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# MADRAS RECORD OFFICE

## Government of Madras

*Public Works* DEPARTMENT

G.O. No. 1296 (2) Press  
B.P. No. Mis.

Dated 23-5-1876

Not to be folded or roughly handled

*Proceedings of the Madras Government, Public Works Department,  
23rd May 1876.*

No. 416. Read the following Despatch from the Most Honorable the Secretary of State for India:—

Public Works.

No. 12.

INDIA OFFICE, LONDON,  
12th April 1876.

MY LORD DUKE,—I transmit herewith copies of a correspondence\* with the

\* Letter to Mr. Westwood, dated 30th November 1875.

Do. from do., dated 14th Dec. 1875.

Do. to do., " 3rd Jan. 1876.

Do. from do., " 25th "

Do. to do., " 12th April "

Madras Irrigation and Canal Company, including a letter to them of this day's date, from which latter your Grace will perceive that I have resolved not to permit, after 30th September next, any

advances of public money to be made in aid of the Company's working expenses.

2. I request that your Grace will cause all officers concerned to be instructed accordingly.

I have, &c.,  
SALISBURY.

His Excellency the Right Honorable  
The Governor in Council, Fort St. George.

From T. L. SECCOMBE, Esq., to J. WESTWOOD, Esq., dated India Office, 30th November 1875.

DEFERRING to Sir Louis Mallet's letter of 30th April of last year, whereby it was allowed that liquidation of certain debentures of the Madras Irrigation and Canal Company held by the Secretary of State for India should be deferred until two years from the dates on which they severally had or might become due, I am desired by the Marquis of Salisbury to observe that payment for a debenture of £15,000 became due on 10th instant, but has not yet been liquidated, and to request that the Directors of the Company may be moved to give orders for immediate payment of its amount.

From J. WESTWOOD, Esq., Secretary of the Madras Irrigation and Canal Company, to the Under Secretary of State for India, dated 21, Coleman Street, London, 14th December 1875.

In acknowledgment of your letter of the 30th November last, I am instructed by the Directors to express their regret that the progress of irrigation and the anticipated revenue from that source up to this date has not been such as to enable them to raise money on reasonable terms to repay the balance of loan from the Government.

The loan in question originally of £600,000 was granted by the Government for purposes of capital in order to complete the construction of the section of the Company's project between the river Toombuddra and Cuddapah of 191 miles in length which the Directors were requested by the Government to undertake, and which has been executed. It was therefore a loan similar in character to the debenture or preference stock of a railway which could only be repaid by re-borrowing from other parties and not by any returns from the works themselves. The Government acknowledged this position by sanctioning an application to the Legislature for an Act, the express object of which was to authorize the raising of money for the purpose of repayment by the issue of a series of mortgages to the public. Under that Act the Directors succeeded in placing mortgages at the rate of £82 for £100 nominal redeemable at par sufficient to repay the sum of ... .. £228,000 leaving still to pay ... .. 372,000 as represented by debentures maturing at various dates during the next five years.

*Proceedings of the Madras Government, Public Works Department,  
23rd May 1876.*

to navigate the main canal by means of unguaranteed capital, to be raised by a separate Company, been acceded to, an additional impetus would have been given to the spread of irrigation by opening up the district to distant markets.

That the Company has from its establishment by Lord Derby achieved all that could be expected either from such an agency, or from the Government itself, is an indisputable fact, the work was efficiently constructed within the contract time, all operations since the first opening of the main canal for irrigation in July 1871 have been carried on with ability and energy, many difficulties have been satisfactorily dealt with and the realization of larger returns has been solely delayed by causes admittedly uncontrollable. It is likewise obvious that the point has now been reached, from which a much more rapid development may reasonably be expected, and that the Company must after a few more seasons be placed in a position to raise funds upon economical terms.

Under all these circumstances, the Directors most respectfully submit that the Company is really entitled to claim at the hands of Government continued support and encouragement, especially as not only is the object of the work—upon the construction of which the loan has been expended, under the supervision and control of Government—to benefit the country, but a considerable portion of that loan has been actually repaid and a balance of only £372,000 is now outstanding.

Reverting to the circumstances more closely connected with the loan of £600,000 (now reduced as just stated to £372,000), I have to observe that the Directors refrained as long as possible from attempting to raise by mortgage the funds required for repayment, seeing that the nearer they approached the realization of a revenue sufficient to cover interest, the less onerous would be the terms they would have to offer; still they were anxious to make every effort to pay off the debt, and accordingly with a view to effect this and to use the canal for navigation, and thus secure a return for the capital expended in that respect, they, shortly before the first dated debenture fell due, again submitted arrangements under which they might make an attempt to raise further Capital without the aid of a guarantee. There, however, were not agreed to, but payment of the debentures was required, and then an Act of Parliament was with the full assent of the Secretary of State procured, by which the Company were enabled to mortgage their works and property, whereupon a prospectus was issued to the public soliciting subscriptions towards the desired funds. As at this time no revenue existed, the Directors were compelled to offer onerous terms as to interest, that is to say, mortgages were to be issued for £100 each upon a payment of 82 per cent., bearing interest on the £100 (nominal) at 5 per cent. and repayable at the expiration of twelve years at par, so that the total interest would amount to 8 per cent. That these terms were the lowest the Directors could offer, is shown by the fact that a little over one-half only of the full amount was thereby raised. Out of the funds thus produced debentures to the amount of £228,000 were paid off, leaving, as I have said, only £372,000 to incur a more expensive loan, and therefore solicited from the Marquis of Salisbury a postponement of the times at which the remaining debentures were to fall due, and his Lordship was pleased to grant a further period of two years in each case. This extended time has now expired so far as the first and second dated debentures are concerned; but entirely from the causes I have before explained, the Company is unfortunately not yet in receipt of those returns which will alone enable it to effect a further loan upon terms less costly than those connected with the mortgages already issued; in fact, a higher rate of interest will have to be offered now to induce lenders to come forward, and as this would create a charge upon the property of the Company which would seriously jeopardize the repayment of even a portion of the guaranteed interest upon the first capital of £1,000,000 and would also not only heavily encumber future revenue, but add largely to the amount to be paid by Government should a sale to the latter be hereafter found advisable, the Directors are most earnestly desirous of being relieved from the demand made in your letter under reply.

*Proceedings of the Madras Government, Public Works Department,  
23rd May 1876.*

Each coming season will bring with it improvement, the desire for irrigation having beyond doubt taken firm hold of the ryots, and experience will enable the Company, with the sanction of Government, to render still more practical the rules under which the water shall be supplied, and thus the great public benefits which the undertaking is capable of bestowing will be properly and beneficially developed.

Upon the grounds above stated, the Directors make respectful solicitation for the consideration and aid I have before-mentioned.

As a most satisfactory and most economical mode of rendering the Company altogether free from debt, and of enabling it not only to materially lessen its future annual payments of interest out of profits, but of largely increasing the revenue, aided by the establishment of a complete system of navigation, the Directors respectfully suggest, for the consideration of the Secretary of State, the following financial arrangement, viz. :—

1. Let the Secretary of State award to the Company an extension of the existing guarantee\* of interest but of 4½ per cent. payable in India, or 4 per cent. payable in England on, say, £800,000, or other agreed amount with the stipulation, in event of the Government electing to purchase the works, the amount so raised shall be repaid at par.
2. Let the Company be bound thereout to pay off the unpaid debentures and the outstanding mortgages, also to establish an efficient system of navigation upon the main canal.
3. Let the existing contract between the Secretary of State and the Company be rescinded, and be replaced by one framed in accordance with the amended contracts lastly made with some of the Railway Companies in India, that is so that the existing debt in respect of guaranteed interest shall be cancelled, and the Secretary of State be entitled to participate equally with the Company in all profits realized beyond 5 per cent. on £1,000,000, and 4 per cent. or 4½ per cent. (as the case may be) on the proposed additional capital.

By the adoption of such an arrangement as the foregoing, an annual outlay of over £28,000 should the guarantee be 4 per cent., or of £24,000 should it be 4½ per cent., will be saved, and the Company will be placed in a position to utilize the canal to the utmost, whilst the guarantee will in a few years be more than covered.

Should his Lordship be unwilling to enter into such an arrangement as the foregoing, then the Directors respectfully solicit the postponement of the times for payment of the outstanding debentures (aggregating £372,000 only), until by the extension of irrigation and the consequential increase of revenue, the Company shall be able to borrow at 5 per cent. interest, as by such postponement there will be a saving of £11,480 per annum effected in favor of the Company.

In the event of his Lordship declining to entertain either of the above proposals, the Directors would respectfully repeat their request for a further fixed extension of time—say to the expiration of the ten years originally solicited—to pay the debentures in question, so that the Company may not be driven to incur the heavy outlay and onerous terms as to interest which, by the demand for immediate payment being persisted in, it will be compelled to undertake.

**MEMORANDUM.**

If the debentures now with the Secretary of State are taken up, and replaced by mortgages bearing interest at 8 per cent. only, the total yearly interest payable by the Company will be £110,000—namely,

|                                              |     |     |     |     |         |
|----------------------------------------------|-----|-----|-----|-----|---------|
| Five per cent. on £1,000,000                 | ... | ... | ... | ... | 50,000  |
| Eight per cent. on, say, £750,000 (at least) | ... | ... | ... | ... | 60,000  |
|                                              |     |     |     |     | 110,000 |

\* Not a new guarantee.

*Proceedings of the Madras Government, Public Works Department,  
23rd May 1876.*

But a higher rate than 8 per cent. will have to be given.

If payment of the same debentures should be postponed indefinitely and no other mortgages issued, the interest payable will be £98,520—namely,

|                                       |     |     |     |     |     |               |
|---------------------------------------|-----|-----|-----|-----|-----|---------------|
| Five per cent. on £1,000,000          | ... | ... | ... | ... | ... | £             |
| Eight per cent. on existing mortgages | ... | ... | ... | ... | ... | 50,000        |
| Five per cent. on unpaid debentures   | ... | ... | ... | ... | ... | 29,920        |
|                                       |     |     |     |     |     | 18,600        |
|                                       |     |     |     |     |     | <u>98,520</u> |

Showing a saving of £11,480 per annum over the first plan.

If an additional capital of £800,000 were raised upon a guarantee of four per cent., it would pay off the whole of the outstanding debentures and mortgages, would complete the canal for navigation, and would provide boats, &c. The interest payable would be £82,000—namely,

|                              |     |     |     |     |     |               |
|------------------------------|-----|-----|-----|-----|-----|---------------|
| Five per cent. on £1,000,000 | ... | ... | ... | ... | ... | £             |
| Four per cent. on £800,000   | ... | ... | ... | ... | ... | 50,000        |
|                              |     |     |     |     |     | 32,000        |
|                              |     |     |     |     |     | <u>82,000</u> |

Therefore this plan would (irrespective of the additional useful expenditure) secure a saving as compared with the first case of £28,000 per annum; that is, assuming that the additional mortgages would be issued at eight per cent., but they could not.

25th January 1876.

From SIR LOUIS MALLET, to J. WESTWOOD, Esq., dated India Office, 12th April 1876.

I AM directed by the Marquis of Salisbury to acknowledge receipt of your letter of 25th January which, in reply to mine of 3rd January last, applies for an extension to £800,000 of additional capital of the Madras Irrigation and Canal Company's guarantee of interest, and requests that, in the event of this application being negatived, the times for payment of outstanding debentures in the hands of the Secretary of State may be further postponed, either until the Company shall be able to borrow at 5 per cent. for their redemption, or at least until the expiration of the period of ten years originally solicited by the Company.

In reply, I am directed to state as follows:—

The application for an extension of the guarantee cannot be entertained, but in consideration of the exceedingly disadvantageous terms at which alone it would be possible for the Company at present to borrow money for redemption of the outstanding debentures, Lord Salisbury will not press for immediate payment in respect of them. At the same time he feels it to be incumbent upon him not to permit any avoidable addition to be made to the heavy debt due by the Company to Government—a debt already comprising, irrespectively of about £176,000, interest on debentures more than £711,785 for guaranteed interest on share capital, and at least £43,000 for working expenses.

He cannot acquiesce in any further disbursements on the part of the State on this last account after the 30th September next, and he has to advise the Governments of India and Madras.

In the event therefore of the earnings of the Company's works continuing insufficient to defray working expenses, it will be for the Company to make good the deficit from their own resources.

*Proceedings of the Madras Government, Public Works Department,  
23rd May 1876.*

No. 417.

ORDER THEREON, 23rd May 1876, No. 1,296.

IRRIGATION, No. 42.

ORDERED to be recorded, and communicated to the officers concerned for information and guidance.

(True Extract.)

(Signed) G. W. WALKER, Major-General, R.E.,  
Secretary to Government.

To the Chief Engineer for Irrigation.

- „ Chief Engineer and Manager, Irrigation and Canal Company.
- „ Examiner, Irrigation and Canal Company's Accounts.
- „ Accountant-General.
- „ Revenue Department.
- „ Financial „

Exd. E. C. Shunker.

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THE

# Madras Irrigation and Canal Company.

21, COLEMAN STREET, E.C.  
LONDON, 25th January, 1876.

SIR,

I have received instructions from the Directors of this Company to address to you the following reply to your letter to me of the 3rd instant.

The Directors are (as already intimated in my letter of the 14th ultimo) prepared to take immediate steps to raise upon Mortgage the amount required to pay off the Debentures now in the hands of the Secretary of State; but in view of the heavy expenditure and the very large addition to the annual Interest payable out of receipts which such a proceeding would cause, they feel it to be their duty, in protection of the interests of their Shareholders, to place before the Marquis of Salisbury—more fully than in my former letter—the facts which led to and have occurred since the Loan of £600,000 was made, believing that his Lordship will be thereby induced to relieve them from the necessity of entering upon a course so prejudicial to the Company, and not less to the Government itself—they are further moved to this, because to secure an understanding of the present position of the Company, and the very strong and special claim it has upon the Secretary of State in Council for support and encouragement, it is essential that all the facts bearing upon its history should be carefully considered, and the more so if a fair trial is to be given to the experiment instituted by the present Earl of Derby, when he granted to the Company a Guarantee of Interest on the first issue of Capital.

In pursuance of the conditions upon which the Earl of Derby agreed to support the undertaking, a work was selected by the

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Madras Government for carrying on the intended experiment, which work was estimated by the ablest officers of that Government to cost a little over £1,000,000. With this estimate the Company had nothing whatever to do, but they accepted the selected work when offered to them, assuming the stated cost to be fairly accurate. Subsequently—that is, after the Company had for some time carried on construction—it was found that £1,000,000 would not be sufficient to complete even one Section of the intended Work, as for that purpose alone a further £600,000 would be required. To meet this additional outlay, the Company proposed arrangements admitting the raising of *unguaranteed* Capital; but these did not meet with the confirmation of the Secretary of State in Council, who ultimately offered to lend to the Company the amount named, in sums, as the same should be required, upon certain conditions, one of which was, that a Debenture payable in three or five years from each advance, should be executed by the Company; and another that the Work should be completed on or before the 1st July, 1871. The Directors had no other course open to them but to accept the loan thus proffered, but in doing so they earnestly requested that the time for repayment should be fixed at ten in lieu of the three or five years proposed, and they explained that the longer period was in their judgment necessary, as it could not be reasonably expected that a fair revenue by which alone funds could be raised to provide repayment could be earlier realized. Subsequent events have clearly proved that these representations were accurate; nevertheless the solicited extension was not assented to, and five years was fixed as the time during which the Debentures should run. The Directors having no alternative, assented to this limited period, expecting that a renewal would at the proper time be readily granted, should the necessary revenue not be then arrived at.

By means of the financial assistance thus rendered, the Company completed the work within the stipulated time in a thoroughly substantial manner, as has since been proved by a test to which most other works in the locality, the Madras Railway included, succumbed, and the power to supply irrigation then properly commenced, though not fully for that first season. During the few seasons which have since passed the operations of the Company have of necessity been of a tentative character; indeed, in an ex-

perimental enterprise so extensive and so novel, it could not be otherwise, and experience has naturally disclosed many causes of obstruction which, the Directors are pleased to add, have from time to time, as represented by the Company, been properly dealt with by the Government; and so (but especially by the concession made at the commencement of the season 1875-6 of power to receive applications for water through its own officers) the Company has now, and now only, arrived at a fair and practical start in its operations so far as irrigation is concerned. However, notwithstanding the impediments that have hitherto stood in the way of an extended supply of the Company's water to the land, a steady progress has been maintained. For instance:—In 1871-2, there were 8540 acres irrigated. In 1872-3, these were increased to 9406. In 1873-4, a further increase to 13,215 took place. In 1874-5, notwithstanding the unexampled floods of that season, the acreage supplied was 13,915; and during the season just expired, 1875-6, the first in which the rule empowering the Company's officers to receive applications for water, came into force, though too late then to have its full effect, a large increase has occurred, which, as reported by the Engineers, has ranged from 50 to 100 per cent. upon the total of 1874-5, and it is but fair to add that, in the view of the Directors, had the proposal made by the Company in October, 1874, to navigate the main Canal by means of *unguaranteed* Capital, to be raised by a separate Company, been acceded to, an additional impetus would have been given to the spread of Irrigation by opening up the district to distant markets.

That the Company has from its establishment by Lord Derby achieved all that could be expected either from such an agency, or from the Government itself, is an indisputable fact, the work was efficiently constructed within the contract time, all operations since the first opening of the main Canal for irrigation, in July, 1871, have been carried on with ability and energy, many difficulties have been satisfactorily dealt with and the realization of larger returns has been solely delayed by causes admittedly uncontrollable. It is likewise obvious that the point has now been reached, from which a much more rapid development may reasonably be expected, and that the Company must after a few more seasons be placed in a position to raise funds upon economical terms.

Under all these circumstances the Directors most respectfully

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 submit that the Company is really entitled to claim at the hands of Government continued support and encouragement, especially as not only is the object of the work—upon the construction of which the Loan has been expended, under the supervision and control of Government—to benefit the country, but a considerable portion of that Loan has been actually repaid and a balance of only £372,000 is now outstanding.

Referring to the circumstances more closely connected with the Loan of £600,000 (now reduced as just stated to £372,000), I have to observe that the Directors refrained as long as possible from attempting to raise by mortgage the funds required for repayment, seeing that the nearer they approached the realization of a revenue sufficient to cover interest, the less onerous would be the terms they would have to offer; still they were anxious to make every effort to pay off the debt, and accordingly with a view to effect this and to use the Canal for navigation, and thus secure a return for the Capital expended in that respect, they, shortly before the first dated Debenture fell due, again submitted arrangements under which they might make an attempt to raise further Capital without the aid of a guarantee. These, however, were not agreed to, but payment of the Debentures was required, and then an Act of Parliament was with the full assent of the Secretary of State procured, by which the Company were enabled to mortgage their works and property, whereupon a prospectus was issued to the public soliciting subscriptions towards the desired funds. As at this time no revenue existed, the Directors were compelled to offer onerous terms as to interest, that is to say, mortgages were to be issued for £100 each upon a payment of 82 per cent., bearing interest on the £100 (nominal) at 5 per cent., and repayable at the expiration of twelve years at par, so that the total interest would amount to 8 per cent. That these terms were the lowest the Directors could offer, is shown by the fact that a little over one-half only of the full amount was thereby raised. Out of the funds thus produced Debentures to the amount of £228,000 were paid off, leaving, as I have said, only £372,000 to accrue due. The Directors having done their best with the terms named were desirous not to incur a more expensive loan, and therefore solicited from the Marquis of Salisbury a postponement of the times at which the remaining Debentures were to fall due, and his Lordship was pleased to grant a further period of two

years in each case. This extended time has now expired so far as the first and second dated Debentures are concerned; but entirely from the causes I have before explained, the Company is unfortunately not yet in receipt of those returns which will alone enable it to effect a further loan upon terms less costly than those connected with the mortgages already issued; in fact a *higher rate of interest* will have to be offered now to induce lenders to come forward, and as this would create a charge upon the property of the Company which would seriously jeopardize the repayment of even a portion of the Guaranteed Interest upon the first Capital of £1,000,000, and would also not only heavily encumber future revenue, but add largely to the amount to be paid by Government should a sale to the latter be hereafter found advisable, the Directors are most earnestly desirous of being relieved from the demand made in your letter under reply.

Each coming season will bring with it improvement, the desire for Irrigation having beyond doubt taken firm hold of the Ryots and experience will enable the Company, with the sanction of Government, to render still more practical the Rules under which the water shall be supplied, and thus the great public benefits which the undertaking is capable of bestowing will be properly and beneficially developed.

Upon the grounds above stated the Directors make respectful solicitation for the consideration and aid I have before mentioned.

As a most satisfactory and most economical mode of rendering the Company altogether free from debt, and of enabling it not only to materially lessen its future annual payments of interest out of profits, but of largely increasing the revenue, aided by the establishment of a complete system of navigation, the Directors respectfully suggest for the consideration of the Secretary of State the following financial arrangement, viz. :—

1. Let the Secretary of State award to the Company an *extension of the existing Guarantee*\* of Interest but of 4½ per cent. payable in India, or 4 per cent. payable in England on say £800,000, or other agreed amount with the stipulation, in event of the Government electing to purchase the Works, the amount so raised shall be repaid at par.

\* Not a new Guarantee.

2. Let the Company be bound thereout to pay off the unpaid Debentures and the outstanding Mortgages, also to establish an efficient system of navigation upon the main Canal.
3. Let the existing Contract between the Secretary of State and the Company be rescinded, and be replaced by one framed in accordance with the amended Contracts lastly made with some of the Railway Companies in India, that is so that the existing debt in respect of guaranteed interest shall be cancelled, and the Secretary of State be entitled to participate equally with the Company in all profits realized beyond 5 per cent. on £1,000,000, and 4 per cent. or  $4\frac{1}{2}$  per cent. (as the case may be) on the proposed additional Capital.

By the adoption of such an arrangement as the foregoing, an annual outlay of over £28,000, should the Guarantee be 4 per cent. or of £24,000 should it be  $4\frac{1}{2}$  per cent., will be saved, and the Company will be placed in a position to utilize the Canal to the utmost whilst the Guarantee will in a few years be more than covered.

Should his Lordship be unwilling to enter into such an arrangement as the foregoing, then the Directors respectfully solicit postponement of the times for payment of the outstanding Debentures (aggregating £372,000 only), until by the extension of the term of the loan and the consequential increase of revenue, the Company shall be able to borrow at 5 per cent. interest, as by such postponement there will be a saving of £11,480 per annum effected in favour of the Company.

In the event of his Lordship declining to entertain either of the above proposals, the Directors would respectfully repeat their request for a further fixed extension of time—say to the expiration of the ten years originally solicited—to pay the Debentures, so that the Company may not be driven to incur the heavy outlay and onerous terms as to Interest which, by the demand for immediate payment being persisted in, it will be compelled to undertake.

I remain, Sir,

Your most obedient Servant,

JOHN WESTWOOD,  
*Secretary.*

The Under-Secretary of State for India.

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LONDON:  
RAVELL, EDWARDS AND CO., PRINTERS, CHANDON STREET,  
COVENT GARDEN.

## MEMORANDUM.

If the Debentures now with the Secretary of State are taken up, and replaced by Mortgages bearing Interest at 8 per cent. only, the total yearly Interest payable by the Company will be £110,000—namely,

|                                              |                 |
|----------------------------------------------|-----------------|
| Five per Cent. on £1,000,000 . . . . .       | £50,000         |
| Eight per Cent. on, say, £750,000 (at least) | 60,000          |
|                                              | <u>£110,000</u> |

But a higher rate than 8 per Cent. will have to be given.

If payment of the same Debentures should be postponed indefinitely, and no other Mortgages issued, the Interest payable will be £98,520—namely,

|                                                 |                |
|-------------------------------------------------|----------------|
| Five per Cent. on £1,000,000 . . . . .          | £50,000        |
| Eight per Cent. on existing Mortgages . . . . . | 29,920         |
| Five per Cent. on unpaid Debentures . . . . .   | 18,600         |
|                                                 | <u>£98,520</u> |

Showing a saving of £11,480 per annum over the first plan.

If an additional Capital of £800,000 were raised upon a Guarantee of Four per Cent., it would pay off the whole of the outstanding Debentures and Mortgages, would complete the Canal for Navigation, and would provide Boats, &c. The Interest payable would be £82,000—namely,

|                                        |                |
|----------------------------------------|----------------|
| Five per Cent. on £1,000,000 . . . . . | £50,000        |
| Four per Cent. on £800,000 . . . . .   | 32,000         |
|                                        | <u>£82,000</u> |

Therefore this plan would (irrespective of the additional useful expenditure) secure a saving as compared with the first case of £28,000 per annum; that is, assuming that the additional Mortgages would be issued at Eight per Cent., but they could not.

25th January, 1876.

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96 23 May / 76 No 1296

P. H. 2760 / 76

To  
The Most Honourable the  
Secretary of State for India.

My Lord Marquis

The financial  
position of the Madras  
Irrigation and Canal  
Company has as your  
Lordship is aware  
long engaged our  
attention and has been  
the subject of cor-  
-respondence between  
us and the Government  
of India. The absence  
of any marked in-  
crease in the area  
of irrigation under  
the Company's Canal

during the past season has rendered it necessary that we should make renewed efforts to secure greater economy in the management of the Canal, and we desire to lay before your Lordship in Council the measures which we have deemed it necessary to adopt to this end.

2. In a despatch, as per margin, to the Government of India a copy of which was communicated to us, your Lordship determined to continue for some time longer the assistance which had been ren-

No 61 dated 10<sup>th</sup> July/73

dered to the Company by making good the deficit arising from the insufficiency of the Canal revenue to cover working expenses. The progress of that deficit is exhibited in the half yearly accounts, but it is not our present purpose to touch upon the general question of the continuance of this annual subsidy, but to point out that its amount may be reduced materially without affecting prejudicially the efficiency of the Canal.

3. It is under Estab-  
lishments that the  
rate of expenditure  
has been hitherto ex-  
cessive, and while we  
have refrained from  
making an immediate  
and material reduction  
of cost under this  
head as long as  
possible, we have  
pointed out as will  
be seen from the Pro-  
ceedings of this Govern-  
ment as per margin  
the direction in which  
economy could be  
secured and these  
suggestions having  
led to no results, and  
the Board of Directors,  
so far from having  
taken up the subject

No 2063 dt. 30 July 1874  
" 1189 dt. 29 April 1875.

recommended to their  
attention in our Pro-  
ceedings of the 29<sup>th</sup>  
April 1875, having  
sent out to India again  
their highly paid Chief  
Engineer and Manager,  
Mr. Latham, we have

G.O. No 479 dt. 22<sup>nd</sup> Feb'y/76 deemed it necessary to  
" " 481 dt. 22<sup>nd</sup> -do. be more explicit, and  
No 836 dt. 31<sup>st</sup> March/76 in our latest Pro-  
ceedings on the subject,  
a copy of which is  
enclosed, we have  
intimated that the  
necessary reduction  
should be decided  
upon and approved  
before the Budget  
of <sup>1877-78</sup> ~~1876-77~~ is prepared,  
failing which the  
provision of State  
funds in aid will

be limited to the sum required to cover a total outlay of Rupees 60,000 for Establishments.

4. We have to ask your Lordship in Council not only to approve the arrangements we have made, but to insure their proving effectual by intimating to the Board of Directors that no delay in effecting a settlement of the required reductions beyond the time named will be allowed, and that the assistance to be given as regards the provision

of State funds for 1877-78 will be limited by the amount entered in the Budget.

5. We shall be quite prepared at any time to undertake the entire management of the Canal within the limit of 60,000 Rupees annually for Establishments which we have suggested.

by 11/5

Budget 1876 - 77  
was just delayed in the Govt.  
The 60,000 limit drafted at  
Jameel was hoped to be  
in fixing the Budget for 1876-77  
from June 2.

Wm.

India Office.

12 April 1876

Sir  
I am directed by the  
Marquis of Salisbury to  
acknowledge receipt of your  
letter of 25 January which  
in reply to mine of 3 January  
last, applies for an extension  
to £800,000 of additional capital  
of the Madras Irrigation and  
Canal Company's guarantee  
of Interest, and requests that  
in the event of this application  
being negatived the times for  
payment of outstanding

*J. Westwood Esq.*

Debitures

*L. J. O'Neil*

Debt in the hands of the Secretary of State may be further postponed, either until the company shall be able to borrow at 5 per cent for their redemption or at least until the expiration of the period of ten years originally solicited by the company.

In reply I am directed,  
to state as follows:-  
The application for an  
extension of the guarantee  
cannot be entertained, but  
in consideration of the  
exceedingly disadvantageous

terms

terms at which alone it would be possible for the company at present to borrow money for redemption of the outstanding Debentures. Lord Salisbury will not press for immediate payment in respect of them. At the same time he feels it to be incumbent upon him not to permit any avoidable addition to be made to the heavy debt due by the company to government; a debt already comprising, irrespective of about £176,000, interest on <sup>Debentures</sup> more than £711,785 for guaranteed interest on share

capital

capital, and at least £43,000  
for working expenses. and  
He cannot acquiesce in any  
further disbursements on the  
part of the State: on this  
last account after the 30<sup>th</sup> of  
September next, and he  
has to advise the Governments  
of India and Madras.

In the event therefore of the  
Earnings of the Company's Works  
continuing insufficient to  
defray working expenses, it  
will be for the Company to  
make good the deficit from  
their own resources

I am &c

(s'd) Louis Mallet.

P. H. 27/10/76

No. 6.  
Copy Correspondence

P. 7. 3760/76  
17

Referred to in Public Works Letter to  
Madras, No. 12, dated 12<sup>th</sup> April 1876  
Para 1

India Office

30 November 1875.

Sir,

Referring to Sir Louis Mallet's letter of 30 April of last year whereby it was allowed that liquidation of certain Debentures of the Madras Irrigation and Canal Company held by the Secretary of State for India should be deferred until two years from the dates on which they severally had or might become due, I am desired by the Marquis of Salisbury to observe that payment for a Debenture of £15,000 became due on 10 Inst. but has not yet been liquidated, and to request that the Directors of the Company may be moved to give orders for immediate payment of its amount.

I am &c

154 T. E. Seccombe

J. Westwood Esq.

Office  
30 November 1875

Dear Sir,  
I have the honor to acknowledge the receipt of your letter of the 30th November last, in which you inform me that the Directors of the Madras Irrigation & Canal Company have been instructed by the Government to express their regret that the progress of irrigation and the anticipated revenue from that source up to this date have not been such as to enable them to raise money on reasonable terms to repay the balance of loan from the Government.  
The loan in question originally of £600,000 was granted by the Government for purposes of capital in order to complete the construction of the Section of the Company's Project between the River Toombuddra and Buddapah of 191 miles in length which the Directors were requested by the Government

The Madras Irrigation & Canal Company  
24 Coleman Street London.

14 December 1875  
Sir,

In acknowledgment of your letter of the 30th November last, I am instructed by the Directors to express their regret that the progress of irrigation and the anticipated Revenue from that source up to this date have not been such as to enable them to raise money on reasonable terms to repay the Balance of Loan from the Government.

The Loan in question originally of £600,000 was granted by the Government for purposes of capital in order to complete the construction of the Section of the Company's Project between the River Toombuddra and Buddapah of 191 miles in length which the Directors were requested by the Government

The Under Secretary  
of State for India  
to

unapproved loans & debts which it  
to undertake, and which has been executed.  
It was therefore a Loan similar in  
character to the Debenture or Preference  
Stock of a Railway which could only be  
repaid by re-borrowing from other parties  
and not by any returns from the Works  
themselves. The Government  
acknowledged this position by sanctioning  
an application to the Legislature for an  
Act the express object of which was to  
authorise the raising of money for the  
purpose of repayment by the issue of a  
series of Mortgages to the Public. Under  
that Act the Directors succeeded in  
placing Mortgages at the rate of £82  
for £100 nominal redeemable at par  
sufficient to repay the sum of £228,000  
leaving still to pay 372,000  
as represented by Debentures maturing at  
various dates during the next 5 years.

The Directors were in hopes that  
by this time the returns from the  
Works would have been of a nature  
to enable them without material  
difficulty to obtain the requisite  
amount of subscriptions to repay the  
Balance still outstanding upon the  
Loan as the same falls due.  
The progress made notwithstanding the  
many obstacles with which the Company  
have had to contend has been such  
as to leave no doubt on the minds  
of those conversant with the Madras  
Presidency and the working of the  
Ryotwar system that it is merely a  
question of a little time before there

require more stringent rates so long as the Revenue out of which the Interest must be paid is anticipatory in consequence of the present undeveloped state of the Works than when sufficient surplus revenue is currently earned to provide that Interest, and this would especially prejudice the Government in respect to repayment of Interest on loaned capital.

For this reason the Directors would greatly regret being under the necessity of resorting to a course which would be so disadvantageous to the Government and which may be obviated by a little delay.

The Directors would further point out that from want of the necessary funds they have not been as able to turn to profitable account the navigable facilities afforded by the Canal, which are of the highest order

and calculated greatly to benefit the country no less than to augment the annual receipts.

Under this explanation of the circumstances in which they are at present placed, the Directors would respectfully solicit from the Government an extension of time to allow of the further development of Irrigation, the establishment of a system of Navigation, and the Revenue which these will secure by which all difficulties will be surmounted. The fact that all water either by storage of the Rainfall or from Rivers which can be applied to agricultural purposes by means of Irrigation is so used in the Carnatic and also in the Ceded Districts East of the Ghats where the Works of the Company are situated, and has indeed hitherto been availed of with avidity by the Ryots precludes

India Office.

3 January 1876

Sir,

I have received and laid before the Marquis of Salisbury your letter of 14 Ultimo whereby the Directors of the Madras Irrigation and Canal Company apply for a further extension of time before being required to repay the balance of £372,000 still due to Government on account of the loan of £600,000 made to the Company between May 1867 and May 1871.

In reply I am directed

J. Westwood Esq.

to

P. W. 8760/76

the idea that the Company's Works providing as they will do a never failing supply of water, should form a solitary exception to a universal rule, when time and opportunity has enabled the cultivators to give effect to it, in a Country moreover where without Irrigation the principal and staple food of the population cannot be produced.

J. Westwood

Secretary

to express His Lordship's regret  
that he can perceive no  
sufficient ground for the  
expectations entertained by the  
Directors, and therefore he is  
unable with due regard to the  
public interest to comply with  
this application.

I am consequently to renew  
the requisition contained in  
Mr. Seccombe's letter of 30  
November last for immediate  
repayment of the Debenture of  
£15,000 which became payable  
on 10<sup>th</sup> idem and to remind  
you that another Debenture  
for £15,000 will fall due on  
9<sup>th</sup> instant.

I am &c  
(s) Geo. Hamilton

Public Works  
No 12.

India Office, London

12<sup>th</sup> April, 1876.

P. W. 3760/76  
12

My Lord Duke,

I transmit herewith  
copies of a correspondence  
with the Madras Irrigation  
and Canal Company,  
including a letter to  
them of this day's  
date, from which latter,  
Your Grace will perceive  
that I have resolved  
not to permit, after  
30<sup>th</sup> September next, any  
advances of public money  
to be made in aid  
of the Company's working  
expenses.

\* Letter to Mr Westwood, dated  
30<sup>th</sup> November 1875.  
- do from - do - dated 14<sup>th</sup> December 1875.  
- do - to - do - dated 3<sup>rd</sup> January 1876.  
- do - from - do - dated 25<sup>th</sup> ——— 1876.  
- do - to - do - dated 17<sup>th</sup> April 1876.

M

His Excellency,  
The Right Honorable,  
The Governor in Council  
Fort St. George.

2. I request that your  
Grace will cause all  
officers concerned to be  
instructed accordingly.

I have the honor to be,

My Lord Duke,

Your Grace's most obedient,  
humble Servant,

John Whistling

f.d. 27 July/74. 672  
 - 27 July/74 - 2063  
 29 April/75. 1189.  
 22 July/76. 480  
 487.  
 31 Mar/76 - 836.

1876 Department  
 No 5. 83760  
 ✓ Public Works  
 12<sup>th</sup> April 1876  
 Received 25<sup>th</sup> May 1876.  
 The Letter to Mr. George  
 No 12.  
 Enclos: 4. ✓

Transmitting corres-  
 pondence on the subject of dis-  
 continuing from 30<sup>th</sup> September next  
 any advances of public money  
 in aid of the working expenses  
 of the Madras Irrigation and  
 Canal Company.

14416

Cir. 16.5.76. PWD 23/5/76

No 1296

Public Works Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

Under date the 23<sup>rd</sup> May/76.  
 Read the following:—

Despatch from the  
 Secy of State for India } H.C. No 12 of 12<sup>th</sup> April 1876

Ordered to be  
 recorded, and commu-  
 nicated to the officers  
 concerned for information  
 and guidance.

2. The Secretary of State  
 having in these papers  
 declined to permit, after  
 30<sup>th</sup> September next, any  
 advances of State funds  
 in aid of the Company's  
 working expenses, the  
 special communication  
 ordered to be made to  
 the

the Home Government  
in para 4 of G.O. No 836  
dated 31<sup>st</sup> March 1876  
on the subject of enforcing  
reduction of expenditure  
is now no longer necessary.

W. 16/8

To The Chief Eng. for Ings. 5  
" Chief Eng. & Managers 5664  
" Exr. & C. Co. Accts. 57  
" Accountant Genl. 3  
" Revenue Dept. 521  
" Financial Dept. 57  
Dated 12/6/17

416-417  
U. N. 17

3760/CH

Govt. of Madras.  
PUBLIC WORKS.

To

The Chief Eng<sup>r</sup> for the  
Canal Irrigation & Navigation  
in the Madras District

Dated

For

Recd

Encl.

G. O. 25<sup>th</sup> May 1876 No. 1296

Nos. 416/17

13-8-76

Madras Irrigation &  
Canal Company

Despatch from Secy of  
State transmitting cor-  
respondence on the subject  
of discontinuing from 30  
Sept<sup>th</sup> next any advance  
of public money in aid of  
the working expenses of  
the ———— Canal to the Officers  
in charge of the same.