

Minister Kosygin's intentions were clear in his letter of September 18 to India and Pakistan: he began by expressing concern over the "conflict in Kashmir" before going on to urge that "acting in the spirit of the UN Charter and the spirit of the Bandung Conference, the two sides ought to enter into negotiations with a view to settling peacefully the differences that have arisen between them". Equally clear it is that the "total relationship" between India and Pakistan cannot be improved by

discussing border skirmishes, utilisation of Indus waters or settlement of refugees. Important as these problems are, they are more the consequences than the causes of poor relations at the root of which is the Kashmir problem.

To meet all attempts at getting India and Pakistan talking with the emphatic declaration that India will never submit to pressure from any country to make her "part with Kashmir" is irrelevant. As far as one can judge, no

country—with the exception of Pakistan, of course—wants to make India "part with Kashmir". But there is going to be little sympathy for our no-talks-whatsoever stand. We are certainly right to say that we would not have any particular solution foisted on us by force; however, in that event the world expects that we will make some moves on our own. Are we, then, embarked on a course which will put us in the wrong with almost every country in the world?

## Weekly Notes

### Import-Saving Possibilities

THERE has been a sudden increase in the number of reports of shortages of imported raw materials. These include such crucial materials as sulphur, rock phosphate and nonferrous metals, all of which are used directly or indirectly in basic industries. Indeed, sulphur and rock phosphate are connected with food production through their use in fertilizers. Industries dependent on these raw materials are now threatened by idle capacity, and some units by virtual closure.

We are wholly dependent on imports for our needs of sulphur, rock phosphate, and non-ferrous metals. Commonsense would tell one that it is strategically and economically inadvisable to depend on these imports, not only because of our chronic foreign exchange stringency which might constantly pose a threat to the basic industries connected with these materials especially as with the expansion of those industries our requirements of these materials will increase, but also because there is a world shortage of these materials. Tin is in perpetual short supply. The US has clamped strict controls on copper exports because of the material's current shortage. Sulphur is already in short supply with the world demand for it annually rising by 10 per cent and the supply of it by 2 per cent. We have been obtaining rock phosphates from Tunisia, the UAR, and Jordan on a barter deal basis, but generally short of requirements (this year 4.20 lakh tonnes against the needed 7.50 lakh tonnes, and next year the same quantity, with some luck, against the needed 9.38 lakh tonnes). Even so these sources have not proved reliable, and other countries such as the US, who are possible suppliers, would insist on hard exchange payment. That hard

exchange is going to get even scarcer with the accentuated uncertainties of aid following the recent hostilities and the prospective defence-oriented plan.

The greater, therefore, the urgency to effect early substitution of as many of these materials as possible. It might save subsequent scrapping costs. Is sulphur, for instance, all that indispensable? Its major users are the fertilizer industry, rayons and textiles, alums and other inorganic heavy chemicals, the iron and steel industry, and the petroleum refining industry. But nearly always it is the sulphuric acid manufactured from sulphur that is industrially used, either to act as a chemical agent as an acid, or for its hygroscopic qualities, or for pickling as in the iron and steel industry. Sulphuric acid is the agent for sulphate formation and for sulphonation, but is used abroad more frequently by virtue of being a rather strong and economically priced inorganic acid. Though it enters into countless industries it very infrequently appears in the final product. This is significant. Even in the fertilizers industry, which is the single largest consumer of sulphuric acid, the acid is used in the manufacture of superphosphates as a chemical agent, for its acid properties. And though ammonium sulphate which is another fertilizer has a sulphur content, it is only the nitrogen of the ammonium sulphate which the soil requires. As such, another ammonium compound might do as well. Nitric acid has strong hygroscopic qualities, and both that and hydrochloric acid might substitute sulphuric acid in many of its roles. Much greater use of hydrochloric acid might help in the utilization of by-product chlorine of the electrolytic caustic soda process. Today not only is that chlorine wasted, raising the apportioned costs of caustic

soda and the little hydrochloric acid produced, but non-utilisation of the poisonous gas is actually a hindrance in the expansion of electrolytic caustic. Producing off-colour sugar too will apparently save the country some 25,000 tonnes of sulphur.

How much effort has gone into working out the economics of such alternative substitution in the various industries? The rupee-cost of the alternatives, even if it is higher, may not be quite so crippling as the unreliability of foreign supplies and the foreign exchange burden. A high-powered technical group of Government officials and technicians from industry to work our chemical engineering and commercial possibilities appears very relevant as part of the emergency drive to be self-reliant. Foreign exchange so saved could be used for example to import, from hard currency sources, rock phosphate which is a direct component of an essential fertiliser.

### The New Birds

THE enforcement of foreign exchange regulations has led to at least one strange but welcome transmutation of genes, The Benthall family which controlled Bird Heilger of Calcutta, one of the largest business groups in the country, has sold its interest at less than par value to the group's executives, whose ownership will vest in their pension and super-annuation funds. The total share capital of the two companies, Bird and F W Heilger, amounts to Rs 110 lakhs; above 70 per cent of it is reported to have changed hands now. Whether this is in addition to the roughly 15 to 20 per cent which was earlier reported to have been sold at par to the present Indian chief executive is uncertain. The precise nature of the

transfer has not been revealed but, given the pattern of ownership as it was six years ago (it could not have changed significantly since then), the sale of the Benthall interest alone would suffice for transfer of control (see table below).

The significance of this deal lies not in its mechanics but in transfer of control of a leading business house to its professional executives acting as such. The group's interests are spread over jute, coal, paper, engineering, fire-clay, electricity, iron ore, investment, trading and miscellaneous business. Bird Heilger would now be the only business house in India to be controlled by executives, who would hereafter be responsible to themselves instead of so financiers, indigenous or foreign. The experiment will be watched with great interest because by the end of the next year the Company Law Board will have weeded out managing agents from most of the companies which still have them. Bird Heilger companies are fairly lightly held, i.e., the controlling block in most of them accounts for a considerable part of their equity and this proportion was raised in the fifties to avoid the kind of raids which affected Andrew Yule among others. One also awaits the reaction of banks which are addicted by tradition to ask for guarantees from managing agents (though these are somewhat different in Calcutta as compared with Bombay and Ahmedabad) to the installation of professional executives in positions of top control.

The Benthall family played a notable role in the industrial development of eastern India; Sir Edward Benthall

took a hand in politics too. Though the group fell foul of foreign exchange regulations and the Benthall family would have found it difficult to secure anything like a fabulous price for its holdings under these circumstances, it is to the credit of the family that it did not think of selling to the highest bidder.

#### Vanaspati Prices

THE dominant element in the cost of production of vanaspati is the cost of the oil used. Oil costs account for about 80 per cent of the cost of producing bulk vanaspati and about 70 per cent in the case of the small packs. Any change in oil prices is, therefore, bound to have a significant effect on vanaspati costs and prices.

During 1964 the Government and the industry agreed on a scheme of voluntary price control by the industry. This has been in force since then. Individual manufacturing units now charge a price based on a variable factor—the cost of the oil bought by them—and a constant factor, which is a fixed margin to cover overheads, process loss, processing costs and packaging, distribution, labour and excise duty, as well as profit. For the three vanaspati packs that are permitted to be sold, the price is fixed on the following basis:

16.5 kg: Oil price + Rs 738 per tonne  
4 kg: Oil price + Rs 1173 per tonne  
2 kg: Oil price + Rs 1331 per tonne

The trade margin is fixed at Rs 40 per tonne irrespective of the number of intermediaries and remains the same regardless of the price of vanaspati. There is, therefore, little difference between the prices of different brands except

because of marginal differences in the oil bought in any week by different concerns. But the margin for other expenses and profit is low leaving no cushion between manufacturing costs and consumer price. In the past, vanaspati prices though necessarily related to oil price fluctuations did not change frequently, because the manufacturer and the trade were able to absorb some of the increase in oil prices, for a while. This is no longer the case.

In fact, vanaspati prices would have been even higher this year if the industry had used only groundnut oil. Thus a leading bulk brand sold in September 1964 for Rs 3744 per tonne when the groundnut oil price was Rs 2921 per tonne; last month when the oil price was Rs 3155, this brand was selling at Rs 3845. (The vanaspati prices quoted include trade margins and all taxes in Bombay). The increasing tendency in recent years to use a proportion of cottonseed oil in vanaspati has helped enlarge the quantity of edible fats over what would otherwise have been available since cottonseed oil is not popular as an edible oil by itself. Also, it is cheaper than groundnut oil. In addition, the use of the cheaper PL 480 soyabean oil has also prevented vanaspati prices from rising proportionately to groundnut oil prices.

The fact of the matter is that there is a chronic shortage of oils and fats in India. This was aggravated last year by the failure of the castorseed crop and a general food shortage. It was inevitable that a product, the dominant element in whose cost is the price of oil, should be subjected to increases in price. If PL 480 oil does not come

#### Ownership of Bird and F W Heilger

(As in September 1959)

	Bird			F W Heilger		
	Ordinary (Rs 100 each)	Preference (Rs 100 each)	Deferred (Rs 10 each)	Ordinary (Rs 100 each)	Preference (Rs 100 each)	Deferred (Rs 10 each)
Total No of shares	40,505	25,500	45,000	18,005	20,000	20,000
Owners						
(1) Sir Edward Benthall and family	22,280	—	45,000	9,255	500	20,000
(2) Trustee companies in India	14,000	220	—	7,400	2,320	—
(3) Bird investment companies in India	125	16,980*	—	—	9,980†	—
(4) Trustees in India	2,250	7,600	—	500	6,100	—
(5) Wives of executives	1,600	100	—	600	100	—
(6) Foreign shareholders (miscellaneous)	250	500	—	250	1,000	—
(7) Others	—	100	—	—	—	—

\* Including 13,980 held by F W Heilger

† Including 6,980 held by Bird