

*Business Notes***United Commercial Bank**

ADDRESSING the twenty-first Annual General meeting of the United Commercial Bank, Shri G D Birla, Chairman of the Bank, covered a wide range of topics of vital concern to bankers. He stated that, the year 1962 was similar to 1958 in respect of a decline in the rate of growth of industrial production, a fall in foodgrains production and a setback in the growth of employment. Capital issues fell from Rs 73.8 crores in 1962 to Rs 54.6 crores in 1963; in the third quarter of the year they turned out to be as low as Rs 7.2 crores compared with Rs 17.1 crores in the first quarter, and reflected the full impact of the draconian budgetary proposals. The improvement seen in the first quarter of 1964 was, according to Shri Birla, due to the necessity to fulfil commitments in respect of projects already undertaken. In support of this view he cited the disappointing public response to new capital issues as a result of which underwriters were compelled to take up a major portion of their commitments.

Foodgrains production declined from 79.8 million tons in 1961-62 to 76.2 million tons in 1963-64. Although industrial production appeared to show an increase of 8.9 per cent in 1963-64, the improvement in output was attributed by Shri Birla to the additional capacity created some three years earlier. Referring to the rise in the price level in 1963, Shri Birla said that the prices could not be kept in check as long as production did not keep pace with the demand and internal supplies could not be augmented through imports for want of foreign exchange.

Considering the overall stagnation there was urgent need for taking steps to reactivate the capital market and revise the economy. But in this respect the 1964-65 Budget had fallen short of expectations, according to Shri Birla. While he appreciated the earnest and commendable efforts of the Finance Minister to offer incentives to industry by modifying the SPT, rationalising inter-corporate taxation and taking similar

other steps, he was not, however, satisfied with some of the new measures like the dividend tax, the tax on notional capital gains on bonus shares, the steep increase in gift tax and estate duties and the annuity deposit scheme. These measures virtually offset the reliefs, according to him. He is, therefore, doubtful that the private sector would be able to raise capital for new enterprises even now.

While he welcomed the setting up of the development bank and the unit trust as helpful to industrial development, Shri Birla could not, however, regard them as substitutes for a free functioning of the capital market and for incentives to the small investor to invest his funds for a fair running return and with the hope of reward in the form of capital appreciation over a period of years.

Touching on monetary policy, Shri Birla posed the question whether the present policy would subserve the end of increasing production. While he agreed with the raising of the Bank rate at the beginning of 1963, and with the liberalisation of credit limits before the busy season commenced, he expressed disappointment at the tightening of credit just when the busy season was at its peak. The result was that banks which had planned ahead to provide finance to industries were compelled to cancel limits. Industry would be harmed more by tight money than by dear money, Shri Birla pointed out. He also emphasised the importance of the spread between the banks' lending rate and their borrowing rate and said that the various interest rates should be linked with the Bank rate, dispensing with the multiple-tier system.

Speaking about the ITCO Bank's progress, Shri Birla drew shareholders' attention to the opening of 18 new branches during 1963 bringing the total number of branches to 177 at the end of the year. The rise in the Bank's deposits by Rs 15.24 crores represented an increase of 14.4 per cent, over the previous year as compared with an average increase

of 10.7 per cent for all scheduled banks. The bank's advances rose by Rs 14.87 crores during the year. The bank provided credit facilities to both large-scale and small-scale industries. Shri Birla sought to dispel the general impression that commercial banks cater largely to big business by quoting some interesting statistics. The ownership of shares, of United Commercial Bank is also widely distributed, Shri Birla revealed. Out of 6,241 shareholders as at December 31, 1963, 4,895 shareholders owned 50 shares or less, while 666 shareholders owned over 100 shares.

Jessop

As the Chairman, Shri A K Chanda, indicated last year Jessop and Company directed its resources to increasing its output, particularly of defence stores, during the year ended October 31, 1963. Output of road rollers was increased from 250 to 320, though it fell short of earlier expectations of 450 units, on account of power cut and shortage of steel. The indigenous content of the rollers has now reached 97 per cent. Production of electric multiple unit coaches for Bombay and fully furnished metre gauge coaches were carried out accordingly to schedule. Output of different types of wagons was increased. Action is under way to raise the production of electric overhead travelling cranes, wharf cranes and sluiceway gates. Output of fabricated structural work showed little improvement due to shortage of matching steel. The position with regard to matching steel has improved now and production will increase in the current year.

Sales during the year reached a new record of Rs 14.72 crores showing a rise of Rs 1.90 crores or 14.8 per cent, over the previous year. Pre-tax profit amounted to Rs. 162.23 lakhs exceeding that of the previous year by Rs 5.62 lakhs or by 3.6 per cent.

Taxes absorbed Rs 85.40 lakhs (Rs 91.19 lakhs). The profit after taxation together with the previous year's balance amounted to Rs 77.34 lakhs (Rs 66.33 lakhs). From its net profit, the Board of Management has appropriated Rs 8.82 lakhs (Rs 9.52 lakhs) to development re-

bate reserve. Rs 46.17 lakhs (Rs 37.50 lakhs) to general reserve, Rs 1.30 lakhs (same) to payment of preference dividend at 5 per cent (same) and Rs 20.40 lakhs (Rs 17.50 lakhs) to payment of ordinary dividend at 10 per cent.

The Board of Management states that the Company experienced continuous labour trouble during the year. This affected production which fell below the target. Absenteeism was high ranging between 16 per cent and 30 per cent. This compelled the management to employ additional labour force to maintain production and resulted in higher cost of manufacture and lower profitability.

As the growing demand for the Company's manufactures cannot be met fully with the existing production facilities, the Company has already undertaken plans for modernisation and expansion. The Chairman, however, points out that the phasing of the programme will depend on the financial position, the impact of taxation on earnings and the possibility of securing financial and technical foreign collaboration. He also observes that although the shortage of matching steel, which was hampering production so far, has eased somewhat it is doubtful that the improved supplies will be maintained. In the circumstances, the Chairman suggests that an order of priority should be established and steel supplies arranged to suit the fabrication programme of projects with higher priority.

Scindia's New Operations

SCINDIA is now operating between Indian and Great Lakes. It is the first Indian shipping company to enter the trade on this route on a regular basis. As a national shipping enterprise, Scindia has always kept pace with the progress of the nation; now it has undertaken this pioneer venture in keeping with the tradition of exploring new avenues for national shipping.

The Great Lakes—namely, Lake Ontario, Lake Erie, Lake Huron, Lake Michigan and Lake Superior—are in North America and there are a number of industrial cities like Chicago and Detroit, Milwaukee and Cleveland situated on these Lakes.

As the Great Lakes are ice-bound during the winter, it will be possible to provide only six to seven sailings during the navigation season. On the west-bound voyage, Scindia's vessels will load at Calcutta and Vizag and also at other ports on the east coast. The vessels will load for Chicago, Detroit, Buffalo, Cleveland and other Great Lakes ports. By maintaining a regular service from India to Great Lakes, Scindia hopes to assist the

export trade on this route. On the return voyage the vessels will also load at East Canadian Ports, such as Toronto and Montreal. Cargoes like newsprint, metals, minerals, rubber and fertilizers are likely to be available for shipment to Indian destinations. The other routes already being operated by Scindia are the India-Pakistan, UK-Continent including Poland and East Germany, India-Black Sea, and India-USA.



**THE GREAT EASTERN SHIPPING
COMPANY LTD.**