



सत्यमेव जयते

GOVERNMENT OF INDIA
TARIFF COMMISSION

R E P O R T
ON THE
CONTINUANCE OF PROTECTION TO
THE HYDROGUINONE INDUSTRY



सत्यमेव जयते

BOMBAY
1959

PERSONNEL OF THE COMMISSION

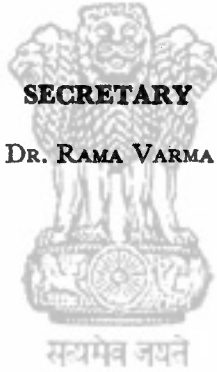
SHRI C. RAMASUBBAN	. . . . .	<i>Chairman</i>
DR. S. K. MURANJAN, D. SC. (LONDON)	. . . . .	<i>Member</i>
SHRI J. N. DUTTA	. . . . .	<i>Member</i>
SHRI R. S. BHATT	. . . . .	<i>Member</i>

PERSONNEL OF THE PANEL WHICH HEARD THE CASE

SHRI C. RAMASUBBAN
SHRI J. N. DUTTA
SHRI R. S. BHATT

SECRETARY

DR. RAMA VARMA



GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 26th Nov., 1959.

RESOLUTION.

Tariffs

No. 8(1)-T.R./59.—The Tariff Commission has submitted its Report on the continuance of protection to the Hydroquinone Industry on the basis of an inquiry undertaken by it under the provisions of Section 11 (e) read with Section 13 of the Tariff Commission Act, 1951. The Commission has recommended that protection granted to the Industry need not be continued beyond 31st December, 1959.

2. Government accept the recommendation made by the Tariff Commission and will take steps in due course to discontinue protection to the Hydroquinone Industry with effect from the 1st January, 1960.

ORDER

ORDERED that a copy of the Resolution be communicated to all concerned and that it be published in the Gazette of India.

सत्यमेव जयते
S. RANGANATHAN,

Secretary to the Government of India.

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

New Delhi, the 26th Nov. 1959.

NOTIFICATION

Tariffs

No. 8(1)-T.R./59.—Whereas the Central Government is satisfied, after due inquiry, that the duties chargeable under the First Schedule to the Indian Tariff Act, 1934 (32 of 1934), in respect of the article specified in item No. 28(32) of the said Schedule, and characterised as protective in the third column thereof, have become excessive for the purpose of securing the protection intended to be afforded by them to similar articles manufactured in India ;

Now, therefore, in exercise of the powers conferred by sub-section (1) of the section 4 of the said Act, as in force in India and as applied to the State of Pondicherry, the Central Government hereby reduces with effect from the 26th November, 1959 the duties of customs on the said article so that the duties chargeable shall from the said date be as specified in column 3 of the table annexed hereto.

THE TABLE

Item No. of Tariff	Name of Article	Rate of duty
1	2	3
28 (32) Hydroquinone —		
	(a) of British manufacture	30 per cent <i>ad valorem</i>
	(b) not of British manufacture	40 per cent <i>ad valorem</i>
Provided that Hydroquinone manufactured in a British Colony shall be deemed to be of British manufacture.		

S. RANGANATHAN,
Secretary to the Government of India.

CONTENTS

PARAGRAPH	PAGE
1 Previous tariff inquires	1
2 Present inquiry	1
3 Method of inquiry	1
4 Implementation of the Commission's recommendations made in 1955 on matters other than tariffs	2
5 Scope of the inquiry	3
6 Present position of the industry	3
7 Domestic demand	4
8 Rated capacity and production	5
9 Raw materials	6
10 Quality	7
11 Imports control policy and imports	7
12 Existing rate of duty	8
13 Estimates of the cost of production and fair ex-works price	8
14 C.i.f. prices and landed costs of imported hydroquinone	10
15 Measure of protection	11
16 Acknowledgments	12

APPENDIX

I List of persons or bodies to whom the Commission's questionnaires were issued and from whom replies or memoranda were received	13
II List of persons who attended the public inquiry on 5th May, 1959	15

REPORT ON THE CONTINUANCE OF PROTECTION TO THE HYDROQUINONE INDUSTRY

1. The claim of the hydroquinone industry to protection or assistance was first examined by the Tariff Board in 1951 and on its recommendation, protection was granted to the industry by Government by converting the then existing revenue duties of 27·3 per cent. preferential and 37·8 per cent. standard, into protective duties at the same rates from 7th March 1952. These duties remained in force till 31st December 1953. The Commission conducted an inquiry in regard to continuance of protection to the industry in 1953, and in its Report of 26th May 1953, recommended enhancement of the preferential rate of duty on hydroquinone from 27·3 per cent. to 50 per cent. *ad valorem*, the standard rate of duty being fixed in accordance with the terms of the Indo-U. K. Trade Agreement. The Commission further recommended that the enhanced rates of protective duty should remain in force up to 31st December 1955. The Government of India accepted the recommendation regarding increase in the rates of protective duties, *vide* Ministry of Commerce and Industry Resolution No. 8(3)-T.B./53 dated 15th August 1953. These rates were raised to 50 per cent. *ad valorem* preferential and 60 per cent. *ad valorem* standard, and protection to the industry was extended up to 31st December 1955 by the Indian Tariff (Second Amendment) Act, 1953. The Commission conducted the next inquiry regarding continuance of protection to the industry in 1955 and recommended continuance of protection for a further period of four years, *i.e.*, till 31st December 1959 at the existing rates of protective duty *viz.*, 50 per cent. *ad valorem* preferential and 60 per cent. *ad valorem* standard. The recommendation was accepted by Government *vide* Ministry of Commerce and Industry Resolution No. 8(2)-T.B./55 dated 11th June 1955 and was given effect to by the Indian Tariff (Second Amendment) Act, 1955.

2. As protection granted to the industry is due to expire on 31st December 1959 the present inquiry has been undertaken under Section 11(e) read with Section 13 of the Tariff Commission Act, 1951 under which the Commission is empowered to enquire into and report on any further action in relation to the protection granted to an industry with a view to its increase, decrease, modification or abolition according to the circumstances of the case.

3.1. Questionnaires for manufacturers, importers and consumers were issued on 14th February 1959. The Development Wing was requested to submit a detailed memorandum on the progress and present position of the hydroquinone industry. The Collectors of Customs were addressed for information relating to c.i.f. prices and landed costs of imported hydroquinone. Letters were

addressed to the High Commission of India in the United Kingdom and Embassies of India in the U. S. A., West Germany and France for information regarding current f.o.b. prices of hydroquinone in the respective countries together with information regarding freight and insurance charges from the port of consignment to main Indian ports. A list of those to whom questionnaires and letters were issued and from whom replies or memoranda were received is given in Appendix I.

3.2. Shri R. S. Bhatt, Member and Shri S. S. Mehta, Technical Director (Chemicals), visited the factory of Kesar Sugar Works Ltd., Bombay on 29th April 1959. Shri E. S. Natarajan, Assistant Cost Accounts Officer, visited the factory of Kesar Sugar Works, Bombay from 19th to 24th February 1959 and the factory of Satyadev Chemicals Ltd., Baroda from 30th March to 4th April 1959 to examine the cost of production of hydroquinone at these factories. Shri M. S. Marballi, Research Officer (Chemicals), also visited these factories to assist the Assistant Cost Accounts Officer in carrying out the cost investigation. A public inquiry into the industry was held at the Commission's office in Bombay on 5th May 1959. A list of persons who attended the inquiry is given in Appendix II.

4. The recommendations made in our Report of 1955 on matters other than tariffs and the extent to which they were implemented by the interests concerned are stated below :—

Implementation of the Commission's recommendations made in 1955 on matters other than tariffs

- (a) "The Railway administration should re-examine the position in regard to supply of tank-wagons for movement of mineral acids required by manufacturers of chemicals in interior places and arrange to supply tank-wagons to Satyadev Chemicals Ltd. for transport of sulphuric acid required by them for the manufacture of hydroquinone from Bombay to Baroda".

The Company was able to obtain its requirements of sulphuric acid at competitive prices from a local source viz., Alembic Chemical Works Ltd., Baroda. There was, therefore, no need to pursue the matter further.

- (b) "Kodak Ltd. and Allied Photographics Ltd., who are distributors of hydroquinone for Satyadev Chemicals Ltd. should examine the price structure of hydroquinone with a view to giving relief to small consumers".

The attention of Kodak Ltd. and Allied Photographics Ltd. was invited by Government to this recommendation. We are informed that the two distributing companies intimated that it would not be possible for them to make substantial reduction in their prices of hydroquinone in small packings. Kodak Ltd., has stated that as it sells hydroquinone in small packings at uniform prices throughout the

country, the price should cover freight charges to different destinations and losses arising from breakage and wastage. The bulk supplies which the company obtains from the producers for repacking have to be held in stock for considerable time before smaller packings are sold and funds are locked up for this purpose. It has further added that in the photographic formulae only a small proportion of hydroquinone is used and as such reduction in its prices would not be a material saving to the consumer. Allied Photographics Ltd. has, on similar grounds, expressed its inability to reduce the prices of hydroquinone in small packings. In view of the explanations stated above, Government did not pursue the matter further.

- (c) "Film processing laboratories should establish the practice of buying their requirements of hydroquinone directly from indigenous manufacturers of this chemical instead of through a distributor or dealer."

We are informed that most of the film laboratories now purchase their requirements of hydroquinone in bulk directly from the manufacturers.

5. As was the case during the previous tariff inquiries in 1951, 1953 and 1955, the scope of the present inquiry includes hydroquinone
Scope of the inquiry of both photographic and technical grades.

6.1. *Number of units.*—At the time of the last inquiry in 1955, Satyadev Chemicals Ltd., Baroda, which had taken over business from Sarabhai Chemicals in April 1952, was the only producer of hydroquinone. Kesar Sugar Works Ltd., Bombay which has suspended production from 1952 owing to its inability to market its product, resumed it in January, 1955 and subsequently maintained a steady rate of output. At present the industry consists of these two manufacturing units. We are informed that another company, namely, Associated Rubber and Chemical Industries, Poona, which claims to have an annual installed capacity of 27,720 lbs. produced about 650 lbs. of hydroquinone in 1957 on an experimental basis. This unit, however, is not registered with the Development Wing and no information about its activities is available to us.

6.2. *Kesar Sugar Works Ltd., Bombay.*—It is a public limited company with an authorised capital of Rs. 127·5 lakhs and paid-up capital of Rs. 33 lakhs. It is engaged mainly in the production of sugar at its factory in Baheri, U. P. It has a chemical division with a factory at Goregaon in Greater Bombay where a large number of photographic and electroplating chemicals, including hydroquinone, are manufactured. The production of hydroquinone forms a very small percentage of its activities, being even less than 1 per cent. of its total output. The present rated capacity of this unit, calculated on the basis of 100 lbs. per day for 330 days, is 33,000 lbs. It has, however, operated much below its installed capacity during the past four years.

6.3. *Satyadev Chemicals Private Ltd.*—It is a private limited company with an authorised capital of Rs. 5 lakhs and paid-up capital of Rs. 1·84 lakhs. At the time of the last inquiry its main line of production was hydroquinone and it had just taken up the manufacture of sodium sulphite of photographic quality. Between 1954 and 1957 Satyadev Chemicals increased its capacity from 39,600 lbs. to 42,000 lbs. per annum and achieved considerable progress both in the manufacture of hydroquinone and other photographic chemicals like sodium sulphite and sodium bi-sulphite. It has also diversified its production by taking up new lines of manufacture of other photographic and organic chemicals. We are informed that the production of hydroquinone was about 20 tons as against its total output of about 300 tons of photographic and other chemicals in 1957-58. Thus, hydroquinone now forms about 6 to 7 per cent. of its total activity, though in terms of value it accounts for about 40 per cent. of its total turnover. The firm has endeavoured during the past four years to utilise its capacity fully by meeting a large portion of the domestic demand and expects to double its production in the next three to five years depending upon export outlet and the development of other industries consuming hydroquinone.

7. In 1955 we had estimated the demand for hydroquinone at 40,000 lbs. per annum which was based on the average of imports and sales of indigenous hydroquinone during the years 1952-1954. We were unable to assess the course of future demand but expected that the consumption of hydroquinone would increase

Domestic demand

in the course of the next 4 years. The demand for hydroquinone emanates mainly from the photographic industry which consists of three main branches, namely (a) cinematographic films (b) documentaries, news reels and publicity films and (c) photographic trade and other consumers. Besides, there are potential uses of hydroquinone as antioxidant in oil and synthetic rubber industries and as raw material in the manufacture of dyestuff intermediates when their production is established in the country. The photographic industry is mainly dependent upon the import of films and the consumption of hydroquinone required for processing different types of cinematographic films and sensitised materials is, therefore, directly related to the volume of imports of films. In connection with the present inquiry we have received some estimates of demand. The Development Wing has stated that as the import of hydroquinone was gradually restricted and has been banned for the past 1½ years, the current domestic demand is fully met from indigenous production. It has expressed the view that as a result of restrictions on import of photographic films and sensitised materials and accessories, the future demand for hydroquinone would be limited. In case, however, the import of films is liberalised or a plant for the manufacture of raw films is established, the demand for hydroquinone may go up. Kesar Sugar Works Ltd. has stated that the present demand for hydroquinone from the photographic industry is likely to be of the order of 40,000 lbs. per annum and

is expected to rise to about 45,000 lbs. by 1961. Satyadev Chemicals Ltd. has estimated the present annual consumption at 50,000 lbs. and expects it to remain stationary at that level during the next three years. At the public inquiry we were informed that though the actual number of cinematographic films produced in 1957-58 had registered a rise, the number of copies per each film that were taken out was much smaller than before on account of restriction on imported films. This factor appears to have been responsible for a moderate increase in the consumption of hydroquinone during the last two years. If the present restrictions on imports of cinematographic films and sensitised materials continue, there is little likelihood of increase in the use of hydroquinone in the country. After discussion at the public inquiry we have come to the conclusion that a reasonable estimate of the demand can be formulated on the basis of the average quantity available for consumption in the country during the past three years, from 1956 to 1958. The sales of indigenous hydroquinone and imports during 1956, 1957 and 1958 were as under :

(In lbs.)

Year	Sales of indigenous material	Imports	Apparent consumption
1956	46,992	3,379	50,371
1957	48,900	2,849	51,749
1958	49,352	3,365	52,717

After taking into account the figures of consumption mentioned above, we estimate the current demand for hydroquinone at about 52,000 lbs. As regards the future demand, it would depend mainly upon the quantities of hydroquinone required for processing different types of cinematographic films and the requirements of the photographic trade. In view of the uncertainty regarding the quantum of imports of photographic films and sensitised materials that may be allowed in the next three years, we are unable to assess the future demand for hydroquinone.

8. We give below the rated capacity and production of Satyadev Chemicals Ltd. and Kesar Sugar Works Ltd. from 1955 to 1958.

Rated capacity and production

(In lbs.)

Sl. No.	Name of the unit	Present rated Capacity	Production			
			1955	1956	1957	1958
1	Satyadev Chemicals Ltd. .	42,000	25,078	29,331	36,719	37,361
2	Kesar Sugar Works Ltd. .	33,000	15,430	13,216	17,921	17,330
TOTAL .		75,000	40,508	42,547	54,640	54,691

The output of the industry has been progressively rising since the last inquiry. Satyadev Chemicals has been utilising about 90 per cent. of its installed capacity in the past two years, while Kesar Sugar Works utilised about 54 per cent. of its capacity during the same period.

9. The principal raw materials for the manufacture of hydroquinone are (i) aniline, (ii) sulphuric acid (iii) manganese dioxide and (iv) iron powder. Of these, Satyadev Chemicals imports aniline, while the rest of the raw materials are obtained from indigenous sources. Kesar Sugar Works imports aniline and iron powder and obtains the balance of the raw materials from indigenous sources. The prices of the principal raw materials have declined further during the last 4 years as will be seen from the following statement showing the prices paid by Satyadev Chemicals in 1951, 1954 and 1959 and by Kesar Sugar Works in 1959.

(Per lb.)

Name of the raw material	1951	1954	1959	
	Satyadev Chemicals	Satyadev Chemicals	Satyadev Chemicals	Kesar Sugar Works
	Rs.	Rs.	Rs.	Rs.
1. Aniline	1.50	1.16	0.86	0.73
2. Sulphuric Acid	0.19	0.14	0.10	0.08
3. Manganese Dioxide	0.22	0.17	0.17	0.13
4. Iron Powder	0.75	0.25	0.16	0.37

It would appear from the above table that with the exception of manganese dioxide, Satyadev Chemicals has been obtaining the raw materials at cheaper prices than in 1954. Kesar Sugar Works has been paying a higher price for iron powder because it imports its requirements from the U. K. While Satyadev Chemicals obtains this material from indigenous sources, Kesar Sugar Works has continued to import it. As iron powder is available from indigenous sources, we see no reason why it should be imported and have therefore advised Kesar Sugar Works to obtain it from within the country. As regards manganese dioxide, Kesar Sugar Works has represented that it is unable to obtain this material of the grade required by it, with the result that it is required to charge more of the manganese dioxide per lb. of aniline to be oxidised and still the yield efficiency of the plant could not be maintained. We are informed that the firm had correspondence with the supplier but no improvement has taken place. As regards other raw materials, the producers find no difficulty in obtaining them.

10. The quality of indigenous hydroquinone has been found to be satisfactory and is as good as the imported material. The principal consumers of hydroquinone have informed us that they are satisfied with the quality of indigenous hydroquinone. The Development Wing has stated that the quality of hydroquinone produced by both the firms is up to the standard and their product has been found to be satisfactory. The quality of hydroquinone produced by Kesar Sugar Works conforms to the standards of I. S. I. and the Company has obtained the I. S. I. Certification Mark from 1st January 1959. Satyadev Chemicals has also stated that its product has fully met the I.S.I. Specifications.

Quality

11.1. *Import control policy.*—Hydroquinone is included in Serial No. 31, Part V of the Import Trade Control Schedule. The policy pursued for import of hydroquinone since January, 1955 is given below.

Import control policy & imports

During January-June, 1955, licences were issued to established importers to import from soft currency countries to the extent of 10 per cent of one half of their best year's imports. The same policy was followed during each subsequent licensing period up to and including January-June, 1957. During the period of July-September, 1957, no fresh licences were issued to established importers. During the period commencing from October 1957-March 1958 to April-September, 1959 import of hydroquinone has been completely banned.

11.2. *Imports.*—Figures of imports of hydroquinone up to December, 1956 were not separately published in the Accounts relating to the Foreign Trade and Navigation of India. Statistics of such imports were, however, recorded separately by the Collectors of Customs and furnished to the Commission by the Director General of Commercial Intelligence & Statistics, Calcutta in the monthly statements of imports of protected commodities. From January, 1957 imports of hydroquinone are separately available in the Monthly Statistics of the Foreign Trade of India. The following table shows imports of hydroquinone, by quantity and value, from different countries during each year from 1955 to 1958.

Country of origin	1955		1956		1957		1958	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
	Lbs.	Rs.	Lbs.	Rs.	Lbs.	Rs.	Lbs.	Rs.
U. K.	359	2,082	839	4,789	260	1,633	64	502
W. Germany	..	..	..	..	785	5,049	1	7
Netherlands	..	..	..	..	90	1,284	..	15
France	1,253	6,901	2,535	13,225	1,714	9,631	3,297	32,610
U.S.A.	..	..	5	47	..	..	3	20
TOTAL	1,612	8,983	3,379	18,061	2,849	17,597	3,365	33,154

From the above statement it will be noticed that even though import of hydroquinone was completely banned from October, 1957 onwards, imports of hydroquinone to the extent of 3,365 lbs. took place in 1958. It is likely that a part of this quantity may have been allowed under revalidated import licences issued in the earlier period and a small portion might have been imported as laboratory chemicals. Analysing the figures of imports countrywise during the year 1958, it will be seen that while imports from every source have been drastically reduced, there has been a sharp rise in imports of hydroquinone from France at enhanced prices. *Prima facie* this appears to be improbable and we have requested the Director General of Commercial Intelligence and Statistics to verify these figures. Since there is idle capacity in the indigenous industry and the quality of hydroquinone produced by it is as good as the imported material, we feel that the import of hydroquinone as laboratory chemicals should be permitted only in cases where it is found to be indispensable.

12. Hydroquinone is assessed to import duty under item No. 28 (32) of the First Schedule to the Indian Tariff Act 1934. The relevant Existing rate of duty extract is given below.

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of			Duration of protective rates of duty
				The U.K.	A British Colony	Burma	
28(32) Hydroquinone							
(a)	Of British manufacture	Protective	50% <i>ad valorem</i>	..	..	10% <i>ad valorem</i>	December 31st, 1959
(b)	Not of British manufacture.	Protective	60% <i>ad valorem</i>	..	..	..	December 31st, 1959

13.1. Our Assistant Cost Accounts Officer has examined the cost of production of hydroquinone by Kesar Sugar Works Ltd. for the period from 1st August 1957 to 31st July 1958 and by Satyadev Chemicals (Private) Ltd., for the period from 1st April, 1957 to 31st March 1958. The production of hydroquinone at the factory of Kesar Sugar Works during the period of cost investigation was 18,491 lbs. which was equal to about 56 per cent. of the annual capacity of its plant, while the output of Satyadev Chemicals during the costed period was 35,955 lbs. which works out to about 85.6 per cent. of its annual capacity. As neither of the two producers maintains cost data in a systematic form our Assistant Cost Accounts Officer has collected the relevant information from the financial accounts of the two companies and worked out the cost of production

of hydroquinone. We are forwarding separately the reports of the Assistant Cost Accounts Officer as confidential enclosures to this Report. While we discussed the cost data compiled by our officer with the representatives of Kesar Sugar Works, we could not do so with the representatives of Satyadev Chemicals as the company was unable to depute its representative either to the public inquiry or for discussion of cost data on account of a labour strike in its factory. We have framed estimates of future cost of production and fair ex-works price of the indigenous hydroquinone. The following statement gives our estimates of the cost of production and fair ex-works price of hydroquinone for the future.

(Rs. per lb.)		
Details	Kesar Sugar Works	Satyadev Chemicals
1. Raw materials	3·058	3·264
2. Conversion charges excluding depreciation	2·708	2·570
3. Depreciation	0·243	0·284
4. Other overheads	0·342	0·535
5. Packing charges	0·325	0·286
6. Total works cost	6·676	6·939
7. Return on capital employed	0·389	0·334
8. Fair ex-works price	7·065	7·273
9. Average fair ex-works price	7·169	
10. Freight charges from Baroda to Bombay for Satyadev Chemicals only.	0·020	
	7·189	
11. Cost per kg.	15·85	

In framing the above estimates, the following factors have been taken into account:—

(1) *Production*.—We have assumed the annual production (a) in the case of Kesar Sugar Works at 25,000 lbs. per annum which is about 76 per cent. of its annual capacity and (b) in the case of Satyadev Chemicals at 40,000 lbs. per annum which is about 92·5 per cent. of its annual capacity.

(2) *Raw materials*.—Estimates of consumption of raw materials have been made in consultation with our Technical Director who has taken into account the possible economies in the usages of these materials. The costs of materials have been computed on the basis of the latest prices paid for them.

(3) *Conversion charges*.—Charges for such items as electricity, coal, oil and water have been assessed on the basis of the actual expenses incurred and allocated proportionately to hydroquinone. The wages of labourers employed for the manufacture of hydroquinone and expenses of establishment have been calculated on the basis of the actual expenses with necessary provision for increases due to annual increments. Repairs and maintenance and consumption of stores have been assessed on the basis of actuals, after making due provision for increase in expenditure for the estimated rise in output.

(4) *Depreciation*.—Depreciation has been calculated at normal income-tax rates on the written-down value of the fixed assets.

(5) *Return on capital*.—Return on capital has been assessed at 10 per cent. on capital employed.

(6) *Packing charges*.—Packing charges for the future have been estimated on the basis of actual expenses.

13.2. For determining the fair ex-works price of hydroquinone for the industry, we have taken the average of the fair ex-works prices of the two producers, which works out to Rs. 7:169 per lb. As Bombay is the principal market for hydroquinone we have allowed an amount of Re. 0:020 which represents the railway freight per lb. from Baroda to Bombay.

13.3. It will be observed that since the last inquiry the manufacturers have been able to bring down the cost of production of hydroquinone to a modest extent partly as a result of the decline in the prices of raw materials from the level of 1954 and partly due to higher volume of production. However, the costs still remain fairly high because the plants manufacturing hydroquinone in this country are small and are unable to achieve the economies of large scale production which are normally enjoyed by their foreign counterparts.

14. Since the import of hydroquinone has been completely banned from October, 1957, we have not been able to obtain information regarding the latest c.i.f. prices of hydroquinone from the Collectors of Customs. However, we have received c.i.f. quotations from the High Commission of India in the United Kingdom and the Indian Embassy in the U.S.A. as well as quotations of recent c.i.f. prices of French hydroquinone from Voltas Ltd., Bombay. We have adopted for the purpose of comparison the price quoted by May & Baker Ltd., London, which is one of the principal manufacturers of hydroquinone in the U. K., furnished to us by the High Commission of India in the U.K., i.e., Rs. 6 per lb. The c.i.f. quotations of French and American hydroquinone are higher. Adding to the c.i.f. price of Rs. 6 per lb. the average clearing charges at 6 nP. per lb., as was done in our last Report, the landed cost without duty comes to Rs. 6:06 per lb.

**C. i. f. prices and
landed cost imported
hydroquinone**

15.1. The fair ex-works price with freight to Bombay as estimated by us is compared with the landed cost ex-duty of imported hydroquinone :—

Measure of protection	Rs. per lb.
1. Fair ex-works price plus freight	7·189
2. C. i. f. price	6·000
3. Clearing charges	0·060
4. Landed cost ex-duty	6·060
5. Excess of 1 over 4.	1·129
6. Excess as percentage of c.i.f. price	18·82%
7. Existing rate of duty (preferential)	50·0%

The above comparison shows that a preferential duty of 18·81 per cent. is necessary to equate the fair ex-works price, inclusive of freight, of domestic hydroquinone with the landed cost ex-duty of the imported product. The duty indicated is very much lower than the existing preferential duty of 50 per cent. *ad valorem*.

15.2. The hydroquinone industry has enjoyed protection since March, 1952 and a sheltered market for the last two years. Since the last inquiry, the industry has achieved considerable progress and consolidated its position in the domestic market. The production in both units has gone up and as a result of the expansion of their activities, the cost of production of hydroquinone has been brought down to a moderate extent. The producers would have been able to achieve further economies in their cost if the demand for hydroquinone had not been restrained on account of severe restrictions on import of cinematographic films and sensitised materials during the past two years. The cost of production of the indigenous product is still higher than that of the imported one but we are of the opinion that since both units are engaged in the production of other chemicals, they will be able to reduce further the cost of production of hydroquinone. There is considerable idle capacity in Kesar Sugar Works which could be utilised if there was increase in demand. The quality of the indigenous hydroquinone conforms to I. S. I. specifications and is comparable to that of the imported product. At present the industry is assured of the domestic market and though the ban on imports is imposed on balance of payments considerations, we feel sure that even if the general import policy is liberalised no imports of hydroquinone will be allowed to come in so long as indigenous production is in a position to cope with domestic demand at reasonable prices and the quality of the product continues to remain satisfactory. In view of these considerations, we have come to the conclusion that the hydroquinone industry is no longer in need of protec-

tion. We, therefore, recommend that protection granted to the industry need not be continued beyond 31st December 1959. Government may impose, with effect from 1st January 1960, revenue duty on hydroquinone at such level as they deem necessary on revenue considerations.

16. We wish to express our thanks to the manufacturers, importers and consumers who furnished us with valuable information and their representatives who gave evidence before us.

Acknowledgment

RAMA VARMA

Secretary

BOMBAY

Dated 20th June 1959.

C. RAMASUBBAN

Chairman

J. N. DUTTA

Member

R. S. BHATT

Member



APPENDIX I

(Vide Paragraph 3.1)

List of persons or bodies to whom the Commission's questionnaires were issued and from whom replies or memoranda were received

(*Indicates those who have replied or sent memoranda.)

PRODUCERS :

- *1. Satyadev Chemicals Private Ltd., Post Box No. 101, Pratapnagar Road, Baroda
- *2. The Kesar Sugar Works Ltd., 45-47, Apollo Street, Fort, Bombay-1.

IMPORTERS :

- *1. Allied Photographics Private Limited, Kasturi Building, Jamshedji Tata Road, Bombay-1.
- *2. Kodak Limited, P.O. Box No. 343, Kodak House, Dr. D. Naoroji Road, Bombay-1.
- *3. May & Baker (India) Private Ltd., Karimjee House, Sir P.M. Road, Bombay-1.
- *4. Voltas Limited, 19, Graham Road, Ballard Estate, P.O. Box 900, Bombay-1.
- *5. Imperial Chemical Industries (India) Private Ltd., I.C.I. House, 34, Chowringhee, P.O. Box 182, Calcutta-1.
- *6. International Chemicals, 112, Main Road, Dadar, Bombay.

CONSUMERS :

- *1. The Controller of the Films Division, Ministry of Information & Broadcasting, Government of India, 24, Peddar Road, Bombay-26.
- *2. The Secretary, The Indian Motion Picture Producers' Association, Sandhurst Building, Vithalbhai Patel Road, Bombay-4.
- 3. The Secretary, The Film Federation of India, c/o. Gemini Studios, Movieland, Post Box No. 709, Madras-6.
- *4. Famous Cine Laboratories & Studios Ltd., 20, Hains Road, Bombay-11.
- *5. Bombay Film Laboratories Private Ltd., 149, Portuguese Church Street, Dadar Bombay-28.
- *6. New Theatres Ltd., 172, Dharamtalla Street, Calcutta-13.
- *7. Bengal Film Laboratories Private Ltd., 48, Chittaranjan Avenue (South), Calcutta-12.
- *8. Ram-nord Research Laboratories Ltd., 50, Elphinstone Road, Parel, Bombay-13.
- *9. Gemini Studios, Movieland, Post Box No. 709, Madras-6.
- 10. Famous Cine Laboratory, 156, Tardeo Road, Bombay-7.
- 11. National Chemicals Ltd., Mount Road, Madras-2.
- *12. Madras Cine Laboratory, 141, Bazaar Road, Royapettah, Madras-14.
- 13. Patel India Ltd., 190, Hornby Road, Bombay-1.
- *14. Indian Chemical Company, 43, Dharmtalla Street, Calcutta-13.
- 15. Manik Studios, Poona-2.
- 16. Photo Central, 190D, Hornby Road, Bombay.
- *17. Vanguard Studios, 365, Opp. Thakurdwar P.O., Bombay-2.
- *18. Manager, Government of India Press, (Photo Litho Wing), New Delhi.
- *19. Manager, Government Photozincographic, Poona-1.
- 20. The South Indian Film Chamber of Commerce, 19-A, Woods Road, Mount Road, Madras-2.
- 21. Manager, Times of India Press, Bombay-1.
- 22. Manager, The 'Hindu' Press, Mount Road, Madras.
- 23. Kishorchandra & Co., 102, Princess Street, Bombay-2.
- 24. May & Baker (India) Private Ltd., Karimjee House, Sir Phirozshah Mehta Road, Bombay-1.

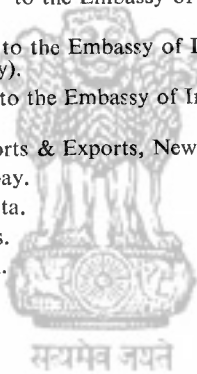
25. P. Dulabhdas & Co., 265, Samuel Street, Bombay-3.
26. Kesho Ram & Sons India Limited, Kashmere Gate, New Delhi.
27. Bharat Chemicals Agencies, 71/178, Canal Road, Sutarkhana Masjid Building, Kanpur.
28. Govindram Brothers, Indian Cine Laboratory, Nana Chowk, Kennedy Bridge Bombay-1.
- *29. International Chemicals, 112, Main Road, Dadar, Bombay-14.
- *30. Kolvens, 4, Stringers Street, Madras-1.
31. Rainbow Colour Co., 2/2A, Armenian Street, Calcutta.
- *32. Allied Photographics Private Ltd., Kasturi Building, Jamshedji Tata Road, Bombay-1.

OTHERS :

- *1. Indian Chemical Manufacturers' Association, India Exchange, India Exchange Place, Calcutta-1.

GOVERNMENT DEPARTMENTS :

- *1. The Senior Industrial Adviser, Development Wing, Ministry of Commerce & Industry, Udyog Bhavan, King Edward Road, New Delhi.
- *2. Counsellor Commercial to the High Commission of India in U.K., India House, Aldwych, London., W.C. 2.
- *3. First Secretary (Commercial) to the Embassy of India, 15, Rue Alfred Dehodencq Paris, XVI Eme., (France).
- *4. First Secretary (Commercial) to the Embassy of India in Germany, 262, Koblenz Strasse, Bonn, (West Germany).
- *5. First Secretary (Commercial) to the Embassy of India, 2107, Massachusetts Avenue, Washington D.C.
- *6. The Chief Controller of Imports & Exports, New Delhi.
- *7. Collector of Customs, Bombay.
- *8. Collector of Customs, Calcutta.
- *9. Collector of Customs, Madras.
- *10. Collector of Customs, Cochin.



APPENDIX II
(Vide Paragraph 3.2)

List of persons who attended the public inquiry on 5th May, 1959.

PRODUCERS :

- | | | |
|-----------------------|---|--|
| 1. Shri N. G. Madan | } | Representing Kesar Sugar Works, 45-47 Apollo Street, Fort, Bombay-1. |
| 2. Shri S. V. Gadkari | | |

PRODUCERS' ASSOCIATION :

- | | | |
|------------------------|---|--|
| 3. Shri V. N. Sardesai | } | ,, Indian Chemical Manufacturers' Association, India Exchange, India Exchange Place, Calcutta-1. |
| 4. Shri V. N. Shah | | |

CONSUMERS :

- | | | |
|--------------------|----|---|
| 5. Shri N. V. Rege | ,, | Bombay Film Laboratories, 114 Portuguese Church Street, Dadar, Bombay-28. |
|--------------------|----|---|

IMPORTERS :

- | | | |
|--------------------------|----|---|
| 6. Shri S. R. A. Amudhan | ,, | Allied Photographics Ltd., Keshavnagar Building, J. N. Tata Road, Bombay-1. |
| 7. Shri S. S. Sarma | ,, | May & Baker (India) Ltd., Sir P. M. Road, Bombay-1. |

GOVERNMENT DEPARTMENTS :

- | | | |
|----------------------------|----|---|
| 8. Shri S. P. Bhattacharya | ,, | Development Wing, Ministry of Commerce & Industry, Bhavan, King Edward Road, New Delhi. |
| 9. Shri A. B. Rao | ,, | Indian Standards Institution, Mathura Road, New Delhi. |
| 10. Shri R. M. Punwani | ,, | Collector of Customs, Bombay. |



सत्यमेव जयते