates by preparing and packing export cargoes in such a manner that handling costs are kept at the minimum. Ultimately, it is only through the joint effort of shippers and Conferences that a suitable formula for fixing correct freight rates can be evolved. Conferences and apex shippers' organisations like the Shippers' Council have a vital rôle to play in bringing about such co-ordination.

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Task Before Multinational Companies

By Ralph F. Young,
Senior Vice-President,
Bank of America

It is not enough to define multinationality solely on the basis of the number of countries in which a company operates. All multinational companies will have to shed the vestige of their national origin if their confrontation with host Governments is to be arrested.

WHILE Governments may not be pleased by having effectively to share controls over the activities of multinational companies, they are beginning to understand that they simply have too much to lose by prohibiting the activities of companies. On the contrary, countries benefit a great deal in revenues, jobs, and industrialisation. There appears to be no substitute today for the favourable impact the multinational company has in facilitating technological transfers, generating new capital markets and linking these markets, and integrating national economies.

Another way of measuring the contribution of multinational firms is to ask what the world would look like if they did not exist. While a question of that nature could never be answered definitively, there are numerous indications that we would all be the worse for such a consequence. Looking at our own bank, for example, it is clear to me that our substantial international activities have added to our total resource base and have increased our capabilities and staffing both in the United States and abroad. Overall, manufacturers have realised that they often face no real choice between exporting or producing abroad. They must produce abroad to protect their market position. If they stayed home, they would not retain their export markets and there would be a corresponding loss in employment.

The task for statesmanship now, here and abroad and within both business and Government circles, is to find the *modus vivendi*. My prescription for what ails the multinational-country relationship comes in three parts. I believe that, to the extent multinational companies move in this direction in the near future, tensions with Governments can be alleviated. First, I commend those few firms which offer their stock for sale in host countries. However, I am afraid this development has not gone far enough to satisfy the basic desire for participation and control held by people everywhere. Ownership rights need to be extended to the public in countries where multinationals are operating; and this right should extend not only to parent company shares, but, to the extent feasible, to the local producing unit's equity as well. This change would associate an important segment of the public with a firm's prospects in their country, and thus should benefit the firm.

Secondly, management should be broadened so that the firm is staffed with persons appointed for their abilities and expertise, rather than nationality. This principle should apply not only within each host country, but should extend also to staffing at headquarters. Thirdly, multinational firms need to demonstrate more openness to engage in business abroad through joint ventures, partnerships, and other arrangements that involve local producers and Governments as well as companies from third countries.

In short, all these changes I am suggesting serve to make the firm more truly multinational. It will not be enough in the future to define multinationality solely on the basis of the number of countries in which a company is operating. Companies have to shed the vestige of their national origin: they need to exercise good citizenship in each country and become citizens of the world if their confrontation with host Governments is to be arrested.

The S.T.C. Set for a New Leap Forward

By M. R. Hazaray

The working of the State Trading Corporation has vastly improved under the dynamic leadership of its chairman. It is now set for a new leap forward.

THE State Trading Corporation of India has just completed 15 years of its controversial career. It is now set for a new leap forward. It wants to take a leap forward and spread out in new directions. It was originally started to trade with export agencies in Russia and the east European countries. At first, it began as an exporting agency only; subsequently it started to import a few commodities in bulk like nylon yarn and skimmed milk for local distribution. More recently, it has become an effective instrument of socialisation of import trade. It was started with the modest objective of supplementing the activities of private traders, especially in the communist bloc countries, and with an assurance to them that it would not supplant them; but in the years that followed, the S.T.C. had to assume more and more responsibility and play a more dynamic rôle in the process of economic development of the country. It is now allowed to export any amount it chooses; besides, it now enjoys a virtual monopoly in the import of several important industrial raw materials. In addition, it is also empowered to implement several trade agreements concluded by the Government of India with foreign Governments.

It is needless to say that the canalisation of imports of a large number of items through the S.T.C. is helpful in many ways. It ensures a fair distribution of scarce industrial raw materials. It puts down effectively the speculative tendencies in the trade. It helps in stabilising the prices in the market. This ultimately enables the Government to peg down the prices of finished products. In the past, the S.T.C. was the butt of severe criticism for skipping the commercial principles and making heavy financial losses, but in recent times things have improved a great deal under the dynamic leadership of its present chairman, Mr. P. L. Tandon. He has brought fresh thinking to bear upon its working. He has tried to apply private business techniques to public enterprise very successfully. During 1971-72, the profits of the S.T.C. have amounted to Rs. 16 crores; they have gone up by about 124 per cent. Similarly, the expenditure has gone down by 4.7 per cent. Although the entire profits earned were from imports, losses from exports too have declined considerably to Rs. 3.3 crores from Rs. 4.36 crores last year.

Mr. Tandon has ably demonstrated what wonders could be achieved if the principles and techniques of business are reversed both in the public and private sectors. Given the flexible approach and decentralisation in management even a vast sprawling public-sector enterprise like the S.T.C. could achieve a great deal. The S.T.C. already has four subsidiaries working under it. It has shouldered new responsibilities in recent times. It has carried out price support programmes in respect of cotton, jute, and tobacco and invested substantial sums by way of equity participation in Maharashtra and Gujarat Small Industries Development Corporations. It can now boast of 40 industrywise consultative committees and 22 branches abroad besides the newly floated associate company in Hongkong to deal with the south-east Asian trade. Mr. Tandon has prepared a plan for splitting the Corporation into a number of small autonomous units each handling distinct commodities or categories controlled by an apex organisation.

It is often alleged that the trends in S.T.C. operations have remained mostly traditional and whatever improvements have been seen so far are mainly due to State patronage and State monopoly. The S.T.C. has yet to penetrate into the new markets of Africa and Asia and popularise non-traditional goods in established markets. It can fix some realisable targets through its performance budget. However, it is indeed gratifying to note that the chairman is quite aware of these problems and he hopes to solve them before long. In his opinion, the S.T.C. could play a more effective rôle in India's foreign trade than at present if its export and import functions were completely separated as the principle of "combining buying strength with selling strength" has not yielded enough advantage to the country. The chairman has outlined a programme for action which the country should adopt in the next three or five years if the exports were to be sustained and increased over the next two decades. It includes the professionalisation of exports or a hard-headed businesslike approach to planning for a surplus production to maintain the level of exports. Since the S.T.C. has been granted the membership of the Federation of Indian Chambers of Commerce and Industry, there is every reason to believe that the outlook of both would undergo a revolutionary change in the overall interest of the economy.

Need to Promote the Export of Manufactures from Developing Countries

By Attam Parkash

Developing countries, whose share in world exports is going down, can reverse the trend only by selling more manufactures abroad. They have to adopt a dynamic marketing strategy for this purpose.

A FALLING share of developing countries in world exports is a well-known fact. Their exports have lagged because of such factors as low elasticities of demand of primary products (which account for nearly 80 per cent of the developing countries' exports), deteriorating terms of trade, price instability, and imposition of tariff and non-tariff barriers by developed countries. As the scope for export of primary products is limited, developing countries can augment their export earnings by expanding exports of manufactures which enjoy far more buoyant world demand, accounting for nearly two-thirds of world trade. The only way the developing countries can reverse this trend of declining share in world trade is by diversifying into exports of manufactured goods, particularly of the labour-intensive types, in which they have an edge because of lower labour costs.

However, manufacturers in developing countries will not become successful exporters unless they learn to

plan and execute marketing strategies. Manufactured goods cannot sell in the world market, unless they are marketed aggressively. To tap the full sales potential, products need to be designed for target markets and supported by a proper mix of price, distribution and promotional policies. This would call for on the part of manufacturers an aggressive multi-dimensional marketing strategy, including selection of target export markets, formulation of marketing objectives for each market, and designing of marketing-mix to attain the objectives in each market.

The selection of target export markets should be based on an explicit evaluation of market opportunities in foreign markets. A comprehensive review of all markets is essential. Having selected a target market and decided the objectives, the manufacturers should design a suitable set of policies to achieve those ends. Not only should marketing policies be adjusted to suit each market, these should also be blended together to form an integrated marketing programme. There is a necessity for designing a mix of marketing policies aimed at a target market. Product policies should be related not only to the physical product but also to consumer packaging including trade marks and product services such as warranties and repairs.

Price policies, similarly, should take into account the final buyer price, the discount structure and other terms of sale. Channel policies should cover the selection of distribution channels and their intermediaries such as agents and distributors, the guidance of channel performance throughout the channel as well as physical distribution, including transportation, handling, packing and storage. Promotional policies should include decisions on matters relating to communication with the market—personal selling, advertising and other promotional forms such as trade fairs and exhibitions. Both the blending of marketing policies and their adaptation to a target market can be greatly improved by factual knowledge and detailed planning. Side by side, the marketing strategy would require a commitment of the manufacturers to export on a long-term basis to generate confidence—an essential requirement for successful marketing.

Parliament : Two Lively Issues

(FROM OUR NEW DELHI CORRESPONDENT)

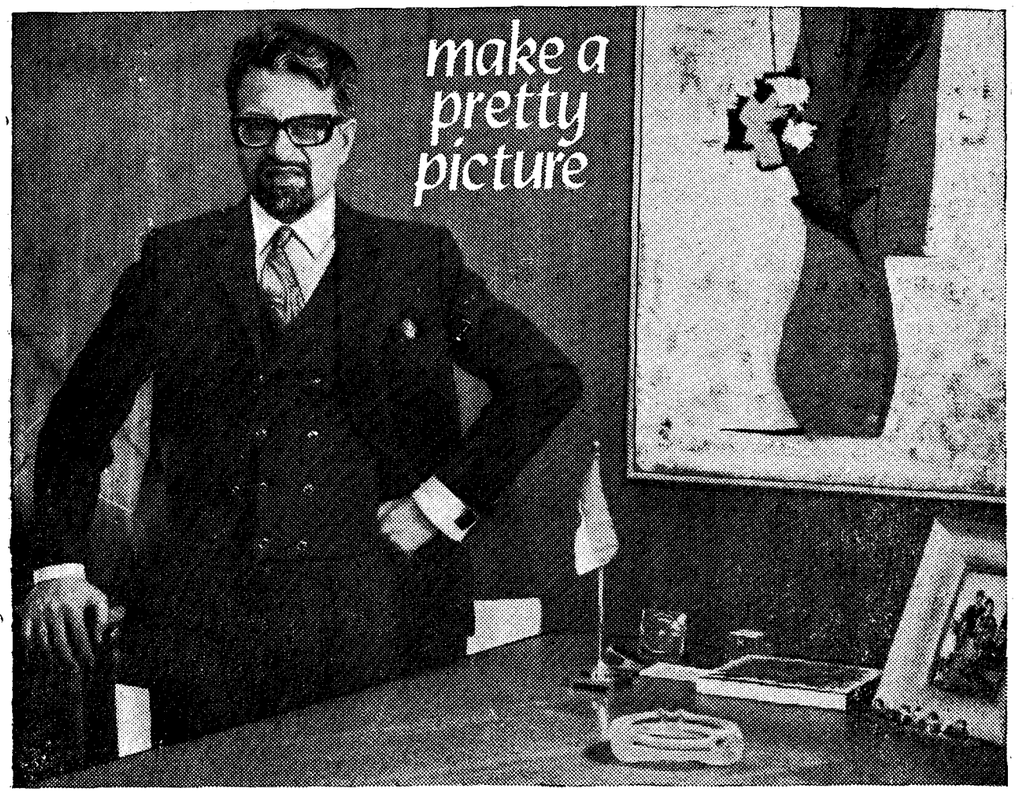
Two equally exciting debates gave a lively finishing touch to the Budget session of Parliament. One was on the Nagarwala affair and the other on the election poster issue which engaged the two Houses beyond the prescribed time-limit.

FOR all the tameness of the Budget session throughout the last two months, the ending in both Houses of Parliament was lively. There was, for instance, an exciting debate on the Nagarwala affair (the swindling of Rs. 60 lakhs from the State Bank of India), followed by another equally exciting debate on the election poster issue. Both debates engaged the two Houses beyond the prescribed time-limit, indicating how seriously the Opposition took the debates, and how anxious the Treasury benches were to ward off the attacks on the high principles and policies of the ruling Party, the massive mandate given by the people notwithstanding. In fact, on both issues, the debates tended to be political, although the Opposition had armed itself with sufficient photostats to prove their charge of the ruling Party's collusion with the capitalists. The most telling argument of the ruling Party was that if these allegations were true, the people, at any rate, were not bothered by them. Otherwise, would they have given the Congress the massive majority that it received in 1972?

Of course, on one point, the Government's argument was less than convincing. This related to the Opposition's demand for the appointment of a parliamentary committee to enquire into the allegations. West Bengal's Youth Congress leader, Mr. Priya Ranjan Das Munsi, had charged the C.P.I.(M) with having accepted considerable amounts from another business house. This was to accuse the Marxists of being equally gullible to receiving money from business houses. After all, it was the C.P.I.(M) leader, Mr. Jyotirmoy Bosu, who had charged the Government of indulging in black money (this was the bone of contention in regard to the money which Mr. Nagarwala tried to take out from the State Bank), and also of helping business men in expanding their business while taking their financial help in dubious ways.

The debate showed that the C.P.I. was willing to hit the Congress but was reluctant to wound it. There can be no other explanation for the vituperous speeches made by Professor Hiren Mukherjee and Mr. Indrajit Gupta, both holding the ruling Party responsible for increasing election expenses (which led to all kinds of corrupt practices) while, at the same time, refusing to go all the way with the Opposition. On the Nagarwala debate, for instance, when the Government refused to appoint a parliamentary committee, it was the D.M.K. which led a walk-out in which all parties, excepting the C.P.I., joined. The C.P.I. is indeed in an embarrassing position in Parliament. While in West Bengal and Kerala the C.P.I. is officially with the ruling Congress, it continues to sit with the Opposition in Parliament. But no other party believes that the C.P.I. is anything but an appendage of the ruling Congress even at the Centre.

The land ceiling question continued to agitate the two Houses of Parliament, but the issue did not come up in any concrete form despite the plethora of reports by the Central Land Reforms Committee. Land is essentially a State subject; this may be one reason why the issue was not discussed in Parliament in all seriousness. However, it is surprising that this vital issue was even kept out of the A.I.C.C. session. Apart from a resolution on foreign affairs, the Congress Working Committee did not bring forward any specific resolution on economic issues. Even the debate on the second day of the A.I.C.C. session was devoted to an all-embracing subject like "approach to the Fifth Plan", under which any issue could be discussed. But clearly, neither the Central Government nor the Congress Working Committee wanted land ceilings to be discussed in any seriousness.



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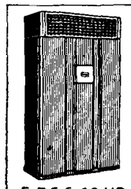

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SPOTLIGHT ON STATES

Ceiling on Urban Property : The Madhya Pradesh Act Examined

(BY A SPECIAL CORRESPONDENT)

It is more to demonstrate its faith in socialism than the desire to improve the condition of the common man that has moved the Madhya Pradesh Government to enact a legislation on a ceiling on urban property. Since Madhya Pradesh is the first State to pass such a Bill, its provisions need to be studied in detail.

ALTHOUGH many State Governments are adopting a cautious approach in regard to the imposition of a ceiling on urban property, Madhya Pradesh has already rushed through a legislation for this purpose. The State is confronted with many tough problems relating to law and order and the development of its vast backward areas. Nevertheless, the Government has found time to enact a legislation for imposing a ceiling on urban property. This being the first State in India to pass a Bill on this controversial subject, it is worth while to analyse its provisions in detail.

The statement of objects and reasons of the Bill says that a few years ago, the State Government imposed a ceiling on agricultural holdings with a view to ensuring an equitable distribution of land and reducing the concentration of wealth in the rural areas. It is claimed that the Government has been successful in implementing this programme and securing an even distribution of agricultural land in the State. The Government, therefore, felt that in view of the increasing trend towards urbanisation, it should interfere in order to prevent the concentration of urban property in a few hands to the detriment of the common good. The Government said that the redistribution of urban property had become "the crying need of the day" and that this could be effected only by imposing a ceiling on urban property. It was claimed that the Act sought to implement the Directive Principle of State Policy as mentioned in Article 39(b) and (c) of the Constitution.

For imposing the ceiling limit, the family is taken as the unit of ownership. The urban property owned by various members of a family is deemed to be owned by and belonging to the family. In the case of a family consisting of a single male or female, whether married or not, the ceiling limit of urban property shall not exceed Rs. 3 lakhs in value. In the case of a family consisting of husband or wife or both with minor children, if any, but having not more than five members, the ceiling shall not exceed Rs. 4 lakhs in value. Where urban property is held by a joint Hindu family, each member of such a family who is entitled to a share in the joint Hindu family property is deemed to hold so much urban property as is proportionate to his share in the property, to which he would be entitled if partition is to take place on the date of commencement of this Act. It is also laid down that if on or after 1st January, 1972, any person has transferred any urban property owned by such person, the property so transferred is deemed to be owned by such person for the purpose of this Act.

The Act provides for punishment for those who conceal facts about urban property. If the competent authority is satisfied that any person has suppressed the data about the urban property owned by him, the latter will be liable to pay by way of penalty a sum which shall not be less than but which shall not exceed twice the amount representing the value of the urban property in respect of which the particulars have been concealed or inaccurate information has been given.

Another interesting feature of the Act is that exemptions are allowed in respect of many kinds of property. Exemption from the Act is given to any urban property owned by the Central or the State Government or any local authority; any public trust, charitable or religious; private or public company as defined in the Companies Act 1956 to the extent such property is used for the purpose for which the company has been formed; and to property owned by banks, registered societies, co-operatives, clubs or associations formed on a mutual non-profit basis; the Life Insurance Corporation and other financial institutions set up under official auspices. Other types of urban property are also given exemption, such as those used for religious worship, educational purposes, public parks and libraries and those built for the accommodation of the weaker sections of society in accordance with the scheme approved by the Central or the State Government.

Reports from Bhopal indicate that the Act has not created much enthusiasm among the people. The general impression in the State is that the Government has passed this Act more with a view to proclaiming its faith in socialism than with the genuine intention of improving the economic condition of the common man. The Act does not explain how the excess property that is going to be vested in the Government will be distributed. The exemptions are considered to be too liberal which may give considerable scope for abuse. Some consider the ceiling prescribed in the Act as being too low, which may adversely affect construction activity and hinder the State's economic growth. Others, however, seem to think that the ceiling is far too high.

PEOPLE AND PERSONALITIES

Mr. R. Ray Chaudhuri is taking over as General Manager of the Assam Oil Company Ltd, a subsidiary of the Burmah Oil Company Ltd, in early June. He will be the first Indian to hold the post. Mr. J. W. Wilkinson, who was the General Manager of the Company before Mr. Ray Chaudhuri, is proceeding on leave prior to taking up a senior appointment with the Burmah Oil Group in Australia.

Mr. M. L. Capoor of Dunlop and Mr. S. K. Datta of William Jacks have been elected chairman and vice-chairman, respectively, of the Calcutta Import and Export Trade Association for 1972-73.

The board of directors of India Tobacco Co., which has as its chairman Mr. A. N. Haksar, has recently been reconstituted. Mr. S. Ray has been elected vice-chairman designate and senior deputy chairman and Mr. S. B. Aibara, deputy chairman. The other members of the board are, Messrs R. C. Burns, A. K. Mitra, P. B. K. Murthy, J. B. Singh and D. J. Weaver.

BOOKS

The Problem of Agricultural Marketing

Principles and Practice of Agricultural Marketing and Prices. By S. C. Jain. (Published by Vora and Co. Publishers Private Ltd, 3 Round Building, Bombay 2. Price Rs. 20, pages 328.)

The problem of agricultural marketing has assumed importance in the wake of transformation of agriculture with the introduction of high-yielding varieties and improved farming practices. Assembling, processing and distribution of agricultural products and the secondary services like storage, transport, grading and market information require specialised knowledge of the theory of markets and marketing. Mr. Jain's book attempts an analysis of the principles and practices of agricultural marketing in India on these lines. A lot of painstaking research has gone into the book but still it lacks a detailed and critical analysis of the Government's policy in this respect. The data used are not up-to-date. Some case studies of important markets in the wheat and rice belts would have been more interesting. Moreover, the need for having a specialised team of officials to supervise and inspect markets, warehouses and cold storages, and to collect market intelligence has been overlooked. The bibliographies at the end of each chapter will be of immense help to researchers.

ASOKE MOHAN ROY

Emergence of Bangladesh

Crush India—Gen. Yahya Khan or Pakistan's Death Wish. By G. S. Bhargava. (Published by Indian School Supply Depot, 3762 Netaji Subhas Rd. Delhi 6. Pages 207, price Rs. 25.)

Bangla Desh Documents. (Published by Ministry of External Affairs, Government of India. Pages xxiv + 719, price Rs. 25.)

The men on the spot covering major international crises, particularly wars, are much sought after by publishers to write books based on their first-hand experience. Even before the short-lived Biafran rebellion was crushed by the Nigerian army, some interesting publications on what was described as a major disaster for humanity appeared. *The Biafra Story* by Mr. Frederick Forsyth, although told from the Biafran standpoint, has been very well received. The joint effort by Randolph and Winston Churchill, son and grandson, respectively, of the late Sir Winston Churchill, produced *The Six Day War* and the book is still very popular. Following the Bangladesh crisis, a number of publications in different Indian languages have appeared. Since the authors had not had time to make a close scrutiny of all the information they could lay their hands on and the currents and cross-currents, the books naturally suffer from certain unavoidable shortcomings. Mr. G. S. Bhargava, a well-known journalist, has, however, one advantage which many do not have. Apart from the assignment he had in Pakistan as a correspondent, he is known for his perceptible observation of the political and economic developments in that country.

Readers will find the chapter on Mukti Bahini which is based on the author's visit to the eastern periphery of Bangladesh during August 1971 interesting. It gives an account of the *modus operandi* of the Mukti Bahini and how it managed to harass the barbarous Pak army. Mr. Bhargava, while analysing what amounts to "Bhuttoism", said that Bangladesh, like Pakhtoonistan, might have remained a dream but for the follies of the present President of Pakistan. It is true that President Bhutto's audience is the post-partition generation which "while not being orthodox in its religious practices is at the same time possessed of an Islamic frenzy." Unless one knows what Bhutto has been always up to and what influences his thinking, it will not be possible to understand his present mercurial behaviour. Besides giving a detailed account of the recent war, the author has made an analysis of the Indo-Pakistani relations since 1947. The crush India campaign has proved to be the death wish of Pakistan. Its present rulers should do well to remember that the people want peace and prosperity and not war and poverty.

Bangla Desh Documents has already been widely appreciated all over the world. The reason is obvious. Till now no other publication has been able to match its dependability, comprehensiveness and the amount of care that has gone into its preparation. Based on official pronouncements, eye-witness accounts by eminent persons and Press reports, the contents of the book are factual and objective. Researchers will find *Bangla Desh Documents* a very useful source of information.

Non-banking Companies

Deposits with Non-Banking Companies and Monetary Policy. By Mohandas Saravane. (Published by Thacker and Co. Ltd, 18-23, Rampart Row, Bombay 1. Price Rs. 15, pages 88.)

The book aims at providing a framework for analysing the rôle of deposits in the monetary mechanism. The relationship between the growth of deposits with non-banking companies and monetary velocity, and the relative growth of deposits with banks and with non-banking companies are analysed from the standpoint of their implications for monetary policy. Besides, the effect of the growth of deposits on the financial structure of non-banking companies has been examined.

Understanding Marx

The Marxian Mirage. By Satyavrata Patel. (Published by New Horizon Publishers, Bombay 8. Copy received from Popular Prakashan, 35 C Tardeo Road, Bombay 34. Price Rs. 35, pages 233.)

The entire thought-structure of Karl Marx has been analysed in this little volume with illuminating and penetrating comments. The book is more than a masterpiece of demolition; it has a constructive vision which embodies the highest idealism man is capable of. To the author "Marxism is a superstition, a shoddy belief; it is too dogmatic to be a method of study or science, too woolly to be a guide of action, too quixotic to appeal to reason". To him Karl Marx was not a scientist but a dogmatic obscurantist; not a humanist but its stark negation; he was not a genius but a hack critic of the social phenomena of his time, but here too he was less than original.

TAXATION

Levying Wealth Tax on Agricultural Property

By P. K. Bhargava

The inclusion of agricultural property for wealth tax purposes under the Wealth Tax Act is a step in the right direction. This will not only help in reducing the inequity between the agricultural and non-agricultural sectors but also between large and small landholders.

FOLLOWING Professor Kaldor's recommendation, a tax on net wealth was imposed in India from April 1957. Wealth held by the assessee's wife or minor children is also included in his net wealth provided it was transferred by him without adequate consideration to them but any wealth transferred before 1st April, 1956, is not included. Such a provision was made because Professor Kaldor had presented his recommendations to the Central Finance Minister on 20th March, 1956, and transfers before that date were not made to evade the tax. However, it is felt that such a discrimination is not desirable from equity considerations.

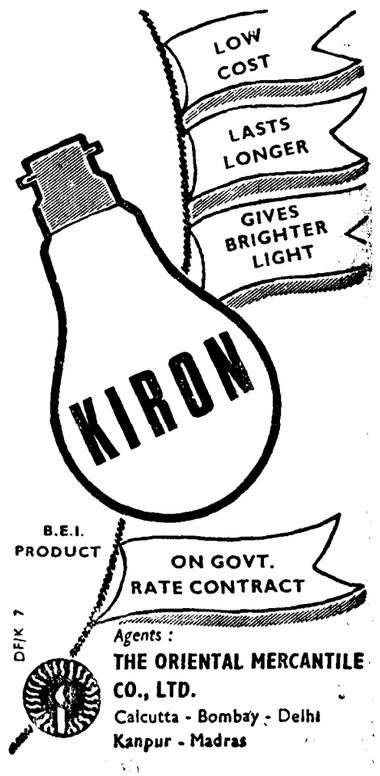
Besides various exemptions under the Wealth Tax Act, agricultural property and animals are not included in net wealth for tax purposes. The exemption of agricultural wealth from wealth tax under the Wealth Tax Act has a historical origin and is not due to any bar under the Constitution on the competence of Parliament to legislate on the levy of wealth tax on agricultural wealth. The Government of India was advised in April 1968 by the then Attorney-General, Mr. C. K. Daphtry, that although Entry 86 of the Union List in the Seventh Schedule to the Constitution relating to taxes on the capital value of the assets of individual and companies specifically excluded agricultural land from its purview, Parliament was competent to make law for the levy of tax on the capital value of agricultural land by virtue of its residue power of legislation under Article 248 of the Constitution. Accordingly, the Finance Act, 1969, amended the Wealth Tax Act, 1957, for extending the levy of wealth tax to agricultural property (that is, agricultural land, standing trees and also buildings) with effect from the financial year 1969-70 (except agricultural property situated in the State of Jammu and Kashmir, as Article 248 and Entry 97 of the Union List, in the form in which they apply to the State of Jammu and Kashmir, do not cover taxes on the capital value of agricultural land).

The separation of agricultural and non-agricultural wealth has been a great source of tax evasion and of converting black money into white. The former Central Finance Minister, Mr. Morarji Desai, in his 1969-70 Budget speech rightly stressed that the exemption of agricultural wealth from wealth tax has "encouraged purchase of such land by the richer professional and business classes. While this has often acted as a spur to greater productivity in agriculture, there is no case in equity for taxing other productive wealth but exempting wealth in the form of agricultural land." Mr. Desai seemed to have been prompted by equity considerations but it must be emphasised that in addition to that, the measure was necessary to check tax evasion and conversion of black money into white.

The reform of agricultural taxation is long overdue and the inclusion of agricultural property for wealth tax purposes under the Wealth Tax Act is a step in that direction. The inadequate taxation of the farming sector has imposed a heavy tax burden on the urban sector of the economy. It is a peculiar feature of the Indian tax structure that an industrialist with an annual income of over Rs. 2 lakhs gives as much as 97.75 per cent of it to the Exchequer while a farmer with the same income keeps a major part of it. It may be emphasised here that there are many farmers who fall in this category as a result of the sharp rise in investment and inputs in agriculture.

Official studies of the Indian tax structure show that in 1970-71 the total yield from land revenue and agricultural income-tax was Rs. 137 crores which formed 0.85 per cent of the net output of the agricultural sector. As against this, the income-tax collected was estimated at Rs. 473 crores in the same year which formed 2.6 per cent of the net output of the non-agricultural sector. It may also be emphasised here that between 1960-61 and 1970-71, while the proportion of income-tax and corporation tax to national income from sources other than agriculture has risen from 4.1 per cent to 4.6 per cent, the proportion of land revenue and agricultural income-tax to national income derived from agriculture has declined from 1.63 per cent to 0.85 per cent. That the importance of land revenue and agricultural income-tax is declining in the States' tax structure is also confirmed by statistics; these two formed 27.9 per cent of the revenue from State taxes in the First Plan, but the percentage declined to 26 in the Second Plan, to 18.4 in the Third Plan and further to 7.1 in 1971-72 (Budget). The importance of land revenue and agricultural income-tax will decline progressively if suitable steps are not taken.

The farmers (especially the large landholders) have benefited from higher prices of agricultural products and improved productivity of land. The States have taken steps to provide certain facilities to agriculturists in the form of cheaper credit, price support schemes and warehousing facilities. The overall effect has been that the terms of trade have moved in



favour of agriculturists. The State Governments and farmers have not favoured the inclusion of agricultural property for wealth tax purposes under the Wealth Tax Act. Mr. H. S. Dhillon, representing the Punjab Farmers Forum, had filed a writ petition in the Punjab and Haryana High Court which declared the Agricultural Wealth Tax imposed by the Government of India *ultra vires* of the Constitution. The Court had held that Section 24 of the Finance Act, 1969, to the extent that it included agricultural land within the definition of assets for the purpose of the Wealth Tax Act, 1957, was beyond the competence of Parliament, and was, therefore, *ultra vires*. Thereafter, the Central Government made an appeal to the Supreme Court which set aside the judgment of the Punjab and Haryana High Court and upheld the constitutional validity of the Wealth Tax Act as amended by the Finance Act, 1969 in so far as it included the capital value of the agricultural land for assessing the net wealth of an individual. The Chief Justice of the Supreme Court said in his judgment: "We are definitely of opinion that the scheme of our Constitution and the actual terms of the relevant articles 246, 248 and entry 97 show that any matter including a tax which has not been allotted exclusively to the State legislatures under list two or concurrently with Parliament under list three falls within list one including entry 97 read with Article 248."

It is a happy augury that the value of agricultural and non-agricultural property is to be aggregated for wealth tax purposes. The Finance Act, 1969 provides that agricultural land up to the value of Rs. 1.5 lakhs will be exempt from wealth tax. Thus, a farmer, who owns agricultural land worth Rs. 2.5 lakhs, and does not own any non-agricultural property, will remain outside the scope of the tax because the exemption limit relating to non-agricultural property for individuals and Hindu undivided families is Rs. 1 lakh and Rs. 2 lakhs, respectively. The net proceeds of the agricultural wealth tax, to be distributed among the States, were estimated at Rs. 5 crores a year. There are wide disparities in the distribution of wealth and income in the country and not even 1 per cent of the total population pays wealth tax. Hence, there are strong reasons to argue that the wealth tax exemption limit should be suitably modified so that more persons may fall in the tax net. The advantage with the wealth tax is that it has less disincentive effect than taxes on income because it does not tax effort and enterprise.

Originally, the maximum rate of wealth tax was 1½ per cent. Since then tax rates have been revised many times. With effect from April 1964, the maximum rate of tax was raised to 2.5 per cent on net wealth exceeding Rs. 20 lakhs. From the assessment year 1972-73 the wealth tax has been made much more stiff by raising the maximum rate to 8 per cent on net wealth in the slab over Rs. 15 lakhs. The frequent revisions of wealth tax rates in the upward direction are an indication of the Government's determination to reduce income and wealth disparities. To conclude, it may be emphasised that a tax on agricultural wealth will help in reducing inequity between the agricultural and non-agricultural sectors as also within the agricultural sector between large and small landholders. The State Governments should also welcome it as the net proceeds of wealth tax on agricultural property are to be passed on to them as grants-in-aid.

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LABOUR

An Important Supreme Court Decision on Domestic Enquiries

(BY A SPECIAL CORRESPONDENT)

THE Supreme Court has recently given an important decision on domestic enquiries resulting in dismissal or discharge of workmen and the manner of supporting such an order by the management when it is challenged before an Industrial Tribunal. (Delhi Cloth and General Mills Co. *versus* Ludh Budh Singh; Civil Appeal No. 984 of 1967.) The appeal arose out of an order of the Special Industrial Tribunal, Delhi, made under Section 33 (1) (b) of the Industrial Disputes Act refusing to grant permission for the dismissal of the workman. The Tribunal took the view that the domestic enquiry was defective and further that the findings of the enquiry officer were perverse. In the appeal it was urged on behalf of the appellant Company that the Tribunal had exceeded its jurisdiction under Section 33 (1) (b) of the Industrial Disputes Act, which was confined to ascertaining whether there was a *prima facie* case. The Tribunal was also wrong in not allowing the application filed before it for permission to lead evidence, in case the enquiry was found to be defective.

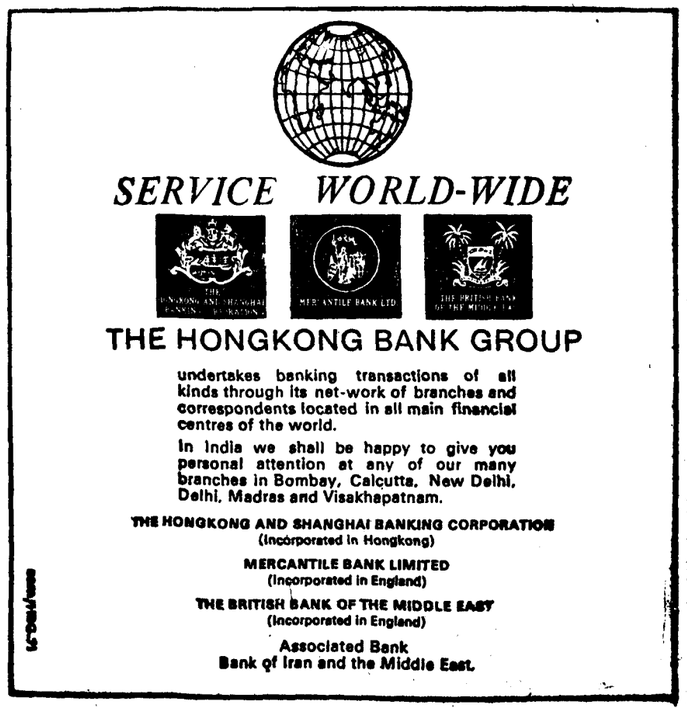
The Supreme Court held, after considering the facts, that the aspects of the case had been rightly taken into account by the Tribunal. The Tribunal was justified in coming to the conclusion that the enquiry proceedings were vitiated by violation of the principles of natural justice and that the appellant had not made out a *prima facie* case for grant of permission to dismiss the worker. As for the second point, the Court found that the application for leading evidence was very belated as it was made after the proceedings before the Tribunal had closed, arguments heard and the case reserved for judgment. It could not, therefore, be said that the appellant had been deprived of the opportunity of adducing evidence on merits before the Tribunal if the domestic enquiry was held to be defective.

In the result, the appeal was dismissed, but the case is of importance because of the principles laid down by the Supreme Court. The Court referred to its previous decisions that the nature of the jurisdiction under Section 33 is a very limited one. Where a proper enquiry has been held by the management, the Tribunal has to accept the findings arrived at in that enquiry unless they are not based on legal evidence or are such as no reasonable person could have arrived at on the material before the Tribunal. In such a case the finding is treated as perverse. The Court further laid down the following principles:

(1) If no domestic enquiry has been held by the management, or if the management makes it clear that it does not rely upon any domestic enquiry that may have been held by it, it is entitled straightaway to adduce evidence before the Tribunal justifying its action. The Tribunal is bound to consider the evidence so adduced before it, on merits, and give a decision thereon. In such a case, it is not necessary for the Tribunal to consider the validity of the domestic enquiry as the employer himself does not rely upon it.

(2) If a domestic enquiry has been held, it is open to the management to rely upon the domestic enquiry held by it, in the first instance, and alternatively and without prejudice to its plea that the enquiry is proper and binding, simultaneously adduce additional evidence before the Tribunal justifying its action. In such a case, no inference can be drawn, without anything more, that the management has given up the enquiry conducted by it.

(3) When the management relies upon the enquiry conducted by it, and also simultaneously adduces evidence before the Tribunal, without prejudice to its plea that the enquiry proceedings are proper, it is the duty of the Tribunal, in the first instance, to consider whether the enquiry proceedings conducted by the management, are valid and proper. If the Tribunal is satisfied that the enquiry proceedings have



been held properly and are valid, the question of considering the evidence adduced before it on merits no longer survives. It is only when the Tribunal holds that the enquiry proceedings have not been properly held, that it derives jurisdiction to deal with the merits of the dispute and in such a case it has to consider the evidence adduced before it by the management and decide the matter on the basis of such evidence.

(4) When a domestic enquiry has been held by the management and it relies upon the same, it is open to it to request the Tribunal to try the validity of the domestic enquiry as a preliminary issue and also ask for an opportunity to adduce evidence before the Tribunal, if the finding on the preliminary issue is against the management. However elaborate and cumbersome the procedure may be, under such circumstances, it is open to the Tribunal to deal, in the first instance, as a preliminary issue the validity of the domestic enquiry. If its finding on the preliminary issue is in favour of the management, then no additional evidence need be cited by the management.

But if the finding on the preliminary issue is against the management, the Tribunal will have to give the employer an opportunity to cite additional evidence and also give a similar opportunity to the employee to lead evidence contra, as the request to adduce evidence had been made by the management to the Tribunal during the course of the proceedings and before the trial has come to an end. When the preliminary issue is decided against the management and it leads evidence before the Tribunal, the position, in such circumstances, will be that the management is deprived of the benefit of having the finding of the domestic enquiry being accepted as *prima facie* proof of the alleged misconduct. On the other hand, the management will have to prove, by adducing proper evidence, that the workman is guilty of misconduct and that the action taken by it is proper. It will not be just and fair either to the management or to the workman that the Tribunal should refuse to take evidence.

(5) The management has got a right to attempt to sustain its order by adducing independent evidence before the Tribunal. But the management should avail itself of the said opportunity by making a suitable request to the Tribunal before the proceedings are closed. The Tribunal will have before it only the enquiry proceedings and it has to decide whether the proceedings have been held properly and the findings recorded therein are also proper.

(6) If the employer relies only on the domestic enquiry and does not simultaneously lead additional evidence or ask for an opportunity during the pendency of the proceedings to adduce such evidence, the duty of the Tribunal is only to consider the validity of the domestic enquiry as well as the finding recorded therein and decide the matter. If the Tribunal decides that the domestic enquiry has not been held properly, it is not its function to invite *suo moto* the employer to adduce evidence before it to justify the action taken by it.

(7) The above principles apply to the proceedings before the Tribunal, which have come before it either on a reference under Section 10 of the Industrial Disputes Act or an application under Section 33 of the Act.

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davp 72/57

INVESTMENT

Shares Dull : Glib Talk on Ceilings Worries Operators

THE stock markets have continued to present a dull appearance this past week and the overall trading pattern has not been much different from that in the preceding week. In the absence of any new driving force, operators have continued to mark time and with activity at a low ebb, fluctuations have been confined within narrow limits. Lower levels have attracted selective support and have induced some short-covering, but follow-up support on the rise has been lacking. Net changes over the week have shown a mixed pattern but the number of shares closing with plus signs has exceeded the number of shares showing net losses over the week.

Sentiment earlier in the week has been adversely affected by the announcement of compensation payable to shareholders of general insurance companies. The compensation which works out in most cases to around 9 per cent of the average dividend paid for the past three years has fallen short of market expectations. Investors' disappointment has been reflected in the sharp decline in the quotation of New India Assurance shares from Rs. 45.50 to Rs. 38.50. But the uneasiness caused by the low compensation proposed in the General Insurance (Nationalisation) Bill has not lasted long. The market has steadied upon bear-covering, scarcity of fresh offerings and some replacement buying. The fairly satisfactory corporate news has aided sentiment. But operators have been in no mood to extend their commitments.

All eyes are set on the outcome of the A.I.C.C. session which has turned out to be a very tame affair. The discussion on the Fifth Plan approach document has provided no clear indication about the possible shift in the Government's economic policy to achieve the Plan objectives and at the same time ensure an accelerated industrial growth. A fierce controversy continues to rage about land and urban property ceilings, and it is difficult to say how the final picture will emerge. The economy has been showing some hopeful signs and the political climate could not be more congenial. But the pace of recovery continues to be disappointingly slow. Latest reports from New Delhi indicate that the Government's new policy liberalising licensing in 54 key industries has been very disappointing. Liberalisation has made hardly any difference in industrial output. Perhaps the best thing that one can say about the economy is that things are not getting worse. But this alone cannot sustain the markets' optimism for long. The industrial growth rate will need to pick up significantly to sustain a rising trend in equity prices.

Gilt-edged securities have remained dull, with the volume of business greatly restricted. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. State Government loans have received selective support, but turnover has been restricted.

The Calcutta stock market has remained dull this past week. Turnover has been restricted as operators have been reluctant to extend their commitments in view of a number of imponderables. The proposal to fix ceilings on agricultural land holdings, urban property and even on personal incomes, together with the massive taxation effort that will be necessary to achieve the Fifth Plan target, have created fresh uncertainties. Among engineering shares, Jessop, Braithwaite and Guest Keen Williams have declined. Among jute shares, Ganges, Birla and New Central have been lower. Among coal shares, Western Bengal, East Indian and South Karanpura have changed hands. In the miscellaneous section, Brooke Bond, Goodyear India, India Tobacco and Chemicals and Fibres have been easier. Sapoi, Dibrugarh and Banarhat have been traded in tea shares.

Trading on the Bombay Stock Exchange this past week has been characterised by restricted turnover and narrow fluctuations. Sellers are reserved but buyers too are reluctant to increase their commitments. Operators preferred to await the outcome of the A.I.C.C. session which proved to be quite an unexciting affair. Apart from other restraining influences, the absence of news from the markets because of the strike resorted to by newspaper hawkers also made for restricted activity. The overall behaviour of the market has indicated that it is still not very sure which way to go. Among cotton textiles, Century and Standard have been firm features, atracting support at lower levels. Kohinoor have eased as the dividend for 1971 has been skipped. Svadeshi and Bombay Dyeing have also remained subdued. Rayon shares have presented a steadier appearance with South India Viscose, National Rayon and Century Enka recording small net gains over the week. Among steels, Tata Steel have been marked up on short-covering and moderate support. Engineering shares have ruled a little steadier due to poor offerings and modest support. Among shipping shares, Great Eastern have been rather subdued but Scindia have turned steadier on moderate support. Automobile shares have held steady with a small turnover. Among cements, A.C.C. have remained subdued. Chemical shares have displayed a distinctly steadier tone with Indian Dyestuff, Colour-Chem, Bayer and Zuari Agro-Chem showing fair gains. Tata Chemicals and N.O.C.I.L. have maintained a steady tone. New India Assurance shares, which suffered their sharpest decline for any single week, have staged an equally smart rally following the announcement of a dividend of Rs. 6 a share. Among miscellaneous counters, Motor Industries, Hindustan

COMPANY REPORTS

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

Alembic Glass
Amalgamations Repco
Bombay Paints
Borosil Glass
Chemicals and Fibres
Colour-Chem
Dunlop India
Garuda Investments
Hindustan Sanitaryware
Honkong and Shanghai
Hyderabad Asbestos
Indabrator
India Tobacco
Industrial Cables
Jessop
Permanent Magnets
Sendra Investments
Seshasayee Industries
Shama Engine Valves
Swan Mills
Wandleside National
Widia (India)

Aluminium and Ceat Tyres have been among the firm features.

The Madras stock market has remained sluggish this past week and turnover has been greatly restricted. Among planting shares, Kailas and Gokul have met with selling pressure while Peria Karamalai have met with some interest. Cochin Malabar, Consolidated Coffee and Chembra Peak have been easier. Among textile shares, Madura Mills have declined on selling pressure while South India Viscose have met with enquiries. Travancore Rayons have been quiet while Loyal Textile have been in good demand. Sugar shares have remained quiet in the absence of fresh support. Deccan Sugar and E.I.D. have been traded while Aruna Sugar have declined on selling pressure. Banks have remained firm and prices have moved up due to sustained demand. Canara Bank, India Bank and Indian Overseas have met with support. In the miscellaneous section, F.A.C.T. and Binny have changed hands. Engine Valves and Madras Aluminium have met with some buying enquiries.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 26/95—27/65—26/95—27/10—(22/45)

Dunlop India 32/10—32/10—31/70—31/70—(38/10)

Guest, Keen, Williams 36/70—36/75—35//60—35/85—(37/80)

Hindustan Motor 9/70—9/90—9/60—9/70—(11/75)

Howrah Jute 7/87—8/25—7/75—7/75—(7/37)

Indian Aluminium 35/50—35/80—35/25—35/40—(37/40)

Indian Cable 23/95—24/70—23/85—24/70—(17/40)

Indian Copper 3/12—3/15—2/93—3/00—(3/80)

Indian Iron 8/95—9/05—8/80—8/85—(11/50)

J. K. Cotton 7/10—7/25—6/95—7/10—(10/62)

Jaipur Udyog 8/10—8/40—8/10—8/15—(9/00)

Jayashree Tea & Industries 16/12—16/12—16/12—16/12—(18/50)

Kesoram Industries 20/00—20/10—19/40—19/50—(15/90)

Orient Paper 35/60—36/10—35/20—35/65—(37/00)

Orissa Cement 21/05—21/25—20/05—20/05 (17/30)

Rohtas Industries 4/70—4/80—4/40—4/55—(5/90)

Textile Machinery 10/10—10/30—10/10—10/30—(10/65)

India Tobacco Shows Satisfactory Results

INDIA Tobacco Co. Ltd has shown satisfactory working results for the year ended March 1972. The net profit has risen from the previous year's Rs. 3.47 crores to Rs. 3.80 crores, after deducting all charges and expenses, providing Rs. 3.56 crores (against Rs. 3.84 crores) for taxation and transferring Rs. 23.41 lakhs (against Rs. 10.67 lakhs) to development rebate reserve. In view of the Company's improved performance, the directors have decided to recommend the payment of a final dividend of 7½ per cent, subject to tax, which, together with the interim dividend of 7 per cent, subject to tax, makes a total of 14½ per cent, against a total of 14 per cent in the previous year. This offers a yield of 8.5 per cent at the present price of Rs. 17.06 a share of Rs. 10 each.

SESHASAYEE INDUSTRIES

Profit Declines

IN their annual report for the year ended December 1971, the directors of Seshasayee Industries Ltd say that despite the suspension of operations for over two months due to labour unrest, the Company produced goods worth Rs. 164 lakhs (against Rs. 163.40 lakhs). Turnover amounted to Rs. 158.77 lakhs (against Rs. 172 lakhs). It is also pointed out that an all-time record of monthly production of 586 tonnes of porcelain and castings was achieved during the year. The accent was on the development of speciality items like transformer bushings, polycone support insulators for extra high voltages and railway electrification insulators. The company has been able to enter the export market in a modest way. The directors expect that the Company will be able to achieve a turnover of Rs. 2.5 crores during the current year. It is expected that the earnings for the current year would be sufficient to absorb the accumulated losses and also to clear the arrears of dividend payable on preference shares. The possibility of a maiden equity dividend is also there.

The profit for the year was lower at Rs. 3.50 lakhs, after providing depreciation of Rs. 9.12 lakhs. This compares with the previous year's profit of Rs. 8.09 lakhs, after providing Rs. 9.56 lakhs for depreciation. After deducting the year's profit of Rs. 3.50 lakhs from the brought-forward loss of Rs. 17.74 lakhs, there is a deficit balance of Rs. 14.24 lakhs which is being carried forward.

JESSOP

Results Disappoint

JESSOP and Co. Ltd has shown disappointing working results for the year ended October 1971. The Company has incurred a loss of Rs. 5.24 crores, against a loss of Rs. 2.23 crores in the previous year, after providing for interest and depreciation amounting to Rs. 1.49 crores (against Rs. 1.15 crores). In view of the loss sustained, the Company has skipped the dividends on preference and ordinary shares. After transferring Rs. 6.62 crores (against Rs. 3,000) from provision no longer required, Rs. 9.52 lakhs (against Rs. 9.06 lakhs) from development rebate reserve and Rs. 93.85 lakhs (against Rs. 2.16 crores) from general reserve and after making other adjustments, there is a debit balance of Rs. 4.53 crores which is proposed to be carried forward. Sales amounted to Rs. 8.09 crores (against Rs. 10.63 crores).

The directors say that due to the increase in the borrowings to meet cash losses, the interest charges during the year have increased, adversely affecting the Company's working results. They also mention that the Government of India has issued a guarantee for Rs. 1 crore in favour of the State Bank of India on the Company's account as security for issuing letters of credit for the import of steel materials. The Company has applied to the State Bank for an additional facility for Rs. 3 crores to finance inventory build-up mainly on account of imported steel materials. The application to the Industrial Development Bank of India for financing the steelworks duty cranes project is under consideration. A techno-feasibility study conducted by the N.I.D.C. has been forwarded to the I.D.B.I. and other sister financial institutions to facilitate an expeditious sanction.

COLOUR-CHEM

Sales Up

COLOUR-CHEM has reported further improvement in its production and sales during the year ended March 1972. According to preliminary figures released by the Company, production is valued at Rs. 1.67 crores and sales totalled Rs. 1.18 crores. The corresponding figures for 1970-71 were Rs. 9.20 crores and Rs. 9.91 crores. Production and sales in 1969-70 were Rs. 7.78 crores and Rs 7.65 crores, respectively.

INDABRATOR

Results Improve

THE preliminary statement from Indabrator on its working during 1971 shows that the Company has fared better than in the preceding year. Sales, services and other income have increased from Rs. 72.93 lakhs to Rs. 75.81 lakhs and the profit, after depreciation and development rebate, is placed at Rs. 15.35 lakhs, against Rs. 14.13 lakhs in the preceding year. After providing Rs. 9.01 lakhs (against Rs. 8.04 lakhs) for taxation, the surplus of Rs. 6.34 lakhs (against Rs. 6.09 lakhs) has been transferred to general reserve. The directors have proposed an equity dividend of 12 per cent, against 15 per cent paid for 1970. But since the dividend for 1971 is payable on the enlarged capital resulting from the one-for-two bonus issue, the total distribution is higher at Rs. 2.62 lakhs, against Rs. 2.18 lakhs in the previous year. The dividend is to be paid out of general reserve.

During the year, the Company began work on the new type of metal cleaning equipment—liquid honing machine for finishing of precision components and the rotary barrel machine, the smallest shot blasting machine in the airless range, developed specially for the small and medium sized Indian foundries. The Company also continued to make progress in its air pollution control operations and started manufacturing ultra jet dust collectors. It also commenced the manufacture of wet collectors.

SHAMA ENGINE VALVES

Better Results

SHAMA Engine Valves Ltd has earned a profit of Rs. 2.57 lakhs during the year ended September 1971, after providing Rs. 2.31 lakhs for depreciation. This compares with the previous year's profit of Rs. 2.17 lakhs after providing Rs. 2.68 lakhs for depreciation. Sales amounted to Rs. 27.54 lakhs (against Rs. 23.89 lakhs). With Rs. 1,097 brought forward, the total comes to Rs. 2.58 lakhs. Out of this, provision for taxation amounts to Rs. 1.77 lakhs (against Rs. 70,000). General reserve gets Rs. 80,000 (against Rs. 1.50 lakhs). The balance of Rs. 1,510 is being carried forward.

HONGKONG AND SHANGHAI

New Subsidiary

THE Hongkong and Shanghai Banking Corporation has announced the formation of a wholly-owned subsidiary, Wardley Ltd, with an authorised capital of $(H.K.) 100,000,000 of which $(H.K.) 40,000,000 will be initially paid up. The new Company will take over and expand the merchant banking services currently undertaken by the bank itself. These include underwriting, consortium and term finance, company counselling, arranging mergers, loan syndications and related activities. The registered office and place of business of the Company is at 1 Queen's Road Central, Hongkong.

INDUSTRIAL CABLES

Recognition as Export House

INDUSTRIAL Cables (India) Ltd has recently been recognised as an export house. Despite fierce competition in international markets, the Company's exports fetched record earnings of Rs. 138.29 lakhs for the year ended October 1971, compared with Rs. 92.12 lakhs in the previous year. The main products exported during the last year were P.I.L.C. power cables and A.C.S.R. conductors.

Consistent with its tradition of product diversification and expansion, the Company proposes to set up a steel wire manufacturing unit in Haryana. The Company has received a letter of intent for the manufacture of grooved contact wires (trolley wire) and has obtained a licence for the manufacture of X.L.P. cables. It also proposes to set up an aluminium rolling mill for aluminium rods.

BOMBAY PAINTS

Dividend Raised

BOMBAY Paints and Allied Products has raised the dividend for 1971 from 10 per cent to 12 per cent.

CHEMICALS AND FIBRES : INTERIM DIVIDEND

THE preliminary figures released by Chemicals and Fibres of India Ltd for the half-year ended March 1972 show that sales (including excise) have amounted to Rs. 11.50 crores, against Rs. 16.74 crores in the corresponding period of the previous year. The estimated pre-tax profit is Rs. 57 lakhs (against Rs. 1.68 crores). Taxation absorbs Rs. 27 lakhs (against Rs. 90 lakhs). A sum of Rs. 5 lakhs (against nil) has been transferred to development rebate reserve. The available profit stands at Rs. 25 lakhs (against Rs. 78 lakhs). The decline in sales reflects the combined effect of the recession in the textile industry last year and the impact of very high excise duties. The profit has declined. Profits were low for the same reasons and also because of the production loss during the plant closure in the first quarter.

The second half-year has shown a significant improvement and the board expects that production and sales should recover to the level of last year with the benefit of the plant expansion. The board has authorised the payment of an interim equity dividend of Re. 1 a share, subject to deduction of tax.

This follows a marked improvement in the Company's performance during the year. Not only has there been a rise in sales and profits but margins too have recorded an impressive improvement. With sales up by 17 per cent from Rs. 1.53 crores to Rs. 1.79 crores and the gross profit rising by 90 per cent from Rs. 6.96 lakhs to Rs. 13.24 lakhs, the ratio of profit to sales has improved from around 4.5 per cent to 7.4 per cent. Appropriation include depreciation Rs. 3.39 lakhs (against Rs. 1.67 lakhs), development rebate reserve Rs. 33,000 (against Rs. 11,000), taxation Rs. 5.75 lakhs (against Rs. 2.82 lakhs) and general reserve Rs. 3.79 lakhs (against Rs. 2.82 lakhs). The dividend absorbing Rs. 1.80 lakhs (against Rs. 1.50 lakhs) is to be paid out of general reserve.

HYDERABAD ASBESTOS

Sales and Profit Rise

HYDERABAD Asbestos Cement Products has reported substantially improved results for 1971. Sales have increased by about 32 per cent from Rs. 11.23 crores in 1970 to Rs. 14.91 crores in 1971 and the gross profit has gone up by 65 per cent from Rs. 61.29 lakhs to Rs. 101.31 lakhs. The dividend has been maintained at 10 per cent but since it is payable this time on the capital enlarged by the one-for-three rights issue, the total distribution is higher at Rs. 14.17 lakhs, against Rs. 10.63 lakhs in the preceding year. After providing Rs. 36.17 lakhs (against Rs. 34.44 lakhs) for depreciation, Rs. 29.05 lakhs (against nil) for development rebate reserve, Rs. 24 lakhs (against nil) for taxation and after some write-backs and adjustments, a sum of Rs. 21.46 lakhs (against Rs. 29.99 lakhs) has been transferred to general reserve out of which the proposed dividend is to be paid.

BOROSIL GLASS

Results Disappoint

BOROSIL Glass has turned out disappointing results for 1971. Sales are down by 24 per cent from Rs. 1.70 crores to Rs. 1.29 crores and the year's working has resulted in a loss of Rs. 18.25 lakhs, against a gross profit of Rs. 11.16 lakhs in 1970. After providing Rs. 11.36 lakhs (against Rs. 11.67 lakhs) for depreciation, the net loss amounts to Rs. 29.61 lakhs, against a modest deficit of Rs. 50,156. After bringing in the loss of Rs. 155.99 lakhs and making some adjustments, the deficit of Rs. 185.58 lakhs is being carried forward.

Poor results are attributed to a serious disruption of operations which remained suspended for nearly four months due to labour trouble. The prospects for the current year are considered quite encouraging. Sales are currently running 16 per cent ahead of 1971 and operations during the first four months have yielded a profit of Rs. 17 lakhs. This improved trend is expected to be maintained. The Company's application for the manufacture of G.L.S. shell has been approved by the Government. The necessary capital goods licence is awaited.

WANDLESIDE NATIONAL

Sales and Profit Down

WANDLESIDE National Conductors has reported poor results for 1971 and the dividend has again been skipped. Sales at Rs. 109.32 lakhs show a decline of 9.3 per cent from the previous year's figure of Rs. 120.55 lakhs. The gross profit has shrunk by 12.2 per cent from Rs. 9.83 lakhs to Rs. 8.63 lakhs. Sales are down despite an increase of about 20 per cent in production. Turnover suffered because of lower realisations. Margins got further eroded by higher raw material costs. After providing Rs. 3.54 lakhs (against Rs. 4.08 lakhs) for depreciation and Rs. 16,000 (against Rs. 65,000) for development rebate reserve, the surplus of Rs. 4.93 lakhs has been utilised to reduce the outstanding deficit.

SWAN MILLS

Results Improve

SWAN Mills has produced encouraging results for 1971. Both sales and gross profit are higher than in 1970. Margins, however, have been under modest pressure. As against a rise of about 6 per cent in sales from Rs. 4.31 crores to Rs. 4.56 crores, the gross profit has registered a small increase of only 2 per cent from Rs. 52.21 lakhs to Rs. 53.23 lakhs. The dividend has been kept unchanged at 13 per cent. Appropriations of profits include depreciation Rs. 19.28 lakhs (against Rs. 16.22 lakhs), development rebate reserve Rs. 5.72 lakhs (against Rs. 1.40 lakhs), taxation Rs. 14.40 lakhs (against Rs. 19.88 lakhs), gratuity Rs. 2.28 lakhs (against nil), general reserve Rs. 1.40 lakhs (against Rs. 6 lakhs) and dividend payment Rs. 10.40 lakhs (same).

WIDIA (INDIA)

Profit Up

THE preliminary statement from Widia (India) on its operating results for 1971 shows an impressive improvement over the previous year's performance. The profit has doubled from Rs. 17.24 lakhs to Rs. 34.46 lakhs. Out of the profit, a sum of Rs. 4 lakhs (against nil) has been transferred to development rebate reserve. After adjusting the brought-in loss of Rs. 15.46 lakhs, a sum of Rs. 9.45 lakhs has been transferred to general reserve. The 10 per cent interim dividend has claimed Rs. 4 lakhs. The directors state that they are not able to recommend a final dividend for 1971 as the banks from whom the Company has borrowed money have refused permission for payment of a final dividend.

HINDUSTAN SANITARYWARE : RESULTS IMPRESS

HINDUSTAN Sanitaryware and Industries Ltd has reported improved working for the year 1971-72. Production has increased to 5,002 tonnes from 3,539 tonnes. Sales have risen to Rs. 2.09 crores from Rs. 1.54 crores and the gross profit to Rs. 57.41 lakhs from Rs. 39.61 lakhs. Allocations include depreciation Rs. 11.81 lakhs (against Rs. 11.04 lakhs), development rebate reserve Rs. 45,000 (against Rs. 1.15 lakhs) and taxation Rs. 25.82 lakhs (against Rs. 12.40 lakhs). The net profit thus works out to Rs. 19.33 lakhs (against Rs. 15.02 lakhs). The directors have proposed the equity dividend at Re. 1 a share (against 80 paise). During the year exports were doubled. The Company exports 83 per cent of the total exports of sanitaryware from India.

The Company has received an import licence for the import of some machinery required for improving production and to have its own generating station. Due to the shortage of wagons, the movement of both raw materials and finished goods has been affected. The Company is installing its own grinding plant in Gurgaon under a wholly-subsidiary Company—Messrs Ceramic Services Ltd. This will help in obtaining raw materials of quality.

SENDRA INVESTMENTS

Smaller Profit

THE Sendra Investments Co. Ltd has made a profit of Rs. 79,083 for 1971, against one of Rs. 1.38 lakhs in the previous year, after providing Rs. 130 (against Rs. 137) for depreciation and Rs. 79,058 (against Rs. 90,829) for taxation. The taxable ordinary dividend of 7 per cent has been repeated absorbing Rs. 89,880, which is proposed to be paid out of general reserve. This offers a yield of 14.7 per cent at the present price of Rs. 4.75 a share of Rs. 10 each. The profit of Rs. 79,083 has been transferred to general reserve. The Company earned a sum of Rs. 90,096 (against Rs. 1.02 lakhs) in coal handling business. The Company's portfolio is representative of investments quoted on the Calcutta Stock Exchange, with the exception of certain shares and debentures costing Rs. 9.90 lakhs for which no quotations are available. The total of the market value of investments for which quotations are available, together with the book-value of the unquoted investments, as at 31st December, 1971, amounted to Rs. 16.26 lakhs, against the book value of Rs. 20.25 lakhs.

GARUDA INVESTMENTS

Profit Down

THE profit of Garuda Investments Co. Ltd for 1971 has declined from the previous year's Rs. 1.31 lakhs to Rs. 78,044, after providing Rs. 36,043 (against Rs. 64,916) for taxation. The taxable ordinary dividend of 10 per cent has been maintained, absorbing Rs. 80,000 which will be paid out of general reserve. This offers a yield of 16.3 per cent at the present price of Rs. 6.12 a share of Rs. 10 each. The Company has proposed the entire profit of Rs. 78,044 to be transferred to general reserve. Commission earned has amounted to Rs. 56,710 (against Rs. 71,627). The Company's portfolio is representative of investments quoted on the Calcutta Stock Exchange, with the exception of certain shares costing Rs. 1.50 lakhs for which no quotations are available. The total of the market value of investments for which quotations are available, together with the book value of the unquoted investments, amounted to Rs. 19.52 lakhs as at 31st December, 1971.

ALEMBIC GLASS

Better Results

ALEMBIC Glass has reported substantially improved results for 1971, although margins have been under some pressure. As against a 22 per cent rise in sales from Rs. 5.22 crores to Rs. 6.40 crores, the gross profit has gone up by 16 per cent from Rs. 1.55 crores to Rs. 1.80 crores. The dividend has been kept unchanged at 12 per cent. After providing Rs. 39.50 lakhs (against Rs. 49.64 lakhs) for depreciation, Rs. 2.75 lakhs (against Rs. 9.85 lakhs) for development rebate reserve and Rs. 84.75 lakhs (against Rs. 53.80 lakhs) for taxation, the net profit for 1971 amounts to Rs. 52.51 lakhs, against Rs. 41.65 lakhs in 1970. The dividend will absorb Rs 23.11 lakhs.

AMALGAMATIONS REPCO

Profit Earned

AMALGAMATIONS Repco Ltd has produced satisfactory results for the year ended December 1971. The profit amounts to Rs. 56,702, after providing Rs. 6.78 lakhs for depreciation. This compares with the previous year's loss of Rs. 12.93 lakhs, after providing Rs. 5.87 lakh for depreciation. The loss brough forward from the previous year i Rs. 21.13 lakhs. Adding to this los a sum of Rs. 8,150 being provisior for development rebate, there is : total deficit of Rs. 21.22 lakhs. Afte deducting from this loss the year' profit of Rs. 56,702, there is a debi balance of Rs. 20.65 lakhs which i being carried forward.

DUNLOP INDIA

Tyres for Boeing 747

THE Indian tyre industry recently entered the jumbo jet age wher production of tyres for the gian *Boeing 747* commenced at the Dunlo factory in Sahaganj, West Bengal India thus joins the select number of technically advanced countries which are in a position to manufacture this highly sophisticated product. The initial supply of Dunlop jumbo tyres will be delivered shortly to Air-India The tyres made by Dunlop India are capable of taking a load of 20,91(kilograms and are cleared for running at a speed of 362 kilometres an hour Tyres for *Boeing 747* are being manufactured entirely by Indian technicians on the basis of the technical know-how received from Dunlop Ltd, U.K.

PERMANENT MAGNETS : A PROSPEROUS YEAR

PERMANENT Magnets has reported an all-round improvement in its working results for 1971. Production, sales, gross profit and margins—all are higher than in 1970. Production increased from 193 tonnes to 207 tonnes, sales rose by 8.7 per cent from Rs. 1.31 crores to Rs. 1.43 crores and the gross profit by 31 per cent from Rs. 25.32 lakhs to Rs. 33.14 lakhs. The ratio of profit to sales has improved from around 19.3 per cent to 23.1 per cent. The dividend has been maintained at 12 per cent but since it is payable this time on the capital enlarged by the one-for-two rights issue, the total distribution is higher at Rs. 4.95 lakhs, against Rs. 3.30 lakhs in 1970.

After providing Rs. 4.52 lakhs (against Rs. 4.15 lakhs) for depreciation, Rs. 59,000 (against Rs. 20,000) for development rebate reserve and Rs. 11.50 lakhs (against Rs. 11.41 lakhs) for taxation, the net profit for 1971 amounts to Rs. 16.53 lakhs. against Rs. 9.57 lakhs in the preceding year. After providing Rs. 78,000 (against nil) for gratuity, Rs. 6.93 lakhs (against nil) for capital expenditure on scientific research and making some adjustments, the disposable surplus amounting to Rs. 10.70 lakhs (against Rs. 9.60 lakhs) has been transferred to general reserve out of which the proposed dividend is to be paid.

The Company is stated to have made satisfactory progress in the implementation of its expansion programme aimed at raising the capacity of cast magnets from 180 tonnes to 240 tonnes a year. The Company expects to commence trial production of ferrite magnets by August 1972. The Company's exports were lower in 1971 than in 1970 as much of the capacity was utilised for meeting the domestic demand. It has, however, received good export orders recently and the outlook for the current year is promising.

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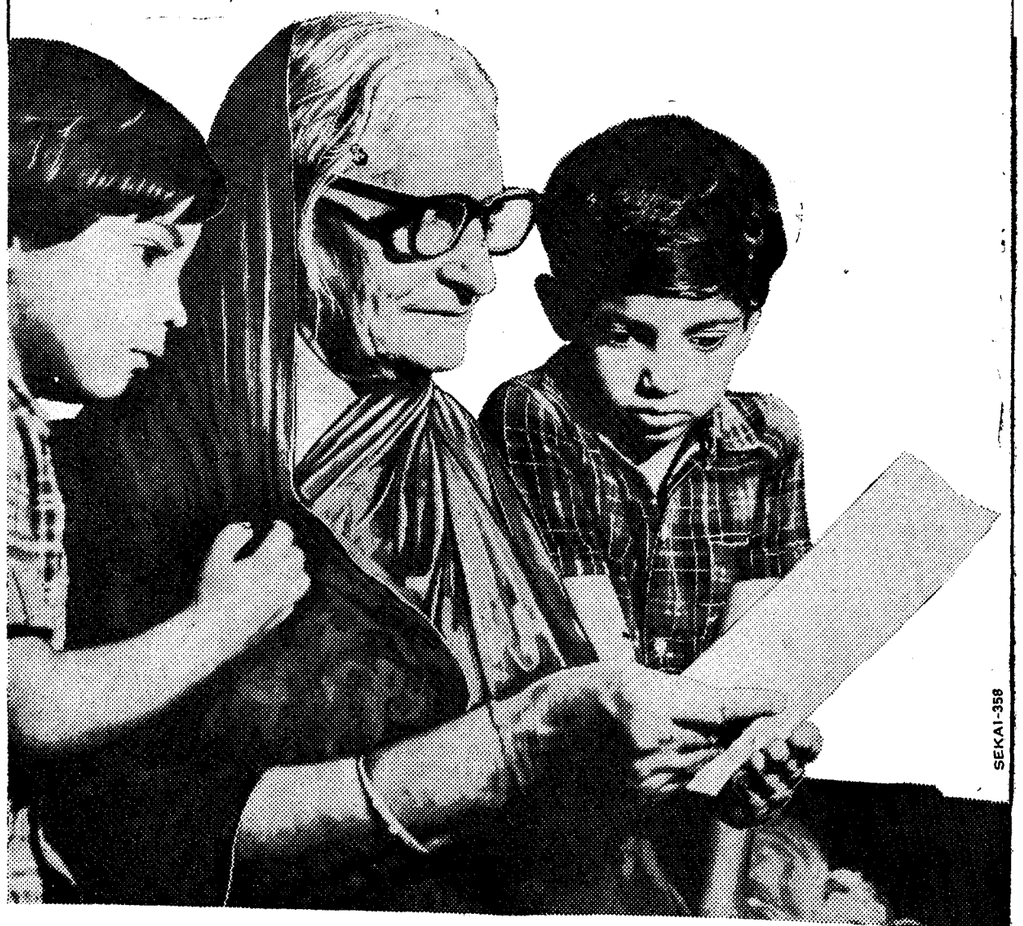

SEKAI-358

SHREE GOPAL DIVISION

THE BALLARPUR PAPER & STRAWBOARD MILLS LTD.

THAPAR HOUSE, 124 JANPATH, NEW DELHI-1.

COMMODITIES

West Bengal Jute Mills Will not be Starved of Fibre, Says Mr. Mishra

THE Central Minister for Foreign Trade, Mr. L. N. Mishra, has recently said: "West Bengal jute mills will not be allowed to starve for want of fibre." The assurance was reported to have been conveyed to Mr. Tarun Kanti Ghose, State Minister for Commerce, Industries and Tourism, when the latter drew Mr. Mishra's attention to the fears in I.J.M.A. circles of a heavy fall in the 1972-73 jute crop to some 5.5 million bales. The absence of nor'westers during April and May and the delay in the arrival of the south-west monsoon so far, they said, had caused a serious damage to the standng crop. Sowing in the Indo-Gangetic plains of West Bengal and Orissa has also been delayed. Against the Planning Commission's target of 6.4 million bales, the I.J.M.A. said, mills' requirements for the next season would come to some 7.6 million bales, leaving a gap of some 2.1 million bales. So it has urged the authorities to make arrangements for immediate imports of fibre from Bangladesh or Thailand to help avert the impending crisis.

Around last week-end, the State Agriculture Department forecast a 1.5 million bale shortfall in the crop. The position had changed a bit since the monsoon broke out slightly ahead of time on Sunday afternoon. Worried over the inhospitable climate during the past two months, the Central Government had urged the State authorities to take adequate measures for raising the output of jute to the maximum level during the next season. The State Government had reportedly suggested that preventive steps could be taken against drought in the State's jute-growing areas by building a network of small irrigation canals. It was an expensive proposition, however, entailing an outlay of about Rs. 56.50 crores. The State, the report said, had agreed to provide about Rs. 12.50 crores for implementing the scheme, provided the Centre sanctioned the balance. The blueprint for the project as drawn up by the State Government will be placed before the coming meeting of Central and State Agricultural Ministers in New Delhi. The State Government has also been advised to explore the prospect of securing assistance from financial institutions for the scheme.

Statutory Minimum Price

The Government of India has decided to give the minimum support price for raw jute a statutory status under the Essential Commodities Act and to issue the Jute Control Order thereunder, following the recommendations of the Agricultural Prices Commission. Accordingly, buying or selling of the commodity at less than the minimum support price will be illegal. This will also assure the farmer of a remunerative return. A minimum operational price for Calcutta-delivery Assam Bottoms, with appropriate price adjustments for all grades of jute of both white and Tossa varieties for transaction in the Calcutta terminal as well as in the upcountry secondary markets, has been in force for many years now. But it did not enjoy any statutory backing and worked purely on a voluntary basis. The minimum price assumed relevance only on occasions when price-support purchases of raw jute from growers by the State Trading Corporation became necessary and this meant that the prices paid by S.T.C. agents would not be less than the minimum fixed by the Government. This arrangement did not, however, prevent the sale of raw jute by growers at a lower price to private buyers.

In its report on the price policy for the ensuing 1972-73 season, the A.P.C. has recommended that the statutory minimum price for raw jute be fixed at Rs. 115 a quintal of Asam Bottoms in Calcutta and that the grade-differentials operative in 1971-72 be continued in 1972-73. Deploring the slow progress in setting up regulated markets and the inadequate enforcement of the Regulated Marketing Act where such markets have already been established, the A.P.C. report makes a mention of malpractices like the adoption of defective weights and measures, overcharging on account of moisture and quality and the absence of a proper system of bidding. Considering the fact that the level of the guaranteed minimum price of raw jute in Bangladesh, now quoted between Rs. 91 and Rs. 96.45 a quintal, cannot be ignored in fixing the statutory price for fibre in India, the A.P.C. has recommended that the existing minimum support prices for jute should not be disturbed. Keeping in view the malpractices in weights, the Commission has also suggested that the prices should be quoted in metric weights.

Export Figures

Destinationwise export statistics, compiled from the Daily Customs Lists, reveal an increase in the exports of jute goods by 137,100 tonnes over the first three quarters of the past season to 606,300 tonnes for the comparable period of this season. The improvement has mainly been ascribed to the absence of Pakistani competition in foreign markets. While carpet-backing cloth shipments have registered the maximum rise of 70,000 tonnes to 204,600 tonnes, hessian has increased by 27,100 tonnes to 246,800 tonnes, sacking by 30,400 tonnes to 106,600 tonnes, and other goods by 9,600 tonnes to 48,300 tonnes.

Although recovery from the recession stimulated brisk house-building and home-furnishing activities in the U.S.A., a sizable percentage of the increased demand for carpets and carpet-backing cloth was siphoned off to synthetic substitutes. Still, the U.S.A. absorbed 163,500 tonnes, against 110,200 tonnes of carpet-backing cloth, the rest of eastern Europe 6,500 tonnes, against 2,600 tonnes, Australia 7,400 tonnes, against 5,300 tonnes, the rest of western Europe 3,000 tonnes, against 1,600 tonnes, New Zealand 4,300 tonnes, against 1,400 tonnes, Far East 7,000 tonnes, against 2,500 tonnes, Canada 9,200 tonnes, against 9,000 tonnes, and others 3,700 tonnes, against 2,000 tonnes.

In respect of hessian, the U.S. offtake rose by 24,100 tonnes over the comparable period of 1970-71 to 72,700 tonnes, Canada's by 7,300 tonnes to 22,400 tonnes, the U.K.'s by 7,500 tonnes to 11,300 tonnes, the rest of western Europe's by 4,100

tonnes to 10,000 tonnes, Argentina's by 4,600 tonnes to 8,600 tonnes, the rest of America's by 2,803 tonnes to 6,700 tonnes and New Zealand's by 700 tonnes to 3,800 tonnes. Russia reduced its intake by 4,100 tonnes to 56,500 tonnes, Africa by 6,300 tonnes to 22,200 tonnes, the rest of eastern Europe by 5,700 tonnes to 14,300 tonnes, Australia by 3,500 tonnes to 11,500 tonnes and others by 2,400 tonnes to 6,800 tonnes. In sacking, the Far East increased its offtake by 10,600 tonnes to 10,800 tonnes, Africa by 9,600 tonnes to 49,600 tonnes, New Zealand by 7,900 tonnes to 8,000 tonnes, the rest of America by 7,800 tonnes to 8,300 tonnes, the rest of eastern Europe by 2,600 tonnes to 3,000 tonnes and Australia and eastern Europe by 2,200 tonnes each to the same 3,200 tonnes. The offtake by Russia dropped by 14,900 tonnes to about half the preceding season's level at 15,400 tonnes.

Setback in Gunnies

After opening on a firm note on brisk short and shipper-covering on the eve of the due date, the Calcutta gunny market suffered a moderate setback since the middle of last week. As soon as the end-May covering operations were completed, hessian and sacking prices eased sharply over the week's peak levels due to a predominance of sellers in a buyers' market. Bulls still continued to be optimistic as to the ultimate prospects of both fibre and end-products, although they preferred to move rather cautiously, lest careless hectic buying at this stage might cause a flare-up in prices. Mills were keen on selling forward at the prevailing levels. But overseas interest was lacking. Hence, around the later half of the week, market fluctuations were induced by speculative activities. Early in the week, there were reports of fresh business with Russia and talk of a sizable tender for 150,000 bales of hessian and sacking from the Sudan. Other countries also absorbed scattered lots. Higher advices from the fibre market also influenced the earlier bullishness. Bulls declined to extend their commitments on the report that the I.J.M.A. had warned against a substantial fibre shortage next season because of the drought conditions prevailing in the major jute-growing areas for the last two months. Sentiment was also stimulated by the rumour that the Government of India proposed to requisition about 13,000 tonnes of heavy goods a month from June, allowing them to dispose of the balance 10,000 tonnes of their output for the liquidation of their other commitments, including the export offtake. Mills were, however, reserved in view of the sharp inflation in the cost of production following the implementation of the latest wage agreement. The price spurt disappointed the buyers and they retired to the side-lines, awaiting the emergence of normal conditions after the long-awaited monsoon had set in. In the hedge market, trading in B Twills futures for August delivery was interrupted due to the enforcement of drastic restrictions by the East India Jute and Hessian Exchange authorities. Rigorous checking had helped in reducing the outstanding open positions in the construction at close of business on 2nd June to the low level of 4,900 bales. Reports from Dacca and Narayanganj stated that trading was featureless and prices hovered around the previous levels. Dacca very much appreciated India's gesture in helping her with an Indian flag vessel for exporting jute and jute goods. Fluctuations were moderate and turnover was small in Calcutta. The closing undertone was about steady.

Latest available quotations (in rupees) were as follows:

	June	July	July-Sept.	Oct.-Dec.
40in. 7½oz.	83.00	80.50	78.50	76.00
40in. 8oz.	91.00	—	—	—
40in. 10oz.	106.00	104.50	103.00	100.00
B Twills	275.00	274.00	273.00	272.00
Heavy Cees	275.00	274.00	273.00	272.00
Cornsacks	—	—	—	—
A Twills (U.S.)	333.00	335.00	336.00	338.00
Liverpools	324.00	323.00	320.00	317.00

Latest available quotations (in takas) issued by the Bangla Desh Jute Mills Association were as follows :

	June	July-Sept.	Oct.-Dec.
40in. 7½oz.	113.00	112.00	112.00
40in. 10oz.	85.75	85.00	85.00
B Twills	267.00	265.00	265.00
Heavy Cees	267.00	266.00	266.00
Cornsacks	272.00	270.00	270.00
Carpet-backing Cloth	4,900.00	4,700.00	4,700.00
Raw Jute			
B Bottoms	57.00	—	—

Fibre Firm

The raw jute market ruled pretty firm during the past week. The immediate incentive was offered by the hot and dry conditions over large areas in the major jute-growing States, delaying fresh sowing and damaging standing crops in irrigated areas. The I.J.M.A. estimate of a shortfall of about 2.1 million bales in fibre availability next season caused a scare in the market, inducing holders to turn cautious and stick to their slender holdings. But in the absence of offers for selected grade fibre in which some mills were interested, the scare failed to stimulate hectic activities. The week-end report from New Delhi that the State Government's estimate of the fibre shortage next season was some 1.5 million bales and that the Government of India had assured the State Commerce and Industries Minister that West Bengal jute mills would not have to starve for want of raw jute allayed the misgivings to some extent. Raw jute interests strongly opposed the plea for substantial imports of fibre on the ground that such a step at this stage might produce a depressing effect on growers. Thunderstorm and showers over wide tracts in deltaic West Bengal during the week-end and reports of the gradual progress of the monsoon in the Bay Islands and in the sub-Himalayan regions of north Bengal induced market and industry circles to hope that the arrival of the regular south-west monsoon was unlikely to be delayed beyond the usual first week of this month. Arrivals in the agencies were much lower—around 15,000 maunds—and prices were ruling around Calcutta parity levels. Mills and mill agents showed some interest in selected grades of fibre at quoted prices. Turnover was small. The closing undertone was firm.

Latest available quotations (in rupees) were as follows:

	June-July Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	174.15	160.75	60.00
Northern Jute	168.79	155.40	58.00
Western Desal Jute	159.41	148.02	54.50
Selected Daissee	190.23	176.83	66.00
Assam-Agartala Tossa	187.55	174.15	65.00
Mesta :			
Assam Mesta	155.40	144.68	54.00
Selected Daissee			
Murshidabad	151.38	140.66	52.50
Bihar Dist.	135.30	124.58	46.90

COMPANY AND PUBLIC NOTICES

THE NUDDEA MILLS COMPANY, LIMITED

THE Board of Directors of this Company has recommended payment of a dividend at the rate of 10% on the Ordinary Share Capital of the Company for the year ended 31st December, 1971. Payment of any dividend declared at the Annual General Meeting to be held on 28th June, 1972, will be made to those shareholders whose names appear on the Company's Register on 28th June, 1972 or in accordance with their instructions.

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will remain closed from the 13th to the 28th June, 1972, both days inclusive.

The Nuddea Mills Company, Limited,
C. J. N. Will
Director.

2, Fairlie Place,
Calcutta-1, 31st May, 1972.

SCHRADER-SCOVILL DUNCAN LTD.

(Notice Under Rule 4A of the Monopolies & Restrictive Trade Practices Rules, 1970)

IT is notified for public information that Schrader-Scovill Duncan Ltd. which has applied for an industrial licence for the manufacture of Hydraulic Equipment intends to give notice for substantial expansion of its activities in Form I under Section 21 of the Monopolies & Restrictive Trade Practices Act, 1969 to the Central Government in the Department of Company Affairs, New Delhi.

Any person interested in the matter may make representation to the Secretary, Government of India, Department of Company Affairs, New Delhi, within a fortnight of publication of this Notice stating the nature of his interest in the proposal.

SCHRADER-SCOVILL DUNCAN LTD.
R. P. Goenka
Director.

Calcutta, 4th June, 1972.

DUNCAN BROTHERS & CO., LTD.

Registered Office :
Duncan House,
31, Netaji Subhas Road, Calcutta-1.

THE Board of Directors of Duncan Brothers & Co., Ltd. have decided to recommend to the shareholders that the following dividends be declared at the Seventy-third Annual General Meeting of the Company to be held on Thursday, the 29th June, 1972 at 11.00 A.M. in respect of the year ended 31st December, 1971:

On Cumulative Preference Shares
Rs. 5.20 per share

On 'A' Redeemable Preference Shares
Rs. 7.50 per share

On Ordinary Shares
Rs. 12.00 per share

Pursuant to Section 154 of the Companies Act, 1956, the Register of Members and Share Transfer Books of the Company will remain closed from 22nd to 29th June, 1972, both days inclusive.

By Order of the Board,
B. Venkataratnam
Secretary.

Calcutta, 5th June, 1972.

MACNEILL & BARRY, LIMITED

NOTICE is hereby given that the Register of Members and Ordinary Share Transfer Books of the Company will remain closed from the 20th to the 29th June, 1972, both days inclusive.

By Order of the Board,
S. C. Bhandari
Secretary.

2, Fairlie Place,
Calcutta-1, 1st June, 1972.

THE KARANPURA DEVELOPMENT COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of THE KARANPURA DEVELOPMENT COMPANY LIMITED, will be held at the Registered Office of the Company, Chartered Bank Buildings, Calcutta-1, on Thursday, the 29th June, 1972, at 10-00 A.M. for the following purposes:

1. To consider the Profit & Loss Account of the Company for the year ended 31st December, 1971, the Balance sheet as at that date and the Directors' and Auditors' Reports thereon.

2. To declare Dividends recommended by the Directors.

3. To appoint a Director in place of a retiring Director.

4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

"THAT pursuant to the provisions of Section 314 of the Companies Act, 1956, the consent of the Company be and is hereby accorded to Bird & Co. (Private) Ltd., who may be deemed to be holding an Office or place of profit under the Company for consideration payable to them by the Company for the time being Rs. 3068 per month for a period of five years with effect from 1st December, 1971, for the occupation and use by the Company of Office accommodation at the Registered Office at Chartered Bank Buildings, Calcutta, with all existing facilities and benefits attached thereto in terms of letter of an offer dated the 19th November, 1971, from Bird & Co. (Private) Ltd., a copy of which is submitted to this meeting along with

a copy of the valuation report of Messrs. Talbot & Co., as referred to therein and initialled by the Chairman hereof for the purposes of identification."

The Registers of Members of the Company will be closed from the 26th June, 1972 to the 29th June 1972, both days inclusive.

BY ORDER OF THE BOARD
K. L. DUA
Director

Registered Office:
Chartered Bank Buildings,
Calcutta, 5th June, 1972.

Notes : (a) A member entitled to attend and vote at this Meeting may appoint a Proxy to attend and vote in his stead. A Proxy need not be a member of the Company.

(b) The Dividends, if declared, will be paid on or after 17th July, 1972, to those Members, so entitled whose names appear on the Company's Registers of Members on the 29th June, 1972, or to their Mandatees. No application for Dividend Warrants will be necessary.

(c) Explanatory Statement in respect of Special Business is being sent to the Shareholders.

THE KARANPURA DEVELOPMENT COMPANY LIMITED

THE Board of Directors of The Karanpura Development Company Limited have decided to recommend to the forthcoming Annual General Meeting the payments of Dividends for the year ended 31st December, 1971, subject to deduction of tax as under:

On Founders' Share @ 15%
On Ordinary Share @ 5%

By Order of the Board,
The Karanpura Development Company Limited,
K. L. DUA
Director.

Registered Office:
Chartered Bank Buildings,
Calcutta-1.
Dated 5th June, 1972.

COMPANY MEETINGS AND DIVIDENDS DECLARED OR PROPOSED

Name of Company	Date	Hours I.S.T.
The Ondal Investments Co., Ltd.	12-6-72	10 a.m.
Garuda Investments Co., Ltd.	12-6-72	10-15 a.m.
The Sendra Investments Co., Ltd.	12-6-72	10-30 a.m.
Dalmia Cement (B) Ltd.	27-6-72	11 a.m.
New India Investment Corpn. Ltd.	28-6-72	3-30 p.m.
Orissa Cement Ltd.	29-6-72	11-30 a.m.
The Calcutta Jute Mfg. Co., Ltd.	29-6-72	3 p.m.
The Karanpura Development Co., Ltd.	29-6-72	10 a.m.

Hattikhira Tea Co. Ltd—5 p.c. subject to tax

General Industrial Society Ltd—10 p.c. (0), subject to tax

Walford Transport Ltd—Nil

Assam Match Co. Ltd—20 p.c. (0), subject to tax

Burma Mines Ltd—Nil

Banarhat Tea Co. Ltd—4 p.c. (0), subject to tax

Bhartia Electric Steel Co. Ltd—5 p.c. (0), subject to tax

Karanpura Development Co. Ltd—5 p.c. (0), subject to tax

Duncan Brothers & Co. Ltd—12 p.c. (0), subject to tax

NOTICE is hereby given that the Annual General Meeting of the Tea Planters Benevolent Institution will be held at the Royal Exchange, 6, Netaji Subhas Road, Calcutta at 10.30 a.m. on Thursday, the 15th June 1972, and not on the 14th June as previously notified.

BOOKS RECEIVED

Anatomy of Progress. By K. Sreenivasan. (Published by Somaiya Publications Pvt. Ltd., 172, Naigaum Cross Road, Dadar, Bombay 14. Price Rs. 25, pages 176.)

Personal Taxation in India. By O. P. Chawla. (Published by Somaiya Publications Pvt. Ltd., 172, Naigaum Cross Road, Dadar, Bombay 14. Price Rs. 20, pages 242.)

Developing Executive Leaders. By Edward C. Bursk and Timothy B. Blodgett. (Published by Harvard University Press, Cambridge, Massachusetts. Price $ 9.95, pages 186.)

Dilemmas in Planning. By G. L. Mehta. (Published by Vora and Co. Publishers Pvt. Ltd., 3 Round Building, Bombay 2. Price Rs. 12, pages 138.)

The World Tea Economy. By Goutam K. Sarkar. (Published by Oxford University Press, London. Review copy received from the Oxford University Press, Mercantile Buildings, Calcutta 1. Price Rs. 25, pages 237.)

Economic Development in Iran 1900-1970. By Julian Bharier. (Published by the Oxford University Press, London. Review copy received from Oxford University Press, Mercantile Buildings, Calcutta 1. Price £3.75, pages 314.)

Development Policy II—The Pakistan Experience. Edited by Walter P. Falcon and Gustav F. Papanek. (Published by the Harvard University Press, Cambridge, Massachusetts. Review copy received from the Oxford University Press, Mercantile Buildings, Calcutta 1. Price $9, pages 267.)

Economic Sanctions and International Enforcement. By Margaret P. Doxey. (Published by the Oxford University Press, London. Review copy received from the Oxford University Press, Mercantile Buildings, Calcutta 1. Price £1.25, pages 162.)

CAPITAL, 8th JUNE, 1972

CAPITAL

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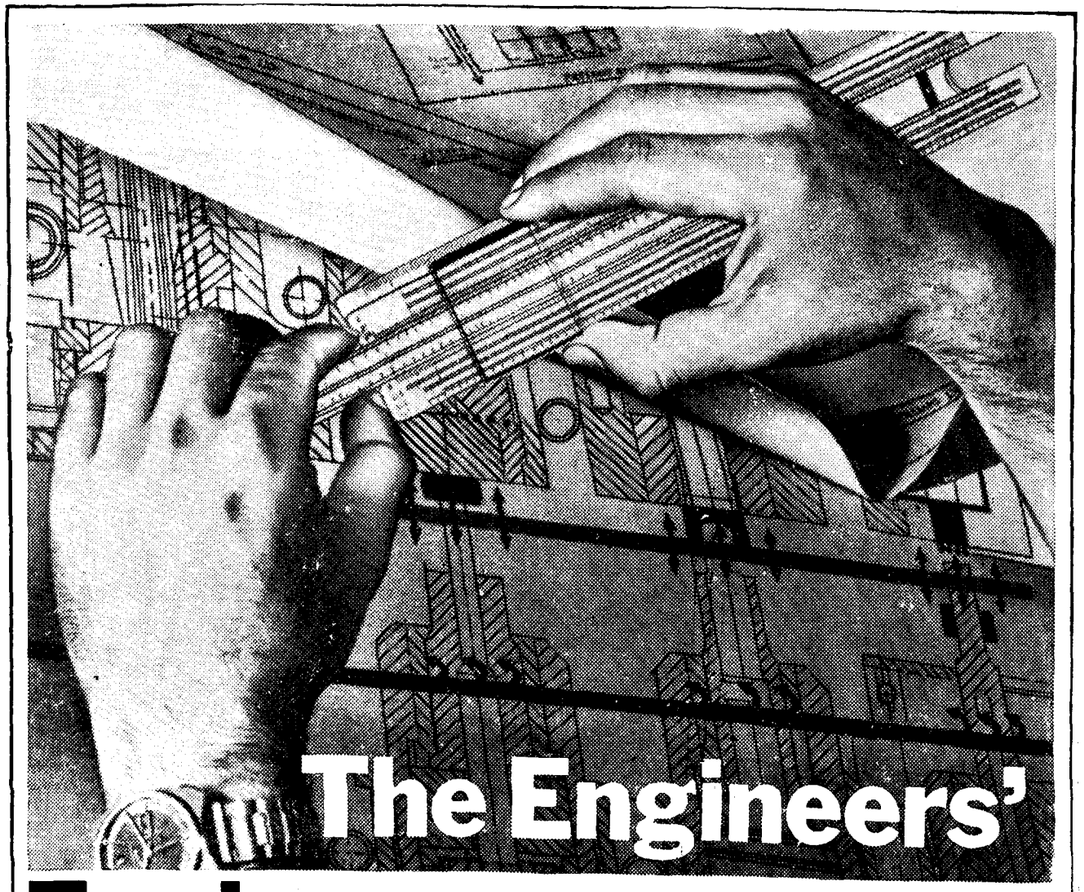

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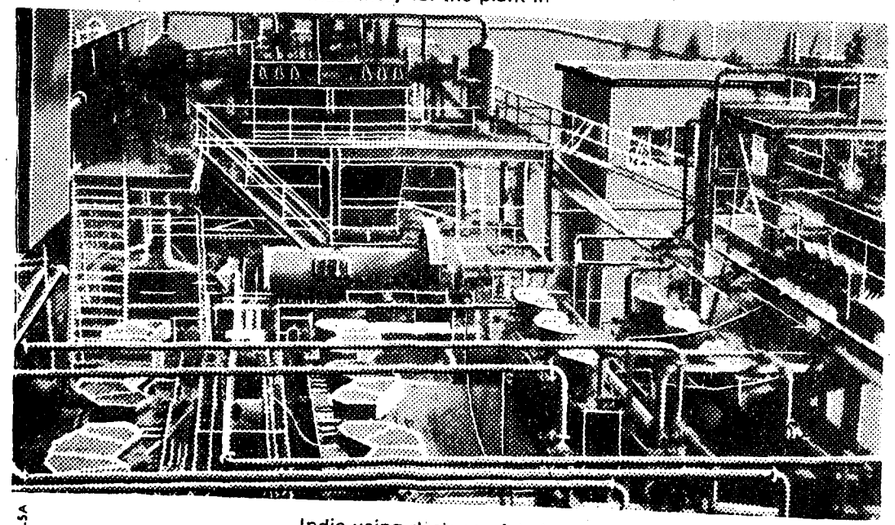

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Banks in the Slack Season

THE Indian money market is witnessing a unique phenomenon when the busy season is not so busy and the slack season not so slack. The working of banks in the busy season is characterised by certain special features, such as an increase in bank borrowings from the Reserve Bank, sharp credit expansion, high call rates and sometimes even a decline in the rate of deposit growth. Nor can one overlook the fact that there is much overlapping between the busy season and the slack season, for the simple reason that the distinction between the busy and slack seasons has lost much of its earlier importance along with the country's rapid industrial growth in recent years and the progressive monetisation of the economy. As the banks are required to finance the priority sectors, such as agriculture, exports, small-scale industries and self-employed people, the pattern of bank credit is also changing rapidly, with the result that even in the slack season, there is considerable contra-seasonal credit expansion, as there has been during the past three slack seasons. It goes without saying that during the current slack season too, the quantum of contra-seasonal credit expansion might be quite high, in keeping with the general trend noticeable during the past three slack seasons.

As the banks are flush with funds and do not apparently know how to make a profitable use of their resources in view of the sharp rise in deposits, the Reserve Bank has resorted to an exercise in futility by announcing an increase in the statutory liquidity ratio of scheduled commercial banks by a full percentage point with effect from 4th August. This was only to be expected because the Reserve Bank Governor, Mr. S. Jagannathan, hinted some time ago about the Bank's desire to resort to this measure in the foreseeable future. As a result of the recent Reserve Bank decision, the statutory liquidity ratio will move up from the existing 28 per cent to 29 per cent, excluding the statutory cash balances of 3 per cent which every scheduled bank has perforce to maintain with the Reserve Bank. It is an open secret today that many banks have had to maintain a higher liquidity ratio than the statutory minimum for a fairly long time. Due to the slow down in the credit expansion during the last busy season on the one hand and an unexpected large accretion of deposits on the other, banks need to examine the possibility of utilising their funds more profitably under the changed conditions of today, the importance of which having been recently emphasised by the chairman of the State Bank, Mr. R. K. Talwar.

During the last few days, banks have subscribed to the 6 per cent C.M.D.A. and the West Bengal State Electricity Board bonds much more promptly than they could be expected to do normally. As the Centre and the States announce their loan flotations, it is almost a foregone conclusion that commercial banks will come forward to subscribe to them more heavily because of the large idle resources they have in their portfolio. However, banks will face little difficulty in financing the contra-seasonal credit requirements during the current slack season, because their deposit resources are expected to rise steadily due to the colossal deficit financing that the Centre and the State Governments are prone to indulge in for financing their development programmes. Although the Central Finance Minister, Mr. Y. B. Chavan, pointed out last month that the banks should not follow the letter of the law in financing the needs of the priority sectors, the majority of scheduled commercial banks are still pursuing a cautious credit policy without so much as relaxing the credit curbs to meet the expanding needs of trade and industry. The Reserve Bank would have, therefore, done well to announce a liberal credit policy on the eve of the slack season to counter the criticism

of the continued credit shortage which has proved to be a serious deterrent to rapid industrial growth.

As it is, the rate of deposit growth in the past busy season has outwitted many Jeremiahs by registering a sharp increase. In laying down the guidelines for banks on the eve of the past busy season, the Reserve Bank estimated that the anticipated increase in bank deposits would be Rs. 500 crores or so whereas they actually rose by Rs. 626 crores. The growth of bank deposits during the 1971-72 busy season actually amounted to 8.68 per cent, against 7.84 per cent in the previous busy season. The sharp increase in deposits is obviously the result of a substantial volume of deficit financing which the Centre and the States had merrily resorted to in recent years. This has posed a new problem to banks, namely, how they should utilise the steadily rising deposits more profitably in the face of the sagging advances because this may adversely affect their earning capacity unless the Reserve Bank asks the scheduled commercial banks rightaway to liberalise their credit to trade and industry. Since the credit-deposit ratio is the most important indicator of how the scheduled commercial banks are making a profitable use of their resources, it will be necessary in this context to examine the broad trend in the ratios during the last busy season. As it is, at the beginning of the last busy season, the credit-deposit ratio ruled at 73.50 per cent which was lower than 77 per cent at the beginning of the previous busy season. This did indicate that banks could extend their credit more profitably. Due to the sharp accretion of deposits during the past busy season, the credit-deposit ratio closed at 72 per cent, against the previous busy season's 78 per cent.

Despite the relaxation of capacity constraints for the 54 critical industries, the sluggish industrial growth rate continues to remain sluggish as ever because the Government has not been liberal in allowing the big business houses to expand and in importing necessary balancing equipment to expand production. If the industrial growth rate continues to be sluggish in the current slack season due to the Government's obsession for its socialistic shibboleths, it will be difficult for banks to expand credit to the traditional industries. Although banks will be busy meeting the credit requirements for food procurement operations and of the priority sectors, can one vouch for the fact that credit to industry and trade will be met more adequately than hitherto? The Reserve Bank's recent decision to relax credit curbs in relation to groundnut, *vanaspati* and cotton is welcome. But it would have done well to announce a greater relaxation of the existing curbs in view of the excess liquidity of commercial banks. As it is, banks had utilised their comfortable resources position in the last busy season by building up their investment portfolio in gilt-edged securities. But as they are now flush with funds, the crucial question that arises is whether they will be able to show better working results during 1972. The net profits of nationalised banks, subject to bonus to staff, recorded a sharp increase in 1971, due largely to a rise in Bank rate early in the year. And the improvement in profits ranged from 5.3 per cent to as high as 52.5 per cent in a particular bank, although the performance of one big nationalised bank left much to be desired. Under the circumstances, should not the scheduled commercial banks press the Reserve Bank to review the credit policy? It is time that the Reserve Bank woke up to the realities of the current situation before it was too late.

The World Bank and India

AT this writing, the Aid-India Club is meeting in Paris under the auspices of the World Bank to consider the quantum of assistance to be given to India this year. According to reports, the Bank has suggested to the members of the Aid-India Club that India should be given a debt relief of $200 million this year to make up the decrease in net aid. In the past, debt relief from the members of the Aid-India Club amounted to only $ 100 million. The doubling of debt relief would not only give India the breather that she needs but also lend a measure of strength to the policies that she has pursued so far. Whatever might be the decision of the Paris meeting, it is evident that the World Bank is convinced of the basic soundness of Indian policies and is also in agreement with the broad objectives of the Fifth Plan.

In this context, one cannot but be struck by the identity of views in the top echelons of the World Bank and of the Planning Commission in New Delhi on the strategy of economic development in the seventies. In a recent working paper on industry, the World Bank has outlined its own concept of a new strategy that is very much similar to the lines on which Indian planners are now formulating the approach to the Fifth Plan. The working paper deals with the growth of industries in all developing countries and the rôle of the world Bank in promoting future growth. Even so, many of the observations in the paper have a lot of relevance to the present conditions in India and the attempt that is now being made to shift the emphasis in planning from mere growth to the generation of employment opportunities and narrowing of income disparities.

The Bank notes that growing concern with the social aspects of development is tending to put greater emphasis on employment, a more equal distribution of income and problems of industrial location. While the allocation of resources between current consumption and investment is an important determinant of the future rate of growth, increased attention to employment and income distribution can in its view help expand internal markets, thereby contributing to the development process. A careful selection of investments can ensure that social benefits such as employment and the needs of productive efficiency mutually reinforce each other and thus help to lay the basis for sound industrial growth.

The World Bank concedes that although manufacturing has been the largest single source of new employment in most developing countries, it has failed to fulfil the widely held expectation that it could resolve unemployment problems resulting from the population explosion. Indeed, the framework of incentives adopted to promote industrialisation has, in some cases, aggravated the problem of unemployment by penalising the former, redistributing incomes in favour of manufacturing and encouraging an exodus from the rural to urban areas. Although the World Bank's suggestions for expanding the employment impact of the industrial sector are on familiar lines, they can stand repetition. Priority has been accorded by the Bank to the development of a pattern of industry which encourages the production of mass consumption articles rather than capital-intensive consumer durables. Put differently, it would mean restraining the consumption and production of "luxury goods" and giving greater attention to the manufacture of the essential needs of the people such as cloth and sugar. This is also the main thrust of the new approach to planning in India.

Secondly, the Bank suggests the phasing out of incentives which discourage the substitution of labour for capital such as credit policies which make borrowing for fixed investment cheaper than for working capital and preferential foreign exchange treatment and duty exemptions for imported capital goods. This would apply to other developing countries more than India where capital is already scarce and no preferential treatment is being accorded to imported goods. In India's case, the problem is essentially one of reconciling the primary objective of import substitution with the need to have enterprises matching the efficiency of similar enterprises elsewhere. As the Bank points out, some of the best opportunities for manufactured exports may arise in conjunction with import substitution but they will be realised only if import substitution itself is reasonably efficient. But in many developing countries, the Bank says, there was an excessive shift in emphasis from primary production to industry and from outward-looking to inward-looking policies oriented towards the domestic market.

The resulting combination of policies, according to the Bank, has often proved inefficient, slowing down economic growth by penalising investment in primary production. It has also encouraged undue reliance on instruments such as tariffs and quotas, which favour production for the domestic market over exports, in contrast to a more balanced system of incentives, including adjustments in exchange rates which would bring domestic costs and prices in line with the outside world. In a world where even highly developed countries depend increasingly on tariffs and quotas to pursue inward-looking policies of production, it will be futile of the World Bank to expect the vulnerable economies of developing countries to free themselves from such protective measures.

The Bank has also advocated the ending of licensing and other quantitative controls which tend to discriminate against small industrialists. The Bank would have done well if it had noted the more "progressive" policy that is being followed by India in this respect. It is right in suggesting that small industries can play an important rôle in the production of consumer goods, and as "sub-contractors" for larger industries, both domestic and foreign. The Indian experience, the Bank should note, has been extremely rewarding and small industries today account for nearly a third of the total industrial output in this country and provide employment for millions of people in urban and semi-urban areas.

And lastly, the Bank has proposed maximum utilisation of existing industrial facilities through multi-shift production and other appropriate methods and by greater attention to the process of technological transfer and adaptation with a view to devising modern but labour-using equipment and production methods. Here again, the industrial licensing policy in India has already been liberalised to encourage multi-shift operations and maximum utilisation of licensed capacities. Attention still needs to be given to the second aspect of the proposal which will involve a proper balancing of the use of advanced techniques and indigenous skills to secure efficiency of production even at a high level of employment. Thus for once, India can be credited with keeping pace with the thinking process in more advanced nations of the world and shaping its strategy of development on those lines. If, in spite of this, a few aid-giving countries wish to withhold assistance for political reasons, India will have no alternative but to go it alone or with such aid as is forthcoming without strings, because its policies are sound, as testified by the World Bank.

A Shipyard in Haldia

A PROPOSAL to build a shipyard in West Bengal has been under the consideration of the Government of India for the past few years. Some time ago, the Government set up a working group to examine the feasibility of the project and it is understood to have submitted a favourable report, recommending that Haldia would offer an ideal site for the shipyard. Two technical experts from the Hindustan Shipbuilding yard, who recently visited the site, are also reported to have been impressed by the feasibility of the project. But it is not known when New Delhi will announce a firm decision in this matter. The experience of the Cochin shipyard project should, however, serve as a warning about the consequences of dithering in this matter. Both the Central and West Bengal Governments should realise that the longer the decision is delayed, the greater will be the cost of construction. Delay will also lead to other complications.

It should be remembered that the investigation for the Cochin shipyard (the foundation-stone of which was laid by Mrs. Indira Gandhi, Prime Minister, on 29th April) began as early as 1959. But the final decision to set up the project was taken only in 1967. Even then, it took another three years before the preliminary work could begin. It is now expected that the construction of the shipyard will be completed by the end of 1975 and that the work on the building of the first ship of about 61,000 d.w.t. is likely to begin in 1974. It remains to be seen to what extent the Government will be able to adhere to the target dates.

Apart from the inflation of costs, delay in starting the Haldia shipyard project can have an adverse effect on the economy of West Bengal. A time-bound programme for the shipyard will greatly help the revival of the State's economy and the creation of employment opportunities. In particular, the engineering industries in West Bengal will get a strong and sustained impetus for growth and diversification. For the last several years, these industries have been passing through a most difficult phase due to the lack of orders and raw materials as well as other causes. Even now most industries in this group continue to work with a lot of idle capacity. A shipyard in Haldia will give considerable strength and support to the engineering and various other industries in West Bengal. The small and medium industries will also benefit from the large investment to be made and give a powerful fillip to growth.

How big should be the shipyard in Haldia ? This is a highly technical question which can be answered only after expert study. But, broadly, it may be said that it should at least be of the same size as the Cochin shipyard. The Central Minister for Shipping, Mr. Raj Bahadur, has disclosed that the Cochin shipyard had been planned to incorporate the latest developments in shipbuilding techniques and that, besides having a dock capable of building ships up to 85,000 d.w.t., it would have a dry dock, which would take in ships up to 100,000 d.w.t. for

repairs. It would have a water-front of nearly one mile in length and three quays where ships would be outfitted or repaired. It would have an area of 47,000 square metres with many shops like the hull shop, pipe shop, steel metal shop, machine shop, and engine shop. Other features of the shipyard include 56 cranes of different capacities, equipment for providing frame cutting and welding capacities, X-ray equipment, ultrasonic flaw detector, hydraulic test equipment, and isotope equipment. It has been designed to build ships up to 85,000 d.w.t.

The Haldia shipyard will, of course, need foreign collaboration. Since it will take a long time to come to a satisfactory agreement with a suitable collaborator, it is necessary that New Delhi should make a beginning in this respect without wasting further time. One reason why there has been much delay in starting the Cochin shipyard has been due to the long time taken to finalise the collaboration terms with the Mitsubishi Heavy Industries of Japan. Mr. Raj Bahadur said that this was "an extremely difficult and complicated process that took many years to complete". The West Bengal Government should note this fact and press New Delhi to take up this work in right earnest now.

A shipyard in Haldia is an urgent need not only in the interests of West Bengal and of the eastern region but of the country as a whole. Once the need is accepted, no more time should be wasted in implementing the project. Mr. Siddhartha Sankar Ray and his Cabinet should impress on the Central Government that the factors that have led to much delays in building the shipyard in Cochin should not be allowed to happen in the case of the Haldia project. The Centre will act speedily only if the State Government keeps on the pressure at every stage and in all possible ways. The chambers of commerce and other industrial organisations in West Bengal should also create a strong public opinion to persuade the Central Government to take up this project in right earnest.

The National Service Bill

THE adoption by Parliament of the National Service Bill towards the end of the Budget session is an important development which has not received the attention it deserves. Even the members of Parliament did not devote much time to the discussion of the measure as they were busy with a large number of Constitution Amendment Bills which were introduced by the Government. The Opposition parties were also engaged in the discussions relating to the poster issue and the Nagarwala case and, in the process, the call-up Bill which has considerable significance was passed without much debate. The Minister of State for Home Affairs, Mr. K. C. Pant, who piloted the Bill must congratulate himself on his being let off rather lightly. It was not even thought necessary to refer the measure to a Joint Select Committee for a fuller study of its implications.

According to the Bill, the Government has the right to call up any qualified doctor or engineer for compulsory service in any remote area of the country up to a maximum period of four years. No one who is above 30 years of age could be requisitioned for this purpose. A national register will be maintained by the Central Government in the employment exchanges and all those who have the requisite qualifications should register themselves. It is incumbent on universities and other institutions to give the Central Government the necessary information regarding the persons who are undergoing training in these two professions. In other words, the Government must be in a position to requisition their services whenever it wants.

It will be recalled that during the emergency created by the Chinese invasion of India in 1962, the Government introduced the compulsory liability scheme under which it could commandeer the services of any doctor or engineer employed in Government service or in any public-sector undertaking for a stipulated period. It was soon found that in order to escape the liability of compulsory service, many doctors and engineers had begun to seek private employment. The Government considers this to be an undesirable development and if at all there is to be compulsion, it should apply not only to those in Government service but to all qualified persons even if they are in private employment.

It is for this reason that the present National Service Bill has been thought of. Another reason which prompted the Government to get this measure passed is that this would give it a greater leverage to secure the requisite number of engineers and doctors. According to Mr. Pant, the Government found that the required number of persons was not available as long as the compulsory liability extended only to those in Government service. When some M.P.s pointed out that it was not desirable to introduce a compulsory element, Mr. Pant said that this Bill would serve another important purpose, namely, that of securing the requisite number of doctors to work at primary health centres in rural areas. At present, there are a little over 5,000 primary health centres and less than half of them have two doctors each, while over 150 of them have no doctors at all. Under the new measure, the Government could call upon the doctors to man these centres. Mr. Pant said that health conditions in villages were so appalling that the Government could not any longer sit back waiting for the doctors to take up assignments in those areas. A certain amount of compulsion was inevitable if things were to improve.

It is not easy to disagree with the views expressed by the Minister but the more prudent course would have been to find out the reasons which prevent the doctors from going to villages. The conditions of service, the facilities in rural areas and a host of relevant matters will have to be improved before it is possible for highly qualified technical men to seek employment in villages. And if these are improved, it goes without saying that they would be ready to serve the rural areas. Why should not the Government try to solve the problem from this angle instead of forcing unwilling doctors to go to rural areas? There are innumerable provisions in the Bill which provide for punishment in case the qualified persons fail to register, and the employers refuse to release the requisitioned persons and ignore the directive of the Government to take back former employees on completion of national service. The penal clauses are too many and too stringent and one gets the impression that the Government has foreseen the possibility that unless these clauses are there, no one will be willing to join the national service scheme. It is somewhat intriguing as to why the Government rushed through this vital measure without even consulting the interested parties and employers.

An element of compulsion in a free and democratic society looks somewhat odd, particularly when it is sought to be enforced during the peace time. In the name of national service, the Government seems to believe that it could do anything. When more important issues are facing the country and awaiting solution, it is not clear as to why the Government thought it necessary to pass this piece of legislation. Possibly, it wants to create the impression in the public mind that it would not hesitate to take drastic measures to achieve declared ends. The only commendable part of the measure is the provision for national hardship committees before which persons who are not able to join the national service when called upon to do so could plead their case. Employers too could go to these committees if they are not in a position to release employees or take them back after they have served under the scheme. Another point raised during the discussion of the measure was as to why only doctors and engineers should be called upon to serve compulsorily while persons engaged in other professions do not have a similar obligation. The whole idea of national service will have to be reconsidered and suitable changes incorporated so that the measure becomes more acceptable.

Problems of Exchange Flexibility

LAST May the floating of the West German and Netherlands currencies weakened the foundations of the fixed-exchange-rate system, and in August "the Nixon bombshell" disintegrated it. In December the refixing of realigned rates restored the system in principle, but it did not settle the controversy whether flexibility or stability should be the essential characteristic of the system. Although based on fixed parities (or "central rates"), the agreement allowed wider variations than had actually occurred between major currencies while rates were floating; and it envisaged relatively easy changes in the parities themselves. This is not the kind of arrangement that the International Monetary Fund was contemplating when it issued its annual report last September. It declared that the system established in 1944 at Bretton Woods was sound and should be not essentially changed but strengthened—by such relatively minor modifications as slight widening of permitted margins and temporary deviations from parities; and it acknowledged that regulating balances of payments—by controlling both national inflation and international capital flows—was a precondition of the effective working of the system.

The Bretton Woods scheme allowed a change in parities only when "fundamental disequilibrium" had occurred and was acknowledged. Some Governments' reluctance to acknowledge it until parities became untenable was not foreseen; but it should have been obvious that changes in parities, delayed or not, would be relatively violent in such circumstances. The idea of flexibility was to adapt exchange rates gradually and smoothly, so avoiding critical stress. But some Governments (conspicuously the British) seem to regard flexibility in exchange rates as primarily a means of avoiding responsibility to control the balance of payments by other means. It is arguable that, if its own people will tolerate inflation, a Government should be free to adopt an inflationary policy of growth, not inhibited by an obligation to keep the nation's prices (for the trading account) and interest rates (for the capital account) in line with other nations', but there is an awkward fact of commercial life that such arguments ignore. The risk of loss (or no profit) on trade abroad may not be too serious where the unit is small and the payment is quick (so that only a small proportion of a year's turnover is at risk at one time), but participants in big contracts that will be fulfilled some years hence must know almost precisely the ultimate value of those contracts in terms of their own currency. In a flexible system relative values of currencies may change substantially within the term of such contracts; and not even experts, still less the contracting parties, can foresee such distant changes.

The argument that the financial, not the industrial or commercial, sector is responsible for covering exchange risks is plausible but unrealistic. The forward exchange markets have partly recovered from the shock of the fixed system's collapse, and they can further adapt their expertise to the hazards of a flexible system, but it is futile to pretend that they are either able or willing to provide facilities adequate —in size, or term, or variety of currencies—for traders' requirements. Governments are developing (in various degrees) facilities for covering exchange risks, but the principle of putting huge sums of public money at risk is not accepted unquestioningly. It is usually the unforeseen loss, not the (in some cases more likely) unforeseen profit, that is emphasised in this kind of discussion. Business men are probably overcautious when their routine has been disturbed and will possibly be more willing to take risks when they are accustomed to the changed environment. In the meantime, however, there is solid evidence that the new concept of flexibility—not outmoded, rather confirmed, by the agreement last December—is impeding trade, and certainly (though the evidence is naturally vaguer) it is inhibiting investment in foreign assets that may be depreciated by currency changes.

Yet it is unreasonable to attribute all the troubles of international trade since the middle of last August to the flexibility that became general practice then, ignoring such factors as American protectionism and retaliations against it; and to argue that the case against flexibility has been proved, ignoring that last year's crisis developed from too rigid fixity, which could have been further maintained only by drastic restraints on trade and payments. It can still be argued that such restraints are averted in a system of flexible exchange rates in which a deteriorating balance of payments is self-adjusting. What has been proved is that neither a fixed nor a flexible system can satisfy the requirements of trade if economies are in disequilibrium. As relative changes (in rates of inflation, etcetera) are continually causing disequilibrium, the question is not which system is satisfactory but which system is the less unsatisfactory. It can be argued in favour of fixed rates that they impose a discipline that moderates disequilibrium, in favour of flexible rates that they avoid stresses and upheavals. Specu-

lative money flows, which can wreck a suspect fixed parity even where no "fundamental disequilibrium" exists, are certainly less potent and more controllable in a flexible system.

Because trade needs stable money, traders may compel the authorities to restore a more rigid exchange system, but it will be no better than the one that collapsed if it operates in similar conditions. Permanent stability can be achieved only by co-ordinating national policies and by correcting—at least relieving—imbalances by international regulation and assistance. No monetary system, fixed or flexible or a compromise, can achieve the same purpose. The temporary arrangement agreed last December is arguably a compromise that loses some of the advantages of flexibility and most of the advantages of fixity. The I.M.F. may devise an arrangement that traders and central bankers will prefer. But technical changes alone will not solve the monetary problem.

CURRENT COMMENT

DROUGHT

Agony of States

There is always a tendency to describe weather conditions in superlative terms. But the drought that has gripped large parts of India during the past few weeks must be rated as one of the very worst in many years. Till the middle of last week, it has taken a toll of 616 human lives, besides perhaps many more which have gone unreported. Bihar, with a casualty figure of 401, tops the list, but reports of deaths have come from nearly all parts of central and north India. Even the south has not been spared. And not even the most elaborate statistics can express the untold sufferings of millions of others, both men and animals, who have tried all possible means to secure a few drops of water to drink.

Droughts, and its inalienable counterpart, floods, are nothing new in India though. After years of planning and of large investments in hydrological engineering, the country remains nearly as vulnerable to these hazards as ever. The intention to improve things cannot be questioned; what has let down is implementation. It has been reported that there are districts in West Bengal, which do not have any tubewells at all. Every time a drought or a flood takes place, a crash programme is taken up, but actual relief takes such an unconscionably long time to move through the official pipeline that by the time the succour comes, the worst is already, or nearly, over.

The Central Government's survey teams have as usual fanned out in different directions to study the extent of the damage and of the financial assistance needed. The respective States have also started drawing up their own estimates. West Bengal, for instance, has calculated the total crop loss to be about Rs. 80 crores made up of Rs. 36 crores of damage to the *aus* crop, Rs. 14 crores to jute and Rs. 30 crores to the *boro* crop. According to tentative estimates, at least Rs. 35 crores, besides Rs. 5 crores spent till the end of last month, will be needed to meet the situation. Because of the drought, the State's jute crop is apprehended to be about 1.5 million bales less and this can create a serious problem for the jute industry. The State Government has appealed to the Centre to make up the shortfall by crash imports from Bangladesh and Thailand.

Affected by droughts in two successive agricultural years (June to May), Maharashtra has lost, according to certain estimates, nearly Rs. 200 crores of crop. Crop losses in Andhra Pradesh, which has been one of the States to have suffered more serious drought conditions this year, are estimated at Rs. 100 crores. Nearly half of the population of Orissa is facing a severe shortage of water, only aggravating the State's already difficult food and drinking water problems. And the same story is being repeated in one State after an other. According to one estimate, anything like one-tenth of the country's total population has been affected by drought in one way or the other.

How long the current hot spell would continue is anybody's guess. Already there are serious misgivings in many quarters about the prospects of a good crop. Many tubewells and tanks have gone dry, and if the situation continues like this for much longer, many irrigation canals may also run short of water. Irrigation facilities are in any case available for only 22 per cent of the net cultivable area; what worries most is the plight of the remaining 78 per cent of the acreage. Rain is the people's only hope, and there are always enough prophets of doom around who hold that in the so-called cycle of good and bad monsoons, the turn of the bad year has come.

RESERVE BANK

Foreign Currency Accounts

Those Indians who are residents abroad and who wish to return to India for securing suitable employment or for exploring the possibilities of setting up a small-scale industrial unit will now be granted exemption, for a period of three years from the date of their return to India, from the usual exchange control requirement that they should surrender their foreign currency balances within 30 days of the date of their arrival in India. Persons wishing to avail themselves of this exemption will have to submit a formal application to the central office of the Reserve Bank of India's Exchange Control Department in Bombay. The Reserve Bank will grant exemption on the merits of each case. Wherever the exemption is granted, the persons concerned will be permitted to make use of the foreign currency balances held by them to pay for imports of equipment and other capital goods for which import licences may be issued to them by the Chief Controller of Imports and Exports. They will also be able to utilise small amounts from the balances for personal requirements. Persons wishing to avail themselves of the above facilities would also be given the alternative of surrendering their foreign currency balances immediately but with a right being available to them, in the event of their deciding to go back to a foreign country, of retransferring the amount of foreign currency so surrendered, within a specified period from the date of their arrival in India. This exemption will not, however, apply to persons holding foreign currency balances which represent their earnings out of employment with any Indian-owned organisation.

SILVER

Price Behaviour

In its annual review of the silver market for 1971, Messrs Handy and Harman state that for the first full year since 1934, the silver market was free from any influence by the U.S. Government. It had been expected that the violent price fluctuations of the past several years would begin to moderate after the last sale from official stocks was made on 10th November, 1970, but the adjustment in the market apparently was taking longer than originally expected. Prices in the New York market continued to fluctuate widely as in the past several years. The firm estimates that industrial consumption of silver in the United States amounted to about 126 million ounces during 1971, down about 4 per cent from the Company's revised 1970 figure. The world consumption of silver during 1971 for industrtial and coinage uses combined amounted to about 376.5 million ounces, less than 1 per cent below the 1970 figure. The Company estimates that total silver bullion holdings by speculators and investors at 31st December, 1971, amounted to perhaps 350 million ounces to 400 million ounces. The firm does not foresee any sustained upward trend in the price of silver in 1972, but neither does it anticipate a return to the low levels reached in 1971.

INSTITUTE OF SHIPPING

Regional Centre

The regional centre of Shri Narottam Morarjee Institute of Shipping, Bombay, started functioning at Scindias' Calcutta office from 6th June, 1972. Addressing the members, Mr. N. M. Trivedi, manager of the Scindia Steam Navigation Co. Ltd, described the functions of the branch. These are to provide the members with general practical knowledge of commercial shipping; to prepare members for associateship examinations to be held by this institute; and to prepare those who pass associateship examinations for fellowship examinations. To achieve these objectives, the regional centre will have a reference and lending library in Scindias' office which will be open from 5.30 p.m. to 7 p.m. on five weekly working days. In addition, eminent experts in shipping and allied matters would be invited to deliver lectures on selected subjects twice a week, so that members could have reasonable guidelines. Mr. Trivedi wanted to show all members some ships in Calcutta port so that they could have physical knowledge of ships, stowage of cargo, ship's equipment, etcetera.

ENVIRONMENT

The Worst Pollutant

Addressing the U. N. Conference on the Human Environment in Stockholm a few days ago, Mr. Robert S. McNamara, president of the World Bank, said that the world must realise that the most dangerous pollutant of all was human degradation. He warned that on top of all their present disadvantages, the poorer nations of the world should not be asked to forgo their efforts at development in the name of preserving the already disproportionate and still rising patterns of consumption of the rich. "The poor are right to be indignant over such a prospect." It is not surprising that those who call for a slowing down or a complete halt to economic growth tend to be those who are already amply provided with the advantages which that very growth has made possible. He called for more research into the impact of development on the human environment. This was necessary not merely to provide the world with a better understanding of the problem but to amend certain alarmist views about continued growth. "Mathematical modeling is useful," he said. "But it is only as useful as the validity of its assumptions and the compresensiveness of its inputs."

Mr. McNamara defended the developing countries in regard to attitudes toward the environment. "It is unfair to suggest that the poor countries are indifferent to the environmental issue, and simply dismiss it out of hand as a rich nation's problem. They do not," he said. "What they are concerned about, and justly so, is that some of the rich—under the influence of doomsday alarmism—may be tempted to impose unilateral and unreasonable roadblocks on the poor countries' desperate need to develop". The world must recognise that economic growth is essential in the developing countries if they are to deal with their problems. And if properly planned, such growth need not cause unacceptable ecological penalties. The rich nations must assist the developing countries in their choice of growth patterns which will yield a combination of high economic gain with low environmental risk.

I.L.O.

Improving Inland Transport

A series of resolutions intended to improve working conditions in the inland transport industry was adopted at the end of a ten-day session of the International Labour Organisation's Inland Transport Committee, which ended in Geneva last month. Although the meeting was devoted mainly to road transport, and particularly to working conditions and vocational training in that sector, the Government, employer and worker delegates from 30 countries also considered the broad field of inland transport as a whole. Chairman of the meeting was Mr. Isidore Smets (Belgium).

Conscious of the value of regional meetings as a useful working method, the Committee asked the governing body of the International Labour Office to arrange for the convening of such meetings, taking into account the special characteristics of inland transport in countries which have not reached full development. The governing body was also asked to aid developing countries to establish, on a tripartite basis, vocational training schemes for road transport which could also be extended to other sectors of the inland transport industry. The I.L.O. was asked to ensure that the conclusions adopted by the Committee were transmitted by Governments to the representative employers' and workers' organisations, and that these were consulted on information concerning working living conditions which was intended for the I.L.O.

EASTERN INDIA

More Companies Formed

During the quarter ended 31st March, 1972, company formation in eastern India showed an upward trend, as 140 companies were registered, against 121 registered in the previous quarter. The total authorised capital with which the companies were registered was Rs. 72.81 crores, against Rs. 20.94 crores during the previous quarter. The total number of companies floated during the quarter includes two guarantee companies. Four companies transferred their registered offices from the State of West Bengal to the States of Uttar Pradesh, Delhi, Haryana and Orissa (one company

to each of the States) and one company was transferred from the State of Uttar Pradesh to the State of West Bengal during the quarter under review.

Ten companies with an aggregate paid-up capital of Rs. 147.55 lakhs went into liquidation. In all, 1,051 prosecution cases under various sections of the Companies Act, 1956, were pending at the commencement of the quarter and 382 new cases were launched against the defaulting companies and their directors or officers. In all, 269 cases were disposed of during the quarter, leaving thereby a balance of 1,164 cases pending at the close of the quarter. Of the cases disposed of, 193 ended in conviction of the accused persons, five were withdrawn, five were acquitted and 66 filed by the courts as the accused could not be traced. In West Bengal, two companies issued prospectus offering to the public debenture or stock or share to the extent of Rs. 25 lakhs.

TRANSPORT

More World Bank Aid

An expanding five-year programme to help developing countries get maximum benefit from transportation investments, which average perhaps $16,000 million a year, is described in a "sector working paper" released by the World Bank a few days ago. In the five years ending June 1976, transport lending operations by the Bank and its affiliate, the International Development Association, are expected to approximate the total for the previous ten years, or about $4,000 million. They will be supported by an enlarged programme of technical assistance, buttressed by studies to improve the Bank's own knowledge of the sector in individual countries and by research on transportation problems in developing economies. While the Bank and I.D.A. provide about half the external resources for transport received from official national and international agencies by some 85 developing countries, the paper points out that their loans represent only about 4 per cent of the total investment in the sector. A larger proportion is probably provided by suppliers and commercial banks, but the vast bulk of investment is financed internally through public and private savings.

INDUSTRIAL PRODUCTION

Rise in Index

The level of industrial production in the country in November 1971 rose by 10.6 per cent and 3.8 per cent over the corresponding months of 1969 and 1970, respectively, according to figures issued by Industrial Statistics Wing of the Central Statistical Organisation, Government of India. The index of industrial production in November last stood at 189.5 (base 1960 equals 100) indicating a rise of 7 points over the same month of 1970 and 18.1 points over November 1969. The revised index for September 1971 stood at 185 and that for October 1971 at 183.3. These figures are provisional, unadjusted for seasonality. The seasonally adjusted index for the month of November 1971 was 191.3 and that for the preceding month 190.1.

MONEY MARKET

Call Rate Steady

The short-term money market has been slightly more stringent because of tax payment next Thursday. The call rate earlier fluctuated between 3¾ per cent and 3½ per cent. But it has been steady at 3½ per cent towards the close, with small lenders over. The demand for remittances has been small. The supply of both tea and gunny bills has been moderate. The pound-sterling has been steady against most major foreign currencies during the week.

The latest statement of the Reserve Bank of India for the week ended 2nd June, 1972, shows a drop of Rs. 35.86 crores in deposits of scheduled commercial banks with the Reserve Bank to Rs. 232.88 crores, compared with the previous week. Their borrowings from the Bank have declined by Rs. 2.42 crores to Rs. 23.82 crores, of which advances against usance bills have amounted to Rs. 2.48 crores, against Rs. 3.58 crores. Balances held abroad by the Reserve Bank in the Banking Department show a drop of Rs. 7.06 crores to Rs. 210.62 crores.

TRANSFER OF A CONSULATE-GENERAL

OUR London Correspondent writes: It has been most amusing to note the fuss and solemn comment of the Calcutta dailies on Reuter's announcement that the Duma had approved the transfer of the Russian Consulate-General from Bombay to Calcutta. Listen to the profound oracle of Chowringhee: "Lookers-on see most of the game, and the Russian Government must be allowed to be a very vigilant observer of foreign affairs. This being the case it is gratifying, though scarcely surprising, that the Russian Consulate-General is, with the approval of the Duma, to be transferred from Bombay, not to Delhi but to Calcutta." Our friend of Hare Street was not so scornful, but quite as behind the times. Here is what he said: "We understand that the reason why the Russian Consulate-General is being transferred from Bombay to Calcutta is because of the growing importance of the tea trade with Russia. At one time Colombo and Hankow were the great centres which Russian buyers used to visit, but Assam tea has lately attracted greater attention, and the fact that it cannot be shipped to Colombo without paying a duty has naturally brought the buyers here. The Hankow trade was mostly in brick tea and, whatever it was, it is now in a precious condition." British Indian Street goes one better: "The resolve of the Duma to transfer its Consulate-General from Bombay to Calcutta says a good deal for the intelligence of that body. Whatever Delhi may be Calcutta will be the real capital, and Delhi even as a political capital will not be able to attract the representatives of foreign Governments. These representatives are, of course, mainly commercial with the exception perhaps of the German Consul-General, who has always been a diplomatist of some rank and position."

FROM
CAPITAL
13th June, 1912

CAPITAL, 15th JUNE, 1972

A Ditcher's Diary

IN ORISSA THE CONGRESS HAS executed a decisive political coup with consummate skill. The pretence that it had no hand in shaping the Utkal Congress's decision to disband itself is no more than a minor diversion. It may also be claimed that the Utkal Congress members rejoining the "parent organisation" will not be defectors, since there is no longer a party to defect from. But this, too, is political sophistry. The Congress was not reluctant to form a Government with the help of the nine United Front M.L.A.s who had originally defected. Not that other parties are more righteous in practice. The point is that, in spite of its unassailable position virtually all over the country, the Congress is not above the opportunistic game. Its anxiety to form a Government with the support of nine defectors was amusing after the Prime Minister's declaration of the Centre's firm plan to introduce legislation to curb political defections. Apparently, anything can be resisted but temptation. Anyway, the Utkal Congress made things considerably easier. But easier for whom? According to latest reports, the new Government will be headed by Mrs. Nandini Satpathy, which may not be exactly what Mr. Binayak Acharya has been waiting for. After the Sarjoo Prasad Commission's findings, Dr. Harekrushna Mahtab is obviously out; to the extent this has made things easier for Mrs. Satpathy or any other Congress leader, she or he must thank the outgoing United Front Government for the completion of the enquiry and prompt publication of the report. In fact, one of the last things that the Das Ministry did was to order appropriate action on the findings. This may also give some satisfaction to Mr. Biju Patnaik, although he has very little else to be satisfied about. He had to go along with the group led by Mr. Nilmoni Routray. After the Party decision was announced, he said he was relieved that Orissa's problems were "now in the able hands of the Prime Minister", as if he himself was looking forward to days of rest and contemplation. I cannot imagine him spending his time growing vegetable marrows; and I shall be sorry to see him doing any such thing. He certainly is a controversial man and his critics are not all necessarily prejudiced. But surely nobody will deny that he is a man of intelligence and ability. He may not always be correct, but he is never inconsequential and seldom uninteresting. And that's saying a lot. That also means that his presence cannot suddenly cease to be felt in Orissa. How it will be felt is, of course, another matter.

INTERNATIONAL CONFERENCES ARE usually a bore; and I don't think I have missed anything by skipping over the reports on the Stockholm jamboree to discuss the human environment. Environmental pollution is a price that some countries are paying for their industrial advance. Whether we, too, shall have to pay this price is not a question that need to bother us overmuch at this point. Let's first approach the stage of advance at which the question becomes relevant. Besides, what do pompous international resolutions really mean? Last week the Stockholm conference agreed on the need for collective action to make the world a cleaner and healthier place to live in. More perhaps could be done by individual action. In any case, Mr. C. Subramaniam, our Planning Minister, would perhaps have spent his time better by trying to make our lives easier in this country than by delivering himself of long-winded generalities at Stockholm. I wonder how many Indian officials have found in the Stockholm conference an excuse for a pleasant holiday abroad. All last week I wished I could get away from rainless and powerless Calcutta. At the moment, the environment means nothing to me but unbearable heat; and one way of making this part of the world a healthier place to live in would be to ensure that there is no disruption in the supply of electric power. But load-shedding has become as much a part of our lives as taxation and high prices. Indeed, it is now "news" if no load is shed on a particular day. Nobody seems to know who is how much to blame; and from time to time nature provides an alibi. On Sunday, for example, two transmission towers collapsed in a storm. What seems imminent is the collapse of the entire system—and at a time when nature is exceptionally cruel. I am told that the weather men

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decided last week not to forecast the arrival of the monsoon. This was not a bad idea. I wish I had kept a count of the days on which the sky remained scorchingly clear in spite of a "thundershowers likely in the evening" forecast. Monday's thunderclouds were mercifully unpredicted. Will the drought be followed by exceptionally heavy rain and floods? There is precedent for such an ironic sequence. But who knows, the monsoon may fail this year. The consequences would be grim for agriculture. At the moment, however, I am thinking more of the agony of existence. And the agony, in spite of the relief that came on Monday evening, is due to an environment which is not particularly polluted.

THE ONLY PRACTICAL GUIDE TO THE clothes a business man should wear in Calcutta's hot weather is, quite simply, the fewer of them the better. But in other cities the problem can be more complicated, and I was interested to learn the other day that the trend is back towards white shirts and sober suits. No more hand-painted psychedelic ties and trousers so tight that the alternative to remaining stood upright is the grave risk of a serious physical injury. May I add: Thank God. This glad news originated from the recent convention of Menswear Retailers of America, held in Houston, Texas, and the blame for it—yes, blame—was ascribed to President Nixon and the conservative styles set by his administration. As a good Quaker, Mr. Nixon is more or less obliged to dress soberly, and as for his team, well doubtless it might be said they have much to be sober about. But if indeed they are responsible for a trend towards less flamboyant dress among what are normally middle-aged, over-weight and decidedly unprepossessing members of any community, then so much the better. There is a theory that business men unconsciously modify their dress to conform to their view of economic conditions. It could be true, and it certainly helps to explain why London's business men have remained immune from the trends being set not a mile away in the notorious Carnaby Street. Even this irrepressible institution has, I gather, been feeling the pinch lately, and has already begun indulging in a distinctly mature round of mergers and take-overs to help preserve profitability. What appears to have shaken Carnaby Street is the fact that young people, and especially students, have also been showing themselves sensitive to economic conditions in matters concerning dress, and this is true on both sides of the Atlantic. When jobs are hard to find and life is once again in earnest, only the drop-out, the revolutionary, and worse still the man who has no money to spend anyway, go on dressing themselves up like an advertisement for a nervous breakdown.

THE RECENT GENERAL ELECTION IN Italy did not, after all, bring any dramatic revival in the fortunes of the neo-Fascists, although there appears to have been at least as sharp a swing to the right as the pundits were predicting. So no latter-day Mussolini; only the same centre-left coalition dominated by the Christian Democrats and this time even more impotent than usual due to the need to counter the new rightward drift. It is little wonder the general view seems to be that Italy faces another long period of political stagnation. Which may not be anything new, but is not exactly the best form of advertisement for democracy in a country without any abiding history of representative government. So the neo-Fascists may well do much better next time round; it is less than a cheering thought. What interests me, however, is the fact that the bulk of new support for the right-wing seems to have come from around the Rome area and the poorer regions of the south. The prosperous and industrialised north apparently turns to the communists when seeking to express its extremist emotions. I suppose there is nothing particularly remarkable in the fact that the poor, mainly agricultural, people should profess reactionary views. But there is something vaguely odd about the tendency of middle-class civil servant's and clerical workers to do so. There is only one explanation for it that I can think of. These two sections of the Italian society are the main victims of the kind of inflation which seems now to be chronic in western industrial countries, and from which the worker in industry is in a much better position to contract out. He has his trades unions to help him. But the others do not enjoy similar power, so they turn to the kind of messianism represented by the Fascists. Well, it was the inflation of the 1920s which led to the rise of the dictators in Europe before. It could do so again.

NEWS FROM BANGLADESH CONTINUES to be a little disquieting. A friend who returned from Dacca early this week tells me that in spite of a slight fall in prices the economic strains are still very acute. Shortages in Dacca are bad enough; in parts of the countryside the hardship is much greater. Evidently the problem is not only of overall shortage, but also of inefficient distribution. Even the overall situation would have been easier with better administrative arrangements for the import of some essential goods from India. It is taking unconscionably long to set up the machinery for such imports. I cannot see why at a time like this there should be any hesitation in obtaining prompt supplies from the Indian private sector; there are many reputable Indian firms which could help. In the event, some unscrupulous elements on both sides of the border are merrily engaged in some smuggling and blackmarketing. This does no good to India's reputation. India, in fact, tends to be blamed even for the venality of some Bangladeshi traders and the incompetence of the Bangladesh administration. There is also a lot of motivated propaganda, apparently inspired by both the extreme right and the extreme left. I do not think that China's readiness to buy Bangladesh jute at higher than world prices is entirely free from any political motive. And the Bangladeshi middle class still looks forward to what American affluence can offer. These, of course, are long-term problems. The immediate challenge is no less daunting. The state of law and order is not exactly improving; armed young men, who claim to have been freedom fighters, are up to a variety of mischief, including plain robbery. But the Sheikh seems to have a curious ambivalence about disarming the irregulars, many of whom still claim membership of one Bahini or another. A limerick currently popular in Dacca is said to be: "Tiger, Tiger! Give us light. Is Mujib left, or is he right?" I do not know if any light has come from Tangail, or wherever the Tiger now resides. I can sense the growing cynicism, and do not find it reassuring. And the problem of arms in unauthorised possession does not affect Bangladesh alone. Several recent reports have indicated a steady smuggling of arms and ammunition into West Bengal. The volume may not be large, but the potential for mischief is not inconsiderable.

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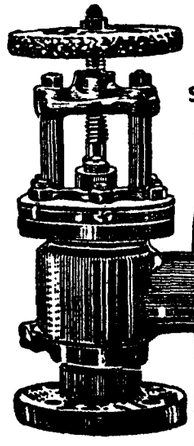

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MANAGEMENT

Building up a Good Organisation : The Crux of Management Function

By Dharma Vira Aggarwala

One of the main tasks of management is to build up a good organisation. However big the plans of an enterprise may be, nothing can possibly be achieved without an efficient organisational structure.

A GOOD organisation is absolutely necessary in business management. The importance of having an efficient organisation can be brought home best by the famous saying of Andrew Carnegie: "Take away my mills, but leave me my organisation and I will be back in business in a year". However big the plans of an enterprise may be, no achievement is possible without a proper organising mechanism. It is common knowledge that a good organisation can make good even the shortfalls in the quality of a product. At the same time, a high quality product may not sell for want of proper organising efforts.

The absence of proper organisation brings a host of undesirable results such as delays, overlapping of authority, duplication of efforts, inefficiency, waste and mounting expenses. Certain functions become dominant at the expense of others, leading to confusion and chaos. The lack of organisation creates imbalance in functional loads by way of overwork for some individuals and under-utilisation of others. When there is no proper utilisation of talents and skills, the initiative of workers is stiffled and their morale runs down. With good organisation, the duties and responsibilities of individuals are well-defined and well-assigned. This paves the way for co-ordinated working and eliminates confusion and conflict.

Twin Features

Decentralisation and integration are the twin features of an organisation. The total work is split up into divisions, sub-divisions and sections in keeping with their relative importance. Then there is the grouping of activities leading to an integrated whole for achievement of the targets. The human relations element has its place in organisation as in other managerial functions. Attitudes, behaviour, aspirations and reflexes of individuals are the factors which require to be taken into account here.

Responsibility, in the context of an organisation, can be termed as obligation on the part of an individual to perform the functions and duties, designated or assigned to him to the best of his ability and in accordance with the directions of the executive to whom he is accountable. This is an obligation which has its genesis in the contractual terms of employment. To avoid any ambiguity or scope for misunderstanding, the specific responsibility involved in a job or pertaining to an individual should be reduced in writing and incorporated in the organisational manual, instruction sheets and job descriptions. Some companies bring out pamphlets defining the responsibilities attached to different posts and circulate them among the staff. Most of the big concerns have organisation charts graphically portraying their structure.

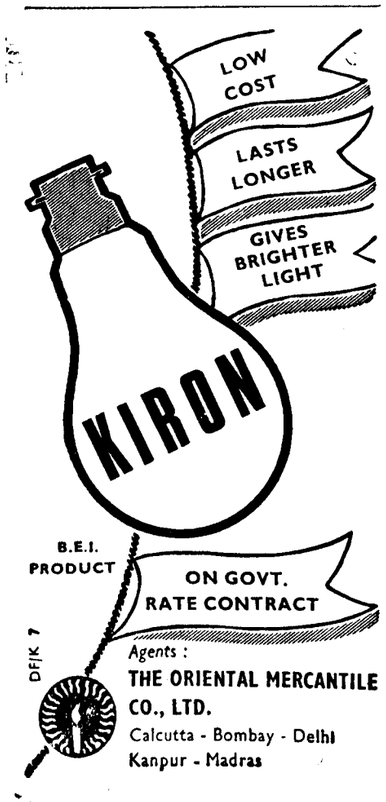
The Span of Supervision

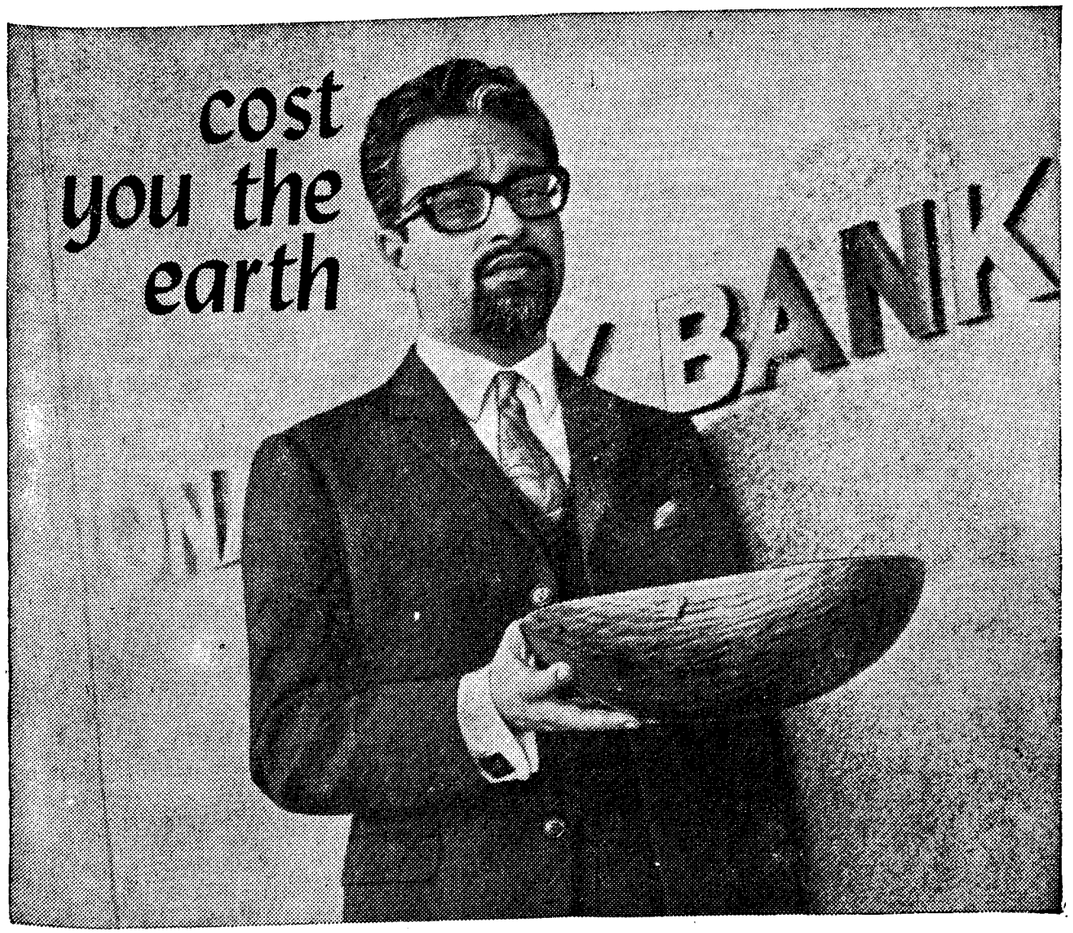
In assigning responsibility, the span of supervision needs to be carefully determined. The expert opinion in this matter is that in all higher ranks of management and administration, the number of men personally supervised by one man must be limited, say, to six. It follows, therefore, that the dimensions of the organisational structure, both horizontally and vertically, are to be kept to the minimum. This needs periodic check-ups, for with the expansion of an organisation's activities, functions grow and along with this the working groups proliferate. If the span of the supervision principle is not considered, the complexity of the equations between the supervisor and the employee, and between employee and employee, would pose human relations problems.

With the assignment of specific responsibilities goes accountability. It is something which cannot be delegated like responsibility and authority. For smooth and efficient functioning, it is always better if each subordinate has only one boss to report to. Thus accountability should be kept unilateral. What exactly is expected of the subordinate in terms of accountability must be predetermined and he should be left in no doubt as to its scope and extent and time span. Uniformity in the system of accountability will help facilitate the collection of functional data and other information for having an integrated picture of the organisation.

A Clear Route

For smooth and effective functioning of control, there must be a route through which it has to pass. Authority provides this route. It starts from the top administrators who determine policy, passes on





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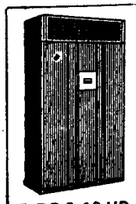

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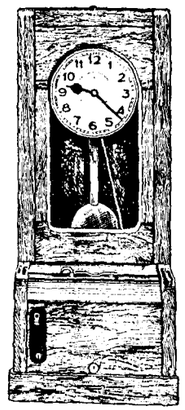

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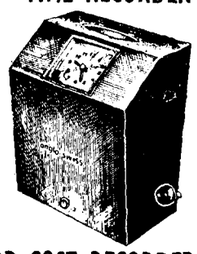

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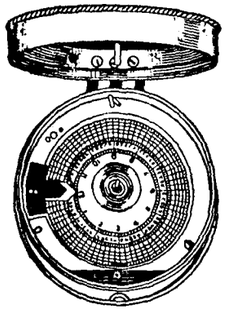

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the executives who are to carry out the policy, and goes further down to the employees responsible for doing the actual job. This route should be very clearly and accurately marked to avoid any confusion. The executive must know the precise extent of the area of his authority, and the employees too should know the exact source of control to which they must respond. And just as authority is the key to the managerial job, the delegation of authority is the key to an organisation. The very existence of an organisation depends on the delegation of authority; otherwise it will be a one-man operation. Except the operating work of production, marketing, finance or personnel, the delegation of managerial work involves the decentralisation of authority.

The organisational structure varies with the size of a company. However, there are certain basic common characteristics. The fundamental structure types are line, functional, and line and staff. Each of these structures has advantages and disadvantages. However, the line and staff structure is more common and is more widely used. It is very essential for an executive to have a clear conception and knowledge of these aspects of an organisational structure so that he may be enabled to delegate authority clearly and precisely. Some people take committees as a fourth type of organisational structure. Committee organisation, however, is not in the strict sense of the term, a type of organisational structure. It is supplementary to the above-mentioned three types.

Rôle of Committees

Committees play quite an important rôle in organisational structure. They take the form of functional type, serving as a specialised advisory body, or as a forum for compromise between differing minds through an exchange of ideas and discussions. Committees have essentially a common characteristic—group action. There are committees appointed for specific purposes. They are not on a permanent basis. Such committees are not empowered to make decisions. They are delegated only a limited form of authority. Committees of this nature are mostly entrusted with the work of investigation, planning, or a line of research. For their functioning, they do not require command authority. However, for a committee to operate satisfactorily, it is essential that its authority should be defined and known to all concerned. Committees are useful in big enterprises where the executives are confronted with complicated problems too difficult for an individual to tackle effectively.

Policy manuals, organisation charts, organisation manuals and position descriptions are some of the work-tools available to an executive. With their aid, effective executive direction and control are facilitated. They help the executives to visualise the organisational structure as a whole and also enable them and their subordinates to have a thorough understanding of their respective functions in building up the organisation.

The Major Factors

The major factors that make for a sound organisation may thus be listed as follows: (1) "Men maketh the organisation". Good manning means good organisation. For good manning, a good leader is needed. So it all depends on effective executive leadership. (2) The objectives and policies of a company have a very important bearing on the soundness of the organisation. (3) The organisational structure draws vitality and strength from sound functional relationships as determined by the objectives. (4) The accomplishment of objectives depeneds on effective performance. (5) Co-operation and rapport between executive and operative functions lead to economy and efficiency in the working of an organisation. (6) Flexibility. An organisation is formed to achieve an end. But the effort must keep pace with the changes in the environment as well as in the individuals who make the organisation. Therefore, the organisation must be flexible so that necessary adjustments may be made from time to time. (7) An organisation must be stable if it is to stand losses of personnel. In a sound organisation, no individual will be indispensable. (8) A good and effective organisation is always well balanced. It will provide for all functions in proportion to their relative importance in achieving the common end. And finally, (9) morale. The morale in an organisation is as important as its material resources.

SPECIAL ARTICLES

Need to Ensure a Fair Deal for Investors in Case of Nationalisation

By M. R. Meher

After the twenty-fifth amendment to the Constitution, the compensation that the Government may give will not be justiciable. But the amount has to be decided keeping in view the rights of shareholders and the repercussions it will have on the investment market.

AFTER the twenty-fifth amendment to the Constitution, the compensation that the Government may decide to give on nationalisation will not be justiciable or disputable in writ proceedings before the Supreme Court, but this does not mean that the Government can do what it likes. The Government would have to consider the rights and expectations of the investor who has put his money in the industry which is nationalised and the repercussions on the investment market of the policy followed in deciding on the compensation. In a number of public-limited companies, the bulk of the shareholders are small investors, the large holdings being of a comparatively small number of persons. It would not be right for the State to follow a policy that would hit the savings of persons, many of whom may be in the lower or middle-income group of small investors who have put their savings in shares of industrial concerns.

It is undeniable that investment in industries helps the country's development. This has been recognised by the Government in its fiscal policies, for example, by excluding from the computation of income dividends of companies up to Rs. 3,000 for the purposes of income-tax. The State would not be justified, when nationalising an industry, in penalising the shareholders. The State in carrying out the Directive Principles laid down in the Constitution is not expected to rob the investors, the majority of whom are middle-class people, to further the programme of "garibi hatao".

The State has immense power of taxation by which income or wealth over the desired limit can be tapped and is in fact being tapped by income-tax and wealth tax. Therefore, there is no justification for discriminating against a section of the public which has put its savings in the shares of industrial concerns which the Government decides to nationalise, by giving a compensation which is manifestly inadequate or unfair. It has also to be borne in mind that in these industries, public-sector corporations like the Unit Trust and the Life Insurance Corporation, which hold the savings of the public, hold large shares and they would also be put to loss by any policy that would allow only "minimal" compensation. In this connection, it may be mentioned that a commentator has referred to the compensation proposed in the legislation nationalising the general insurance companies, which is much less than the break-up value, as robbery.

There is another aspect of the matter. When Government spokesmen make statements which anticipate what Parliament may do when the question of compensation comes before it, these are apt to create a scare and even help bears in the investment market. Some time ago, Mr. Y. B. Chavan, Central Finance Minister, made a statement in one of his election speeches hinting that the Government would, in order to pursue its policy of "garibi hatao", nationalise key industries like coal. Predictably, it led to a scare and a fall in the share values of industries which were considered to fall in the category of key industries. There has been an erosion of share values even of concerns which have large reserves and have so far been considered blue chips in the investment market. Such statements by bringing down the value of the shares in the supposed key industries discriminate against, and put to unnecessary loss, a section of investors which has put its savings in these industries and which has furthered industrial development.

Similarly, a recent statement of Mr. Mohan Kumaramangalam, Central Minister for Steel and Mines, that the Government would give only "minimal" compensation to the shareholders of the Indian Copper Corporation, whose management has been taken over by the Government, had the effect not only of precipitating a fall in the value of the Company's shares but also of creating a further setback in the prices of shares in industries which, it was feared, would be nationalised. On the other hand, the statement of the Prime Minister, Mrs. Indira Gandhi, that the Government would not indiscriminately nationalise industries lifted the investment market to some extent from depression.

In the case of general insurance companies, the Indian Copper Corporation and the coking coal mines, the management of all of which has been taken over by the Government, the take-overs were immediately followed by a general fall not only in the shares of the industries and concerns taken over, but also in the shares of some of the leading steel, cement and shipping companies, on account of the fear that the compensation payable would be very inadequate, if not very small. It is desirable that the Government should lay down and make known the guidelines, or at least give some indication of the principles, to be followed by it in giving compensation on nationalisation, which should be just and fair although not generous. The guidelines should indicate to what extent consideration should be given to the average market value of the shares over a reasonably long period, the profits made, the reserves built up, the break-up value and how it should be calculated, etcetera.

Furthermore, the Government or the Income Tax Department should clarify the position in respect of the applicability of the provisions of the Income Tax Act to capital gain or loss when fixing the compensation to be paid on nationalisation. On this point there is some confusion. At present, when the management of an industry is taken over, generally nominal compensation is paid under the provision of the relevant ordinances for the take-over of management, and until nationalisation, the profit or loss in the operation of the companies taken over is on account of the companies. No dividend is payable except with the consent of the custodian.

If the resources of the State are strained, as they are at present, there may be no objection to continue this position for an indefinite period, if the management is carried on efficiently by the custodian or the existing management is retained subject to the control of the custodian and the Government, as in the case of the general insurance companies. In such cases, however, the custodian, while safeguarding the interests of the Government, should also protect the legitimate interests of the shareholders. For example, the custodian should not object to the company paying a dividend out of the reserves, if the circumstances

justify it, and if having regard to the working of the company and its reserves, the company would have paid dividend out of the reserves, had the management not been take over by the Government. In effect, such an arrangement would mean that the industry is in effect in the joint sector, and that custodian, subject to the orders of the Government, is in control of the industry while the shareholders continue to share in the prosperity of the concern. If this is the position, the market value of the shares may go up and the investor may be in a better position than if very inadequate compensation is paid on nationalisation.

The Super-Power Diplomacy : Disquiet Among Small Nations

By M. B. Lal

The smaller nations cannot like the idea of the Super-Powers assuming the right to intervene in any conflict or crisis anywhere in the world. Non-involvement, instead of interference, in the affairs of other nations can only ensure world peace.

THE outcome of the Moscow summit has not been welcomed in New Delhi and Peking and comments have been cautious in Paris and Cairo. In Washington, the reception has been mixed. The only place where the U.S.-Soviet joint *communiqué* appears to have been warmly welcomed is West Germany. Elsewhere there is a tendency to wait and watch. It is only natural that the nations of the world are less inclined to look at the merits and demerits of the joint declaration as a whole and are more concerned with the particular clauses that concern each of them most.

Seen in this perspective, there seems to be an underlying unity of interest between China and India and both Mrs. Indira Gandhi and Mr. Chou En-lai have reacted in much the same manner. Both feel that the Moscow meet has not served the interests of the smaller nations. Although the two leaders have not stated their objections to the Moscow declaration in very specific terms, it is obvious that certain aspects of the meeting must cause disquiet to the smaller nations. In brief, while President Nixon and Mr. Leonid Brezhnev have every right to iron out their differences and agree to maintain peace between them, they should not assume the rôle of self-appointed custodians of peace throughout the world.

What is most disturbing is the new theory that President Nixon seemed to be propounding in his broadcast to the peoples of Russia and the U.S.A. about the place of the small nations in the new shape of the world he was trying to evolve in unison with Mr. Brezhnev. He laid repeated emphasis on the fact that the U.S.A. and Russia were "the two most powerful nations of the world" and with such mighty powers went the responsibility to "influence other nations in conflicts or crises to moderate their behaviour". He further said: "We covet no one else's territory, seek no domination over any other people. We seek the right to live in peace—not only for ourselves but for all the peoples of this earth. Our power will only be used to keep the peace, never to break it, only to defend freedom, never to destroy it. No nation that does not threaten its neighbours has anything to fear from the United States." Paraphrased in a simple language, it amounts to an open declaration that henceforth the two Super-Powers would consider it their duty to intervene in any "conflict or crisis" in any part of the globe and "influence" it.

One has only to look back to the sad events of the Bangladesh crisis to understand the significance of the new Nixon doctrine. It was precisely this kind of phraseology that was used by numerous U.S. spokesmen, including President Nixon himself, to brand India as the "aggressor". The obvious danger of this doctrine is that it makes the two Super-Powers both judges and executioners. It is a truism to say that the judgment of the rights and wrongs of each conflict in the world will be determined almost exclusively by considerations of national self-interests of Russia and the U.S.A. If henceforth the two Supesr-Powers decide to join hands in defence of "freedom" and do jointly what they have been doing singly to the smaller nations so far, the national sovereignty of the smaller nations can virtually be written off. Once the concept of virtual suzerainty of the two Powers over the rest of the world is accepted, their relations with the smaller nations will be almost identical with those of the Chinese Government with Tibet today.

It is significant that this aspect of the Moscow declaration has not aroused much comment in Europe. The reasons are obvious. The European countries, although without nuclear weapons of their own, are secure under the nuclear umbrellas held over their heads by the U.S.A. and Russia. They are conscious that they are essentially members of the ruling "white race" and their civilisation is sufficiently advanced. There is little danger of Russia and the U.S.A. trying to treat them as small nations. In any new scheme, they would very probably be the partners of the Big Two.

The hopes of the European nations are further strengthened by the agreement between the U.S.A. and Russia on the modalities of the proposed European Security conference. It will be interesting to watch whether the U.S.A. propounds the Nixon doctrine at this conference and declares that it will "moderate the behaviour" of any European power in the interest of peace and freedom. Evidently, the European countries have no such fears. This suggests that the Big Two will have two sets of standards in their dealings with the world, one for the white nations and the other for the non-white. This could well amount to a return to the gunboat diplomacy and colonialism of the nineteenth century vintage. The highly advanced white nations will have real freedom while the others will have it on sufferance.

In expounding his theory, President Nixon also seems to have shown scant regard for the United Nations. If all decisions are to be taken by the two Super-Powers about the rights and wrongs of an international crisis, where then is the need of the United Nations? It can at best be a rubber stamp body whose members will raise their hands or nod to signify assent to whatever the two Big Powers decide to do. If, on the other hand, President Nixon did not mean to challenge the legitimacy of the United Nations in settling international disputes, where then was the need to assert the "right" and "responsibility" of the "two most powerful nations" to keep peace and defend freedom everywhere on earth? The new Nixon doctrine is far more sweeping in character and scope than the now universally hated

Monroe doctrine under which the U.S.A. claimed the continents of North and South America in their entirety as areas of exclusive U.S. influence. A series of revolts against open and concealed U.S. intervention have made it clear that this would not work. When the whole of mankind is eagerly thrusting forward towards real freedom, even the threat of nuclear and other deadly remote-control weapons may not suffice to subdue it.

President Nixon's statements give the impression that it is usually the small nations that start the trouble and the Big Powers may get embroiled in their petty disputes thus threatening the peace of the world. Through this kind of reasoning, he seeks to justify intervention by the Super-Powers. But the truth is just the opposite. There is no conflict anywhere on earth between two nations that has flared up into sizable dimensions without direct instigation, encouragement and military help from one of the Big Powers. It is usually the Big Powers which subvert the peace and freedom of the small nations by sowing the seeds of dissensions among them to draw them into "areas of big power influence", a pseudonym for the new brand of colonialism that appears to be sweeping the globe. In fact, President Nixon and Mr. Brezhnev would do greater service to the cause of peace and freedom if they declare that, come what may, they would not interfere in any manner in the disputes of other powers, nor would they supply arms to any nation. Complete non-involvement by the Big Powers in the affairs of the small nations will be the first genuine step towards world peace. It is time President Nixon and Mr. Brezhnev acknowledged this fact.

Need to Explore the Export Potential of Bangladesh

(BY A SPECIAL CORRESPONDENT)

The export potential of Bangladesh needs to be explored in greater detail than what has been done so far. A study in depth will reveal the scope for increasing exports from that country.

THE Indo-Bangladesh trade agreement specifically mentions 12 items which are to be exported from Bangladesh to this country. These are fish, raw jute, semi-tanned cow hides, molasses, medicines, books and periodicals, movies, pharmaceuticals, spices, cotton, newsprint and furnace oil. The agreement indicates the value up to which these items can be exported to India. There is also provision for the export of miscellaneous items valued at Rs. 1 crore, which are to be mutually agreed upon. A perusal of the text of the trade agreement gives the impression that Bangladesh does not have much to export either to India or to other countries. But this impression is not correct. Actually, Bangladesh is in a position to export a large number of goods which have not been mentioned in the trade agreement. It seems that Dacca is willing to export them only against payment in free foreign exchange. The Export Promotion Bureau of the Government of Bangladesh has prepared an exhaustive list of commodities that are available for export outside the Indo-Bangladesh trade agreement. This list consists of agricultural and forest products, animals and animal products including leather manufactures, beverages, fruits and vegetables, marine products, engineering goods, textiles, chemicals, and miscellaneous items.

The agricultural and forest products available for export from Bangladesh include 26 items. They consist of such commodities as cashewnuts, coconuts, molasses, oil cakes, plywood and wooden furnitrue. Spices like chillies, ginger, turmeric, onion and garlic are also included in this category. About 15 items are shown under animal products, such as animal hair and casings, footwear, hides and skins, live birds and monkeys, and leather goods. Nearly 15 items are included in the engineering group, like agricultural tools and implements, aluminium wares, electric fans, hurricane lanterns, radios and transistors, stoves and kerosene cookers, sanitary fittings, wire ropes, and wire and cables. Under chemicals, the items available for export are D. D. T., glycerine, sulphuric acid, formalin and formaldehyde. Bangladesh has also varieties of cotton textiles for export, such as bedcovers, bedsheets, canvas and tarpaulins, door and window screens, fishing nets (both cotton and nylon), mosquito nets, napkins and towels, readymade garments and handloom textiles like lungies, sarees and pillow covers. The miscellaneous group consists of a large number of items including coir mats, dolls, glassware, handicrafts, Jinnah caps, matches, musical instruments, soap and cosmetics and tea waste.

Although Bangladesh has these and other goods for export, it is obvious that in the immediate future their availability is bound to be restricted. But, in course of time, Bangladesh should be able to provide a sizable surplus of these items for the export market. Since India is already producing most of these items and is also exporting them, Bangladesh has to look to other markets. It is likely that Bangladesh will be able to offer competition to India in the coming months not only in jute goods but also in certain other items. For example, if Bangladesh is able to develop intensively and scientifically her marine resources, she will be able to penetrate into many markets where Indian sea foods are now holding a dominant position. Bangladesh is ideally suited to develop the export of such marine products as dry fish, fish meals, fresh frozen prawns, frog legs, frozen shrimps, pink pearls, shark fins, and shark meat.

The export potential of Bangladesh needs to be explored in greater detail than what has been done by the Bureau of Export Promotion. Such a study in depth is bound to reveal great scope for increasing and diversifying the export trade of Bangladesh. In India, the Institute of Foreign Trade has carried out exhaustive surveys of the export capacities of several States; and these findings have revealed considerable opportunities for stepping up exports. Dacca perhaps would do well to secure the services of the Indian Institute of Foreign Trade (or similar organisations from other countries) and entrust it with the task of an extensive study of its export potential. Being predominantly an agricultural country, it should be possible for Bangladesh to emerge, in due course, as a leading exporter of a large number of goods.

Bangladesh's needs of foreign exchange are substantial and these are bound to increase steadily in the coming months. She cannot afford to rely too much on the export earnings of a few items like jute and fish. Dacca should publicise in other countries the goods that are available for export. The embassies should be able to undertake this job in addition to their normal duties. Dacca should draw up a programme to participate in foreign fairs and exhibitions in a few selected countries where her products are likely to have a good demand. India's Ministry of Foreign Trade should study the pattern of the foreign trade of Bangladesh as it develops in the coming months and consider to what extent this country's trade with its neighbour needs to be adjusted from time to time. New Delhi should particularly watch the trend in the export of jute goods of Bangladesh and find out the scope for joint action not only to meet the challenge of synthetics but also explore new markets for jute goods and new uses for them.

Meanwhile, many foreign countries with which Dacca has entered into trade agreements are likely to make their own efforts to find out to what extent they can buy their requirements from Bangladesh. For example, the east European countries will be interested in importing from Bangladesh not only raw jute and jute goods but also cashewnuts, oil cakes, pulses, spices, hides and skins, etcetera. The U.S.A. and many other western countries will also be keen on importing from Bangladesh various types of agricultural raw materials, apart from manufactured goods like jute carpets, carpet-backing cloth and jute fabrics. Dacca should see to it that it is able to secure the best prices for export products. Although Dacca may rely mainly on State trading, it will be in its interest to associate the private sector, as far as possible, so that its experience and expertise will be available to the Government in maximising the earnings of foreign exchange through exports.

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CAPITAL, 15th JUNE, 1972

No Imminent Changes in the Central Cabinet

(FROM OUR NEW DELHI CORRESPONDENT)

Political circles in New Delhi have of late been agog with speculations over two issues—a reconstitution of the Central Cabinet and the fate of the coalition Ministry in Orissa. Interest in the former has waned for the time being with the Prime Minister now away on her foreign tour, and speculations over Orissa have been set at rest with the political situation in that State taking a definite shape.

SOON after the end of the Budget session of Parliament, two issues have kept political quarters in the capital busy. One relates to a possible reconstitution or filling of vacancies in the Central Cabinet. The other relates to the resignation of the Bishwanath Das Ministry in Orissa, following the withdrawal of support of the Utkal Congress to the coalition. As for the first, it was only after the Prime Minister, Mrs. Indira Gandhi, had left on her foreign tour on 12th June that one was sure that she was not going to reshuffle her Cabinet until the middle of July. By then she will have returned from abroad and her crucial meetings with President Bhutto of Pakistan and Mr. John B. Connally, President Nixon's special envoy, will be over. A reconstitution of the Cabinet in the middle of July will also give Mrs. Gandhi and her colleagues sufficient time to get themselves prepared for the monsoon session of Parliament scheduled to begin on 31st July.

Rumours about the impending changes in the Central Cabinet were actually the creation of newspapers and were not necessarily based on sources close to the Prime Minister. There are some who think even now that there is no political compulsion for Mrs. Gandhi to reconstitute her Cabinet. If there were clear vacancies with the exit from the Cabinet of Mr. Siddhartha Sankar Ray, Mr. P. C. Sethi and Mr. Ghanshyam Das Oza, these have been admirably filled by the existing Cabinet Ministers and the Budget session, which is the longest and most crucial of all sessions, has passed off smoothly. Mrs. Gandhi has shown her capacity to take care of the political and international issues. If there is any weakness in the Cabinet, it is only on the economic front. Here again, it is not lack of dynamism which is responsible so much for the industrial and economic stagnation as the aftermath of the conflict with Pakistan in December, and the doctrinaire approach of the Government to industrial growth. Be that as it may, Mrs. Gandhi may still regroup her economic Ministries and entrust new people with new responsibilities. But all the speculation about inducting particular persons and dropping particular Ministers are apparently based on wishful thinking.

As for the developments in Orissa, with the resignation of the Bishwanath Das Ministry, the path was cleared for the Congress Party to step in. At first it looked as if, so soon after Mrs. Gandhi had announced in the Lok Sabha that the Central Government would bring forward a legislation to curb defections, the Congress Party itself had engineered defections in Orissa. In the initial stages while Opposition leaders like Mr. Shyam Nandan Mishra, Congress (O), and others accused Mrs. Gandhi's Congress of indulging in "toppling" non-Congress Ministries through "defections", the A.I.C.C. General Secretary, Mr. Chandrajit Yadav, was reluctant to describe what was happening in Orissa as "defections". He described the defections as "revolt" within the Party, but he was also careful in saying that the Congress was not against facing the State Assembly for a trial of strength. But the whole complexion has changed after the Utkal Congress decided to snap its ties with the Swatantra Party. At best, what has now happened in Orissa is a "landslide defection", not the defection of a few members from one party to another.

SPOTLIGHT ON STATES

The Chambal Ravines: Undertaking a Reclamation Programme

(BY A SPECIAL CORRESPONDENT)

The Chambal ravines present a picture of ravages of nature and neglect by man. Unless a concerted attempt is made to reclaim the land and rehabilitate the people, it will be difficult to remove the socio-economic problems of the region.

THE Sarvodaya leader, Mr. Jayaprakash Narayan, has appropriately said that the recent surrenders are not going to solve the dacoity problem which has its own distinct history and features in the Chambal region. The surrender, as he put it, is only the beginning of a process, a process of gigantic socio-economic effort to curb the menace and rehabilitate the people of the region. The Chambal ravines spread over the border areas of Uttar Pradesh, Madhya Pradesh and Rajasthan, which for decades have been the favourite haunt of innumerable dacoits, are truly a picture of ravages of nature and neglect by man. The high, deep and bushy ravines have been formed by centuries of land erosion by the Chambal and its tributaries. The M. G. Karnikar Committee has in its report given a graphic description of the ravine land. It says: "A mere look at the area even from a distance is enough to make one shudder at the colossal loss. The area presents a hideous sight—tall pinnacles alternating with deep and narrow shrubby growth without any substantial vegetation, bare, exposed patches of earth full of small particles of stone, gaping wounds in the soils and all that."

The rugged and unproductive terrain stretches over a length of 250 miles along the south bank of the Chambal river. Along many miles on either side of the river are the ravines 25 feet to 200 feet deep—at some points, they are as deep as 1,000 feet. The Kunwari and other tributaries of the Chambal add to the labyrinth of the ravines. In the maze of these ravines, regiments can get lost. The area inside the ravines is estimated at over 650,000 acres which was once a very productive agricultural land. A large portion of this is covered by deep ravines and is, therefore, unreclamable. What is worse is that the ravines are spreading at a fast rate of 2,000 to 3,000 acres a year causing a colossal loss in terms of production.

The ravines owe their formation to the low rainfall and soft soil in the region which is prone to heavy soil erosion. The heavy pressure on land has also contributed to it. As a result of the opening up of lands indiscriminately, the protective cover of vegetation has been lost. The problem besides impeding police operations against the outlaws presents a serious challenge to the very existence of the people inhabiting the areas around the ravines. It has been aptly summed up in these words: The ground under the feet of the people of the Chambal valley is literally being cut away day after day. Each day the cultivator has less of land. Each day the land available has a larger population to support.

A dispute over a furrow of land results in bloody feuds. The murderers rush to the ravines for shelter and a safe hideout. The process has gone on for centuries. Regiments might have been sent to control the turbulent men of the ravines during the Mogul regime and later, but no attempt was ever made to treat it as a social and economic problem. The erstwhile Madhya Bharat State made the first atempt to tackle the problem through socio-economic measures. Earlier, in the princely State of Gwalior, the late Maharaja Madhav Rao Scindia, took energetic steps to level up shallow ravines through plugging of the narrow mouths of some basins by earthen bunds and masonry constructions coupled with afforestation of selected areas. The scheme yielded extremely fertile land. But the death of the Maharaja a few years later brought matters to a halt.

The Pawar Committee set up by the erstwhile Gwalior State and the Karnikar Committee set up by the Madhya Bharat Government made a comprehensive study of the problem on the basis of extensive surveys of the ravines. But nothing was ever done to implement their recommendations. Only fitful attempts were made here and there resulting in the launching of some pilot projects during the past three years which touched only the fringe of the problem. Only a scientific approach and a missionary zeal could tackle this gigantic problem.

The rate of ravine formation, according to a Planning Commission study, is about 3,000 acres a year. Against this, the rate of reclamation is almost negligible. A Central Ravine Reclamation Board was set up by the Government of India a few years back, but nothing is known of its activities. Official circles in Bhapal are not even aware of the existence of any such Board. The cost economics of the scheme is, perhaps, among the factors why no full-fledged scheme could be started so far. It is estimated that the cost of reclamation of 2 million acres on the periphery of the ravine land itself would run into crores of rupees. The Pawar and Karnikar Committees had estimated the reclamation cost at Rs. 500 and Rs. 600 an acre, respectively. The present cost estimate may be two to three times higher. Apparently, delay has cost dearly.

The reclamation has both preventive and curative aspects, the one aimed at stopping further erosion and the other at levelling up the gullies (ravines) through a plan of improved land management, soil conservation, land shaping, plantation and afforestation by making strategic use of earthen plugs and terracing. The reclamation cost would not appear prohibitive if regard is had of the cost of continuous wastage of fertile land due to erosion, the huge cost of maintaining law and order and the fact that the reclamation work would provide employment to thousands of people, the lack of which has given birth to new disputes in the area. The biggest drawback of any reclamation attempt in the area so far was that no worker or contractor would set his heart to it for fear of reprisals from dacoits. Wisdom appears to have dawned on the Government at last as is clear from the efforts of the working group set up by the Centre to check any further erosion. It would be good if the present pause resulting from the mass-scale surrender of dacoits is put to the best use of the people of the ravaged hinterland.

INDUSTRY

Importance of Loan Capital in Financing the Expansion of Shipping

By I. M. Sahai

As equities of shipping companies do not generally find favour with the investor, loan capital has to play a predominant rôle in financing the expansion of the industry. The lack of private investment also explains the growing participation of the public sector in the industry.

IT is generally believed that investment in the shipping industry is risky and less rewarding. Ever since the beginning of the maritime history, financing of this industry has been a difficult exercise for the shipowners all over the world. It is necessary to analyse the capital structure of leading Indian shipping companies and find reasons for the unpopularity of securities in the industry. The object of any business enterprise is to earn a return in excess of the cost associated with the resources employed. The cost here refers to the inducement that must be offered to the investor to attract his investment in competition with other industries. Looking at the profits earned by shipping companies, the return on capital here just equals the cost of capital, that is, the rate at which funds can be raised in the market. This apart, the shipping industry does not offer long-run gains. There is no question of earning more after some years of patience; on the contrary, ships start earning immediately on their entry into the sea.

Another test of the popularity of securities of an industry and the faith of investors in it is the difference between the paid-up amount and the market value of securities. Even by this test securities of shipping companies show poor achievement as the market value of securities of most of the shipping companies is lower than the paid-up amount on them. After studying all these factors, it would not be wrong to say that fair return, long-term gains and appreciation of capital are not the primary objectives of investment in the shipping industry. The main causes rather than objectives of investment in the shipping industry in this country have been patriotism, traditions and inclinations of investors or allied combinations of businesses.

It is easy to understand the attitude of Indian investors in the shipping industry through a detailed analysis of various sources of finance. Equity capital of shipping companies does not find favour with the investors in any part of the world because of the poor record of payment of reasonable and regular dividends. From Table I which gives a picture of the capital structure of 17 leading Indian shipping companies, it is evident that share capital is roughly one-fifth of the total resources of these companies. In no other industry is the percentage of equity capital to total resources so low.

TABLE I

PERCENTAGE OF EQUITY CAPITAL TO TOTAL CAPITAL EMPLOYED

(Rs. in lakhs)

Year	Paid up capital	Reserves and surpluses	Loans	Total of columns 2, 3 and 4	Paid up capital as percentage of total
1966-67	45,19.10	39,10.74	1,21,00.62	2,05,30.46	22
1967-68	47,49.88	52,00.52	1,15,62.87	2,15,13.27	22
1968-69	47,35.40	61,51.82	1,13,47.72	2,40,34.94	19

Source: Figures of columns 2, 3 and 4 have been taken from the abstract of balance-sheets of 17 leading companies published in September 1969 and September 1970 issues of *Indian Shipping*.

It is the loan capital which has played a predominant rôle in financing the rapid expansion of shipping in India or elsewhere. The figures in Table II relating to the amount of loan capital of the 17 main shipping companies for the past three years show that loans have contributed more than half of the capital requirements. These figures do not include the amount of loans taken in the shape of deferred payment terms of the price of ships. Of the total reserves and surpluses of the 17 leading shipping companies amounting to Rs. 61.51 crores for the year 1968-69, 62 per cent or Rs. 37.85 crores were on account of development rebate and unfortunately this too is now being withdrawn.

Even in the future one cannot hope that securities of shipping companies will find favour with investors. Some old and established companies may be able to raise equity capital through new subscriptions but these too will have to depend more on loan capital. For new ventures in this field, it will be a very difficult exercise to attract investors towards either equity or loan capital. The direct participation of the State at an increasing scale through public sector shipping is evidence of the fact that private investment in the industry has not been to the desired extent. In the future, the main expansion will have to take place in the public sector.

TABLE II

RATIO OF LOAN CAPITAL TO TOTAL CAPITAL RESOURCES

(Rs. in lakhs)

Year	Paid up capital	Reserves and surpluses	Loans	Total of columns 2, 3 and 4	Loans as percentage of total
1966-67	45,19.10	39,10.74	1,21,00.62	2,05,30.46	58
1967-68	47,49.88	52,00.52	1,15,62.87	2,15,13.27	53
1968-69	47,35.40	61,51.82	1,51,47.72	2,40,34.94	54

Source: Figures for columns 2, 3 and 4 have been taken from the abstracts of balance-sheets from *Indian Shipping* of September 1969 and September 1970.

TAXATION

Raising Resources through Land Revenue Rather than Farm Income-tax

By Shyam Nath

Land revenue rather than income-tax would seem to be the most appropriate means of raising resources from the agricultural sector. This is because if the latter means is chosen, much of farm income would escape taxation.

ECONOMIC progress demands that every sector of the economy should be made to contribute its due share. Since development planning is done in terms of sectoral allocation of resources and growth rates vary from sector to sector, a sectoral approach to taxation is needed in India. Agriculture can contribute to the Exchequer through both direct and indirect taxation. In the sectoral approach, direct taxation assumes a greater significance but indirect taxes are no less important in raising resources.

The efficacy of commodity taxation is greatly circumscribed by the limited monetisation, apart from other factors. According to T.E.C. (1953-54), while 45 per cent of the total rural consumption is non-cash only 10 per cent of the urban expenditure is of this category. Even this much is mainly attributable to towns of a semi-rural character. Although conditions have somewhat changed over the decades and now rural inhabitants are being subjected to commodity taxation in one way or the other, the incidence is lower. In 1953-54 (T.E.C.), indirect taxes absorbed 2.9 per cent in rural and 5.9 per cent in urban areas. According to a Central Finance Ministry study, tax payment as a proportion of the *per capita* expenditure was calculated to be 4.4 in rural and 9.3 in urban areas in 1958-59 and 8 in rural and 16.6 in urban areas in 1963-64. Under-taxation prevailed at all household expenditure levels in rural areas, particularly in the top expenditure class. Of the indirect tax revenue in 1963-64, 40 per cent was borne by the urban sector accounting for 18.5 per cent of the total population and 60 per cent by the rural sector accounting for 81.5 per cent of the population. Obviously, since the idea of raising the living standard with development and increase in income is not so much in evidence in rural areas, expenditure on taxed articles does not increase. The monthly *per capita* Union excise was 17 paise in rural and 43 paise in urban areas in 1953-54, and 97 paise in rural and Rs. 2.70 in urban areas in 1963-64. In the case of sales tax, the corresponding figures are 9 paise and 32 paise in 1953-54 and 20 paise and 98 paise in 1963-64.

This analysis reveals that increasing recourse to indirect taxation (contributing as much as three-fourth of the total tax revenue in India) does not correspondingly increase the rural tax load. In fact, this sector can be made to bear its due burden mainly through direct taxation. Between income and land, the choice should always be in favour of land as the tax base. If income is selected, a greater portion would escape taxation. In India, it is estimated that 50 per cent of the net agricultural output does not enter the market and is not paid out or received in monetary form. It is an "imputed" income in national income calculations and so for tax purposes, it is difficult to measure and identify. At the same time, farmers are neither accustomed nor literate enough to maintain accounts needed for calculating tax liability, although these difficulties may not arise in the case of prosperous agriculturists. However, making this tax at par with Union income-tax would affect roughly 12 per cent of the agricultural population. Landholding statistics reveal that about 12 per cent of the households have holdings of the size above 10 acres which together form 60 per cent of the total area operated (N.S.S., 17th Round). Assuming that the distribution of landholdings will not change radically during the Fourth Plan period, about 60 per cent of the additional income will accrue to 12 per cent of the farmers. Thus the tax on agricultural income can only be imposed on this small fraction of the population.

The fiscal inadequacy of this tax is revealed by its declining importance. It constituted 1.5 per cent of the total tax revenue of States, 2 per cent of the State's own tax revenue and 0.14 per cent of the income generated in this sector in 1960-61, declining to 0.53 per cent, 0.80 per cent and 0.08 per cent respectively in 1970-71. Only nine States impose this tax and the sad part of it is that Punjab and Gujarat, having the highest and third highest *per capita* income, do not levy it. Even if after the report of the Raj Committee, the ground is prepared for it in all States with uniformity in the exemption limit and rate schedule, this levy cannot be used for mass taxation.

The crucial problem is that a greater part of income in this sector is disguised. Neither indirect nor direct taxation in the form of income-tax can reach this part of national output. Under such circumstances, land revenue would seem to be most suitable for agricultural taxation. The Indian farmer is largely accustomed to the direct tax on land with fixed liability. The land revenue system is certainly not free from defects. It is a tax on net produce levied at a flat rate with no exemption limit. Due to the fixity in rates for the duration of settlement, no alteration has been made in the rates, thereby making it an acreage tax. The yield from it has also shown a downward trend. This is mainly due to three major reasons: First, fixity in rates, based on the assumption that the price level would remain reasonably stable over a period of 25 years or 30 years. This assumption of price stability is no longer valid but tax liability remains static; secondly, in the last few years, several States have exempted small landholdings and given up the land revenue income wholly or partially. Finally, there is the rapid growth rates of other taxes.

The foregoing analysis suggests that an upward revision of rates must be made, linked to price and output changes. This necessitates cadastral surveys in rural areas. These are unduly costly in terms of both money and time. In the short run, therefore, progressive rates of land revenue should be introduced. As records of land ownership are not up to date, progressive rates in the form of surcharges on land revenue may be imposed. Non-exemption of small farmers from this tax is justified on the ground that the country faces the stupendous task of mobilising large resources for economic development and social services.

AVIATION AND TOURISM

Boosting Tourism in Hill Stations: Need to Utilise the Growth Potential

(BY A SPECIAL CORRESPONDENT)

In the absence of proper infrastructural facilities, the vast tourist potential of hill stations in the country has remained unexplored. It is necessary to reduce the credibility gap between promise and performance to utilise the great potential of tourism.

THE Himalayas have a number of hill stations which are literally jewels in the chain of health resorts in India. The mystic Himalayas still remain unexplored due to the lack of adequate infrastructure so vital for developing tourism. A paradox indeed, when the country expects a tourist explosion in the immediate future and a complete change in the complexion of travel creating many problems for the hoteliers. To quote Mr. M. S. Oberoi in this context: "Can we imagine what would happen if two jumbo jets, each carrying 490 passengers, land at any of our major airports? Not only are there not enough facilities at our airports for this sort of traffic but the position in regard to hotel facilities would be utterly chaotic. This might not happen until 1971 or 1972 but are we planning sufficiently ahead to meet the coming demand?"

The case of Darjeeling, the queen of hill stations, may be considered first. Of late, the decline in tourism is reflected in hotel bookings. And this decline, in the opinion of some travel agents, has been the result of accumulated neglect for a number of years. True, the initiative of some travel agents incorporating Darjeeling in their package world tour programmes attracted international tourists to this hill station in the past even in the bleak winter season. But why one now sees near-empty hotels? The reasons, according to the travel trade, are not far to seek. They are: (1) tourists usually stay here for a couple of days and their visits benefit only a few transport operators and some of the bigger hotels attached to the international hotel chains; (2) the existing amenities have not only deteriorated but tourist promotion as such by the Government and other agencies have been minimal; (3) roads are in a poor condition (for instance, roads to Sandakpur and Phalut often remain in a state of disrepair); (4) suspension of the ropeway and cut in telecommunication link were, in retrospect, common events; and (5) the lack of civic amenities has also contributed to the decline in tourist traffic. True, there are some prestige projects like Jaladhaka and Chhota Rungeet hydel stations. Some visitors have complained about poor electricity; past records reveal that plans for improving electricity and water supply were not very successful. But tourism is the mainstay of the hill areas' economy. Instead of blaming any particular sector for discouraging trips to Darjeeling, the gap between promise and performance has to be reduced.

What about Himachal Pradesh? After the reorganisation of Punjab and the merger of the valleys like Kulu, Kangra, Kalpa, Lahul and Spiti and hill stations like Simla, Dalhousie, Kulu, Manali, Dharamsala and Kasauli, the tourist potential of this new State has vastly increased. Strangely, however, the local traders say that in the present scheme of things in Simla tourism is just incidental. No wonder, they feel that something more will have to be done to develop other places as tourist resorts due to the increased socio-economic activities of the State in Simla. In fact, instances are not rare when the average tourist rushing to Simla to have some respite from the heat of the plains finds himself even more harassed as the minimum comforts are sadly missing. Developing a new tourist resort is really a difficult task. But then, some travel agents point out that something should be done to offer less expensive facilities like provision of tourist offices, luxury buses, coaches and taxis so that, unlike in the past, Simla hotels will not have to wait for chance tourists to oblige them or the existing living accommodation will not burst at the seams with people all the year round.

Srinagar is not a standard urban area. Rather, some local municipal officials consider this summer capital as a "big slum". Indeed, a study made by the Town and Country Planning Organisation of the Government of India noted with regret that the "overriding image presented by Srinagar city is the absence of an orderly, clear, coherent, continuous and legible urban form." Certain spots like the Mogul gardens could have been developed with skill and imagination, but much of the city instead continues to be "chaotic, disorderly, uncontrolled, sporadic representing short-term values and little taste." Naturally, the city requires a real face lift especially when the valley expects 509,533 tourists in 1980.

SAS

Rise in Traffic

Scandinavian Airlines' overall traffic for the first half of the 1971-72 financial year rose by 14 per cent to 360 million revenue ton-kilometres, compared with the corresponding period of 1970-71. The total capacity increased by 12 per cent to 775 million available ton-kilometres and the resulting load factor was 48.9 per cent, up 1.5 percentage points from 1970-71. Cargoes climbed by 22 per cent to 138 million ton-kilometres and mail grew by 5 per cent to 17 million ton-kilometres. The airline flew 2,335 million revenue passenger-kilometres in the first six months ended March—an increase of 10 per cent. The available seat-kilometres was 5,469 million—also up 10 per cent—and the resulting cabin factor was 42.7 per cent, compared with 42.8 per cent in 1970-71. The passenger traffic on intercontinental routes was up 14 per cent.

BOAC

Buying Five Concordes

BOAC is to buy five *Concorde* supersonic jetliners, the Minister for Aerospace, Mr. Michael Heseltine, announced in the House of Commons some time ago. Together with spare parts and associated equipment, the five planes will cost £115 million at estimated 1974 prices. The order is being endorsed by the British Airways Board—which controls both BOAC and British European Airways (BEA)—and has the approval of the British Government. Mr. Heseltine said that the Government believed that an investment in the *Concorde* was in the interest of the travelling public, and that BOAC should lead the world in the introduction of civil supersonic flight.

NATIONAL AND GRINDLAYS BANK LIMITED

Registered in London under the Companies Act of 1862 on 23rd March, 1866. The Liability of Members is Limited.

BALANCE SHEET OF INDIAN BRANCHES AS AT 31st DECEMBER, 1971.

1970 Rs. P.	1970 Rs. P.	CAPITAL AND LIABILITIES	1971 Rs. P.	1971 Rs. P.
1,51,74,250 00		**1. CAPITAL :** Amount deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	1,72,11,425 00	
	4,51,18,108 82	**2. Reserve Fund and other Reserves :** Capital Reserve—on revaluation of Bank's Premises (including accumulated depreciation of Rs. 27,77,968.29 upto 31st December, 1966)		4,51,18,108 82
104,85,48,030 37		**3. Deposits and other Accounts :** Fixed Deposits	124,60,77,964 94	
76,32,90,757 87		Savings Bank Deposits	87,45,07,204 31	
82,52,95,531 47	2,63,71,34,319 71	Current Accounts, Contingency Accounts etc. (Including Head Office Reserve of Rs. 2,19,60,000.00 remitted from London)	79,53,29,758 70	2,91,59,14,927 95
36,00,59,154 02		**4. Borrowings from other Banking Companies, Agents, etc. :** (i) In India ... ... (includes Rs. 3,76,85,109.40 borrowed and Rs. 4,26,95,733.61 Bills rediscounted from Industrial Development Bank of India and Rs. 12,03,200.00 borrowed from Agricultural Refinance Corporation) ...	19,62,55,568 68	
1,38,263 60	36,01,97,417 62	(ii) Outside India	14,00,638 84	19,76,56,207 52
		Particulars : Rs. P. / Rs. P.		
		3,02,22,700.00 (i) Secured (See Note 4) 3,88,88,309 40		
		32,99,74,717.62 (ii) Unsecured 15,87,67,898 12		
	4,69,79,558 26	**5. Bills Payable :**		5,20,08,585 24
20,02,50,611 85		**6. Bills for Collection being Bills Receivable as per contra :** (i) Payable in India	20,84,30,561 37	
5,07,48,264 37	25,09,98,876 22	(ii) Payable Outside India	5,58,59,295 52	26,42,89,856 89
—		**7. Other Liabilities :** Net Inter-Branch balances— (i) Head Office and Branches Outside India	84,87,598 05	
—	—	(ii) Branches in India	4,61,37,398 80	5,46,24,996 85
	1,54,81,844 02	**8. Acceptances, Endorsements and other obligations per contra :**		6,85,27,129 85
—		**9. Profit and Loss :** Balance brought forward from previous year	—	
90,69,040 03		*Add* : Profit for the year brought from the Profit and Loss Account ...	1,12,43,974 76	
90,69,040 03			1,12,43,974 76	
90,69,040 03	—	*Less* : Remitted to Head Office	90,88,667 50	21,55,307 26
		10. Contingent Liabilities : Rs. P. / Rs. P.		
		65,63,759.01 Claims against the Banking Company not acknowledged as Debts ...	65,49,517.69	
		71,28,44,410.09 Outstanding Forward Exchange Contracts	51,21,79,453.11	
		85,96,74,435.08 Confirmed Credits and Guarantees given	95,73,00,257.42	
		36,25,000.00 In respect of partly paid shares ...	36,25,000.00	
		1,30,00,000.00 In respect of Participation Certificates Issued.	96,00,000.00	
	3,35,59,10,124 65			3,60,02,95,120 38

NOTES :

(1) By the Companies Act, 1956, the Bank is exempt from disclosing matters not required to be included by the Banking Regulation Act, 1949,and these accounts have been prepared accordingly.
(2) Retirement benefits to employees are accounted for on a cash basis as and when they arise.
(3) Unlike previous years, items-in-transit on 31st December, 1971, to/from other Banks and branches have not been adjusted to relative heads of accounts but have been retained in the respective other Banks/Inter branch accounts. The comparative figures have not been rearranged accordingly.
(4) Secured under I.D.B.I. and Agricultural Refinance Corporation Schemes by the corresponding secured advances under "Loans, Cash Credits, Overdrafts, etc."
(5) Assets and Liabilities in foreign currencies have been converted at current market rates as at 31st December, 1971.

1970 Rs. P.	1970 Rs. P.	PROPERTY AND ASSETS	1971 Rs. P.	1971 Rs. P.
	12,32,54,950 68	**1. Cash :** In hand and with Reserve Bank and State Bank of India (including foreign currency notes)		13,79,08,892 46
71,33,800 00		**2. Balances with other Banks (on Current Accounts)** (i) In India	93,52,079 02	
1,19,89,001 03	1,91,22,801 03	(ii) Outside India	58,92,848 66	1,52,44,927 68
	—	**3. Money at Call and Short Notice :**		—
80,56,037 45		**4. Investment (at below market value) :** (i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments	76,50,91,987 95	
31,00,500 00		(ii) Shares Rs. P.		
36,25,000 00		Fully paid Ordinary Shares 39,50,000.00		
		Partly paid Ordinary Shares 36,25,000.00	75,75,000 00	
26,52,020 00		(iii) Debentures	25,47,020 00	
3,00,000 00		(iv) Other Investments	3,00,000 00	
—	70,77,33,557 45	(v) Gold	—	77,55,14,007 95
29,80,402 86		**5. Advances :** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors) (1) Loans, Cash Credits, Overdrafts, etc. (i) In India ... ... 1,61,78,28,121.48 (includes Rs. 3,76,85,109.40 and Rs. 12,03,200.00 relating to medium term advances for which finance has been obtained respectively from Industrial Development Bank of India and Agricultural Refinance Corporation as per contra)		
—		(ii) Outside India ... ... —		
29,80,402 86			1,61,78,28,121 48	
90,60,026 61		(2) Bills discounted and purchased (excluding Treasury Bills of the Central and State Governments) (i) Payable in India ... ... 33,60,80,677.67 (includes Rs. 4,26,95,733.61 Bills rediscounted from Industrial Development Bank of India as per contra)		
96,49,121 35		(ii) Payable Outside India 28,62,98,990.95		
87,09,147 96	2,14,16,89,550 82		62,23,79,668 62	2,24,02,07,790 10
		Particulars of Advances See separate Statement appended		
02,50,611 85		**6. Bills Receivable being Bills for Collection as per contra :** (i) Payable in India	20,84,30,561 37	
5,07,48,264 37		(ii) Payable Outside India	5,58,59,295 52	26,42,89,856 89
25,09,98,876 22		**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations per contra :**		6,85,27,129 85
1,54,81,844 02				
		8. Premises Less Depreciation : At cost as at 31st December, 1970 (including Rs. 4,23,40,140.53 being increase due to revaluation in 1967)	6,25,95,694 23	
5,46,21,726 73		Additions during the year	26,51,979 76	
79,73,967 50			6,52,47,673 99	
6,25,95,694 23		*Less* : Cost of Sales	6,83,705 00	
—			6,45,63,968 99	
6,25,95,694 23				
25,11,515 00	6,00,84,179 23	*Less* : Depreciation to date	34,40,593 67	6,11,23,375 32
		9. Furniture and Fixtures Less Depreciation :		
1,38,93,402 50		At cost as at 31st December, 1970	1,66,39,643 76	
30,12,296 02		Additions during the year	48,47,467 03	
1,69,05,698 52			2,14,87,110 79	
2,66,054 76		*Less* : Sales and amounts written off during the year	18,49,717 88	
1,66,39,643 76			1,96,37,392 91	
70,08,500 55		*Less* : Depreciation to date	83,39,920 81	
	96,31,143 21			1,12,97,472 10
1,67,76,752 44		**10. Other Assets**		
40,03,779 35		Accrued Interest and Commission	2,08,07,819 63	
38,57,197 67		Suspense Account	38,93,002 69	
32,75,492 53		Stamps, Advance Rents, Sundry Deposits, Preliminary Expenses, etc. ...	14,80,845 71	
		Net Inter-Branch and Head Office Balances Outside India	—	
	2,79,13,221 99			2,61,81,668 03
	—	**11. Non-Banking Assets Acquired in Satisfaction of Claims**		—
	—	**12. Profit and Loss :**		—
	3,35,59,10,124 65			3,60,02,95,120 38

W. M. BENNETT
General Manager in India

NATIONAL AND GRINDLAYS BANK LIMITED—Cont'd.

Particulars of Advances

1970 Rs.	P.		1971 Rs.	P.
1,74,21,53,897	65	(i) Debts considered good in respect of which the Banking Company is fully secured	1,72,03,05,948	70
9,29,13,047	92	(ii) Debts considered good for which the Banking Company holds no other security other than the Debtors' personal security	9,57,72,146	51
30,66,22,605	25	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	42,41,29,694	89
—		(iv) Debts considered doubtful or bad, not provided for	—	
2,14,16,89,550	82		2,24,02,07,790	10
9,02,401	48	(v) Debts due by Directors or officers of the Banking Company or any of them either severally or jointly with any other persons	10,45,355	09
—		(vi) Debts due by companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or, in the case of private Companies, as members	—	
9,05,693	60	(vii) Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the Banking Company or any of them either severally or jointly with any other persons	10,61,167	99
12,47,58,017	97	(viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	
1,66,567	18	(ix) Due from Banking Companies	5,77,514	65

AUDITORS' REPORT

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

We have examined the Balance Sheet of the Indian Branches of the National and Grindlays Bank Limited as at 31st December, 1971, and the enclosed Profit and Loss Account for the year ended on that date which are in agreement with the books of account and returns. In our opinion and to the best of our information and according to the explanations given to us, the Accounts of the Bank, together with the notes thereon are properly drawn up so as to disclose in India, in the case of the Balance Sheet a true and fair view of the state of the Bank's affairs as at 31st December, 1971, and in the case of the Profit and Loss Account a true and fair view of the Profit of the Indian business for the year ended on that date, so far as is required by the provisions of the Companies Act, 1956, and the Banking Regulation Act, 1949.

Calcutta,
29th March, 1972.

LOVELOCK & LEWES
Chartered Accountants

Profit and Loss Account of Indian Branches for the year ended 31st December, 1971

1970 Rs.	P.	EXPENDITURE	1971 Rs.	P.
9,06,40,946	28	1. Interest paid on Deposits, Borrowings, etc.	11,91,43,118	48
6,66,11,455	93	2. Salaries and Allowances and Provident Fund	7,38,79,750	47
89,430	00	3. Directors' and Indian Advisory Board Members' Fees and Allowances	85,800	00
2,83,46,384	79	4. Rent, Taxes, Insurance, Lighting etc.	4,16,26,790	44
2,30,451	61	5. Law Charges	2,91,529	64
13,53,991	71	6. Postage, Telegrams and Stamps	12,06,270	77
1,20,000	00	7. Auditors' Fees	1,20,000	00
46,52,416	48	8. Depreciation on and Repairs to the Banking Company's Property	53,76,745	92
30,90,400	40	9. Stationery, Printing, Advertisement, etc.	36,41,760	70
—		10. Loss from Sale of or Dealing with Non-Banking Assets	—	
2,11,37,013	20	11. Other Expenditure	2,29,52,552	37
90,69,040	03	12. Balance of Profit	1,12,43,974	76
22,53,41,530	43		27,95,68,293	55
		NOTE :— Particulars of remuneration relating to General Manager in India :—		
70,449	20	(i) Salary	78,687	24
36,228	21	(ii) Allowances	47,217	36
18,027	24	(iii) Monetary value of any other benefits or perquisites	23,369	67
1,24,704	65		1,49,274	27

1970 Rs.	P.	INCOME (less provisions made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	1971 Rs.	P.
18,01,90,309	89	1. Interest and Discount	22,35,18,764	95
4,39,44,365	96	2. Commission, Exchange and Brokerage	5,52,79,161	77
1,63,014	42	3. Rents	2,20,146	14
		4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserve or any particular Fund or Account)		
10,43,840	16		5,50,220	69
		5. Net Profit on Revaluation of Investments, Gold and Silver, Land Premises and Other Assets (not credited to Reserve or any particular Fund or Account)		
—			—	
		6. Income from Non-Banking Assets, and Profit from Sale of or Dealing with such assets	—	
—		7. Other Receipts	—	
—		8. Loss	—	
22,53,41,530	43		27,95,68,293	55

In terms of our report of even date.

LOVELOCK & LEWES
Chartered Accountants

Calcutta,
29th March, 1972.

W. M. BENNETT
General Manager in India

INVESTMENT

Dull Trading in Shares Due to Lack of Fresh Support

THE stock markets have continued to present an extremely dull appearance this past week as well. In the absence of any new driving force, neither bulls nor bears have been inclined to extend their commitments. Interest has tended to become increasingly selective and even the popular speculative counters have been fluctuating irregularly in a narrow range. Institutional buying has been negligible and it is only the Unit Trust of India which has been mentioned as a buyer now and then in a small way. Investors' attention is focussed mainly on new issues, and there are quite a few of them which are on offer. The undertone of the markets has remained rather subdued and net changes over the week show small but widespread losses.

The setback has been due more to lack of fresh support than to any important selling. The week's news has provided a mixed fare and has been unexciting on the whole. Corporate news released during the week has been much less pleasing than in the recent past. Of course, one cannot draw any inference from such news. The bearish factors have included the shortage of power and of railway wagons, increase in the wages of textile workers in West Bengal, loose talk about fixing a ceiling on urban incomes, and the uncertainty about the possible changes in the Central Cabinet.

On the favourable side, the Government seems determined to achieve a higher export target of Rs. 1,760 crores in the current year. Collaboration terms are proposed to be liberalised to provide a boost to the export drive. A foreign investment guarantee scheme for underwriting risks in setting up joint ventures abroad is being finalised by the Central Finance Ministry. Indian residents abroad have been provided with incentives to set up small industrial units here. Britain is likely to provide more project aid in the remaining years of the Fourth Plan. The stock markets have turned hesitant because the pace of economic recovery is still very slow and industrial production is not picking up the way many have been expecting. The markets seem optimistic about economic prospects, but they are not willing to take undue risks. So they prefer to go slow.

Gilt-edged securities have remained dull this past week. With the banks practically out of the market, the volume of business has been poor. The 3 per cent Conversion loan 1986 is quoted at Rs. 60. The State Government loans have received selective support, but turnover has remained restricted.

The Calcutta stock market has remained quiet this past week due to a lot of uncertainties. Operators have been reluctant to extend their commitments, with the result that turnover has been at a low ebb. The prospect of revision of the Industrial Policy Resolution of 1956, talk of a Cabinet reshuffle next month and the fact that investors are waiting to subscribe to quite a number of new issues, which are shortly expected in the market, have been responsible for a quiet trend in share prices. Among engineering shares, Guest Keen Williams, Electrosteel Castings and Sankey Wheels have been quiet. Among jute shares, Agarpara, Budge-Budge Amalgamated and Anglo-India have been lower. In coal shares, Bengal and Western Bengal have been transacted. In the miscellaneous section, British Paints, Brooke Bond, India Tobacco, Mohan Meakin Breweries and Aluminium Corporation have been easier. Among tea shares, Namburnadi, Assam Brook and Rajgarh have changed hands.

Listless conditions have prevailed on the Bombay stock market this past week. After an easier start, the market tended to steady up on short-covering and some replacement buying but it has turned easier again for want of follow-up support and the emergence of stale liquidation. Very few counters have been able to wind up the week with plus signs. Stockbrokers have reported a marked decline in investment enquiries for old shares. Big investors and institutions have been conserving their funds for subscribing to new issues. After keeping firm earlier in the week, Tata Steel have receded on considerable profit-taking and some bear selling induced presumably by the Company's unencouraging results for 1971-72 which have obliged the management to make a bigger draft on reserves in order to maintain the dividend distribution. Engineering shares have displayed a steady tone. Although fresh support has been poor, sellers too have been generally reserved. Automobiles have been subdued. Excepting Century which have recorded a rise despite the week-end profit-taking, cotton textile shares have displayed a slightly easier tendency on light but persistent selling. Century have fared better on expectations of an early sanction of the Company's one-for-one bonus issue proposal. Rayon shares have ruled easier on scattered selling. Among shipping shares, Scindia have held steady while Great Eastern have suffered a modest setback. Dyes and chemicals have made a better showing than most other sections. Indian Dyestuff and Colour-Chem have registered fair gains. N.O.C.I.L. and Synthetics and Chemicals have been marked lower and Gujarat Fertilisers have also been subdued. Cement shares have been dull and subdued. Among miscellaneous shares, Motor Industries and United Carbon have ruled firm while Tata

COMPANY REPORTS

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

Bishnauth Tea
Dimakusi Tea
General Industrial
Jg. Glass
J. K. Cotton
Kanknarrah Company
Kohinoor Mills
Modi Rubber
Motor Industries
National Tobacco
New Beerbhoom Coal
Omega Cables
Siemens India
Tanfort Tyres
Tata Steel
Travancore Ogale
United Bank

Oil and Hindustan Aluminium have suffered a small setback.

The Madras Stock Exchange has witnessed selective buying this past week, although there has been no perceptible pick up in investment activity. Planting shares have remained dull due to the lack of outside enquiries. Peria Karamalai have been quoted lower while Manjushree have been dull. Consolidated Coffee have also remained dull while Kil Kotagiri have declined due to selling pressure. In the sugar section, Deccan Sugar have been maintained while E.I.D. have been quoted a little higher. Kothari Sugars have received some buying enquiries while Travancore Sugar have been neglected. Among textile shares, Trichinopoly Mills and Lakshmi Mills have improved. Madura Mills and South India Viscose have also met with better buying support. Bank shares have remained firm, although business has been negligible. Indian Overseas Bank have been bought.

CLEARED SECURITIES IN CALCUTTA

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

Birla Jute 27/05—27/50—26/65—27/35—(22/60)

Dunlop India 31/65—31/70—31/10—31/20—(37/70)

Guest, Keen, Williams 36/30—36/40—35/60—35/80—(40/10)

Hindustan Motors 9/50—9/70—9/45—9/60—(11/35)

Howrah Jute 8/00—8/25—8/00—8/25—(7/12)

Indian Aluminium 35/60—35/70—35/20—35/45—(37/30)

Indian Cable 24/60—24/65—23/75—23/85—(17/70)

Indian Copper 3/02—3/06—3/00—3/02—(3/80)

Indian Iron 8/75—8/80—8/50—8/60—(11/25)

J. K. Cotton 6/60—6/70—6/50—6/65—(8/85)

Jaipur Udyog 8/20—8/25—8/20—8/25—(9/06)

Jayashree Tea and Industries 16/44—16/44—16/06—16/37—(18/19)

Kesoram Industries 19/50—19/70—19/25—19/30—(15/90)

Orient Paper 36/15—36/70—35/55—36/65—(36/85)

Orissa Cement 20/05—20/40—20/10—20/20—(17/06)

Rohtas Industries 4/55—4/95—4/40—4/75—(5/85)

Textile Machinery 10/25—10/25—10/10—10/20—(10/65)

Tata Steel Repeats : Debenture Offer Planned

THE Tata Iron and Steel Company has maintained the dividend for the year ended March 1972 at Rs. 8.60 a share of Rs. 75 each. But the distribution will involve a bigger draft on reserves—Rs. 153.21 lakhs, against Rs. 94.53 lakhs in 1970-71. The preliminary figures show that the Company's margins have been under considerable pressure. The gross profit at Rs. 28.01 crores shows a decline of 7.3 per cent, compared with the previous year's figure of Rs. 30.22 crores, even though sales are up by 7.5 per cent from Rs. 150.75 crores to Rs. 162.11 crores. The ratio of profit to sales has come down from around 20 per cent to around 17.3 per cent. Margins have been squeezed by the all-round rise in costs without any compensating rise in the selling prices of the Company's products.

After providing Rs. 16.07 crores (against Rs. 16.10 crores) for depreciation, Rs. 2.40 crores (against Rs. 3.10 crores) for development rebate reserve and Rs. 5.80 crores (against Rs. 6.70 crores) for taxation, the net profit for 1971-72 amounts to Rs. 3.74 crores, against Rs. 4.32 crores in the preceding year. The entire surplus has been transferred to general reserve. The stipulated preference dividends absorb Rs. 84.39 lakhs (same) and the equity dividend claims Rs. 442.39 lakhs (same). The total dividend distribution amounts to Rs. 526.78 lakhs, against the net profit of Rs. 373.59 lakhs.

The Company has secured the Government's consent for making a public issue of 8 per cent mortgage debentures (1983-87) for a total amount of Rs. 15 crores to raise part of the finance required for the modernisation and renovation programme. The debentures will be secured by a first legal mortgage on all the existing and future fixed assets of the Company. Interest will be payable half-yearly and debentures will be redeemed at par by drawing lots in five equal instalments commencing from 30th June, 1983. Of the total amount of the debenture issue of Rs. 15 crores, the five principal financial institutions—the L.I.C., U.T.I., I.F.C.I., I.D.B.I. and the I.C.I.C.I.—have jointly underwritten debentures of the value of Rs. 10 crores and the remaining amount has been underwritten by various investment and insurance companies, a commercial bank and firms of share-brokers. The subscription list will open on 26th June and will close on 29th or earlier but not before 28th June.

The debenture issue, the biggest by a private-sector company and the first public debenture issue by T.I.S.C.O., has been allowed by the Government without insisting on a convertibility clause. A unique feature of the issue is that this will be the first case of debentures of an industrial concern being declared by the Government of Maharashtra to be "public securities" under the Bombay Public Trust Act, 1950. This would enable various public and private trusts to invest their funds in these debentures.

Two years ago, the Company intended to make a Rs. 20-crore debenture issue to raise part of the finance required for the modernisation programme, then estimated at around Rs. 106 crores spread over a five-year period. It has now been decided to raise Rs. 15 crores by a debenture issue and Rs. 5 crores by loans from the four financial institutions—the L.I.C., Unit Trust, I.D.B.I. and the I.F.C.I. These loans will be convertible into equity shares only in case there is a default on repayment of the principal.

KOHINOOR MILLS

Results Disappoint

KOHINOOR Mills Company has turned out extremely disappointing results for 1971. While net sales are down by 10.6 per cent from Rs. 13.29 crores to Rs. 11.88 crores, the year's working has resulted in a loss of Rs. 15,388, against a gross profit of Rs. 70.14 lakhs in 1970. The dividend has had to be skipped. For 1970, the Company had paid a dividend of 12 per cent and also a platinum jubilee dividend of 5 per cent, making a total distribution of 17 per cent. After providing Rs. 24.52 lakhs (against Rs. 25.57 lakhs) for depreciation, Rs. 3.35 lakhs (against Rs. 3.66 lakhs) for development rebate reserve and nil (against Rs. 22 lakhs) for taxation, there is a net loss of Rs. 28.03 lakhs, against a net profit of Rs. 18.91 lakhs in the preceding year. After adjustments, a debit balance of Rs. 27.90 lakhs has been deducted from the general reserve.

The directors have attributed the decline in turnover to a fall in net production value resulting from the drastic curtailment of the production of synthetic fabrics. The working results are stated to have been adversely affected by the tremendous rise in cotton prices and other cost components, coupled with a fall in the production of synthetic fabrics. The directors have expressed the hope that with the welcome decline in cotton prices since the end of 1971, the current year would show comparatively better results.

JG. GLASS

Share Offer

J G. Glass Ltd, which is setting up an automatic glass manufacturing plant in Rishikesh (Uttar Pradesh) capable of producing bottles from 1 oz. to 40 oz. capacity in different shapes, is expected to enter the market in August to raise Rs. 30 lakhs in equity shares to meet part of the cost of the project. The Company has imported three glass forming machines. It will initially undertake the manufacture of vials for packing antibiotics and a major portion of production will be taken up by the Indian Drugs and Pharmaceuticals Ltd which has its factory near the Company's proposed factory. If all goes well, the plant is expected to go into production by the end of this year. The plant will have a regenerative furnace of 35 tonnes a day capacity.

The project is estimated to cost Rs. 1.29 crores which is proposed to be met by the share capital of Rs. 50 lakhs, loans (Rs. 72.50 lakhs) and deferred payments (Rs. 6.55 lakhs). The project has been promoted by Jg. Glass Industries Pvt. Ltd which has been engaged in glass manufacturing since 1957 and is one of the leading manufacturers of glass containers in the country. When in full production, the Company will have an annual turnover of about Rs. 1.20 crores. The Company expects to be able to pay a maiden dividend of 10 per cent for 1973.

TANFORT TYRES

A New Venture

TANFORT Tyres Ltd is a new Company which proposes to set up in Bangalore a project with completely indigenous machinery for the manufacture of various types of tyres and tubes, initially for scooters, motor-cycles and light vehicles and later for heavy vehicles in progressive stages. The cost of the project is estimated at Rs. 70 lakhs of which Rs. 44 lakhs will be spent on plant and machinery. The cost is proposed to be met by the share capital of Rs. 50 lakhs and a loan of Rs. 20 lakhs from the Mysore State Financial Corporation. The initial installed capacity of the plant will be 1.65 million tyres and tubes of various kinds for light vehicles.

The Company's paid-up capital is Rs. 12.82 lakhs—all in equity shares of Rs. 10 each. The proposed capital issue is made up of Rs. 30.68 lakhs in equity shares and Rs. 6.50 lakhs in 9.5 per cent redeemable cumulative preference shares of Rs. 100 each. Equity shares of Rs. 50,000 have been reserved for the Mysore State Industrial Investment and Development Corporation and equity shares worth Rs. 8.68 lakhs have been reserved for allotment to promoters for supply of machinery. The Company proposes to make a public issue shortly of 215,000 equity shares of Rs. 10 each and 6,500 9.5 per cent cumulative redeemable preference shares of Rs. 100 each at par.

MODI RUBBER

Share Offer

MODI Rubber Ltd, a new Company belonging to the Modis of Uttar Pradesh, is offering for public subscription at par 2.95 million equity shares of Rs. 10 each to raise part of the finance for its project for the manufacture of automobile tyres and tubes. The list will open on 21st June and will close on 29th or earlier but not before 26th June. The plant which will be located in Modipuram (U.P.) will have a capacity to produce 500,000 tyres and tubes a year. Technical collaboration is to be provided by the reputed West German firm of Continental Gummi Werke which besides assisting in the manufacture of truck tyres would help the Company to market them abroad. If all goes well, the plant will go into stream by the end of 1973 or early 1974. (Fuller details of the share issue appear elsewhere in this issue of *Capital*.)

Mr. N. N. Modi, vice-chairman of the Company, told newsmen the other day that the Company would be able to operate its plant at 75 per cent of the capacity in 1974, 90 per cent in 1975 and full capacity in 1976. Turnover is expected to be

NATIONAL TOBACCO : DIVIDEND MAINTAINED

NATIONAL Tobacco Co. of India Ltd has earned a smaller profit during 1971. Although sales are up from Rs. 27.43 crores to Rs. 29.04 crores, the net profit has declined from Rs. 21.56 lakhs to Rs. 15.02 lakhs, after providing Rs. 11.73 lakhs (against Rs. 12.46 lakhs) for depreciation, Rs. 70,403 (against Rs. 26,687) for development rebate reserve and Rs. 19,90 lakhs (against Rs. 27.32 lakhs) for taxation. The taxable ordinary dividend of 10 per cent has been maintained, absorbing Rs. 8 lakhs. This offers a yield of 6.6 per cent at the present price of Rs. 15.25 a share of Rs. 10 each. After making adjustments, the entire profit of Rs. 15.02 lakhs has been transferred to general reserve. The fall in profit was the direct result of increases in the operational and material costs and of the loss in the Company's unit sales caused by a steep increase in the prices of cigarettes because of a heavy rise in the excise impost during the year. The Company has, however, increased its export of leaf tobacco to Rs. 2.72 crores, against Rs. 2.24 crores.

around Rs. 15.46 crores for 1974, Rs. 19.78 crores for 1975 and Rs. 22.17 crores for 1976. Projections of net profit are Rs. 1.50 crores for 1975 and Rs. 2.47 crores for 1976. The management expects to be able to declare a maiden dividend of 12 per cent for 1976—after two years of the commissioning of the plant.

The project is estimated to cost Rs. 18 crores which is being met by the share capital of Rs. 6 crores and borrowings from financial institutions and banks amounting to Rs. 12 crores. Out of the equity capital of Rs. 6 crores, 40 per cent would be met by the promoters and their associates and Rs. 65 lakhs are allotted to financial institutions. The balance of Rs. 2.95 crores is being offered for public subscription. Mr. Gujar Mal Modi is the chairman of the Company.

KANKNARRAH COMPANY

Marked Rise in Profit

IN their latest report for 1971, the directors of Kanknarrah Co. Ltd say that the profit for the year can be considered satisfactory taking into account the difficult time the industry had to pass through and also the handicap faced by the mills with F.L.C.B. machinery. Trading conditions during the later half of the year were remunerative and the Company could obtain a reasonable margin on the sale of finished goods. Sales of finished goods are up from Rs. 2.88 crores to Rs. 5.55 crores and the profit has risen sharply from Rs. 5.20 lakhs to Rs. 54.83 lakhs, after providing Rs. 4.44 lakhs (against nil) for depreciation. Depreciation for 1969 and 1970 absorbs Rs. 13.02 lakhs. A sum of Rs. 5.89 is transferred to development rebate reserve. After making other adjustments, there is a debit balance of Rs. 79.74 lakhs which is proposed to be carried forward, against a debit balance of Rs. 1.16 crores brought in. The dividend has been skipped again.

NEW BEERBHOOM COAL

Profit Declines

IN their report for the year ended October 1971, the directors of the New Beerbhoom Coal Co. Ltd say that the most significant event during the year under review was the takeover by the Government, pending nationalisation, of the management of collieries producing coking coal with effect from the 17th October, 1971, under the Coking Coal Mines (Emergency Provisions) Ordinance, 1971. This ordinance has since been replaced by the Coking Coal Mines (Emergency Provisions) Act, 1971. The profit of the Company has declined from the previous year's Rs. 15.53 lakhs to Rs. 7.23 lakhs, after providing Rs. 8.05 lakhs (against Rs. 9.66 lakhs). A taxable ordinary dividend of Re. 1 a share or 10 per cent has been recommended, absorbing Rs. 3.20 lakhs. This offers a yield of 10.7 per cent at the present price of Rs. 9.37 a share of Rs. 10 each. The Company had paid a taxable ordinary dividend of 16 per cent in the previous year. Allocations include Rs. 5.20 lakhs (against Rs. 10 lakhs) for taxation, Rs. 1.20 lakhs (against Rs. 1.85 lakhs) for development rebate reserve and Rs. 3.47 lakhs (against Rs. 2.88 lakhs) for general reserve. A sum of Rs. 2.40 lakhs from excess provision for taxation and another sum of Rs. 86,000 from development rebate reserve have been written back. Sales of coal fell from Rs. 3.10 crores to Rs. 2.73 crores.

OMEGA CABLES

Good Results

OMEGA Cables has produced good results for the year ended December 1971. Sales have increased by about 74 per cent from Rs. 184 lakhs to Rs. 320.64 lakhs and the profit amounts to Rs. 9.35 lakhs, after providing Rs. 5.27 lakhs for depreciation and Rs. 7.41 lakhs for development rebate. This compares with the previous year's profit of Rs. 12,655, after providing Rs. 5.51 lakhs for depreciation. After deducting the year's profit of Rs. 9.34 lakhs from the brought-forward loss of Rs. 33.30 lakhs, there is a deficit balance of Rs. 23.96 lakhs which is being carried forward.

SIEMENS INDIA

Cables for Russia

SIEMENS India is exporting 250 kilometres of H.T. paper insulated aluminium conductor cables to Russia. Half this quantity has already been shipped and the rest of the export order will be completed by October this year. The Company has also received orders from Kuwait for the export of special heat resistance cables and from the Iraq port administration for L.T. paper cables.

GENERAL INDUSTRIAL: SATISFACTORY RESULTS

THE General Industrial Society Ltd has shown satisfactory working results for 1971. Sales are up from Rs. 11.43 crores to Rs. 13.47 crores and the pre-tax profit has risen sharply from Rs. 20.64 lakhs to Rs. 46.73 lakhs, after meeting all charges and providing Rs. 37.50 lakhs (against Rs. 39.79 lakhs) for depreciation. The taxable ordinary dividend has been maintained at 10 per cent, absorbing Rs. 6.50 lakhs which will be paid out of general reserve. This offers a yield of 7.6 per cent at the present price of Rs. 13.12 a share of Rs. 10 each. Allocations include Rs. 23.70 lakhs (against Rs. 8.20 lakhs) for taxation, Rs. 4.24 lakhs (against Rs. 4.36 lakhs) for development rebate reserve and Rs. 10,000 for capital reserve. Transferring Rs. 3.28 lakhs (against Rs. 1.38 lakhs) from development rebate reserve no longer required and Rs. 1.29 lakhs (against nil) being excess provision for tax in the previous year and after making other adjustments, a sum of Rs. 23.28 lakhs (against Rs. 9.96 lakhs) has been transferred to general reserve.

The directors say that favourable trading conditions prevailed during the year. The rise in salaries and wages, cost of stores, shipping charges and diminution in production due to frequent load shedding, enhanced the cost of production considerably. In the cotton mill division, an acute shortage of viscose staple fibre—the principal raw material—was experienced throughout the year and the installed capacity partially remained idle. The production in the foundry division was maintained in spite of frequent and abrupt power cuts. The working of the Vizanagram division remained satisfactory throughout the year.

UNITED BANK

Assistance to Small Farmers

UNITED Bank of India has stepped up its programme of providing surface irrigation wells to small farmers in Purulia and Bankura, the two of the worst drought-affected districts of West Bengal. Already 130 such wells have been constructed in Purulia district with U.B.I. finance, while Bankura accounts for 47 wells In view of the severity of the situation, the construction of 103 more wells in these districts has been taken up on an urgent basis.

BISHNAUTH TEA

Marked Rise in Profit

THE Bishnauth Tea Co. Ltd has done well during 1971. The Company has earned a net profit of Rs. 18.22 lakhs, against one of Rs. 9.86 lakhs, after providing Rs. 5.78 lakhs (against Rs. 6.26 lakhs) for depreciation, Rs. 4,005 (against Rs. 1.07 lakhs) for development rebate reserve and Rs. 7,300 (against Rs. 1.83 lakhs) for development allowance reserve. A taxable ordinary dividend of 10 per cent has been declared, absorbing Rs. 4.12 lakhs. This offers a yield of 12.3 per cent at the present price of Rs. 8.12 a share of Rs. 10 each. The Company had skipped the dividend in the preceding year. General reserve claims Rs. 4 lakhs and contingency reserve Rs. 4.50 lakhs. After making other adjustments, there is a balance of Rs. 34,846 which is carried forward, against Rs. 67,625 brought in. The crop has amounted to 2,432,267 kilograms (against 2,119,679 kilograms) and the average price was Rs. 7.74 (against Rs. 7.63) a kilogram. The 1972 crop is estimated at 2,461,000 kilograms at a cost of Rs. 7 a kilogram.

DIMAKUSI TEA

A Good Year

THE Dimakusi Tea Co. Ltd has shown satisfactory working results for 1971. The net profit has risen from Rs. 2.20 lakhs to Rs. 3.25 lakhs, after providing Rs. 1.34 lakhs (against Rs. 1.29 lakhs) for depreciation, Rs. 3.96 lakhs (against Rs. 3.45 lakhs) for taxation and Rs. 7,300 (against Rs. 6,600) for development rebate reserve. The taxable ordinary dividend has been raised from 15 per cent to 20 per cent, absorbing Rs. 1.89 lakhs. This offers a yield of 12.6 per cent at the present price of Rs. 15.87 a share of Rs. 10 each. General reserve is allocated Rs. 1 lakh (same). After making other adjustments, a sum of Rs. 15,984 is carried forward, against Rs. 19,995 brought in. The total crop rose from 368,602 kilograms to 398,853 kilograms and the average sale price fell from Rs. 8.42 to Rs. 8.32 a kilogram. The 1972 crop is estimated at 400,000 kilograms at a cost of Rs. 6.61 a kilogram.

TRAVANCORE OGALE

Dividend Maintained

DESPITE a smaller profit for the year ended December 1971, the directors of Travancore Ogale Glass Manufacturing Co. Ltd have maintained the dividend at 6 per cent. Sales, however, were higher at Rs. 45.06 lakhs (against Rs. 43.34 lakhs). The profit for the year amounts to Rs. 1.31 lakhs, after providing Rs. 1.11 lakhs for depreciation. This compares with the previous year's profit of Rs. 1.45 lakhs, after providing Rs. 1.19 lakhs for depreciation. Adding to the year's profit a sum of Rs. 3,493 being development rebate no longer required, and Rs. 984 being excess provision for taxation, there is a surplus of Rs. 1.35 lakhs. Out of this, tax provision amounts to Rs. 70,000 (against nil). General reserve gets Rs. 65,317 (against Rs. 79,107). The dividend is to be paid out of general reserve.

J. K. COTTON

Results Disappoint

J. K. COTTON Spinning and Weaving Mills has turned out extremely disappointing results for 1971 and the dividend has been skipped for the second year in succession. According to the preliminary figures released by the Company, the gross profit has slumped from Rs. 40.93 lakhs to only Rs. 4.87 lakhs. After providing Rs. 35.91 lakhs (against Rs. 32.16 lakhs) for depreciation and Rs. 13.25 lakhs (against Rs. 8.50 lakhs) for development rebate reserve, the year's outcome is a net loss of Rs. 4.87 lakhs, against a surplus of Rs. 27,000 in 1970. After adjustments, a deficit of Rs. 30.41 lakhs is carried forward.

MOTOR INDUSTRIES : RESULTS IMPRESS

MOTOR Industries Company, popularly known as M.I.C.O., has reported substantially improved results for 1971. Not only has there been a rise in sales and profits but margins too have improved. The dividend, however, has been kept unchanged at 17.5 per cent (interim 10 per cent and final 7.5 per cent). As against an increase of about 23 per cent in sales from Rs. 16.26 crores to Rs. 20.02 crores, the gross profit has gone up by 40 per cent from Rs. 3.81 crores to Rs. 5.34 crores. After providing Rs. 1.70 crores (against Rs. 1.24 crores) for depreciation, Rs. 43 lakhs (against Rs. 47 lakhs) for development rebate reserve and Rs. 2.15 crores (against Rs. 1.05 crores) for taxation, the net profit for 1971 amounts to Rs. 1.06 crores which is about the same as in 1970—Rs. 1.05 crores. Together with tax refunds relating to earlier years and some write-backs, the total disposable surplus amounts to Rs. 1.38 crores. General reserve gets Rs. 72.47 lakhs (against Rs. 58.83 lakhs). The interim dividend absorbed Rs. 37.50 lakhs (same) and the final dividend will take up Rs. 28.13 lakhs (same).

The Company's exports last year were higher at Rs. 122 lakhs, against Rs. 80 lakhs in 1970. Export prospects for the current year are not considered encouraging because of the setback in the economy of many countries. The Company received in August 1971 an industrial licence to carry out its fifth expansion, partly in Bangalore and partly at a new factory in Nasik. Substantial progress has been made in the foreign exchange financing and this matter is likely to be finalised soon. Matters pertaining to the rupee financing are also in an advanced stage. Only after all aspects of financing are completed will the directors be in a position to take active steps for the issue of bonus/rights shares.

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TNB 7053

COMMODITIES

Mounting Stocks May Affect Production of Carpet-backing Cloth

THE production of jute carpet-backing cloth, which has been running at a fairly high rate so far this year, may have to be slowed down soon in view of the mounting inventories of the fabric, says the Indian Jute Mills Association in a Press note issued in Calcutta last week-end. From 10,700 tonnes at the end of January last, total industry stocks of carpet-backing cloth were up at 14,500 tonnes at the end of April. Since production has been maintained at a little over 19,000 tonnes a month from January to April, the deterioration in the industry's statistical position has solely been caused by a sharp decline in exports of the special construction, which is exclusively meant for the fastidious overseas consumers. Despatches of the fabric went down to 16,900 tonnes in April from 20,500 tonnes in January and as much as 25,500 tonnes in November last.

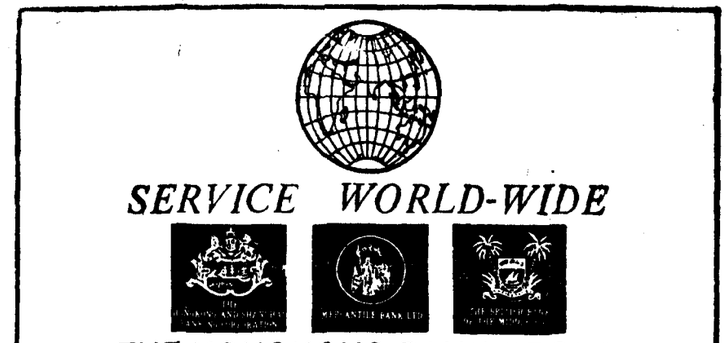
U. S. Spot Stocks

The I.J.M.A. says that the rising stocks of goods with the industry at this end reflect an increase in U.S. spot stocks. Combined inventories of jute carpet-backing cloth in the U.S.A., held by members of the Jute Carpet Backing Council, Inc, have shot up to 19.1 million yards at the end of April from 10.9 million yards at the end of January in respect of the four-yard-wide fabric and to 3.4 million yards from 1.7 million yards for the five-yard-wide construction. Evidently, the Association holds, jute carpet-backing cloth has not been moving fast enough along consumption channels on account of the greatly intensified price-competition which it has now been encountering from the synthetic-based tufted carpet backings. The Association fears that many mills may be forced to seal a percentage of their broadlooms to the detriment of the current employment in the industry and the country's foreign exchange earnings, if conditions are not urgently created whereby jute carpet-backing cloth becomes more competitive, thereby enabling the industry to export more fabric. It may be mentioned that currently, the Bangladesh Jute Mills Association has been offering the construction for ready and near-positions at 4,700 Bangladesh takas a ton, against India's Rs. 4,550 a ton. Besides, the Indian product carries an export duty of Rs. 711 a ton, making a total of Rs. 5,261 which is more than Rs. 560 over the Narayanganj-Chittagong prices.

The limitations of capacity forced by the shortage of qualified and semi-qualified workers in Bangladesh, as also of fibre of appropriate grade-combinations in the industry's hinterland zones, are somehow helping Calcutta to sell jute-based end-products abroad. As soon as the shortages were covered and the Bangladesh industry attained capacity levels of production, the short-lived boom for the Indian industry would disappear. Latest reports from Dacca also indicate that major overseas buyers, like the U.S.A., Russia and the east European countries, were turning their attention to the conclusion of bilateral trade deals with Dacca. The inevitable prospect for the Indian industry, therefore, was that unless it took positive steps for overcoming consumer resistance to the soaring prices, it would have to rest satisfied with the booking of only spill-over orders.

Power Crisis

The I.J.M.A. issued another Press note last week drawing the attention of the authorities to a production loss of some Rs. 1.5 crores due to the continuing power crisis in the jute industry. During the five months ended May this year, the industry experienced one of the worst power crises during recent months. Beginning from 5th June, power-cuts for close on five hours are being regularly imposed on 18 mills daily, on average. Till 9th June, 75 per cent of the jute mills have been subjected to power restrictions. The Association estimates the output lost during the five days since Monday at 1,252 tonnes, worth Rs. 46 lakhs. A loss of this magnitude is sure to upset the industry's marketing programme, especially its export schedule. Defaults and delays in shipments at this juncture, in addition to entailing a loss of foreign exchange, will also help open the door wider to substitution



of jute by synthetics, the note concludes.

An I.J.M.A. Brochure

Market research has shown that coated and laminated jute will enjoy a large demand. The coated fabric has been used by the building industry for making folding doors and partitions, for carpet underlays and mats as well as body-work by the automobile industry, and in packing industrial raw materials, chemicals and foodstuff. Exquisite furnishing material can be produced by laminating jute with rayon, brocade or cotton. Jute laminates are increasingly taking the place of fibre glass in the manufacture of travel goods. To promote the new line, the Indian Jute Mills Association has just published a lavishly illustrated multicolour brochure *Coated and Laminated Jute*. Priced at Rs. 15, it carries a full list of I.J.M.A. mills having, or proposing to install, coating and laminating facilities, complete with their addresses and individual plant capacities.

Gunnies Steady

The Calcutta gunny market ruled steady during the past week on higher advices from the fibre market, combined with the continuing spell of drought conditions over wide parts of the country which showed little indications of coming to an end. Scared by the soaring prices, both internal and overseas consumers were sitting on the side-lines. The offer of cheaper rates by Dacca failed to produce any sobering influence, for the capacity of the Bangladesh industry to meet the immediate demand of overseas consumers was restricted by the prevailing shortages of skilled and semi-skilled operatives and the dearth of adequate supplies of raw jute of appropriate grade combinations from the hinterland zones. So some foreign buyers diverted their attention to synthetic substitutes while others preferred to watch the situation before booking fresh forward business. The facts that the season was likely to close in less than a month and that offers of new crop jute were being made in the up-country markets were yet another disincentive. Operators believed that end-product prices would drop substantially as soon as a regular and adequate flow of the new crop would become available at reasonable rates. Sentiment was influenced by the report that Russia which had so far been a major consumer of standard products from India, had turned its attention to Bangladesh for booking some 30,000 tonnes of jute manufactures on an extended delivery schedule. Yet another bullish factor was the rumour of a bulk tender for hessian and sacking on phased deliveries. The precise quantity was not known and this led to widespread speculation as to its volume, causing hectic fluctuations. Turnover was small and confined mostly to squaring up transactions. The closing undertone was bullish.

Latest available quotations (in rupees) were as follows:

	June	July	July-Oct.	Oct.-Dec.
40in. 7½oz.	83.50	81.50	79.50	77.50
40in. 8oz.	91.00	—	—	—
40in. 10oz.	108.00	106.00	104.00	101.00
B Twills	274.00	275.00	276.00	277.50
Heavy Cees	275.00	276.00	276.00	277.50
Cornsacks	—	—	—	—
A Twills (U.S.)	337.00	339.00	340.00	342.00
Liverpools	327.00	325.00	323.00	323.00

Fibre Firm

The raw jute market continued to rule firm around the season's peak levels despite the lean response from mills to the offers of average and sub-standard grades of fibre. In view of the proximity of the new season, holders of the current season's residue turned keener on clearing their lower grade stocks at the ruling prices. Upcountry arrivals were lower around 15,000 maunds a day, including some lots of the new crop. Brisk harvesting and retting operations were in progress in the early sowing zones. While operators had been reportedly quoting the new crop at par with the current prices of the old crop, mills gave a counter-offer indicating a discount of Rs. 2 from the prevailing levels. The slackness in the pressure of arrivals on the one hand and the absence of any keenness in its demand from the industry on the other were ascribed to be the causes restraining the conclusion of some lucky deals in the new crop so far. Both industry and trade circles were disappointed to note the delay in the conclusion of a routine Indo-Bangladesh protocol for the operation of an inland steamship service linking up Assam and Bihar with Calcutta *via* Bangladesh territorial waters. Following the five-week detention of a C.I.W.T.C. vessel, *Jaggi*, with about 8,000 bales of jute on its way from Assam to Calcutta in Jogighoppa, the goods were being unloaded and transhipped to Calcutta and mill stations by road and rail. The continuing drought conditions in the major jute-growing districts of Gangetic West Bengal and also in the artificially irrigated areas of adjacent districts held up sowing operations in the former and damaged the standing plants in the latter. Seized of the stupendous problem, farm extension officials in interior areas had taken steps to reduce the incidence of crop-loss to the minimum. But they could hardly do anything until the monsoon came. Despite the limited acreage under the jute crop in Bangladesh, Calcutta expected early imports of raw jute from Dacca to help the industry to alleviate its likely shortages of quality fibre during the first quarter of the next season. Turnover was small. The closing undertone was steady.

Latest available quotations (in rupees) were as follows

	June-July Rates a quintal Mid.	Rates a quintal Bot.	Rates a md. Bot.
Selected Assam-Agartala	174.15	160.75	60.00
Northern Jute	168.79	155.40	58.00
Western Desal Jute	159.41	146.02	54.50
Selected Daissee	190.23	176.83	66.00
Assam-Agartala Tossa	187.55	174.15	65.00
Mesta :			
Assam Mesta	155.40	144.68	54.00
Selected Daissee Murshidabad	151.38	140.66	52.50
Bihar Dist.	135.30	124.58	46.50

Established 1851

WESTERN ASSURANCE COMPANY

(The Liability of Members is Limited)

(Incorporated in Canada)

FIRE—MARINE—ACCIDENT—MOTOR CAR
WORKMEN'S COMPENSATION

Branch Office for India:

CHARTERED BANK BUILDINGS

1, INDIA EXCHANGE PLACE,

CALCUTTA - 1.

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

MODI RUBBER LIMITED

(Incorporated on 27th February, 1971 under the Companies Act, 1956)

Registered Office : Modinagar, District Meerut, U.P.

ANNOUNCEMENT REGARDING THE ISSUE OF 29,50,000 EQUITY SHARES OF RS. 10/- EACH.

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Registered Office of the Company, Brokers, Underwriters and Bankers to the Issue mentioned below

The subscription list will open at the commencement of Banking Hours on Wednesday, June 21, 1972 and close at the close of banking hours on Thursday, June 29, 1972 or earlier at the discretion of the Board of Directors of the Company but not before the close of banking hours on Monday, June 26, 1972.

ACTIVITIES OF THE COMPANY AND PROSPECTS :

The Company was incorporated on 27th February, 1971 and received the Certificate for Commencement of Business on 28th April, 1971. The objects of the Company are fully set out in the Memorandum of Association and the immediate object of the Company is to set up a factory for the manufacture of automobile tyres and tubes. The factory is located on the main highway and is approximately six kilo metres away from Meerut.

The Company is licensed to produce 4 lakh numbers each of tyres and tubes per annum. The proposed plant will produce 5 lakh tyres and tubes per annum when the plant achieves its full rated capacity, which is likely to be achieved within two years from the date of commencement of commercial production. The Company expects to go into production by the end of 1973.

The Company has been promoted by Modi Industries Limited and belongs to Modi Group of Industries. The Modi Group under the leadership of its founder Rai Bahadur Seth Gujar Mal Modi (Padma Bhushan) is successfully managing the Modi Industries Limited, Modipon Limited and Modi Spinning and Weaving Mills Company Limited besides other Companies.

The Technical Collaborators of the Company are M/s. Continental Gummi—Werke Aktiengesellschaft, Hannover (West Germany). The Company will produce high quality products and will have the right to use the "Rampant Horse" trade mark of Continental which is a symbol for the highest quality standard and workmanship.

Keeping in view the heavy shortage of truck, bus and tractor tyres, 77% of Company's production will consist of these categories of tyres and Company anticipates no difficulty in selling the various types of tyres at a profitable margin. Also, the Collaborators have assured the Company that they will provide all possible assistance in establishing the export market for the products of the Company.

BOARD OF DIRECTORS :

1. **Rai Bahadur Seth Gujar Mal Modi**
   (Padma Bhushan)
   s/o Late R. B. Seth Multani Mal Modi
   Modi Bhawan, Modinagar

   CHAIRMAN
   Industrialist
   Managing Director
   Modi Industries Ltd.

   Director
   Modipon Limited
   Modi Spinning & Weaving Mills Co. Ltd.
   Patiala Flour Mills Co. Pvt. Ltd.
   R.B. Gujar Mal Modi & Bros. Pvt. Ltd.
   Chiranjilal Multanimal (R.B.) Pvt. Ltd.
   Associated Tubewells (India) Pvt. Ltd.
   Modi Electric Supply Co. Ltd.
   R.B. Multanimal & Sons (P) Ltd.

   Member
   Indian National Committee
   Federation of Indian Chambers of Commerce & Industry

2. **Raizada Seth Kedar Nath Modi**
   s/o Late R. B. Seth Multani Mal Modi
   Modi Bhawan, Modinagar

   VICE CHAIRMAN
   Industrialist
   Managing Director
   Modipon Limited

   Director
   Modi Industries Ltd.
   Modi Spinning & Weaving Mills Co. Ltd.
   R.B. Multanimal & Sons Pvt. Ltd.
   Modi Trading & Industrial Syndicate Private Ltd.
   Associated Tubewells (India) Pvt. Ltd.
   Modi Electric Supply Co. Ltd.
   U.P. State Industrial Corporation Ltd.
   R.B. Gujarmal Modi & Bros. Pvt. Ltd.
   Patiala Flour Mills Co. Pvt. Ltd.
   The New Bank of India Ltd.
   Cotton Corporation of India Ltd.
   Chiranjilal Multanimal (R.B.) Pvt. Ltd.

   President
   All India Manufacturers' Organisation
   Meerut Management Association
   Western U.P. Chamber of Commerce

   Committee Member
   Federation of Indian Chambers of Commerce & Industry
   Advisory Council, U.P. State Textile Corporation

3. **Mr. John Raymond Taverner**
   s/o Mr. John Edward Taverner
   161 Elcid, Ridge Road, Bombay-6
   Business Executive

   Director
   Modipon Ltd.
   Indofil Chemicals Ltd.

4. **Sardar Ujjal Singh**
   s/o Late Sardar Sujan Singh
   12 Kasturba Gandhi Marg, New Delhi
   Industrialist & Agriculturist

   Chairman
   The New India Industrial Corporation Ltd.
   Raghvendra Industrial Research Foundation

   Director
   Continental Device India Limited

5. **Raizada Seth Madan Lal Modi**
   s/o Late R. B. Seth Multani Mal Modi
   Modi Bhawan, Modinagar
   Industrialist
   Managing Director
   Modi Industries Ltd.

Director
Modipon Limited
Modi Spinning & Weaving Mills Co. Ltd.
Modi Electric Supply Co. Ltd.
Modi Trading & Industrial Syndicate Pvt. Ltd.
R. B. Gujarmal Modi & Bros. Pvt. Ltd.
Patiala Flour Mills Co. Pvt. Ltd.
Chiranjilal Multanimal (R.B.) Pvt. Ltd.
Associated Tubewells (India) Pvt. Ltd.

President
Indian Sugar Mills Association, U.P. Region

Vice President
Indian Soap & Toiletries Makers' Association

Member
All India Distillers' Association
Indian Sugar Mills Association

6. Mr. Narendra Kumar P. Salve, M.P.
s/o Late Mr. P. K. Salve
Mount Road, Nagpur
Chartered Accountant

Director
Allwyn Cooper (P) Ltd.
Allwyn Mercury Northern India Pvt. Ltd.

7. Seth Vinay Kumar Modi
s/o R. B. Seth Gujar Mal Modi (Padma Bhushan)
Modi Bhawan, Modinagar
Industrialist

Managing Director
Modi Industries Ltd.
Patiala Flour Mills Co. Pvt. Ltd.

Director
R. B. Multanimal & Sons Pvt. Ltd.

President
Western U.P. Productivity Council
Northern India Chamber of Commerce & Industry

Member
Steel Furnace Association of India
Engineering Association of India

8. Mr. Rameshwar Thakur
s/o Late Mr. Parmeshwar Thakur,
A-4, Anand Niketan, Moti Bagh II,
New Delhi-23
Chartered Accountant

Director
Export Credit & Guarantee Corporation Ltd.

President
Anand Niketan Co-operative Housing Society Limited

Vice Chairman
Delhi State Co-operative Housing Finance Society Ltd.

9. Mr. Chandra Kisan Daphtary
s/o Late Mr. Kishanlal Daphtary
A-8, Maharani Bagh, Ring Road, New Delhi
Senior Advocate, Supreme Court

Director
Swadeshi Polytex Limited

10. Mr. Harbans Singh Mehta
s/o Late Sardar Pritam Singh Mehta
33 Regal Buildings, Parliament Street, New Delhi-1

Stock & Share Broker
Director
Bharat Steel Tubes Ltd.
Delhi Stock Exchange Association Ltd.
Drilmac Ltd.
Escorts Ltd.
Gigi (P) Ltd.
Goetze India Ltd.
Industrial Cables India Ltd.
Panchshila Co-operative House Building Society Ltd.
Punjab & Sind Bank Ltd.
Rathi Ispat Ltd.
Sekai (P) Ltd.
Sikands Ltd.
Shree Vindhya Paper Mills Ltd.
Telefunken India Ltd. (Alternate Director)
Universal Steel & Alloys Ltd.
Usha Forgings & Stampings Ltd.
Usha Spinning & Weaving Mills Ltd.
Tara Hotel Ltd.
International Computers India Mfrs. Co. Ltd. (Alternate Director)

SHARE CAPITAL

A. Authorised:

		Rs.
60,00,000	Equity Shares of Rs. 10/- each	6,00,00,000
2,00,000	9½% Cumulative Redeemable Preference Shares of Rs. 100/- each	2,00,00,000
20,00,000	Unclassified Shares of Rs. 10/- each	2,00,00,000
		10,00,00,000

B. Issued, Subscribed & Paid Up

		Rs. Face Value	Rs. Paid Up
77	Equity Shares of Rs. 10/- each allotted to the subscribers to the Memorandum of Association of the Company which have been fully paid up in cash	770	770
4,49,923	Equity Shares of Rs. 10/- each subscribed by and allotted to Directors, Business Associates and employees of the Modi Group, on which Rs. 5/- per share are paid up in cash	44,99,230	22,49,615
8,00,000	Equity Shares of Rs. 10/- each subscribed by and allotted to Modi Industries Limited on which Rs. 5/- per share are paid up in cash	80,00,000	40,00,000
7,50,000	Equity Shares of Rs. 10/- each subscribed by and allotted to Modipon Limited on which Rs. 5/- per share are paid up in cash	75,00,000	37,50,000
4,00,000	Equity Shares of Rs. 10/- each subscribed by and allotted to Modi Spinning & Weaving Mills Co. Ltd. on which Rs. 5/- per share are paid up in cash	40,00,000	20,00,000
	Total	240,00,000	120,00,385

C. Present issue for cash at par:

		Rs.
36,00,000	Equity Shares of Rs. 10/- each	3,60,00,000

D. Out of the Present Issue:

		Rs.
1,30,000	Equity Shares of Rs. 10/- each have been reserved for allotment to The Industrial Credit And Investment Corporation of India Limited for cash at par	13,00,000
1,70,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Industrial Finance Corporation of India for cash at par	17,00,000
1,30,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Unit Trust of India for cash at par	13,00,000
2,20,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Life Insurance Corporation of India for cash at par	22,00,000
	Total	65,00,000

E. Now offered to the public for subscription for cash at par:

		Rs.
29,50,000	Equity Shares of Rs. 10/- each	2,95,00,000

TERMS OF PAYMENT

On Application	Rs. 2.50 per share
On Allotment	Rs. 2.50 per share
Balance in two equal calls to be made as may be determined by the Board of Directors of the Company with an interval of atleast two months between each call	Rs. 5.00 per share
	Rs. 10.00 per share

UNDERWRITERS

Out of the present issue of 29,50,000 Equity Shares of Rs. 10/- each of the value of Rs. 2,95,00,000 to the public, Equity Shares of the value of Rs. 2,65,00,000 have been underwritten as follows.

Name of Underwriter	Amount Underwritten Rs.
1. Industrial Development Bank of India Bombay-1	50,00,000
2. Life Insurance Corporation of India, Bombay-20	28,00,000
3. Unit Trust of India, Bombay-1	27,00,000
4. U.P. State Industrial Corporation Ltd., Kanpur	40,00,000
5. The Industrial Credit & Investment Corporation of India Limited, Bombay-20	37,00,000
6. Industrial Finance Corporation of India New Delhi-1	33,00,000
7. Harbans Singh Mehta & Co., New Delhi-1	4,00,000
8. Lewis & Jones, Bombay-1	4,00,000
9. Place, Siddons & Gough (P) Ltd., Calcutta-1	4,00,000
10. Champaklal Devidas, Bombay-1	4,00,000
11. Amrit Lal Bajaj & Co., New Delhi-1	4,00,000
12. Chimanlal J. Dalal & Co., Bombay	3,00,000
13. Raja Ram Bhasin & Co., New Delhi-55	2,00,000
14. H. P. Mehta & Co., New Delhi	2,00,000
15. Bharat Bhushan & Co., New Delhi-1	2,00,000
16. Vinod Kumar & Co., New Delhi	2,00,000
17. D. S. Purbhoodas & Co., Bombay-1	2,00,000
18. L. K. Pandey, Bombay-1	2,00,000
19. Batlivala & Karani, Bombay-1	2,00,000
20. Valji Bhimji, Bombay-1	2,00,000
21. M. Nanjappaiah Jahgirdar, Bangalore-42	2,00,000
22. Stewart & Co., Calcutta-1	2,00,000
23. D. B. Malhotra & Co., New Delhi	2,00,000
24. Behari Lal & Co., New Delhi	1,00,000
25. B. K. Khullar & Co., New Delhi	1,00,000
26. Jalan & Co., New Delhi	1,00,000
27. K. B. Malik & Co., New Delhi	1,00,000
28. Jamnadas Morarjee & Co., Bombay	1,00,000
Total:	2,65,00,000

Modi Industries Ltd. (the promoters) have given an undertaking to the underwriters that in the event of the Equity capital of the value of Rs. 295 lakhs now offered to the public being undersubscribed by the public, the said Modi Industries Ltd., and/or their associate companies shall, without charging any underwriting commission and/or brokerage, take up the first 3,00,000 Equity Shares of Rs. 10/- each not subscribed for before calling upon the underwriters to discharge their respective underwriting obligations.

TECHNICAL COLLABORATORS

Continental Gummi-Werke A.G., Hannover, West Germany.

AUDITORS

Singhi & Co., Chartered Accountants,
New Asiatic Building, H-Block Connaught Circus, New Delhi.

ISSUE HOUSE

M/s. Computech Corpn., 147, M. G. Road, 3rd Floor,
Opp: Indian Airlines, Fort, Bombay-1.

LEGAL ADVISERS TO THE ISSUE

J. B. Dadachanji & Co., Advocates,
Jeevan Vihar, 3, Parliament Street, New Delhi-1.

BANKERS TO THE ISSUE

1. First National City Bank, 3, Parliament Street, New Delhi-1 and their other branches.
2. Punjab National Bank, Parliament Street, New Delhi-1 and their other branches.
3. Bank of India, Janpath, New Delhi-1 and their other branches.
4. State Bank of India, Parliament Street, New Delhi-1 and their other branches.
5. Bank of Baroda, Parliament Street, New Delhi and their other branches.

BANKERS OF THE COMPANY

1. First National City Bank, 3, Parliament Street, New Delhi-1.
2. Punjab National Bank, Parliament Street, New Delh
3. Allahabad Bank, Modinagar.

MANAGERS TO THE ISSUE :

Management Consultation Division,
First National City Bank,
Parliament Street, New Delhi-1.

PRINCIPAL BROKERS :

Harbans Singh Mehta & Co.,
33, Regal Building, Parliament Street, New Delhi-1.

Lewis & Jones, Bank of Baroda Building,
Fort, Bombay-1.

Place, Siddons & Gough (P) Ltd.,
6, Lyons Range, Calcutta-1.

OTHER BROKERS :

BOMBAY :

Champaklal Devidas,

Bhupen Chambers, Dalal Street,
Fort, Bombay-1.

Chimanlal J. Dalal & Co.,
107 Stock Exchange New Building, Dalal Street,
Fort, Bombay-1.

Valji Bhimji,
Old Stock Exchange Building, Dalal Street,
Fort, Bombay-1.

Batlivala & Karani,
Union Bank Building, Dalal Street,
Fort, Bombay-1

Morwanjee Bomanjee Dalal,
Allahabad Bank Building, Apollo Street,
Fort, Bombay-1.

R. R. Nabar & Co.,
31, Dalal Street, Bombay-1.

Navalchand T. Shah & Co.,
Union Bank Building, Dalal Street,
Fort, Bombay-1.

Jamnadass Morarjee & Co.,
8-10 Dalal Street, Fort, Bombay-1.

P. R. Subramaniam & Sons,
70-A, Stock Exchange Building, Apollo Street,
Fort, Bombay-1.

L. K. Pandey,
Maharashtra Bank Building, 45/47, Apollo Street,
Fort, Bombay-1.

D. S. Purbhoodas & Co.,
10/11 New Stock Exchange Building, Apollo Street,
Fort, Bombay-1.

Parecha Brothers,
19, Stock Exchange Building, Apollo Street,
Fort, Bombay-1.

DELHI :

Amritlal Bajaj & Co.,
United India Life Building, F Block,
Connaught Place, New Delhi-1.

P. Roy & Company,
3/8, M. M. Road, Jn., Panchkuin Road, New Delhi-55.

H. P. Mehta & Co.,
Akash Deep, 3rd Floor, Barakhamba Road,
New Delhi-1.

Raja Ram Bhasin & Co.,
Jeewan Mansion, 8/4, Desh Bandhu Gupta Road,
New Delhi-55.

D. B. Malhotra & Co.,
13, Stock Exchange Building,
Asaf Ali Road, New Delhi.

Behari Lal & Co.,
15, Stock Exchange Building, Asaf Ali Road, New Delhi-1.

Bharat Bhushan & Co.,
H-45, Connaught Place, New Delhi-1.

Jalan & Co.,
Stock Exchange Building, Asaf Ali Road, New Delhi-1.

Vinod Kumar & Co.,
A-6, Connaught Place, New Delhi-1.

K. B. Malik & Co.,
Atma Ram Mansion, Connaught Place, New Delhi-1.

J. C. Mehta,
44, Delhi Stock Exchange Bldg., Asaf Ali Road,
New Delhi-1.

B. K. Khullar & Co.,
31, Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.

CALCUTTA :

Chunilal T. Mehta,
7,Lyons Range, Calcutta-1.

Stewart & Co.,
14, India Exchange Place, Calcutta-1.

Murarka Bros.,
7, Lyons Range, Calcutta-1.

MADRAS :

Paterson & Co.,
Vanguard House, III Floor,
11/12, Second Line Beach, Madras-1.

Kothari & Sons,

Kothari Buildings, Nungambakkam High Road, Madras-34.

HYDERABAD :

P. B. Afzulpurkar,
Sultan Bazar, Hyderabad (A.P.).

BANGALORE :

M. Nanjappaiah Jahgirdar,
205, Cavalry Road, Bangalore-42.

Vijai & Co.,
9, Eleventh Main Road, Malleswaram, Bangalore-3.

AHMEDABAD :

Chinubhai Chimanlal Dalal,
Muharat Pole, Ahmedabad-1.

PROSPECTUS AND APPLICATION FORM :

Copies of the Prospectus and Application Forms may be obtained from Registered Office of the Company, Underwriters, Brokers, Bankers to the issue named herein or from their main offices, branches at places mentioned in the application form. Application must be made on the prescribed form only and in accordance with the instructions contained in the form, and will be refused if not so made.

Application may be made only by residents in India and must be for a minimum of 50 Equity Shares or multiples thereof. Multiple applications are liable to be rejected. Application forms properly completed must be delivered before the close of subscription list together with full amount payable on application to any of the Bankers to the issue or their main offices/ branches at the places mentioned in the application form.

THE CHARTERED BANK ORGANISATION

STATEMENT BY THE CHAIRMAN, MR. W. G. PULLEN

The following are extracts from the Statement and Overseas Survey by the Chairman, Mr. William George Pullen, to be presented at the Annual General Meeting of The Chartered Bank on 4th July, 1972, at 38 Bishopsgate, London, EC2N 4AH.

Our branch system runs for the main part through the Middle East, the Indian sub-continent, South East Asia and the Far East and the last twelve months have seen adjustments in the Gulf, war between India and Pakistan, war continuing in Vietnam and an economic setback in Japan; all of which had a disturbing effect on world trade and business generally. Added to this was the international currency crisis and the realignment of parities following the devaluation of the United States dollar, which affected in one way or another every country in which we operate, and all these events add up to an exciting but very difficult year's banking. Fortunately the spread of our soundly based business stood us in good stead and we were able successfully to overcome any local dislocation and our results for the year were very satisfactory in the circumstances.

As an overseas bank operating in over thirty countries and committed heavily in international trade as well as local banking we have always realised that we had to accept reasonable risks if we were to serve our customers and the countries in which we were established but the behaviour of the exchange rates up to President Nixon's statement of 15th August, and their subsequent movements until the realignment of the parities on 18th December, acutely stressed the inherent dangers. By anticipating events we were able to avoid losses in a situation in which some countries were not certain up to the last minute what precise action they would take in respect of their currencies relative to the devaluation of the United States dollar. It is by no means clear that settled rates have finally been established; in fact if our own Chancellor of the Exchequer's budget statement is typical of today's thought then more frequent changes are likely to occur in future if parities are not to be so resolutely defended when they inhibit growth. As a British bank our concern must be primarily with sterling and any weakness of that currency could cause immense difficulties for us if we are not allowed freedom to hedge in other currencies. Uncertainty already exists in many of the countries of the sterling area regarding the extent and terms on which they will be allowed to retain their balances in sterling once the United Kingdom enters the EEC. It is assumed that the guarantees against devaluation of sterling given by the U.K. government to those countries keeping the major portion of their reserves in sterling will not be renewed and our interest, like theirs, is what will happen to the sterling area and what freedom will we have to operate in world currencies.

Mention has been made of the Indo-Pakistan war, which caused great anxiety at the time in repsect of our staff in the many areas affected. Luckily all came through safely but the aftermath of the war has posed many problems and we are still trying to consolidate our business in Pakistan and to re-establish our branches in Bangladesh, and at the same time settle cross-claims by both governments. Libya's preoccupation with its leadership of the Arab world has meant that no attention has been given to claims for nationalisation compensation and we have received no payments for our holding and funds in the Commercial Bank of Libya. Burma too is typically silent on its obligations. At home continued progress has been made in working closer with our friends The Standard Bank and during the year both banks combined their Euro-currency operations in the International Division of Standard and Chartered Banking Group Limited, which as a result has become one of the largest and most competitive trading banks in London.

This Year's Accounts

A comparison of the figures appearing in the accounts with those published last year is rendered difficult by the changes in accounting procedures mentioned in the Report of the Directors. In addition, during 1971 the assets and liabilities of our International Banking Division in London were transferred to the Standard and Chartered Banking Group Limited. In these circumstances it is pleasing to note that the consolidated balance sheet figures, including acceptances, guarantees, etc., have increased to the record total of £1,076 millions and that deposits, in comparison with the revised figures for 1970, have increased by £20 millions and advances by £43 millions. Had the international business referred to above remained in our own books our deposits would have shown a 16% growth over those of the previous year. Capital and reserves, which were shown at £34 millions in the consolidated balance sheet for 1970, have been increased to £59 millions by the transfer of inner reserves and the addition of retained profits.

INTRODUCTION TO Overseas Survey

The smouldering relations between India and Pakistan, the resultant war between them and the problems remaining with the birth of Bangladesh have all in their turn made headline news but the repercussions in Asia generally have been less than those from the crisis of the war in Vietnam. This does not mean that the statesmen of many countries are not disturbed by the seeming end to the balance of power in the Indian sub-continent but they are even more uneasy at the continued withdrawal of the United States forces with no certainty that the Vietcong can be held. Countries which have benefited from the American involvement now

accept with almost equanimity the economic effects of the withdrawal but the political implications are viewed with considerable apprehension and in part prompted Malaysia's proposal for a zone of peace and neutrality in South East Asia and ensured its wide support. The future value of this bloc is likely to depend upon developments following President Nixon's visits to Peking and Moscow.

Mention was made last year of the general problem of low world prices for most of the primary products exported from the Asian countries and this unfortunate state from their point of view still persists and it is most encouraging that with reduced foreign exchange earnings the rule rather than the exception most countries have come through another twelve months with their economies sound. At one time there was a real threat that politics in the United States might split the world into trading blocs and reduce the volume of international trade but fortunately that danger seems to have receded. For many Asian countries a more urgent problem is the conditions in which they will be allowed to trade with the ECC once the U.K. has joined the Community.

INDIA

Much of the anxiety with which the world watched the events of the past year on the sub-continent has now been dispelled with the end of Indo-Pakistan hostilities and the return of the refugees to Bangladesh. Mercifully the war itself was over within a matter of days, for neither side could afford the economic dislocation which would have accompanied a protracted clash. Once Mrs. Gandhi found herself unable to persuade the world powers to suggest that Pakistan remove its army from Bangladesh, the march of events in the area became almost inevitable. In its subsequent policy towards the independent Bangladesh the Indian government has been anxious to be seen to be steering a middle course for while doing everything possible to sponsor the new nation, it has been at pains not to interfere unduly in its internal affairs. As was to be expected the economy of Bangladesh will require assistance for some time to come and India quickly came to its rescue by granting loans both in external currencies and commodities.

In the final analysis, however, the security and stability of the subcontinent can only be assured if relations between India and Pakistan are put on a sound footing. On Mrs. Gandhi's initiative there are signs that a start has in fact been made to this end, for very recently both sides agreed to meet in order to attempt a settlement of outstanding problems.

With popular attention diverted to events on the borders, domestic politics remained quiet until the turn of the year and the lead up to the March elections. With the success of their armies in the field still fresh in their minds, the vast majority of voters seized the opportunity to express complete confidence in Mrs. Gandhi and her administration. The ruling Congress Party attained an absolute majority in the main areas in which elections were held and in all won 1,924 out of 2,727 seats. Despite the vast scale of the undertaking, the elections themselves were, much to the credit of the authorities, conducted with remarkably little incident, which underlined the welcome improvement in law and order throughout the country and particularly in West Bengal.

A mid-term appraisal has shown that many Fourth Plan targets have not been achieved, and the performance of the economy as a whole has been mixed, with the sluggishness of industry in marked contrast to the prosperity of agriculture. For the first time since the early fifties the farming community has produced enough food for domestic needs without the assistance of concessional imports under PL480. The total output of food grains for 1970/71 was 107.8 million tons and next year is expected to be higher still at 112 million tons and in the meantime 8 million tons of valuable buffer stocks, 500,000 tons of which is to be consigned to Bangladesh, have been accumulated. Although to an extent still dependent on seasonal rains, the much improved harvests have been brought about mainly by technological advances but now their very size makes the provision of extra storage space essential if the gains are not to be nullified by waste and deterioration. Industry too would do well not to overlook the ever-growing demand in rural areas not only for fertilisers and agricultural machinery but for consumer goods as well. The pattern of overseas trade is not expected to show much change now that the Indian rupee has been devalued by 5.5% against sterling and revalued by 3% against the dollar as part of the international currency realignment in December. Exports were buoyant for the six months April to September 1971 but thereafter declined because of shortages of raw materials and disruption arising from the state of emergency declared on 3rd December, but with a vast potential market now available on its doorstep unutilised capacity in many primary industries should no longer be a problem.

With foreign private investment lagging and in order to attract more funds the government has laid down firm guidelines for the expansion and diversification of foreign-owned industrial ventures, provided more of the shares are offered to local interests. At the same time, under a scheme sponsored by the Indo-British Technological Collaboration Group, the owners of factories overseas are invited to move entire ventures to India in order to take advantage of local raw materials and plentiful cheap labour. The scheme has started promisingly, with four projects already approved, three of which are British, and another twenty-five in the pipeline.

By and large the economy has been able to withstand the cost of the refugees and the war without resorting to crippling deficit financing. Prices have risen but not seriously and industrial relations have without doubt taken a turn for the better. With the problem of adequate food production now a thing of the past, Mrs. Gandhi and her cabinet colleagues should take full advantage of the mood of confidence sweeping the country and lose no time in promoting industrial recovery, the speed of which must necessarily depend upon full use of the private as well as the public sector.

Conclusion to Overseas Survey

For the most part the countries served by The Chartered Bank branch network are so-called developing countries and in reviewing them annually certain trends and patterns become more and more pronounced. The exodus from the land continues and the cities are getting larger with all the additional problems of inadequate housing, health dangers and traffic hold-ups. The standard of education is improving and nationals are not restricting their careers to government service but are playing an ever increasing role in business. The banking habit is increasing and spreading into rural areas as well as in the cities and this is the basis of the present trend to turn some of the capital cities into financial centres for the area. The sight of accumulating local funds has attracted many newcomers to the financial scene, mostly from overseas, and although competition for deposits has its merits it is difficult to see what the new firms can do to help carry out local policies of investing in and building up industries as an alternative to agricultural dominance. Of all the countries reviewed stability and progress are notably greater in those whose ministers and senior civil servants travel abroad frequently and are familiar with the international scene, whilst conversely socialism and nationalism both inhibit growth. For their international trade, and in fact for their livelihood, these young nations are still too dependent on the policies, which usually means the politics, of the industrial countries. It is difficult to see an easy solution for low prices for commodities which are governed by the law of supply and demand and the industrialised countries cannot at times help slackness in their own economies but they are responsible for quotas and duties designed to keep out the goods of emerging countries. It is no recompense to exclude a country's goods and then give aid, often tied, and "trade not aid" is still the genuine desire of most of the countries we know in Asia. These countries are dependent for growth upon increased world trade and could only watch with anxiety the resurgence of protectionism that was so apparent last year and fortunately with the realignment of the parities this danger seems to have receded.

The Chartered Bank has strong ties with the countries in which we work and shares their aspirations and we hope sincerely that a general international responsibility keeps protectionist policies at bay.

THE CHARTERED BANK ORGANISATION

SUBSIDIARY COMPANIES

THE CHARTERED BANK OF LONDON
Head Office 465 CALIFORNIA STREET, SAN FRANCISCO, CALIFORNIA, 94104, U.S.A.

THE C.B.I. DEVELOPMENT CORPORATION LIMITED
THE CHARTERED BANK (MALAYA) TRUSTEE LIMITED
THE CHARTERED BANK HONG KONG TRUSTEE LIMITED
CHARTERED FINANCE (HONG KONG) LIMITED
CHARTERED FINANCE COMPANY (THAILAND) LIMITED
THE CHARTERED FINANCE COMPANY LIMITED, SINGAPORE
CHARTERED MERCHANT BANKERS MALAYSIA BERHAD
CHARTERED MERCHANT BANKERS LIMITED, SINGAPORE
CHARTERED UNIT TRUST MANAGEMENT LIMITED, SINGAPORE
THE EASTERN BANK LIMITED
HARPER FINANCE LIMITED
HATTON COURT PTY. LIMITED, CANBERRA
UNIVERSAL CORPORATE SERVICES LIMITED, HONG KONG

GROUP RELATED COMPANIES

ANGLO NORDIC BANK LIMITED, ZURICH
ARBUTHNOT LATHAM HOLDINGS LIMITED, LONDON
BAHAMAS INTERNATIONAL TRUST COMPANY LIMITED, NASSAU
CAYMAN INTERNATIONAL TRUST COMPANY LIMITED, CAYMAN ISLANDS
CHARTERED INVESTMENT & FINANCE COMPANY INC., MANILA
THE CHARTERED TRUST COMPANY LIMITED, BERMUDA
COMMERCIAL BANK OF CEYLON LIMITED, COLOMBO
CONRAD HINRICH DONNER, HAMBURG
CREDIT CORPORATION (MALAYSIA) BERHAD, KUALA LUMPUR
CREDIT CORPORATION (SINGAPORE) LIMITED, SINGAPORE
THE DINERS CLUB ASIA INC., HONG KONG
THE DINERS' CLUB (HONG KONG) LIMITED, HONG KONG
DINERS CLUB (THAILAND) LIMITED, BANGKOK
EUROPEAN AND OVERSEAS TRADING BANK N.V., ROTTERDAM
THE HODGE GROUP LIMITED, CARDIFF
INTERCONTINENTAL BANKING SERVICES LIMITED, LONDON
THE IRANO BRITISH BANK, TEHRAN, IRAN
MARTIN CORPORATION GROUP LIMITED, SYDNEY, NEW SOUTH WALES
MUTUAL ACCEPTANCE LIMITED, SYDNEY, NEW SOUTH WALES
MERCHANT CREDIT LIMITED, NICOSIA
SCHRODERS AND CHARTERED LIMITED, HONG KONG

THE CHARTERED BANK AND SUBSIDIARY AND ASSOCIATED COMPANIES

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 1971

			1970
Current Assets	£		£
Cash and Short Term Funds	175,623,000		179,073,000
Investments	96,381,000		110,866,000
Advances and Other Accounts	567,605,000		524,233,000
	839,609,000		814,172,000
Fixed Assets			
Investment in Subsidiary not consolidated	550,000		688,000
Investments in Associated Companies and Trade Investments	8,717,000		7,574,000
Premises and Equipment	14,663,000		13,984,000
	863,539,000		836,418,000
Liabilities			
Current, Deposit and Other Accounts	799,256,000		778,961,000
Dividends Payable	2,900,000		2,168,000
	802,156,000		781,129,000
Provision for Pension Liabilities	1,743,000		1,800,000
Capital and Reserves			
Capital	£ 9,680,000		9,680,000
Reserves	49,704,000	59,384,000	43,708,000
Minority Interests in Subsidiaries		256,000	101,000
		863,539,000	836,418,000
Acceptances, Guarantees, Indemnities etc., for account of Customers (and Customers' Liability therefor)		212,281,000	182,886,000

R. A. S. LANE, *Chief General Manager*
W. BOWDEN, *General Manager*
L. T. WATSON, *Chief Accountant*

W. G. PULLEN, *Chairman*
A. W. SCOTT, DENIS WRIGHT } *Directors*

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1971

			1970
Profit before Taxation and Extraordinary Items	£		£
Group	11,694,317		10,796,576
Associated Companies	1,153,032		1,166,561
	12,847,349		11,963,137
Taxation	5,643,957		5,204,412
	7,203,392		6,758,725
Less: Extraordinary losses, less profits, net of taxation	191,425		251,998
Profit after Taxation	7,011,957		6,506,727
Less: Minority interests in Subsidiaries	60,500		12,782
Profit attributable to members of the Bank (of which £6,345,437 (*1970 £5,696,511*) has been dealt with in its own accounts)	6,951,467		6,493,945
Less: Dividends	£		
Interim paid 28th January, 1972	1,175,000		
Proposed final	1,725,000	2,900,000	2,950,000
Profit Retained		4,051,467	3,543,945
The Chartered Bank	3,445,437		2,746,511
Subsidiary Companies	442,721		449,312
Associated Companies		3,888,158	3,195,823
		163,309	348,122
		4,051,467	3,543,945

HINDUSTAN LEVER LIMITED

THE BATTLE AGAINST INFLATION

Speech delivered by V. G. Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, 8th June 1972.

Winning the war against poverty is, as the Prime Minister has declared, by far the nation's most urgent and important goal. This war, like any other war, is made up of a series of battles—the battle against unemployment, against drought and floods, against population growth and against inflation, to name only a few. It is the battle against inflation, particularly as it concerns your Company, that I propose to speak to you about today. Inflation is no new phenomenon. Many of us recollect our grandmother telling us how she could buy ten seers of rice for a rupee when she was a girl. What is relatively new is the extent to which governments, industry, trade unions, economists, accountants and bankers are increasingly worried about how to deal with it.

The problems of inflation, although arising out of different reasons, are not the affliction of economies at any particular stage of development. In fact a recent report—'Present policies against inflation' published by the Organisation for Economic Co-operation and Development admits that most countries, whether developed or developing, have largely failed to produce effective policies to conquer inflation. Against this background, India's management of her economy over the past two decades, despite three wars and two droughts, has been commendable and inflation, except for two or three bad years, has been kept within reasonable limits. Figures given by the International Monetary Fund show an average annual rate of inflation of 6.6 per cent from 1963 to 1971 for India, compared with 6 per cent for Japan and 5.4 per cent for the UK and no less than 34 per cent per annum for Brazil. Whatever measures are taken to limit the rate of inflation, we must, as realists, accept that inflation of the order of 5 per cent in the years to come is something we shall have to learn to live with; but containing inflation even at these levels is a major battle and one which has to be fought on many fronts.

The first casualties in this battle are the overwhelming majority of our people—the lower income groups. It is only to be expected therefore that in a democratic system, and one in which the vote is being exercised with an increasing degree of independent judgement, inflation should produce a severe reaction at the political level and that our Government, like many others the world over, should turn to the weapon which certainly in the short run appears to be the most effective in dealing with it, namely, price control.

Excessive restraint on prices however can lead to damage to the productive system, whether it is the farm or the factory, and become itself a major factor in aggravating shortages and hence increasing inflation. In spite of this, there has been to my mind astonishingly little attention paid to the real effects of inflation and price control on corporate viability and this speech is mainly about what has happened to your Company due to these factors and what we are doing about it. The subject is of relevance not only to the private sector; in this respect sectors are immaterial. As professional managers we could regard the resources of the entire corporate sector, drawing as it does on public savings and taxes, as public resources.

If we examine the ten-year record of your Company with the eyes of an economist and adjust the figures for the inflation that has taken place, our achievements will be seen in their harsh reality. While the growth in turnover adjusted for inflation is not unsatisfactory and amounts to 45 per cent for the period 1961 to 1971, profits present a very different picture and at 1961 values have actually fallen by 33 per cent. Nor do these figures tell the whole story and we come to a major weakness—the inability of conventional accounting methods to deal properly with inflation. Firstly, depreciation based on the original purchase price of the fixed assets, which is all that the tax laws allow, is not sufficient to pay for the asset when it is finally replaced. Secondly, while there is a growing awareness of the effect of inflation on fixed assets, there is less when it comes to its effect on working capital, particularly in industries such as yours where such capital tends to be relatively high.

The impact of inflation of working capital on the real worth of the Company will depend on the way in which this working capital is financed, namely, how much is covered by borrowings and how much is funded by the shareholders. The increase due to inflation in that part of the working capital which is financed by the shareholders must be met out of retained profits if the real worth of the Company is not to be eroded. The effect on your Company, where a substantial part of the working capital is financed by shareholders' funds, can be roughly illustrated as follows. In 1971 our profit before tax in conventional accounting terms was Rs. 759 lakhs. If full allowance had been made for the effect of inflation in that year on working capital and fixed assets, this figure would have been reduced by as much as Rs. 200 lakhs.

Before you all rush out to dispose of your shares in this Company, I would only request you to ensure that the profits of your alternative investments are also expressed in real terms—their figures then may also look rather different! What we now do in your Company is to ensure that we are at least aware of the true impact of inflation. All the costs we use in our management accounting now include this component.

Why then, you will be asking, have companies not been presenting this situation in their published accounts and why have they not been making the necessary provisions to protect themselves against the erosion of the real worth of their assets?

The answer to the first question is that accounting practice has not yet completely adjusted itself to the full consequences of inflation. It will be many years before accountants agree upon how to arrive at how much inflation has, in fact, taken place and then how to provide for it in the accounts. It may be longer still before inflation

provisions become legally acceptable for calculating the real profit for tax purposes.

The answer to the second question is that, in the past, successful entrepreneurs have instinctively protected themselves against the impact of inflation without the benefit of formal accounting assistance by changing the financial structure of their companies (for example, by using more borrowed funds) or by increasing profit margins. Today, however, particularly in several consumer product business, the Government decides not only what prices and therefore profit margins shall be, but by its control over the banking system, how much firms may borrow. Controls on prices are not confined to India and the creation of the Prices and Incomes Board in the UK and the recent price freezes in that bastion of the concept of a free economy—the USA—have led to similar restrictions on the manufacturer's traditional freedom to decide his own prices.

One must admit that some of the effects of price control have been beneficial. They have often prevented an industry from automatically passing on its inefficiencies to the consumer. In a protected and planned economy, such as India's, normal competitive pressures do not always operate and in these circumstances a measure of price restraint may help to ensure that the incentives to efficient operation are maintained. However, while recognising the benefits of price control measures, it would be unwise not to be aware also of the damage they can cause, not only to business, but to the consumer, to the Government and to society at large. While rigid adherence to the price line has a short-term result in "taking up the slack" in a wayward industry, it cannot, in the face of even controlled inflation, provide a long-term solution.

We have to face the fact that in an inflationary situation, however mild, prices of essential consumer goods have to rise in order to generate the resources required to maintain the health of the industrial machine producing them. Why should this be so? To begin with, the business, however committed it may be to the social good, is unable to justify the allocation of further resources if excessive restraint on prices has driven yields below acceptable levels. The investing public will be understandably attracted to investing in more profitable but perhaps less important industries, and the finance required for increased production of essential goods will not be available and shortages will ensue. Resources moreover are required not only for increasing production in the short-term, but also to secure the long-term improvement in industrial efficiency which is the only effective answer to excessive inflation. It is only by substantial investment in Research and Development in both technical and non-technical areas that we, as a nation, can rid ourselves of obsolete processes and sub-standard products.

After the business itself, the next to feel the impact of excessively harsh price controls are the more vulnerable sections of the community who inevitably come last in the struggle for products in short supply. While it is possible to partially protect, by rationing and other measures, the few who live in the larger towns and cities, it is impracticable to try and extend these measures effectively to the large bulk of our population living in the smaller towns and villages. In spite of the best efforts of Government and industry to distribute as equitably as possible, experience has shown that the only satisfactory answer to the injustices that shortages create is increasing production.

Lastly, Government and the community as a whole also pay a heavy penalty, not only because growth of revenue and employment-generating activity in the industry begins to slow down, but because the more unscrupulous elements within the industry—those who resort to such practices as evasion of duties and taxes—begin to flourish. An example of what the country stands to lose if this happens can be judged by the contribution to Government revenues by your Company. Against a profit after tax of less than Rs. 3 crores that the Company made in 1971, the amount it collected directly and paid to the exchequer by way of excise duties, corporate tax, sales tax, income tax deducted at source, etc., amounted to Rs. 22 crores! These are the resources that the nation needs for its social objectives, for schools and hospitals, for housing, for public transport and communications, for water supplies and drainage. It is not that this is a problem faced by the private sector alone. Public sector units are no less hit by inflation and in their case too a realistic pricing policy, based on satisfactory levels of efficiency, is essential.

It is clear that inflation and pricing are major economic problems. On whom does the responsibility for dealing with them fall? First of all, on the Government whose monetary and fiscal policies are clearly a major factor. It is not about these but rather about its price control and industrial licensing policies to which I would draw your attention today. There is a greater need in this area to evolve a policy which makes the fullest use of the resources of the corporate sector. About three-quarters of your Company's products by turnover are under some form of price control and subject to industrial licensing. On pricing we have been making representations to both the Tariff Commission and the Bureau of Industrial Costs and Prices and we have been deeply impressed by the thoroughness with which they have gone about their difficult task, as also the patience and understanding with which they have listened to our submissions on complex issues such as inflation.

Turning to industrial licensing, growth is one of the most potent weapons that the Government can employ in its battle against inflation and should thus be an immediate and overriding component of its industrial policy. The recent circular to manufacturers issued by the Ministry of Industrial Development urging them to mark the Silver Jubilee year of the nation's Independence by producing to full capacity is a welcome step in this direction.

Next, we in business like everyone else must avoid the temptation to regard inflation as somebody else's problem and merely to add to the list of those who complain. Whatever the dangers of too severe a price control, it is nevertheless the duty of all concerned, including business itself, to do everything possible to keep to a minimum cost increases and hence unavoidable price increases.

In your Company we have given high priority, in both policy and practice, to a programme aimed at containing inflation as far as it is within our power. We believe that this is not just a matter for the Board or a select group of senior managers, but for all employees from the most junior worker to the members of the Board who are facing you this afternoon. Our policy as a firm is and has been to pay all levels of our employees well and in return to seek from them maximum commitment to the pursuit of efficiency. This clearly calls for a high degree of motivation coupled with the development of the appropriate skills.

We have over the last few years been progressively introducing a system of management by objectives (MBO). Every unit and department so covered is clearly aware of those areas in which improvement in efficiency is considered not only possible but vital. Clear quantified targets are set quarter by quarter in consultation with those key personnel who will themselves be largely instrumental in attaining them. We have learnt that the commitment to a target which has been discussed and agreed is far greater than that which has been imposed by some remote authority located in our Head Office here. We are frankly pleased and proud of the progress which has been achieved and feel confident that it will be maintained.

As an essential prerequisite to introducing MBO, we have begun an ambitious programme of communicating with and training employees at all levels so that there is a wider understanding of corporate objectives, problems and solutions. For example, special courses are being conducted in Head Office and in the branches aimed at improving the efficiency of our distribution system. Managers, supervisors and salesmen have all been involved in these. Special attention is being paid to what is recognised to be one of our higher cost operations, namely, that of pioneering our rural markets, as also to the efficient use of resources whether those of the Company or those of our stockists. A more recent and successful innovation has been the involvement of service groups, the clerks and stenographers attached to the sales management and the clerical staff of the warehouses, transport, planning and accounting departments. How to contain inflation is one of the major topics of discussion. The response has been most encouraging and a number of excellent suggestions have emerged which very often the participants themselves, working as a team, are asked to implement.

Coming to the third agency in this battle—obviously this programme of increasing efficiency to beat inflation can only succeed with the co-operation of the trade unions in our Company. By accepting the fact that any real increase in the stable and long-term prosperity of their members must ultimately rest on their ability to increase productivity, they have clearly seen their crucial role.

A further strategic weapon that we have employed in the battle against inflation is to ensure that we take maximum advantage of the economies of scale whether it is in the area of procurement, production or distribution. Procurement, we believe, is not just a matter of buying as cheaply as one can from the existing market. It must go much further—like reducing our dependence on a single supplier by helping to build up competitive suppliers, or by developing wholly new materials. A typical example of the latter is our decision several years ago to contribute equity capital, loans and know-how in setting up a factory to make solid board containers, an alternative to wood boxes where prices are rising sharply. Today this factory, Solid Containers Ltd., is one of our important sources of supply of packaging materials. Likewise our research skills have been used to help manufacturers in whom we have no direct interest other than as their customers to develop more effective and cheaper chemical ingredients for our products.

We also subject our products to the discipline of value analysis. This is not as you might suspect another name for quality reduction! It is in fact a difficult and complicated process to ensure that every component of cost is necessary to give the consumer the values she seeks for her money and not unnecessary frills which bring no benefit. This involves not merely production processes, but also formulation, perfume, packaging, advertising, the choice of the sale outlet, etc. Nor do we presume to act as judge and jury. Every major product change is subjected to careful consumer testing to ensure that in economising we have not affected some preferred attribute in the product characteristic or performance. Only after a positive verdict from the consumer does the Board approve a product modification.

Eliminating waste is always a major area of attack on costs. What we have achieved can be judged from the fact that 98 to 99 per cent of the materials we buy end up in products we sell. For example, even the small quantities of oil that are trapped in the bleaching earth we use for decolourising oil are recovered and reused.

Another area in which we have had a major success in neutralising some of the impact of inflation has been distribution. In active co-operation with the railway authorities we have helped to develop the use of containerised rail services in order to reduce damages and save handling costs. The number and location of our stockholding points around the country are under constant review. We work together with our road transport and forwarding agents to ensure that their operations and those of the Company are dovetailed to achieve optimum efficiency, and have introduced a system which ensures that the economies of scale in distribution are shared between the transport contractor, the consumer and the Company.

Not all the increases in costs, however, are the result of normal inflationary effects. We are, as I have mentioned in my earlier speeches, in the forefront of the battle to reduce the industry's dependence on imports—whether it be in the developing of new indigenous raw material or in the manufacture of chemicals hitherto imported. But there is a price to pay for this in our fight against inflation because, almost invariably such substitutions tend to increase our costs. Again, many of our exports are often possible only by accepting prices which result in a substantial loss for which the rest of the business must pay. While these are tasks which we undertake gladly in the national interest, we cannot ignore the fact of their effect which is over and above the general inflationary trend.

The result of this integrated programme of fighting inflation has been very satisfactory for the consumer. Take, for example, soap which is one of the basic products of your Company. The soap industry has an impressive record of price stability despite the continual inflation in costs. Not only have prices been largely held over the last six years, but they compare very well inter-nationally despite the fact that our oils, chemicals and packaging materials are amongst the most expensive in the world. While standards of presentation and perfuming have had to be sacrificed, the fact remains that the consumer in India is getting her toilet soap, for example, at one of the lowest prices anywhere. Weight for weight, a tablet of toilet soap costs 40 per cent more in the USA (which produces the cheapest raw materials) and up to two and a half times as much in Europe. There is obviously a limit to the extent to which prices can be held in an inflationary situation, however efficient and ingenious we are. In many parts of the business that limit has already been reached and passed. Soap is one

instance and vanaspati another and more extreme case where the consumer is enjoying what is in effect a price subsidy.

Nor can we, as employees, in fairness say that the burden of inflation has fallen all that severely upon us. While it has not been possible to meet all the demands of our work force and at times we have had to be more restrictive than we would have ideally chosen to be, the record speaks for itself and our people have, by and large, been protected from a reduction in their own standards of living. To illustrate, between 1960 and 1970 the average cost of management employees rose by 70 per cent and the cost of non-management employees by 131 per cent, while the wholesale price index rose by 82 per cent.

In effect, therefore, the burden of inflation in the case of your Company has been borne not so much by the consumer of its products, or by its employees, as by its shareholders. In the long run, inadequate returns to the shareholders as a group will choke off the flow of private savings into industry and stifle investment in vital industries on which so much of future economic growth depends.

Even in the short term, the consequences of allowing such a situation to develop are generally that one of the main objectives which we, as a nation, are seeking to achieve, namely, containing inflation, is likely to be defeated. Without the expansion needed to spread overheads and overcome shortages, without the ability to attract and retain good management and to reward labour adequately for improving its productivity, without the resources to conduct research and development in all sides of our business and without the ability to give our shareholders an adequate reward for the investments they have made and the risks they are taking, the cutting edge of a major weapon in the battle against inflation—a healthy, industrial machine—must inevitably be blunted. We believe, nevertheless, that despite the worrying situation facing us at present, we shall succeed in due course in striking the delicate balance between giving you, our shareholders, a fair return on your investment and at the same time ensuring that we do all we can in fighting inflation.

"This does not purport to be a report of the proceedings of the Annual General Meeting."

COMPANY AND PUBLIC NOTICES

INDIAN OXYGEN LIMITED

"It is hereby notified for public information that M/s Indian Oxygen Limited, P 34 Taratala Road, Calcutta-53 have given on 15/5/72 a Notice under Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, to the Department of Company Affairs, New Delhi, for their substantial expansion in the manufacture of Acetylene Plant. Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, New Delhi, within a fortnight of publication of this Notice."

COMPANY MEETINGS AND DIVIDENDS DECLARED OR PROPOSED

Name of Company	Date	Hours I.S.T.
Dalmia Cement (B) Ltd.	27-6-72	11 a.m.
New India Investment Corpn. Ltd.	28-6-72	3-30 p.m.
Orissa Cement Ltd.	29-6-72	11-30 a.m.
The Calcutta Jute Mfg. Co., Ltd.	29-6-72	3 p.m.
The Karanpura Development Co., Ltd.	29-6-72	10 a.m.

Hattikhira Tea Co. Ltd—5 p.c. subject to tax

General Industrial Society Ltd—10 p.c. (0), subject to tax

Walford Transport Ltd—Nil

Assam Match Co. Ltd—20 p.c. (0), subject to tax

Burma Mines Ltd—Nil

Banarhat Tea Co. Ltd—4 p.c. (0), subject to tax

Bhartia Electric Steel Co. Ltd—5 p.c. (0), subject to tax

Karanpura Development Co. Ltd—5 p.c. (0), subject to tax

Duncan Brothers & Co. Ltd—12 p.c. (0), subject to tax

Hooghly Docking & Engineering Co. Ltd—Nil

Bengal Flour Mills Co. Ltd—10 p.c. (0), subject to tax

Kohinoor Mills Co. Ltd—Nil

Nuddea Mills Co. Ltd—10 p.c. (0), subject to tax

Blue Star Ltd—12 p.c. (0), subject to tax

Bengal Paper Mill Co. Ltd—10 p.c. (0), subject to tax

Industrial Containers Ltd—10 p.c. (0), subject to tax

Duncan Brothers & Co. Ltd—12 p.c. (0), subject to tax

Rydak Tea Syndicate Ltd—7½ p.c. (0), subject to tax

Krishnabehari Tea Co. Ltd—6 p.c. (0), subject to tax

BOOKS RECEIVED

An Introduction to Probability Theory and Its Applications. By William Feller. (Published by Wiley Eastern Pvt. Ltd., J41 South Extension 1, New Delhi 49. Volume 1, Price Rs. 16.50, pages 509.)

Indo-Soviet Economic Relations. Edited by Vadilal Dagli. (Published by Vora and Co., Publishers Pvt Ltd., 3 Round Building, Kalbadevi Road, Bombay 2. Price Rs. 30, pages 159.)

Management of Industry in India. By H. T. Parekh. (Published by Vora and Co., Publishers Pvt. Ltd., 3 Round Building, Bombay 2. Price Rs. 7, pages 74.)

The British Ombudsman. By Frank Stacey. (Published by Oxford University Press, Ely House, London. Received from Oxford University Press, Mercantile Buildings, Calcutta 1. Price £4, pages 351.)

STOCK PRICES AND YIELDS

The following are the official quotations of leading shares quoted at the Calcutta Stock Exchange and their respective yields. Fuller details of shares quoted at the Calcutta, Bombay and Madras Stock Exchanges and of the accounts of companies are published in the final week's issue of "Capital" every month.

Ordinary Paid-up Value Per Share Rs.		Dividend Percent 1970	Dividend Percent 1971	Current Market Price Rs. 12-6-72	Yield %
	CLEARED SECURITIES				
10	Birla Jute	9	11	26.90	4.1
10	Burrakur Coal	12	5	6.50	7.7
10	Dunlop India	20	20	31.20	6.4
10	G. K. W.	16	20	35.85	5.6
10	Hind Motors	Nil	Nil	9.60	...
10	Howrah Jute	Nil	Nil	8.25	...
10	Ind Aluminium	14	17	35.45	4.8
10	Indian Cable	2½	15	23.90	6.3
2 sh.	Indian Copper	11.1	...	3.02	6.6
10	Indian Iron	6	6	8.60	7.0
10	J. K. Cotton	Nil	...	6.65	...
10	Jaipur Udyog	10	5	8.25	6.1
10	Jayshree Tea	11	...	16.25	6.8
10	Kesoram Ind	10	5	19.50	2.6
10	National Rubber	Nil	...	7.81	...
10	Orient Paper	10	11½	35.60	3.2
10	Orissa Cement	12½	...	20.35	6.1
10	Rohtas Ind.	Nil	Nil	4.75	...
10	Texmaco	Nil	...	10.20	...
	COAL				
10	Amalgamated	10	10	9.94	10.0
100	Bengal	12	...	65.00	18.5
10	Bengal-Nagpur	2½	...	8.06	3.1
10	Borrea	12½	...	8.00	15.6
10	Karanpura	20	10	9.06	11.0
10	Katras Jherriah	10	...	9.06	11.0
10	New Beerbhoom	16	10	7.75	12.9
10	North West	2½	...	9.50	2.6
10	Pench Valley	10	10	10.00	10.0
10	Raneegunge	10	7½	11.19	6.7
10	Rewa	20	20	22.00	9.1
10	S Karanpura	20	20	10.65	18.8
10	W Bangal	8½	8½	6.97	12.2
	COTTON				
10	Basanti	Nil	...	2.75	...
10	Bharat Com	12	12	15.62	7.7
10	Bowreah	12½	...	13.00	9.6
5	Cawnpore	Nil	...	2.81	...
10	Dunbar	Nil	...	9.25	...
10	Elgin	6	...	6.25	9.6

Ordinary Paid-up Value Per Share Rs.		Dividend Percent 1970	Dividend Percent 1971	Current Market Price Rs. 12-6-72	Yield %
	ENGINEERING				
10	Braithwaite	...	...	4.56	...
10	Biecco Lawrie	Nil	Nil	10.31	...
10	Bridge & Roof	2½	...	35.19	0.7
100	Burn & Co.	Nil	...	73.50	...
10	Cal Steel	5	..	8.50	5.9
10	Hind Wire	10	10	14.44	6.9
10	Ind St. Wagon	Nil	...	4.56	...
10	Industrial Cont	...	...	13.94	...
10	Jay Eng.	8	10	12.62	7.9
10	Jessop & Co.	Nil	...	4.00	...
10	J. K. Steel	Nil	3	9.31	3.2
3	Kumardhubi	Nil	...	4.37	...
2	Marshall	Nil	...	1.06	...
10	Sen-Raleigh	Nil	...	6.12	...
10	Simon-Carves	15	...	13.37	11.2
10	Wellman Incan.	10	Nil	8.25	...
	JUTE				
10	Agarpara	5	5	8.12	6.2
100	Anglo-India	5	7½	120.00	6.2
100	Auckland	Nil	Nil	90.50	...
10	Bally	10	10	13.56	7.4
£5	Barnagore	Nil	Nil	77.00	...
10	Budge-Budge	12	6	7.50	8.0
10	Champdany	5	Nil	15.25	...
10	Chitavalsah	Nil	...	11.25	...
100	Dalhousie	Nil	Nil	99.00	...
10	Fort William	Nil	Nil	15.37	...
10	Ganges	7½	7½	8.19	9.2
100	Hastings	2½	1	102.50	1.0
12½	India	4.8	8	10.94	9.1
100	Kamarhatty	Nil	..	114.00	...
100	Kanknarrah	Nil	...	44.00	...
100	Kinnison	Nil	Nil	50.50	...
10	National	Nil	...	10.00	...
10	Nellimarla	Nil	...	8.62	...
10	New Central	Nil	...	5.87	...
10	Northbrook	Nil	Nil	18.00	...
100	Union	Nil	Nil	76.00	...
1	Waverley	Nil	...	3.75	...
	CEMENT AND LIME				
10	Asoka	6	Nil	5.00	...
10	Bisra Stone	15	15	12.75	11.8
10	Dalmia	12½	...	13.37	9.3
10	Karanpura Dev.	5	5	9.31	5.4
10	Kumardhubi Fire	20	20	18.45	10.8
10	Orissa Minerals	5	12½	10.00	12.5
5	Sone Valley	Nil	...	1.66	...

Ordinary Paid-up Value Per Share Rs.		Dividend Percent 1970	Dividend Percent 1971	Current Market Price Rs. 12-6-72	Yield %
	CHEMICAL				
10	Alkali & Chem.	15	17½	25.37	6.9
10	Cal. Chemical	9	9	11.25	8.0
100	Bengal Chem.	Nil	Nil	40.00	...
10	Chem. & Fibres	27½	...	31.12	8.8
10	Indian Explosives	15	15	23.00	6.5
100	Phosphate	5	7	111.00	6.3
5	Smith Stanistreet	10	...	4.12	6.5
	ELECTRIC				
100	Agra	10	10	140.00	7.1
10	Bareilly	10	6	13.56	4.4
10	Bhagalpur	12	10	8.50	11.7
£1	Calcutta	13	13	13.12	17.8
10	Dishergarh	9	9	10.00	9.0
	MISCELLANEOUS				
10	Aluminium Corpn.	Nil	...	9.75	...
10	Angelo Bros	...	...	5.69	...
10	Asso. Battery	20	20	34.62	5.8
5	Avery India	20	20	12.81	7.8
100	Balmer Lawrie	8	...	67.00	11.9
10	Brit. Biscuit	22	16	26.25	6.1
5	B. I. C.	7½	...	6.19	6.1
10	British Paints	12½	...	20.06	6.2
10	Brook Bond	20	20	26.31	7.6
10	Bararee Coke	15	15	9.00	16.7
100	Duncan Bros	12	12	124.00	9.7
10	Electric Cons.	20	...	12.12	16.5
10	Eng. Electric	10	...	24.50	4.1
100	Fort Gloster	7½	7½	227.00	3.3
10	Garuda Invest.	10	...	6.12	16.3
10	G. E. C.	27½	31½	23.25	13.5
10	Gillanders	10	12	9.12	13.2
10	Godfrey Phill.	57½	...	55.00	10.5
10	Goodyear	47½	...	46.37	10.[illegible]
10	Gramophone Co.	15	17½	23.94	[illegible]
10	Hind. Alumini	12½	...	21.12	[illegible]
10	India Tobacco	13½	14	16.87	[illegible]
10	Inchek Tyre	Nil	Nil	7.62	[illegible]
10	India Carbon	16	18	32.19	5.6
10	Indian Oxygen	14	14	24.37	5.7
10	Indian Wood	9	10	9.25	10.8
10	J. K. Synth.	15	...	45.56	3.3
100	Jardine Hend.	Nil	Nil	39.50	...
100	Lawrence Invest	Nil	...	39.50	...
100	Macneill	5	...	41.25	12.1
10	Martin Burn.	10	10	7.50	13.3
10	Metal Box	6	8	15.87	5.0
5	Mohan Meakin	12	10	9.37	5.3
10	N. I. Cable	10	8	10.56	7.6
10	Nat. Pipes	4	Nil	6.50	...
10	Nat. Rolling	2½	Nil	4.94	...
10	Nat. Tobacco	10	...	15.25	6.6
10	Ondal Invest.	10	10	14.10	7.1
10	Phillips Carbon	15	12	17.06	7.0
	MISCELLANEOUS (*Contd.*)				
100	Rallis India	13	...	170.00	7.6
10	Reckitt & Col.	14	11	15.00	7.3
10	Philips India	20	24	49.00	4.9
10	Sendra Invest	7	7	4.75	14.7
10	Schrader Scovil	25	25	32.50	7.7
10	Shalimar Wires	10	10	11.62	8.6
10	Shaw Wallace	18	...	30.62	5.9
10	Stewards & Lloy.	10	...	14.44	6.9
10	Universal Cables	10	...	20.94	4.8
10	Union Carbide	15	17½	33.00	5.3
10	Universal Elec.	7½	...	21.25	3.5
10	Usha Martin	15	...	27.00	5.6
1	Walford Trans.	Nil	...	0.75	...
10	Williamson Magor	10	...	10.50	9.5
10	Woolcombers	7½	...	15.00	5.0
	PAPER				
10	Ballarpur	15	12½	24.69	5.1
10	Bengal	10	10	18.00	5.6
10	India Paper	Nil	Nil	5.69	...
10	Seshasayee	...	12	12.50	9.6
10	Sirpur	3	...	10.87	2.8
10	Straw Pro.	12	...	16.87	7.1
10	Titaghur	2½	4	8.81	4.5
10	Tribeni Tissues	11½	...	17.75	6.5
	SUGAR				
2½	Balrampur	10	...	3.00	8.3
10	Carew	Nil	...	7.00	...
10	Cawnpore	Nil	Nil	4.12	...
10	Champarun	Nil	Nil	10.44	...
10	Durbhanga	Nil	...	3.87	...
10	Ramnugger	6	...	5.25	11.4
10	Raza	Nil	Nil	1.50	...
10	S. K. [illegible]	Nil	...	6.06	...
10	U. Provinces	5	...	5.50	9.1
	TEA				
10	Asambrook	12½	...	8.06	15.5
100	Banarhat	16	...	75.00	21.3
10	Betjan	10	...	10.31	9.7
100	Birpara	11	...	94.00	11.7
10	Bishnauth	...	...	8.12	...
10	Dimakusi	15	...	15.87	9.5
10	Dhelakhat	5	...	8.25	6.1
10	Dhunseri	12½	12½	9.69	12.9
10	Dibrugarh	30	...	21.00	14.3
10	Gohpur	5	Nil	10.06	5.0
10	Huldibari	5	...	7.06	7.1
10	Hasimara	Nil	...	6.69	...
10	Jutlibari	10	...	11.00	9.1
10	Teloijan	4	...	4.44	9.0
10	Tengpani	12½	...	30.06	4.2
10	Tirrihannah	40	...	43.00	9.3

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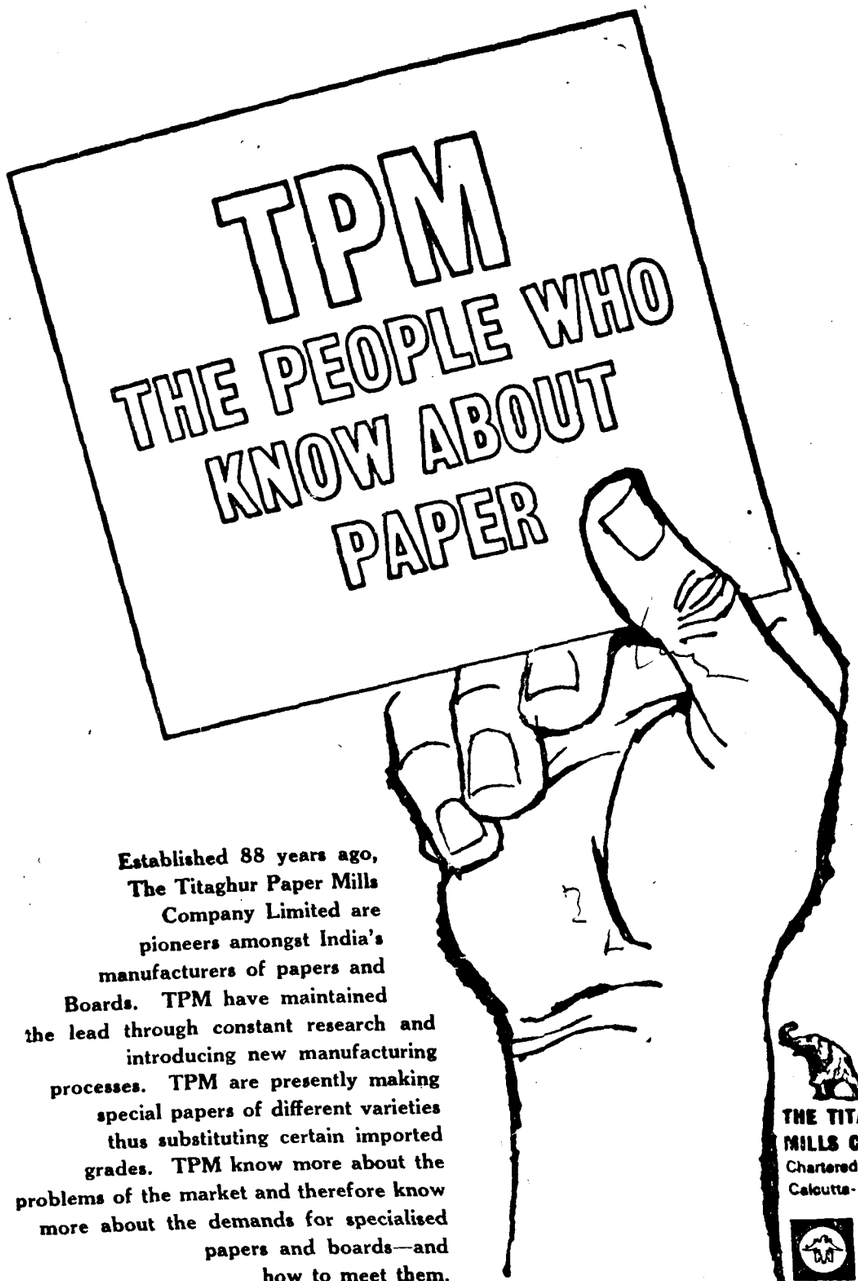

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