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Big Business in India. A Study of Ownership and Control

• by Dr. R. K. Hazari • With a Foreword by S. A. Dange

T. U. EDUCATION SERIES NO. 8

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For The N. M. Joshi School Of Trade Unions

Trade Union Education Series-8

BIG BUSINESS IN INDIA

A Study of Ownership and Control

by

DR. R. K. HAZARI

With a Foreword by

S. A. DANGE

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S. A. Dange

Indrajit Gupta

N. K. Krishnan

M. K. Pandhe

M. Atchuthan

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TRADE UNION EDUCATION SERIES

The paucity of literature is a great handicap facing the trade unions in India today in the task of workers' education —an important but neglected aspect of the trade union movement up till now. Whatever literature available at present is either expensive and beyond the means of the unions or confusing for want of proper clarity from the trade union angle. N. M. Joshi School of Trade Unions has ventured to bring out this "Trade Union Education Series" with a view to meet this demand, though partially.

It is hoped that this series will help our trade union functionaries and advanced workers to get acquainted with some of the important problems facing the working class and its history. We have selected the following topics for the purpose: (1) A Short History of India (Ancient Period); (2) A Short History of India (Mediaeval Period); (3) A Short History of India (Modern Period); (4) A Short History of the Trade Union Movement in India; (5) Labour Legislation in India—A Symposium; (6) Three Plans and the Indian Working Class; (7) "Human Relations" in Industry; (8) Big Business in India—A Study of Ownership and Control; (9) Digest of Reports on Wage Standards; (10) Social Security in India; (11) Tripartite Machinery in India; (12) On Rationalisation and Productivity; (13) Company, Shares, Stock Exchange and Value; (14) Wages in India; (15) Development of Capital in India; (16) On the European Common Market.

The other titles of this series will follow shortly. Suggestions from readers on the proposed Scheme would be greatly welcome.

This booklet is a collection of articles published in *The Economic Weekly*, Bombay, in its issues dated November 26, 1960, December 3, 1960 and February 18, 1961. Our thanks are due to Dr. R. K. Hazari, the author, as well as to the Editor of the *Economic Weekly* for their kind permission to reprint, for the benefit of our trade union cadres.

September 21, 1961 EDITORIAL BOARD

FOREWORD

In this booklet, we are reproducing three articles written by Dr. R. K. Hazari, on the subject of "Ownership and Control" of companies in India, in *The Economic Weekly*. The companies studied are 496 in number. In 1958, the time of the study, the paid-up capital and reserves of these companies amounted to Rs. 314 crores. Their total assets were Rs. 821 crores.

All these 496 companies with their assets of Rs. 821 crores were under the ownership and control of five families. They are the Tatas, Birlas, Mafatlals, Walchands and Mahindra.

Of these five, the Tatas and Birlas are the biggest.

There are other families also in the capitalist world, worth studying. But in this study only these five are taken.

We are publishing these studies for the education of our trade union workers. The trade unions are concerned primarily with the question of raising the standards of living of the workers for which they have to continuously struggle against the employers.

In this struggle, the workers must know the make-up and character of the forces against which they are struggling.

Capitalist Society in India

The workers in India today live in a capitalist society. Most people say so. Leaders of the ruling circles in India say so. Leaders of several political parties say so. But many of them say it with a reservation. That reservation is such as to confuse and disarm the working class and its allies in their struggle. What is that reservation?

The reservation is that though we are at present in a capitalist society, our capitalism is not like the capitalism of Europe or America. The capitalism there and ours here are different; not only in size, but in their very character. In what way?

We in the trade unions are not concerned with the individual character of our capitalists. It is a factor, of which we may take note, but that is not the main thing that influences our relations with them. A capitalist may be pious or callous. Sometimes, a callous one pays better and is more forthright in his relations than a pious one. But that is not the main point, in which we in India are said to be different. The reservation is not on this score. The reservation that the ruling classes want us to take note of is that some of the laws of capitalism that are so viciously active in Europe and America do not operate here, that the State here is so vigilant that those laws of Capital, which give it some of its worst features and which make it "look anti-social" and thereby invite the hatred of the people, do not operate in Indian capitalism. If anywhere they show any such tendency, it will not be allowed to grow but will be corrected. Capital in India is not and will not be "anti-social". In fact, some say that capital in India itself is socialist!

Is Indian Capital Any Different ?

Trade unions must show the workers, whether this is true or not. This booklet when properly studied, will help the unions and the working class to study the real face of capital that confronts them all-round every day, in the factory or outside. It will help them to answer the question—is Capital in India, in its laws of growth and behaviour, any way different from capitalism elsewhere? The laws of development of capitalism are everywhere the same in all their basic features. These laws have been expounded in the authoritative works of scientific socialism and operate in all their faithfulness in the development of Indian capitalism. India is no exception.

We cannot discuss here all the basic laws of the development of capitalism as understood in the system of thought of scientific socialism. But we will refer to some of them, as are borne out by the material presented in this study.

The most outstanding feature that the study brings out is the ownership and control that the two big giants of the capitalist world holds over vast resources of production and distribution that is necessary for our country and its people, that is for society as a whole.

The family of Tatas have *sole control* over 48 companies and total assets of Rs. 290 crores.

The family of Birlas have sole control over 331 companies and total assets of Rs. 291 crores.

Grip of Big Business

Their ownership, sole control or control in partnership with others gives them the power over almost every aspect of human life. Iron and steel, cotton and silk, cement and sugar, oil and electricity, transport of all kinds, mining, banking, trading, food, housing, clothing, even the water you drink and the air you breathe are at their mercy. When you scan the list of the companies printed here, you come to realise whose they are and with what varied aspects of our life they deal with. The key to all production and supplies needed by the people in India is held in the hands of the capitalists in India. And behind this vast apparatus, this phalanx of companies and their assets of hundreds of crores stand a few families, a small group of individuals, who own or control it.

There were, in 1958, 28,280 companies in India with a paid-up capital of Rs. 1,306 crores. At the end of 1960-61, after weeding out a number of moribund units, there were 26,108 companies but their paid-up capital was higher at Rs. 1,724.6 crores.

As everyone knows paid-up capital is no index of the power or assets of these companies which are worth several times more than the paid-up capital.

Analysing the figures of the Census of Manufactures representing 28 major industries of the country, Dr. Nigam says:

"Thus notwithstanding the increasing emphasis placed on the expansion of the public sector, it is seen that the corporate sector, with its massive investment and overwhelming control over the industrial economy of the country built up steadily during the last one hundred years, plays a significant and decisive role in the country's economy and its pre-eminent position is assured for a long time to come in so far as sizable amounts of monopoly are planned to be injected with the corporate sector under the Five Year Plans." (*Commerce*, August 12, 1961, p. 314)

So, under whose control, whose decisive role is our economy or daily social existence? Under capitalism, under private capital, despite the existence of the State sector.

Development of Monopoly

Inside this world of Capital, in what direction are the companies moving? Capital is concentrating in the hands of a small group of people, of a few giant families. This is called the law of concentration and centralisation of capital. It is the inevitable result of the law of value and commodity production under capitalism. This law is valid for India as much as it is for Europe and America.

The five giants studied here are only a sample. The sample is interesting. The Tatas are an old family that started getting its roots under the aegis of the British rule. During the first world war, the British Government acknowledged that it was the services of Tata Iron that helped the British win its battles in Mesopotamia.

The Birlas, like the early typical Marwari house, were in trade and finance but moved into industry after the first world war. In the 'thirties, they were quite famous for the vast export of gold ("distressed" gold as it was called in the Great Depression that seized India and the world) that they carried out, when England went off the Gold Standard and naturally the rupee linked to it suffered the fate of the Sterling.

Dr. Hazari gives us a picture of only five giants. But there are many more, such as Dalmia-Jains, Bangurs, Singhanias, Mudaliars and others. We need not mention here the British companies, who have their own role to play.

This concentration of capital in a few hands, commanding the country's economy is also called "Monopoly".

Free competition, which exists under capitalism in its formative period, ultimately leads to Monopoly. A furious civil war is daily conducted in the markets of the country and in the whole capitalist world, in order to sell and buy, in order to realise the profits arising from the labour of workers. In this war, the weaker are weeded out, the stronger survive. The circle of what were known formerly as "Captains of Industry" narrows. Monopoly grows and controls the vital nerves of society.

Corporate Sector

Dr. Nigam and N. C. Chaudhuri, in their study, *The Corporate Sector in India,* have given, among other details, factual information about the companies which went out of existence since 1900. They observed:

"The total number of new companies registered during the period 1900-1956 added up to 52,776, whereas, as against this grand total, the total number of companies at work at the end of the above period was only 29,874. This means that roughly speaking 45 per cent of the newly-formed companies of the period had gone out of existence. The size of corporate mortalities among the World War II floatations was particularly large. The record shows that out of more than 10,000 companies set up during the World War II period 1939-46, no less than approximately 6,000 had become non-existent or dead in the same period and 2,000 of them were scrapped from the records later. That is, 80 per cent of the wartime companies were dead by 1956." (p. 33)

According to the same study, the total number of new companies set up during the last sixty years of the present century was over 57,000 of which at the end of the period, nearly 27,000 had survived. (p. 34)

War serves as the biggest crucible for this "smelting" process of atomised, scattered capital. At first, war tends to stimulate everybody, the small and the big. But at the end of it, the final anealing takes place and big monopoly is the outcome.

Paid-up capital which was Rs. 76.6 crores in 1914, first year of the first world war, became Rs. 123.6 crores in 1920. After the boom of 1920, a crash took place in the market and new giants came on the scene.

In 1940, when the second world war broke out, paid-up capital was Rs. 303.7 crores. It became Rs. 424.2 crores in 1946.

War Profits

But this time no crash came. In fact, the war inflation, the speculation of the post-war period, the coming of independence and the Five Year Plans, sent Indian capitalism into the most intoxicating haven of profits and accumulation. From 1946 onwards, the number of companies grew from 17,343 with paid-up capital of Rs. 424.2 crores to 26,108 in 1961 and capital of Rs. 1,724.6 crores. The number of companies grew only by 50 per cent but the paid-up capital grew by 306 per cent. In this too, the growing concentration is seen.

Hence Dr. Nigam observes:

"A study of the structural pattern of the companies thus shows that the big and giant-sized companies have a dominant position in the corporate sector of our country and that the accentuation of trends towards industrial giantism and oligopolistic development is being engineered by powerful business interests in the country and by such business institutions and practices as the managing agency system, plural directorships, etc." (*Commerce*, August 12, 1961, p. 314)

So giant monopolies controlling the life of the community, are not characteristic only of America or Europe.

The same is visible, the same tendency is gathering strength, even in such an under-developed and young capitalism as that of India.

The sizes of our giants are smaller than those of Europe or America; but that does not detract from the fact that the same law of concentration and centralisation of capital is valid and operative in India.

Small-scale industry exists in India on a larger scale than in the capitalist countries of Europe and USA. Monopolies have not yet been able to squeeze them all out. In fact, some of them foment some lines of small-scale trades in order to use them as their instruments of profits by using their sweated labour. That only confirms the laws of development of capital, as propounded by scientific socialism.

We are not in a position to go into this matter in all its aspects. Though private monopoly is not yet all powerful in Indian economy, yet it exhibits all the classical features.

Foreign Capital

An interesting side to look into in this study is to find out how these giant houses are linked up with foreign monopolies, who also play a very big role in our economy today. Instead of going into any discussion on this point, we may just point out the following observation in another study made by Dr. Raj K. Nigam and N. D. Joshi. They say:

"Some of the big-sized companies in the country are managed by foreign managing agencies and a few of them take on their boards some foreign nationals for various business reasons. Our study reveals that out of the 117 companies studied, 43 companies had foreigners as directors. Their number came to 113. The total number of directorships held by foreigners came to 133, as against 226 held by Indian nationals in those companies. The ratio between Indian and foreign directors worked out to 2 : 1 in the case of these 43 companies." (*Commerce*, July 15, 1961, p. 128)

One more question which scientific socialism raises is —do these "captains of industry", these owners of Capital who have developed into monopoly, play any role in actual production and distribution of goods, in actual "service" to society from whom they realise their big fortunes? Will social production and society collapse, if these gentlemen were "absent" or "removed" from their positions in control of these monopolies?

We have heard of Managing Agents. Many of them hardly manage. It is fantastic to say that the Tatas or the Birlas personally look into all those factories, which are under their ownership or control. The whole process of production goes on without them. The paid managers and technical intelligentsia do all the thinking for them. The workers do all the production. The intellectuals of the banks look into the handling of money. The giant heads only pick up the cream of all this effort.

In the early stages of capitalism, (and in the small and medium industries, today) the owners retain their personal and close links with production. They assemble the forces of production and manage them and take profits.

But the entrepreneur of Adam Smith's book vanishes in the world of monopoly capital. Giant concerns take stock not only of the resources, raw materials, finance, labour power and technique, of one country but of the whole world. The oil monopolies, coal syndicates, etc., have an eye and a hold of the oil and coal of the whole continents of the capitalist world. Do they, then, know or manage, the thousands of pits or oil wells throughout the world? They do not. The same process is taking place in India too. What is it called?

Social Character of Production

Scientific socialism describes this process as follows: As production and technique advance and concentration and centralisation of capital take place, production as such becomes *socialised*. It means that millions of workers, intellectuals, technicians, managerial personnel, that is, the working class and working intelligentsia carry on social production. The ownership alone remains vested in the hands of a few families or persons, who, because of the right of private ownership of this vast apparatus of social production, reap the profits from it. And when profits fail, they choose to shut down or curtail production and hold society to ransom.

Dr. Hazari in one place observes:

"In fact, one of the most interesting findings in this study is that a large proportion of managing agency companies are themselves controlled by other corporate bodies and/or trusts. This is so in the case of all the managing agencies in the Tata group, and most of those in the Birla and Mafatlal groups. It follows therefore that control over a group does not originate in the managing agency as such." (Page 23)

We hear of Directors and Boards of Directors. A study of 4,174 directorships showed that they were held by 546 persons only and amongst them also, 44 persons held 1,999 directorships. Out of 505 directors, it was found that 115 of them are above the age of 56 years. Who can believe that these 44 gentlemen must be managing the affairs attached to nearly 2,000 "directions"? Capitalists in the monopoly sectors have no relation to production as such, which is already socialised. Only its appropriation remains in the hands of the owners of the means of production. In Europe and United States, almost the whole economy is subordinated to monopoly. In under-developed countries like India, it is on that road. That is the inevitable development of capitalism, unless it is checked by other forces.

There is a body of opinion, which says that there is no monopoly in India, that even the large enterprising houses, which are mentioned in this connection, have no monopoly power on any particular commodity and hence cannot harm society. Certain ministers of Government, some writers on economics and some politicians maintain this position. They ask some such question as: how much percentage of an essential commodity is owned by one company or any one monopoly house? Manubhai Shah, Minister for Industry, Government of India, says that among consumer industries, there was not a single group which owned more than three or four per cent of national production.

Monopoly is harmful not only when it is in the field of *consumer* industries. Monopoly of iron and steel, coal, oil, etc., also affects economy and perhaps more so than in consumer industries. Anyone knowing economics can see it.

Even in regard to consumer industries, strong monopoly combines have developed. The Millowners' Associations of Bombay and Ahmedabad make and unmake the ruling prices of cloth for the whole country. It is well-known that despite the declared intentions of the Government to reduce cloth prices, they have failed to influence the big holders in this industry. Monopoly by the grouping together of several producers or traders to control production and distribution, to control prices and wages for the whole country exist in almost all the vital lines. Iron and steel, tea, coffee, textiles, jute, electricity, cement, matches, fans, kerosene, oil—all these are subject to monopoly control of one form or other. The statement that Government "is against any type of monopoly in this country" and that "it will tolerate no growth of monopoly at all" is not at all borne out by facts. The list of companies put forward in Dr. Hazari's study and the hidden monopoly control that he unveils is enough to show that the real situation is not as Government spokesmen or certain economists maintain.

Big Business and Government

Some people think that India can check the development of monopoly. In America and Europe, any number of laws exist declaring formation of monopolies, cartels, price-making alliances as unlawful. Sometimes, courts even declare certain named companies as unlawful Trusts and ask them to dissolve and that is loyally done. But the same monopolies continue to prosper in those countries and everybody knows it. Why is it so? Because, monopoly is inherent in capitalism and secondly, because the State itself is run or controlled by those very monopolies, on whom they are supposed to frown.

In India too, it is well-known what influence the big monopoly houses have on Government. There are many cases to show that monopolies send their nominees to ministerial circles and that retiring high-placed bureaucrats and ministers return to the fold of their class-brothers. There is not only inter-locking of companies, but also some inter-locking of private capital and the State.

This development has not, however, assumed a final and decisive stage in India. It is just in its initial stages. Monopoly and State in India have not yet inter-locked to make India a country of State monopoly capitalism. Still it is futile to hope that the present Government in India can prevent the growth of monopoly unless the forces of the working class and other democratic elements can effectively intervene. But this is a subject beyond the purview of this note.

Some writers on behalf of monopoly capital cause confusion in the minds of people by saying that after all, the capital in these companies is held by share-holders and that all of it does not belong to the big owners. They maintain that the very fact that lakhs of people own shares in these companies, makes them "democratically owned". In fact, public share-holding transforms capitalism into "people's capitalism".

Share-holders' Democracy ?

It is well-known to all economists that share-holders as such, whatever their number, do not decide the control of a company or the distribution of its profits. In fact, the more the number of shareholders and smaller the denominational value of each share, greater is the facility for a small group of persons or a family to control the entire company on the basis of the ownership of a small compact bloc of shares. Dr. Hazari says:

"In fact, if the shareholding is widely dispersed, even a fractional holding of equity may suffice to ensure control over the managed company. For example, the Tatas appear to hold only about 5 per cent of the equity of Tata-Steel; their control over the company remains unquestioned even though, over the years, the Birlas have acquired an equity interest larger than that of the Tatas, while the Life Insurance Corporation owns a higher share than either of the two, viz., 6 per cent of the equity." (page 20)

The jugglery of share-holding is an intricate subject. In one place, Dr. Hazari's study says:

"There has been a mushroom growth of 'holding' and 'share trading' type of investment companies especially in Madhya Pradesh, Rajasthan and West Bengal, since 1940. This study could not go into the motives behind this mushroom growth, but the statistical and other information collected left little doubt that much of this growth was unhealthy." (Page 67)

Some writers claim to find from the share-holders' lists, how democratic our capital is. Here is Dr. Hazari's finding:

"Some measures have also to be taken to make share-holders' lists more reliable than they are. The Company Law Department can do very little about it....Regulation of blank transfers is an altogether separate and tricky affair into which it is not proposed to enter here." (Page 68)

What role do the banks play in embelishing this share-holders' democracy?

"Banks are found to be holding large blocks of shares in many companies including some private and very narrowly owned public companies. It is an open secret that more than 90 per cent of such holding do not belong to banks as beneficial owners, but are held by them in various capacities on behalf of their clients." (Page 69)

"Registration of shares in the name of banks is widely used for concealing the ownership and control of companies." Comment on this is unnecessary. The mysteries of ownership and control is so intricate that even the painstaking research of Dr. Hazari has to say:

"Analysis of control in quantitative terms is even more difficult than analysis of ownerships because deliberate effort is made in several cases to conceal the proportion of capital held by the controlling interest." (Page 69)

Ethics of Capitalism

In ethics, our capitalism is not very much different from its brother in Europe or America. Here is one of their ethical standards:

"High rates of taxation of income and wealth, along with several other factors encourage the rich to disperse and impersonalise their holdings of wealth, largely through the creation of companies and trusts, since they enjoy a number of advantages ranging from comparatively lower or no taxation at all to independent perpetual existence." (Page 62)

"In some cases, it can be clearly perceived that inter-corporate investments (and loans) enable some groups to set up companies the existence of which as working entities appears doubtful and help companies to purchase their own shares indirectly, transfer profits and losses, and to enter into transactions of a similar nature. There can be little doubt that these abuses are motivated largely by the desire to reduce tax burdens rather than to evade the provisions of the Companies Act." (Page 63)

There are three elements which play a vital role in the shaping of the structure of capitalism. These elements are the principle of Limited Liability, the method of collecting capital by shares and the rise of bank finance. The first two combine together to put at the disposal of the capitalist money which is not his own but of some other people, the share-holders, and at the same time, giving his personal property complete immunity from any liability if the company fails. It is well-known that many millionaires who fail in business and by whose activities lacs of share-holders also lose, are found to be in possession of all their gains. The Limited Liability is a convenient instrument to amass personal fortunes without risks. Of course, in times of extreme crisis of the whole system, some of the worst in their fraternity also face complete ruin. But such are very rare cases. They are well-known in the history of Indian capitalism to need any detailed mention here.

Role of Banks

By selling shares, the capitalists collect the monies of lacs of small people and put them in the service of capital. The small man hopes to reap an extra little income to add to his meagre income. These lacs help the monopolists to put their money for productive use, that is to extract surplus value from the labour of the working class. The millionaires, who control and handle this vast "social reservoir" of money actually take the bulk of the surplus and only a tiny fraction goes to the small man of the share-holding world.

The banks are playing a more and more vital role in the development of industrial capital in India. They too utilise the deposits of millions to help capitalism forward.

In Europe and America, bank finance, or finance capital has become the supreme boss of industrial production. A question is asked—has industrial capital in India become subordinate to and subsidiary of finance capital as such? The inter-locking of the two has taken place to some extent. But subordination of one or the other, in conditions prevailing today in India, is not going to take place in the usual classical way. Here under planning, State finance is playing its own role, on the basis of which both industrial finance and bank capital or finance capital are gathering strength and are leading to certain interesting contradictions. But this is a subject for a more comprehensive study of development of capitalism in India.

Why These Studies ?

And now the question: why are such studies, which contain a powerful critique of capital and even expose its shady side allowed to appear?

Of late, many studies of Indian capital are appearing in the press and publications. On par with this is the study made by Dr. Raj K. Nigam, in his articles, published in the journal, *Commerce,* on "The Contemporary Corporate Scene in India." Another study by Dr. Nigam and N. D. Joshi has been published on "Pattern of Company Directorships", based on a survey of the Western Region of India. There is also a volume published by the Department of Company Law Administration of the Ministry of Commerce and Industry, entitled "The Corporate Sector in India."

Some years ago, there was a sensational study published on the House of the Birlas. There was also an enlightening brochure by Asoka Mehta in 1950, entitled: "Who Owns India?"

All these studies place before us the structure of Indian capital, the tendencies that it shows in its growth, the way it is owned, controlled, managed and utilised. All these studies, in spite of their shortcomings, which the authors themselves are aware of, inevitably lead us to the conclusions, which we have stated above and demolish the reservation we are called upon to make by some leading exponents of Indian economic and political thought.

Many of these authors are themselves in Government service and some of their work is facilitated by Governmental departments or the Planning Commission. The authors themselves do not draw the conclusions that we are drawing. But their work itself leads to those conclusions. In fact, they themselves many a time make statements which inescapably show that capitalism in India has all the virtues or vices, which the classical capitalism of Europe and America had and which later produced the monster of imperialism, the natural heir to capitalism, unless the ancestry is cut off by socialism.

The reason why such studies are undertaken is the very need of capitalism itself. Unless capitalism as a whole is understood, its individual limbs cannot guide their activities properly. The early days of capitalism could do without study of statistics, trends, world markets, inventories on a whole national or world scale and so on. As soon as capitalism built up its world market and built world monopolies, it had to ask its body of intellectuals to study and tell it as to what was happening to capitalism in each sphere of its life. Hence studies of this nature began to appear. Every big monopoly concern in Europe and America has its own body of intellectuals doing such studies for itself. In India, too, several monopolies have such departments as part of their set-up.

Class Approach

The critique of capital as such is used by capitalism to find its own weakpoints in order to strengthen itself further.

But the same critique is used by the working class, the trade unions, in order to defend its interests and to point out the way to scientific socialism by combating the ideological confusion sown by those who adhere to the bourgeois line of thinking.

This note has become longer than was thought and perhaps has strayed into points which are fit for a more detailed treatment. On some points, it may sound loconic also. But we hope it will help to lead to a better awareness of the conclusions that should follow from such studies.

When we decided to publish the articles of Dr. Hazari as a separate booklet for study in our Workers' Education Series for our trade unions, we had no idea of writing this preface to introduce the subject. Dr. Hazari himself is not aware of the conclusions we are drawing. In fact, some of them are contrary to his views, as for example, when he says that "inter-corporate investment is not inherently anti-social." However, our workers will be more concerned with the facts that he provides.

We are thankful to Dr. Hazari and all those intellectuals like him, who undertake such research and studies. There is yet a serious dearth of material, both on capital and labour in India. Let us encourage such studies, while leaving the conclusions to the working class, which as the harbinger of socialism, knows what use to make of them in the ideological education of its class.

S. A. DANGE

New Delhi
September 20, 1961

Ownership and Control

A Study of Inter-Corporate Investment

The following study of ownership and control in the corporate sector is based upon data relating to companies in which Tatas, Birlas, Mafatlals, Walchands and Mahindra had an interest of one kind or another in or about 1958. These five Groups were selected because they present a fair cross-section of entrepreneurship in this country. This is a first step to a more comprehensive inquiry into the ownership and control of the corporate sector.

Of the 540 *companies studied, shareholders' lists and balance sheets could be secured for* 496 *companies. In or about* 1958, *the net worth, i.e., paid up capital plus free reserves of these companies amounted to Rs.* 317 *crores, and their total assets to Rs.* 821 *crores.*

A programme of research based on an earlier study of the Birla Group published in the issue of November 8, 1958 *was approved and financed by the Research Programmes Committee of the Planning Commission.*

The author is grateful to the Committee for the grant which enabled him to complete this research and also to the Company Law Department, Government of India, for their help and co-operation. The responsibility for the data presented below and the conclusions drawn from them, however, is solely that of the author.

I

A CORPORATE Group may be defined as consisting of units which are subject to the decision-making power of a common authority. There may be a wide range of variation in the degree of control or influence which the decision-making authority exercises over the different units. This authority may delegate some functions to subordinates and specify their respective duties, but there should be no doubt about the source from which those in charge of the units or entrusted with various functions derive their authority.

The decisions made by this authority generally cover, in addition to those relating to prices and profits, policies regarding investment, production, purchase and sale, employment and labour. Responses to particular economic and political developments are also derived from the same source, so do the measures to advance the interests of the Group and a host of other matters that crop up from time to time. The implementation of the policies and the working out of the details may be delegated to subordinate authorities, but the extent of delegation and allocation of functions at various levels are themselves matters of policy. The ultimate authority may make only the major investment decisions and rest content with periodical reports from the units and functionaries. The Group functions as a single organisation, nevertheless, though each of the corporate units under its control or influence is a separate legal entity, independent of its members.

Two or more corporate units can be considered to belong to a certain Group when the ultimate decision-making power can be traced to a common authority, which may delegate some part of it to others, or share it with any other authority outside the Group. A company the decision-making authority of which is shared with another authority outside the Group can be a 'majority' '50-50' or 'minority' company, as the case may be, from the Group's point of view.

EXPEDIENCY FOR COLLABORATION

The above definition of the Group explicity provides for a frequent contingency in the business world: the need for or the expediency of entering into collaboration with other Groups for the furtherance of common objectives. This collaboration may be needed in order to combine and face a market situation, or because one Group may be in the process of acquiring another Group wholly or partially. It may also arise because some Groups may acquire an interest in several concerns by providing financial assistance of various kinds to enterprises floated by other Groups or by independent business men.

These contingencies are illustrated in a number of enterprises covered by this study. The Tatas joined the

Associated Cement Companies in the 1930's along with three other Groups, in order to meet the depression in the cement market. After Independence, they gradually took over Forbes, Forbes & Campbell Private and have recently acquired a minority interest in MacNeill and Barry. Need for foreign collaboration in the manufacture of a new product led them to form Tata Fison Private, in which they hold 50 per cent of the share capital and the remaining 50 per cent is held by Fisons. The Tata-controlled Investment Corporation of India has acquired a minority interest in a number of companies through participation in their equity capital. To cite another example, the Walchands invited Kilachands and Khataus as partners in setting up and managing Premier Automobiles.

NOT A CLOSED CIRCLE

The Group is, therefore, not necessarily a closed circle. Rather, it may be compared to the inner circle of a series of concentric circles. The inner-most circle consists of the decision-making authority (whether it can be detected straightaway or not) which exercises control in varying degrees through investments made by it or on its behalf over the series of circles. The inner circles consist of a hard core of bodies which, in general, but not always, are largely or wholly owned by and/or are under the sole control of the decision-making authority. Also within the inner circles are other bodies which are under the sole control of this authority but may have a leavening of public participation, which fetches outside capital but leaves the control essentially intact; there is, next, a wider circle formed by the majority companies in which one or more interests outside the Group have a share in the control, but the majority control is retained with the Group. Defined in terms of controlling power, the Group proper ends at this stage, but the influence of the Group extends to the outer circles in which the Group has 50-50 or minority participation.

Sole control and majority companies, which constitute the Group proper, may be collectively called the Inner

Circle; '50-50' and minority companies may be lumped together, for the sake of convenience, and called the Outer Circle, in which the Group (or rather its decision-making authority) has a voice, but not the controlling voice. The Outer Circle embraces units which are naturally somewhat hetergenous in which the Group's interest may range from 49 per cent to a negligible proportion. The two Circles together may be referred to as the Complex.

Since the Group has been defined as the area over which a decision-making authority holds sway, it is necessary to complement it with a definition of Controlling Interest.

CONTROLLING INTEREST

In abstract, Controlling Interest may be defined as that interest which has sufficient voting power, exercised directly or indirectly, to get formal sanction or approval from shareholders for decisions which it has already made for and on behalf of the company concerned. The Controlling Interest need not hold more than 50 per cent of the equity, except when the shares are held in a few hands or when the Group has entered into partnership with other Groups, and desires to retain the majority block of shares. In fact, if the shareholding is widely dispersed, even a fractional holding of equity may suffice to ensure control over the managed company. For instance, the Tatas appear to hold only about 5 per cent of the equity of Tata Steel; their control over the company remains unquestioned even though, over the years, Birlas have acquired an equity interest slightly larger than that of the Tatas, while the Life Insurance Corporation owns a higher share than either of the two, *viz.*, about 6 per cent of the equity.

However, one should not generalise on the basis of Tata Steel since the reputation of Tatas is so high that the Group can always count on the support of the large body of uncommitted shareholders with widely dispersed holdings.

Other groups may not be so fortunate. The fear that speculators might corner the equity of their companies has led some Groups in recent years to hold larger equity than they might, perhaps, have done otherwise. Some controlling interests moreover, do not like to dilute their holdings. In Mafatlal and Walchand companies, for example, the controlling interests have generally a very substantial equity participation though shares of these companies are popular on the Bombay Stock Exchange.

Identification of a particular Controlling Interest is even more difficult, but it is not impossible. Given the list of shareholders of a company, how does one label the company as belonging to a particular Group and also place it in the series of concentric circles that constitute the Group? This question assumes special importance in the case of widely owned public companies, 'partnership' enterprises, and companies in which most or all shares are held by nominees. The method employed in this study was as follows:

First, information was collected about the families controlling the five Groups: this was supplemented by lists of persons close to the respective families, either in the position of executives and/or nominees (listing of the latter, however, was a continuous process). Then, a list was drawn up of the companies which constituted the 'hard core' of these Groups. With the help of these data, it was not difficult in at least four of the Groups studied to locate the Controlling Interest.

The Controlling Interest must have sufficient voting power in the controlled company—it need not be any fixed percentage—to get formal approval and/or sanction for its decisions, and must also have control over the management of the company. Voting power by itself is not always sufficient to enable an interest to control a company. If that were the only criterion, the Life Insurance Corporation might be the biggest entrepreneur in the country. Control over management is also essential for identifying the Group to which a company belongs, unless, of course, more than 50 per cent or comparable proportion of its equity is held by or on behalf of the Group.

NOT THROUGH MANAGING AGENCY ALONE

The term 'Group' as currently used in this country, usually refers to a managing agency and the companies under its management. Whatever validity this definition of a Group might have had in the past, it has ceased to be valid for a number of reasons.

Nearly every Group maintains a number of managing agencies. The Tatas, for instance, have five companies which act as managing agents; in addition, they have a minority interest in three others (excluding those from which they get a share in the managing agency commission, *e.g.*, the managing agents of National Rayon and Structural Engineering). The Birlas have nine joint stock managing agency companies and hold a minority block in another such company. Besides, they control several managing agencies which are unincorporated firms. The Mafatlals have four active managing agencies, of which one is an unincorporated firm, and have an interest in two more. The Walchands have two managing agencies, one of which is unincorporated, and, in addition, have an interest in one more. Among the Groups not covered by the present study, attention may be drawn to the multiple managing agencies of Bird-Heilgers, Sahu-Jains, Bangurs, Singhanias, etc.

It also appears that, barring some notable exceptions, the managing agency company is no longer a significant investor in managed companies, though it may continue to be a financier or guarantor, directly or indirectly. Analysis of shareholders' registers indicates that, except in some cases, the managing agent specialises in the function of management, and leaves most investment for purposes of control and provision of finance to other companies, trusts and individuals, belonging to the same Group. Tata Industries Private and Tata Hydro-Electric Agencies Private, for instance, have no investments in the companies under their management; this is confirmed by their balance sheets. The two leading Birla managing agencies, Birla Brothers Private and Cotton Agents Private, do have such investments but these are insignificant as a proportion of the share capital of the companies managed by them. Incorporated managing agencies in the Mafatlal complex have no investments whatever.

In fact, one of the most interesting findings of this study is that a large proportion of managing agency companies are themselves controlled by other corporate bodies and/or trusts. This is so in the case of all the managing agencies in the Tata Group, and most of those in the Birla and Mafatlal Groups. It follows, therefore, that control over a Group does not originate in the managing agency as such.

MERE MANAGERS

In some cases, moreover, the managing agents are mere managers of companies which are owned and/or controlled by other interests. Several managing agencies at Calcutta, for example, manage foreign-owned or foreign-incorporated companies. Another example is that of the two subsidiaries of Tata Steel, the managing agents of both of which are outside the Tata Group; West Bokaro Private is wholly owned by Tata Steel but has Anderson Wright as its managing agent; Eagle Rolling Mills Private, another subsidiary of Tata Steel, is under the managing agency of Birds. Tinplate of India Private—the bulk of the equity in it is held by Burmah Oil and Tata Steel has a minority holding—is under the managing agency of Shaw Wallace, which has no control over the company in the sense of voting power. Further, though Ramdutt Ramkissendas, a Goenka firm is the managing agent of Hukumchand Jute, more than 50 per cent of Hukumchand's equity capital is held by or on behalf of the Birlas.

There is another reason why a Group cannot be defined in terms of companies under a particular managing agency. Banking, Insurance and Managing Agency companies are not allowed under the law to have managing agents. The predominance of the managing agency system has been largely confined to public industrial companies. Most private and non-industrial companies never had managing agents, and do not have them now. It does not follow, however, that such companies do not or cannot form part of a Group. Further, the disfavour into which the managing agency system has fallen, however, undeserved it might be, has led to the resignation of managing agents and to flotation of companies without managing agents. That certainly does not mean that the so-called managing agency houses have stopped growing. Finally, there is the heterogenous mass of campanies which are created and managed through nominees to avoid the burdens of taxation or restrictions imposed by the Companies Act, or for providing gainful employment to relatives, friends and dependants. The legal ties may be tenuous or non-existent, but it is not difficult to find out the controlling interest behind them and generally no mistaking the hand of the group which uses these—often fictitious—companies as instruments for its own purposes.

For the identification of a Group and for tracing its wide ramifications, one has to go beyond the managing agencies directly associated with or forming the Group, whether these agencies are companies or partnerships. One has to go behind the managing agencies and/or Boards of Directors, probe into the Group's participation in share capital, and trace its nominees, and thus pierce through the elaborate facade which obscures the location of the decision-making powers which control corporate activity.

CLASSIFICATION OF COMPANIES

	Sole Control	Majority		50 — 50		Minority	
		Foreign	Indian	Foreign	Indian	Foreign	Indian
Tatas :							
No. of Companies	48	5	4	1	—	50	17
Net Worth (Rs. lakhs)	1,05,53	5,55	73	15	—	16,94	30,77
Total Assets (Rs. lakhs)	2,90,09	11,21	2,30	69	—	33,99	54,41
Birlas :							
No. of Companies	291	2	1	—	1	2	10
Net Worth (Rs. lakhs)	99,04	42	1,24	—	—	1,60	1,75
Total Assets (Rs. lakhs)	2,86,13	67	2,69	—	—	3,28	3,42
Mafatlals :							
No. of Companies	15	—	2	—	4	—	6
Net Worth (Rs. lakhs)	10,07	—	38	—	27	—	2,70
Total Assets (Rs. lakhs)	22,57	—	1,01	—	43	—	7,05
Walchands :							
No. of Compaines	16	—	—	—	4	—	10
Net Worth (Rs. lakhs)	9,57	—	—	—	3,02	—	17,62
Total Assets (Rs. lakhs)	19,81	—	—	—	9,35	—	49,71
Mahindras :							
No. of Companies	4	3	1	1	—	2	—
Net Worth (Rs. lakhs)	2,02	2	15	14	—	5	—
Total Assets (Rs. lakhs)	13,86	5	2,08	22	—	81	—

Net worth and total assets are for 496 out of 540 companies for which balance sheets could be secured.

Tata Complex

Sole Control:

1 Ahmedabad Advance
2 Andhra Valley Power Supply
3 Armstrong Smith P
4 Associated Building P
5 Auto Accessories P
6 Belpahar Refractories
7 Bettman & Kupfer P
8 Bombay Fire & General Insurance
9 Bombay Safe Deposit
10 Central India Spg & Wvg
11 Commercial Printing Press P
12 Forbes, Forbes & Campbell P
13 Forbes Trustees P
14 Gokak Mills
15 Goodlass Nerolac Paints P
16 Indian Cement
17 Indian Hotels
18 Indian Steel Rolling
19 Indian Vegetable Products
20 Industrial & Domestic Appliances P
21 International Fisheries P
22 Investa Industrial Corp
23 Investa Machine Tools & Eng.
24 Investment Corporation of India
25 Joda Ferro Alloys P
26 Lakme P
27 Latham Abercrombie P
28 Mysore Chromite P
29 National Ekco Radio & Eng.
30 New India Assurance
31 Palanpur Vegetable Products
32 Sassoon J. David P
33 Simplex Mills @
34 South India Insurance
36 Swadeshi Mills
36 Tata Aircraft P
37 Tata Chemicals
38 Tata Hydro-Electric
39 Tata Industries P
40 Tata Iron & Steel
41 Tata Locomotive & Engineering
42 Tata Mills
43 Tata Oil Mills
44 Tata Power
45 Tata Services P
46 Tata Sons P
47 Voltas
48 West Bokaro P

Majority with Foreign Minority:

1 Eagle Rolling Mills P
2 Indian Tube
3 Industrial Perfumes P
4 Tata Hydro-Electric Agencies P
5 Tata S & L Sales P

Majority with Indian Minority:

1 Indian Standard Metal
2 Jayabharat Insurance
3 Sentinel Assurance
4 Vazir Enamel P

50-50 with Foreign Partner:

1 Tata Fison P

Minority with Foreign Majority:

1 Baghjan Tea
2 Barak Tea
3 Bhooteachang Tea
4 Bhubhandar Tea
5 Bisra Stone Lime
6 Bradma India P

7 Bukhial Tea Estate
8 Candy Filters India P
9 Ceat Tyres of India
10 Chemical Plant Construction P
11 Containers & Closures
12 D Macropolo P
13 Darjeeling Tea & Cinchona
14 Dayapara Tea
15 Dhemo Main Collieries
16 Dirai Tea
17 Equitable Coal
18 Fraser
19 Ganges Printing
20 Ganges Rope
21 Gourepore
22 Gourepore Electric Supply
23 Indian Cardboard Industries
24 Jenson & Nicholson India
25 Johnston Pumps India
26 Karnafuli Association
27 Kilburn P
28 Kilburn Properties P
29 Kodala
30 Kumardhubi Fireclay
31 Macneill & Barry
32 Majerhat Properties P
33 Mavag Overseas Exports P
34 Merck. Sharp & Dohme India P
35 Moraghat Tea
36 Nangdala Tea
37 New Assam Valley Tea
38 New Monkhooshi Tea
39 New Terai Association
40 Nuddea Mills
41 Oodaleah
42 Pahargoomiah Tea
43 Pashok Tea
44 Roche Products P
45 Sepulchre Brothers India P
46 Silonibari Tea
47 Sylhet Lime
48 Tinplate of India P
49 Tractors India
50 West Jamuria Coal

Minority with Indian Majority:

1 ACC-Vickers-Babcock
2 Agfa India P
3 Associated Cement Companies
4 Beltex P
5 Bharat Bobbins P
6 Cement Agencies P
7 Cement Marketing of India P
8 Chika P
9 General Radio & Appliances P
10 Hurriladih Coal
11 Indian Expanded Metal P
12 Jost's Engineering
13 Mercury Paints & Varnish P
14 New India Industries
15 Pickers
16 Structural Engineering Works
17 Turner Hoare P

@ No longer a Tata company

Birla Complex

Sole Control:

1 Aditya Investments P
2 Air Conditioning Corp P
3 Alco-Chem
4 Ananda Assam Tea
5 Arun Textile Mills
6 Aryavarta Industries P
7 Asian Implements P
8 Assam Jute Supply
9 Associated Machinery P
10 Bajrang Factory

11 Bally Jute
12 Bamboo Suppliers
13 Baroda Investment P
14 Basant Properties P
15 Bengal Jute Baling
16 Bengal Rubber
17 Bengal Stores P
18 Bengal Tea
19 Bharat Commerce & Industries
20 Bharat Kala Bhandar
21 Bharat Plastics
22 Bharat Produce P
23 Bharat Sugar
24 Bharat Trading
25 Bhuwalka P
26 Bihar Journals
27 Bikaner Commercial
28 Birla Brothers P
29 Birla Buildings
30 Birla Cotton
31 Birla Gwalior P
32 Birla Jute
33 Bombay Investment P
34 Bombay Trading P
35 Borhai Tea
36 Burhanpur Tapti Mills
37 Burlap Dealers
38 C & E Morton
39 Calcutta Electrical Mfg.
40 Cawnpore Trading P
41 Central Distributors
42 Central India Coal
43 Central India General Agents P
44 Central India Industries
45 Central India Machinery
46 Central India Trading P
47 Central Traders Corp P
48 Century Spg & Wvg
49 Champaran Marketing
50 Chhota Nagpur General Trading
51 Commercial House P
52 Commercial Trading Agency P
53 Cotton Agents P
54 Darbhanga Marketing
55 Deokinandan Birendra-kumar
56 Dholpur Industrial & Mercantile
57 East India Investment P
58 Eastern Dealers
59 Eastern Economist
60 Eastern Equipment & Sales
61 Eastern General Industries
62 Eastern India Marketing
63 Eastern Metallising P
64 Electric Construction & Equipment
65 Express Dairy
66 G. Das P
67 G. Das Jute & Gunny
68 Ganapati Investments
69 Ganesh Commercial
70 Ganesh Investment
71 Ganga Properties P
72 Ganges Agencies P
73 Ganges Commercial P
74 Gauri Shankar P
75 Gaya Ganga Tea
76 General Fibre Dealers
77 General Industrial Society
78 General Produce
79 Ghillidhary Tea
80 Gobind Sugar
81 Godavari Corp. P
82 Gopal Traders P
83 Gwalior Commercial
84 Gwalior Finance Corp
85 Gwalior Rayon
86 Gwalior Webbing
87 Halmirah Tea Estate P
88 Hanuman Trading P
89 Himatsingka Motor Works
90 Hind Construction
91 Hind Cycles

92 Hindusthan Aluminium
93 Hindusthan Cellulose
94 Hindusthan Dealers
95 Hindusthan Discounting
96 Hindusthan Gas
97 Hindusthan Investment Corp
98 Hindusthan Mica Dealers
99 Hindusthan Motors
100 Hindusthan Motor Corporation
101 Hindusthan National Glass
102 Hindusthan Properties P
103 Hindusthan Times
104 Hindusthan Traders & Investors P
105 Hindusthan Woollen
106 Hyderabad Allwyn
107 Hyderabad Asbestos Cement
108 India Cold Storage P
109 India General Trading
110 India Industrial & Sales Corp
111 India Linoleum
112 India Refractories
113 Indian Air Travels
114 Indian Link Chain
115 Indian Pin Mfg.
116 Indian Plastics
117 Indian Press Exchange
118 Indian Produce P
119 Indian Shipping
120 Indian Smelting & Refining
121 Indian Tool Manufacturers
122 Indore Exporting & Importing
123 Indore Produce P
124 Indra Investors P
125 Industrial Trust
126 Industry House
127 Investment Securities Trust P
128 Jaipur Commercial
129 Jaipur Development
130 Jaipur Finance P
131 Jaipur Mining
132 Jamod Ginning P
133 Jay Bharat Commercial P
134 Jayanta Investment Corp. P
135 Jayshree Commercial
136 Jayshree Knitting Mills
137 Jayshree Land Development
138 Jayshree Tea Gardens
139 Jayshree Textiles
140 Jiyajeerao Cotton
141 Jorhat Electric Supply
142 Jubilee Investment P
143 Jute & Gunny Brokers P
144 Jute & Seeds
145 Jute & Stores
146 Jute Carriers
147 Jute Exporters
148 Jute Investment
149 K. N. Himatsingka P
150 Kamal Trading P
151 Kanoria P
152 Kesoram Cotton
153 Khan Bahadur W. Rehman Tea & Lands
154 Kingsley Golaghat Assam Tea
155 Kores India P
156 Kothari P
157 Krishnalal Thirani P
158 Kusum Products
159 Kuver Investment
160 Lakshmi Properties P
161 Long View Tea
162 M. D. Kothari P
163 Madho Properties P
164 Madhya Bharat Business Corp. P
165 Mahabir Commercial
166 Manipur Tea P
167 Merchandise & Stores

168 Metal Agents P
169 Metal Stone P
170 Model Knitting Industries
171 Model Manufacturing P
172 Modern India Construction P
173 Moon Corporation
174 Mundulpoor Coal
175 Namana Agricultural Farm P
176 Narendra Udyog P
177 Narkatiaganj Farms
178 National Bearing Jaipur
179 National Engineering Industries
180 National Playing Card
181 Navneet Prakashan
182 Nevatia P
183 New Asiatic Insurance
184 New Gujarat Cotton
185 New India Mercantile P
186 New India Sugar
187 New Swadeshi Mills of Ahmedabad
188 New Swadeshi Sugar
189 Newspapers
190 Nikhli Jute Baling P
191 Nilgiri Plantations
192 North Bihar Sugar
193 Orient General Industries
194 Orient Paper
195 Orient Publications
196 Orient Steel & Wire P
197 Oriental Arts
198 Oudh Sugar
199 Oudh Trading P
200 Padmavati Raje Cotton
201 Paper Distributors P
202 Pearl P
203 Pilani Industrial Corp
204 Pilani Investment Corp
205 Pilani Properties P
206 Prabha Mills
207 Prasad Trading Corp
208 Premier Stores Supplying
209 Premier Suppliers P
210 Premier Tea
211 Produce & Share Brokers
212 Pulgaon Cotton
213 Pulgaon Oil Mills
214 Punjab Ginning & Pressing
215 Punjab Produce & Trading
216 R. B. Rodda
217 Rajasthan Commercial
218 Rajasthan Dealers
219 Rajasthan Industries
220 Rajpur Farms
221 Rajputana Commercial P
222 Rajputana General Dealers
223 Rajputana Investment P
224 Ranchi Zamindary P
225 Regent Estates
226 Regent Motors
227 Ruby General Insurance
228 Ryam Sugar
229 Saran Trading
230 Sarda Finance P
231 Satya P
232 Saurashtra Traders P
233 Shankar Distillery & Chemicals
234 Shankar Sugar
235 Shekhavati General Traders
236 Shekhavati Rajputana Trading
237 Shekhavati Trading
238 Shree Bhawani Cotton
239 Shree Digvijay Woollen
240 Shree Dutt Factory P
241 Shree Factory P
242 Shreekant Trading P
243 Sirpur Paper

244 Sirsilk
245 Sockieting Tea P
246 Somani Properties P
247 Soorah Jute
248 Southern Properties P
249 Starch & Oil Agents P
250 Sugar Agents P
251 Sugar Corporation P
252 Sugar Traders
253 Sunborne P
254 Surajmall Mohta P
255 Sushil Thirani Stores P
256 Sutlej Cotton Mills
257 Sutlej Cotton Mills Supply Agency
258 Swadeshi Agencies P
259 Swadeshi Engineering P
260 Swadeshi Sugar Suppliers P
261 Swastik Rayon Mills P
262 Tatanagar Cold Storage P
263 Textile Agents P
264 Textile Machinery Corporation
265 Textile Stores Dealers
266 Tims Products
267 Tongani Tea
268 Trade Exchange Syndicate P
269 Traders & Miners
270 Tungabhadra Industries
271 U. P. Paper Corporation
272 Ujjain General Trading P
273 United Coal
274 United Commercial Bank
275 Universal Trading
276 Upper Ganges Sugar
277 Usha Development
278 Usha Investment Corporation
279 Uttar Pradesh Trading
280 Vegetable & Oil Agents P
281 Vegetable & Oil Mfg. P
282 Vijay Laxmi Trading P
283 Vijay Paper Corporation
284 Vijay Shree Tea P
285 Vinar P
286 Vishwa Traders P
287 Wattal Jamnagar P
288 West Bengal Investment P
289 West Punjab Factories P
290 Western Bengal Coalfields
291 Woodcraft Products
292 Woodcrafts Assam

Majority with Foreign Minority:

1 Bhulanbararee Coal
2 United Provinces Sugar

Majority with Indian Minority:

1 Bhartia Electric Steel
2 Hukumchand Jute

50-50 with Indian Partner:

1 Jayshree Angus Sales P

Minority with Foreign Majority:

1 Ashok Leyland
2 Dewar's Garage P

Minority with Indian Majority:

1 East India Development P
2 International Ore & Fertiliser P
3 Mckenzies
4 Nav Bharat Cold Storage & Ice
5 Nawalgarh Electric Supply
6 New Globe Shipping Service P
7 Rameshwara Jute
8 Walistex

Inactive Birla Companies

Liquidated or Struck off:

1 Akhil Bharat Printers
2 Arya Prakashan
3 Bharat Farms
4 Bijli
5 Bragop
6 Building Materials P
7 Buyers & Sellers P
8 Central India Paper Mills
9 Departmental Stores
10 Durgapur Iron & Steel Works
11 General Commercial
12 Gwalior Industrial Bank
13 Hargaon General Suppliers P
14 Hargaon Oil Products P
15 Hargaon Traders P
16 Himalayan Products
17 Hind Textile Publications
18 India Laundry & Dry Cleaning
19 Indian Starch Products
20 Industrial Traders P
21 Magadh Construction P
22 Mahabir Trading
23 Mandelia & Sons P
24 Metal Sales Corporation
25 Morar Trading
26 Nevatia Textile P
27 Orissa Forest Produce P
28 Patial Industries
29 Pulgaon Farms
30 Saurashtra Chemicals

Amalgamated with other companies:

1 Bajrang Trading
2 Eastern Planters P
3 Investments
4 Jamna Investors P
5 Punjab Trading
6 Risheehat Tea
7 Vikram Trading Corporation

In existence but Accounts show nil or negligible activity:

1 Assam Produce P
2 Motolite
3 Newer Trading P
4 West Bengal Plywood P

Mafatlal Complex

Sole Control:

1 Gagalbhai Jute P
2 Indian Dyestuff Industries
3 M G Investment Corp P
4 Mafatlal Chandulal
5 Mafatlal Chandulal (Ahmedabad)
6 Mafatlal Chandulal (Bombay)
7 Mafatlal Fine
8 Mafatlal Gagalbhai P
9 Navinchandra Purshottamdas
10 New Shorrock
11 Pransukhlal P
12 Sassoon
13 Shorrock
14 Standard Mills
15 Surat Cotton P

Majority with Indian Minority:

1 New National Mills
2 Textile Engravers P

50-50 with Indian Partner:

1 C. Parakh (India) P
2 M. Parakh P
3 Parakh Agencies P
4 Parakh Fabrics P

Minority with Indian Majority:

1 Ahmedabad Jayabharat
2 Ahmedabad Jupiter
3 Bombay Uganda
4 Mafatlal Apte Kantilal P

5 Phaltan Sugar
6 Tarun Commercial Mills

Walchand Complex

Sole Control:

1 Acme Manufacturing
2 All India Construction
3 Bharat Radiators P
4 Bombay Potteries & Tiles
5 Building Construction
6 Cooper Engineering
7 Hindusthan Construction
8 Hindusthan Spun Pipe
9 Indian Hume Pipe
10 Motichand Construction P
11 Premier Construction
12 Ravalgaon Sugar Farm
13 Share Investment Trust P
14 Vinod Shashank Chakor P
15 Walchand P
16 Walchandnagar Industries

50-50 with Indian Partner:

1 Aero-Auto P
2 Bombay Cycle & Motor Agency
3 Premier Auto-Electric P
4 Premier Automobiles

Minority with Indian Majority:

1 Bombay Steam Navigation
2 Eastern Bunkerers P
3 Jalanath Insurance
4 Kamal Shipping P
5 Korula Rubber P
6 Metropolitan Garages
7 Narottam & Pereira P
8 Scindia Steam Navigation
9 Scindia Workshop P
10 Walistex P

Mahindra Complex

Sole Control:

1 Machinery Manufacturers Corp
2 Mahindra & Mahindra
3 Mahindra Engineering P
4 Press Syndicate

Majority with Foreign Minority:

1 Dr. Beck (India) P
2 Indian & Eastern Engineer
3 Mahindra Owen P

Majority with Indian Minority:

1 Turner Hoare P

50-50 with Foreign Partner

1 Indian National Diesel Engine

Minority with Foreign Majority:

1 Otis Elevator (India) P

New Companies difficult to classify:

1 Indian Liggett P
2 Leeds Meter Manufacturing P

II

THE five Groups analysed in this study differ not merely in size but also in their origin, age and nature of industrial interests.

The Tatas are Zorastrian Parsis from Gujarat and the Birlas are Oswal Maheshwaris from Jaipur. The Mafatlals are Patidar Patels from Ahmedabad while the Walchands are Gujarati Jains from Maharashtra. The Mahindras are Punjabi Khatris who had settled in Calcutta.

The Tatas and the Walchands are the oldest of the five Groups. They are followed by Birlas, Mafatlals and Mahindras, in that order. The Tatas had established themselves as a Group by the first decade of this century. The Walchands began in earnest after the First World War and came into the limelight in the twenties and thirties. The Birlas set up in the twenties, expanded in the thirties and came into prominence during and after the Second World War. The Mafatlals started coming up in the twenties but really established themselves in the thirties. The Mahindras are a wholly post-War phenomenon.

The Tatas came into industry from trade around the middle of the last century. Barring some trading activity after the First World War, and a tendency to move into trade, finance and light industries since Independence, they have continued to maintain a keen interest in heavy industries.

The Birlas entered from finance and trade into industry after the First World War, favoured cotton and sugar through the thirties, took to finance and trade with enthusiasm during and after the War, but simultaneously widened their occupational interests to cover heavier industries as well.

The Walchands moved from trade and money-lending into heavy industry after the First War. They have consistently taken a keen interest in Engineering. Construction, Sugar and Shipping. Their interest in Trade is relatively insignificant.

The Mafatlals rose from small traders to industrialists within a short space of time. They have hardly any interests outside Cotton, Investment and Dyestuffs, and a minority interest in Sugar.

The Mahindras began as business executives and set up as independent traders after the end of the Second War. They are now turning to manufacture of engineering products.

VARIETY OF INTERESTS

The major interests of Tatas are in Steel, Engineering, Power, Cotton, Investment, Managing Agency, Insurance, Trade, Chemicals, Cement, Vegetable Oil and Hotels in that order.

Leading Birla interests are in Banking, Cotton, Investment, Engineering, Paper, Rayon, Jute, Sugar, Tea and Trade. They have a large interest in Chemicals and Cement also within their textile and paper companies.

The Mafatlals are in Cotton, Investment, Jute, Dyestuffs and Sugar.

The Walchands are interested in Sugar, Construction, Investment, Engineering and Shipping.

The Mahindras are engaged exclusively in Trade and Engineering.

The Tatas have practically no interest in Banking, Timber, Rayon, Woollen, Sugar, Paper, Publishing, Real Estate, Glass, Plastics and Transport. The Birlas, on the other hand, are not interested in Power, Steel and Hotels.

The effect of Outer Circles on the occupation of the Tata Complex is to introduce relatively lighter industries and more of Trade and Managing Agency. The small outer circle of Birlas is dominated by Engineering, due entirely to Ashok Leyland. The Mafatlal Outer Circle merely adds Sugar, and more of Cotton and Investment. In the case of Walchands, the principal contribution of the Outer Circle is Shipping and Engineering, while in the case of Mahindras, it is still more Engineering and Trade.

SYSTEMS OF MANAGEMENT

In all the five Groups, the majority of companies is managed by Directors, but management by Managing Agents (including Secretaries and Treasurers) predominates in larger, public and manufacturing companies. Private, trading, and financial companies are generally managed by Directors. The relative importance of the managing agency system in each Group, therefore, depends to a considerable extent upon the magnitude of its interest in manufacturing industries. The preponderance of trading activity in the Mahindras, the large number of financial and trading companies in the Birlas, and the relative importance of investment and managing agency companies in the Mafatlals, probably explain why these Groups depend much less on the managing agency system as compared with the Tatas and Walchands.

TABLE 1: Assets of Industrial Companies
(Rs. lakhs)

Complexes	Circles	Total Assets	Net Fixed Assets	Investments	Inventory & Receivables
Tatas	Inner	253,90	159.95	7.10	81.63
	Outer	73.31	33,19	1.90	34.57
Birlas	Inner	134.36	60.95	7,67	58.15
	Outer	4.62	1.23	4	3.20
Mafatlals	Inner	17.96	4.68	1.48	8.75
	Outer	6.77	1,03	8	4.21
Walchands	Inner	16,00	3.44	1,24	10,60
	Outer	57.53	27.01	7.92	13.25
Mahindras	Inner	1.92	95	Neg	68
	Outer	1.03	7	—	93
Total		567.40	293.50	27.43	215.97
		(100.0)	(51.7)	(4.8)	(38.1)
Total excl Tatas		240.19	100.36	18.43	99.17
		(100.0)	(41.8)	(7.7)	(41.3)

Figures in parentheses are percentages.

The percentages do not add up to 100 since all the items under total assets are not given in the Table.

The Outer Circles of Tatas and Mahindras are even more dependent on the managing agency system than their Inner Circles. There is no significant difference in this regard between the Inner and Outer Circles of Walchands. The dependence of Birla and Mafatlal Outer Circles on this system is distinctly less than that of their Inner Circles.

SIZE DISTRIBUTION

More than one-half of total assets and net worth of the Tata Inner Circle is found in two giant companies, Tata Steel and Tata Loco, while an equal proportion in the Outer Circle is found within one company, Associated Cement. The Tatas and Birlas have companies which are individually larger than the total assets of the three smaller Groups taken together. The three smaller Groups have no company with total assets exceeding Rs. 12 crores; the largest company among them is Mahindra & Mahindra.

The Tatas and Birlas have a fairly large number of small companies. The smaller Groups seem to concentrate their activities in a few multi-functional companies, while the larger Groups disperse them over a large number of companies, the bigger ones among which perform more specialised functions as compared with their counterparts in the small Groups. For instance, Mahindra & Mahindra combines trade with engineering, investment and managing agency, and Walchand Private integrates managing agency with some investment. In the Tatas, Birlas and Mafatlals, the functions of managing agency, investment, trade etc. are, in general, handled by different companies.

PARTNERSHIP VENTURES

The Tatas, Walchands and Mahindras, in that order, resort to partnerships with other Groups more frequently and more widely than the Birlas and Mafatlals. Partnerships with foreign investors and collaborators are practically confined to the Tata and Mahindra Complexes. The Mafatlals and Walchands had no external financial collaboration, in 1958 at any rate. The Birlas enjoy foreign collaboration only in a select few enterprises.

STRUCTURE OF ASSETS AND LIABILITIES

Paid up capital is less than one-third of total liabilities in all the five Groups: it is 11 per cent in Mahindras, 33 per cent in Birlas (excluding the United Commercial Bank), and around 25 per cent in the remaining three Groups. Even net worth fails to provide an adequate measure of the size of companies and Groups, except in the Mafatlals. All other Groups, particularly Tatas and Mahindras, depend to a considerable extent upon external resources.

Net worth as a proportion of total liabilities is highest in the Mafatlal Inner Circle at 70 per cent, followed by Birlas with 54 per cent. The percentages in Walchands, Tatas and Mahindras are: 48, 37 and 14 respectively.

Net worth in the Inner Circles of Birlas, Mafatlals and Walchands is more than sufficient to cover the financial requirements of their net fixed assets and investment portfolios. The Mahindras have a slight deficit, and the Tatas a large deficit, of net worth compared with fixed capital requirements (i.e., fixed assets plus investments), largely due to the inadequacy of internal resources in their large companies.

Analysis of the structure of assets and liabilities of Industrial companies brings out two significant points. Industrial companies have the biggest investment portfolios in all Groups (with the exception of Mahindras), next to Investment companies. The investment portfolios (including Government and semi-Government securities) of all companies covered in this study aggregate Rs. 75 crores, of which Industrial companies contribute more than Rs. 27 crores. The latter appears small compared with net fixed assets of Rs. 294 crores in Industrial companies, but it represents, nevertheless, a significant addition to their fixed capital requirements, especially in the Birlas, Mafatlals and Walchands.

Figures of net fixed assets and investments in the five Complexes are given in Table 1. Any estimate of fixed capital requirements in Industry must, therefore, include the finance required for investments, most of which are gene-

TABLE 2: Ownership of 491 Companies

(Rs. lakhs)

	Tatas		Birlas		Mafatlals		Walchands		Mahindras		Total	
Companies	111		316		27		28		9		491	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	88,38	17,38	52,89	15,35	5,69	2,16	17,75	2,02	1,25	70	1,65,96	37,61
Owners:												
Indian Companies	29,80	2,51	22,93	5,93	2,64	56	6,30	30	24	11	61,91	9,41
Foreign Companies	3,40	22	73	—	—	—	—	—	17	2	4,30	24
Life Insurance Corp.	4,22	2,08	59	1,06	2	9	47	7	Neg	Neg	5,30	3,30
Government	1,25	2,73	75	94	—	—	1	1	Neg	25	2,01	3,93
Individuals & Firms in India	47,06	8,54	24,49	7,00	2,93	1,50	10,66	1,62	77	29	85,98	18,95
Trusts	2,03	1,29	3,26	38	—	1	Neg	—	—	—	5,29	1,68
Individuals Abroad	62	1	14	5	2	—	29	1	8	3	1,15	10
Of share capital held by Indian Coys:-												
Banks & Insurance	7,94	1,26	1,69	2,60	11	9	1,91	13	1	—	11,66	4,08
Investment & Mg. Agency	13,96	91	16,13	1,95	1,91	47	2,60	11	3	3	34,63	3,47
Industrial	7,34	10	3,86	1,21	61	—	1,79	3	—	—	13,60	1,34
Trading	56	24	1,25	17	1	—	1	2	20	7	2,03	50
Public Companies	16,64	1,61	19,37	5,84	70	15	5,63	26	12	9	42,46	8,05
Private Companies	13,16	90	3,56	9	1,94	41	67	4	11	2	19,44	1,46

Notes to Tables 2 to 9:
1 Inner and Outer Circles have been lumped together for the sake of convenience.
2 Indian companies include Exchange Banks but exclude Executor and Trustee companies.
3 Slight differences in totals are due to rounding.

rally of a fixed nature and which, from the point of view of the companies concerned, may be almost as important as fixed assets.

Another point is quantitatively even more significant. Inventory and receivables exceed fixed assets, except in Tata industrial companies (see Table 1). This high ratio of working capital requirements might be due partly to accelerated depreciation of fixed assets but it indicates, nevertheless, that working capital requirements of Industrial companies are, in general, even larger than their fixed capital requirements.

OWNERSHIP

Total share capital of the five Groups (i.e., Inner Circles only) aggregates Rs. 154.5 crores. Of this, 77 per cent is equity and 23 per cent is preference. The dependence of Walchands and Mahindras, the two smallest Groups, on preference capital is significantly higher as compared with the larger Groups.

The five Outer Circles have a total share of Rs. 49 crores, of which the Tata Outer Circle accounts for Rs. 29.70 crores and the Walchand Outer Circle for Rs. 14.86 crores. Their dependence on preference capital is substantially less than in the corresponding Inner Circles, and comes to only 5 per cent in the aggregate. Walchand and Mahindra Outer Circles have almost no preference capital.

Breakdown of ownership of 491 companies in so far as it could be inferred from shareholders' lists in or about 1958 is given in Table 2. The percentage-wise distribution is as follows:

	Equity	Pref
Indian Coys	37.3	25.0
Foreign Coys	2.6	0.6
L I C	3.2	8.8
Government	1.2	10.4
Indian Individuals	51.8	50.4
Trusts	3.2	4.5
Individuals Abroad	0.7	0.3
Total	100.0	100.0

TABLE 3: Ownership of 228 Public Companies

(Rs lakhs)

Companies	Tatas 70		Birlas 121		Mafatlals 16		Walchands 16		Mahindras 5		Total 228	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	77,80	16,06	48.07	15.17	4.42	1,08	16,36	2,00	1,11	64	1,47,76	34,95
Owners :												
Indian Coys	21,25	2.40	21.48	5,86	2,32	26	5,28	28	15	5	50,48	8,85
Foreign Coys	2,98	22	73	–	—	—	—	—	12	2	3,83	24
Life Insurance Corp.	4,22	2.08	59	1,06	2	9	46	7	Neg	Neg	5,29	3,30
Government	1,25	2,73	75	94	Neg	—	1	1	Neg	25	2,01	3,93
Individuals & Firms in India	46,28	8,34	21,25	6,94	2,05	72	10.31	1,62	76	29	80,65	17,91
Trusts	1,24	28	3.13	33	Neg	1	Neg	Neg	—	Neg	4.37	62
Individuals Abroad	59	1	14	5	2	—	30	1	8	3	1,13	10
Of share capital held by Indian Coys :-												
Banks & Insurance	7,,77	1,23	1,66	2.60	11	9	1,91	13	1	Neg	11,46	4,05
Inv & Mg Agency	8,16	87	14,92	1.90	1.60	17	2,67	11	2	1	27,27	2,94
Industrial	4,81	10	3,80	1,19	59	—	80	1	Neg	Neg	10,00	1,30
Trading	51	20	1.10	17	2	—	Neg	2	13	3	1.76	42
Public	12,19	1,53	18,52	5.77	68	15	4,65	24	5	3	36,09	7,72
Private	9,06	88	2,96	9	1,63	11	62	4	10	2	14,37	1,14

IMPERSONAL HOLDINGS

Individuals and Firms in India, thus, provide more than one-half of both equity and preference or Rs. 105 crores out of a total share capital (at par) of nearly Rs. 204 crores. Indian companies (including banks as non-veneficial owners but excluding executor and trustee companies) are the next largest shareholders with a contribution of Rs. 71 crores. The Life Insurance Corporation holds nearly Rs. 9 crores, and Trusts Rs. 7 crores. The figure of Trust holdings is clearly an under-estimate since section 153 of the Companies Act discourages registration of trusts as shareholders. Government has subscribed nearly Rs. 6 crores, and foreign investors about Rs. 5.8 crores. About 48 per cent of the share capital of the 491 companies, thus, comes from entities other than individuals.

The relative proportions naturally vary in different Complexes. Individuals in India, however, are the biggest single category of shareholders in all Complexes. Foreign investment is significant only in Tatas and Mahindras; L I C and Government investment is practically confined to Tatas, Birlas and Walchands. Corporate holdings are of substantial importance in all Complexes, and, in proportionate terms, even more so in Birlas, Mafatlals and Walchands. Trusts provide more than 6 per cent of Tata preference and Birla equity capital.

CORPORATE HOLDING

Analysis of Indian corporate (i.e., joint stock companies,) holding of Rs. 71 crores by occupation of investors indicates that Investment & Managing Agency companies (the former predominantly) are the biggest holders providing Rs. 38 crores. They are followeed by Banks & Insurance (mostly the former on behalf of their clients, especially in some Tata and Birla companies and in Scindia Steam) with nearly Rs. 16 crores. Industrial companies hold Rs. 15 crores and the remaining Rs. 2.5 crores comes from Trading companies, some of which in the Birla Group might actually be Investment companies. Industrial companies do not hold

TABLE 4: Ownership of 263 Private Companies

(Rs lakhs)

Companies	Tatas 41		Birlas 195		Mafatlals 11		Walchands 12		Mahindras 4		Total 263	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	10,58	1,32	4,82	18	1,28	1,08	1,38	2	14	6	18,20	2,66
Owners ·												
Indian Coys	8.55	11	1.45	7	33	30	1.03	2	8	6	17,44	56
Foreign Coys	42	—	—	—	—	—	—	—	5	—	47	—
Life Insurance Corp	—	—	—	—	—	—	—	—	—	—	—	—
Government	—	—	—	—	—	—	—	—	—	—	—	—
Individuals & Firms in India	79	20	3,24	6	95	78	36	—	1	—	5.35	1.04
Trusts	80	1,01	14	5	—	—	—	—	—	—	94	1,06
Individuals Abroad	3	—	Neg	—	—	—	Neg	—	—	—	3	—
Of Share Capital held by Indian Coys :-												
Banks & Insurance	17	3	3	—	—	—	—	—	Neg	—	20	3
Inv & Mg Agency	5.80	4	1,21	5	30	30	3	—	1	2	7.35	41
Industrial	2,53	—	6	2	2	—	99	2	—	—	3,60	4
Trading	6	3	15	—	—	—	1	—	7	4	29	7
Public	4,45	9	85	7	2	—	99	2	7	6	6.38	24
Private	4,10	2	60	Neg	30	20	4	—	1	—	5,05	32

TABLE 5: Ownership of 143 Investment & Managing Agency Companies*

(Rs. lakhs)

	Tatas 14		Birlas 110		Mafatlals 12		Walchands 7		Total 143	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	8,28	2,79	9,63	34	86	81	61	81	19,38	4,75
Owners :										
Indian Coys.	6,45	43	5,19	6	15	3	11	2	11,90	54
Foreign Coys.	38	22	—	—	—	—	—	—	38	22
Life Insurance Corp.	5	32	Neg	1	—	—	—	1	5	34
Government	14	34	—	—	—	—	—	Neg	14	34
Individuals & Firms in India	45	47	3,82	17	70	78	50	78	5,47	2,20
Trusts	81	1,01	62	7	—	—	—	—	1,43	1,08
Individuals Abroad	—	—	Neg	3	—	—	—	—	—	3
Of Share Capital held by Indian Coys.										
Banks & Insurance	58	21	15	1	Neg	—	Neg	1	73	23
Inv. & Mg. Agency	5,87	6	4,11	4	15	3	9	1	10,22	14
Industrial	—	5	53	1	—	—	1	1	54	7
Trading	—	10	40	Neg	—	—	1	—	41	10
Public	1,39	39	4,49	5	2	—	8	2	5,98	46
Private	5,06	4	70	1	13	3	3	Neg	5,92	8

* Includes companies the principal business of which consists of finance, investment and trading in shares.

TABLE 6: Ownership of 212 Industrial Companies*

(Rs lakhs)

Companies	Tatas 67		Birlas 110		Mafatlals 14		Walchands 16		Mahindras 5		Total 212	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	73,60	14,27	37,57	14,78	4,84	1,34	16,76	1,18	65	39	1,33,42	31,95
Owners :												
Indian Coys	20,61	1,79	15,78	5,81	2,49	51	5.95	26	18	4	45.01	8,41
Foreign Coys	2,87	Neg	73	—	—	—	—	—	16	2	3,76	2
Life Insurance Corp	3,87	1,74	43	1,05	2	9	48	6	—	—	4,80	2,94
Government	1,11	2,39	75	94	Neg	—	1	1	—	25	1,87	3.59
Individuals & Firms in India	43,95	8,06	17,27	6,68	2.30	71	10.02	84	23	5	73,77	16,34
Trusts	96	28	2,46	28	Neg	1	Neg	Neg	—	—	3,42	57
Individuals Abroad	24	1	13	2	2	—	29	1	8	3	76	7
Of Share Capital held by Indian Coys :-												
Banks & Insurance	6,87	89	1,51	2,59	9	9	1.90	13	Neg	Neg	10.39	3.70
Inv & Mg Agency	6,42	75	11,08	1,86	1,77	42	2,48	10	1	1	21,76	3,14
Industrial	6,79	4	2,46	1.19	59	—	1.58	1	Neg	—	11,42	1,24
Trading	52	10	73	17	1	—	Neg	2	17	3	1,45	35
Public	13,75	95	13,30	5,74	68	15	5,36	22	8	2	33,17	7,08
Private	6,86	83	2,48	7	1,81	36	59	4	10	2	11,84	1,32

* Industrial companies include all those companies, the principal business of which is manufacturing, mining and construction.

TABLE 7: Ownership of 127 Trading Companies*

(Rs lakhs)

Companies	Tatas 25		Birlas 93		Mafatlals 1		Walchands 4		Mahindras 4		Total 127	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	4,59	32	3,17	23	Neg	2	28	2	60	31	8,64	90
Owners :												
Indian Coys	2,20	29	1,39	6	—	2	14	2	5	6	3,78	45
Foreign Coys	15	—	—	—	—	—	—	—	Neg	Neg	15	—
Life Insurance Corp	28	2	2	—	—	—	—	—	Neg	Neg	30	2
Government	—	—	Neg	—	—	—	—	—	Neg	—	Neg	—
Individuals & Firms in India	1,33	1	1,61	15	Neg	—	14	—	54	24	3,62	40
Trusts	25	—	16	2	—	—	—	—	—	Neg	41	2
Individuals Abroad	38	—	Neg	—	—	—	Neg	—	—	—	38	—
Of share capital held by Indian Coys :-												
Banks & Insurance	9	15	1	—	—	—	2	—	Neg	Neg	12	15
Inv & Mg Agency	1,56	11	63	5	—	2	2	—	1	2	2,22	20
Industrial	53	Neg	64	1	—	—	10	2	Neg	Neg	1,27	3
Trading	2	3	10	—	—	—	—	—	4	4	16	7
Public	1,06	28	1,12	5	—	—	10	2	4	6	2,32	41
Private	1,14	2	27	1	—	2	4	—	1	Neg	1,46	5

*Trading companies include all those companies the principal business of which is trading (except in shares), hotels and services, real estate, printing and publishing, etc.

any significant amount of preference shares except in the Birla Group. The proportionate importance of Industrial companies as shareholders is clearly greater in the larger Groups.

About 70 per cent of Indian corporate holding comes from public companies and the rest from private companies. The latter are, comparatively speaking, interested much more in equity than in preference capital, and are much less important in Birlas and Walchands as compared with other Complexes.

Tables 3 to 7 give breakdowns of ownership separately for public and private companies and for the four occupational categories in which companies have been classified. As may be expected, the ownership of public companies is more widely distributed than that of private companies. (Tables 3 and 4). The investments of L I C, Government and foreign investors are wholly or predominantly in public companies. Tata, Walchand and Mahindra private companies are owned largely by corporate bodies but, in other Complexes, Individuals in India hold most of the share capital of private companies.

BANKS AS NOMINEES

The holdings of Banks & Insurance in private companies are quantitatively insignificant and even these are practically confined to the Tata Complex. Shares valued at Rs. 9 crores and Rs. 2 crores in Tata and Walchand public companies, respectively, are registered in the names of Banks & Insurance, mostly Banks. In general, the larger the share capital of a company, the greater the importance of Banks & Insurance as shareholders, due to the sizable lots registered in the names of Banks.

Tables 5 to 7 show the pattern of ownership of 143 Investment & Managing Agency, 212 Industrial and 127 Trading companies. Bank & Insurance have been left out because of their small number.

INVESTMENT COMPANIES

The Mahindra Complex has no company with investment and managing agency as its principal occupation. Companies in this occupational category in Mafatlals and Walchands are owned largely by Individuals but those in Tatas and Birlas are owned largely by corporate bodies and trusts (see Table 5). On the whole, the bigger the Complex the greater the importance of corporate bodies and trusts as owners of Investment & Managing Agency companies. Shareholdings by foreign companies, L I C and Government in Investment & Managing Agency companies are found almost exclusively in the Tata Complex. Indian corporate holdings in them come largely from other Investment & Managing Agency companies. These are supplemented by Banks & Insurance in Tatas, and by Industrial and Trading companies in Birlas. Most of the Indian corporate holding is with private companies in Tatas and Mafatlals, and with public companies in Birlas and Walchands.

Industrial companies (see Table 6) raise nearly 55 per cent of their share capital from Individuals in India, and another 32 per cent from Indian companies. Foreign investment in them amounts to Rs. 4.6 crores, mostly in equity. Government and LIC together have invested Rs. 13 crores or nearly 8 per cent of aggregate share capital, of which one-half is preference. Trusts have invested about Rs. 4 crores.

TABLE 8: Ownership of Companies by Occupational Categories

(Rs lakhs)

Owners	Total Share Capital (491)	Bank & Insurance (9)	Inv & Mg Ag (143)	Industrial (212)	Trading (127)
Indian Coys	71,32	1,21	12,44	53,42	4,23
Foreign Coys	4,53	Neg	60	3,78	15
L I C	8,61	16	39	7,74	32
Govt	6,01	Neg	50	5,51	—
Individuals in India	1,04,92	3.12	7,67	90,11	4,02
Trusts	6,95	4	2,51	3,97	43
Individuals Abroad	1,24	Neg	3	83	38
Total	2,03,58	4,54	24,13	1,65,37	9,54

Figures in parentheses give the number of companies.

TABLE 9: Synoptic View of Inter-Corporate Holdings

(Rs lakhs)

	Total	Type		Occupation			
		Public	Private	Bk & Ins	Inv & Mg Ag	Industrial	Trading
Number of Coys	491	228	263	9	143	212	127
Total share capital	2,03,57	1,82,71	20,86	4,53	24,13	165,37	9,54
Holding of Indian Coys	71.32	59,33	12,00	1.21	12,44	53,43	4,23
Of which held by:							
Public coys	50.41	43.81	6.62	1.00	6.44	40.25	2.72
Private coys	20.90	·15.51	5.37	21	6.00	13.17	1,51
Banks & Insurance	15,74	15,51	23	41	96	14.09	27
Inv & Mg Agency	38.09	30.33	7.76	41	10,36	24.90	2,43
Industrial	14,94	11.30	3,64	35	61	12.66	1,30
Trading	2,53	2.18	36	4	50	1.79	22

Of the Indian-corporate holding of Rs. 53 cores in Industrial companies, public companies provide Rs. 40 crores and private companies the remaining Rs. 13 crores. Occupationally, Investment & Managing Agency companies provide the lion's share of Rs. 25 crores, followed by Banks & Insurance with Rs. 14 crores. Industrial and Trading companies provide Rs. 13 crores and Rs. 2 crores, respectively. In the aggregate, Industrial companies raise less than 8 per cent of their total share capital from other Industrial companies.

Trading companies (see Table 7) are much smaller in size. Their ownership is quite narrowly distributed except in Tatas, who alone receive a large contribution from foreign investors and the LIC Complexes other than the Tatas raise the greater part of the share capital for their Trading companies from Individuals in India, but Indian companies make a useful contribution in all of them. Indian corporate holding in them is shared between Investment & Managing Agency and Industrial companies; other occupational categories of corporate holders are not very significant.

The approximate magnitude of share capital, including both equity and preference, raised by the four occupational categories of companies from various categories of owners is given in Table 8.

TABLE 10: Control of 402 Companies

(Rs lakhs)

Companies	Tatas 55		Birlas 308		Mafatlals 17		Walchands 15		Mahindras 7		Total 402	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	60,36	15,71	50,69	15,17	4,26	1,67	2,91	2,00	1,07	70	1,19,29	35,25
Controlling Interest holding	16,70	1,44	32,95	4,86	3,30	1,09	2,03	12	49	7	55,47	7,58
of which :												
Managing Agents	23	3	13	—	—	—	13	Neg	9	2	58	5
Investment Coys	7,66	5	14,75	1,75	1,50	31	1,40	3	—	—	25,31	2,14
Banks & Insurance	92	5	72	54	—	—	—	—	—	—	1,64	59
Industrial Coys	5,40	Neg	3,58	1,14	61	—	5	1	—	—	9,64	1,15
Trading Coys	2	3	93	15	—	—	—	2	2	5	97	25
Trusts	1,85	1,19	3,32	28	—	—	—	—	—	—	5,17	1,47
Individuals	62	9	9,53	1,01	1,19	79	46	6	39	—	12,19	1,95

Notes :

1 Analysis covers Inner Circles only.

2 An unincorporated Mafatlal managing agency holds shares in managed companies in the names of its partners, who also happen to be trustees of several Mafatlal Trusts. The managing agents' holding in Mafatlal companies is, therefore, an under-estimate. This does not affect the figure of total controlling block.

3 Absence of Trusts in the three smaller Groups is contrary to known facts. Their holdings could not be detected as such, and come under 'Individuals.'

4 It is possible that the controlling block held by Birla Trading companies is actually held by companies which trade in shares and which should, therefore, be described as Investment companies.

INTER-CORPORATE HOLDINGS

Table 9 presents a synoptic view of the pattern of inter-corporate holdings in so far as it can be observed from share-holders' lists. This picture is relatively more reliable and more comprehensive than the one that emerges from the analysis of inter-corporate investments as shown in balance sheets. Share capital held in the name of Indian companies is about 35 per cent of the total share capital of 491 companies. This proportion slightly over-estimates the relative magnitude of Indian corporate holding, since some Bank holdings possibly belong to unincorporated persons, including Trusts.

Investment and Managing Agency companies, the former predominantly, provide most of the corporate-held share capital in all occupational categories, except Banks & Insurance.

Banks & Insurance draw more than one-third of their corporate-held share capital from other Banks & Insurance.

Investment & Managing Agency companies get 83 per cent of their corporate-held share capital from other Investment & Managing Agency companies.

Industrial companies raise 23 per cent of their corporate holding from other Industrial companies.

Trading companies get about 30 per cent of their corporate holding from other Trading companies.

CONTROL

Analysis of control in quantitative terms is even more difficult than analysis of ownership, because a deliberate effort is made in several cases to conceal the proportion of share capital held by the Controlling Interest. In Outer Circles, there is the further conceptual difficulty of controlling investments made by or through minority companies.

Table 10 presents a synoptic analysis of holdings by the respective Controlling Interests in 402 Inner Circle companies. Outer Circles are excluded and dealt with separately.

Out of the total share capital of nearly Rs. 155 crores, taking equity and preference together, Controlling Interests provide Rs. 63 crores or 40 per cent. Excluding the Tata Group, in which controlling blocks are very low in proportionate terms, the Controlling Interests provide Rs. 45 crores or 57 per cent of the total share capital of Rs. 79 crores.

Barring the Tatas, the other four Controlling Interests taken together provide more than one-half of the share capital of their companies— 66 per cent of equity and 31 per cent of preference. The proportion in Mahindras is unduly depressed by their small holding in one Industrial company; in Mahindra & Mahindra itself, they hold more than two-thirds of the equity. In all Groups barring the Tatas, therefore, the respective Controlling Interests enjoy an absolute majority of voting power. The Birlas alone, however, have subscribed a substantial amount of preference capital of their companies.

The four largest holders of controlling blocks are Investment companies, Individuals, Industrial companies and Trusts, in that order. Bank & Insurance Companies figure as holders of controlling blocks only in Birlas and Tatas, since they alone control enterprises of this nature (the Tatas, however, do not control any bank). Trading companies are significant only in Birlas; some of these might actually be Investment companies.

Leaving aside the opposite extremes of Tatas, where Individuals hold barely 4 per cent, and Mahindras where they hold nearly 80 per cent, of controlling equity, the contribution of Individuals to controlling equity blocks is around one-fourth to one-third. The numerous Birla Trusts have subscribed nearly Rs. 3.60 crores to Birla companies, most of it in the form of equity. The relatively few Tata Trusts have invested more than Rs. 3 crores in Tata companies, of which more than Rs. 1 crore is in preference shares. It has not been possible to identify Trust holdings in the other three groups; such holdings come under Individuals in their case.

CONTROL VESTED IN INVESTMENT COMPANIES

It may be observed that, out of the aggregate holdings of Rs. 63 crores by the five Controlling Interests, Individuals

TABLE 11 : Percentage of Total Share Capital Held by Controlling Interests —By Types & Occuptions of Companies

(Inner Circles only)

(Percentages)

	Tatas (55)		Birlas (308)		Mafatlal (17)		Walchands (15)		Mahindras (7)		Total (402)		Total excl. Tatas (347)	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total	27.6	9.2	65.0	32.1	77.5	65.5	69.8	6.2	46.0	9.8	47.0	22.0	66.0	31.0
Public Coys	18.0	2.2	61.5	31.3	69.6	9.7	66.8	6.2	42.8	5.3	40.0	16.0	62.0	17.0
Private Coys	91.9	88.9	98.8	100.0	99.2	100.0	100.0	—	79.3	61.4	95.0	94.0	99.0	98.0
Banks & Insurance	24.5	—	23.2	—	—	—	—	—	—	—	24.0	—	23.0	—
Inv. & Mg. Agency	86.1	63.3	93.7	61.5	99.0	100.0	59.9	3.2	—	—	90.0	57.0	92.0	52.0
Industrial	18.7	2.1	57.6	30.7	74.3	35.2	72.1	8.3	16.6	8.5	38.0	17.0	83.0	30.0
Trading	47.6	51.1	95.6	82.9	100.0	100.0	—	—	69.1	11.5	69.0	45.0	91.0	45.0

Figures in parentheses give the total number of companies

TABLE 12: Tatas & Birlas — Percentage of Controlling Blocks under Various Heads

(Inner Circles Only)

(Percentages)

Occupation	Bank & Insurance		Inv. & Mg. Agency				Industrial				Trading			
	Tatas	Birlas												
Group	(5)	(3)	Tatas (11)		Birlas (109)		Tatas (25)		Birlas (106)		Tatas (12)		Birlas (90)	
Type of Shares	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
(a) Controlling Interest Tolding (Rs. lakhs)	47	59	5,38	1,13	9.01	21	9,06	30	20,45	4,47	1,79	1	2,91	19
(a) as per cent of Total Share Capital	24.5	23.2	86.1	63.3	93.7	61.5	18.7	2.1	57.6	30.7	47.6	51.1	95.6	82.9
Per cent of (a) held by:														
Managing Agents	—	—	0.1	—	Neg	—	2.4	4.9	0.7	—	0.8	100.0	—	—
Investment Coys.	18.1	31.1	79.5	1.7	45.6	17.7	25.9	11.8	48.1	37.2	53.4	—	21.4	25.7
Bank and/or Insurance	75.6	0.2	0.5	2.5	1.4	2.4	5.5	6.9	2.9	12.1	2.0	—	0.1	—
Industrial Coys	—	31.8	—	—	4.4	1.6	54.2	1.0	11.6	25.2	27.3	—	21.5	6.5
Trading Coys	1.4	0.3	—	—	4.4	1.7	Neg	11.3	2.3	3.2	0.6	—	1.9	—
Trusts	1.5	3.5	15.0	89.5	8.3	29.9	8.7	57.9	11.7	4.2	13.7	—	5.1	12.7
Individuals	3.4	33.1	4.9	6.3	35.9	46.7	3.3	6.2	22.7	18.1	2.2	—	50.0	55.1

Figures in parentheses give the total number of companies.

contribute Rs. 14 crores only, of which Rs. 9.5 crores is found in the Birla Group alone. The remaining Rs. 49 crores comes from institutional holders like joint stock companies and trusts.

Table 11 shows the proportions of controlling blocks by types and occupational categories of companies. Controlling Interests hold, in the aggregate, 40 per cent of equity and 16 per cent of preference in public companies, against 95 per cent and 94 per cent, respectively, in private companies. Exclusion of Tatas, however, raises the respective percentages in public companies substantially to 66 and 30.

Controlling blocks are highest in Investment & Managing Agency and Trading companies, followed by Industrial companies; they are lowest in Bank & Insurance. Barring Tatas and Mahindras, controlling equity confers an absolute majority of voting power in all categories except Bank & Insurance. Even the Tatas have an absolute majority of voting power in Investment & Managing Agency companies; in Industrial companies, however, their voting power is 19 per cent only.

INTER-GROUP DIFFERENCES

Tables 12 and 13 give the percentage distribution of controlling blocks held under various heads in different occupational categories. Birla and Mafatlal financial companies (i.e., Bank & Insurance and/or Investment & Managing Agency companies), receive a significant proportion of their controlling equity from Industrial companies. This practice is not found in the other three Groups. The holdings of managing agents acting as such are almost wholly confined to Industrial companies and even these are of little or no significance.

There are some interesting differences in the pattern of holding of controlling blocks as between different Groups.

Tata Insurance companies are controlled largely through other Insurance companies and to a small extent through Investment companies. Controlling equity in Birla Bank and Insurance companies is shared almost equally between

TABLE 13: Mafatlals, Walchands, Mahindras—Percentage of Controlling Blocks under Various Heads

(Inner Circles Only)

(Percentages)

Occupation	Inv & Mg Agency				Industrial						Trading			
Group	Mafatlals (6)		Walchands (6)		Mafatlals (10)		Walchands (9)		Mahindras (3)		Mafatlals (1)		Mahindras (4)	
Type of Shares	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
(a) Controlling Interest Holding (Rs lakhs)	54	76	33	3	2.76	31	1,70	10	8	3	Neg	2	41	4
(a) as % of Total Share Capital	99.0	100.0	59.9	3.2	74.3	35.2	72.1	8.3	16.6	8.5	100.0	100.0	69.1	11.5
% of (a) held by:														
Managing Agents	—	—	3.5	—	—	—	6.9	2.6	86.5	63.6	—	—	4.6	—
Investment Coys	1.5	—	22.4	—	54.2	90.8	78.2	26.4	—	—	—	100.0	—	—
Industrial Coys	4.6	—	—	24.0	21.3	—	3.0	5.9	—	—	—	—	—	—
Trading Coys	—	—	—	—	—	—	—	20.4	8.2	30.3	—	—	2.9	97.7
Individuals	93.9	100.0	74.1	76.1	24.5	9.2	12.5	44.7	5.3	6.1	100.0	—	92.5	2.3

Figures in percentages give the total number of companies.

Trust holdings could not be identified in these three groups.

Individuals, Industrial companies and Investment companies.

Investment & Managing Agency companies of Tatas are controlled in the name of other Investment companies, and Trusts. In their Birla counterparts, controlling equity is dispersed over Investment companies, Individuals, Trusts, and Industrial companies. Individuals hold most of the controlling blocks in Mafatlal and Walchand Investment and Managing Agency companies. The Mahindras have no such company.

Controlling blocks in Industrial companies are more widely distributed in all the five Groups. The four largest holders of controlling equity blocks in Industrial companies are as follows, in order of importance:-

Tatas—Industrial companies, Investment companies, Trusts, Insurance companies.

Birlas—Investment companies, Individuals, Trusts, Industrial companies.

Mafatlals—Investment company, Individuals, Industrial companies.

Walchands—Investment companies, Individuals, Managing Agents, Industrial companies.

Mahindras—Managing Agents, Trading companies, Individuals.

If allowance is made for the distortions caused by specific factors, it can be clearly stated that Industrial companies are controlled mostly by Investment companies.

Trading companies, excepting those in Tatas, tend to be controlled mostly by Individuals, who hold all or nearly all the controlling equity in Mahindras and Mafatlals, and one-half of it in Birlas. In the last mentioned Group, the remainder of controlling equity is held largely by Industrial and Investment companies. Tata Trading companies get more than one-half of their controlling equity from Investment companies, and most of the balance from Industrial companies and Trusts.

OUTER CIRCLES

The estimation of Group interest in Outer Circles is very difficult, because, in several cases the Group's investments are made by and through '50-50' and minority companies. A synoptic picture of respective Group interests in their Outer Circles is, nevertheless, attempted in Table 14, without any attempt at aggregation. It should be made clear at the outset that the figures in Table 14 tend to overestimate Group holdings.

Tata equity holding in their Outer Circle is 13 per cent which involves some over-estimation. The Birlas hold nearly 16 per cent, Mafatlals about 25 per cent, and Walchands nearly 17 per cent. The Mahindra holding is the highest at about 41 per cent due to the extremely narrow ownership of their Outer Circle.

Investments of Managing Agents as a weapon of control become more important in the Outer Circles of Tatas, Walchands and Mahindras, than in their respective Inner Circles. But actually this is of significance only in the Tata Outer Circle, where MacNeill & Barry and Kilburn Private have bulky investment portfolios.

In Tatas, Birlas and Mafatlals, the Groups' blocks in the Outer Circles are held largely or almost wholly by Investment (and Managing Agency) companies, but in Walchands, Industrial companies are the largest single holders. In Mahindras, the function is performed by Trading companies.

Individuals and Trusts hardly matter in the aggregate as holders of Group blocks in Outer Circles. Industrial companies are, however, of considerable importance in Walchands, Tatas and Birlas.

TECHNIQUES OF CONTROL

The five Groups offer an interesting variety of techniques of control, but only a few highlights can be given here.

The Mahindra family and top executives hold more than two-thirds of the equity of Mahindra and Mahindra, the investments of which, together with those of its subsidiary, Turner Hoare Private (in which the Tatas have a minority

TABLE 14: Group Interest in Outer Circles.

(Rs. lakhs)

	Tatas		Birlas		Mafatlals		Walchands		Mahindras	
Companies	56		8		10		13		2	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	28,03	1,68	2,20	18	143	49	14,84	2	18	—
Group Holding*	3,63	16	34	Neg	36	12	2,47	2	7	—
% of Total Share Capital	(13.0)	(9.5)	(15.5)	(2.6)	(25.2)	(24.5)	(16.6)	(100.0)	(40.5)	(—)
Managing Agents	82	4	—	—	—	—	7	—	1	—
Investment Coys	1,76	3	26	—	33	11	74	—	—	—
Banks and/or Insurance	24	3	1	Neg	—	—	—	—	—	—
Industrial Coys	65	5	2	—	—	—	1,52	2	—	—
Trading Coys	2	—	Neg	—	—	—	—	—	7	—
Trusts	4	—	—	Neg	—	—	—	—	—	—
Individuals	10	Neg	5	Neg	3	1	15	—	Neg	—

* Includes holdings of 50.50 and minority companies by and through which Group investments are made

interest), control the rest of the Complex. The investments of Mahindra family and executives are almost totally confined to the principal company.

Walchand Private is wholly owned by the Walchand family. The investments of this company, and those of Premier Construction (originally a Tata Company, in which the Walchands hold less than 10 per cent of equity) ultimately control most of the companies in this Complex, with the help of intermediate investing companies. Members of the Walchand family, however, make a fairly consistent and substantial contribution to the controlling equity of nearly all the companies in the Complex, except those which are wholly or almost wholly owned by Premier Construction.

Mafatlal Gagalbahai Private is wholly owned by members of the Mafatlal family. Most of the Industrial companies in this Group are direct or ultimate subsidiaries of this company, which is also responsible for the Group's investments in the Outer Circle. Some leading Industrial companies act as intermediate holding companies. Apart from holding the entire share capital of the principal company, members of the Mafatlal family and Group executives are significant holders of controlling block in only one major Industrial company.

The chain of control in the two larger Complexes is more involved :-

Members of the Tata family and executives of the Group are of negligible significance as holders of controlling blocks at all levels in the Tata Complex. Tata Sons Private, the principal company, is owned to the extent of more than 80 per cent by Trusts. The Complex is held together by the combined investments of Investment and Industrial companies, and Trusts. Insurance companies are also significant, but their contribution is marginal in the aggregate.

Tata controlling blocks are relatively small in the aggregate, but this conceals the fact that they are really low only in Industrial companies and in New India Assurance, but quite substantial in Investment, Managing Agency, Trading and Insurance companies other than New India

Assurance. Tata Trusts and Investment companies hold small controlling blocks in Industrial companies, many of which have a very wide ownership, especially in Tata Steel, which, in turn, hold relatively substantial lots in some Industrial companies in the Inner as well as the Outer Circle.

The Birla chain is the most complex of all. One cannot find any single principal company in the Birla Complex, to which ultimate control can be traced on a purely inductive basis. Controlling investments are dispersed over a phenomenally large number of corporate investors, trusts, and individuals, many of whom are not members of the Birla family nor even top executives of the Group. Controlling equity in most of their leading Industrial companies is held mostly in the names of Investment companies registered in the states of Madhya Pradesh and Rajasthan. Moreover, investments by Industrial companies in technically unrelated concerns, and a kind of circular flow by means of which controlling funds return to their starting points, are utilised for controlling the farflung Complex.

Controlling investments in all Groups are dispersed to a greater or smaller degree over a number of investors. The dispersion is particularly wide in the Birla Group. Even the small and young Mahindras have some division of controlling investments between two companies.

Except in the Walchand Group, managing agents hardly matter as holders of controlling blocks. Three managing agency companies in the Tata Complex, i.e., Forbes, Forbes & Campbell Private, Macneill & Barry and Kilburn Private, are the only significant exceptions to what appears the general rule.

III

THE findings of this study firmly support the view that inter-corporate investment especially by Investment companies, is one of the major instruments of control in the corporate sector. The growth of inter-corporate investment is a logical and integral part of the process of extension of control, investment and management which in greater or lesser degree accompany corporate growth. The problem has, therefore, to be viewed empirically. High rates of taxation of income and wealth, along with several other factors, encourage the rich to disperse and impersonalise their holdings of wealth, largely through the creation of companies and trusts, since these enjoy a number of advantages ranging from comparatively lower or no taxation at all to independent and perpetual existence. Corporate bodies have the further advantage that they can, if they so desire, secure public participation in their share capital and loans can be raised against the pledge of their shares and debentures.

Decision-making power has to be backed up and maintained with controlling investments which have to come from corporate bodies to the extent that they do not emanate from individuals and trusts. As the corporate sector expands and private proprietorship of business tends to decline, the importance of inter-corporate investment in the ownership and control of corporate bodies is bound to increase.

CAPABLE OF ABUSE

Inter-corporate investment is not inherently anti-social. It provides a flexible mechanism for control of existing undertakings and promotion of new enterprises. Simultaneously, however, it enables controlling interests to maximise their area of control and influence through a chain of minimum and indirect investments. Inter-corporate investment is, therefore, capable of abuse, and the law has to step in to prevent abuses which may be detrimental to the interests of shareholders and even more to the economic development of the country.

A few instances of abuse of inter-corporate investment have been noticed in the course of this study. Several companies, including industrial enterprises, have been found to hold shares in other companies, apparently not so much for investment nor even for the advancement of their own business, as for taking advantage of capital market situations and/or for serving the purposes of their controlling interest. In some cases, it can be clearly perceived that inter-corporate investments (and loans) enable some groups to set up companies the existence of which as working entities appears doubtful and help companies to purchase their own shares indirectly, transfer profits and losses, and to enter into transactions of a similar nature. There can be little doubt that these abuses are motivated largely by the desire to reduce tax burdens rather than to evade the provisions of the Companies Act. Problems connected with taxation are beyond the scope of this study. Attention is confined here, therefore, to legal aspect of the problem of checking these abuses.

AMENDMENT OF COMPANY LAW

Section 372 of the Companies Act, 1956 deals with inter-corporate investments. Under this section, the amount invested in the shares of any other company in the same Group as defined in Section 370 should not ordinarily exceed 10 per cent of the subscribed capital of the other company, and the total amount invested in companies in the same Group should not exceed 20 per cent of the subscribed capital of the investing company. Investments above these limits require the approval of shareholders of the investing company and of the Central Government. These restrictions do not apply, however, to banking and insurance companies (which are regulated by special legislation), investment companies, private companies, and to holding companies in respect of their subsidiaries. Nor do they apply to investments by managing agents and secretaries and treasurers in companies under their management. The definition of companies in the same Group has, according to the Company Law, Department, proved too narrow and easy to evade.

The Companies Amendment Bill just passed by the Lok Sabha widens the scope of Section 372 considerably. Briefly, the amended section permits a company to invest in the shares of any other company up to 10 per cent of the latter's subscribed capital, provided the aggregate investment of the company in the shares and debentures of other companies, whether in the same Group or not, does not exceed 30 per cent of the company's own subscribed capital; of this, not more than two-thirds should be in companies in the same Group. Any investment above these limits will require the consent of shareholders of the investing company, as also the approval of Government. The list of exemptions is practically the same as in the principal Act, except that the amended section also applies to Investment companies, which, however, are not subject to the aggregate limit on investments of 30 per cent of their subscribed capital. Read with the new Section 43A, the new Section 372 also applies to those private companies which may be deemed to be public companies.

These amendments should enable Government to regulate inter-corporate investment more effectively and to impose some checks on the operations of investment companies which, in spite of their importance as investors on behalf of controlling interests and as speculators on stock exchanges, have been practically unregulated hitherto.

It should be clearly realised, however, that the Company Law Department, as constituted and empowered at present can regulate inter-corporate investment only to safeguard the interests of shareholders of investing companies. It can hardly regulate such investment in the public interest in general.

One can understand the exemption of foreign-owned private companies from the new Section 43A, but it is difficult to understand why the exemption should be extended to private companies which are wholly owned by other private companies incorporated in India. The latter exemption might encourage the formation of circular chains of private companies wholly owned by one another indirectly.

The Act gives two definitions of Investment companies. One is that of companies the principal business of which is the buying and selling of shares, and the other is that of companies which acquire shares. Most investment companies combine both these activities but the relative importance of these two activities differs. Note (L) to Schedule VI of the original Act allowed investment companies not to disclose their investments in those shares and debentures which are listed at stock exchanges but required them to give full particulars of their investments in unquoted shares and debentures. (Many investment companies have evaded even the latter requirement by tucking away all or nearly all their investments as stock-in-trade under Current Assets avoiding thereby disclosure of any particulars at all. The value of their stock-in-trade is generally 'certified by management', presumably without a physical check by auditors). Managing agency companies were similarly exempted from disclosing particulars of their investments in companies under their management. These exemptions were justified on the ground that disclosure of investments might be detrimental to the business of investment and managing agency companies. The validity of this argument is rather doubtful. The amended Act retains the exemption from disclosure of particulars of investments in the case of managing agency companies, but withdraws it from investment companies, including those which put down their investments under Current Assets.

PROTECTION AGAINST CORNERING

It is true that the knowledge that the holding by managing agents in a managed company in small can encourage cornering, but non-disclosure of such investments by managing agents in their balance sheets cannot by itself keep back this knowledge from potential cornerers. Cornering of shares of companies listed at stock exchanges has little or nothing to do with disclosure of investments in the balance sheets of their managing agents. It is encouraged by the tempting liquid resources of some managed companies in which the controlling interest has a very small holding—a piece of information which is secured not from the balance sheet of the managing agency, but from the shareholders' list of the managed company, and inside information. In any event most managing agents have negligible investments in the companies under their management, and leave controlling investments to trusts and other companies in the same Group.

Government now holds wide powers to frustrate cornering of shares and attempts to displace existing managements which, thus, enjoy an unparallelled degree of protection. Managing agents are hardly likely to lose anything if they have to disclose their investments in managed companies, especially since, in most cases, the share holding of managing agents, if any, is only a small fraction of the total holding by the controlling interest.

As regards investment companies, there is little substance in the argument that disclosure of their investments would inhibit their operations. A similar argument, it may be recalled, was put forward in less enlightened days by managements of public industrial companies. There is no particular reason why investment companies should be exempted from the general obligation imposed on most other corporate bodies to divulge their investments. Data collected in this study conclusively establish that companies are controlled, in terms of voting power, by the holdings of investment, rather than managing agency, companies. While the latter have been severely regulated by the Companies Act, the former had hitherto been free from regulations. This freedom is going to end at last.

CHECK ON INVESTMENT COMPANIES

There are a few genuine investment companies which are neither 'holding' companies in the sense of being companies which invest nearly all their funds in the same Group to which they belong, nor are they 'share trading' companies which are largely responsible for speculative activities. These genuine investment companies perform a useful function in the capital market, and deserve support and encouragement through relief in taxation, exemption from some of the restrictions applicable to 'holding' and 'share trading' companies, etc. They can be separated from the motley crowd of 'holding' and 'share trading' companies through a process of administrative screening, if they desire to qualify for tax relief, etc., which should be conditional on their continuance as genuine investment companies through each accounting year. A tentative criterion for a genuine investment company can be that the company, whether public or private, should invest or lend more than one-half of its resources outside the Group to which it belongs. Such a criterion cannot possibly be incorporated in the Company Act for no legal definition of Groups could be adequate, but it may not be difficult to apply the criterion administratively. Abuses can be prevented by publicising the names of all investment companies which are given recognition every year.

There has been a mushroom growth of 'holding' and 'share trading' type of investment companies, especially in Madhya Pradesh, Rajasthan and West Bengal, since 1940. This study could not go into the motives behind this mushroom growth, but the statistical and other information collected left little doubt that much of this growth was unhealthy. To discourage the formation and (nominal) working of such companies action under the Companies Act alone will not be enough; among others. Income Tax authorities have also to play their part. With the proposed amendment of the Income Tax Act, there should be no difficulty in pooling the information and resources available with the two Departments to take co-ordinated action for curbing the anti-social activities of such companies.

The absence of co-ordination so far between the Income Tax and Company Law Departments has, among other things, led to a wide disparity in the estimation of corporate activity by these two Departments. According to the

Income Tax Department, the number of companies assessed to tax was around 11,000 only in 1958, while for the same year the Company Law Department gave out a figure of about 29,000 as the number of 'companies at work, incorporated in India'. Even when allowance is made for new and inactive companies and companies not liable to tax owing to various tax concessions, the disparity in numbers, particularly in West Bengal, is too glaring to be glossed over lightly.

SHAREHOLDERS' LISTS

The number of shareholders in leading public companies like Tata Steel, ACC, Hindusthan Motors, etc., is increasing very rapidly. There are many other companies which also have a large number of shareholders. The Companies Act allows companies to file a complete list of their shareholders once in three years, and to file only a list of transfers in the other two years. If the shareholders' lists of companies with a large number of shareholders are complete, they are very bulky and difficult to scrutinise. If, on the other hand, they are merely a record of transfers, it is difficult to find out the ownership and control of companies in two years out of three. To enable Government and other interested parties to have compact and comprehensive data on the ownership and control of companies, a compromise arrangement may be suggested on the following lines: companies with less than 5,000 shareholders may submit a complete list of their shareholders every year. Those with a larger number of shareholders need submit only a list of transfers in two years out of three, on condition that they file every year a list of their top 100 shareholders giving their names and addresses and the full extent of their shareholding. This compromise might necessitate an amendment of Section 159 and Part II of Schedule V of the Companies Act.

BANK HOLDINGS

Some measures have also to be taken to make shareholders' lists more reliable than they are at present. The Company Law Department can do very little about it. The remedy lies partly with the Reserve Bank, and partly in imposing checks on trusts and *benami* holdings. Regulation of blank transfers is an altogether separate and trickly affair into which it is not proposed to enter here.

Banks are found to be holding large blocks of shares in many companies, including some private and very narrowly owned public companies. It is an open secret that more than 90 per cent of such holdings do not belong to banks as beneficial owners, but are held by them in various capacities on behalf of their clients. The only restriction on share holding by banks in operation at present is under Section 19 (2) of the Banking Companies Act, which limits their holdings in individual companies to 30 per cent of the paid up capital of these companies, or 30 per cent of the paid up capital and reserves of the bank concerned, whichever is less, in the capacity of pledgees, mortgagees or absolute owners. The Reserve Bank has powers under Section 36 (1) (a) of the above Act to regulate holdings of banks as nominees or trustees, but has not exercised these powers so far.

Registration of shares in the names of banks is widely used for concealing the ownership and control of companies. Allowance may and should be made for use of shares for raising bank credit, which cause for greater transferability of bank-held shares, and the recognition of the status of banks as trustees, but not to the extent of reducing the shareholders' lists of some companies to a fiction! The Reserve Bank could discourage such holdings through moral persuasion and by calling for returns under Section 36 (1) (a) of the Banking Compaines Act. It is difficult to suggest any hard and fast limits on bank holdings on behalf of their clients in any capacity. An operationally feasible ceiling may be placed at 1 per cent of a company's paid up share capital in all cases where the bank concerned is not the beneficial owner. This limit should also apply to executor and trustee companies which are subsidiaries of banking companies. Information on major holdings of this kind collected by the Reserve Bank should be made available to the Company Law Department.

CONCENTRATION OF CONTROL

A few tentative observations may now be made on some of the wider issues which arise out of this study. This study did not and could not, within its static and other limitations, make an attempt to measure concentration of control in the private sector. The data collected indicate, nevertheless, that the Groups studied and the areas under their influence are larger than they would appear to be, if one were to go by the definition of Groups laid down under Section 370 (and implied under Section 332) of the Companies Act, 1956, and larger also than they are commonly believed to be. It would not be surprising if Groups other than those studied here were also found to control and influence a corresponding wide area of corporate activity.

VARIETY OF ACTIVITIES

Groups in India, in contrast to their counterparts in some other countries do not, in general, exhibit horizontal and/or vertical integration of industries in the technical sense. The integration they seek to achieve is basically not technical but financial and managerial. Of the five Groups covered in this study, for instance, the Mafatlals alone can be said to have horizontal and/or vertical integration, though they too have shown a propensity to invest large funds in industries like sugar and shipping, which are not related in the technical sense with their cotton mill business. The Mahindras are also integrated on this principle but they are still too young to be assessed. The investments of Tata industrial companies are generally horizontal or vertical but the Group as a whole has spread its investments pretty far and wide. Investments of Birla industrial companies have, in many cases, little or nothing to do with their own business. The Group appears to be over-burdened with investment and trading companies, and the variety of its industrial interests is remarkable. Some of the leading industrial companies in the Group, like Birla Jute and Jiyajeerao Cotton, moreover, combine entirely different occupations.

The great variety of the industrial interests of Groups is, partly, a legacy of the managing agency system and is, partly, due to the relatively small and unstable market for each industry obtaining in the past. Since its inception, the managing agency system has sought to combine trade, finance and management of technically unrelated industries like tea, coal, jute, etc. It is possible that if managing agents had resisted the temptation of financial integration, and specialised in individual industries, the country might have been even less industrialised than it is, because nobody else might have been able to establish and manage the industries which have been built up over the last 75 years or so. What might have been useful in the past, however, may not be equally useful in the future. Of late, Groups have shown a tendency towards excessive diversification of their interests which they seek to achieve, partly, by complete or partial acquisition of old European concerns, and, partly, by proliferating into various unrelated industries. This tendency may help industrialisation in the short run but can hardly be considered beneficial ultimately.

Groups of the kind we have can, *a priori*, secure only the economies of large scale finance and over-all top management, and the advantage of stability if and when faced with major fluctuations in individual industries. They cannot secure in full measure the technical and technological economies of horizontal and vertical integration, and the economies of specialised management. Many reasons can be given for the relative neglect of marketing efficiency, technological development and trained specialised management in India, but one of the most important among them is that the interests of Groups are far too diffused over industrial as well as non-industrial occupations to enable —and induce—them to concentrate their attention on the problems of individual industries.

GOVERNMENT POLICY

In fairness to Groups, two specific factors which are partly responsible for intensification of the tendency to proliferate into unrelated industries may be mentioned. One is the fear of nationalisation of basic industries in which certain Groups like the Tatas, for instance, have invested the bulk of their capital, management and prestige. So long as the fear of nationalisation remains, the Groups likely to be most affected by it are bound to hedge their risks by a wider dispersal of their investments.

The other factor is the absence at times of an adequately gainful outlet within their occupation for surplus funds that accumulate in some of the older concerns, especially in cotton and jute industries. While these industries are not too prosperous, as a whole some units in them have fairly large liquid resources which are not ploughed back into these industries because there is little scope for their expansion and other and newer industries offer better rewards. Cotton companies, in particular, have been diversifying their activities of late by investing their funds in rayon, chemicals, engineering, etc., either by setting up new divisions or through inter-corporate investments. This pattern of growth might help in filling up the gaps in the industrial structure, but whether it is consistent with Plan priorities and the need to modernise these two leading industries is doubtful. Government has imposed a number of restrictions on the expansion of cotton mills, while in the case of jute, the industry itself, with the approval of Government, restricts production. Though these restrictions have been in existence for many years. Government has not deemed it necessary to follow them up with a positive policy for the planned utilisation of surplus funds available with some companies in these industries.