lisation. however it is doubtful whether industry and trade have a strong case for complete decontrol.

Closing stock at the end of this year may he only about 20 per cent higher than in 1957-58 which, considering the increase in population and income, can hardly justify a plea for the complete removal of controls. There is no guarantee that the next season would he as good as or hotter than, the season that has just ended.

State-wise breakdown of production in the current season is available only up to the middle of April. This shows that of the aggregate increase of 4 lakh tons in sugar production between the comparable periods of 1958-59 and 1959-60, U P and Bihar alone accounted for 3 lakh tons and increased their share in total production slightly. Bombay and the South still continue to he deficit areas. Till such time as they become self-sufficient, it would he unwise to dismantle the machinery of control over sugar distribution.

Progress of *Machine Tools*

ONE of the few Government projects to have consistently over-fulfilled targets. Hindustan Machine Tools has crossed another milestone in its progress. Sales during the year exceeded 1.000 machines; and a little more than 700 machines were produced. Orders booked were almost twice the level of production during the year. Nearly 15 per cent of these orders came from private customers. 35 per cent from Government Corporations and the remaining 25 per cent from Central and State Governments. Its gross profit margin on sales was nearly 30 per cent. The net profit of Rs 15 lakhs represents 6 per cent on the capital invested and more than 3 per cent on share capital. The financial position has improved sufficiently to enable it to double its capacity within two years out of its own resources This expansion scheme will cost Rs 281 lakhs with a foreign exchange component of Rs 114 lakhs, but it will not require any foreign technical assistance. Orders for plant and machinery required horn foreign suppliers have already been placed. Nearly two-thirds of the machines required for doubling the capacity will be supplied from the company's own production.

the company has started developing its own designing capacity. A measure of success has been achieved in designing new high-speed precision lathes. heavy-duty turret lathes and higher sizes of radial drills which will be produced in the near future. Most of its designs, however, are still purchased from abroad, and have cost Rs 23 lakhs so far. It now produces 90 types of machine tool and has started offering more effective marketing and aftersale services to customers.

The sale prices of HMT machines compare, on the whole, favourably with the prices of imported machines of similar quality. This has been achieved by consistent reduction in costs as well as prices. In view of the resources which the company requires for expansion and the large surplus which Government expects from its enterprises in the Third Plan period, further reductions in the prices of HMT machines should not prove necessary.

Confusion over *Pref Dividends*

THOUGH the Life Insurance Corporation, being the biggest single shareholder in the country, is in a position, to dictate policy to the managements of several leading public companies, it has generally avoided the use of its voting power at shareholders" meetings. Mundra companies have been the only exception to this rule, but they are a class apart. Last month, however, the L I C look the rather unusual step of addressing a rather strongly-worded circular to all tympanies in which it holds lax-free preference shares, calling upon them to maintain net dividends on such shares. This circular was provoked by conflicting legal interpretations of the scheme of tax deduction from dividends introduced last year. in so far as it relates to tax-free preference shares. Most companies holding such shares have accepted the Finance Minister's view expressed in his budget speech that gross dividends on them should he raised sufficiently to maintain *net* distribution after a. tax deduction of 30 per cent. But a few companies, rejected this proposition on the ground that, under their Articles of Association, tax-free dividends on preleience shares were free only of the lax paid by the company on its own income, not carrying any assurance of a particular *net* return to shareholders. Consequently, their Articles would have to be amended before the preference dividend liability is raised to the implied detriment of equity shareholders.

The issue came to a head at the recent shareholders" meeting of Indian Standard Wagon, a Martin Burn company. The L I C representative, present at the meeting, moved that the preference dividend he raised to 10 per cent to give a tax-free return of 7 per cent, distributed hitherto. The motion was lost.

This is the first lime that the L I C, albeit as a mere shareholder, has used its voting power in an attempt to dictate policy to the management of a company but on an issue which is open to conflicting interpretations in law. however clear it might be on grounds of equity. The attempt and its defeat do not have any policy implications of major import. The L I C is not likely to extend its intervention to other and more important spheres. It may not even enter into litigation with companies which follow the example of Indian Standard Wagon in refusing to accept its (and the Finance Minister's) interpretation of the new tax deduction scheme. the blame for this confusion lies squarely on the Finance Ministry and with it lies also the remedy.