

Edl (1916) Department.

His SERIES.

G.O. No. 230

DATED 3.3-16

Industries. [Despatch Abstract.]

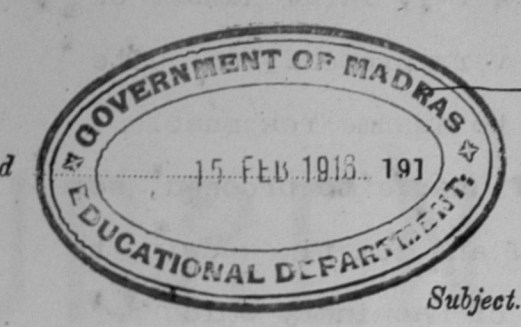
~~Button making~~ Informing the Director
of ~~I~~ that the Govt are
unable to approve his proposals
for the development of the
buttonmaking industry at present.

CN. 582 Eol

C.F.—29.

DEPARTMENT.

Received



Registered

16. 2. 1916

Subject.

Submitting a scheme for assisting a BUTTON MANUFACTURING COMPANY.

ENCLOSURES
No.
Spare copies

No. K 112

Station Madras, Dated the 14th FEBRUARY, 1916

From (Name) K.T.B. Tressler, Esq.,
(Designation) Director of Industries,

To The Secretary to the Government of Madras,
EDUCATIONAL Department.

Sir,

I have the honor to state that some months back I got Messrs. Massey & Co to make some experimental Button Making machines. These were shown at work at the recent exhibition where they were tested by Mr. Bose, a local button manufacturer.

2. Mr. Bose has been in business for about 10 years and has established quite a good business, but he finds now that he has come to the end of his resources and is unable to expand although the market for his buttons are considerably greater than he can supply.

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3. This is the trouble with a very large number of small industries. They are begun very properly on quite a small scale but, when they begin to assume reasonable dimensions, the owner finds himself unable to proceed, sometimes on account of lack of capital and sometimes owing to the necessity for the introduction of machinery which he does not quite understand and does not care to invest money in ~~case~~ he is not quite certain how it will work out in practice.

4. I have gone into the question of button machinery carefully with Mr. ^{Walker} of Messrs. Massey & Co and he has made a special study of the subject and has prepared plans and estimates for a small properly equipped button making factory. The cost of the machinery amounts to Rs.5,000 and to drive the plant a 6 or 7 H.P. ^{engine} is required.

5. Mr. Bose is at present carrying on his work in his own backyard. The place is unsuitable for the use of power--is much too small and not easily accessible. If, therefore, his business is to be expanded, larger premises are required.

6. I have examined Mr. Bose's books and made enquiries about the button making industry. These investigations lead to conclude that there is a good deal in the industry, more especially as the raw materials (bone and horn) are easily available in Madras. Button making is the sort of industry that I should take up for investigation myself: on the other hand, since there is already an existing business, it seems to me that an easier line to take is to assist the existing industry, subject, of course, to certain safeguards which will be discussed later.

7. My general proposal therefore is to purchase machinery ~~for at Government expense~~ and place this at the disposal of a private company.

8. The machinery being Government property, I naturally wish to have it under my eye and, since the site of the existing factory is unsuitable, I propose to locate it temporarily on part of the land that has been handed over to me for the oil mill. As there is no existing accommodation, I also propose to construct some sheds on this land at a cost of about Rs.3,000 for accommodating the factory. These sheds I intend using for other purposes later on and do not treat as a real charge to this experiment: merely an advance expenditure of a general character. For engine power, I propose, for the time being, to employ one of the departmental plants now retained for purposes of loan.

9. My scheme thus further involves the construction of some government sheds at a cost not exceeding Rs.3,000 and the installation of a government engine. This property I do not propose to part with but merely to lend for the time being and resume when required.

10. When an industry of this kind is properly established, it will require a capital of about half a lakh and, therefore, I have suggested to Mr. Bose that a company should be formed with this capitalisation. Without some sort of Government help it is certain that the capital will not be forthcoming. The company has first to show that the proposed scheme is going to be remunerative and until this is demonstrated, the concern offers no attractions as an investment. Some sort of Government lead is necessary and it is on these grounds that I make the recommendation for the purchase of the plant and the provision of accommodation. At first sight it might seem simpler to loan the plant to Mr. Bose himself without introducing the extra complication involved by the formation of a company. But a personal loan is objectionable

for the following reasons:-

- (a) because ^{the lessee} ~~Mr. Bose~~ has not sufficient capital to finance the scheme himself;
- (b) because the loan would have to be free and a free loan offers no incentive for the development of the business;
- (c) because once the plant has been lent, the lessee would be at liberty to run the concern exactly as he pleased and there would be nothing to prevent his abandoning the use of the plant after the first few experiments if they did not prove remunerative *at all*.

If, on the other hand, as I propose, the plant is lent to a company in which Government is given a certain amount of share capital in return for the plant, the company has every incentive to make the undertaking as productive as possible and Government have a locus standi in the management of the company. In other words, my proposal for the running of the concern is that a company should be floated in which Government would be given a certain amount of share capital in return for the purchase of plant.

11. Mr. Bose has worked up a business of his own and I consider that Rs.7,500 is a very fair estimate of the goodwill of this business. I have examined his accounts and find that on an average he has been clearing rather more than Rs.150 a month on his venture. The value of the engine and shed which, as explained, are merely a temporary loan, I do not include in the value of the Government interest. But for the Rs.5000 worth of machinery, which I propose to lend the company, I consider that Rs.7,500 shares should be allotted. Hence of the total working capital of half a lakh, Rs.15,000 are allotted, half to Mr. Bose for his business and half to Government for the machinery. Whilst ultimately the rest of the share capital will be required as working capital, I consider that, for the time

being, and until the venture has been proved, Rs.5,000 to 7,500 of working capital ^{only} will be necessary and for this sum I propose ^{an} ~~to~~ appeal to the public, keeping the balance of share capital in reserve.

12. The formation of this company does not directly concern Government, but I have indicated its general character so as to enable Government to form an opinion of its merits.

13. I do not propose to submit definite proposals to Government for the purchase of the machinery (Rs.5,000) and for the constructions of the buildings (Rs.3,000) until I am satisfied that the company have sufficient capital to undertake manufacture. On the other hand, I am convinced that no capital will be subscribed at all unless there is some evidence of Government interest and I accordingly request to be informed whether Government would be prepared to assist the company on the lines below mentioned if a company is formed.

14. Government are prepared, against the share allotment of Rs.7,500, (i) to purchase button making plant to the value of Rs.5,000 (ii) to construct/shed on government land, to instal an engine of the necessary power therein, to fix the shafting and to allow the company to occupy these premises so long as convenient subject to the following conditions:-

Except as regards the occupation of the sheds

(i) the arrangement will be in force for a period of 3 years from the date of starting the

factory;

(ii) Government will hold a mortgage on the machinery;
(iii) Government will have the right of insisting

on the purchase of the government shares by the company at the end of 3 years.

The company have the right of acquiring the government shares before that period and government, similarly, may withdraw the machinery if the factory stops work for a period of more than 3 months;

Amal
NOTE:- As a ~~separate~~ concession I think Mr. Bose might be allowed to purchase as many of the Government shares as he can prior to compulsory sale at their cost price (Rs.5000) and not their face value (Rs.7500). This concession will serve as an inducement to Mr. Bose to push the business.

- (iv) As regards the buildings and engine, Government will have the right of demanding their evacuation on 6 months' notice or if the factory stops work;
- (v) So long as Government hold an interest in the company, the whole of the accounts shall be maintained in a form approved by the Director of Industries and shall be open for inspection at any time by that officer or his authorised representative. If such an inspection reveals wasteful manufacture, the company will be warned. If the waste proceeds or if any dishonesty become apparent, the Director of Industries will report the fact to Government and they will be at liberty, if they consider that the accounts reveal either neglect or dishonesty, to insist on such measures as shall remove the cause and, if these are not adopted, to withdraw from the company.

I have the honor to be,

Sir,

Your most obedient servant,

Amal
Director of Industries.

NOTES.

C.No. 582 From the Director of Industries, No.K.112. d/- 14-2-1916.

Subject.

Scheme for assisting a button manufacturing
company.

Register No. 582.

The Director of Industries proposes to --
purchase button-making machinery at a cost of --
Rs.5,000, erect sheds costing Rs.3,000 on Govern-
ment land at Washermanpet for a button factory,
and lend the machinery and buildings to a company
that will be formed for the purpose. He also ---
proposes that the Government should take shares
in the company up to Rs.7,500. From his letter
it further appears that he will himself take --
steps for the formation of the company. With
regard to these it is submitted that, in the ----
first place, it seems doubtful whether such active
participation of Government in the promotion and
working of a company for commercial manufacture
as is proposed by the Director will be permissible
under the Secretary of State's orders governing
the constitution of the Department of Industries.

Under

paras 4 + 7, page 2 of let.
paras 8 + 9, page 2 of let.

* let apart for the location
of the oil factory.

paras 10 + 11, page 4 of let.

page 17 + 18 of let. No. 3446 Rev (Y)
27.10.16
+ page 23 + 24 of let. 3817 Rev (N)
20.12.12

Under those orders it would appear that the --
Department can only carry on industrial experi-
ments but should leave commercial manufacture --
entirely to private enterprise.

2. Apart from the above objection on the
ground of State interference with private enter-
prise it appears inexpedient that the Director
should ~~embark~~ embark on this new industry. He has ---
already several industries in hand and it may
not be possible for him to do justice to them all
and to industrial education if he were to go on
investigating new industries before bringing --
those in hand to a successful termination. In
this connection attention is solicited to the
Secretary (Mr. Todhunter's) note, dated the 23rd
August 1915, on page 6 of notes to G.O.No.1090 Bd1,
dated the 1st October 1915.

Further, ~~on~~ the present state of the --
finances ~~will~~ will not permit of any expenditure
being incurred on new experiments such as, button
making, in the next year. The provision in that
year for this purpose is only Rs.25,000 and it
is feared that no amount can be spared from

this

* oil-pressing
* pencil-making
* glass-making
* paper-pulp manufacture
* lime-briquette manufacture
* sugarcane-crushing.

this provision for new experiments. It will be fully required for the experiments already undertaken.

3. In these circumstances it is for orders ---- whether the Director of Industries may be informed -- that the Government are unable to approve his proposals for the development of the button-making --- industry at present and whether he may be requested to confine his attention to the experiments already undertaken.

SK
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24/2/16.

SK

For No. 29
25.2.16

A Order may it be as at

D
25/2/16.

P.
26.2.



A draft order is submitted for approval.

SK
24.2.16. 8
24/2/16

SK
29.2.16

READ AGAIN G.O. No., dated 191 .
 " " " " 191 .

READ ALSO:-

C. No. 582, From the D.S., No. K112 dated 14. 2. 1916.

" " 191 .

" " 191 .

ORDER.

No. 230 dated 3. 3. 1916.

mis

2/13

The Director of Industries will be informed that the Govt are unable to approve his proposals for the development of the button making industry at present. ~~Aha will be~~ ^{should} requested to confine his attention in the meantime to the experiments already undertaken by him.

Int. Turb.

Q10

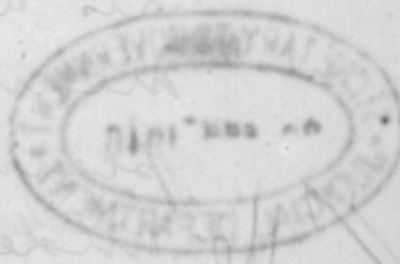
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191

READ AGAIN G.O. No.
191

DATED

CURRENT No.

ENCLOSURES TO C. No.

ORDER OF GOVERNMENT

LETTER OF GOVERNMENT.

STATEMENT WITH DITTO.

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