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GROWTH OF INDIAN MONOPOLY

AITUC PUBLICATION

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Foreword

THE trade union movement in India fights for the overthrow of capitalism as a whole but, to begin with, it concentrates its fire on the 75 monopoly houses, who are the main detachment of capitalism in India.

Who are those monopoly houses? What are their names, their assets, their rate of growth, the volume of their capital?

Most of the political parties and groups in India, including those in power, declare their adherence to the principles of socialism and maintain that monopoly capital is incompatible with a socialist order of society.

But when it comes to taking concrete steps to eradicate monopoly capital, they only speak of "restricting" its operations and not of abolishing it.

The spokesmen of capitalism complain that the attitude of the ruling circles, who favour socialism, and the struggles waged by the working class for their demands, are already preventing the growth of monoply houses. As a result, as time goes by, monopoly capital will vanish from the scene and a new democratic and socialist order will take its place.

Does the picture of Indin economy hold out such a hope? The facts presented in this booklet do not say so.

It is necessary for every trade unionist and revolutionary worker to know—who are those seventyfive monopoly houses, about whom we talk. It is necessary to know how they are growing and not vanishing or weakening and what is their strength in the economy.

The study by B. Datta shows that "the assets of the entire private corporate sector, excluding banking companies, in a rough calculation, appear to have reached the level of Rs. 7500 crores in 1967-68. On this basis, the share of the 75 Industrial

Houses in terms of the assets, owned by them would work out at 53.8 per cent of the total indicated for the entire private corporate sector. In other words, the concentration in terms of control over the community's funds increased from 46.9 per cent in 1963-64 to 53.8 per cent in 1967-68."

The "Larger Industrial Houses", that is each owning assets of more than Rs. 35 crores, as defined by the Industrial Licensing Policy Inquiry Committee, "achieved unprecedented growth during the period 1963-64 to 1967-68. For instance, the assets of the Industrial House of Mafatlal increased during the period by 195.9 per cent, Birlas recorded an increase of 96.6 per cent, followed by Shri Ram whose assets increased by 96.4 per cent." The author then gives the list of all the Larger Industrial Houses, who in course of time multiplied from 20 to 30.

One large industrial house, that of Parry, increased its assets by 360.5 per cent over the period of 1963-64 to 1967-68. Over the same period Khatau recorded an increase of 244.0 per cent, Kirloskar of 220.1 per cent, Mahendra and Mahendra of 155.2 per cent, T. V. Sundaram Iyengar of 132.6 per cent and Bajaj of 115.4 per cent.

So let alone this question of weakening the old monopoly giants, new ones are coming up and adding to the power of monopoly capital in India.

The aggregate assets of companies belonging to the 75 Industrial Houses, which were Rs. 2609.9 crores in 1963-64 rose to Rs. 4032.4 crores in 1967-68 that is an increase of 54.7 per cent in three years.

The study by B. Datta gives facts from company records, which should have shocked anyone, who pretends and says that India is "restricting" monopoly capital or is clearly on the road to socialism.

Not only have the old established monopoly houses increased their power, but new houses have grown to the size of giant monopoly houses.

Another study in this publication gives the picture of the 101 corporate giants, their names, their assets, their profitability etc. Apart from the state sector giants, there are private sector giants in the list.

Neither the workers' struggles nor the coming up of the state sector weakened or restricted the growth of the giants of private capital in any way.

The study on capital formation also shows how Indian capitalism is forging ahead despite all talk of socialism.

The most sinister and harmful development and an inevitable one under conditions of monopoly growth is the export of Indian capital to other countries.

Everyone knows from history the political and economic consequences of this phase of capitalist development. Those consequences will not be the less harmful for India or for the receiving countries, just because India is not as advanced and as mighty a capitalist country as the countries of Europe and America, who use export of capital as a weapon of enslaving the recipient countries and making them neo-colonies. It is worth noting that even sections of the ruling circles in India are demurring on this policy, as shown in the article published here, though for their own reasons.

A question may be asked whether by demanding the nationalisation of the 75 monopoly houses, we want to do away with the technique of large-scale production and whether socialism is served by small-scale and medium production.

By demanding abolition of the monopoly houses, we want to abolish their private ownership. We do not want to do away with large-scale production, which, in the final analysis, in modern economy is the main lever for abundance of production and paves the way to socialism, which small-scale or medium production cannot do. Moreover, it is not correct to identify monopoly with large-scale production technique.

One more important question regarding the growth of monopoly is from what sources do they draw and multiply their capital? What is the role that the state and its financial institutions play in the build up of monopoly capital? This question will be taken up in the pamphlet on investment and production.

In this publication, we have reproduced large parts of studies that have appeared in the "Economic Times". We are grateful to them for permitting us to use them.

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AITUC

1. GROWTH OF INDUSTRIAL HOUSES

Growth of Industrial Houses

B. DATTA

This article by the Director of Research and Statistics, the Department of Company Affairs, has been reproduced from the Company News and Notes, *Vol. VIII, Nos. 9-10, 1970. The footnote to the article sayss "The views expressed in the article are of the author in his personal capacity and the Department of Company Affairs is in no way committed to them."*

THE rate of growth of the Industrial Houses is one of the mechanisms of measuring concentration of economic power. Economic power is, however, a qualitative concept, which cannot be subjected in the strict sense to precise measurement. The Monopolies Inquiry Commission when asked to define the term "Concentration of Economic Power" observed, "This is not easy, nor is it necessary." Even the Monopolies and Restrictive Trade Practices Act, (MRTP Act) which through the provisions of Chapter III seeks to regulate such concentrations, does not attempt any precise definition of the term. However, through the methodology of approach adopted, it could be observed that the Mahalanobis Committee Report, the Monopolies Inquiry Commission (MIC) and the Industrial Licensing Policy Inquiry Committee (ILPIC) have used the size of the capital under common control as a measure of the degree of concentration of economic power. In some of the earliest attempts made in this direction the concentration in terms of owners' capital of commonly controlled bodies corporate, and more particularly the paid up capital of such bodies corporate, was taken as one of the standards of measurement of "concentration of economic power". For locating concentration, the Monopolies Inquiry Commission prepared a list of business groups each controlling a group of companies. Only such business groups as were found by the Commission in control of total capital employed (excluding depreciation) of at least Rs 5 crores, were taken to form part of its study in the regard. The Commission thus in a way accepted control over total capital employed, after allowing for deductions on account of value of depression of fixed assets as a measure of concentration. The paid-up capital forms only a part (some time quite small) of the total and cannot, therefore, be taken as an appropriate indication of the existence or furtherance of concentration.

The Monopolies and Restrictive Trade Practices Act, refers in the context of regulating expansions, amalgamations, mergers and the like to assets of certain size owned by inter-connected undertakings The concept of assets in the MRTP Act in so far as bodies corporate are concerned, is the same as defined in the Companies Act, namely, total capital employed minus value of depreciation, commonly known as "assets" which are equal to total liabilities in the accounting sense. For the study presented in this article, the growth of Industrial Houses has been measured in terms of assets as defined above, though data relating to paid-up capital have also been given.

Scope and Methodology

The Monopolies Inquiry Commission extended the scope of its study relating to concentration of economic power in the private corporate sector to 75 business groups whose total assets in each case were found to be not less than 5 crores. On the basis of the composition of each business group decided upon by the Commission in view of the criteria evolved by it, assets of companies considered as belonging to these groups were taken as a measure of control over capital exercised by the business groups individually. The exercise by the Monopolies Inquiry Commission related to the year 1963-64. The Industrial Licensing Policy Inquiry Committee for the purpose of deciding about the composition of Industrial Houses covered the same 75 groups as indicated by the MIC in its Report. These

Houses were named by the ILPIC as "large Industrial Houses". The Committee not accepting the composition of the Industrial Houses as given by the MIC evolved a new set of criteria as detailed by it in para 2.16 of its Report. The data presented in the Report by the ILPIC in respect of the Industrial Houses as constituted by it was as on December 31, 1966. In this article, for the purposes of presentation of data, the composition of the Industrial Houses for the year 1963-64 has been taken as adopted by the Monopolies Inquiry Commission and for 1966 as by the Industrial Licensing Policy Inquiry Committee. In fact, the data presented in this article for these two years is as given by the two bodies. For 1967-68, however, the data have been culled out from the published Annual Accounts of companies shown as belonging to the 75 Industrial Houses by the Industrial Licensing Policy Inquiry Committee. Adjustments have, however, been made for liquidations, mergers and in respect of companies struck off the registers maintained by the Registrar of Companies. The coverage of the study presented in this article extends to all the 75 Industrial Houses for the year 1963-64, as on December 31, 1966, and the year 1967-68. The number of Industrial Houses listed by the ILPIC is 72 as the Committee merged a few Houses during the course of its study. In terms of the coverage, however, all the 75 Industrial Houses were accounted for in the ILPIC study and, as mentioned earlier, have been covered in this article.

Overall Position of Industrial Houses

On the basis of the composition of Industrial Houses as decided upon by the Monopolies Inquiry Commission, the total assets of 75 Industrial Houses listed in its Report amounted to Rs 2605.9 crores is 1963-64. As already mentioned, the Industrial Licensing Posicy Inquiry Committee confining its study to the seventy-five Houses adopted a somewhat different set of criteria for deciding about their composition. This resulted in some increase in the number of companies taken as belonging to them. The assets of the companies constituting the 75 Industrial Houses aggregated to Rs 3418.5 crores as on 31 December

1966. In 1967-68, the assets of the 75 Industrial Houses amounted to Rs 4032.4 crores. The position regarding the growth in paid-up capital and assets of the 75 Industrial Houses taken together for the period 1963-64 to 1967-68 is given in Table I.

Table 1

(Rs. crores)

Year	Paid-up Capital	Assets
1963-64 as per MIC Report	646.5	2605.9
As on 31 December 1966 as shown in the ILPIC Report	776.8	3418.5
Percentage increase is 1966 over 1963-64	20.2	31.2
1967-68 (as now worked out)	907.3	4032.4
Percentage increase in 1967-68 over 1963-64 level	40.3	54.7

Aggregate assets of companies belonging to the 75 Industrial Houses increased in absolute terms by Rs 1426 crores over the period 1963-64 to 1967-68. In terms of percentages, increase in assets works out at 54.7 per cent over the same period. But the paid up capital of the 75 Industrial Houses taken together increased only by 40.3 per cent. In absolute terms, the increase in paid-up capital was only Rs 261 crores. A part of the increase in assets, etc. in 1966 and 1967-68 over the 1963-64 level is because of larger number of companies included by the ILPIC in the Industrial Houses. To an extent a comparatively larger increase in terms of assets is attributable to the use of the community's funds by the Industrial Houses obtained by way of borrowings.

Growth in Concentration

The MIC had, on a rough basis, placed aggregate assets of the private corporate sector excluding banking companies at Rs 5552 crorer in 1963-64 (p 122 of MIC Report). On this basis, the Commission arrived at the conclusion that "the proportion of the assets of the 75 Groups to those of all non-Goverment and non-banking companies therefore, works out at 46.9 per cent", the assets for the year 1963-64 for the 75 Industrial House having been placed at Rs 2605.8 crores. By 1967-68, the assets of these Houses, as mentioned earlier, increased to Rs 4032.4 crores. On the other hand, the assets of the entire private corporate sector excluding banking companies on a rough calculation appear to have reached the level of Rs 7,500 crores in 1967-68. On this basis, the share of the 75 Industrial Houses in terms of the assets, owned by them would work out at 53.8 per cent of the total indicated for the entire private corporate sector. In other words, the concentration in terms of control over the community's funds increased from 46.9 per cent in 1963-64 to 53.8 per cent in 1967.68. Over the same period, the increase in the total assets of the entire private corporate sector was of the order of only 35 per cent. In absolute terms, of the total increase of nearly Rs 1,948 crores in assets of the entire private corporate sector the 75 Industrial Houses accounted for an increase of Rs 1,426 crores, that is, nearly 73 per cent of the total.

The Industrial Licensing Policy Inquiry Committee classified 20 Industrial Houses, each with assets of more than Rs 35 crores in 1963-64, as "Larger Industrial Houses". The assets of these 20 Houses amounted to Rs 1,779.8 crores in 1963-64. By 1967-68, their assets which amounted to Rs 2,752 crores stood higher by 54.6 per cent than in 1963-64. In absolute terms, the increase in the assets of 20 larger Industrial Houses amounted to Rs 972.2 crores over the period 1963-64 to 1967-68. A comparative picture of the assets position of the 20 Larger Industrial Houses for the year 1963-64, as on December 31, 1966, and as in 1967-68 in terms of individual Houses is indicated in Table II.

It is interesting to note that some of the Houses listed above achieved unprecedented growth during the period 1963-64 to 1967-68. For instance, the assets of the Industrial House of Mafatlal increased during the period by 195.9 per cent, Birlas recorded an increase of 96.6 per cent, followed by Shri Ram whose assets increased by 96.4 per cent. Surajmull Nagarmull recorded an increase of over 87 per cent, Sarabhais by 68.2 per cent, Bangurs by 60.3 per cent and Walchand by 54.7 per cent. The increase in the assets of other Houses over the period though substantial was between the range of 13.1 per cent for Kilachand to 49.6 per cent for Killicks.

Table II

Assets (Rs crores)

Sl. No.	Industrial House	As per MIC report 1963-64	As per ILPIC (As on 31-12-66)	1967-68	Per cent increase in 1967-68 over 1963-64
1	2	3	4	5	6
1.	Tata	417.72	505.36	584.63	39.9
2.	Birla	292.72	457.84	575.60	96.6
3.	Martin Burn	149.61	153.06	174.29	16.5
4.	Bangur	77.91	104.31	124.88	60.3
5.	A.C.C.	77.36	89.80	105.84	36.8
6.	Thapar	71.90	98.80	103.30	43.7
7.	Sahu Jain	67.69	58.75	79.68	17.7
8.	Bird Heilgers	60.10	68.62	78.62	30.8
9.	J.K. Singhania	59.20	66.84	78.75	33.0
10.	Surajmull Nagarmull	57.37	95.62	107.34	87.1
11.	Walchand	55.17	81.11	86.24	54.7
12.	Shri Ram	54.68	74.13	107.41	96.4
13.	Scindia	46.96	55.98	65.44	39.4
14.	Goenka	46.95	65.34	64.55	37.5
15.	Mafatlal	45.91	92.70	135.87	195.9
16.	Sarabhai	43.16	56.71	72.58	68.2
17.	Andrew Yule	41.89	46.75	54.12	29.2
18.	Killick	41.50	51.07	62.10	49.6
19.	I.C.I.	36.89	50.06	51.11	38.5
20.	Kilachand	35.13	37.22	39.72	13.1
	Total	1779.82	2310.07	2752.07	54.6

If the 20 Larger Industrial Houses are ranked according to their holdings of assets, it appears that the top five Houses accounted for 58 per cent of the total assets of 20 Larger Industrial Houses in 1967-68 and the top ten Houses accounted for nearly 77 per cent of the total. The Table III explains the positions.

Table III

(Rs. crores)

		Assets in 1967-68	Percentage
1.	Topmost House	584.6	21.2
2.	Topmost 2 Houses	1160.2	42.2
3.	Top 5 Houses	1595.3	58.0
4.	Top 10 Houses	2105.4	76.5
5.	Top 15 Houses	2480.5	90.2
6.	Top 20 Houses	2752.1	100.9

Quite a few Industrial Houses changed their ranking between 1963-64 and December 31, 1966. On account of a comparatively faster rate of growth in assets, as many as nine industrial Houses improved their ranks indicated for them in 1963-64. On the other hand, on account of decline in the rate growth of some six Industrial Houses there took place a decline in their ranking as well. But five were able to maintain their ranking as given to them by MIC in 1963-64. Further changes in the assets position of the Industrial Houses recorded by 1967-68 altered once again the ranks of the Industrial Houses. The details in respect of these Houses are given in Statement III. But the position in respect of a few Houses is indicated in Table IV.

Table IV

THE IMPROVEMENT IN THE RANKING OF INDUSTRIAL HOUSES OVER THE PERIOD 1963-64 TO 1967-68

Name of the House	Rank in 1963-64	Rank in 1967-68
Mafatlal	15	4
Shri Ram	12	6
Sarabhai	16	14
Walchand	11	10
Killick	18	17
Surajmull Nagarmull	10	7
Tatas	1	1
Birlas	2	2
Martin Burn	3	3

The ranking of the top five Industrial Houses as per the assets position in 1967-68 is given in Table V.

Table V

Name of the House	Rank
Tatas	1
Birlas	2
Martin Burn	3
Mafatlal	4
Bangur	5

The assets of these top five Houses amounted to Rs 1,595.3 crores in 1967-68 which formed more than 58 per cent of the total assets of the 26 "Larger Industrial Houses". The top two Industrial Houses acounted for 42 per cent of the total assets of the 20 Larger Industrial Houses.

As already mentioned, the assets of the 20 Larger Industrial Houses amounted to Rs 1,779.8 crores in 1963-64 and Rs 2,752.1 crores in 1967-68. The share on this basis of the 20 Larger Industrial Houses in agregate assets for the entire private corporate sector (excluding banking companies) was 32 per cent in 1963-64. By 1967-68, the assets owned by these twenty Industrial Houses accounted for 37 per cent of the total assets of the entire private corporate sector. The bulk of the increase was accounted for by a few major Houses, namely, Birlas, Tatas, Mafatlal, Shri Ram, Surajmull Nagarmull, Bangur, Sarabhai, Walchand and Thapar.

Larger Industrial Houses—
Additions Necessary

The analysis of the accounts of companies belonging to the 75 Industrial Houses for the year 1967-68 reveals that 10 Industrial Houses whose assets ranged from Rs 11.68 crores to Rs 33.94 crores in 1963-64 have now qualified for being classified as larger Industrial Houses if the definition of such Houses adopted by the Industrial Licensing Policy Inquiry Committee is followed. The assets of each of these 10 Houses were higher than Rs 35 crores in 1967-68. For instance, the assets of Seshasayee, the smallest of the 10 Industrial Houses, amounted to

Rs. 40.49 crores in 1967-68. The largest group among these 10 Houses, namely, Macneill Barry-Binnly owned assets of the value of Rs 62.56 crores in 1967-68. The assets of each of these 10 Houses for the year 1963-64, as on December 31, 1966 and as in 1967-68 together with percentage increase in their assets recorded in 1967-68 over 1963-64 level are indicated in Table VI.

Table VI

Assets (Rs crores)

Sl. No.	Name of Industrial House	As per MIC Report (1963-64)	As per ILPIC 31-12-66	In 1967-68	Percentage increase in 1967-68 over 1963-64
1.	Kasturbhai Lalbhai	33.94	51.19	59.21	74.5
2.	Macneill & Barry-Binny	29.21 21.13	57.28	62.56	114.2
3.	Jardine Henderson	28.51	41.82	43.91	54.0
4.	T. V. Sunduaram Iyengar	21.87	43.83	50.86	132.6
5.	Mahindra & Mahindra	20.12	38.58	51.34	155.2
6.	Kirloskar	19.12	43.02	61.20	220.1
7.	Khatau (Bombay)	13.62	40.09	46.85	244.0
8.	Parry	11.68	41.93	53.79	360.5
9.	Seshasayee	26.69	32.72	40.49	51.7
10.	Bajaj	21.14	35.24	45.54	115.4

Each of the ten Industrial Houses listed above has improved its position to be ranked along with the 20 larger Industrial Houses listed earlier in this Article. It would be of interest to note that Parry recorded an increase of 360.5 per cent in its assets over the period of 1963-64 to 1967-68. Over the same period, Khatau recorded an increase of 244.0 per cent, Kirloskar of 220.1 per cent, Mahindra & Mahindra of 155.2 per cent, T. V. Sundaram Iyengar of 132.6 per cent, and Bajaj of 115.4 per cent.

On the basis of the criteria adopted by the Industrial Licensing Policy Inquiry Committee, the list of larger Industrial Houses with assets of Rs 35 crores and more in 1967-68 would stand expanded to 30 instead of 20 listed by the ILPIC on page 18 of its Report.

It followers from the above analysis that 30 Industrial Houses can be classified as "larger" Industrial Houses. It would thus be interesting to indicate, in broad terms, the aggregate assets owned by them in 1967-68 as compared to the top 30 Houses of 1963-64. The total assets of the 30 Houses now classified as "larger" Industrial Houses amounted to Rs 3267.8 crores. Table VII indicates the position *vis a vis* the total assets of the 75 Industrial Houses taken together.

Table VII

(Rs in crores)

Year	Assets of 30 Houses	Assets of 75 Houses	Percentage share of 30 houses in the assets of 75 houses
1963-64 as per MIC Report	2048.5	2605.9	78.6
As at 31st December, 1966 as per ILPIC	2736.0	3418.5	80.0
1967-68	3267.8	4032.4	81.0

Note: The top 30 Houses are not common for the three years. On the basis of the size of their assets during the relevant year, the Houses included in this list have undergone changes.

The total assets of the 30 larger Industrial Houses for 1967-68 accounted for 81 per cent of the aggregate assets of 75 Industrial Houses and 43.6 per cent of the assets of the entire private corporate sector (excluding banking companies) calculated at Rs 7500 crores for 1967-68. The degree of concentration of ownership of assets in terms of relative share of topmost houses in the assets of companies belonging to the 75 Industrial Houses is indicated in Table VIII.

Table VIII

Number of the Top Houses	Assets Amount in crores	Percentage of total assets of 75 Industrial Houses
Topmost House	584.6	14.5
Top 2 Houses	1160.2	28.8
Top 5 Houses	1595.3	39.3
Top 10 Houses	2105.4	52.3
Top 15 Houses	2480.5	61.5
Top 20 Houses	2790.1	69.2
Top 25 Houses	3050.3	72.6
Top 30 Houses	3267.8	81.0
Remaining 45 Houses	764.6	19.0
Total 75 Houses	4032.4	100.0

Monopolies Act vis-a-vis
"Concentration of Economic Power"

Part A of Chapter III of the Monopolies and Restrictive Trade Practies Act *interalia* tends to regulate expansion, establishment of new undertakings, mergers and amalgamations, etc. of interconnected undertakings which taken together own assets of the value of not less than Rs 20 crores. On the basis of the definition of Inter-connected Undertakings given in clause (g) of Section 2 of the Act in so far as it is applicable to bodies corporate, a group of inter-connected companies would conform to the concept of an Industrial House. In the circumstances, the provisions of Section 20 (a) of Chapter III of the MRTP Act would become applicable to Industrial Houses owning/controlling assets of not less than Rs 20 crores. Viewed from this angle, it would be of practical value to indicate the Houses which were controlling and/or owning assets of not less then Rs 20 crores in 1967-68. In the foregoing paragraphs of this article, we have already brought out details of those Industrial Houses which owned assets of the value of not less than Rs 35 crores. To that list may be added the following 18 Industrial

Houses (Table IX) whose assets were in the range of Rs 20 crores to less than Rs 35 crores in 1967-68 worked out on the basis of the composition of Industrial Houses determined by the ILPIC.

In 1963-64, Industrial Houses owning assets of the value of not less than Rs 20 crores only were 33 in number. In other words, over the period between 1963-64 to 1967-68, the number of Industrial Houses owning assets of not less than Rs 20 crores had increased by 15. For the purposes of the MRTP Act, therefore, 48 Industrial Houses would be covered.

The analysis presented above, as already mentioned, is based on the composition of Industrial Houses adopted by the Industrial Licensing Policy Inquiry Committee. Such changes as may have to be allowed in the context of later developments pertaining especially to the abolition of the Managing Agency System or any other factors have not been taken into account. It may, however, be mentioned that it is not necessary that changes would essentially leap to reduction in the number of companies controlled/owned by the Industrial Houses.

Glimpses of Growth in respect of Certain Individual Industrial Houses

Statements I and II of this article list the position regarding the paid-up capital and assets of all the 75 Houses individually for the year 1963-64, as on 31 December 1966, and as in 1967-68. Accordingly the detailed information about 24 Industrial Houses (that is, those which had assets ranging between Rs 5 crores and below Rs 20 crores) not covered in the foregoing paragraphs of this article can be studied by referring to those Statements. Some of the Industrial Houses which recorded phenomenal growth in physical terms are Birlas accounting for an increase of Rs 283 crores in 1967-68 over the 1963-64 level. Tatas acounting for an increase of Rs 167 crores, Mafatlal accounting for an increasing of Rs 90 crores over the same period. Surajmull Nagarmull accounting for an increase of Rs 50 crores, etc. It would probably be interesting to analyse the sources from which funds were obtained by these Industrial Houses and their uses. It is proposed to bring out another article depicting the details of growth of some major Houses to begin with.

Table IX

Name of Industrial House	As per MIC Report 1963-64	As per ILPIC Report as on December 31, 1966	In 1967-68
1. Dalmia, Jay Dayal	26.57	26.71	30.31
2. Simpson	21.73	32.91	34.65
3. Shaw Wallace	21.25	22.27	27.76
4. Naidu G. V.	20.85	26.41	26.52
5. Turner Morrison	19.90	23.15	24.17
6. Ruia	18.92	22.40	23.74
7. A. & F. Harvey	18.69	21.33	25.19
8. Nourosjee Wadia	18.54	20.56	25.95
9. Shapoorji Pallonji	18.69	26.35	27.83
10. Thiagaraja	16.81	16.54	20.01
11. V. Ramakrishna	13.61	18.78	23.95
12. Thackersey	13.51	17.19	22.45
13. Naidu V. R.	12.94	21.55	22.98
14. Gillanders Arbuthnot	12.83	29.01	26.93
15. Modi	11.28	19.38	32.53
16. Rallis	10.80	17.94	21.98
17. Tube Investment Murugappa Chettiar	10.69	20.06	22.56
18. Kamani	12.06	18.04	20.88

At the end, it may be mentioned that there are a few industrial complexes emerging on the private corporate scene which have not been taken into account in this article. The author had the occasion of referring to the Larsen and Toubro Industrial House in an article which appeared earlier in Company News & Notes. This House was controlling/owning assets of the value of Rs 46 crores in 1967-68. On the basis of the criteria adopted in this Article the House qualifies for being classified as a "larger house". A few other Industrial Houses, namely, Rohits, Chougules, Ghias, Narangs, etc. which, though not very large, are still out of the purview of the studies undertaken in this regard. Their assets would be large enough to range between Rs 5 crores and Rs 20 crores each. But their present composition is not yet available and details cannot be worked out.

Statement–1

THE 75 LARGE INDUSTRIAL HOUSES

(Figures in crores of Rs)

No.	Industrial House	As per MIC REPORT 1963-64		As per ILPIC (As on 31-12-66)		1967-68	
		Paid-up Capital	Assets	Paid-up Capital	Assets	Paid-up Capital	Assets
1	2	3	4	5	6	7	8
1.	Tata	102.31	417.72	114.33	505.36	134.85	584.63
2.	Birla	76.34	292.72	97.62	457.84	116.485	75.60
3.	Martin Burn	22.28	149.61	23.48	153.06	39.78	174.29
4.	Bangur	19.68	77.91	21.83	104.31	28.70	124.88
5.	A.C.C.	24.23	77.36	30.64	89.80	30.64	105.84
6.	Thapar	14.29	71.90	17.25	98.80	21.24	103.30
7.	Sahu Jain	19.62	67.69	16.41	58.75	17.27	79.68
8.	Bird Heilgers	14.92	60.10	15.40	68.62	18.43	78.62
9.	J. K. Singhania	14.19	59.20	13.96	66.84	15.68	78.75
10.	Surajmull Nagarmull	12.84	57.37	19.31	95.62	21.92	107.34
11.	Walchand	14.41	55.17	17.71	81.11	20.23	86.24
12.	Shri Ram	9.59	54.68	13.49	74.13	16.79	107.41
13.	Scindia	12.40	46.96	12.40	55.98	12.40	65.44
14.	Goenka	12.84	46.95	16.16	65.34	16.93	64.55

15.	Mafatlal	10.26	45.91	22.76	92.70	30.19	135.87
16.	Sarabhai	6.14	43.16	6.07	56.71	9.99	72.58
17.	Andrew Yule	10.67	41.89	11.54	46.75	15.01	54.12
18.	Killicks	15.39	41.50	16.42	51.07	17.52	62.10
19.	I.C.I.	9.41	36.89	15.53	50.06	15.55	51.11
20.	Kilachand	9.29	35.13	10.00	37.22	9.78	39.72
21.	Kasturbhai Lalbhai	7.92	33.94	11.08	51.19	11.98	59.21
22.	Macneill & Barry	8.38	29.21	16.93	57.28	16.58	62.56
23.	Jardine Henderson	8.31	28.51	9.91	41.82	9.48	43.91
24.	Seshasayee	10.29	26.69	12.23	32.72	12.71	40.49
25.	Dalmia, Jai Dayal	8.81	26.57	8.02	26.71	10.06	30.31
26.	B.I.C.	5.94	23.77	...	...	...	...
27.	T. V. Sundaram Iyengar	4.48	21.87	10.66	43.83	14.87	50.86
28.	Simpsons (Amalgamations)	5.37	21.73	7.72	32.91	9.85	34.65
29.	Shaw Wallace	4.58	21.25	2.56	22.27	5.27	27.76
30.	Bajaj	5.76	21.14	8.34	35.28	9.08	45.54
31.	Binny	4.97	21.13	...	...	...	...
32.	Naidu G. V.	8.11	20.85	9.99	26.41	11.00	26.52
33.	Mahindra & Mahindra	4.19	20.12	10.09	38.58	11.89	51.34
34.	Turner Morrison	3.43	19.90	4.11	23.14	4.32	24.17
35.	Indra Singh	4.31	19.40	1.55	10.55	2.03	11.92
36.	Kirloskar	5.50	19.12	9.75	43.02	11.30	61.20
37.	Ruia	3.58	18.92	3.65	22.40	4.50	23.74
38.	A. & F. Harvey	3.41	18.69	5.46	21.33	5.72	25.19
39.	Shapoorji Pallonji	4.24	18.69	5.68	26.35	7.47	27.83
40.	Nowrosjee Wadia	4.50	18.54	4.61	20.56	5.23	25.95

1	2	3	4	5	6	7	8
41.	Jaipuria	4.47	17.22	4.84	18.42	4.85	19.10
42.	Thiagaraja	4.71	16.81	3.59	16.54	4.69	20.01
43.	Chinai	4.53	16.49	5.01	18.35	5.38	18.97
44.	Khatau (Bombay)	3.43	13.62	5.64	40.09	6.34	46.85
45.	V. Ramakrishna	2.75	13.61	3.98	18.78	4.02	23.95
46.	Thackersey	1.26	13.51	1.38	17.19	2.83	22.45
47.	Naidu V. Rangaswamy	6.62	12.94	6.90	21.55	7.16	22.98
48.	Gillanders Arbuthnot	2.75	12.83	8.82	29.01	8.47	26.93
49.	Kamani	2.26	12.06	3.20	18.04	3.56	20.88
50.	Vissanji	2.74	12.04	2.71	14.99	3.36	16.45
51.	Mangaldas Parekh	2.17	11.68	2.19	12.70	2.36	14.74
52.	Parry	2.61	11.68	7.51	41.93	7.51	53.79
53.	Wallace & Co.	3.18	11.34	4.30	15.69	5.47	15.37
54.	Kothari G. D.	1.48	11.31	...	...	...	...
55.	Modi	2.70	11.28	3.89	19.38	5.95	32.53
56.	B. N. Elias	2.35	11.19	2.35	13.64	2.35	14.86
57.	Amin	2.96	11.15	4.14	14.96	4.65	17.30
58.	Balmer Lawrie	1.79	11.13	3.06	12.79	3.06	12.15
59.	Rallis	4.50	10.80	4.35	17.94	4.49	21.98

60.	Swedish Match	2.09	10.74	4.90	15.69	4.90	16.39
61.	Tube Investment	3.15	10.69	4.33	20.06	5.73	22.56
62.	Shriyans Prasad Jain	2.07	10.32	2.68	13.99	3.35	16.96
63.	Talukdar Law	4.18	10.22	2.59	5.59	2.67	5.93
64.	Kanoria R. K.	2.49	9.61	3.47	12.56	3.48	14.25
65.	Finlay	1.90	9.26	2.00	14.16	2.20	15.09
66.	Podar	2.31	9.03	3.13	14.28	3.42	14.46
67.	Kothari Madras (D.C.)	3.68	8.82	3.68	10.36	3.68	11.88
68.	Mangaldas Jaisinghbhai	2.23	8.47	2.19	9.73	2.34	10.20
69.	Kanoria Bhagirath	1.80	7.94	2.21	11.84	2.20	11.61
70.	J. P. Srivastava	3.12	7.92	1.35	4.20	1.35	4.15
71.	Ram Kumar Agarwal	2.28	7.27	2.16	7.01	2.22	7.89
72.	Muthiah	2.43	6.89	2.78	8.45	2.82	9.75
73.	Jatia	1.58	5.80	2.34	8.61	2.39	10.69
74.	Dalmia, R. K.	2.66	5.42	2.60	5.36	3.07	5.77
75.	Pierce Leslie	2.07	5.00	1.87	8.18	2.13	8.36
	Total	646.50	2605.95	776.79	3418.48	907.27	4032.45

(a) BIC has been grouped with Surajmull Nagarmull by ILPIC. (b) Binny has been grouped with MacNeill & Barry by ILPIC. (c) Kothari (GD) group has been included under second-tier of Birla House by ILPIC.

Statement II

GROWTH OF ASSETS OF 75 LARGE INDUSTRIAL HOUSES

(Amounts in crores of Rs)

No.	Industrial House	INCREASE IN ASSETS					
		(+) in ILPIC over MIC 1963-64		(+) in 1967-68 over ILPIC		(+) in 1967-68 over (+) in 1963-64 over	
		Amount	%	Amount	%	Amount	%
1	2	3	4	5	6	7	8
1.	Tata	87.64	20.9	79.27	15.7	166.91	39.9
2.	Birla	165.12	56.4	117.76	25.7	282.88	96.6
3.	Martin Burn	3.45	2.3	21.23	13.9	24.68	16.5
4.	Bangur	26.40	33.8	20.57	19.7	46.97	60.3
5.	A.C.C.	12.44	16.8	16.04	17.9	28.48	36.8
6.	Thapar	26.90	37.4	4.50	4.6	31.40	43.7
7.	Sahu Jain	(—)8.94	(—)13.2	20.93	35.6	11.99	17.7
8.	Bird Heilgers	8.52	14.2	10.00	14.6	18.52	30.8
9.	J. K. Singhania	7.64	12.9	11.91	17.8	19.55	33.0
10.	Surajmull Nagarmull	38.25	66.7	11.72	12.3	49.97	87.1
11.	Walchand	25.94	47.0	5.13	6.3	31.07	54.7
12.	Shri Ram	19.45	35.2	33.28	44.9	52.73	96.4
13.	Scindia	9.02	19.2	9.46	16.9	18.48	39.4

14.	Goenka	18.39	39.2	(—)0.79	(—)1.2	17.60	37.5
15.	Mafatlal	46.79	101.9	43.17	46.6	89.96	195.9
16.	Sarabhai	13.55	31.4	15.87	28.0	29.42	68.2
17.	Andrew Yule	4.86	11.6	7.37	15.8	12.23	29.2
18.	Killicks	9.57	23.1	11.03	19.6	20.60	47.2
19.	I.C.I.	13.17	35.7	1.05	2.1	14.22	38.5
20.	Kilachand	2.09	5.9	2.50	6.7	4.59	13.1
21.	Kasturbhai Lalbhai	17.25	50.8	8.02	15.7	25.27	74.5
22.	Macneill & Barry	28.07	96.1	5.28	9.2	33.35	114.2
23.	Jardine Henderson	13.31	46.7	2.09	5.0	15.40	54.0
24.	Seshasayee	6.03	22.6	7.77	23.7	13.80	51.7
25.	Dalmia, Jai Dayal	0.14	0.5	3.60	13.5	3.74	14.1
26.	B.I.C.	(—)23.77	(—)100.0	...	...	(—)23.77	(—)100.0
27.	T. V. Sundaram Iyengar	21.96	100.4	7.03	16.00	28.99	132.6
28.	Simpson (Amalgamations)	11.18	51.4	1.74	5.3	12.92	59.5
29.	Shaw Wallace	1.02	4.8	5.49	24.7	6.51	30.6
30.	Bajaj	14.14	66.9	10.26	29.1	24.40	115.4
31.	Binny	(—)21.13	(—)100.0	...	...	(—)21.13	(—)100.0
32.	Naidu G. V.	5.56	26.7	0.11	0.4	5.67	27.2
33.	Mahindra & Mahindra	18.46	91.7	12.76	33.1	31.22	155.2
34.	Turner Morrison	3.24	16.3	1.03	4.5	4.27	21.5
35.	Indra Singh	(—)8.85	(—)45.6	1.37	13.0	(—)7.48	(—)38.6
36.	Kirloskar	23.90	125.0	18.18	42.3	42.08	220.1
37.	Ruia	3.48	18.4	1.34	6.0	4.82	25.5
38.	A. & F. Harvey	2.64	14.1	3.86	18.1	6.50	34.8
39.	Shapoorji Pallonji	7.66	41.0	1.48	5.6	9.14	48.9

1	2	3	4	5	6	7	8
40.	Nowrosjee Wadia	2.02	10.9	5.39	26.2	7.41	40.0
41.	Jaipuria	1.20	6.9	0.68	3.7	1.88	10.9
42.	Thiagaraja	(—)0.27	(—)1.6	3.47	21.0	3.20	19.0
43.	Chinai	1.86	11.3	0.62	3.4	2.48	15.0
44.	Khatau (Bombay)	26.47	194.3	6.76	16.9	33.23	244.0
45.	V. Ramakrishna	5.17	38.0	5.17	27.5	10.35	76.0
46.	Thackersey	3.68	27.2	5.26	30.6	8.94	66.2
47.	Naidu, V. Rangaswamy	8.61	66.5	1.43	6.6	10.04	77.6
48.	Gillanders Arbuthnot	16.18	126.1	(—)2.08	(—)7.2	14.10	109.9
49.	Kamani	5.98	49.6	2.84	15.7	8.82	73.1
50.	Vissanji	2.95	24.5	1.46	9.7	4.41	36.6
51.	Mangaldas Parekh	1.02	8.7	2.04	16.1	3.06	25.1
52.	Parry	30.25	258.9	11.86	28.3	42.11	360.5
53.	Wallace & Co.	4.35	38.4	(—)0.32	(—)2.0	4.03	35.5
54.	Kothari G.D.	(—)11.31	(—)100.0	...	...	(—)11.31	(—)100.0
55.	Modi	8.10	71.8	13.15	67.9	21.25	188.3
56.	B. N. Elias	2.45	21.9	1.22	8.9	3.67	32.8
57.	Amin	3.81	34.2	2.34	15.6	6.15	55.1
58.	Balmer Lawrie	1.66	14.9	(—)0.64	(—)5.0	1.02	9.1
59.	Rallis	7.14	66.1	0.04	22.4	11.18	103.5
60.	Swedish Match	4.95	46.1	0.70	4.5	5.65	52.6
61.	Tube Investment	9.37	87.7	2.50	12.5	11.87	111.0
62.	Shriyans Prasad Jain	3.67	35.6	2.97	21.2	6.64	64.3
63.	Talukdar Law	(—)4.63	(—)45.3	0.34	6.1	(—)4.29	(—)41.9
64.	Kanoria R.K.	2.95	30.7	1.69	13.5	4.64	48.2

65.	Finlay	4.90	52.9	0.93	6.6	5.83	62.9
66.	Podar	5.25	58.1	0.18	1.3	5.43	60.1
67.	Kothari Madras(D.C.)	1.54	17.5	1.52	14.7	3.06	34.7
68.	Mangaldas Jaisinghbai	1.26	14.9	0.47	4.8	1.73	20.4
69.	Kanoria Bhagirath	3.90	49.1	(—)0.23	(—)1.9	3.67	46.2
70.	J. P. Srivastava	(—)3.72	(—)47.0	(—)0.5	(—)1.2	(—)3.77	(—)47.6
71.	Ram Kumar Agarwal	(—)0.26	(—)3.6	0.88	12.5	0.62	8.5
72.	Muthiah	1.56	22.6	1.30	15.4	2.86	41.5
73.	Jatia	2.81	48.4	2.08	24.2	4.89	84.3
74.	Dalmia,R.K.	(—)0.6	(—)1.1	0.41	7.6	0.35	6.1
75.	Pierce Leslie	3.18	63.6	0.18	2.2	3.36	67.2
	Total	812.52	31.2	613.97	23.5	1426.50	54.7

Notes: (a) BIC has been grouped with Soorajmull by ILPIC (a) Binny has been grouped with MacNeill & Barry by ILPIC (c) Kothari (GD) group has been included under second-tier of Birla House by ILPIC.

Statement—III

VARIATION IN THE RANKINGS OF 20 LARGER INDUSTRIAL HOUSES

(A) *As Compared between 1963-64 (MIC) and 31-12-66 (ILPIC)*

Rank Retained		Rank Improved			Rank Gone down		
Rank	House	House	From	To	House	From	To
1	Tata	Thapar	6	5	A.C.C.	5	8
2	Birla	Surajmull Nagarmull	10	6	Sahu Jain	7	14
3	Martin Burn	Walchand	11	9	Bird Heilgers	8	11
4	Bangur	Shri Ram	12	10	J.K. Singhania	9	12
20	Kilachand	Goenka	14	13	Scindia	13	16
		Mafatlal	15	7	Andrew Yule	17	19
		Sarabhai	16	15			
		Killick	18	17			
		I.C.I.	19	18			
5 Houses		9 Houses			6 Houses		

(B) As Compared between 31-12-66 (ILPIC) and 1967-68

Rank Retained		Rank Improved			Rank Gone down		
Rank	House	House	From	To	House	From	To
1	Tata	Mafatlal	7	4	Bangur	4	5
2	Birla	Shri Ram	10	6	Soorajmul Nagarmull	6	7
3	Martin Burn	Sarabhai	15	14	Thapar	5	9
8	A.C.C.	Scindia	16	15	Walchand	9	10
12	J. K. Singhania	Andrew Yule	19	18	Goenka	13	16
17	Killick	Sahu Jain	14	11	I.C.I.	18	19
20	Kilachand				Bird Heilgers	11	13
	7 Houses	6 Houses			7 Houses		

(C) *As Compared between 1963-64 (MIC) and 1967-68*

Rank Retained		Rank Improved			Rank Gone down		
Rank	House	House	From	To	House	From	To
1	Tata	Mafatlal	15	4	Bangur	4	5
2	Birla	Shri Ram	12	6	A.C.C.	5	8
3	Martin Burn	Soorajmull Nagarmull	10	7	Thapar	6	9
17	I.C.I.	Walchand	11	10	Sahu Jain	7	11
20	Kilachand	Sarabhai	16	14	J. K. Singhania	9	12
		Killicks	18	17	Bird Heilgers	8	13
					Scindia	13	15
					Goenka	14	16
					Andrew Yule	17	18
5 Houses		6 Houses			9 Houses		

2. 101 CORPORATE GIANTS IN PRIVATE SECTOR

PROFITABILITY IN 1969-70

101 Corporate Giants in Private Sector Profitability in 1969-70

TATA Iron and Steel remains unchallenged as the biggest of the 101 private sectors industrial giants. For the first time, Indian Iron has been displaced from the second rank. The second place is now occupied by another Tata venture, TELCO. IISCO comes third. These large companies are followed by ACC, Delhi Cloth and Oil India in that order.

However in the corporate sector as a whole, more than 60 per cent of the total assets of the first 101 corporate giants is accounted for by 28 Government companies. *Public sector units in this sense dominate the Indian corporate scene.*

Hindustan Steel continues to be the biggest unit in India's corporate sector, followed by the Food Corporation, Hindustan Aeronautics, Indian Oil, Heavy Engineering Corporation, Fertiliser Corporation, National Coal Development Corporation, Bharat Heavy Electricals and Oil and Natural Gas Commission. The total assets of Hindustan Steel are much larger than the combined assets of all the first ten private sector giants.

The biggest unit in the private sector, viz. Tata Steel, occupies only the tenth place in the combined ranking of the first 101 public and private sector companies.

The Indian corporate giants are puny when compared with the world giants. Hindustan Steel, which is the biggest corporate giant in India ranks only 184th among the 200 largest industrial companies outside the USA.

The total assets of Tata Steel, the largest private sector industrial unit, forms a mere 1.58 per cent of the assets of the

General Motors of USA, the largest corporation in that country and 1.52 per cent of Royal Dutch-Shell (Netherlands-Britain), the largest non-American corporation in the world.

In terms of sales, the biggest Indian private sector company seems even smaller—its sales are equivalent to 0.7 per cent of those of General Motors and 1.7 per cent of those of Royal Dutch-Shell.

South India Viscose recorded the highest growth rate (65.0 per cent) in total capital employed during 1969-70. Because of this, this company is able to come up from 89th rank in 1968-69 to 52nd rank during 1969-70. The other units which have recorded a significant jump in the two years are Kirloskar Oil, J. K. Synthetics, Indian Explosives and Crompton Greaves.

Because of amalgamations, the discussion in the following paragraphs mainly relate to the total of 98 units.

The combined gross profits of 98 giant companies amounted to Rs. 308.7 crores in 1969-70, recording a rise of 18.9 per cent. The pre-tax profits at Rs. 223 crores showed a higher growth rate of 24.7 per cent. The net profits of all these companies went up by Rs. 38.1 crores to Rs. 142.3 crores.

The profitability as measured by the ratio of gross profits to total capital employed showed a rise from 9.4 per cent to 10.4 per cent. As a return on sales gross profits worked out higher at 12.2 per cent, compared with 11.6 per cent in 1968-69. The net return on owned funds too stood higher at 11.7 per cent in 1969-70 against 9.3 per cent in the previous year.

Among the 101 industrial giants there are ten companies belonging to the Tata group. The combined assets of these ten companies amounted to Rs. 486.4 crores. Birlas have eleven units among the 101 giants, with total assets of Rs. 333.3 crores. The next biggest group is Mafatlal which has five units with total assets of Rs. 124.3 crores.

The data presented in this study for 1968-69 and 1969-70 correspond to the accounting periods of the various companies ended during the twelve months April 1968 to March 1969 and April 1969 to March 1970 respectively.

The 101 companies are ranked on the basis of assets. However, this ranking has a limitation since the assets have been taken acording to the book values which obviously will differ from the current value of such assets. And, relatively young companies, which have acquired their fixed assets at inflated prices will appear bigger in size, because the figures reflect the money value of assets and not the size or installed capacity.

When the top 101 Indian industrial giants are compared to the top 101 of the USA, the average USA giant would be 64 times as large as its counterpart in India. In the USA, an average giant company's sales is 81 times that of the average Indian giant company.

Average size : The average size of the total assets of the 101 giant companies is Rs. 30.2 crores; the sales income from these companies average Rs. 25.9 crores during 1969-70.

Growth of assets : The total assets of the 101 giant companies rose from Rs. 2818.5 crores to Rs. 3046.6 crores—a rise of 8.1 per cent. Excluding the three non-comparable units from the 101 giants, the growth in total assets worked out at 7.2 per cent. This is a lower growth rate when compared to the average growth of 9 to 10 per cent obtained in earlier years. TISCO accounted for 5.8 per cent of the total assets of 101 units together in 1969-70. The following companies showed a remarkably high growth rate of more than 25 per cent in assets during 1969-70.

	% rise in assets
S. I. Viscose	65.0
Indian Explosives	64.9
Kirloskar Oil	52.6
Modipon	31.1
Crompton Greaves	28.3
Gwalior Rayon	26.8
J. K. Synthetics	26.4
CAFI	25.6

Net Worth: Net worth (comprising paid-up capital and reserves and surplus) at the end of 1969-70 amounted to Rs. 1241 crores, compared with Rs. 1137 crores at the end of the previous year. This showed a growth of 9.1 per cent. TISCO's net worth was obviously the highest; Indian Iron stood second, followed by Associated Cement, Oil India and India Tobacco in that order.

The five companies which showed the highest rate of increase in net worth in 1961-70 are indicated below:

	per cent
Modipon	90.7
Indian Explosives	55.8
Renusagar Power	54.4
Polyolefins	53.2
Siemens	44.7

Sales: The total sales (net) of the 101 giant companies amounted to Rs. 2617 crores in 1969-70, compared with Rs. 2295 crores in the previous year, recording a growth of 13.9 per cent. The sales of TISCO and Hindustan Lever exceeded Rs. 50 crores and their total sales amounted to 33.3 per cent of the sales of 101 companies. Fourteen units had sales less than Rs. 10 crores in 1969-70. The following four companies showed increases of more than 100 per cent in sales during 1969-70 over the previous year.

	% rise
Polyolefins	192.1
Modipon	137.4
Coromandel Fertilisers	136.9
NOCIL	121.4

Gross profits: The gross profits comprising profits before tax, interest charges and managing agency commission (but after providing for depreciation) of 98 companies stood at Rs. 309 crores—i.e. higher by 18.9 per cent. The following companies showed the large amount of gross profits in 1969-70:

	Rs. crores
TISCO	13.9
Oil India	13.2
Century Spinning	9.7
India Tobacco	8.5
Burmah Shell	8.3
Hindustan Aluminium	8.2
Gwalior Rayon	8.2

Pre-tax profits: The pre-tax profits of the 98 companies amounted to *Rs. 224 crores in 1969-70 against Rs. 179 crores in 1968-69*. This showed a steep rise of 24.7 per cent. There were 60 companies which earned pre-tax profits of Rs. 1 crore or more in 1969-70. The following five companies earned large profits in 1969-70 compared to other units:

	Profits in Rs. crores
TISCO	11.2
Oil India	10.8
Century Spinning	9.0
Burmah Shell	8.3
India Tobacco	7.8

Of the 101 companies, eight companies incurred losses in 1969-70 as against 14 in the preceding year. Only 26 companies showed a fall in pre-tax profits, while 73 companies showed a rise in profits during 1969-70. Two companies maintained their protfis.

During 1969-70, the 98 companies provided Rs. 81.3 crores for taxation, against Rs. 75.2 crores in the previous year.

The profits after tax stood at Rs. 142.3 crores in 1969-70, against Rs. 104.2 crores in the previous year. The companies which retained relatively large amount of profits are given below :

	Rs. crores
Hindustan Aluminium	5.3
Orient Paper	4.4
Indian Aluminium	3.1
Century Spinning	2.9
Modipon	2.8
Gwalior Rayon	2.6

Profit Appropriation: The appropriation of pre-tax profits during the two years under review are given below:

	As percentage of pre-tax profits	
	1968-69	*1969-70*
Tax provision	41.9	36.4
Dividends	36.5	33.4
Retained profits	21.6	30.2
	100.0	100.0

The total equity dividends distributed (for 98 companies) worked out higher at Rs. 137.7 crores in 1969-70 against Rs. 99.5 crores in the previous year, i.e. a rise of 38.4 per cent. The retention of profits was also substantially higher at Rs. 69.6 crores (an increase of 13.5 per cent) compared to Rs. 61.3 crores in the previous year.

Burmah-Shell ranks first among the 101 companies in having earned the highest return on total capital employed (36.9 per cent) in 1969-70. Pfizer stands a close second (34.4 per cent) followed by Modipon (31.2 per cent), CAFI (30.0 per cent), and Century Spinning (29.3 per cent).

In terms of gross margin on sales, Oil India gets the first place (48.6 per cent). Burmah-Shell stands second (45.2 per cent), followed by Modipon (44.9 per cent), Nirlon Synthetics (34.8 per cent), and CAFI (31.5 per cent).

Judged on the basis of net return on owned funds, the most important profitability criterion for the shareholders, Modipon topped the list with 56.2 per cent. Renusagar Power, Synthetics and Chemicals, Orient Paper and Mukund Iron follow in that order.

When the earnings per equity share of these companies realised during 1969-70 are related to the current market prices of the shares, K. C. P. gets the crown with an earning rate of 33.4 per cent. The other companies, earning rates of which exceeded 25 per cent are Orient Paper, India Steamship, Mukund Iron and Modipon.

When total dividends distributed are expressed as a percentage of owned funds, which indicate the cash return on shareholders' funds in business, Burmah-Shell gets the top place with 33.7 per cent, CAFI and Oil India have returns of 14.7 per cent and 12.4 per cent respectively. Dunlop, Esso, National Rayon, CAFI and Pfizer have ratios of 10 to 11 per cent.

Industrywise grouping: The industrywise classification of 191 industrial giants is shown in the following table. It may be seen from this table that 26 engineering units accounted for 22.0 per cent of the total assets and two iron and steel companies for 9.7 per cent.

	No. of units	*Assets (as % of total)*
Engineering	26	22.0
Iron and Steel	2	9.7
Chemicals	12	9.5
Cotton	12	7.6
Electricity generation & supply	7	6.2
Silk and Rayon	8	5.5
Cement	3	4.6
Shipping	4	4.6
Mineral Oils	3	4.5
Aluminium	3	4.3
Fertilisers	2	3.8
Paper	3	1.9
Rubber Goods	2	1.8
Others	14	14.0
Total	101	100.0

Return on capital employed: Among the different profitability criteria, the gross return on total funds employed in business is the more dependable indicator in as much as it reflects the profit earning capacity of a unit.

Judged on this basis, Burmah-Shell has done exceedingly well in 1969-70, with a return of 36.9 per cent, closely followed by Pfizer, Modipon, CAFI and Century Spinning.

The table below lists the first ten top rankers in this respect during 1969-70:

Name of the company	*Gross return on total funds used in busines (%)*
1. Burmah-Shell	36.9
2. Pfizer	34.4
3. Modipon	31.2
4. CAFI	30.0
5. Century Spinning	29.3
6. Glaxo	26.0
7. Nirlon Synthetics	25.7
8. National Rayon	25.4
9. Philips India	24.1
10. Gwalior Rayon	23.8
Average of all companies	10.4

Of these ten companies, CAFI and Gwalior Rayon showed declines during 1969-70, while the remaining eight showed improvement.

Taking all the companies together, this ratio moved up from 9.4 per cent to 10.4 per cent. As many as 64 companies recorded increase in this ratio during 1969-70. In a few cases, where the latest accounts (1970-71) have become available, profits and profitability have shown a further rise, e.g. in case of J. K. Synthetics, this return moved up from 14.5 per cent to 17.2 per cent.

Net return on Owned Funds: For the shareholders, the most important profitability criterion is the ratio of net profits to net worth (owned funds). In this respect, Modipon secured the highest return at 56.7 per cent. The first ten top rankers, during 1969-70, are shown in the following table:

Name of the company		*Net return on owned funds (%)*
1.	Modipon	56.7
2.	Renusagar Power	35.3
3.	Synthetics & Chemicals	31.6
4.	Orient Paper	30.7
5.	Mukund Iron	29.0
6.	CAFI	28.1
7.	G. K. Synthetics	26.9
8.	Standard Mills	25.2
9.	Century Spinning	23.7
10.	Burmah-Shell	23.5
	Average for all companies	11.7

The average return advanced from 9.3 per cent in 1968-69 to 11.7 per cent in 1969-70.

Dividends: The net return on net worth discussed above accrues to the shareholders partly in the form of dividend and partly in the form of retained earnings ploughed back in business. However, what is of immediate concern to the shareholders is the rate of return in the form of dividends. The total dividends paid, including those on preference shares, worked out higher at 6.1 per cent of the net worth in 1969-70, against 5.8 per cent in the previous year. In terms of "dividend on net worth", Burmah-Shell gets the top place with 33.7 per cent followed by CAFI (14.7 per cent) and ESSO (10.8 per cent). Other companies which have return of more than 10 per cent are Dunlop, National Rayon, Pfizer and Oil India.

Tax Provision: The overall tax provision expressed as a percentage of pre-tax profits worked out lower at 36.4 per cent in 1969-70, against 41.9 per cent in the previous year. Twenty-one companies out of the 101 giants provided more than 50 per cent of the pre-tax profits for tax in 1969-70.

Dividends distributed expressed as a percentage of net profits worked out lower at 52.4 against 62.8 in the previous year.

Entry and exit: The present study marks the entry of 10 new companies which were not among the 101 companies at the time of our previous study. These are NOCIL, Coromendel Fertilisers, Calcutta Electric Corporation, Renusagar Power, Modipon, Polyolefins, Nirlon Synthetics, Herdilia Chemicals, CAFI and Andhra Paper. The companies from the previous list which made their exit at this time are Caltex Oil, Shaw Wallace, Central India Machinery, Ballarpur Paper, Indian Cables, Hindustan Brown Boveri, India Dyestuff, BIC, Bengal Coal and Jay Engineering.

Control: The distribution of the 101 companies judged by the assets falling under major business house is shown below:

	Group	*No. of units*	*Assets as % of total (1969-70)*
1.	Tatas	10	16.0
2.	Birlas	11	10.9
3.	Mafatlal	5	4.1
4.	ACC	2	4.0
5.	ICI	3	2.9
6.	Parry	3	3.5
7.	Modi	2	1.0
8.	Foreign controlled	22	22.0
9.	Independent companies	15	9.9
10.	Other Houses	28	25.4
	TOTAL	101	100.0

The list of 101 corporate giants (government and private sector) is given below:

	Name	*Date of establishment*	*Assets (Rs. crores)*
1.	Hindustan Steel	1954	1068.3 (G)
2.	Food Corporation of India	1965	493.6 (G)
3.	Hindustan Aeronautics	1964	300.9 (G)
4.	Indian Oil	1966	255.4 (G)
5.	Heavy Engineering Corporation	1958	209.9 (G)

	Name	*Date of establishment*	*Assets (Rs. crores)*
6.	Fertiliser Corporation of India	1961	208.4 (G)
7.	National Coal Development Corporation	1956	198.9 (G)
8.	Bharat Heavy Electricals	1964	187.5 (G)
9.	Oil & Natural Gas Commission	1956	176.5 (G)
10.	Tata Steel	1907	175.8
11.	Neyveli Lignite Corporation	1957	166.3 (G)
12.	TELCO	1945	122.4
13.	Indian Iron	1918	120.8
14.	Heavy Electricals	1956	117.8 (G)
15.	ACC	1936	101.9
16.	Shipping Corporation of India	1961	96.2 (G)
17.	Delhi Cloth	1889	83.6
18.	Oil India	1958	83.4
19.	Air India	1953	83.1 (G)
20.	FACT (control acquired by government 1963)	1943	79.2 (G)
21.	State Trading Corporation	1956	72.7 (G)
22.	Hindustan Motors	1942	69.3
23.	Scindia	1919	66.8
24.	Gujarat State Fertilisers	1962	62.6
25.	Indian Explosives	1954	61.0
26.	Indian Airlines	1953	59.5 (G)
27.	Indian Drugs & Pharmaceuticals	1961	59.3 (G)
28.	Indian Aluminium	1938	59.0
29.	Hindustan Aluminium	1958	54.8
30.	India Tobacco	1910	53.9
31.	NOCIL	1961	53.8
32.	Coromandel Fertilisers	1961	52.5
33.	Calcutta Electric	1897	51.0
34.	Hindustan Machine Tools Ltd.	1953	43.4 (G)
35.	National Mineral Development Corporation	1959	43.1 (G)
36.	Bharat Electronics	1954	42.4 (G)
37.	EID Parry	1897	40.7

	Name	*Date of establishment*	*Assets (Rs. crores)*
38.	Mining & Allied Machinery Corporation	1965	40.7 (G)
39.	Dunlop	1924	39.8
40.	Tata Power	1909	38.1
41.	Minerals & Metals Trading Corporation	1963	38.0 (G)
42.	Voltas	1954	37.7
43.	Cochin Refineries	1963	35.5 (G)
44.	Union Carbide (c)	1934	35.3
45.	Gwalior Rayon	1947	34.4
46.	Century Spinning	1897	33.0
47.	Calico Mills	1880	32.8
48.	Binny & Co.	1920	32.6
49.	Hindustan Lever	1933	31.8
50.	Orient Paper	1936	31.7
51.	G. E. Shipping	1948	31.5
52.	ESSO	1952	31.5
53.	GKW	1931	29.5
54.	GEC	....	28.7
55.	Bharat Earth Movers	1964	28.6 (G)
56.	Indian Telephones	1950	28.0 (G)
57.	Larsen & Toubro	1946	27.8
58.	Ahmedabad Electric	1913	27.8
59.	Premier Auto	1944	27.3
60.	Kirloskar Oil	1946	27.2
61.	Kesoram Ind.	1919	24.3
62.	Indian Tube	1954	24.3
63.	India Cements	1946	24.2
64.	Philips India	1930	24.2
65.	Mahindra & Mahindra	1945	24.1
66.	S. I. Shipping	1964	23.4
67.	Escorts	1944	23.4
68.	Brooke Bond	1912	23.2
69.	Ashok Leyland	1948	22.8
70.	Burmah-Shell	1952	22.6

	Name	*Date of establishment*	*Assets (Rs. crores)*
71.	JK Synthetics (c.)	1943	22.5
72.	Hindustan Shipyard	1952	21.2 (G)
73.	Birla Jute	1919	21.1
74.	TOMCO	1917	21.1
75.	Mafatlal Fine	1931	21.0
76.	Standard Mills	1894	20.7
77.	Andhra Valley	1916	20.6
78.	S. I. Viscose	1957	20.4
79.	Metal Box	1933	20.3
80.	Bombay Dyeing	1897	19.6
81.	India Steamship	1928	19.5
82.	Jiyajeerao Cotton	1921	19.4
83.	Hindustan Construction	1926	18.9
84.	Jessop & Co.	1932	18.6
85.	ACC-Vickers	1959	18.5
86.	Madura Mills	1889	18.4
87.	Glaxo Laboratories	1924	18.3
88.	Atul Products	1947	18.2
89.	Siemens India	1956	18.0
90.	Bombay Suburban	1926	17.9
91.	Rallis India	1948	17.9
92.	Renusagar Power	1963	17.6
93.	New Central Jute	1915	17.2
94.	Rohtas Limited	1933	17.2
95.	National Rayon	1946	17.0
96.	Madras Aluminium	1960	16.8
97.	Synthetics & Chemicals	1960	16.8
98.	Hindustan Steel Works & Construction	1964	16.7 (G)
99.	Mazagaon Dock (control acquired by government in 1960)	1934	16.5 (G)
100.	Indian Copper	1924	16.5
101.	Modi Shipping	1946	16.1

Note: G = Government company

(Based on a study by the Economic Times Research Bureau, January 1971)

3. CAPITAL FORMATION
Rs. 451 CRORES IN 1969-70
BOOM IN SAVINGS

Capital Formation

Rs. 451 crores capital formation in 1969-70

(This is based on a study by 'The Economic Times' Research Bureau, 6 March, 1971.)

THE capital formation in the private industrial sector amounted to Rs. 451 crores during 1969-70, the first year of the Fourth Five-Year Plan. The gross fixed investment during the year amounted to Rs. 564 crores and the net fixed investment to Rs. 172 crores. The inventory accumulation was of the order of Rs. 279 crres.

The rate of increase in capital formation in the private corporate sector worked out significantly higher at 17.4 per cent in 1969-70 against 6.2 per cent in the previous year. The marked rise in the accumulation of inventories pepped up the rate of capital formation during 1969-70. The increase in gross fixed assets was of the order of 7.9 per cent against 8.0 per cent in 1968-69.

The net savings of the private corporate sector estimated at Rs. 174 crores showed a big spurt in 1969-70 compared with the lower savings of Rs. 80 crores recorded in the previous year. The net savings achieved in 1969-70 surpassed even the peak of Rs. 130 crores reached in 1963-64. Thus, on the one hand, the corporate savings showed a spurt and on the other investment picked up substantially in 1969-70, the first year of the Fourth Plan.

The better performance of corporate sector was also reflected in the gross savings which went up from Rs. 401 crores in 1968-69 to Rs. 529 crors in 1969-70.

As regards the sources of finance, *internal funds* constituted, in general *56.3 per cent*, of the total finance in 1969-70 against 51.3 per cent in the previous year. There was a large increase in the free reserves and surplus, not only in absolute terms, but also as a proportion of the total funds used, i.e. 20.9 per cent, in 1969-70 against 11.9 per cent in the previous year. This steep rise in the proportion of retained profits was due to better performance of the private industrial sector during 1969-70.

Fresh capital from the markets as a source of finance, showed a moderate decline in its relative role of financing the industrial expansion.

The above estimates of savings and investment are primarily based on the *analysis of the accounts of* 852 *large and medium size public limited companies in the private corporate sector* which accounts for about *two-third* of the entire public limited non-financial corporate sector in India. The period 1969-70 is defined to include those accounts which fall between April 1969 and March 1970.

The estimates of savings and investment in the entire corporate sector in 1969-70 are given below:

A. SAVINGS: Gross savings Rs. 529 crores; Net savings Rs. 174 crores.

B. INVESTMENT: Total assets formation Rs. 796 crores; Gross fixed assets formation Rs. 564 crores; Net fixed assets formation Rs. 172 crores; Inventory accumulation Rs. 279 crores; Total capital formation (gross) Rs. 843 crores; Total capital formation (net) Rs. 451 crores.

Growth Rate: During the ten years ended 1969-70, the rate of growth of gross fixed assets averaged at 10.7 per cent. As for 1969-70 the rate was marginally lower at 7.9 per cent, compared with 8.0 per cent in 1968-69.

Public Limited Companies: The gross fixed assets formation in the 852 companies which formed the basis for the estimates for the entire corporate sector amounted to Rs. 294.4 crores during 1969-70. Chemicals accounted for the largest share (Rs. 56.8 crores) (Vide Table I). Engineering stood second with Rs. 44.2 crores followed by cotton textiles (Rs. 26.3 crores) and silk and rayon (Rs. 22.0 crores).

Among the important industries in which the investment was low were woollen mills, coal, jute, paper, sugar and mineral oils.

The inventory build up of the 852 companies was very high

(Rs. 114.4 crores) in 1969-70, resulting in a rate of inventory accumulation of the order of 8.8 per cent. Large inventory accumulation was noticed in engineering and sugar industries while iron and steel and mineral oils showed decumulation of inventories.

The total capital formation, gross and net, obtained by adding the increase in fixed assets and inventories are shown in Table I. **The total gross gross investment of all the 852 companies amounted to Rs. 408.8 crores of which more than a third was accounted for by the engineering and chemical group.**

The estimates of net capital formation obtained under the presumption that the depreciation provided by the companies is just adequate to compensate the capital consumption is less or more to the extent to which the actual depreciation is in excess of the above requirements or falls short of it. Net capital formation thus defined was highest in the engineering industry (Rs. 41.4 crores). Chemicals stood second at Rs. 30.1 crores and sugar third at Rs. 27.1 crores.

The total assets of all the 852 companies together amounted to Rs. 5049 crores at the end of 1969-70 (Vide Table II) showing a rise of 7.9 per cent over the previous year. The gross fixed assets formed more or less the same proportion of the total assets during both the years (around 80 per cent).

Net fixed assets from a lower proportion of 45.5 per cent of the total assets in 1969-70, against 47.2 per cent in 1968-69.

Out of the total funds of Rs. 574 crores raised by 852 companies internal funds amounted to Rs. 323 crores. External funds comprising fresh capital borrowings and other liabilities amounted to Rs. 251 crores.

Iron and steel and paper relied more on depreciation reserves as a source of finance. Fresh capital from the market was very low in the case of sugar, jute, paper and cotton. Of the total accumulated profits, about 1½ crores was accounted for by chemicals.

Sugar accounted for Rs. 17.2 crores in the total bank borrowing of Rs. 91 crores, while engineering and chemicals accounted for Rs. 17.7 crores and Rs. 16.5 crores respectively.

TABLE 1: SOURCES AND USES OF FUNDS OF 852 PUBLIC

	Aluminium (4)	Coal & other mining (16)	Cement (16)
A. SOURCES:			
External Sources:	89	1,48	12,71
1. Paid up capital	1,07	37	5,06
2. Borrowings	1	1,58	6,71
(i) From Banks	–2,97	–10	2,31
(ii) From Financial institutions	–1,84	1,47	4,66
3. Other Liabilities	–19	–47	94
B. Internal Sources:	14,80	3,83	17,03
4. Of which Depreciation Resources	6,59	2,31	8,27
Total	15,69	5,31	29,74
USES			
5. Gross fixed assets	14,90	2,92	18,17
6. Inventories	5,14	71	2,74
7. Other Assets	–4,35	1,68	8,83
Total	15,69	5,31	29,74
a) Gross Capital Formation	20,04	3,63	20,91
b) Net Capital Formation	13,45	1,32	12,64

LIMITED COMPANIES DURING 1969-70 (Rs. lakhs)

Chemicals (65)	Cotton (163)	Electricity (23)	Engineering (157)	Iron & Steel (2)	Jute (22)
31,36	15,46	3,49	73,08	3,94	9,36
11,11	1,40	19	7,94	—	21
21,55	9,89	–3,59	40,84	–4,64	6,51
16,58	5,94	4	17,66	6,18	5,21
2,28	47	–1,89	–1,21	–7,32	1,05
–1,30	4,17	6,89	24,30	8,58	2,64
47,89	41,40	10,76	41,29	19,00	1,70
31,42	29,20	6,53	33,40	17,46	2,37
79,25	56,86	14,25	114,37	22,94	11,06
56,77	26,32	7,60	44,22	15,08	3,19
4,75	7,42	51	30,55	–1,53	6,79
17,73	23,12	6,14	39,60	9,39	1,08
79,25	56,86	14,25	114,37	22,94	11,06
61,52	33,74	8,11	74,77	13,55	9,98
30,10	4,54	1,58	41,37	–3,91	7,61

	Mineral Oils (4)	Paper (17)	Plantation (77)	Rubber Goods Manufacturing (10)
A. SOURCES :				
External Sources	–9,39	–6,10	58	8,83
1. Paid Up capital	—	25	76	1,27
2. Borrowings	–1,78,	–5,54	1	6,00
(i) From Banks	–1,11	5,48	–2,97	3,96
(ii) From Financial institutions	—	–8,85	–1,84	1,42
3. Other Liabilities	–6,61	–81	–19	1,56
B. Internal Sources :	9,47	15,35	15,11	7,91
4. Of which Depreciation Resources	7,39	7,36	6,59	3,50
TOTAL	8	9,25	15,69	16,74
USES :				
5. Gross fixed assets	6,62	5,69	14,90	7,11
6. Inventories	–1,17	64	5,14	5,79
7. Other assets	–5,37	2,92	–4,35	3,84
TOTAL	8	9,25	15,69	16,74
a) Gross Capital Formation	5,45	6,33	20,04	12,90
b) Net Capital Formation	–1,94	–1,03	13,45	9,40

Silk & Rayon (15)	Sugar (50)	Shipping (7,	Vegetable Oils (10)	Woollen (7)	Others (187)	Total (852)
17,12	31,25	7,73	3,13	2,12	44,05	251,09
1,99	8	—	—	24	8,57	40,51
9,51	20,54	–1,21	3,18	2,65	18,36	129,58
4,01	17,17	80	1,51	1,22	9,15	90,07
64	–29	2,42	–9	–48	–2,18	–11,58
5,62	10,63	8,94	–5	–77	17,12	81,00
28,76	5,76	10,30	4,40	92	27,30	322,98
13,51	4,55	5,75	2,02	66	14,34	203,22
45,88	37,01	18,03	7,53	3,04	71,35	574,07
21,95	6,21	12,84	3,83	89	25,21	294,42
5,29	25,41	–4	73	96	14,58	114,41
18,64	5,39	5,23	2,97	1,19	31,56	165,24
45,88	37,01	18,03	7,53	3,04	71,35	574,04
27,24	31,62	12,80	4,56	1,85	39,79	408,85
13,73	27,07	7,05	2,54	1,19	25,45	205,61

TABLE II: COMBINED BALANCE SHEET OF 852 PUBLIC COMPANIES

(Rs. Crores)

Liabilities:	1968-69	1969-70
1. Paid-up capital	11,21	11,78
2. Reserves & Surplus	7,39	8,42
3. Borrowings	**18,17**	**19,47**
a) From Banks	8,43	9,33
b) From Financial institutions	4,41	4,30
4. Other Liabilities	10,01	10,82
Total	46,78	50,49

Assets:		
5. Gross fixed Assets	37,45	40,39
Less Depreciation	15,39	17,42
6. Net Fixed Assets	22,06	22,97
7. Inventories	12,95	14,09
8. Other Assets	11,77	13,43
Total	46,78	50,49

4. MONOPOLY AND BANKS

Monopoly and Banks

CONCENTRATION of banking in a few hands is the inevitable accompaniment of the development of monopoly capital in an economy. Banking capital is the most powerful weapon, through which monopolies spread their tentacles in every field.

The Reserve Bank of India, as the central bank of the country, with power to issue currency and credit to the banking system as a whole was established in the British days.

There was the Imperial Bank of India (nationalised in 1955), which was a private bank of British high finance, which dominated the whole of the private banking credit and investment in the Indian economy. It acted as a powerful instrument of British policy in hamstringing development of Indian industry, trade and banking in the hands of the Indian bourgeoisie.

In the field of banking capital, five big banks belonging to large monopoly houses dominated the money and capital resources in Indian economy.

The extent of their hold on the industrial capital development is illustrated in the extract from a study made by Dr. Raj K. Nigam and published in "Company News and Notes" of October 1963.

"Leading banks in the country which among themselves accounted for nearly three-fourths of the deposits of the entire private banking sector had 188 directors, who in all held 1640 directorships in 1309 companies.

"After removing the depreciation among companies and after excluding the banks, the number of companies, with which these 188 bank directors were connected, came to 1100. The meaning of these statistics is indeed revealing. They show that in 1963, 188 persons controlled 75 per cent of the resources of the private banking sector. What is more, they established links with companies, which accounted for nearly 50 per cent of the paid up capital of the entire private corporate sector. As against this, 1500 directors in 331 companies in the private sector (other than banking) controlled 60 per cent of the paid up capital of the private corporate sector. This comparison shows that in 1963, the control over banking sector was more pronouncedly concentrated in the hands of a smaller number of persons than in the corporate sector.

"In 10 out of 18 banks their *chairmen* had held their offices for 10 or more years."

A further study on the same subject in *Commerce* in July 1967 shows that out of 186 directors serving on the boards of the 18 scheduled banks in 1964-65, more than 60 per cent of the directors had stayed on the boards for more than five years and about 40 per cent of them had stayed for more than 10 years or more.

"The resultant effect of these phenomena is obvious. There is every possibility of the continuance of particular preferences being shown to particular companies and business groups and that of denial of funds to others, including new entrepreneurs, small and medium enterprises, etc."

This extract from an expert study is enough to show development of *monopoly in banking capital, leading in its turn to control of monopolies in industry.*

The forces of democratic revolt against the growing power of the monopolies gathered strength as years went by. That story is told elsewhere.

As a result, the 14 scheduled private commercial banks were nationalised in 1969, except those that belonged to foreign capital. There are 13 foreign scheduled banks in the country.

As these banks have passed into the state sector we are not going into their activities and growth here. We will deal with that subject when we will review the public sector economy in a separate publication on the subject.

5. EXPORT OF INDIAN CAPITAL

Export of Indian Capital

SINCE the days of 1852 when the British imperialists began to establish their industrial concerns in India and thus sowed the seeds of the development of capitalism in India, till the famous day of 15 August 1947, when India attained political independence, capitalist development in our economy had taken quite a few steps.

After the attainment of independence and particularly since the initiation of the second five year plan (1955), this development of capitalism took some rapid strides, despite the prunings and failures in many branches of the plan and the economy.

Inevitably, despite the fact that Indian capitalist development was not that of the developed capitalist countries of Europe or America, strong features of monopoly capital appeared in the economy and dominated not only banking but also several branches of production. According to some estimates, nearly fifty per cent of the capitalist investment came under the conrol of monopolies. The previous studies in this publication shed light on this phenomenon.

Very soon, despite its not being highly developed, capitalism in India, along with the growth of monopoly development, also began to show another feature of monopoly, that is the *export of capital.*

The study reproduced here shows how Indian monopoly houses have begun to export capital to other countries in Asia and Africa and even to developed capitalist Europe.

This export is not taking place with the so-called philanthropic object of helping friendly countries to develop their "weak" or "backward" economies. England has not invited the Birlas to help it come out of its "backwardness"! Nor is Malaysia or Singapore very much behind India in their knowledge of things.

Export of capital from India is taking place for the same reasons as prompted England or America to export their "advanced" capital—that is the search for cheap labour power and the high rate of super profit that flows from it.

But when Indian capital goes to England or West Germany, it is not for cheap labour power, but for converting "illegitimate" accumulations abroad into legitimate capital gains. And they allow its entry, because it enables them to import "cheap capital".

But from the point of India as a democratic country, aspiring to take to the socialist path, there are some political features of this export of capital, which are very dangerous for India, as well as for the receiving countries, like those in Asia and Africa.

The monopolies which export this capital demand that they be guaranteed against the "risks" of nationalisation and such other "political" measures, on the part of the receiving country. As the article of the *Economic Times* produced herein says:

"More interesting is that a foreign investment guarantee scheme for under-writing *political risk* is now under examination of the finance ministry". (Emphasis added).

And when the government of India begins with guaranteeing the financial safety of the investment it will soon proceed to see that in the receiving country, no popular government will come to power which will nationalise "foreign capital" which in this case will mean putting Indian capital in risk.

The dangerous implications of such a development for Indian democracy itself are plain to see.

Monopoly capital, whether of a developed capitalist country like England and America, or of a developing country like India, ultimately, at a certain stage of its growth, are bound to show common reactionary features, both in political and economic spheres.

At the same time, it has to be noted that capitalism, as such, is itself on the way out in the whole world.

JOINT VENTURES ABROAD

EIGHTY-FOUR joint ventures by Indian entrepreneurs in foreign countries are either under government's consideration or already approved by the government, says a report of August 1970.

The joint ventures abroad are in various stages of operation spreading over a wide range of countries. Among these countries Kenya, Malaysia, Ethiopia, Nigeria, Iran and Ceylon shared a major share of these ventures. There are nine joint ventures in Kenya, eight in Malaysia and six each in Ethiopia, Nigeria and Iran and five in Ceylon. These cover a variety of projects like pharmaceutical plants, gripe water plant, plastic processing plant, textiles, engineering, sugar, etc.

Of the 84 units (vide Table A) thirteen have already started production. Of these three are located in Ethiopia, four in Kenya, and one each in Libya, Nigeria, Ceylon, Iran, Malaysia and Canada. Of the remaining, three companies expect to commence production shortly and for others the negotiations are underway.

In addition to the 84 units the proposal made by six other companies were abandoned either due to economic reasons or policy changes. During the period January to July 1970, there were 60 enquiries for setting up joint ventures abroad. Of these 33 related to specific products.

Among the Indian collaborators who came forward to set up joint ventures abroad, Birla group contributed the largest share with seventeen units which are either in operation or under negotiation. Though a majority of the companies with joint ventures abroad are those which can be classified as large house's companies, or large independent units, there are also few small units which have established factories abroad. Public sector units like FCI, STC, HMT and Hindustan Teleprinters have also come forward to set up joint ventures in Iran, Burma, Philippines and Malaysia respectively.

TABLE 'A': LIST OF COLLABORATIONS APPROVED BY GOVERNMENT OF INDIA FOR SETTING UP INDUSTRIAL VENTURES WITH INDIAN COLLABORATION ABROAD

S. No.	*Country of collaboration*	*Field of collaboration*	*Indian collaborations*	*Remarks*
1	2	3	4	5
1.	Ethiopia	(1) Textiles	Birla Bros. (P) Ltd., Calcutta	In operation
		(2) Soap Factory	Bombay Soap Factory, Bombay	Likely to commence production soon
		(3) Woollen Textile Mill	Duncan Bros., Calcutta	In production
		(4) Plastic Processing Plant	Duncan Bros., Calcutta	
		(5) Clock Assembly Plant	Duncan Bros., Calcutta	
		(6) Subscribing to the share capital of M/s. Fibre Share Co. of Ethiopia	Birla Bros., Calcutta	The company is already in existence
2.	Ghana	Manufacture of small wheel-type agricultural tractors	M/s. Escorts International, Faridabad	
3.	Kenya	(1) Textiles	R. M. Goculdas, Bombay	In production
		(2) Gripe Water Plant	K. T. Dongre & Co. Bombay	In production
		(3) Pharmaceutical Plant	Karamchand Premchand, Ahmedabad	
		(4) Manufacture of printing inks and allied products	M/s. Rainbow Ink and Varnish Co. Pvt. Ltd., Bombay	
		(5) Woollen Textile Mill	The Raymond Woollen Mills Ltd., Bombay	Likely to commence production soon
		(6) Manufacture of Fluorescent Fixtures and Accessories	The Premier Lighting Industries (P) Ltd., Bombay	In production

		(7) Light Engineering Complex	H. L. Malhotra & Sons (P) Ltd., Calcutta	In production
		(8) Cork Factory	Indian Cork Mills, Bombay	
		(9) Paper & Pulp Project	Birla Bros. (P) Ltd., Calcutta	
4.	Libya	(1) Pipes	M/s. Indian Hume Pipe Co., Bombay	In production
		(2) Asbestos Cement Products Plant	Birla Bros. (P) Ltd., Calcutta	
5.	Nigeria	(1) Engineering Goods	Birla Bros. (P) Ltd., Calcutta	In production
		(2) Textiles	Birla Bros. (P) Ltd., Calcutta	
		(3) Solvent Extraction Plant	Birla Bros. (P) Ltd., Calcutta	In production
		(4) Palm Kernel Crushing Plant	Birla Bros. (P) Ltd., Calcutta	
		(5) Razor Blade Factory	H. L. Malhotra & Sons (P) Ltd., Calcutta	
		(6) Pencil Factory	Standard Pencil Factory, Madras	
6.	Tanzania	Pharmaceutical Plant	Sarla Somani, Bombay	
7.	Uganda	(1) Sugar	1. Indian Consortium	
		(2) -do-	2. Walchand Industries	Agreement signed
		(3) Jute Mill	M/s. Birla Bros., Calcutta	
8.	Zambia	(1) Construction Company	M/s. R. M. Goculdas, Bombay	
		(2) Enamelware Factory	M/s. Bengal Enamel Works Pvt. Ltd., Calcutta	
		(3) Re-refining used lubricants	Sri N. V. Desai, Bombay	
9.	Ceylon	(1) Manufacture of sewing machines	Jay Engineering Works, Calcutta	In production

S. No.	Country of collaboration	Field of collaboration	Indian collaborations	Remarks
1	2	3	4	5
		(2) Electro-static Tea Leaves/ stalk separator machine	General Industries, Calcutta	
		(3) Glass Factory	Swastik Glass Works, Chandrapur	
		(4) Manufacture of Trucks	Ashoka Leylands, Madras	
		(5) Textile	(1) Bombay Dyeing and Mfg. (2) Birla	Inaugurated in June 1969
10.	Iran	(1) Manufacture of non-ferrous semis	Kamani Metals & Alloys Ltd., Bombay	In production
		(2) Manufacture of spare parts automotive components etc.	M/s. Mahindra & Mahindra Ltd., Bombay	
		(3) Trailer Industry	M/s. Mahindra & Mahindra Ltd., Bombay	
		(4) Ammonia	F.C.I.	
		(5) Railway wagon	Indian Railways	
11.	Iraq	Manufacture of concentrates for soft drinks	M/s. Parle Bottling Co. (P) Ltd., Bombay	
12.	Lebanon	Pesticidal Formulation Unit	Pest Control Corporation, Calcutta	
13.	Saudi Arabia	(1) Manufacture of refrigerators, airconditioners, air-coolers	Birla Bros. (P) Ltd., Calcutta	
		(2) Asbestos Cement Products Plants	Birla Bros. (P) Ltd., Calcutta	

		(3) Vanaspati Plant	M/s. Ahmed Oomerboy, Bombay	
14.	Indonesia	Rubber Products	Cosmos India Rubber Works, Bombay	
15.	Malaysia	(1) Manufacture of steel furniture	Godrej & Boyce Mfg. Co. Ltd., Bombay	Production commenced
		(2) Cotton Textile Mills	Birla Bros., Calcutta	
		(3) Manufacture of glass bottles	M/s. Jg. Glass Industries (P) Ltd., Poona	
		(4) Manufacture of zinc-oxide.	Inter-Trade Corporation, Vishakhapatnam	
		(5) A.C.S.R./A.A.C. & P.V.C. insulated conductors	The Indian Aluminium Cables Ltd., New Delhi	
		(6) Precision Tools and Gauge Mfg. Units	Gupta Machine Tools (Pvt.) Ltd., Calcutta	
		(7) Sewing Machines, Electric Fans	Jay Engineering Works, Calcutta	
		(8) Assembly Plants	H.M.T.	Under consideration
16.	Thailand	Steel Mill	Shri S. A. Jafri, Madras	
17.	Ireland	(1) Manufacture of tufted carpet yarn	M/s. Mafatlal Gangalbhai Co., (P) Ltd., Bombay	
		(2) Manufacture of Nylon bristles	Garware Plastics, Bombay	
18.	N. Ireland	(1) Asbestos Cement Products Plant	Birla Bros. (P) Ltd., Calcutta	
		(2) Light Engg. Goods	Birla Bros. (P) Ltd., Calcutta	
19.	U.K.	Asbestos Cement Products Plant	Birla Bros. (P) Ltd., Calcutta	

S. No.	Country of collaboration	Field of collaboration	Indian collaborations	Remarks
1	2	3	4	5
20.	Canada	Hardboard Factory	Anil Hardboard Ltd., Bombay	In production
21.	Hio-Hawail	Hardboard Project	Anil Hardboard Ltd., Bombay	
22.	Columbia	(1) Manufacture of Twist Drills (2) Machine Tools	Indian Tool Manufacturers, Bombay Birla Group	
23.	Greneds	Canning Unit	Raj & Sons (P) Ltd., N. Delhi	
24.	Trinidad	Canning Unit	Raj & Sons (P) Ltd., N. Delhi	
25.	Argentina	(1) Reactive Dyes (2) Hot and Cold brands as well as optical whiteners for cotton, nylon and polyster	Amar Dye Chem	Agreement concluded
26.	Kuwait	Clinker grinding and packing Plant	A.C.C.	Contract signed & work is to commence shortly
27.	Australia	(1) Trading (2) Engineering Projects (3) Consultancy Service	Tata Sons Private Ltd.	
28.	Nepal	(1) Paper (2) Water Pipe Factory	Sahu Jain Biju Patnaik	Survey completed for the establishment of the factory Negotiations under way
29.	Scotland	Asbestos Cement Products	Birla Group	

30.	Tunisia	Commercial Vehicle Mfg. Plant	Government of India	
31.	Burma	Textile Mills	S.T.C. (as a co-ordinator)	Negotiations under way
32.	Yugoslavia	Aluminium	Birla	Likely to be set up
33.	Latin America	(1) Synthetic Fibre (2) Engg. Goods	D.C.M. D.C.M.	Negotiations are going on
34.	Philippines	Teleprinter	Hind Teleprinter	Expected to be set up
35.	Sumatra	Ammonia Plant	Government of India	Proposal under consideration
36.	East Africa	Integrated Pulp and Paper Mill	Orient Paper Mill	Agreement signed.

(From *Economic Times*, 27 August 1970)

In Two Voices

IT is not unoften that spokesmen of the government speak in different voices even on major policy issues. Recently, in Bombay, the Union Minister for Industrial Development came out with some scathing criticism on the conduct of Indian businessmen setting up ventures in foreign countries and gave a hint that the government was contemplating curbs on such ventures. He specifically mentioned that 90 per cent of the 167 Indian Enterprises had not repatriated even a paise to India so far. He also went a step further and alleged that some of the businessmen were indulging in malpractices. This is indeed extraordinary when all along the country has been generally given to understand that government policy is one of encouraging industrial ventures abroad.

By a coincidence, in an article specially meant for circulation in connection with the Independence Day celebrations, the Union Minister for Foreign Trade, L. N. Mishra has expatiated on the theme in great detail. Consequent on the substantial diversification of the industrial base of the economy, there has emerged a new entrepreneurial class with capacity and competence to undertake new industrial ventures not only in India but also in overseas countries. Of late, many industrial houses also have become interested in this new line of activity and are coming up in greater number with proposals to collaborate in joint ventures abroad. He has specifically pointed out that it is the government policy to encourage the initiative of Indian entrepreneurs in this regard, subject of course to the normal limitations of a developing economy.

Thus, the Indian participation as far as possible should be limited to 49 per cent of the equity and this equity should be contributed by way of export of indigenous machinery, equipment, tools, technical know-how, etc. This policy is designed to help co-developing countries to gradually develop their production strength. It has been recently liberalised and equity may also be contributed by exporting structural steel items, and construction materials required for the project if necessary. No cash participation is allowed, but a limited cash remittance may be permitted on the merits of each case towards preliminary expenses for the proposed project.

It would seem that Indian investments abroad now amount to Rs. 17.8 crores. Contrary to the figures given by the Minister for Industrial Development, L. N. Mishra has said that out of the 121 approved projects, 27 have already gone into production and 61 are in various stages of implementation. It was recently reported that Indian entrepreneurs have so far repatriated about Rs. 1.6 crores by way of dividends, managerial fee, technical know-how and royalties through establishments of overseas joint ventures and an equal amount is in the pipeline. This is not a negligible sum. The export value of machinery and equipment for such ventures aggregated to about Rs. 4.5 crores, and machinery and equipment of similar value is in the course of being exported.

A significant point that deserves to be underscored is that joint venture projects encompass a vast array of industries ranging from cotton and woollen textiles and food canning to a variety of engineering goods including sewing machines, diesel engines, trucks, scooters, electric motors and transformers. Joint ventures have emanated not only from large industrial houses but also from relatively small ones and to avoid unhealthy competition, a consortium approach has been suggested when they pertain to turn-key projects. Although the initiative is generally supposed to come from the private sector, public sector enterprises like the Fertiliser Corporation of India, the State Trading Corporation, Hindustan Machine Tools and Hindustan Teleprinters too have come forward to set up such joint ventures. Even more interesting is the fact that even in the developed countries of West Europe and North America, projects with Indian collaboration have been set up in fields like oil engines, asbestos cement, nylon and light engineering goods.

It is in this context that the government has recently been adopting several measures, as L. N. Mishra has pointed out, to encourage joint ventures. The economic division in the ministry of external affairs has been strengthened to collect information on investment opportunities abroad for dissemination among Indian entrepreneurs. More interesting is that a foreign investment guarantee scheme for underwriting political risks is now under examination in the finance ministry.

It is also worth recalling the recommendations made by the Indian Institute of Foreign Trade in a study last year to take advantage of the enthusiasm generated and the momentum given during the last few years in promoting joint ventures abroad. The very concept of joint industrial ventures, it pointed out, implied participation in the establishmnet of an industry which presupposed the supply of capital goods, machinery, spares, building materials, technical know-how, etc., and this constituted an immediate export opportunity.

There is a general feeling that attention should be concentrated more on building up of export markets. But one cannot ignore that the countries that are hosts to joint ventures are more and more anxious to import substitutes for the traditional products we may be anxious to export like cotton textiles. So ultimately investments through joint ventures will help the country to derive more benefits. It is, therefore, strange that in the light of all these facts, the Minister for Industrial Development should have made certain remarks on this subject which might cause considerable misgivings.

(Economic Times, 14 August 1971)

BIRLAS' BIG TEXTILE UNIT IN PENANG

The Birla group is floating a Rs. 4.5 crore company in Malaysia to set up and operate a textile mill in Penang. The new undertaking, which will be among the largest textile units in Malaysia, will have an annual capacity of about 7 million square metres of cotton and blended fabrics.

The new company—India-Malaysia Textiles Berhad—is sponsored by the Birla Cotton Spinning and Weaving Mills, Ltd., which will provide a substantial portion of the company's equity and will be responsible for its management. The capital plant and machinery will come mainly from India and will be supplied by the promoters through their equity investment.

The International Finance Corporation is investing about 1.5 million dollars in the Indo-Malaysian venture, consisting of a long-term loan of 1.25 million and equity participation of a quarter million dollars. Fifty-one per cent of the company's equity will be offered to Malaysian investors.

This is the 16th company to be floated by the Birla group outside India, five of which are textile mills. The group operates, or is about to operate, two cotton textile mills in Ethiopia, one in Nigeria and a jute mill in Uganda. In addition, the group is collaborating in the setting up and management of one paper and pulp plant (in Kenya), four asbestos cement products plants (one each in Libya, Southern Arabia, North Iceland and Scotland), three light engineering units (in Northern Ireland, Nigeria and Southern Arabia), a machine tool plant in Columbia (South America), and an electric motor and transformer manufacturing unit in Iran. The total Birla group investment in these projects is estimated at Rs. 3.5 crores.

(Economic Times, 11 February 1971)

WHY TO PENANG ?

THE Birlas have chosen to build the largest textile mill in that area. Why have they gone to Penang? What is Penang like to attract this big monopolist of India?

First, of course, it gives this monopoly house an opportunity to convert its foreign exchange accumulations into "white capital", without much scrutiny of Indian law. Secondly, it gives them a foothold in the most speculative commodities of the Malayan market, namely rubber and palm oil. Thirdly, it is a free port area giving excellent opportunity for competitive export and also dumping. Fourthly, the rate of wages there is low, which enables the investor to make super super-profits at a high rate, more than in India. Today unemployment in Penang is running at 14.5 % or double the Malaysia wide average.

We will mention here briefly a few facts, gleaned from the *Far Eastern Economic Review* of 13 November 1971, leaving aside the politics of the ruling classes and parties in Malaysia.

> "Penang has been living off its past for as long as anybody can remember. After Perlis, it is the smallest of the Malaysian states and for a long time after independence looked as though it would retire gracefully into its little niche between Perak and Kedah. But a new political pattern has developed and there may be a change in this scenario.
>
> "The state is composed of two distinct entities: the 110-square mile, largely Chinese, island and Province Wellesley, nearly three times as big, mainly rural and Malay. The population was thought to be 828,000 but the last census said 777,000, so today nobody accepts either figure."

In 1957 only one in 10 of the labour force was engaged in manufacturing; 12 years later the proportion was unchanged.

Penang's economy is only a tenth of the size of Singapore and half the population is engaged in agriculture. But, unlike Singapore, the races are balanced in the total population.

The *Review* states "Since the labour force is outward looking, nearly 95% literature and compactly located, *it was clear that Penang could offer low cost efficiecy to the foreign investor.* The cost of living in Penang is about a quarter below that of Kuala Lumpur and wages are similarly placed." (Emphasis added).

So that is enough to say why the Birlas are going to Penang and also others.