

From the Chair

The Delhi Cloth & General Mills Co, Ltd, Delhi

THE following is the speech delivered by Lala Bharat Ram, Chairman, Delhi Cloth & General Mills Co, Ltd, Delhi, at the Annual General Meeting of share-holders held on 3-11-1961 in the office of the Company at Bara Hindu Rao, Delhi:
Ladies & Gentlemen,

With your permission I will take the Accounts and Directors' Report as read.

As you will observe from the Balance Sheet, the financial results of the Company have been better than in the last year which naturally is a matter of satisfaction for all of us.

The cotton mill industry this year also has had a good year as far as profits are concerned. However, I would like to mention certain aspects of the cotton textile industry,

Costlier Cotton

Last year due to the heavy imports of American cotton, the cotton situation quantitatively was easier than in the year before last, but the industry had to use a much more expensive cotton than the local cotton for the same counts of yarn, which added to the cost of production. With the increased consumption of cotton in the existing industry and also in the Third Plan period when, it is visualised, nearly 4 million spindles would be added, I feel the cotton situation is going to be very difficult in the years to come. On the basis of 9,300 million yards of cloth production and 2,250 million lbs of yarn, as visualised in the Third Plan, 14.50 lakh more bales of cotton would be required. The planners have, of course, expressed the hope that our cotton production will keep pace with the demand, but I cannot but feel rather pessimistic about our attaining this increased production of cotton. In the Second Plan period it was planned that cotton production would go up to 55 lakh bales. But it has remained stagnant around 45—46 lakh bales and, in fact, in the year 1959-60 production went down to as low as 37 lakh bales. We will, in case of shortfall, thus have to import large quantities of cotton.

This stringency in cotton is bound to increase the cotton prices in India, which in turn will affect the cost of production and our export trade. One of the main advantages India had in the exports of textiles was its cheap cotton, but today this position does not hold good. Even today the exports of textiles from India are falling. The exports in 1959-60 were worth about 69 crores of rupees, and in 1960-61 had dropped to only 62 crores. The tendency even now for the exports of textiles is on the decline.



Lala Bharat Ram

What I said earlier about the disquietening trend in raw material cost applies, with equal force, to labour cost, the other main element in textile Costs. Labour costs in the textile industry are continuously moving up, sometimes because of increase in dearness allowances, which comprise between one-half to two-thirds of the total emoluments of the worker, and sometimes due to other wage increases as happened after the Wage Board recommendations in 1960. While according to the Wage Board recommendations the industry has given the wage increases, labour, on the other hand, has not played its part in helping rationalisation which was vitalised by the Wage Board. The net result, of course, is to add to the general upward pressure on wage cost.

Only if these two main items of costs, i.e., cotton and labour are kept down, we may be in a position to become competitive in the world markets. Nevertheless it is a matter of satisfaction to us that the textile exports of the D C M have not been allowed to go down in spite of the general set-back.

Another very serious problem, which is threatening the whole of the cotton textile industry, is the menace of the powerlooms. The powerlooms pay a very small excise duty. And apart from the fact that they pay a very small amount of excise duty, thousands of unauthorised powerlooms have come into production. This situation with regard to powerlooms is not only hurting the mills but also the handloom sector without increasing the employment potential, which is one of the basic arguments for keeping the handlooms as an important sector of our economy. Policies were designed by the Government to protect the handloom sector such as restrictions on new loomage in the mills and reservation of varieties of cloth. But the experience of the last few years has been that instead of helping the handlooms, the powerlooms are becoming a problem for both the handlooms and the mills. While the mill industry places the incidence of unauthorised looms at a much higher level, even a recent Government survey has shown that these unauthorised looms are at least 66% as numerous as the looms registered with the Government, making a mockery of the statutory provisions for registration.

In the context of this unsatisfactory situation I feel that the Government must take active steps to see that the power loom industry is not allowed to run counter to the Government's own policies.

Problems of Sugar Industry

Coming next to the sugar industry in which your Company is again interested, it is unfortunate that it continues to suffer from one problem after another. Today there is a great problem of very large surplus stocks of sugar for which there is no market. Although the Government is putting a restriction on output in the year 1961-62, and also imposing a stiff penal excise duty on production beyond the restricted level, I am still not sure that the sugar industry will not be facing a near crisis in the next year unless it is possible to export a sizable

quantity from India or unless cane prices are so adjusted as to materially bring down the costs, and therefore prices of sugar whereby internal consumption would increase.

In fact, whether it is the question of the prices of sugarcane or cotton, the main point, to which I also made a reference last year, is that unless and until the productivity in agricultural fields is going to be increased, we shall continue to face high costs and high prices, which, in my view, would have an adverse effect on the whole of our economy.

Fluctuation in Oilseed Prices

As you know, one of the major activities of your Company is the production of edible fats i.e. Vanaspati, and in this field, we are one of the largest manufacturers in the country. The prices of the finished product, and the profitability of the industry continue to be highly erratic on account of the increasing element of speculation in the oilseeds and oils trade. The fluctuation in prices of oils between one part of the year and another have been of an order exceeding 30% at times. It will be appreciated that such violent fluctuations in raw material prices must inevitably lead to similar fluctuations in the prices of the end-product. This situation has been causing considerable worry to the edible fats industry, as these violent fluctuations are not in the interests of either the consumer, or the farmer, or even of the normal trader, but only of the speculator. There is definitely a need for the Government and the industry to take stock of this situation and to take such steps as are possible for minimising the impact of these unhealthy trends.

Before I close, I am sure, you would be pleased to know that in keeping with the past policy of diversification and expansion of the enterpriser in your Company, it has been decided by your Board to put up a P V C Plant with its ancillary products like chlorine, calcium carbide and caustic soda, as also a Plant for the manufacture of Rayon Tyre Cord, both yarn and fabric. Both these are large projects involving very large investment. In addition to these two

large projects, renovation, modernisation and, in certain fields, expansion are continually going on.

Before I close, I am sure you will join me in conveying my thanks to all my colleagues who have been responsible for the satisfactory results and also express confidence in their ability to shoulder responsibilities in the future development of the Company.

With these words, Ladies and Gentlemen, I move that the Directors Report and Accounts be adopted.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

D G S and D Purchases from Small Scale Industries

PURCHASES of products of small scale industries by the Directorate General of Supplies and Disposals Government of India, rose to Rs 6.46 crores in 1960-61, representing an increase of 50 per cent over the previous year. A major part of these purchases was free of price preference. To encourage small scale industries the Directorate is planning to increase the number of articles reserved for purchase exclusively from them from 27 to 44.

The Directorate's purchases from all sources in 1960-61 reached an all-time record of Rs 222 crores.

Diwali Greetings

**THE
PUNJAB
NATIONAL
BANK
LTD.**

ESTABLISHED 1895.

HEAD OFFICE

5, Parliament Street

New Delhi

