

From the Chair

# The Bombay Gas Company Limited

## Chairman's Address by Shri N. K. Jalan

THE following is the Chairman's Address by Shri N. K. Jalan at the Annual General Meeting of The Bombay Gas Company Limited held on June 18, 1960:

GENTLEMEN,

I have pleasure in presenting to you the audited Balance Sheet and the Accounts of the Company together with your Directors' Report for the year ended 31st December, 1959, a copy of which has been in your hands for some time now. With your permission, I take them as read.

In December, 1959, when we met here for our last annual meeting, I made a mention that the holding of a Summit Conference was almost a foregone conclusion. It appears from the events that happened in the last month that I was a little precipitate in my conclusions at that time, but so were many others. It is unfortunate that though the heads of the big four nations had assembled at Paris for a conference, it came to an abrupt end before it actually began and with this World's dream of peace and prosperity through harmony and co-operation has been dashed to pieces. However, we have some solace from the assurance given by Mr. Harold Macmillan that all is not lost and that he would still persevere in face of all insurmountable difficulties to hold a Summit Conference. Mr. Khrushchev is also giving his own terms for holding a Summit Conference. The question of inviting India to participate in the Summit Conference is also being raised and I hope India will play a leading part in the said Conference. I hope and trust that something tangible will result from all these efforts and that it will go a long way to preserve the World peace.

At the time of our last meeting only a few months back, we had little thought that the integrity and independence of our country would be threatened. It is beyond our comprehension how some nations still think in terms of expansionism at a time when even the smallest nations are trying to achieve their

political independence and when colonialism is on its last legs. It is all the more painful that this considerable incursions into our country should have come from one of our friendly nations,—China, who had accepted the 'Panch-Sheer principles and -with whom our friendly relations have existed for many centuries. Since this development, sincere efforts are being made by our Prime Minister to find a way out of this impasse. But it is very sad that all efforts have so far failed and even the visit of the Chinese Prime Minister to our country bore no fruit, In spite of all these troubles, our Prime Minister



Shri V K. Jalan

is valiantly striving for the admission of b\;d China to the (A.O. I have full belief in the non-alignment policy of our Government which has tremendously raised tinprestige of our country in the comity of nations. I am sure our country is safe in the hands of our Prime Minister, Pandit Nehru, and people will he solidly behind him in maintaining and preserving our independence and unity in this grave emergency.

In order to meet such a national emergency, not only are the Defence needs to be fully provided for but all round production should also be increased. The existing in-

dustries should be expanded and new industries should be set up. This is also essential to raise the standard of living and solve the growing unemployment problem. Rapid industrialisation of the country is its only solution.

It is in this, context that we should formulate our 3rd Five year plan. The needs of the public and private seclois should be considered and met on an equal footing and preference should not be given to the public sector at the cost of the private sector. As you all know, the full impact of the first and the second five year plans has not been felt by the general public and the cost of living index has been continuously on the increase. This is because consumption needs, which are mostly satisfied from the production in the private sector, were not adequately provided for. A disquieting trend in the working of the Corporate Sector has been revealed in the Reserve Bank of India surveys of the finances of Joint Stock Companies for the three years, 1955, 1950 and 1957, the last of which I for 1957) was pub-Fisher] in the August, 1959, issue of Reserve Bank Bulletin. The latest study reviews the comparative finances of 1001 Indian Joint Stock Companies in three years 1955, 1950 and 1957. As the Companies included in this study comprise approximately three-fourths of the Sector covered and are common for all the three years, the data are strictly comparable. The main findings of the stud) are that the profitability of equity capital in 1957, has further Reclined and that capital formation has been static. The profitability of equity capital of the 1001 companies, as measured by the percentage of profits after tax to net worth, which had declined from 9 per cent in 1055 to 11.7 per cent in 1950, dropped further to 0.2 per cent in 1957. The average rate of dividend on ordinary shares, which had risen from 9.1 per cent in 1955 to 9.5 per cent in 1950, declined to 8.7 per cent in 1957. The ratio of dividends to net north also declined from 5.2 per cent in 1956 to .19

per cent in 1957. Hence the imperative need of providing adequate incentive to the private sector to expand and produce more and more with the aim of supplying an ever increasing flow of consumer's goods.

I am, therefore, of the opinion that for the rapid development of the industry and trade of the country, the bulk of the capital required should come from internal finance, in order to encourage capital formation and offer incentive for investment, the present taxation policy would need immediate and drastic revision. The major portion of the funds which would have been otherwise available for immediate investment for further production is taken away by way of taxation, and, then a part of the same is made available for development of the private sector. This unnecessarily delays investment and production. The proposed amendment to the taxation law requiring the publication of the name\* of those tax defaulters on whom a penalty of Rs. 5,000/- or more has been imposed will have a damaging effect on industries. Moreover, the provision that information regarding the income and wealth, etc., of an assessee would be communicated to any person applying for it on payment of a prescribed fee, is certain to add to the members of professional blackmailers and malicious harassers; and this will certainly be a distinct disservice to the public. In the prevailing conditions of this country, it is more than probable that eager applicants for information regarding an assessee's wealth, income and jewellery, etc., would include not inconsiderable numbers of burglars and house-breakers. The high rate of taxation and the proposed withdrawal of the concession of development rebate from office equipments and road transport vehicles, will deter the formation of capital. There is no justification to withdraw the concessions for these items specially when these form part of industry's requirements. I, therefore, feel that very careful consideration should be given by the Government before parsing the proposed amendments.

We are pleased to find that with the collaboration of foreign capital, some new enterprises are being started in our country. This has become possible only since freedom to remit profits and dividends has been granted to foreign capital. I hope

that adequate incentives will also be given to indigenous investment.

Transport difficulty is another hot-neck in production. The Rly. wagon position so far has not improved so as to meet the present requirements of the industries. As a result, sometimes production is hampered. Our Company is also facing acute shortage of coal due to unsatisfactory allotment of coal wagons, though there is enough stock of coal at pitheads of the supplying collieries. I hope that ample provision would be made to increase the transport facilities in our 3rd plan which envisages an all-round increase in production.

Our food insufficiency, as we all know, has been a very disturbing and obstinate problem. Thanks to the imaginativeness, objectivity and tremendous and dynamic drive of our Food and Agriculture Minister, Shri S. K. Patil, a Food Pact with the U.S.A. has been concluded, which would supply to this country 1 million metric tons of rice and 16 million metric tons of wheat over the next 4 years. This should enable the country to meet current deficits and, additionally, build up a buffer stock to meet unforeseen calamities. The Pact is of far-reaching importance to the proper implementation of the Third Five-Year Plan which would be designed to promote accelerated economic development consistently with general, all-round stability of the economic system as a whole. By providing adequate safe-guards against the disastrous consequences of scarcity of food due to floods and droughts, the Pact would also strengthen the foundations of social security which is an essential requirement of sound, accelerated, economic growth. This Pact assumes especial significance as President Eisenhower personally signed the pact on behalf of his country, showing the keen interest he has in our economic development.

The new State of Maharashtra was inaugurated by our Prime Minister on 1st May, 1960. The Chief Minister, Shri Y. R. Chavan, in his speech appealed to the people to resolve that every one should give of his best to enhance the prosperity and reputation of our nation. He has assured, inter alia, that his Government will strive to the utmost to devote the closest attention to the City's proper development. While

it has been your Company's aim and ambition to help the economic development of the City of Bombay by supplying to its public and the national institutions of the State much wanted fuel at low cost, your Directors hope that the new State Government would give fair and impartial treatment to industries like ours, which have been and are still contributing their mite to the nation's development.

#### RIISING COSTS

Coming to the affairs of the Company, the year under review has shown a balance of Rs. 3,08,173/\* in net Revenue Account. As you must have observed, this balance is made available after carrying forward an amount of Rs. 118,747/- from 1958 account. Leaving out this carry forward there would be a nominal balance of Rs. 189,426/- only, being a drop of Rs. 107,855/- from the corresponding balance of Rs. 297,281/- at 31st December, 1958.

The position, if I may put it mildly, is far from satisfactory. The cost of coal, the main raw material required for our gas production, rose from Rs. 44-19 nP. per ton in 1957 to Rs. 50-72 nP. per ton in 1959. There has been a further increase of Rs. 2-41 nP. per ton from January 1960, to May, 1960. Wages, salaries and D.A. have also followed an upward trend due to the rise in the cost of living index. The fact is that the price of raw materials and cost of amenities to workers show substantial increases over the previous years. Although minor relief was provided by the revision of the coke price late in the year, this compensated only for a fraction of the increases in the expenditure.

The major adverse factor restricting the proper growth of the Gas Industry is the present uneconomic selling price of gas. The rising trend in cost of production continues without the Government giving us a fully compensatory increase in the selling price of gas. I may give you a fair warning that the financial position of the Company is already very critical. In asking for an increased price, we ask only to be given the same treatment in the matter of compensatory price increases as has been given again; and again to such basic industries, as iron and steel, cement, etc.

It is incomprehensible to me why the gas industry should be denied this treatment while in the cases of other important industries, as mentioned above, successive increases in prices have been granted on the recommendations of the Tariff Commission. It is also paradoxical to find that inspite of the continuously rising costs of production of gas, it has been decided that there is no case for any increase in the rate for gas, and that the selling rate for gas should continue to be lower than what it was in 1926.

We have received the report of the Fourth Gas Advisory Committee, which also includes as an appendix the report of the Third Gas advisory Committee and regret to report that as advised to you at the last meeting both the Committees have completely failed to take a correct perspective of the Company's situation in the context of the continuously increasing cost of production. Your Directors would like to state that the Committee's report is receiving their close scrutiny and that a fresh memorandum will be submitted to the State Government in the near future. Your Directors sincerely hope that the Government of the new State of Maharashtra would give the question of gas price their most careful consideration because the rapid growth of the Gas industry is indispensable to the socio-economic development of the City of Bombay commensurately with its status and importance as the heart of the new great State, gas being undoubtedly an improved and economical mode of the use of fuel.

#### INCREASED PRODUCTION

The Company on its part has been making every effort to increase the production of gas so as to make it available to as many consumers as possible. During 1959, 250 new gas connections were given. The Company would like to be in a position to provide many more new connections by increasing the production of gas; but, in the absence of a satisfactory revision of the sale price of gas, which has been long overdue, it has not been possible for the Company to do so on a substantial scale.

However, by a sincere all-out effort to meet the requirements of the consumers, the Company have broken their previous record in the

production of gas. This will be seen from the following table:

Year	Total Gas Production (000 Cu. ft.)	Percentage Increase over 1946
1946	1,115,994	—
1955	1,511,849	35.5
1956	1,529,221	37.0
1957	1,581,389	41.7
1958	1,658,548	46.8
1959	1,749,609	56.8

It gives me great pleasure to report that on 9th September, 1959, we sent out 54.14 lakhs cubic feet of gas, which is the highest figure so far achieved. Further, the gas issue has risen by over 90 million cu. ft. to a yet another record figure. In this connection it would be recalled that the Company in 1956 constructed 5 new beds of retorts designed to increase the production of gas substantially. It is gratifying to note that the full effect of these additions in increasing the production of gas has been achieved in 1959 and this has enabled the Company to provide as many as 2361 new gas connections by 31st December 1959. It may be mentioned in this connection that the Third Gas Advisory Committee, in paragraph 22 of their Report, has stated that increased production of gas should result in a decrease in the cost of manufacture and an increase in gas sales, implying thereby that the profits should increase. We would, therefore, like to pose the question as to why, inspite of such appreciable increase in the production of gas and the consequent rise in gas sales, the profits of (the Company should have failed to increase proportionately.

#### PLANT & EQUIPMENT

The Company's plant and equipment was maintained in good condition during the year. Full attention was paid to the mains cleaning programme with a view to overcoming bottlenecks in the distribution system.

Satisfactory lighting conditions were maintained during the year. The Marine Drive improvement scheme continued to be in operation. The automatic controllers have amply proved their efficiency. Recent major street lighting improvements by gas when consistently provided with optimum gas conditions, have evoked much appreciation on the part of the public and the authorities.

#### WELFARE ACTIVITIES

The annual sports, for the third time in succession, were held on the 27th March, 1960, and the prizes to the winners in the events were given away by Shri S. Chowdhury, General Manager & Secretary of the Company.

The X-Ray clinic and physiotherapy centre inaugurated in 1958 was in service throughout the year. Nearly 600 workers were screened and X-Ray plates wherever necessary, were also taken. These additional medical benefits are much appreciated by the workers.

The Cheap meal scheme in the canteen is also gaining in popularity.

#### CONCLUSION

The potential demand for industrial and domestic use of gas in the City of Bombay is virtually unlimited. But due to a variety of circumstances, the coal gas industry has been denied a proper growth in Western India.

The Company is unable to expand its plant due to the Government restrictions on its earning power. About 33,000 consumers in greater Bombay who are using low pressure refinery gas at more than three times the cost of coal gas could be supplied with low cost Town's gas, if an appropriate increase in the sale price of gas were given to us to enable us to expand our plant and further increase the production of gas.

To enable the Company to undertake to provide low cost fuel not only to these 33,000 users of refinery gas but also to many others who cannot avail of the refinery gas due to its high cost nor of the Town's gas due to its non-availability, an enlightened declaration of policy is called for from the State Government with regard to the control on gas price.

Your Directors can only hope that this basic aspect of the problem would be appreciated by the new Government of Maharashtra and that a suitable economic climate would be created for the full and healthy development of the coal carbonising industry in Western India.

I would like to express my warmest appreciation to the workers and members of the staff for their whole-hearted co-operation. My especial (continued on p 1057)

