understood, are studying this question.

Air Joseph expressed his apprehension on a third matter which is also likely to affect the future working of the Company. The Kerala Government seems to have decided to levy sales tax on naphtha at 15 per cent. Mr Joseph fears that any such decision will upset the economics of the Company's production because raw naphtha is the feedstock used in the Company's Oil Gasification Plant for production of hydrogen, one of the constituents of ammonia which again is an important raw material in the manufacture of chemical fertilizers. Other states, Madras and Maharashtra, have realised this and exempted naphtha from excise duty to the extent of 95 per cent. Mr Joseph has, therefore, urged a revision of the sales tax rate applicable on naphtha.

Referring to the Company's role in the Fourth Plan, Mr Joseph revealed that of the three major fertilizer plants to be set up by the Company, one will be built in Madras and the other in Cochin as per instructions of the Government

Imperial Tobacco

IN his address at the Annual General Meeting of Imperial Tobacco, the Chairman, Mr F A Collett, attributed the fall in profits from Rs 446 lakhs to Rs 289 lakhs to higher direct and indirect taxation. He justified the Board's decision to absorb a large part of the additional excise duty imposed in the 1963 Budget on some of the lower priced brands as otherwise cigarette consumption which is showing a decline these days would tend to move down further. The rise of Rs 5 crores in sales realisations is largely offset by additional excise duty paid and does not reflect expansion in sales. As prices of cigarettes have now become prohibitive, particularly for the lower income groups, consumption is bound to fall and this will be reflected in Government revenues also ultimately. Mr Collett has therefore urged the removal of the Emergency extra levy.

Corporation tax has also affected the Company. As against an extra levy of Rs 18 lakhs in 1962, the 1963 Budget cost the Company Rs 20 lakhs more and the 1964 Budget Rs 31 lakhs more. While in the case of excise levy the forward pricing policy can be adopted suitably, in the case of direct taxation which is imposed retroactively, forward planning becomes difficult. The Company's results are bound to be erratic due to these two major factors.

While there is competition within the country among manufacturers which Mr Collett deems as healthy, export results are disappointing as the majority of countries have their own cigarette industries well protected against foreign imports. Imperial Tobacco is now developing its offset printing line in its Tiruvottiyur factory, one of the two factories of the Company, which does some high class work not only for the Company but for others also.

With regard to the future prospects of the Company, the consumption potential largely depends upon the rise in the standard of living, although the Company is well equipped to face any competition in the new future. In the absence of any further retroactive taxation, Mr Collett expects improved, if not spectacular, results during the current year.

Jay Engineering Works

THE operations of Jay Engineering Works for the year ending March 31, show a sharp setback in turnover as well as in profit. Sales declined from Rs 13.44 crores to Rs 10,42 crores. Import entitlements fetched a profit of Rs 46.20 lakhs as against Rs 10.25 lakhs in 1962-63. Trading profit for the year, after providing depreciation at Rs 35.20 lakhs (Rs 32.51 lakhs), amounted to Rs 19.24 lakhs comparing with Rs 41.25 lakhs in the previous year. Development rebate reserve and provision for taxation absorbed less at Rs 3 lakhs (Rs 5.40 lakhs) and Rs 8.60 lakhs (Rs 15.20 lakhs), respectively. To the balance of Rs 7.69 lakhs the Directors added Rs 9.50 lakhs from General Reserve to pay dividends aggregating Rs 17.15 lakhs. Equity dividend is cut from 10 per cent to 8 per *cent* for the year.

The fall in profit is attributed by the Directors to the labour strike which affected production for a period of 87 working days from December *17*, 1963 to May 29, 1964. Export earnings also fell in consequence. It is a matter of regret to the Directors that while the strike has not benefited the workers, the tempo of production achieved over many years has been broken and production-based earnings of workers have also fallen. Lala Charat Ram, Chairman of the Company, was constrained to point out in his speech at the Annual General Meeting that political and agitational considerations must give way to the paramountcy of the needs of workmen and the industry, if labour leadership is to be meaningful and constructive in the economy of the nation.

Mysore Paper Mills

MYSORE Paper Mills' production increased by 643 tons or 8 per cent to 8,922 tons during the year ended March 31, 1964 and exceeded the rated capacity by 922 tons. Sales recorded a rise to Rs 130.31 lakhs from Rs 122.99 lakhs. In spite of an improvement in production and sales, the profit after providing depreciation at Rs 5.76 lakhs (Rs 6.04 lakhs) receded from Rs 12.37 lakhs to Rs 9.93 lakhs. This is attributed to a rise in the costs of raw materials, chemicals, labour, etc, and controlled selling prices. As the profit was insufficient to provide for the full development rebate to which the Company is eligible, the Directors have drawn a sum of Rs 21.51 lakhs from General Reserve and Rs 1.225 lakhs from Dividend Equalisation Reserve and transferred Rs 21.51 lakhs to Development Rebate Reserve. The balance of Rs 11.30 lakhs, including Rs 15,216 from the previous year's account, has been utilised to provide Rs 78,750 for dividend tax and Rs 10.50 lakhs for dividend on the ordinary shares at 9 per cent and to carry to the next account Rs 1,662.

Due to the substantial amount of development rebate allowance, the income of the year does not attract tax liability and hence no provision is made for taxation as against Rs 6 lakhs in 1962-63.

The Company has expansion plans to step up production capacity to 18,000 tons. Necessary equipments will be installed and the expanded plant will be commissioned before the end of the current year.

Shri M D Shivananjappa, Chairman of the Company, in his address to the Annual General Meeting of the Company on September 30, emphasized that the Government of India should immediately take steps to revise paper prices as otherwise the incentive for expanding paper production in the country would disappear altogether. The cost of production had increased by Rs 270 per tonne after the Tariff Commission reported and fixed prices in 1960, while the Government had granted an increase of only Rs 60 per tonne over the then price which was already inadequate.