

to come into the production stage and start paying off arrears of dividends on preference shares. Birds have extended their interest in the coal industry and it is gratifying to note that raisings of Karanpura in the year ended February 1953 were as much as 110,960 tons against 58,056 tons in the previous year. Despatches also have risen to 112,030 tons from 62,664 tons. The increased raisings and despatches have naturally been reflected in better working results. The profits before providing for depreciation and taxation, for the year under reference was Rs 3.2 lakhs. After providing Rs 82,306 for depreciation, and allocating Rs 30,000 to special reserve and taxation, the balance has been utilised to wipe out the earlier losses. After effecting these adjustments it was possible to pay the arrears of dividend for 3 years.

It is stated that with the assured supply of electric power from DVC from 1954, the raisings will be stopped up to the maximum capacity. The ordinary shareholders can thus look forward to an early payment of dividends.

### Commodities

#### Difficulties in Jute

A RATHER difficult situation prevails in the jute industry at the moment. Just at a time when things looked brighter and an impressive recovery in prices for gunnies was recorded, speculative activity has again been responsible for a sharp decline in the past few days and despite the relative steadiness of raw jute, the industry may not be able to make reasonable profits, if present conditions persist for some time. Why there should have been a slump of nearly 10 points in B'Twills in the course of a month is not clear nor why there should not be any large buying from overseas consumers, particularly in the United States, given the attractiveness of jute manufactures as packing material. Production figures in the past three months have been very satisfactory while the off-take has not been bad though not encouraging. It has just been stated that stocks at the end of August showed a decline in both hessian and sacking.

The main difficulty would seem to relate to the estimates regarding the size of the jute crop, both in India and Pakistan, for the current season. At first, it was apprehend-

ed that there would be a large carry-over from 1952-1953 and that with the possibility of at least 90 to 100 lakhs bales being available from India and Pakistan, there would continue to be a 'glut'. These expectations, however, did not materialise fully as at the time of sowings, particularly in Pakistan, prices were very low and the East Pakistan Government was anxious to restrict the acreage to the maximum extent possible. Official estimates now indicate that the size of the crop may not be more than 35 lakhs bales, while in the Indian Union, a similar yield might be attained. Latterly, doubts have been raised about the validity of these estimates. The first All-India estimates of jute acreage for 1953-54 estimates, the area under the crop at 1,269,000 against 1,757,000 in the corresponding estimate of last year. This shows a decline of 488,000 acres or 27.8 per cent. In Pakistan, old crop arrivals have been fairly large while new crop jute also can be had in substantial quantities henceforth. In the Indian Union, the delay in arrivals of the new crop has been helpful to a certain extent. If the flood of imports from Pakistan remains unchecked, it is quite likely that jute prices would also tend to decline. So far the sellers of raw jute have resisted the pressure of a decline in gunnies and the rate for Assam Bottoms at Rs 27 per maund represents a substantial recovery from the lowest levels touched some time back, while II porters at Rs 42-8 are not very much higher than the lowest touched earlier this year. The mills which were able to replenish their stocks during the period when prices for raw jute remained low are no doubt in an advantageous position and this is probably responsible for the better showing of the accounts of the Andrew Yule group of mills particularly, which published their balance sheets recently. But there are others who have not been similarly placed and there is naturally a greater reserve on their part. How far the developments in the next few months will be different in character and the happenings in the past three years will not be repeated remains to be seen.

Meanwhile, futures trading in burlap has commenced from Wednesday last week in the Commodities Exchange Inc, New York. The basis of the contract is 11 porters 10-oz for units of 50,000 yards. Sellers have been given the option of delivering in 9 porters 7½ oz at a discount of 30 per cent below the

contract basis agreed to. What exactly will be the repercussion of futures trading in New York has excited much speculation as the US is our principal consumer of burlap. Unfortunately, the commencement of business has been marked by an extremely bearish sentiment in the Calcutta market. As straddle transactions are permitted, how the link between Calcutta and New York will develop will be watched with keen interest.

The coal trade is having a rather difficult time. For once, the Railway Board is in a position to say that the necessary wagons will be provided for speeding up despatches in particular areas. The strike in the works of Indian Iron and Steel Co Ltd has been obviously responsible for the release of a number of wagons. Those engaged in the iron ore and coal trades, however, are not able to take full advantage of the present easier position as the export outlook for coal is not very encouraging and even the off-take by Pakistan has not been as satisfactory as it should be. The industries will probably be willing to stock larger quantities, but it appears that only those who are well placed are offered wagon allotments. In the deficit areas in the South and the West particularly, the same facilities are not obtainable. It is complained that the easier position in regard to wagons does not apply to all trades. Jute dealers, for instance, are not having enough wagons for moving the fibre from North Bengal and parts of Bihar. As the Railway Board has pointed out that there has been an improvement in the wagon position, it will be necessary to coordinate the movement of various commodities and find out whether it would be possible to eliminate transport bottlenecks altogether.

The sudden weakness of the gunny market a few days ago caused considerable anxiety and it was feared at one stage that futures trading in New York might produce undesirable fluctuations in prices. II porters September were done as low as Rs 40-2 and 'B' Twills at Rs 91, though production in August had declined by over 10,000 tons to 68,100 tons and there was a decrease in stocks of hessian and sacking by 3,200 tons. The off-take in the last month would have been larger but for the delay in loading some of the ships in Calcutta. Even so, the stocks would have shown a slight increase or remained unchanged, if production had been maintained at

the level of July.

The strength of the raw jute market is such that the weakness of gunnies is not quite justifiable. Notwithstanding the removal of control over export prices by Pakistan and the announcement that there will be no internal support programme in the current season, it is believed that Indian jute will have a good market and that Pakistan jute will have to be cheaper if it is to compete effectively with Indian jute in Calcutta. Latterly, there has been some enquiry from the UK and probably some business has been done with a view to straddling transactions. How far, as a result of the straddle operations, there will be a change in the direction of exports or an increase in the margin of profits for other countries, it is difficult to say at this stage. It may be pointed out, however, that jute, manufactures are fairly cheap, though expectations in regard to greater availability have kept consumers out of the market and it is suggested that the indus-

try should be given a free hand and that the export duties must be completely removed.

Rumours were circulating to the effect that the Government might take some action in this regard, especially as the hessian duty worked out to nearly 20 per cent of the ex-duty prices, at Rs 275 per ton which is crushing. If the consumer does not pay, the margin of profit of the industry is reduced in order to attract business while from the long term point of view, there is a contraction in the volume of business or there is a diversion to other markets. It would be far better if the Government decides to forgo revenue and give the industry a chance to justify itself.

As I write, it has been announced that the Government have decided to lower the duty to Rs 120 per ton from Rs 275 per ton. The authorities have acted rather promptly though, as usually happens, speculation now centres on the chances of reduction of the duty on sacking.

#### Company Notes

## Empire of India

THE report of the Administrator of Empire of India Life Assurance Co Ltd for 1952, the first full year of his administration of the Company, is as important for the striking results of the valuation for the three years ending 1951 included in it, as for the results of business done in 1952. The surplus disclosed was so large at Rs 76.54 lakhs that the Administrator could raise the bonus from Rs 5 to Rs 8 for endowment policies and from Rs 6¼ to Rs 10 for whole life policies. Not only this. Shareholders who had gone without dividend for 1950 are now to receive a dividend of Rs 20 for 1951. That is, they are fully compensated for the absence of a dividend for 1950. The dividend for 1949 had been Rs 10. The investors' confidence in the Company has been restored. This is also reflected in the improvement in the quotation for the shares from around Rs 400 when the Administrator took charge on July 11, 1951, to Rs 627-8 now. The dividend is to be paid from the shareholders' fund which rose to Rs 7.64 lakhs at the end of 1952 after the transfer of Rs 4.02 lakhs from the valuation surplus. Provision for taxation made from the surplus at Rs 20.3 lakhs is considered adequate.

The Company issued new policies in 1952 assuring Rs 281.46 lakhs, 6.84 per cent less than the new

business written in 1951. The Administrator explains, however, that this decline should cause no concern for, "attention is now being focussed on getting quality business because the investigations about the New Business of the last few years show that a good deal of it has gone off the books." That is, the lapse ratio had been high. Considerable success has already attended the efforts to bring it down. From an unconscionably high ratio of 9.68 per cent in 1950, the lapse ratio was brought down to 6.03 per cent in 1951 and to 5.3 per cent in 1952. This is no mean achievement. It is, however, a moot point whether the large surplus disclosed for the three years to 1951 was in fact due to a high ratio of lapses which reduced the total liability on existing volume of business.

Actually, in the first six months of the current year, 1953, new business of a much larger volume has been written than in the corresponding period of last year. It would, therefore, seem that the Administrator is now in a position to look for quantity also, having already stabilised the quality. The striking results achieved in the pursuit of quality business provokes him to remark: "Every company's report deploras the terrible percentage of lapses prevailing in India but nothing seems to happen about it and

the phenomenon seems to recur year after year in respect of every company! This seems to indicate that there is something inherently wrong in the methods of business."

Kusiruss<sup>in</sup> force at the end of 1952 amounted, including sums assured and bonuses accrued, to Rs 29.61 crores which shows no important change as compared with the position at the end of 1951. It is evident that from now on, with the position of new business procurement stabilised, the volume retained in the books will increase from year to year.

The life fund grew during the year from Rs 9.26 crores to Rs 9.78 crores, after allowing for the transfer of Rs 4.02 lakhs to shareholders' fund as mentioned earlier.

Success has also attended the efforts to reduce expenses. The overall expense ratio was brought down from 27.43 per cent in 1951 to 26.93 per cent in 1952. Expense ratio had been as high as 30.31 per cent in 1950. A very drastic reduction has been made in the pay and allowances of officers in the Head Office, which averaged in 1952 only Rs 10,717 a month as compared with Rs 22,803 in 1950.

The rate of interest earned, after deducting income-tax at source but including the refunds obtained, was 3.56 per cent. In the previous year, 1951, it was 3.22 per cent, but there was no refund of income-tax in that year. This rate of earning in 1952, as also the rate in 1951, should be considered particularly satisfactory in view of the fact that no interest was earned on loans totalling Rs 77.5 lakhs made by the previous management and on Rs 14.17 lakhs held with the now defunct Discount Bank of India. The latter of these assets is considered doubtful of realisation and therefore provision in full has been made against that contingency. Regarding the other, the auditors have repeated their previous remark that no civil action has been instituted.

Investments in debentures of companies made by the previous management are in excess of the statutory limits, the auditors point out. In his report, the Administrator has stated that out of the total investments of Rs 108.45 lakhs in debentures, Rs 60 lakhs are in two blocks redeemable in 1957 and the rest are redeemable in 1939 and in 1960. The Deputy Administrator and the Manager of Empire have been appointed debenture trustees in these two companies. All new investments made by the Administrator have been in Government securities in the interests of policyholders.