

**REPORT**  
**ON THE**  
**FAIR PRICES**  
**OF RUBBER**  
**TYRE AND TUBE**

BY  
TARRIFF COMMISSION  
MINISTRY OF COMMERCE  
AND  
INDUSTRY

The emblem of India, featuring a four-lion capital of Ashoka, is centered behind the text. It is a grey, stylized representation of the Lion Capital of Ashoka, which is a symbol of the Government of India.

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# REPORT ON THE FAIR PRICES OF RUBBER TYRES AND TUBES

## CHAPTER I—INTRODUCTORY

1. The Government of India in the Ministry of Commerce and Industry by the Resolution No. 3-T(3)/52, dated the 30th October, 1952, (vide Appendix I), requested the Tariff Commission, under Section 12(d) of the Tariff Commission Act, 1951, to make an inquiry into the prices of rubber tyres and tubes manufactured in the country and submit its recommendations on—

- (1) what should be the fair prices of types and tubes manufactured by several producers, and .
- (2) whether the prices charged by them from time to time for their products since 1946 have been fair or excessive in relation to the costs entering into the manufacture of these products.

In conducting the inquiry, the Commission was requested to pay special attention to—

- (a) the cost of raw materials bought from time to time by manufacturers of tyres and tubes since 1946 and the prices paid by them for indigenous rubber from time to time during the said period;
- (b) the profits earned by these concerns year by year since 1946 and how they have been utilised in dividends, additions to reserves and distribution of part or parts of the reserves by way of bonus shares, etc;
- (c) the assistance which they may have received during the period of World War II for expansion in the shape of equipments and financial assistance; and
- (d) the effect of (a) to (c) above on the price structure of tyres and tubes and other rubber goods manufactured by those concerns.

2.1. Owing to pressure of work arising from other cases, the Commission was unable to take up this inquiry until June 1954. Prior to this date informal discussions were held with the representatives of the companies to determine the scope and method of investigation and the arrangements required for collection of necessary data. Shri N. Krishnan, Senior Cost Accounts Officer also undertook certain preliminary studies of the cost structure of tyres and tubes and submitted a report to the Commission. After considering his report, the Commission issued a questionnaire to the companies on 16th June, 1954, replies to which were received in December, 1954. On 9th August, 1954, letters were sent to all State Governments, the Associations of rubber planters, manufacturers and assemblers of automobiles and a few large fleet owners requesting them to inform the Commission of their views on the points arising out of the inquiry.

2.2. Shri M. D. Bhat, Chairman of the Commission visited the factory of the Dunlop Rubber Co. (India) Ltd., Calcutta on 26th March, 1954 and Shri C. Ramasubban, Member of the Commission visited the same on 4th March, 1955. Shri N. Krishnan Senior Cost Accounts Officer and Shri S. S. Mehta, Technical Director (Chemicals) visited the factory of Firestone Tyre and Rubber Co. (India) Ltd. in August 1953 and examined their costs of manufacture. The examination of costs of the Dunlop Rubber Co. was undertaken in March, 1954. The Senior Cost Accounts Officer also examined the accounts of the Good-year Tyre and Rubber Co. (India) Ltd., Calcutta and the India Tyre and Rubber Co. India Ltd., Bombay.

2.3. The Commission held discussions with the representatives of all the companies jointly on 23rd and 26th March, 1955 and with those of each separately on 24th and 25th March, 1955. On 26th March, the companies were requested to furnish certain additional information which the Commission had found it necessary to collect as a result of the discussions.

3. The report is divided into five chapters. The next chapter gives a brief description of the history and the present position of the industry. In Chapter III will be found our review of costs, prices and profits since 1946. The fair prices for rubber tyres and tubes for the future are discussed in Chapter IV. The conclusions and recommendations are summarised in Chapter V.





## CHAPTER II.—HISTORY AND THE PRESENT POSITION OF THE INDUSTRY.

**History** 4.1. Commencing from the year 1898, till 1926 rubber tyres and tubes <sup>(1)</sup> were imported into India and distributed by a branch organisation of Dunlop Rubber Co. Ltd., England. The Dunlop Rubber Co. (India) Ltd., <sup>(2)</sup> was floated as a public limited company in India in 1926 and took over the business of distribution which was, till then, being handled by the branch office of the English parent company. The Indian factory of Dunlop was established at Shahganj near Calcutta in the year 1936 after which year tyres and tubes began to be manufactured in the country. The Goodyear Tyre and Rubber Co. of India Ltd. was registered as a trading company in 1922. Prior to that date Goodyear products were sold throughout India through distributors, but after 1922 the business of distribution was taken over by the company. Firestone Tyre and Rubber Co. of India Ltd. commenced trading operations in India in the year 1930. In 1939 they erected a factory of their own at Bombay and started the manufacture of tyres and tubes. India Tyre and Rubber Co. Ltd., of Scotland commenced distributing their products in this country through distributors in the year 1930. India Tyre and Rubber Co. (India) Ltd., was incorporated as an Indian company in the year 1938, from which date distribution of their products was handled by the company itself. At present all these four companies, each with their own network of branch offices and dealers, handle the sale and distribution of their own brands of tyres and tubes. Only two of them, however, viz., Dunlop Rubber Co. (India) Ltd. and Firestone Tyre and Rubber Co. of India Ltd. are manufacturing concerns with factories of their own. Goodyear products and India Tyre products are manufactured in the factory of Dunlop at Shahganj (Calcutta).

4.2. Prior to the establishment of Dunlop's factory in India there were no restrictions on imports of rubber tyres and tubes, and various makes of the products were available in the country through imports. The more important of these makes were:—

Dunlop	.	.	.	.	(U.K.)
Goodyear	.	.	.	.	(U.S.A. and U.K.)
Firestone.	.	.	.	.	(U.S.A. and U.K.)
India	.	.	.	.	(U.K.)
Bridgestone	.	.	.	.	(Japan)
Continental	.	.	.	.	(Germany)

(1) Throughout the report the word "tyre" is used to mean the "outer cover" as is generally understood in this country, and not outer cover and tube together, as it is understood elsewhere.

(2) For purposes of brevity the four tyre companies will be referred to as Dunlop, Firestone, Goodyear and India Tyre.

Michelin	.	.	.	.	(France and U.K.).
Avon	.	.	.	.	(U.K.)
Prince	.	.	.	.	(Japan)
Henley	.	.	.	.	(U.K.).
Bata	.	.	.	.	(Czechoslovakia)
Engelbert	.	.	.	.	(Belgium).
Fisk	.	.	.	.	(U.S.A.)
General	.	.	.	.	(U.S.A.).
Goodrich	.	.	.	.	(U.S.A.).
Mohawk	.	.	.	.	(U.S.A.).
Perith	.	.	.	.	(Italy).
Serberling	.	.	.	.	(U.S.A.).
Riverside	.	.	.	.	(U.S.A.).

At present only four makes of tyres and tubes are available in the country, all indigenously manufactured, viz., Dunlop, Firestone, Goodyear and India. There have been sporadic imports of other makes, but not to any significant extent.

4.3. The Pneumatic tyre industry is of vital importance to national economy. Technically, it is a highly advanced industry wherein constant progress is maintained through continuous research covering a wide range of problems. Each of the leading tyre companies of the world maintains elaborate organisations for research and spends vast sums of money on improvement of quality and on making available to consumers products which satisfy the exacting requirements of modern road transport. The Dunlop and Firestone factories in India have the advantage of receiving day-to-day technological advice from their respective parent organisations overseas, and being in continuous touch with the latest developments in regard to compositions, techniques and types. During the last war the country benefited greatly by the establishment of the two factories but for whose existence there would have been acute shortage of tyres and tubes, road transport would have been crippled and the movements of troops and essential materials both for military and civil needs would have been greatly hampered. The tyre industry has a very significant part to play in the large development programme before the country. It has helped the country to save considerable foreign exchange which would have been spent in importing tyres and tubes. It has also stimulated the production of raw rubber in the country. The following statement gives the figures of production, imports, exports and quantity available for domestic consumption of raw rubber since 1946, together with the actual quantities purchased by the tyre companies. It will be seen from the statement on page 5 that the domestic production of raw rubber has increased by about 35 per cent. since 1946. It will also be observed that between 1947 and 1953 purchases of domestic rubber by the tyre companies have increased by about 70 per cent. and the ratio of purchases to domestic production has gone up from 50 per cent. in 1947 to 65 per cent. in 1953.

# STATEMENT I

Statement showing the production, imports, exports and purchases of raw rubber in India during the years 1946 to 1954.

(In tons)

Year	Total of			Re-exports and exports	Quantity available for consumption	Purchased by the Tyre Companies.		
	Production	Imports	production and imports.			Indigenous	Imports	Total
1946	.	.	15,672	70	15,742	1,798	13,944	..
1947	.	.	16,449	1,737	18,186	..	18,186	8,185
1948	.	.	15,422	4,675	20,097	6	20,091	9,569
1949	.	.	15,587	2,912	18,499	..	18,499	10,977
1950	.	.	15,599	1,645	17,244	1,372	15,872	9,407
1951	.	.	17,148	7,787	24,935	136	24,799	8,841
1952	.	.	19,863	4,395	24,258	100	24,158	10,728
1953	.	.	21,136	774	21,910	65	21,845	13,846
1954	.	.	21,000	5,387	26,387	17	26,370	..

5.1. The following statement gives the total production of tyres and tubes by weight since 1947\*.

### STATEMENT II.

(Figures in '000 lbs.)

Year	Tyres	Tubes	Total
1947 . . . . .	41,561	5,785	47,346
1948 . . . . .	49,155	6,022	55,177
1949 . . . . .	48,604	5,426	54,030
1950 . . . . .	42,285	5,544	47,829
1951 . . . . .	55,056	6,509	61,565
1952 . . . . .	50,951	5,557	56,508
1953 . . . . .	52,623	5,915	58,538
Average . . . . .	48,604	5,823	54,427

It will be seen from the above statement that the total production of tyres and tubes in 1947 was 47.3 million lbs. of which tyres constituted 88 per cent. by weight and tubes the remaining 12 per cent. In 1953 the total production increased to 58.5 million lbs. and the production of tyres and tubes by weight constituted 90 per cent. and 10 per cent. of the total respectively. The average production of tyres and tubes for the seven years under review was 54.4 million lbs. This gives only a general picture of the trend of production. For a better understanding of the problems relating to this industry, it is necessary to examine the trends of production of different types of tyres and tubes such as those for (i) passenger cars, (ii) trucks and buses and (iii) bicycles. Statements III (a) and (b) give the figures of production of tyres and tubes for passenger cars, buses and trucks, bicycles and other vehicles while statements IV (a) and (b) give the percentages which the production in each type bear to the total.

### STATEMENT III (a)—TYRES

(Weight in '000 lbs.)

Year	Passenger cars	Buses and Trucks	Cycles	Others
1947 . . . . .	7,427	27,889	5,925	320
1948 . . . . .	6,074	35,846	6,709	526
1949 . . . . .	3,334	36,439	8,984	747
1950 . . . . .	4,816	30,143	6,207	1,119
1951 . . . . .	7,102	39,632	7,996	1,226
1952 . . . . .	4,714	37,545	7,686	1,006
1953 . . . . .	4,759	37,739	8,554	1,571
Average . . . . .	5,461	35,033	7,180	930

\*The figures of production have been maintained by the companies according to their financial year. Dunlop, Goodyear and India Tyre follow the calendar year while the financial year of Firestone is from November to October. Firestone's production figures included in the total are, therefore, estimates. For example the estimate for 1947 has been worked out as follows: (5/6 of 1946-47) plus (1/6 of 1947-48). Similarly, the estimate for 1948 has been worked out on the basis of (5/6 of 1947-1948) plus (1/6 of 1948-49).

# STATEMENT III (b)—TUBES

(Weight in '000 lbs.)

Year	Passenger cars	Buses and Trucks	Cycles	Others
1947	851	2,674	2,184	78
1948	736	2,987	2,202	97
1949	439	3,276	1,663	108
1950	705	3,641	2,030	168
1951	852	3,154	2,336	167
1952	620	2,760	2,025	152
1953	584	2,956	2,180	195
Average	684	2,921	2,080	138

## STATEMENT IV (a)—DIFFERENT TYPES OF TYRES AS PERCENTAGE OF ALL TYRES

1947	17.87	67.10	14.26	0.77
1948	12.36	72.92	13.65	1.07
1949	6.86	74.97	16.63	1.54
1950	11.39	71.28	14.68	2.65
1951	12.90	71.98	12.89	2.23
1952	9.25	73.69	15.09	1.97
1953	9.04	71.72	16.26	2.98
Average	11.24	72.08	14.77	1.91

## STATEMENT IV (b)—DIFFERENT TYPES OF TUBES AS PERCENTAGE OF ALL TUBES.

Year	Passenger cars	Buses and Trucks	Cycles	Others
1947	14.71	46.22	37.75	1.32
1948	12.23	49.59	36.56	1.62
1949	8.09	60.37	29.55	1.99
1950	12.72	47.64	36.61	3.03
1951	13.10	48.45	35.88	2.57
1952	11.16	49.66	36.44	2.74
1953	9.87	49.97	36.86	3.30
Average	11.75	50.16	35.72	2.37

It will be seen from statement IV (a) that on an average the production of bus and truck tyres constituted 72.08 per cent. of the total production of tyres, the production of cycle tyres constituted 14.77 per cent. and the production of passenger tyres came to only 11.24 per cent. In the case of tubes also, bus and truck tubes form the largest proportion, but the relative importance of cycle tubes is greater than that of cycle tyres.

5.2. The production of passenger car tyres and tubes fluctuated widely from year to year till 1952. In 1952 and 1953 the production of these tyres remained steady at about 4·7 million lbs. and the average for the seven year period 1947—53 was about 5·5 million lbs. As compared to 1952 there was slight decline in the production of passenger tubes in 1953 from 0·62 million to 0·58 million lbs. In the case of bus and truck tyres, the general trend showed an increase and as compared to 1947 the production in 1953 was higher by about 35 per cent. The production of bus and truck tubes also showed an increase of 16 per cent. during the corresponding period. The production of cycle tyres showed an upward trend and the production in 1953 was higher by 44 per cent. as compared to 1947. The production of cycle tubes remained more or less steady.

6. The statement given below furnishes figures relating to imports of tyres and tubes since 1946 as given in the **Imports** "Accounts relating to the Foreign Trade and Navigation of India" published by the Department of Commercial Intelligence and Statistics. No separate statistics are maintained for the imports of tyres and tubes for passenger cars and buses and trucks. Though there has been a steady increase in the imports of motor tyres, imports are generally allowed only of those types and sizes which are not produced in the country. Imports of motor cycle and bicycle tyres and tubes have been negligible.



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# STATEMENT V

Statement showing the Imports (Quantity and Value) of rubber manufactures into India during the years 1946 to 1954.

Year	Pneumatic motor tyres			Pneumatic motor cycle tyres			Pneumatic motor cycle tubes			Pneumatic cycle tyres			Pneumatic cycle tubes			Total of pneumatic tyres and tubes.		
	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Qty. (Nos.)	Value (Rs.)	Value (Rs.)	Value (Rs.)
1946	742	1,84,723	713	15,805	219	4,298	357	1,629	1,539	6,320	1,019	1,925	1,019	1,925	1,019	1,925	2,14,700	2,14,700
1947	3,449	4,25,166	9,676	1,16,534	741	12,462	765	2,888	3,040	18,989	3,197	7,557	3,197	7,557	3,197	7,557	5,83,596	5,83,596
1948	7,464	8,98,219	7,042	83,012	2,323	39,363	2,478	10,919	8,556	22,578	5,545	11,119	5,545	11,119	5,545	11,119	10,65,210	10,65,210
1949	4,348	9,74,154	5,418	83,047	3,469	74,777	3,804	33,874	26,183	1,11,539	18,568	29,843	26,183	1,11,539	18,568	29,843	13,07,234	13,07,234
1950	8,180	13,12,780	7,877	1,23,889	539	48,972	804	7,109	8,836	46,351	7,110	15,550	8,836	46,351	7,110	15,550	15,53,751	15,53,751
1951	8,850	21,99,298	8,719	2,54,104	3,067	20,489	422	2,084	15,273	63,052	10,898	22,050	15,273	63,052	10,898	22,050	25,61,077	25,61,077
1952	5,892	13,81,587	3,809	1,13,730	427	16,822	638	4,847	1,474	6,710	5,097	10,969	1,474	6,710	5,097	10,969	15,34,665	15,34,665
1953	5,981	19,72,566	4,515	1,73,271	23	1,308	56	460	135	2,361	135	477	135	2,361	135	477	21,50,643	21,50,643
1954	11,408	32,36,357	8,728	2,36,774	97	3,093	136	602	369	1,015	604	1,305	369	1,015	604	1,305	34,79,146	34,79,146

7.1. Till 1950 exports were recorded in the "Accounts relating to the Foreign Trade and Navigation of India" only by value and the figures related to rubber manufacturers of all kinds. The figures from 1946 to 1950 were as follows:—

#### STATEMENT VI

Year	(Value of exports of rubber manufactures from 1946 to 1950.)
	(In lakh rupees)
1946 . . . . .	197
1947 . . . . .	253
1948 . . . . .	174
1949 . . . . .	87
1950 . . . . .	156

7.2. In 1951 and 1952, the numbers of tyres and tubes of all types were also recorded besides value as may be seen from the following statement:—

#### STATEMENT VII—EXPORTS OF RUBBER MANUFACTURERS IN 1951 AND 1952.

Year	Exports of pneumatic tyres of all tyres		Exports of pneumatic tubes of all types		Total	
	Qty. (Nos.)	Value (lakh Rs.)	Qty. (Nos.)	Value (lakh Rs.)	Qty. (Nos.)	Value (lakh Rs.)
1951 . . . . .	84,790	50	113,234	19	..	69
1952 . . . . .	120,827	111	57,847	8	..	119

7.3. Since 1953 the export statistics have been classified into cycle and motor cycle tyres, motor tyres, motor cycle and cycle tubes and motor tubes. The figures of exports for the years 1953 and 1954 are given in the following statement:

#### STATEMENT VIII—EXPORTS OF RUBBER MANUFACTURES IN 1953 AND 1954.

Year	Pneumatic cycle & motor cycle tyres		Pneumatic motor tyres		Pneumatic cycle and motor cycle tubes		Pneumatic motor tubes		Total of pneumatic tyres and tubes
	Qty. (Nos.)	Value (Lakh Rs.)	Qty. (Nos.)	Value (Lakh Rs.)	Qty. (Nos.)	Value (Lakh Rs.)	Qty. (Nos.)	Value (Lakh Rs.)	Value (Lakh Rs.)
1953	227,414	9	105,403	138	39,454	1	71,898	12	160
1954	291,150	8	81,460	108	62,950	1	57,212	7	124



7.4. *Re-exports.*—Re-exports have been recorded in the "Accounts Relating to the Foreign Trade and Navigation of India" only by value and for all rubber manufactures. The following statement gives the value of re-exports since 1945:

## STATEMENT IX

Year	(Value of re-exports of rubber manufacturers)
	(In lakh rupees)
1946	28
1947	25
1948	3
1949	11
1950	6
1951	7
1952	0.16
1953	0.25
1954	0.18

8.1. The following two statements give (a) the sales turnover of tyres, tubes and other products for the four companies since 1946 and (b) the index number of the sales turnover.

**Sales turnover**



**STATEMENT X**  
**Sales turnover (Exclusive of Excise duty)**

(Rs. in lakhs)

Year	The Dunlop Rubber Co. (India) Ltd.		Firestone Tyre and Rubber Co. of India Ltd.		Good Year Tyre and Rubber Co. of India Ltd.		India Tyre and Rubber Co. (India) Ltd.		Total		Grand Total
	Tyres and Tubes	Other products	Tyres and Tubes	Other products	Tyres and Tubes	Other products	Tyres and Tubes	Other products	Tyres and Tubes	Other products	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1946	.	315.103	41.364	..	184.983	56.020	87.159	9.234	587.245	106.618	693.863
1947	.	332.111	41.451	361.469	19.113	211.790	114.711	13.000	1020.081	108.891	1128.972
1948	.	407.005	55.752	432.852	17.959	232.611	154.365	15.220	1226.833	160.694	1387.527
1949	.	446.788	85.268	374.628	10.390	246.428	181.390	19.914	1249.234	163.735	1412.969
1950	.	418.624	70.267	514.854	15.524	240.580	183.251	19.087	1357.309	153.107	1510.416
1951	.	609.870	88.096	778.186	41.479	362.974	279.711	23.234	2030.741	233.117	2263.858
1952	.	546.395	127.123	788.391	43.949	338.163	234.032	27.144	1996.981	294.054	2291.035
1953	.	552.597	143.239	672.059	42.560	337.227	241.629	26.834	1803.512	297.082	2100.594

## STATEMENT XI

## Index of Sales turnover

Particulars	1946	1947	1948	1949	1950	1951	1952	1953
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>The Dunlop Rubber Co. (India) Ltd.—</i>								
Tyres and Tubes . . . . .	100	105	129	142	133	194	173	175
Other products . . . . .	100	100	135	206	170	213	307	346
<i>Firestone Tyre and Rubber Co. of India Ltd.—</i>								
Tyres and Tubes . . . . .	100	100	120	104	142	215	218	186
Other products . . . . .	100	100	94	54	81	217	230	223
<i>Good Year Tyre and Rubber Co. of India Ltd.—</i>								
Tyres and Tubes . . . . .	100	114	126	133	130	196	183	182
Other products . . . . .	100	63	128	86	86	143	171	151
<i>India Tyre and Rubber Co. (India) Ltd.—</i>								
Tyres and Tubes . . . . .	100	132	177	208	210	321	269	277
Other products . . . . .	100	142	165	216	207	252	294	291

8.2. In arriving at the sales turnover, we have excluded excise duty. In the case of Dunlop, the brands of tyres and tubes manufactured for Goodyear and India Tyre have been excluded from their sales turnover. It will be seen from the statement that there has been a steady increase in the figures of sales of all the companies. In the case of Dunlop the net value of sales has increased by 75 per cent. in 1953 as compared to 1946. Similarly in the case of Firestone, it has increased by 86 per cent. In the case of Goodyear the increase is about 82 per cent. India Tyres, though their share in the total sales is considerably lower than that of the other companies have nearly trebled their business since 1946.

8.3. In regard to other products also the net value of sales has shown appreciable increase. In the case of Dunlop the increase during this period was 3.5 times, in the case of Firestone, 2.2 times, in the case of Goodyear, 1.5 times, and in the case of India Tyres, 2.9 times.

9. The combined capacity of the two factories (Dunlop and Firestone) is stated to be about one million tyres and tubes per annum and both the plants are well balanced and geared satisfactorily to meet the country's entire needs for these products. Not only are they capable of meeting India's requirements in full, but they are also in a position to export tyres and tubes to foreign countries. Technically speaking, the capacity in the mixing department and the availability of moulds may be considered as factors on which a rating of capacity has to be based, but, we are informed, these could be increased very considerably at short notice, and consequently, it has to be assumed that both factories are capable of meeting the needs of the country in full for tyres and tubes of all sizes and types. Not only is this the case, but in order to achieve a full utilisation of available manufacturing capacity both manufacturers have, during the last five years, enlarged and diversified their manufacturing activities to include other items needed in the country. The Dunlop factory have, for instance installed plant and equipment for the manufacture of foamed rubber cushioning material, and industrial belting, and the Firestone factory have added equipment for the manufacture of hard rubber battery cases.

10. No concerted effort is being made by the tyre companies in India to develop export markets for their products. So far as Dunlop and Firestone are concerned their manufacturing agreements with their parent companies in England and U.S.A. respectively confer on them the sole right to import their respective brands into India. Imports are of course restricted to only a few selected sizes and types which are not manufactured in India. Since the parent companies do not export to India except through the Indian companies, the latter are under the corresponding obligation not to export on their own initiative to markets normally supplied by the parent companies. Exports are, therefore, made only in consultation with or under advice from the parent organisations and the markets are generally chosen on geographical considerations. The prices at which payments for exports are received by the Indian companies are those ruling in the export markets. The same position obtains in the case of the India Tyre Co. As regards Goodyear, they have their own office in Colombo (Ceylon) which is part of the

Indian Company. They have a distributor in Burma who is free to import his requirements from any source, depending on the licence given to him by the Burmese Government, but he usually prefers to obtain his requirements from India. Pakistan is a free import market and the Goodyear distributor there is not subject to any restriction from the parent company or the Indian company with regard to his source of supply. Goodyear (India) are free to export to Ceylon, Burma and Afghanistan without consulting the parent company in U.S.A. Exports to other markets are effected by the Indian company only upon advice from the parent company.

11.1. The Dunlop Rubber Co. Ltd. of England commenced their trading activities in India as importers and distributors of their tyres and tubes in 1898. It was only till 1926 that the trading activities were carried on by the branch of the English company, for, in the latter year the Dunlop Rubber Co. (India) Ltd. was floated as a public limited company for taking over these trading activities. Till 1936 these activities were confined to importation and distribution of tyres and tubes. In 1936 the Company established their factory at Shahganj near Calcutta for the manufacture of pneumatic tyres and tubes and allied products. The present manufacturing activities of the company include the production of pneumatic tyres and tubes for passenger cars, buses and trucks, tractors, motor cycles, bicycles, aircrafts, bullock carts and barrows, solid tyres for industrial trolleys, tyre repair materials, bicycle rims, latex foam cushioning ("Dunlopillo"), industrial transmission beltings, vehicle fan belts, industrial vee belts and conveyor belts.

11.2. The authorised capital of the Company was initially Rs. 200 lakhs but was increased to Rs. 500 lakhs in 1951. The break-up of the paid-up capital in the years 1946 and 1954 is given below:—

		Rs.
1946	Preference shares . . . . .	6 per cent. tax free cumulative preference shares of Rs. 100 each—30,000 . . . . .
		30,00,000
		6 per cent. second cumulative preference shares of Rs. 100 each—40,000 . . . . .
		40,00,000
	Ordinary shares . . . . .	199,900 shares of Rs. 10 each issued as fully paid-up otherwise than cash . . . . .
		19,99,000
		300,100 shares of Rs. 10 each issued for payment wholly in cash . . . . .
		30,01,000
		<hr/> 120,00,000

		Rs.
1954	Preference shares . . . . .	6 per cent. tax free cumulative preference shares of Rs. 100 each—30,000 . . . . .
		30,00,000
		6 per cent. second cumulative preference shares of Rs. 100 each—40,000 . . . . .
		40,00,000



## STATEMENT XII

*Dunlop's paid-up capital and Debentures held by the Parent Company and others.*

Nominal value of holdings	Parent Company	Indians	Non-Indians	Institutional investors	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
1st preference shares . . .	4,500	8,02,000	1,53,900	20,39,600	30,00,000
and preference shares . . .	10,00,000	16,40,000	1,05,000	12,55,000	40,00,000
Ordinary shares . . .	1,20,02,560	13,38,490	1,38,510	25,20,440	1,60,00,000
<b>TOTAL . . .</b>	<b>1,30,07,060</b>	<b>37,80,490</b>	<b>3,97,410</b>	<b>58,15,040</b>	<b>2,30,00,000</b>
Debentures . . .	.....	35,84,500	31,000	93,84,500	1,30,00,000
<b>GRAND TOTAL . . .</b>	<b>1,30,07,060</b>	<b>73,64,990</b>	<b>4,28,410</b>	<b>1,51,99,540</b>	<b>3,60,00,000</b>

It will be seen from the above that the percentages of the holdings are as under :—

	Parent Company	Indians	Non-Indians	Institutional investors
Preference shares . . .	14.35	34.89	3.70	47.06
Ordinary shares . . .	75.01	8.37	0.87	15.75
Debentures . . .	.....	27.57	0.24	72.19

The parent Company's holdings in the ordinary share capital in which the earnings have been the highest, aggregate 75 per cent. Institutional Investors have the largest share of holdings in fixed interest capital, viz., debentures and preference shares. Indian nationals hold only a small portion (8.37 per cent.) of ordinary shares.

11.6. The original values of the fixed assets of the Company (inclusive of moulds), the total amount of depreciation set aside by the Company and the written down values as at 31st December of each year from 1946 to 1954, according to the Company's balance sheets, were as follows:—

**STATEMENT XIII**  
*Fixed assets of Dunlop*

*In lakhs of Rupees*

	Original value	Deprecia- tion	Written down value
1946 . . . . .	180.05	89.54	90.51
1947 . . . . .	209.14	112.27	96.87
1948 . . . . .	242.70	135.75	106.95
1949 . . . . .	278.26	163.11	115.15
1950 . . . . .	312.56	189.43	123.13
1951 . . . . .	357.89	227.52	130.37
1952 . . . . .	407.06	252.71	154.35
1953 . . . . .	454.79	279.62	175.17
1954 . . . . .	483.18	308.53	174.65

11.7. The number of persons employed by the Company in 1946 and 1953 were as follows:—

**STATEMENT XIV**  
*Number of persons employed in Dunlop*

	1946	1953
Weekly operatives . . . . .	852	1,212
Monthly paid staff . . . . .	2,970	2,656
Staff for administration selling and distribution . . . . .	445	737
TOTAL . . . . .	4,267	4,605

11.8. A comparative statement of Dunlop's sales organisation in 1946 and 1954 is given below:—

	1946	1954
Branch offices . . . . .	4 Calcutta Bombay Delhi Madras	5 Calcutta Bombay Delhi Madras Lucknow



	1946	1954
Depots,	3 Lucknow Bangalore Nagpur	8 Bangalore Madura Cochin Vijayawada Nagpur Ahmedabad Gauhati Jullundur
Dealers (approximate)	5,700	7,721

These branches, depots and dealers deal in all products manufactured by the Dunlop factory. The dealers do not transact business on sole agency basis but stock other brands of tyres and tubes besides Dunlop. Most dealers have other lines of business besides those relating to Dunlop products. Sales promotion relating to Dunlop products of all varieties is in the hands of special staff attached to Dunlop's branches and depots.

11.9. There are certain inter-company arrangements between Dunlop on the one hand and Goodyear and India Tyre on the other, according to which the former manufactures tyres and tubes and other products for the latter according to their specifications. The agreement with Goodyear was entered into in 1937 whereby tyres, tubes and accessories bearing Goodyear brand names and identification marks are manufactured at the Dunlop factory, the moulds and specifications being supplied by Goodyear, while the capital investment required to provide the basic manufacturing facilities is furnished solely by Dunlop. The Goodyear parent organisation supplies all its research data and details of technical development to Goodyear (India) to assist the latter in their manufacturing programme, and these are passed on to the Dunlop factory for incorporation. Goodyear have the right to station two technical representatives at the Dunlop factory for supervision purposes. The products are charged to Goodyear on a cost plus basis, the profit margin being open to revision each year. At present it is 5 per cent. of cost in respect of all products. The agreement is subject to two years' notice of termination on either side. A similar agreement was entered into by Dunlop with India Tyre in 1938 the terms of which are, by and large, the same as above, except that the period of notice of termination is six months. By entering into the above two arrangements Dunlop ensured for its factory a full volume of manufacturing activity. At the same time, Goodyear and India Tyre who did not find it economical to establish their own factories in India, were able to continue in business with assured supplies from a local source.

11.10: Dunlop have their own factories in the following 12 countries:—

Australia	Germany
Brazil	*India
Canada	Japan
*Eire	*Newzealand
France	*South Africa
Great Britain	U. S. A.

\*In India and Newzealand Dunlop manufacture products both for Goodyear and India Tyre; in Eire they manufacture for Goodyear, while in South Africa they manufacture for India Tyre. In Argentina, Indonesia, Peru and Sweden Goodyear have factories where-in they manufacture Dunlop products under inter-company arrangements somewhat similar to those in the above countries.

11.11. Dunlop (India) derive from Dunlop (U.K.) all the benefits of research and engineering developments that take place in the latter's factory. The U.K. Company has received from the Indian Company the following amounts as fees for services rendered by them in this connection:—

### STATEMENT XV

*Fees paid by Dunlop to their parent Company.*

	<i>In lakhs rupees.</i>
1946 . . . . .	1.187
1947 . . . . .	1.262
1948 . . . . .	1.347
1949 . . . . .	2.049
1950 . . . . .	2.258
1951 . . . . .	3.472
1952 . . . . .	4.871
1953 . . . . .	8.665

11.12. The Dunlop factory at Shahganj covers an area of about 236 acres in which the works occupies about 38 acres, the rest being used for staff and operatives' quarters, hospital, schools, fire station, shops, gardens, roads, playing fields and a club house. The estate draws its water from its own bore wells. The housing which has been provided on the estate consists of 880 bachelor type quarters distributed over 44 blocks each containing twenty-one room units, 250 operatives' married quarters, a number of old type quarters and new type flats for members of the staff and a few senior staff flats. The Dunlop factory hospital which is air-conditioned is well-equipped with an electro-therapy section, an X-ray plant and 24 beds for in-patients. Workers and their dependents living within a radius of one mile of the estate obtain free treatment in the hospital and are also visited at their homes if necessary. Standard drugs and medicines are supplied free. 96 per cent. of the total expenditure of the hospital is met by the Company. The factory canteen provides meals at concessional prices.

11.13. *Production.*—We give below the figures relating to the production of tyres and tubes in the Dunlop factory in each year from 1946 to 1953, in two statements:—

- (a) Total production in numbers and weight of tyres and tubes of all the three brands, Dunlop, Goodyear and India Tyre taken together.
- (b) Production of Dunlop tyres and tubes in numbers and weight.

# STATEMENT XVI

Production of tyres and tubes at Dunlop Factory (including production on behalf of Goodyear and India Tyre Cos.)

Year	Passenger Car		Bus and Truck		Cycle		Others		Total	
	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.	Lbs.	Lbs.
I	2	3	4	5	6	7	8	9	10	
I. TYRES—										
1946	.	217,732	5,061,330	239,029	15,425,776	2,737,629	5,230,553	26,979	756,207	26,473,966
1947	.	215,866	5,346,560	255,493	16,557,056	2,783,958	5,224,180	15,297	269,552	27,397,348
1948	.	179,498	4,396,803	328,075	22,439,803	3,113,749	5,924,575	20,013	483,528	33,244,709
1949	.	90,296	2,247,852	335,442	23,202,211	4,215,533	7,461,089	25,281	720,769	33,631,921
1950	.	120,401	2,907,522	184,315	13,202,181	3,308,134	5,955,544	29,627	1,079,012	23,144,259
1951	.	190,931	4,791,438	296,012	21,032,973	3,641,637	6,556,113	35,895	1,144,602	33,525,126
1952	.	121,424	3,000,182	260,979	18,286,522	3,888,405	7,052,786	30,919	852,679	29,192,169
1953	.	118,415	2,955,120	283,578	19,516,491	4,432,948	8,049,595	40,829	1,320,361	31,841,567
II. TUBES—										
1946	.	201,735	486,886	205,124	1,243,978	3,554,590	1,730,321	25,697	67,386	3,528,571
1947	.	200,859	533,677	262,793	1,646,785	3,889,225	1,922,510	21,590	62,188	4,165,160

STATEMENT XVI—contd.

I	2	3	4	5	6	7	8	9	10	
1948	.	180,663	479,250	284,622	1,858,815	3,748,502	1,858,181	32,363	79,764	4,276,010
1949	.	103,813	292,088	320,457	2,123,113	2,853,596	1,459,053	35,500	94,949	3,969,203
1950	.	167,544	459,745	197,381	1,355,884	3,847,373	1,868,678	53,944	151,180	3,835,487
1951	.	202,922	573,206	264,435	1,782,778	4,307,170	2,129,307	45,335	153,806	4,639,097
1952	.	145,975	414,768	199,396	1,404,730	3,633,518	1,827,375	46,940	138,599	3,785,472
1953	.	137,250	390,487	234,797	1,760,228	3,975,685	2,011,971	54,853	173,001	4,335,687
TYRES AND TUBES—										
1946	.	..	5,548,216	..	16,669,754	..	6,960,974	..	823,593	30,002,537
1947	.	..	5,880,237	..	18,203,841	..	7,146,690	..	331,740	31,562,508
1948	.	..	4,876,053	..	24,298,618	..	7,782,756	..	563,292	37,520,719
1949	.	..	2,539,940	..	25,325,324	..	8,920,142	..	815,718	37,601,124
1950	.	..	3,367,267	..	14,558,065	..	7,824,252	..	1,230,192	26,979,776
1951	.	..	5,364,644	..	22,815,751	..	8,685,420	..	1,298,408	38,164,223
1952	.	..	3,414,950	..	19,691,252	..	8,880,161	..	991,278	32,977,641
1953	.	..	3,345,607	..	21,276,719	..	10,061,566	..	1,493,362	36,177,254

# STATEMENT XVII

## Production of Tyres and Tubes

The Dunlop Rubber Co. (India) Ltd.

Year	Passenger car			Bus and Truck			Cycle			Others			Total	
	Nos.	Lbs.		Nos.	Lbs.		Nos.	Lbs.		Nos.	Lbs.		Lbs.	Lbs.
I	2	3	4	5	6	7	8	9	10					
<b>I. TYRES—</b>														
1946	.	116,502	2,696,387	124,768	8,192,104	1,732,042	3,331,702	14,777	384,709	14,604,902				
1947	.	121,960	2,999,300	125,099	8,169,529	1,748,689	3,292,459	10,764	176,508	14,637,796				
1948	.	78,399	1,877,483	165,767	11,099,073	1,964,685	3,768,163	12,347	289,919	17,034,638				
1949	.	39,965	998,640	152,525	10,525,207	2,710,089	4,819,957	17,793	519,646	16,863,450				
1950	.	67,816	1,588,591	80,312	5,696,999	2,742,420	4,930,453	22,270	761,242	12,977,285				
1951	.	98,470	2,424,308	121,093	8,535,981	2,626,506	4,711,311	29,406	859,010	16,520,810				
1952	.	52,499	1,271,460	96,702	6,820,601	2,916,092	5,258,755	19,931	576,098	13,926,914				
1953	.	55,074	1,357,566	113,164	7,844,644	3,184,492	5,738,329	28,563	896,233	15,831,772				
<b>II. TUBES—</b>														
1946	.	108,302	238,655	103,753	642,744	267,221	1,102,778	14,516	37,124	2,042,281				
1947	.	100,284	265,020	143,066	901,752	2,532,605	1,251,262	16,231	42,769	2,460,903				

## STATEMENT XVII—contd.

I	2	3	4	5	6	7	8	9	10
1948	86,966	225,355	141,360	920,062	2,351,477	1,166,084	22,481	52,094	2,363,595
1949	46,364	127,832	142,135	933,240	1,953,857	962,671	23,177	63,941	2,087,684
1950	88,661	236,417	97,103	660,367	2,916,353	1,414,942	39,017	112,873	2,424,599
1951	97,210	267,606	102,214	693,218	3,287,250	1,623,364	35,255	117,948	2,702,136
1952	65,293	183,074	75,162	527,509	3,037,518	1,526,669	30,083	89,281	2,326,533
1953	64,299	179,619	90,213	681,820	3,234,282	1,635,363	37,455	119,165	2,615,967
III. TYRES AND TUBES—									
1946	..	2,955,022	..	8,834,848	..	1,435,480	..	421,833	16,647,183
1947	..	3,264,320	..	9,071,281	..	4,543,821	..	219,277	17,098,699
1948	..	2,102,838	..	12,019,135	..	4,934,247	..	342,013	19,398,233
1949	..	1,126,472	..	11,458,447	..	5,782,628	..	583,587	18,951,134
1950	..	1,825,008	..	6,357,366	..	6,345,395	..	874,115	15,401,884
1951	..	2,691,914	..	9,219,199	..	6,334,875	..	976,958	19,222,946
1952	..	1,454,534	..	7,348,110	..	6,785,424	..	665,379	16,253,447
1953	..	1,537,185	..	8,526,464	..	7,373,692	..	1,015,398	18,452,735

11.14. We also give below the index of total production in the Dunlop factory taking 1946 as the base year.

### STATEMENT XVIII

#### Index of output of Dunlop Factory

	Output in lbs. in 1946	1946	1947	1948	1949	1950	1951	1952	1953
<b>I. TYRES—</b>									
Passenger . . . . .	5,061,330	100	106	87	44	57	95	59	58
Truck and Bus . . . . .	15,425,776	100	107	145	150	86	136	119	127
Cycle . . . . .	5,230,653	100	100	113	143	114	125	135	154
Others . . . . .	756,207	100	36	64	93	143	151	113	175
<b>TOTAL . . . . .</b>	<b>26,473,966</b>	<b>100</b>	<b>103</b>	<b>126</b>	<b>127</b>	<b>87</b>	<b>127</b>	<b>110</b>	<b>120</b>
<b>II. TUBES—</b>									
Passenger . . . . .	486,886	110	110	98	60	94	118	85	80
Truck and Bus . . . . .	1,243,978	100	132	149	171	109	143	113	142
Cycle . . . . .	1,730,321	100	111	107	84	108	123	106	116
Others . . . . .	67,386	100	92	118	141	224	228	206	257
<b>TOTAL . . . . .</b>	<b>3,528,571</b>	<b>100</b>	<b>118</b>	<b>121</b>	<b>112</b>	<b>109</b>	<b>131</b>	<b>107</b>	<b>123</b>
<b>Total of tyres and tubes . . . . .</b>	<b>30,002,537</b>	<b>100</b>	<b>115</b>	<b>125</b>	<b>125</b>	<b>90</b>	<b>127</b>	<b>110</b>	<b>121</b>

It will be seen from the above that the increase in production in 1953 as compared with 1946 was about the same for tyres and tubes. There were substantial increases in the production of bus and truck and cycle tyres and tubes, which were partly offset by a decline in the production of passenger car tyres and tubes.

12.1. Firestone started their import business in tyres and tubes in India in 1930. They established themselves as a manufacturing concern in 1939 when they erected their factory in Bombay. At present they produce tyres and tubes for passenger cars, trucks and buses, aeroplanes, bicycles, motor cycles, tractors and earth movers, besides repair materials and accessories and hard rubber battery cases. The Firestone Company is a private limited company with an authorised capital of Rs. 2 lakhs made up of 2000 shares of Rs. 100 each, and a paid-up capital of Rs. 20,000 made up of 200 shares of Rs. 100 each, all of which are held by the Firestone parent Company in U.S.A. For all practical purposes the Indian Company functions like a branch of the parent Company, obtaining funds for capital expenditure (when needed) from the latter, and

remitting all surplus profits to the parent Company as dividend without maintaining a reserve fund. A large part of its working capital is obtained through many loans. An analysis of the balance sheets of the Company for the years 1946 to 1954 will be found in Appendix III.

12.2. The original values of the fixed assets of the Company (exclusive of moulds and liners), the total amount of depreciation set aside by the Company and the written down values as at 31st October of each year from 1946 to 1954 according to the Company's balance sheets, were as follows:—

### STATEMENT XIX

#### *Fixed assets of Firestone.*

	<i>Original value</i>	<i>Deprecia- tion</i>	<i>Written down value</i>
(In lakhs of rupees)			
1946 . . . . .	53.37	29.66	23.71
1947 . . . . .	57.40	33.97	23.43
1948 . . . . .	78.95	43.81	35.14
1949 . . . . .	81.50	52.88	28.62
1950 . . . . .	87.74	58.08	29.66
1951 . . . . .	90.78	66.17	24.61
1952 . . . . .	127.97	75.39	52.58
1953 . . . . .	137.60	87.94	49.66
1954 . . . . .	160.34	102.79	57.55

12.3. The number of persons employed by the Company in 1946-47 and 1952-53 were as follows:

### STATEMENT XX

#### *Number of persons employed in Firestone*

	<i>1946-47</i>	<i>1952-53</i>
Weekly operatives . . . . .	214	197
Monthly paid staff . . . . .	1,109	1,146
Staff for administration, selling and distribution	256	350
	<b>1,579</b>	<b>1,693</b>



12.4. A comparative statement of Firestone's sales organisation in 1946 and 1954 is given below.

	1946	1954
Branch offices . . . . .	5 Bombay Calcutta Delhi Madras Lahore	7 Bombay Calcutta Delhi Madras Hubli Lucknow Nagpur
Depots . . . . .	1 Bangalore	6 Ahmedabad Bangalore Cochin Gauhati Vijayawada Jullunder
Dealers (approximately) . . . . .	3,000	7,400

This sales organisation handles all products manufactured by the Firestone factory. The dealers are free to stock other brands of tyres and tubes besides Firestone and to engage in other lines of business and most of them do so. Like Dunlop, Firestone also maintain special staff at their branches and depots to attend to sales promotion.

12.5. Like Dunlop, Firestone also have access to the research facilities of the parent company and derive from them up-to-date information on all technical matters. For this service the parent Company charges a royalty at the nominal rate of 1.5 cents per each 100 lbs. of all products manufactured in the Indian factory. The amounts so charged in each year from 1946 to 1953 were as follows:—

#### STATEMENT XXI

##### *Royalty paid by Firestone to the parent Company*

	Rs. lakhs.
1946-47 . . . . .	7.903
1947-48 . . . . .	9.368
1948-49 . . . . .	9.404
1949-50 . . . . .	15.398
1950-51 . . . . .	18.201
1951-52 . . . . .	18.755
1952-53 . . . . .	17.082

12.6. The Firestone organisation consists of 33 factories all over the world most of which are engaged in the manufacture of tyres and tubes, while the others are engaged in the manufacture of textiles and synthetic resins. It also owns some rubber plantations. The

Firestone factories in the following countries are the more important:—

U.S.A. (5 factories)  
 England  
 Canada  
 Switzerland  
 Spain  
 South Africa  
 New Zealand  
 India  
 Argentina  
 Brazil  
 Venezuela

12.7. We give below the figures relating to the production of tyres and tubes in the Firestone factory for the year 1946-47 to 1952-53.



**STATEMENT XXII**  
**Firestone Tyre and Rubber Co. of India Ltd.**  
**Production of Tyres and Tubes**

Year	Passenger Car		Bus and Truck		Cycle		Others		Total	
	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.	Lbs.	Lbs.
I	2	3	4	5	6	7	8	9	10	
<b>I. TYRES—</b>										
1946-47	91,538	2,131,981	171,407	10,883,100	413,444	681,101	2,465	52,091	13,748,273	
1947-48	80,083	1,823,829	212,859	13,576,579	508,139	800,220	4,176	45,936	16,246,564	
1948-49	40,431	943,008	191,852	12,555,008	449,711	708,028	1,797	25,369	14,231,413	
1949-50	78,870	1,804,258	234,298	16,646,903	122,336	198,806	2,655	34,322	18,684,289	
1950-51	107,813	2,432,382	262,599	18,413,277	308,352	518,487	3,037	68,443	21,432,589	
1951-52	73,555	1,703,830	270,822	19,528,313	372,914	649,768	4,647	147,733	22,029,644	
1952-53	80,282	1,765,694	235,944	17,908,746	306,750	550,688	5,730	179,671	20,404,799	
<b>II. TUBES—</b>										
1946-47	108,054	331,934	180,710	1,007,671	374,139	237,126	476	5,605	1,582,336	
1947-48	99,144	283,089	194,784	1,127,491	601,329	383,724	12,308	18,350	1,812,654	
1948-49	44,614	128,988	192,891	1,129,342	224,719	142,793	8,427	12,505	1,413,628	

## STATEMENT XXII—contd.

I	2	3	4	5	6	7	8	9	10
1949-50	84,512	236,132	220,035	1,268,291	269,444	151,512	10,364	17,607	1,673,542
1950-51	106,880	293,433	225,086	1,368,879	373,596	207,392	7,735	13,502	1,883,206
1951-52	73,991	208,387	230,551	1,382,641	360,146	203,209	6,591	13,150	1,807,387
1952-53	67,764	189,244	198,091	1,215,144	303,693	171,296	6,302	15,746	1,591,430
III. TYRES AND TUBES—									
1946-47	..	2,463,915	..	11,890,771	..	918,227	..	57,696	15,330,609
1947-48	..	2,106,918	..	14,704,070	..	1,183,944	..	64,286	18,059,218
1948-49	..	1,071,996	..	13,684,350	..	850,821	..	37,874	15,645,041
1949-50	..	2,040,390	..	17,915,194	..	350,318	..	51,929	20,357,831
1950-51	..	2,725,815	..	19,782,156	..	725,879	..	81,945	23,315,795
1951-52	..	1,912,217	..	20,910,954	..	852,977	..	160,883	23,837,031
1952-53	..	1,954,938	..	19,123,890	..	721,984	..	195,417	21,996,229

12.8. The index of production in the Firestone factory with 1946-47 as the base year is given below:—

### STATEMENT XXIII

#### Index of output of Firestone Factory

	Output in lbs. in 1946-47	1946/ 47	1947/ 48	1948/ 49	1949/ 50	1950/ 51	1951/ 52	1952/ 53
<b>I. TYRES—</b>								
Passenger	2,131,981	100	86	44	85	114	80	83
Truck and Bus	10,883,100	100	125	115	153	169	180	185
Cycle	681,101	100	117	104	29	76	95	81
Others	52,091	100	88	49	66	131	88	327
<b>TOTAL</b>	<b>13,748,273</b>	<b>100</b>	<b>118</b>	<b>104</b>	<b>136</b>	<b>156</b>	<b>160</b>	<b>148</b>
<b>II. TUBES—</b>								
Passenger	331,934	100	91	42	75	91	63	59
Truck and Bus	1,007,671	100	112	112	126	136	137	121
Cycle	237,126	100	162	60	64	87	86	72
Others	5,605	100	..	14	69	64	235	152
<b>TOTAL</b>	<b>1,582,336</b>	<b>100</b>	<b>115</b>	<b>89</b>	<b>106</b>	<b>119</b>	<b>114</b>	<b>101</b>
<b>Total of tyres and tubes</b>	<b>15,330,609</b>	<b>100</b>	<b>118</b>	<b>102</b>	<b>133</b>	<b>152</b>	<b>155</b>	<b>143</b>

The expansion of the Company's activity was mostly under tyres especially of buses and trucks.

13.1. Goodyear were registered in India as a private limited company in the year 1922, prior to which Goodyear products were sold in India through distributors. After 1922 and till 1937, Goodyear (India) were handling the import and distribution of their overseas products in this country. In 1936, they entered into arrangements with Dunlop whereby the Goodyear brands of tyres and tubes are manufactured in the Dunlop factory, the moulds and specifications being supplied by Goodyear, while the capital investment required to provide the basic manufacturing facilities is provided solely by Dunlop. In India, Goodyear have interests other than the joint manufacturing arrangement with Dunlop. In 1950, Goodyear entered into an arrangement with the National Tyre and Rubber Co. of India Ltd., Kottayam, whereby the former agreed to supply the latter with technical advice and service without cost for the development of a foamed rubber manufacturing

project. The product is known in the trade as "Pliofoam" and is distributed throughout India by Goodyear. In 1951, Goodyear entered into a somewhat similar arrangement with National Rubber Manufacturers Ltd., Calcutta, for the manufacture of certain industrial rubber products, particularly belting and hoses. These products which are stated to be according to Goodyear—U.S.A. standards and specifications, and bear identical names such as "Thor" and "Pathfinder" belting, are distributed throughout India and exported to nearby countries by Goodyear. In addition to the above, Goodyear sell fan belts and rice polishing rubber produced by Kirdar Rubber Co. Ltd., Calcutta, batteries produced by Free India Dry Accumulators Ltd., Calcutta, axles and brake drums produced by Swift Electrical Corporation, Howrah, pump connections produced by Ravi & Co. Ltd., Calcutta, heat patches produced by Indian National Rubber Products, New Delhi, and hoses and rubber couplings produced by Cosmos India Rubber Works, Bombay. Thus, the main lines of Goodyear's business in India are pneumatic tyres and tubes (for passenger cars, buses and trucks, tractors, aircrafts and bicycles), repair materials and accessories, jacks, pumps, radiator hose, fan belts, industrial transmission belting, foamed rubber cushioning and batteries.

13.2. The authorised and paid-up capital of the Company is Rs. 15,000 consisting of 15 ordinary shares of Rs. 1000 each which are all held by the Goodyear parent organisation. The Company is essentially a trading organisation dealing mainly in products manufactured with their brand names in the Dunlop and other factories and a few imported articles. Their fixed assets consist only of certain items of factory equipment including moulds and liners which are installed in the Dunlop factory for their use, furniture and fittings and motor cars and trucks. The original value of their fixed assets, the total amount of depreciation set aside by them and the written down values as at 31st December of each year from 1946 to 1954 according to their balance sheets were as follows:—

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**STATEMENT XXIV**  
**Fixed assets of Goodyear**  
(In lakh rupees)

	Original value	Deprecia- tion	Writ.en down value
1946 . . . . .	6.19	5.03	1.16
1947 . . . . .	10.88	7.25	3.63
1948 . . . . .	12.38	9.34	3.04
1949 . . . . .	14.50	9.61	4.89
1950 . . . . .	16.42	12.20	4.22
1951 . . . . .	19.06	13.96	5.10
1952 . . . . .	21.48	16.38	5.10
1953 . . . . .	22.55	18.10	4.45
1954 . . . . .	24.40	20.25	4.15

An analysis of the balance sheets of the Company for the years 1946 to 1954 will be found in Appendix IV.

13.3. The number of persons employed by the Company in 1946 and 1953 were 202 and 392 respectively.

13.4. A comparative statement of Goodyear's sales organisation in 1946 and 1954 is given below:—

	1946	1954
Branch offices . . . . .	4 Bombay Calcutta Delhi Madras	5 Bombay Calcutta Dehli Madras Lucknow
Depots . . . . .	3 Nagpur Lucknow Bangalore	8 Nagpur Bangalore Ahmedabad Cochin Gauhati Jullunder Madurai Vijayawada
Dealers . . . . .	3,146	9,018

The sales organisation is common for all Goodyear products. The dealers sell other brands of tyres and tubes besides Goodyear and most of them have other lines of business as well. A special staff is attached to branches and depots to look after sales promotion.

13.5. The Goodyear organisation owns 37 factories all over the world 21 of which are engaged in the manufacture of tyres and tubes while the others are engaged in the manufacture of textiles, chemicals, rubber goods, aero products, etc. Besides these, it owns agricultural test farms and rubber plantations. The 21 rubber factories are distributed as follows:—

U.S.A. (7 Factories)	Brazil	Venezuela
U.K.	Argentina	Mexico
Canada	Columbia	Luxembourg
Australia	South Africa	
Sweden	Cuba	
Peru	Java	

13.6. The following statement shows the production of Goodyear tyres and tubes in each year from 1946 to 1953.

**STATEMENT XXV.**  
**Goodyear Tyre and Rubber Co. of India Ltd.**  
**Production of Tyres and Tubes.**

Year	Passenger Car			Bus and Truck			Cycle			Others			Total	
	Nos.	Lbs.		Nos.	Lbs.		Nos.	Lbs.		Nos.	Lbs.		Lbs.	Lbs.
	2	3		4	5		6	7		8	9	10		
<b>I. TYRES—</b>														
1946 . . .	72,870	1,688,220		76,516	4,891,338		522,158	978,494		12,202	371,498		7,929,550	24
1947 . . .	65,999	1,643,083		78,156	5,076,266		542,371	1,006,551		4,533	93,044		7,818,944	
1948 . . .	63,300	1,583,247		84,885	6,016,241		600,588	1,126,105		7,660	193,609		8,419,292	
1949 . . .	34,067	835,830		87,693	6,139,676		707,725	1,225,116		6,632	191,408		8,392,090	
1950 . . .	38,045	964,161		57,363	4,258,765		360,874	630,098		6,853	312,352		6,165,376	
1951 . . .	54,944	1,405,273		93,126	6,822,428		604,639	1,067,089		5,783	277,319		9,572,609	
1952 . . .	42,941	1,071,935		89,149	6,428,233		379,973	662,556		9,039	257,760		8,420,484	
1953 . . .	43,666	1,094,526		96,569	6,665,424		636,016	1,103,185		10,328	396,627		9,259,762	
<b>II. TUBES—</b>														
1946 . . .	67,337	165,639		66,415	401,790		680,786	31,136		14,181	10,262		9,928,827	
1947 . . .	68,716	184,221		66,355	419,883		709,160	350,655		5,359	19,419		974,178	



1948	.	.	.	61,954	170,999	74,047	502,099	726,255	359,824	9,882	27,670	1,060,592
1949	.	.	.	39,564	113,881	91,155	614,823	518,860	258,342	11,004	29,087	1,016,133
1950	.	.	.	48,285	137,858	53,352	376,113	592,020	289,068	12,408	34,639	837,678
1951	.	.	.	66,100	192,013	86,982	592,733	582,604	289,034	8,505	33,564	1,107,344
1952	.	.	.	49,984	144,371	64,894	465,138	310,580	156,667	14,189	45,764	811,940
1953	.	.	.	48,526	139,640	190,031	672,573	400,552	203,472	14,707	49,726	1,065,411
III. TYRES AND TUBES--												
1946	.	.	.	..	1,853,859	..	5,293,128	..	1,809,630	..	401,760	8,858,371
1947	.	.	.	..	1,827,304	..	5,496,149	..	1,357,206	..	112,463	8,793,122
1948	.	.	.	..	1,754,246	..	6,518,340	..	1,485,929	..	221,279	9,979,794
1949	.	.	.	..	949,711	..	6,754,499	..	1,483,458	..	220,495	9,408,163
1950	.	.	.	..	1,102,019	..	4,634,878	..	919,166	..	346,991	7,003,054
1951	.	.	.	..	1,597,286	..	7,415,161	..	1,356,123	..	311,388	10,679,953
1952	.	.	.	..	1,216,306	..	6,893,371	..	819,223	..	303,524	9,232,424
1953	.	.	.	..	1,234,166	..	7,337,997	..	1,306,657	..	446,353	10,025,173

14.1. The India Tyre & Rubber Co. Ltd. of Inchinnan, Scotland commenced trading in this country through distributors in 1930. India Tyre (India) was registered as a private limited company in June, 1938. In the same year they entered into arrangements with Dunlop whereby the latter agreed to manufacture India tyres and tubes in their factory, the moulds and specifications being supplied by India Tyre. The main lines of India Tyre's business in India are pneumatic tyres and tubes (for passenger cars, buses and trucks, tractors, motor cycles and cycles), repair materials and accessories, cycle rims, fan belts, jacks, pumps and radiator hoses and certain sundry imported products.

14.2. The authorised capital of the Company in 1946 was Rs. 16 lakhs made up of 1,60,000 shares of Rs. 10 each. The paid-up capital in that year was Rs. 7 lakhs made up of 70,000 shares of Rs. 10 each. In 1952 the paid-up capital was doubled to Rs. 14 lakhs by the issue of bonus shares of Rs. 7 lakhs through capitalisation of reserves. The entire share capital is held by the parent Company in Scotland. The Company is essentially a trading organisation dealing mainly in products manufactured with their brand names in the Dunlop factory and a few imported articles. Their fixed assets consists only of certain items of factory equipment including moulds and liners which are installed in the Dunlop factory for their use, office premises, furniture and fittings and motor cars, vans and cycles. The original value of their fixed assets, the total amount of depreciation set aside and the written down values as at 31st December of each year for the years 1946 to 1953 according to their balance sheets were as follows:—

STATEMENT XXVI  
*Fixed assets of India Tyre*

(In lakh rupees.)

	Original value	Deprecia- tion	Written down value
1946 . . . . .	3.35	2.55	0.80
1947 . . . . .	5.99	3.15	2.84
1948 . . . . .	8.05	4.83	3.22
1949 . . . . .	11.48	7.44	4.04
1950 . . . . .	13.57	9.87	3.70
1951 . . . . .	15.77	12.10	3.67
1952 . . . . .	19.43	13.33	6.10
1953 . . . . .	20.29	13.99	6.30
1954 . . . . .	23.22	16.61	6.61

An analysis of the balance sheets of the Company for the years 1946 to 1954 will be found in Appendix V.

14.3. The number of persons employed by the Company in 1946 and 1953 were 147 and 341 respectively.

14.4. India Tyre have only one factory in the world which is situated in Inchinnan, Scotland. Outside Scotland, therefore, they are purely a trading concern. Although India Tyre and Dunlop function as separate Companies both in India and elsewhere, Dunlop (U.K.) have a controlling interest in the parent company of India Tyre in Scotland and have, consequently, the ultimate control over the affairs of India Tyre in all countries.

14.5. The following statement gives particulars of India Tyres' sales organisation in 1946 and 1954:—

	1946	1954
Branch offices and depots . . . . .	2 Calcutta Delhi	11 Calcutta Delhi Bombay Madras Lucknow Jorhat Nagpur Ahmedabad Bangalore Cochin Vijayawada
Distributors . . . . .	3 Bombay Madras Bangalore	
Dealers (including fleet owners)	..	10,387

The remarks made earlier about the sales organisation of the other Companies hold good in the case of India Tyres also.

14.6. We give below figures of India tyres and tubes manufactured by Dunlop in the years 1946 to 1953.

# STATEMENT XXVII

India Tyre and Rubber Co. (India) Ltd.  
Production of Tyres and Tubes

Year	Passenger Car		Bus and Truck		Cycles		Others		Total	
	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.	Nos.	Lbs.
I.	2	3	4	5	6	7	8	9	10	
I. TYRES—										
1946 . . .	28,360	676,723	37,745	2,342,334	483,429	920,437	..	..	3,939,514	68
1947 . . .	27,907	704,177	52,238	3,311,261	492,898	925,170	..	..	4,940,608	68
1948 . . .	37,799	936,073	77,423	5,324,489	548,476	1,030,307	..	..	7,290,869	68
1949 . . .	16,264	413,382	95,224	6,537,328	797,719	1,416,016	856	9,715	8,376,481	68
1950 . . .	14,540	354,770	46,640	3,246,417	204,840	394,993	804	5,418	4,001,598	68
1951 . . .	37,517	961,857	81,793	5,684,564	410,492	777,513	706	7,773	7,431,707	68
1952 . . .	25,983	656,787	75,128	5,037,688	592,340	1,131,475	1,949	18,821	6,844,771	68
1953 . . .	19,675	503,028	73,845	5,006,423	612,440	1,208,081	1,938	27,901	6,745,033	68
II. TUBES—										
1946 . . .	26,096	62,612	34,936	199,444	606,583	295,407	..	..	957,468	68
1947 . . .	31,859	84,436	53,272	325,150	647,460	320,493	..	..	790,079	68

1948	.	.	.	31,743	82,896	69,215	436,654	670,770	332,273	..	..	851,823
1949	.	.	.	17,885	50,375	87,167	575,050	480,879	238,040	1,319	1,921	865,386
1950	.	.	.	30,598	85,470	46,926	319,404	339,000	164,668	2,519	3,668	573,210
1951	.	.	.	39,612	113,587	75,239	496,827	437,316	216,909	1,575	2,294	829,617
1952	.	.	.	30,698	87,323	59,340	412,083	285,420	144,039	2,668	3,554	646,999
1953	.	.	.	24,425	71,228	54,553	405,835	340,851	173,136	2,691	4,110	654,309
III. TYRES AND TUBES—												
1946	.	.	.	..	739,395	..	2,541,778	..	1,215,864	..	..	4,496,977
1947	.	.	.	..	788,613	..	3,636,411	..	1,245,663	..	..	5,670,687
1948	.	.	.	..	1,018,969	..	5,761,143	..	1,362,580	..	..	8,142,692
1949	.	.	.	..	463,757	..	7,112,378	..	1,654,056	..	11,636	9,241,827
1950	.	.	.	..	440,240	..	3,565,821	..	559,661	..	9,086	4,574,808
1951	.	.	.	..	1,075,444	..	6,181,391	..	994,422	..	10,067	8,261,324
1952	.	.	.	..	744,110	..	5,449,771	..	1,275,514	..	22,375	7,491,770
1953	.	.	.	..	574,256	..	5,412,258	..	1,381,217	..	31,611	7,399,342

## CHAPTER III—REVIEW OF COSTS, PRICES AND PROFITS

### 1. *Approach to the problem*

15.1. The second part of the terms of reference, namely, whether the prices charged by several producers from time to time for their products since 1946 have been fair or excessive in relation to costs, is of historical nature, and we propose to deal with it first. The answer to this question has also a bearing on the first part of the terms of reference. In conducting this inquiry, we have to pay special attention to (a) the cost of raw materials since 1946 and the prices paid by the manufacturers of tyres and tubes for indigenous rubber during this period, (b) the profits earned by the manufacturers year by year since 1946 and how they have been utilised, (c) the assistance which the manufacturers may have received during the period of World War II in the shape of equipment and financial assistance, and (d) the effect of (a) to (c) above on the price structure of tyres and tubes and other rubber goods manufactured by these concerns.

#### (i) **General principles**

15.2. Before discussing the relation between pipes and costs, however, it is necessary to explain that in India, as elsewhere, tyres and tubes of all makes are sold at uniform prices, there being no competition among the producers so far as prices are concerned. Consequently, variations, and especially reductions, in costs do not always result in corresponding variations in prices. Further, a mere analysis of the relative changes in prices and costs since 1946 will not be adequate to settle the main point of the inquiry, namely, whether the prices have been in fair relation to costs, unless it can be assumed that a fair relation between prices and costs existed in 1946. No such assumption can be made in the case of this industry. An industry may be able to put up with cost increases without corresponding increases in prices, either because the reduction in the profit margin is offset by an increase in sales or because the aggregate profits, though reduced, are still maintained at a high level. Just as variations in profit margins or in aggregate profits may offset the effect of variations in total costs on prices, the effect of variations in any one element of cost, say, the cost of rubber, may be offset by opposite variations in some other element, such as the cost of fabric, factory overheads or the selling and distribution charges. We, therefore, consider that the issue before us can be properly tackled if, in addition to examining the changes in costs, prices and profits since 1946, we also try to determine what, in the light of all the factors in the situation, would have been the fair prices of tyres and tubes in each year since 1946 and compare them with the actual prices. We have made such an attempt in this chapter. The task of determining fair prices retrospectively for so many years is obviously difficult, but we are convinced that it is necessary to provide some approximate standard for judging the fairness or otherwise of the prices and profits for this industry since 1946.

15.3. We have carefully considered the question whether for the purpose of determining whether the prices charged were fair or excessive, we should determine fair prices for the four companies separately or judge them by a common standard by determining a representative fair price. We have decided in favour of the latter alternative as being more in accord with the realities of the situation. In the tyre industry, there are wide variations in profit margins from one unit to another and since uniform prices are charged, the variations in profit margins are due to variations in costs and other charges. Each unit has its own advantages and disadvantages and the level of efficiency, both in respect of manufacturing and trading operations, varies from one unit to another. It is not possible to evaluate these differences in monetary terms and to make proper allowances for them. If we were to determine a fair price for a low-cost unit on the basis of its actual costs, without making such allowances and to treat the whole of the difference between the price actually charged by it and the fair price so determined as excess profits, we shall be deviating from the principle that such unit is entitled to retain the benefit of its relatively higher efficiency or the special advantages enjoyed by it. It may be that the lower cost of a unit is also partly due to its failure to incur certain desirable expenditure (e.g. on labour welfare); even so, it is far more desirable in principle that the unit should be forced to incur such expenditure than that its fair price should be determined on the basis of its actual costs. A system of uniform prices is also virtually unavoidable in the case of this industry, for the reasons given in para. 30.1. below. For these reasons, we have decided to judge the fairness or otherwise of the prices of tyres and tubes on the basis of a single representative fair price, instead of determining fair prices for all the four units separately.

15.4. For the purpose of determining a representative fair price, we have to select a representative unit. Two of the four companies, namely, Goodyear and India Tyre, are largely trading concerns, having no factories of their own in this country. Their costs are largely dependent on those of Dunlop who manufacture tyres and tubes for them. (Their administrative and distribution expenses, in relation to their sales turnover, are also largely of similar magnitude to those of Dunlop). Neither of these units can, therefore, be regarded as representative. Firestone have certain special features of their own. They are a purely subsidiary concern of a foreign private limited firm. Their entire surplus is remitted to the parent firm, no general reserves being maintained in India. The parent firm consequently accords to its subsidiary certain advantages not available to the other companies in India. Firestone have a paid-up capital of only Rs. 20,000 and a gross block of Rs. 138 lakhs in 1952-53 which, in relation to their scale of operations, is much lower than that of Dunlop. Firestone have been able to keep their fixed capital expenditure at a lower level, because a large part of the equipment needed by the various Firestone units is manufactured jointly and is consequently obtained at more favourable rates and also because, unlike Dunlop, they have not found it necessary (partly because of their location) to have a labour colony of their own. The imported materials required by them are purchased through the Common Purchasing Organization maintained at Akron for all the sister companies, and although this bulk purchase arrangement results in substantial benefit to them, no-

buying commission is paid. The range and diversity of their products is also less as compared with Dunlop. Further, as will be seen from the details given later, Firestone's selling and distribution expenses, in relation to their turnover, are much less than those of Dunlop, Goodyear or India Tyre. As compared with the other companies, Firestone have also been able to export a higher proportion of their output, the percentage of the cost of export sales to total cost of sales being 16 in the case of Firestone in 1952-53 as compared with 1, 14 and 1.55 in the case of Dunlop, Goodyear and India Tyre respectively in 1953. We have, therefore, come to the conclusion that Dunlop should be taken as a more representative unit than Firestone for the purpose of determining a representative fair price. Dunlop are a public limited company and their total production (including their production for Goodyear and India Tyre) is larger than that of Firestone.

- 16.1. The following are the principal components of the fair prices of tyres and tubes: (1) factory costs made up of—
- (ii) **Costing system**
- materials: fabric, compound and bead wire in the case of tyres, and compound and valve in the case of tubes;
  - direct labour,
  - and factory
  - overheads.

(2) administrative expenses, (3) selling and distribution expenses and (4) profits. We propose to deal with these various components *seriatim* and then build up our estimates of fair prices. Before doing so, however, it is necessary briefly to describe the main features of the costing system followed by the companies and to refer to some of the problems which arise in that connection. Dunlop and Firestone maintain standard costs for the various types of tyres and tubes manufactured by them. These standard costs are prepared quarterly by Dunlop and half-yearly by Firestone. For the preparation of standard costs, a programme of production is drawn up for each year together with a process schedule pertaining to the programme which gives process details such as the compound formulae and fabric specifications. On the basis of the process schedule, the requirements of the various raw materials are estimated and the cost of raw materials is then determined at the standard rates established for each by taking into account the actual stock on hand, the orders placed and the anticipated purchases. If sufficient stock is available, the inventory rate is adopted on 'first in-first out' or weighted average basis. As stated above, the principal materials used are fabric, compound and bead wire in the case of tyres and compound and valve in the case of tubes. Of these, the cost of compounds consists of several elements such as raw rubber of various grades and a variety of chemicals, and its analysis consequently presents particular difficulty. A large number of compounds are used in the manufacture of tyres and tubes and the specifications of each of the compounds vary from time to time. Further, no data are available regarding the cost of rubber and chemicals separately for each product. Consequently, while the



variations in the compound cost from year to year can be determined, it has been found difficult accurately to ascertain the extent to which these variations are due to the cost of rubber and the cost of chemicals separately. However, some rough estimates of the weight of rubber and chemicals used in different classes of products have been made and are given later in the Report.

16.2. In estimating the net material costs, provision is made for the moisture content of the fabric, the handling and other losses in the case of chemicals and the wastage. Details of these for both the units are given in the Cost Report.

16.3. Besides the net material cost, the standard cost includes also the cost of direct labour and factory overheads. Direct labour is estimated on the basis of the operations involved in the manufacture of each product. In the case of the majority of the operations, the workers are paid by the piece-rates. The direct labour cost includes some allowance to cover idle time due to break-down, shortage of materials etc. Some of the factory overheads are fixed, while others are partially or wholly variable. Each unit has a different method of allocating the factory overheads as has been explained in the Cost Report.

16.4. The labour cost and factory overheads as estimated by the companies in their standard costs needed modifications in the following respects. Since the profit-sharing bonus depends on the profits actually earned and the latter cannot be taken for granted in the calculation of fair prices, we have excluded the amount of such bonus from the standard costs. It has also been the practice of the Commission to allow depreciation at the first and second shift rates only as an item of cost and we have accordingly calculated the depreciation allowance on this basis. The depreciation actually set aside by the companies was higher and the cost have had to be adjusted on this account.

16.5. Each company maintains a record of the variations between the standard costs as described above and the actual costs, but neither Dunlop nor Firestone adjusts the standard costs to arrive at the actual costs of individual products. The variances between the actual and the standard costs have been small in the case of both the companies except in 1948 in the case of Dunlop and 1949-50 and 1950-51 in the case of Firestone, when the estimates were upset by unforeseen fluctuations in the cost of materials. The following tables give the variances from standards in the case of both the companies from year to year:

STATEMENT XXVIII  
Variance from standards  
(i) Dunlop

Year	Total standard cost	Actual cost	Variance	Variance as a percentage on standard cost
	Rupees in lakhs			Per cent.
1946 . . .	373.084	377.766	(+) 4.682	(+) 1.25
1947 . . .	400.741	400.716	(—) 0.025	(—) 0.01

Year	Total standard cost	Actual cost	Variance	Variance as a percentage on standard cost
		Rupees in lakhs		per cent
1948 . . .	553.174	530.125	(—) 23.049	(—) 4.17
1949 . . .	626.855	626.227	(—) 0.628	(—) 0.10
1950 . . .	468.870	471.249	(+) 2.379	(+) 0.51
1951 . . .	992.059	967.607	(—) 24.452	(—) 2.46
1952 . . .	806.888	794.664	(—) 12.224	(—) 1.51
1953 . . .	746.792	745.424	(—) 1.368	(—) 0.18

## (ii) Firestone

Year	Total standard cost	Actual cost	Variance	Variance as a percentage on standard cost
		Rupees in lakhs		per cent.
1946-47 . . .	205.978	205.547	(—) 0.431	(—) 0.21
1947-48 . . .	244.320	243.920	(—) 0.400	(—) 0.16
1948-49 . . .	228.585	233.521	(+) 4.936	(+) 2.16
1949-50 . . .	328.147	348.912	(+) 20.765	(+) 6.33
1950-51 . . .	514.314	562.954	(+) 48.640	(+) 9.46
1951-52 . . .	551.238	550.046	(—) 1.192	(—) 0.22
1952-53 . . .			(—) 7.120	(—) 1.40

In view of the fact that during the major part of the period under investigation the actual costs have differed from standard costs by only small percentages, we have adopted the standard costs for the various products as estimated by the companies subject to the two modifications mentioned in the preceding paragraph and have adjusted them for the recorded variance.

16.6. Since each company produces a wide variety of tyres and tubes, we have, for facility of presentation, expressed the cost data on a 100 lb. basis. We find that over the entire range of production, there is a close correlation between weight and value, which indicates that the overall cost of tyres and tubes is largely proportional to their weight. The procedure adopted by us, therefore, need not involve any serious degree of inaccuracy.

16.7. As regards administrative, selling and distribution expenses, we have adopted the actuals, subject to the comments made later in this Chapter. Although the increases in selling and distribution expenses have been *prima facie* excessive in relation to the increases in other items of cost or the total output, we have not had enough

evidence on the basis of which fresh estimates of expenses which could be regarded as fair in the light of the circumstances prevailing in each year could be made. The rate of profit which could be considered fair in the case of this industry is discussed later in the Report.

16.8. On the basis of the data available to us, we have now (a) to analyse the variations in factory costs in the light of the variations in the different components of such costs and (b) to examine whether the prices charged were fair or excessive. For the purpose of (a), since data regarding the break-down of the average factory cost per 100 lbs. of the entire production or of production of individual groups of tyres and tubes (*viz.* passenger car, truck and bus and cycle), were not readily available, we have costed certain selected sizes in each group and have analysed the cost per 100 lbs. of such selected sizes into its main components. For the purpose of (b), after determining the over-all average fair price per 100 lbs., we have determined the fair prices per 100 lbs. of each group of tyres and tubes (all sizes) for replacement purposes by taking into account the relation between the prices of different groups of tyres and tubes and the relation between the prices charged for different classes of sales (replacement, Government, export and original equipment) in each group, obtaining in each year.

## 2. Analysis of factory costs:

17. For the purpose of costing, we have adopted the following classification of tyres and tubes: Passenger car, Bus and Truck, Cycle and others. In each group, certain typical sizes were selected for detailed costing and figures showing the break-down of factory cost into its various components have been computed only for the selected sizes. A list of the selected sizes with their specifications is given in Appendix VI. In the case of Dunlop, the selected sizes of motor tyres and cycle tyres accounted for 73 per cent. and 63 per cent. respectively of the total production by weight in each category in 1953, and in the case of Firestone, 69 per cent. and 100 per cent. respectively, in 1952-53. The corresponding percentages for the selected sizes of motor tubes and cycle tubes were 76 per cent. and 83 per cent. respectively in the case of Dunlop and 87 per cent. and 100 per cent. respectively in the case of Firestone. The sizes selected by us may, therefore, be regarded as representative.

18. The trend of factory costs of the principal groups of tyres and tubes since 1946 may be seen from the figures given below. The figures relate to average factory costs (made up of cost of materials, direct labour and factory overheads) per 100 lbs. It will be seen that the factory costs of both tyres and tubes and shown a marked rise since 1946, but the rise was particularly steep in 1951, largely because of the post-Korean boom in the price of materials. In the following two years the cost declined to some extent but still remained at a higher level as compared with 1946. Between 1946 and 1953, Dunlops' cost showed an increase of 75.76 per cent. for passenger car tyres, 71.25 per cent. for bus and truck tyres, 51.12 per cent. for cycle tyres, 45.47 per cent. for other tyres, 53.9 per cent. for passenger car tubes, 51 per cent. for bus and truck tubes, 68.78 per cent.

# STATEMENT XXIX (a)

Factory cost per 100 lbs. of production in Dunlop Rubber Co., (India) Ltd. [excluding production for Goodyear Tyre and Rubber Co. of India, Ltd., and India Tyre and Rubber Co. (India) Ltd.]

(In Rupees)

Year	Passenger Cars			Bus and Truck		Cycles		Others	
	All sizes	Selected sizes	All sizes	All sizes	Selected sizes	All sizes	Selected sizes	All sizes	Selected sizes
<b>A. TYRES—</b>									
1946	121.3	118.7	126.6	126.8	93.9	93.1	148.0	Nil	
1947	129.7	128.8	123.0	123.7	89.9	91.4	136.8	"	
1948	126.5	123.2	146.4	146.0	105.7	113.6	140.3	"	
1949	149.2	147.5	171.8	171.7	134.5	137.4	161.6	"	
1950	173.7	165.5	178.2	183.4	131.2	131.3	181.8	"	
1951	238.1	237.3	270.5	272.3	171.4	171.1	250.6	"	
1952	232.3	227.2	269.5	276.0	150.9	152.2	233.8	"	
1953	213.2	209.2	216.8	218.8	141.9	142.1	215.3	"	
<b>B. TUBES—</b>									
1946	127.5	109.1	124.1	121.4	147.0	142.7	133.3	"	
1947	119.4	110.0	116.8	113.8	144.8	146.2	140.7	"	

1948	.	.	.	.	123.2	115.0	119.0	115.6	160.5	133.1	148.7	"
1949	.	.	.	.	141.2	128.8	132.9	127.8	204.6	199.1	156.2	"
1950	.	.	.	.	159.2	142.9	147.4	142.3	204.1	197.5	176.7	"
1951	.	.	.	.	236.3	229.5	237.0	229.8	284.9	277.1	258.3	"
1952	.	.	.	.	203.4	186.4	204.9	196.0	256.4	248.8	231.9	"
1953	.	.	.	.	196.2	184.4	187.4	182.4	248.1	242.6	213.4	"

(In Rupees)

Year	Passenger Cars				Bus and Truck		Cycles		Others	
	All sizes	Selected sizes	All sizes	Selected sizes	All sizes	Selected sizes	All sizes	Selected sizes	All sizes	Selected sizes
<b>A. TYRES—</b>										
1946-47	133.5	129.9	132.0	131.2	124.6	123.7	193.1	123.7	193.1	Nil
1947-48	131.2	127.4	130.5	129.6	125.1	124.5	159.2	124.5	159.2	"
1948-49	147.4	140.7	145.5	144.5	141.3	142.5	181.9	142.5	181.9	"
1949-50	166.1	160.0	169.0	168.4	174.8	174.8	187.5	174.8	187.5	"
1950-51	233.1	228.6	238.5	238.2	247.8	247.6	240.2	247.6	240.2	"
1951-52	223.6	219.3	227.9	227.9	226.7	227.1	228.7	227.1	228.7	"
1952-53	215.8	213.2	219.6	218.5	230.1	230.0	206.3	230.0	206.3	"
<b>B. TUBES—</b>										
1946-47	120.5	115.1	125.6	124.6	169.8	168.8	180.0	168.8	180.0	"
1947-48	123.9	120.4	123.8	125.0	170.9	172.4	181.4	172.4	181.4	"
1948-49	129.2	128.2	131.3	133.2	186.2	256.3	186.7	256.3	186.7	"

1949-50	.	.	.	150.5	144.3	152.6	149.1	243.2	243.3	218.2	"
1950-51	.	.	.	225.0	213.1	219.4	215.8	350.1	353.5	290.5	"
1951-52	.	.	.	203.7	194.2	202.9	199.8	323.3	322.2	258.6	"
1952-53	.	.	.	210.1	206.3	202.6	204.1	319.9	325.7	232.9	"

for cycle tubes and 60.09 per cent. for other tubes. Similarly, Firestone's costs were higher in 1952-53 as compared with 1946-47 by 61.77 per cent. for passenger car tyres, 66.36 per cent. for bus and truck tyres, 84.67 per cent. for cycle tyres, 6.83 per cent. for other tyres, 74.36 per cent. for passenger car tubes, 61.31 per cent. for bus and truck tubes, 88.4 per cent. for cycle tubes and 29.39 per cent. for other tubes. These figures relate to factory costs of all sizes.

19. The relative importance of the different components of factory costs may be seen from the following analysis for 1946 and 1953 for Dunlop and 1946-47 and 1952-53 for Firestone:

### STATEMENT XXX

*Relative importance of different elements of factory costs.*

	Dunlop		Firestone	
	1946	1953	1946-47	1952-53
	Per cent.	Per cent.	Per cent.	Per cent.
Fabric . . .	32.0	38.5	32.3	39.0
Compound . .	47.2	42.0	40.7	39.9
Other materials .	2.3	1.9	2.7	2.4
<b>TOTAL MATERIAL</b>	<b>81.5</b>	<b>82.4</b>	<b>75.7</b>	<b>81.3</b>
Labour . . .	2.6	2.3	1.9	0.9
Overheads . .	15.9	15.3	22.4	17.8
	100.0	100.0	100.0	100.0

The cost of materials constitutes nearly four-fifths of the total factory cost. While rubber compound still remains the most important element, the relative importance of fabric has altered significantly since 1946. Both fabric and rubber were subject to State control over the major part of the period, and yet the prices of fabric rose much more than those of rubber. In the case of Dunlop, the cost of fabric went up by 85 per cent. between 1946 and 1953 as compared with an increase of only 38 per cent. in rubber, 99 per cent. in chemicals and 48 per cent. in the compound (rubber and chemicals taken together). In the case of Firestone, the increase in the cost of fabric was 100 per cent. between 1946-47 and 1952-53 as compared with an increase of 70 per cent. in rubber, 50 per cent. in chemicals and 61 per cent. in the compound. Direct labour accounts for only a small fraction of the total factory cost, in spite of the fact that many of the processes involved in the manufacture of tyres and tubes are non-automatic and hence labour efficiency has a significant bearing on the volume of output and ultimate cost. Factory overheads amounted to 15 per cent. of the factory costs in the case of Dunlop in 1953 and about 18 per cent. in the case of Firestone in 1952-53.



20.1. The above analysis of the structure of factory costs, however, is of limited help in understanding the causation of cost changes from year to year. From the mere fact that the material cost generally constitutes four-fifths of the total factory cost, it cannot be inferred that the changes in cost have always been predominantly due to this factor. Similarly, just because the factory overheads are only about one-fifth of the material cost, it cannot be assumed that their relative contribution to cost increases is always proportionately smaller. It is necessary to carry out the analysis a stage further in order to bring out the actual contribution of different components of cost to the increase in the total factory cost which has taken place from year to year. This has been attempted in the Statements XXXII (a), (b), (d) and (e). These statements show the percentage variations in each year as compared with the base year (1946 in the case of Dunlop and 1946-47 in the case of Firestone), per 100 lbs. in the factory costs of each group of tyres and tubes and the extent to which these variations were due to variations in (a) the usage of materials and (b) the prices of materials and to variations in direct labour and factory overheads per 100 lbs. of the product. It may be noted that the variations shown in each year are in comparison with the base year and not the preceding year. So far as rubber compounds are concerned, as stated earlier, the specifications of such compounds in respect of the quantities of rubber and chemicals used vary frequently and no data are available regarding the utilisation of different kinds of compounds for individual products. Consequently, it has not been possible accurately to ascertain the extent to which changes in factory costs of individual products were due to changes in the usage and prices of rubber. In the Statements XXXII (a), (b), (d) and (e), therefore, we have shown only the changes in factory costs due to changes in the usage and cost of rubber compound and not of rubber and chemicals separately. We have, however, ascertained by direct investigation for one year, 1953, for one of the units, namely, Dunlop, the proportions of rubber in the weight of compounds used for different groups of products (selected sizes only). The proportions were as follows:

#### STATEMENT XXXI

*Ratio of rubber and chemicals in 100 lbs. of compound*

	Rubber	Chemicals
Tyres (giant and motor) . . . . .	64	36
Tyres (cycle) . . . . .	72	28
Tyres (all) . . . . .	66	34
Tubes (all) . . . . .	72	28
Tyres and Tubes (overall) . . . . .	67	33

Assuming that the same proportions held good throughout the period and taking into account the year to year variations in the actual usage of rubber compound and the actual cost of rubber, we have estimated the extent to which changes in Dunlop's factory costs as compared with the base year were due to changes in the usage and cost of rubber. These estimates have been given separately in Statement XXXII (c). These estimates taken in conjunction with the factual data relating to the contribution of rubber compound to changes in factory cost, should provide some approximate indication of the part played by changes in rubber prices in bringing about changes in factory costs. We would like to emphasise that the element of estimation involved in our analysis relates only to the contribution of rubber to changes in factory costs, and not to that of rubber compound as a whole or of fabric, other materials, direct labour or overheads, the figures relating to which are based on factual data.



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# STATEMENT XXXII (a)

The Dunlop Rubber Co., (India) Limited

Statement showing the percentage variations in factory costs caused by the individual elements

(Figures relate to selected sizes)

TYRES

Year	Factory cost per 100 lbs.	Percentage variations due to											Total percentage change
		Fabric	Compound		Bead Wire		Direct labour	Factory overheads					
			Changes in usage	Changes in price	Changes in usage	Changes in price							
1	2	3	4	5	6	7	8	9	10	11	12		
<i>Passenger Car Tyres—</i>													
1946	118.7	..	..	..	..	..	..	..	..	..	..		
1947	128.8	(+ )8.51	(+ )0.52	(+ )1.67	(— )0.49	(— )3.22	..	(+ )0.42	(+ )1.52	(+ )8.09	(+ )8.51		
1948	123.2	(+ )3.79	(+ )1.10	(+ )0.42	(— )0.61	(— )8.41	(— )0.05	(+ )0.13	(+ )2.11	(+ )9.10	(+ )3.79		
1949	147.5	(+ )24.26	(+ )0.15	(+ )8.19	(— )0.24	(— )0.09	(— )0.09	(+ )0.34	(+ )2.60	(+ )13.40	(+ )24.26		
1950	165.5	(+ )39.43	(+ )0.72	(+ )7.96	(— )0.30	(+ )1.06	(— )0.16	(+ )0.41	(+ )3.12	(+ )26.62	(+ )39.43		
1951	237.3	(+ )99.92	(— )0.99	(+ )28.03	(+ )0.35	(+ )54.49	(— )0.24	(+ )0.66	(+ )2.53	(+ )15.08	(+ )99.91		
1952	227.2	(+ )91.41	(— )0.23	(+ )41.09	(+ )0.11	(+ )27.94	(— )0.24	(+ )1.25	(+ )2.53	(+ )18.96	(+ )91.41		
1953	209.2	(+ )76.24	(— )1.36	(+ )27.31	(+ )0.71	(+ )27.68	(— )0.39	(+ )0.98	(+ )2.78	(+ )18.53	(+ )76.24		

# STATEMENT XXXII (a)—contd.

I	2	3	4	5	6	7	8	9	10	11	12
<i>Bus and Truck Tyres—</i>											
1946 . . .	126.8	..	..	..	..	..	..	..	..	..	..
1947 . . .	123.7 (—)	2.44 (+)	3.62 (+)	4.57 (—)	1.32 (—)	2.62 (—)	0.13 (+)	0.05 (—)	0.63 (+)	1.73 (—)	2.45
1948 . . .	146.0 (+)	15.14 (+)	6.52 (+)	9.17 (—)	1.95 (—)	3.41 (—)	0.05 (+)	0.58 (+)	1.18 (+)	3.00 (+)	15.14
1949 . . .	171.7 (+)	35.41 (+)	7.86 (+)	21.63 (—)	2.18 (+)	1.62 (—)	0.02 (—)	0.34 (+)	1.34 (+)	4.81 (+)	35.40
1950 . . .	183.4 (+)	44.64 (+)	8.08 (+)	18.97 (—)	2.23 (—)	4.76 (—)	0.02 (—)	0.26 (+)	1.58 (+)	13.25 (+)	44.65
1951 . . .	272.3 (+)	114.75 (+)	7.86 (+)	50.89 (—)	2.18 (—)	49.18 (—)	0.02 (—)	0.65 (+)	1.26 (+)	7.10 (+)	114.74
1952 . . .	276.0 (+)	117.67 (+)	6.74 (+)	73.46 (—)	1.89 (—)	27.05 (—)	0.02 (—)	1.21 (+)	1.26 (+)	9.86 (+)	117.67
1953 . . .	218.8 (+)	72.56 (+)	2.95 (+)	33.80 (—)	0.93 (—)	25.93 (—)	0.02 (—)	0.89 (+)	1.26 (+)	8.68 (+)	72.56
<i>Cycle Tyres—</i>											
1946 . . .	93.1	..	..	..	..	..	..	..	..	..	..
1947 . . .	91.4 (—)	1.82 (+)	0.31 (+)	0.55 (—)	0.15 (—)	6.62 (—)	0.05 (—)	0.59 (+)	1.10 (+)	3.65 (—)	1.80
1948 . . .	113.6 (+)	22.02 (+)	0.99 (+)	21.03 (—)	0.41 (—)	10.98 (—)	0.05 (—)	0.05 (+)	1.61 (+)	9.88 (+)	22.02
1949 . . .	137.4 (+)	47.58 (+)	3.04 (+)	31.55 (—)	1.70 (—)	3.67 (+)	0.43 (+)	1.18 (+)	3.22 (+)	13.53 (+)	47.58
1950 . . .	131.3 (+)	41.03 (+)	3.04 (+)	18.44 (—)	1.76 (+)	3.69 (+)	0.49 (+)	1.65 (+)	2.69 (+)	12.78 (+)	41.02
1951 . . .	171.1 (+)	83.78 (+)	1.16 (+)	18.07 (—)	1.12 (+)	44.62 (+)	0.55 (+)	1.06 (+)	2.04 (+)	17.40 (+)	83.78
1952 . . .	152.2 (+)	63.48 (+)	0.83 (+)	17.22 (—)	0.15 (+)	21.53 (+)	0.61 (+)	4.65 (+)	2.04 (+)	16.76 (+)	63.49
1953 . . .	142.1 (+)	52.63 (+)	0.31 (+)	13.76 (—)	1.05 (+)	19.96 (+)	0.79 (+)	2.00 (+)	2.04 (+)	14.82 (+)	52.63

# STATEMENT XXXII (b)

*The Dunlop Rubber Co., (India) Limited*  
*Statement showing the percentage variations in factory costs caused*  
*by the individual elements*  
*(Figures relate to selected sizes)*

## TUBES

Year	Factory cost per 100 lbs. Rs.	Rubber and Chemicals			Valves			Other Materials			Direct Labour overheads	Factory overheads	Total percentage change
		Percentage change	Changes in usage	Changes in price	Changes in usage	Changes in price	Changes in price	Changes in usage	Changes in price	Changes in price			
1	2	3	4	5	6	7	8	9	10	11	12		
<i>Passenger Car Tubes—</i>													
1946	109.1	..	..	..	..	..	..	..	..	..	..	..	..
1947	110.0	(+) 0.82	..	(-) 1.37	..	(+) 1.19	..	..	(+) 1.00	..	(+) 1.00	..	(+) 0.82
1948	115.0	(+) 5.41	..	(-) 5.22	..	(+) 3.30	..	..	(+) 1.65	(+) 5.68	(+) 1.65	(+) 5.68	(+) 5.41
1949	128.8	(+) 18.06	..	(+) 5.13	..	(+) 1.93	..	..	(+) 1.93	(+) 9.07	(+) 1.93	(+) 9.07	(+) 18.06
1950	142.9	(+) 30.98	..	(+) 6.05	..	(+) 3.02	..	..	(+) 2.66	(+) 19.25	(+) 2.66	(+) 19.25	(+) 30.98
1951	229.5	(+) 110.36	..	(+) 85.70	..	(+) 6.42	..	..	(+) 2.66	(+) 15.58	(+) 2.66	(+) 15.58	(+) 110.36
1952	186.4	(+) 70.85	..	(+) 40.88	..	(+) 3.85	..	(+) 2.57	(+) 2.57	(+) 20.99	(+) 2.57	(+) 20.99	(+) 70.86
1953	184.4	(+) 69.02	..	(+) 38.59	..	(+) 4.03	..	(+) 3.02	(+) 2.57	(+) 20.81	(+) 2.57	(+) 20.81	(+) 69.02
<i>Bus and Truck Tubes—</i>													
1946	121.4	..	..	..	..	..	..	..	..	..	..	..	..
1947	113.8	(-) 6.26	..	(-) 6.59	..	(+) 0.41	..	..	(+) 0.49	(-) 0.58	(+) 0.49	(-) 0.58	(-) 6.27

STATEMENT XXXII (b)—*contd.*

I	2	3	4	5	6	7	8	9	10	11	12
1948 . .	115.6	(—) 4.78	..	(—) 9.39	..	(+) 2.31	..	..	(+) 0.90	(+) 1.40	(—) 4.78
1949 . .	127.8	(+) 5.27	..	(—) 0.49	..	(+) 2.30	..	..	(+) 1.32	(+) 2.14	(+) 5.27
1950 . .	142.3	(+) 17.22	..	(+) 3.38	..	(+) 2.72	..	..	(+) 1.81	(+) 9.31	(+) 17.22
1951 . .	229.8	(+) 89.29	..	(+) 75.04	..	(+) 7.00	..	..	(+) 1.32	(+) 5.93	(+) 89.29
1952 . .	196.0	(+) 61.45	..	(+) 44.05	..	(+) 6.76	..	(+) 0.82	(+) 1.24	(+) 8.57	(+) 61.44
1953 . .	182.4	(+) 50.25	..	(+) 35.67	..	(+) 4.86	..	(+) 1.15	(+) 1.07	(+) 7.50	(+) 50.25
<i>Cycle Tubes—</i>											
1946 . .	142.7	..	..	..	..	..	..	..	..	..	..
1947 . .	146.2	(+) 2.45	..	(—) 7.99	..	(—) 0.35	..	..	(+) 2.80	(+) 7.99	(+) 2.45
1948 . .	153.1	(+) 7.29	..	(—) 9.39	..	(+) 5.33	..	..	(+) 4.20	(+) 7.15	(+) 7.29
1949 . .	199.1	(+) 39.52	..	(+) 10.58	..	(+) 6.80	..	..	(+) 7.08	(+) 15.07	(+) 39.53
1950 . .	197.5	(+) 38.40	..	(+) 7.08	..	(+) 7.14	..	..	(+) 5.82	(+) 18.36	(+) 38.40
1951 . .	277.1	(+) 94.18	..	(+) 61.11	..	(+) 10.93	..	..	(+) 5.60	(+) 16.54	(+) 94.18
1952 . .	248.8	(+) 74.35	..	(+) 32.65	..	(+) 13.10	..	..	(+) 5.40	(+) 23.20	(+) 74.35
1953 . .	242.6	(+) 70.01	..	(+) 30.76	..	(+) 14.30	..	..	(+) 5.40	(+) 19.55	(+) 70.01

# STATEMENT XXXII (c)

The Dunlop Rubber Co., (India) Limited

Statement showing the weight of Rubber per 100 lbs. of products and the variations due to quantity and price factors

Year	Weight of compound in 100 lbs. of product	Estimated weight of rubber in 100 lbs. of product	Estimated cost of rubber per lb.	Total	Factory cost per 100 lbs.	Per cent. variation due to change in usage	Per cent. variation due to change in price	Total per cent variation
1	2	3	4	5	6	7	8	9
	Lbs.	Lbs.	Rs.	Rs.	Rs.	%	%	%
<b>Passenger Car Tyres—</b>								
1946	81.6	52.2	0.960	50.1	118.7	..	..	..
1947	81.3	52.0	0.787	40.9	..	(-) 0.16	(-) 7.61	(-) 7.77
1948	81.1	51.9	0.739	38.4	..	(-) 0.24	(-) 9.72	(-) 9.96
1949	81.7	52.3	0.854	44.7	..	(+) 0.08	(-) 4.66	(-) 4.58
1950	81.6	52.2	0.883	46.1	..	..	(-) 3.38	(-) 3.38
1951	82.7	52.9	1.958	103.6	..	(+) 0.57	(+) 43.89	(+) 44.46
1952	82.3	52.7	1.315	69.3	..	(+) 0.40	(+) 15.61	(+) 16.01
1953	83.3	53.3	1.325	70.6	..	(+) 0.89	(+) 16.05	(+) 16.94
<b>Bus and Truck Tyres—</b>								
1946	80.4	51.5	0.960	49.4	126.8	..	..	..
1947	78.5	50.2	0.787	39.5	..	(-) 0.98	(-) 7.07	(-) 8.05

STATEMENT XXXII(c)—contd.

1	2	3	4	5	6	7	8	9
	Lbs.	Lbs.	Rs.	Rs.	Rs.	%	%	%
1948	77.4	49.5	0.739	36.6	..	(-) 1.51	(-) 9.03	(-) 10.34
1949	77.0	49.3	0.854	42.1	..	(-) 1.67	(-) 4.33	(-) 6.00
1950	76.9	49.2	0.883	43.4	..	(-) 1.74	(-) 3.15	(-) 4.89
1951	77.0	49.3	1.958	96.5	..	(-) 1.67	(+) 40.79	(+) 39.12
1952	77.5	49.6	1.315	65.2	..	(-) 1.44	(+) 14.51	(+) 13.07
1953	79.2	50.7	1.325	67.2	..	(-) 0.61	(+) 14.92	(+) 14.31
<i>Cycle Tyres—</i>								
1946	77.7	55.9	0.960	53.6	93.1	..	..	..
1947	77.6	55.9	0.787	44.0	..	..	(-) 10.39	(-) 10.39
1948	77.2	55.6	0.739	41.1	..	(-) 0.31	(-) 13.27	(-) 13.58
1949	75.2	54.1	0.854	46.2	..	(-) 1.86	(-) 6.36	(-) 8.22
1950	75.1	54.0	0.883	47.7	..	(-) 1.95	(-) 4.62	(-) 6.57
1951	76.1	54.8	1.958	107.3	..	(-) 1.13	(+) 59.92	(+) 58.79
1952	76.2	54.9	1.315	72.2	..	(-) 1.03	(+) 21.32	(+) 20.29
1953	76.2	54.9	1.325	72.7	..	(-) 1.03	(+) 21.91	(+) 20.88



### Passenger Car Tubes

1946	.	.	.	98.5	70.9	0.960	68.1	109.1	..	..	..
1947	.	.	.	..	..	0.787	55.8	..	..	(-)11.27	(-)11.27
1948	.	.	.	..	..	0.739	52.4	..	..	(-)14.39	(-)14.39
1949	.	.	.	..	..	0.854	60.5	..	..	(-)6.97	(-)6.97
1950	.	.	.	..	..	0.883	62.6	..	..	(-)5.04	(-)5.04
1951	.	.	.	..	..	1.958	138.8	..	..	(+)64.80	(+)64.80
1952	.	.	.	..	..	1.315	93.2	..	..	(+)23.01	(+)23.01
1953	.	.	.	..	..	1.325	93.9	..	..	(+)23.65	(+)23.65

### Bus and Truck Tubes—

1946	.	.	.	97.4	70.1	0.960	67.3	121.4	..	..	..
1947	.	.	.	..	..	0.787	55.2	..	..	(-)9.97	(-)9.97
1948	.	.	.	..	..	0.739	51.8	..	..	(-)12.77	(-)12.77
1949	.	.	.	..	..	0.854	60.0	..	..	(-)6.01	(-)6.01
1950	.	.	.	..	..	0.883	61.9	..	..	(-)4.45	(-)4.45
1951	.	.	.	..	..	1.958	137.3	..	..	(+)57.66	(+)57.66
1952	.	.	.	..	..	1.315	92.2	..	..	(+)20.51	(+)20.51
1953	.	.	.	..	..	1.325	92.9	..	..	(+)21.09	(+)21.09

## STATEMENT XXXII(c)—contd.

I	2	3	4	5	6	7	8	9
	Lbs.	Lbs.	Rs.	Rs.	Rs.	Per cent.	Per cent.	Per cent
<i>Cycle Tubes—</i>								
1946	94.7	68.2	0.960	65.5	142.7	..	..	..
1947	..	..	0.787	53.7	..	..	(—) 8.27	(—) 8.27
1948	..	..	0.739	50.4	..	..	(—) 10.58	(—) 10.58
1949	..	..	0.854	58.2	..	..	(—) 5.12	(—) 5.12
1950	..	..	0.883	60.2	..	..	(—) 3.71	(—) 3.71
1951	..	..	1.958	133.5	..	..	(+ ) 47.65	(+ ) 47.65
1952	..	..	1.315	90.0	..	..	(—) 17.17	(—) 17.17
1953	..	..	1.325	90.4	..	..	(+ ) 17.45	(+ ) 17.45



STATEMENT XXXII (d)—contd.

I	2	3	4	5	6	7	8	9	10	11	12	13
1947-48	129.6	(-) 1.22	(+) 0.08	(+) 1.22	(-) 0.11	(-) 3.10	..	(+) 0.08	(-) 0.30	(-) 0.08	(+) 0.99	(-) 1.22.
1948-49	144.5	(+) 10.14	(-) 0.09	(+) 10.69	(-) 0.27	(-) 1.64	(+) 0.15	..	(-) 0.30	(-) 0.15	(+) 1.75	(+) 10.14
1949-50	168.4	(+) 28.35	(-) 0.26	(+) 16.27	(+) 0.05	(+) 9.32	(-) 0.04	(+) 0.19	(-) 0.30	(-) 0.23	(+) 3.35	(+) 28.35
1950-51	238.2	(+) 81.55	(-) 0.42	(+) 28.85	(+) 0.16	(+) 49.92	(-) 0.08	(+) 0.61	(-) 0.30	(-) 0.23	(+) 3.04	(+) 81.55
1951-52	227.9	(+) 73.70	(-) 0.75	(+) 38.33	(+) 0.26	(+) 28.77	(-) 0.08	(+) 0.99	(+) 0.08	(-) 0.23	(+) 6.33	(+) 73.70
1952-53	218.5	(+) 66.54	(-) 1.25	(+) 34.56	(+) 0.37	(+) 25.39	(-) 0.04	(+) 0.57	(+) 0.69	(-) 0.23	(+) 6.48	(+) 66.54
Cycle Tyres—												
1946-47	123.7	..	..	..	..	..	..	..	..	..	..	..
1947-48	124.5	(+) 0.65	(+) 1.22	(-) 0.09	(-) 0.69	(-) 0.84	(+) 0.41	(-) 1.05	..	(-) 1.46	(+) 3.15	(+) 0.65
1948-49	142.5	(+) 15.20	(+) 1.37	(+) 6.71	(-) 0.79	(-) 0.42	(+) 0.49	(-) 0.49	..	(-) 0.32	(+) 8.65	(+) 15.20
1949-50	174.8	(+) 41.31	(+) 0.30	(+) 9.00	(-) 0.21	(+) 5.63	(+) 0.08	(+) 0.08	..	(-) 0.49	(+) 26.92	(+) 41.31
1950-51	247.6	(+) 100.16	(-) 0.92	(+) 31.16	(+) 0.32	(+) 44.62	(-) 0.16	(+) 0.49	(+) 0.96	(-) 0.40	(+) 24.09	(+) 100.16
1951-52	227.1	(+) 83.59	(-) 1.37	(+) 26.03	(+) 0.66	(+) 29.01	(-) 0.49	(+) 2.83	(+) 0.97	(-) 0.32	(+) 26.27	(+) 83.59
1952-53	230.0	(+) 85.93	(-) 4.74	(+) 32.38	(+) 1.58	(+) 22.10	(-) 0.24	(+) 3.15	(+) 1.78	(-) 0.88	(+) 30.80	(+) 85.93



# STATEMENT XXXII (c)—contd.

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I	2	3	4	5	6	7	8	9	10	11	12
Rs.											
<i>Bus and Truck Tubes—</i>											
1946-47	124.6	..	..	..	..	..	..	..	..	..	..
1947-48	125.0	(-) 0.32	..	(-) 7.87	..	(+) 2.41	..	(-) 0.56	(-) 0.16	(+) 6.50	(+) 0.32
1948-49	133.2	(+) 6.90	..	(-) 5.14	..	(+) 3.61	..	(-) 0.48	(-) 0.32	(+) 9.23	(+) 6.90
1949-50	149.1	(+) 19.66	..	(+) 12.44	..	(+) 2.16	..	(-) 0.32	(-) 0.32	(+) 5.70	(+) 19.66
1950-51	215.8	(+) 73.19	..	(+) 68.86	..	(+) 1.44	..	(-) 0.08	(-) 0.40	(+) 3.37	(+) 73.19
1951-52	199.8	(+) 60.35	..	(+) 46.31	..	(+) 4.41	..	(-) 0.16	(-) 0.24	(+) 10.03	(+) 60.35
1952-53	204.1	(+) 63.80	..	(+) 43.66	..	(+) 4.81	..	(-) 0.16	(-) 0.32	(+) 15.81	(+) 63.80
<i>Cycle Tubes—</i>											
1946-47	168.8	..	..	..	..	..	..	..	..	..	..
1947-48	172.4	(+) 2.13	..	(+) 3.55	..	(-) 0.24	..	(+) 0.06	(-) 1.89	(+) 0.65	(+) 2.13
1948-49	256.3	(+) 51.84	..	(+) 18.01	..	(+) 9.54	..	(+) 0.42	(+) 0.47	(+) 23.40	(+) 51.84
1949-50	243.5	(+) 44.25	..	(+) 22.51	..	(+) 2.84	..	(+) 0.12	(-) 1.01	(+) 19.79	(+) 44.25
1950-51	353.5	(+) 109.42	..	(+) 71.45	..	(+) 2.13	..	(+) 0.18	(-) 1.07	(+) 36.73	(+) 109.42
1951-52	322.2	(+) 90.88	..	(+) 34.48	..	(+) 5.81	..	(+) 0.18	(-) 1.07	(+) 51.48	(+) 90.88
1952-53	325.7	(+) 92.95	..	(+) 46.80	..	(+) 5.45	..	(+) 1.18	(-) 1.48	(+) 41.00	(+) 92.95

20.2. The following facts clearly emerge from the data presented in Statements XXXII (a) to (e).

(a) During the two years 1947 and 1948 taken together, whereas Dunlop's factory cost of tyres and tubes (except bus and truck tubes) generally showed an increase, the increase was not due to the cost of rubber compound. In fact, both the cost of compound and the estimated cost of rubber declined during those years. The increase in Dunlop's costs during this period was mainly due to fabric and factory overheads, the relative importance of these two factors varying from one group of products to another. In the case of Firestone, the cost of rubber compound was lower in 1947-48 and 1948-49 than in 1946-47 in respect of all products except cycle tubes. In their case also, the cost increases were mainly accounted for by factory overheads in respect of tubes, and fabric and factory overheads in respect of tyres.

(b) In 1949 and 1950, some increase was recorded in the cost of compound in Dunlop's factory costs of some of the products, but in these years also, fabric and factory overheads in the case of tyres and factory overheads in the case of tubes made a larger contribution to the cost increases. The estimated cost of rubber during these two years was lower than in 1946 in the case of all the products. This means that the benefit due to the consumer on account of the control over the price of rubber was nullified by increases in other elements of cost. In 1949-50, Firestone's cost of rubber compound worked out higher than in 1946-47, but the increase in cost on this account was less than that on account of other elements in the case of all products except bus and truck and cycle tubes.

(c) Thus, in the case of Dunlop, up to 1950, the increases in the factory costs were due to a much smaller extent to the cost of rubber compound than to other elements of costs. This was also the case up to 1949-50 with Firestone's factory cost of all products except bus and truck and cycle tubes.

(d) Following the outbreak of the Korean War, there was a steep increase in the cost of all materials, including rubber. In 1951, in the case of Dunlop and in 1950-51 in the case of Firestone, the factory costs of all products showed substantial increases which could be principally attributed to the cost of rubber and chemicals as well as of fabric.

(e) During the following two years, the cost of rubber and other materials declined from the peak levels attained in the Korean boom, and this brought about an appreciable decline in Dunlop's costs in 1952 and 1953 and in Firestone's costs in 1951-52 and 1952-53, though both remained at a higher level as compared with the pre-Korean War period.

20.3. The final position with regard to each group of tyres and tubes, i.e., the extent to which the net increase in factory costs over the entire period under investigation was due to the variations in the different components of costs, is briefly explained below:—

(a) *Passenger Car Tyres.*

In the case of Dunlop, out of the total increase of 76.24 per cent. between 1946 and 1953, 25.95 per cent. was due to fabric, 28.39 per

cent. to rubber compound (of which the estimated increase due to rubber alone was 16.94 per cent.), 0.59 per cent. to bead wire, 2.78 per cent. to labour and 18.53 per cent. to factory overheads. In this case, the increase due to factory overheads has been larger than that due to rubber. Of the total increase of 64.13 per cent. in Firestone's factory costs between 1946-47 and 1952-53, fabric accounted for 27.41 per cent., rubber compound 25.48 per cent., bead wire 0.69 per cent., other materials 0.46 per cent., labour *minus* 0.23 per cent., and factory overheads 10.32 per cent.

(b) *Bus and truck tyres:*

The net increase of 72.56 per cent. in Dunlop's factory cost between 1946 and 1953 was divided as follows: fabric 36.75 per cent., rubber compound, 25 per cent. (of which rubber alone, 14.31 per cent.), bead wire 0.87 per cent., labour 1.26 per cent., and factory overheads, 8.68 per cent. Between 1946-47 and 1952-53, Firestone's factory costs increased by 66.54 per cent., of which 33.31 per cent. was explained by fabric, 25.76 per cent. by compound, 0.53 per cent. by bead wire, 0.69 per cent. by other materials, *minus* 0.23 per cent. by labour and 6.48 per cent. by factory overheads.

(c) *Cycle tyres:*

Dunlop's factory costs recorded a net increase of 52.63 per cent. between 1946 and 1953, to which fabric contributed 14.07 per cent., rubber compound 18.91 per cent. (the increase due to rubber alone is estimated at 20.88), bead wire 2.79 per cent., labour 2.04 per cent., and factory overheads 14.82 per cent. The increase in Firestone's factory costs between 1946-47 and 1952-53 was much larger, amounting to 85.93 per cent., of which 27.64 per cent. could be attributed to fabric, 23.68 per cent. to rubber compound, 2.91 per cent. to bead wire, 1.78 per cent. to other materials, *minus* 0.88 per cent. to labour and 30.80 per cent. to factory overheads. In this case, the principal increases were due to fabric and factory overheads.

(d) *Passenger car tubes:*

Out of the net increase of 69.02 per cent. in Dunlop's factory costs between 1946 and 1953, 38.59 per cent. was accounted for by rubber compound (the increase due to rubber alone being estimated at 23.65 per cent.), 4.03 per cent. by valves, 3.02 per cent. by other materials, 2.57 per cent. by labour and 20.81 per cent. by factory overheads. In the case of Firestone, the net increase in factory cost between 1946-47 to 1952-53 amounted to 79.24 per cent. made up as follows: rubber compound 42.83 per cent., valve 6.26 per cent., other materials 0.43 per cent., labour 0.09 per cent., and factory overheads 29.63 per cent. Factory overheads have been responsible for a significant proportion of the cost increases in the case of both Dunlop and Firestone.

(e) *Bus and truck tubes:*

Dunlop's factory costs between 1946 and 1953 showed a net increase of 50.25 per cent. of which rubber compound accounted for 35.67 per cent. (the contribution of rubber alone being estimated at 21.09 per cent.), valves 4.86 per cent., other materials 1.15 per cent.,



labour 1.07 per cent., and factory overheads 7.5 per cent. Firestone's factory costs increased by 63.8 per cent. between 1946-47 and 1952-53 and, of this, 43.66 per cent. was explained by rubber compound, 4.81 per cent. by valves, minus 0.16 per cent. by other materials, minus 0.32 per cent. by labour and 15.81 per cent. by factory overheads.

(f) *Cycle tubes:*

There was a net increase of 70.01 per cent. in Dunlop's factory costs between 1946 and 1953, of which 30.76 per cent. could be attributed to rubber compound (17.45 per cent. to rubber only), 14.30 per cent. to valves, 5.40 per cent. to labour and 19.55 per cent. to factory overheads. Firestone's factory cost showed a steep increase of 92.95 per cent. between 1946-47 and 1952-53, and 46.8 per cent. of this increase was due to rubber compound, 5.45 per cent. to valve, 1.18 per cent. to other materials, minus 1.48 per cent. to labour and 41 per cent. to factory overheads. The percentage increase in Firestone's factory costs due to factory overheads was the largest in the case of cycle tubes.

17.4. We have not found it necessary to analyse the cost increases in the case of motor cycle tyres and tubes, since these constitute a small proportion of the total production in both the units.

21. Having considered the relative effects of different elements on factory costs, it is now necessary to consider the position with respect to each element by itself.

(v) **Costs of materials**

So far as materials are concerned, the purchase system adopted by the companies has some bearing on their costs. Some of the materials, for example, chemicals, bead wire and occasionally fabrics, have to be imported. Dunlop purchase the imported materials through the Dunlop Rubber Co. Ltd., Birmingham and the Dunlop Tyre and Rubber Co., U.S.A., and pay a buying commission of 2½ per cent. and 2 per cent. respectively to these companies. In view of the advantages derived by the Indian company from the centralised purchase of these materials, the payment of some commission would appear to be justified. The imported materials required by Firestone are also purchased through the Firestone Centralised Purchasing Organisation at Akron, U.S.A., where bulk orders are placed for the requirements of all the 33 Firestone units in different parts of the world. No buying commission, however, is paid to the central organisation, the remuneration for this service being presumably recovered from the profits earned on Indian business which are remitted abroad. The position in regard to each of the important materials is discussed below:—

(a) *Raw rubber.*—22.1. At the end of the war when the system of Government purchase was discontinued, the tyre companies experienced considerable difficulty in obtaining adequate supplies of rubber, owing partly to shortage and partly to unsatisfactory grading. From April, 1946, therefore, Dunlop made arrangements to purchase their requirements from the Bata Shoe Co. who had their purchasing organisation at Kottayam, South India. This arrangement, however, gave rise to complaints from the rubber producers that it enabled Bata to depress prices and sometimes to bring about distress sales. Dunlop, therefore, established their purchasing department at Kottayam in February, 1949 and this arrangement has

continued ever since. Firestone used to purchase their requirements of rubber from Calcutta until September, 1950 when they made an agreement with Dunlop to purchase their requirements through the latter's purchasing department at Kottayam. This agreement is still in force. The office expenses at Kottayam are shared between Dunlop and Firestone. The tyre companies have had to use imported rubber also in fairly large quantities in some years. Under the Rubber (Production and Marketing) Act, 1947, imports of rubber are licensed, in consultation with the Indian Rubber Board, under two categories, namely (a) imports on Dry Rubber Content basis required for exported articles and (b) imports required to meet the shortage of indigenous rubber. Imports on the latter ground are allowed on the understanding that the manufacturers will purchase promptly all the indigenous rubber made available to them at prices fixed by Government. .

22.2. The quantities of indigenous and imported rubber received by the two factories during the period under investigation are shown below:—

## STATEMENT XXXIII

*Rubber Purchases*

Year	(i) Dunlop		Year	(ii) Firestone	
	Indigenous (tons)	Imported (tons)		Indigenous (tons)	Imported (tons)
1946 . . .	8,002	Nil	1946-47 . .	2,116	632
1947 . . .	6,069	796	1947-48 . .	3,234	929
1948 . . .	6,335	3,103	1948-49 . .	2,118	1,776
1949 . . .	8,859	243	1949-50 . .	4,372	141
1950 . . .	5,035	410	1950-51 . .	2,800	2,967
1951 . . .	6,041	4,009	1951-52 . .	3,213	2,563
1952 . . .	7,515	1,363	1952-53 . .	4,955	Nil
1953 . . .	8,891	32			

It will be seen that substantial imports of rubber took place in 1948, 1951 and 1952 in the case of Dunlop and in 1948-49, 1950-51 and 1951-52 in the case of Firestone. In 1948 there were two price increases for indigenous rubber and prior to these increases considerable difficulties were felt in securing adequate supplies of indigenous rubber and imports had consequently to be allowed. A similar situation developed in 1950 when, following a rise in the world prices of rubber, indigenous producers agitated for a price increase. An increase was announced in March, 1951, but it was not until a further increase was made, following the Tariff Board's recommendation, in May, 1951 that supplies of indigenous rubber began to move freely. Consequently, imports of rubber had to be licensed to meet the current needs of the tyre companies. These imports were obtained at a very high price, the price in one instance being as high as Rs. 340 per 100 lbs. In the following year again, Dunlop were unable to meet their requirements from indigenous sources and were allowed to import rubber in the early part of that year and again in September-October, 1952. The same facilities were given to Firestone.

22.3. The Statement below shows the cost per 100 lbs. of rubber incurred by the two companies during the period under investigation. Groups I to III form more than 80 per cent. of the total consumption of raw rubber in the case of Dunlop and 70 per cent. in the case of Firestone.

### STATEMENT XXXIV

#### Cost per 100 lbs. of Raw Rubber

##### (i) Dunlop

##### Indigenous

*In Rupees*

	1946	1947	1948	1949	1950	1951	1952	1953
Group I . . .	98	82	80	93	96	130	134	142
Group II . . .	96	80	78	91	93	127	132	139
Group III . . .	95	75	74	86	88	123	127	134
Group IV . . .	99	86	84	97	103	130	129	143
Group V . . .	87	77	75	83	83	121	123	132
Group VI . . .	83	74	68	74	70	110	112	121

##### Imported

	1946	1947	1948	1949	1950	1951	1952	1953
Group I . . .	..	58	76	73	..	325	125	126
Group II . . .	..	..	71	69	78	287	178*	116
Group III . . .	..	..	64	..	74	222	182*	..
Group IV . . .	..	..	..	..	..	..	..	..
Group V . . .	..	..	..	66	80.	..	..	..
Group VI . . .	..	..	..	..	..	..	..	..
Average for all Groups (Indigenous and imported) . . .	96	78	77	89	91	197	135	137

\* Due to commitments in 1951, at high prices, received mostly in 1952.

##### (ii) Firestone

##### Indigenous

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Group I . . .	81	75	90	91	126	132	141
Group II . . .	85	74	90	89	124	133	138
Group III . . .	87	70	86	85	121		134
Group IV . . .	81	80	95	96	129	136	144
Group V . . .	73	68	78	78	118	..	125
Group VI . . .	64	59	69	65	117	..	120
Group VII . . .	76	48	..	..	..	..	119

*Imported*

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Group I . . . . .	52	76	66	..	299	198	..
Group II . . . . .	..	70	56	{ 218*	287*	{ 192*	..
Group III . . . . .	..	..	..	..	..	..	..
Group IV . . . . .	..	..	..	..	..	..	..
Group V . . . . .	53	61	45	109	245	140**	..
Group VI . . . . .	..	..	..	..	233	96	..
Group VII . . . . .	..	..	..	..	..	92	..
Average for all Groups both indigenous and imported . . . . .	70	69	71	86	200	143	134

\* Price of Groups II and III combined.

\*\* Includes a portion of indigenous rubber.

Under the Rubber (Production and Marketing) Act, 1947, maximum and minimum prices have been fixed by Government for different grades of rubber, f.o.b. Cochin, since November, 1947. As stated earlier, since September, 1950, Dunlop's purchasing department at Kottayam has been purchasing raw rubber for both Dunlop and Firestone. Dunlop, however, make their purchases partly at Kottayam and partly at Cochin. When purchases are made at a stage earlier than the f.o.b. stage, the price paid is subject to a discount to cover expenses for inspection, packing, stencilling and transport. The discounts are Rs. 1.75 per 100 lbs. for packed rubber, Rs. 2.5 per 100 lbs. for loose rubber delivered at Kottayam and Re. 1 per 100 lbs. for packed rubber delivered at the Cochin godown. We understand that the rates of discount have been so fixed as to cover only the actual expenses of the buying organisation at Kottayam. From the accounts maintained by the company, it was found that during the last five years, i.e., from 1949 to 1953, out of the total purchase of Rs. 918.89 lakhs worth of rubber, the amount recovered by the company in excess of its actual expenses at Kottayam was Rs. 1.45 lakhs. This excess recovery was only 0.16 per cent. of the total cost of rubber purchased. We had invited the views of the Indian Rubber Board, the United Planters' Association of Southern India, the Association of Planters of Travancore and the State Government of Travancore-Cochin on the subject of rubber prices, but have received no complaints or representations from any of the rubber interests against either the purchasing system followed by the tyre companies or the prices paid by them for raw rubber.

22.4. It will be seen from the figures for Firestone given above that in two years, 1946-47 and 1951-52, the prices of Group II and Group III rubber were higher than those of Group I rubber. The difference was small in 1951-52 and is likely to be due to freight and other charges. With regard to the difference in 1946-47, however, the company has explained that it was due to the fact that supplies of Group II and Group III rubber in that year were considerably limited in relation to consumption, whereas Group I rubber was readily available in the open market. This was also the period when prices of rubber were free from control.

22.5. It will also be observed that Dunlop have generally had to incur a higher cost for their rubber than Firestone. This is mainly due to the fact that Dunlop have had to pay heavier freight charges on their supplies.

22.6. The figures given above of the cost of indigenous and imported rubber do not provide an adequate basis for comparing the prices of the two, since the tyre companies were not free to import rubber except when adequate supplies were not available from indigenous sources. For this purpose, it is necessary to compare the quotations for a representative grade of rubber in India with corresponding quotations in another important market, say, Ceylon. The necessary data are given below:—

#### STATEMENT XXXV

*Comparative prices of raw rubber in India and Ceylon during the period 1946 to 1954.*

(Rs. per 100 lbs.)

Year	Average minimum f.o.b. Cochin controlled price for 1st quality sheet	Average Ceylon f.o.b. prices for RMA 1
1946 . . .	85.44	99.46
1947 . . .	76.38	69.73
1948 . . .	77.88	66.52
1949 . . .	89.91	60.24
1950 . . .	89.50	165.29
1951 . . .	119.02	261.28
1952 . . .	128.77	163.31
1953 . . .	137.00	105.43
1954 . . .	137.00	105.02

In 1946, prices of rubber in India were low as compared with those in Ceylon. In 1947, there was a general recession in world prices which affected Indian rubber also, but prices in India fell to a smaller extent as compared with world prices. During the three years from 1947 to 1949, prices of Indian rubber ruled above the world level by an appreciable margin. In 1950, there was a price boom in foreign markets, but in India prices remained stationary in that year and showed a much smaller rise as compared with world prices during the following two years. Prices of Indian rubber were pegged substantially below world parity during the period from 1950 to 1952. The position was reversed in 1953 and 1954 when a decline in world prices combined with a further rise in Indian prices placed the latter above the world level.

(b) *Fabrics.*—23.1. Cotton cord required for passenger car, bus and truck and cycle tyres as well as bead wrapping canvas is normally obtained from indigenous sources. Dunlop purchase their cotton

cord mostly from Madura Mills and sometimes from other mills such as Kohinoor, Gokak and Simplex Mills in Bombay. Firestone, on the other hand, purchase their requirements of cotton cord from Swan Mills in Bombay. Firestone have an agreement with Swan Mills for regulating the prices paid by them with reference to the cost of cotton and the actual conversion charges. In certain years when supplies of cord were not available in adequate quantities from indigenous mills, both the companies had to import a part of their requirements from abroad.

23.2. In the manufacture of bus and truck tyres, rayon cord has been found more suitable than cotton cord. Since 1952, therefore, Dunlop have been using exclusively rayon cord for this purpose, except during a short period from June to November, 1953 when owing to difficulties in obtaining adequate quantities of rayon yarn, they had temporarily to revert to the use of cotton cord. Firestone also use rayon cord for this purpose.

23.3. The variations in the prices of different types of fabrics used in the manufacture of tyres are shown below:—

### STATEMENT XXXVI

Cost per lb. of Fabric

(i) Dunlop

"In Rupees"

Year	Giant Cord Fabric	Motor Cord Fabric	Cycle Cord Fabric	Rayon Cord Fabric
1946 . .	2.55	2.09	1.44	3.70
1947 . .	2.37	2.18	1.44	6.04
1948 . .	3.62	2.47	2.65	3.82
1949 . .	3.97	2.85	3.21	3.94
1950 . .	3.92	3.47	2.62	3.65
1951 . .	6.60	5.07	2.68	3.83
1952 . .	7.51	4.92	2.51	6.32
1953 . .	4.23	4.17	2.41	4.66

(ii) Firestone

Year	Giant and Motor Cord Fabric	Cycle Cord Fabric	Rayon Cord Fabric
1946-47 . . . . .	2.04	1.78	2.91
1947-48 . . . . .	2.17	1.78	2.90
1948-49 . . . . .	2.69	2.30	3.09
1949-50 . . . . .	3.30	2.27	4.09
1950-51 . . . . .	3.90	3.01	4.52
1951-52 . . . . .	4.42	4.21	5.22
1952-53 . . . . .	4.04	4.31	5.19

As in the case of raw rubber, Dunlop have had to incur a higher cost for their fabricks, as compared with Firestone, mainly because of their longer distance from the source of supply.

23.4. The prices of fabrics increased by about 85 per cent. between 1946 and 1953 in the case of Dunlop and by about 100 per cent. between 1946-47 and 1952-53 in the case of Firestone. The peak levels were reached in 1952 in the case of Dunlop and in 1951-52 in the case of Firestone. The rise in the prices of cotton fabric was largely due to the higher cost of long staple cotton imported from abroad.

(c) *Bead Wire*.—24.1. Dunlop import their bead wire for motor tyres from U.K. or U.S.A.; the present supplies being exclusively from the former source. From 1946 upto middle of 1949, the company obtained its requirements of cycle bead wire partly from the Indian Steel & Wire Products, Ltd. and partly from imports from U.K. and U.S.A. It was found, however, that the Indian Steel & Wire Products were unable to meet the specifications laid down by Dunlop owing to the inferior quality of billets and the deterioration of their plant. From the end of 1949, therefore, Dunlop had to discontinue their purchases of bead wire from Indian Steel & Wire Products. It is understood, however, that Indian Steel & Wire Products are now installing a new furnace and hope to be able to produce cycle bead wire to Dunlop's specifications in the near future. Firestone also have been obtaining their requirements of bead wire wholly from abroad, except during the period from March, 1947 to April, 1949 when some purchases of cycle bead wire were made from Indian Steel & Wire Products.

24.2. The following Statement shows the fluctuations in the prices of bead wire during the period of investigation:—

#### STATEMENT XXXVII

*Cost per lb. of Bead Wire.*

##### (i) Dunlop

	<i>In Rupees</i>							
	1946	1947	1948	1949	1950	1951	1952	1953
Giant .043 and .037G	0.539	0.673	0.706	0.583	0.589	0.763	0.913	..
Cycle .15 and .072G	0.429	0.483	0.539	0.552	0.492	0.702	0.830	0.693

##### (ii) Firestone

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Motor and Giant	0.510	0.559	0.646	0.582	0.812	0.920	0.766
Cycle	0.469	0.543	0.548	..	..	0.978	0.577

(d) *Chemicals*: 25. Several chemicals are used in the manufacture of tyres and tubes, but of these, Carbon Black and Zinc Oxide are the more important. Prior to 1950, Dunlop used to obtain Carbon Black exclusively from U.S.A., but since then some varieties have become available from U.K. and the company's requirements of these varieties are now drawn from that source. At the end of 1950, Messrs. D. Waldie and Co. installed a plant, in co-operation with Dunlop, at their factory at Konnagar for production of one variety of Carbon Black, but the quality of the product was not found entirely satisfactory. Firestone also import their Carbon Black partly from U.S.A. and partly from U.K. They have not used the indigenous product. In terms of value, Carbon Black constitutes about 40 per cent. of the total consumption of all chemicals. As regards Zinc Oxide, Dunlop have been purchasing this material mostly from Messrs. Waldie Zinc Pigment Ltd., Konnagar and lately from Murarka Paint & Varnish Works Ltd., Panihati. Firestone also have been using only the indigenous product except in the first half of 1950 when owing to local shortage they had to import this material from U.S.A. The following Statement shows the variations in the cost of Carbon Black and Zinc Oxide in the case of the two companies:—

## STATEMENT XXXVIII

## Cost per lb. of Carbon Black and Zinc Oxide

## (i) Dunlop

(In Rupees)

Year	Carbon Black	Zinc Oxide
1946 . . .	0.385	0.334
1947 . . .	0.414	0.462
1948 . . .	0.450	0.568
1949 . . .	0.436	0.712
1950 . . .	0.564	0.875
1951 . . .	0.555	1.503
1952 . . .	0.547	1.660
1953 . . .	0.666	0.752

## (ii) Firestone

Year	Carbon Black	Zinc Oxide
1946-47 . . .	0.411	0.437
1947-48 . . .	0.458	0.538
1948-49 . . .	0.523	0.669
1949-50 . . .	0.637	0.742
1950-51 . . .	0.573	1.395
1951-52 . . .	0.527	1.760
1952-53 . . .	0.602	1.213



The cost of both Carbon Black and Zinc Oxide rose upto 1950 in the case of Dunlop and 1949-50 in the case of Firestone. From 24th February, 1951 Carbon, Black used in the production of tyres and tubes was exempted from the import duty of 30 per cent. *ad valorem* and this brought about a reduction in the cost of this material in 1951 and 1952 in the case of Dunlop and 1950-51 and 1951-52 in the case of Firestone. The exemption was, however, withdrawn from 20th March, 1953 from which date a duty of 31½ per cent. became leviable and consequently the cost of Carbon Black went up again in the case of both the companies. The cost of Zinc Oxide showed a steep increase in 1951 and in 1952 in the case of Dunlop and 1950-51 and 1951-52 in the case of Firestone. In the following year, however, the cost of Zinc Oxide went down again, the fall being much greater in the case of Dunlop than in the case of Firestone. The price of Zinc Oxide depends largely upon the world price of spelter and consequently the variations from year to year or between the companies were largely due to the rates at which the Indian producers were able to purchase spelter on the world market.

26. Direct labour charges constituted only 2·3 per cent. of Dunlop's factory costs of certain selected types of tyres and tubes in 1953 and only 0·8 per cent. of Firestone's factory costs of the selected types in 1952-53. In marked contrast with the other elements of factory costs, such as rubber compound, fabric or factory overheads, direct labour charges have contributed to the increase in the total factory costs only to a minor degree.

27.1. The factory overheads as shown by the books of the companies have been adjusted for two factors: (i) the difference between the depreciation actually provided for and the amount admissible at the normal income-tax rates, and (ii) the profit sharing bonus paid to employees. The adjustments made by us from year to year on account of these two factors in the case of the two companies are shown in the following Statements:—

**STATEMENT XXXIX**  
**Depreciation Adjustment**  
**(i) Dunlop**

Year	Depreciation charged in Company's books.	Depreciation included in Commission's cost estimates.
		Rs. in lakhs.
1946 . . . . .	19·397	12·420
1947 . . . . .	23·871	11·398
1948 . . . . .	24·038	13·952
1949 . . . . .	28·145	15·714
1950 . . . . .	27·657	17·264
1951 . . . . .	26·576	18·333
1952 . . . . .	24·157	20·348
1953 . . . . .	26·674	22·691

## (ii) Firestone

Year	Depreciation charged in the company's books.	Depreciation included in Commission's cost estimates.
(Rs. in lakhs.)		
1946-47	4.863	6.049
1947-48	11.738	7.026
1948-49	11.085	6.387
1949-50	9.834	6.847
1950-51	12.246	7.228
1951-52	15.289	9.331
1952-53	20.418	8.953

## STATEMENT XL

## Bonus Adjustment

## (i) Dunlop

Year	Bonus included in company's cost estimates.
(Rs. in lakhs.)	
1946	5.700
1947	9.454
1948	10.386
1949	90.693
1950	10.820
1951	14.473
1952	15.848
1953	17.643

## (ii) Firestone

Year	Bonus included in company's cost estimates.
(Rs. in lakhs)	
1946-47	4.458
1947-48	3.431
1948-49	3.428
1949-50	3.694
1950-51	3.851
1951-52	4.105
1952-53	8.773

**(iii) Bonus and Depreciation chargeable to Good Year and India Tyre treated as profit to Dunlop**

Year	Good Year	India Tyre
(Rs. in lakhs).		
1946 . . . . .	489	1·713
1947 . . . . .	5·676	3·597
1948 . . . . .	4·909	3·968
1949 . . . . .	4·969	4·890
1950 . . . . .	4·739	3·198
1951 . . . . .	5·400	4·214
1952 . . . . .	4·508	3·525
1953 . . . . .	4·721	3·349

The Statements on pages 78 and 79 show the particulars of factory overheads for Dunlop and Firestone, as determined by us.



**STATEMENT XLI**  
**(i) The Dunlop Rubber Co., (India) Ltd.**  
**Factory Overheads.**

	1946	1947	1948	1949	1950	1951	1952	1953
	(Rs. in lakhs.)							
<b>1. Net Factory Overhead :</b>								
(a) Tyres and Tubes	61.724	76.813	92.567	99.649	95.030	109.828	108.636	114.168
(b) Other Products	4.196	6.670	7.591	8.356	10.446	13.815	25.358	34.045
<b>TOTAL</b>	<b>65.920</b>	<b>83.483</b>	<b>100.158</b>	<b>108.005</b>	<b>105.476</b>	<b>123.643</b>	<b>133.994</b>	<b>148.213</b>
<b>2. Total Factory Cost (excluding wrapping) :</b>								
(a) Tyres and Tubes	374.894	397.647	526.912	622.603	467.432	961.600	789.477	741.081
(b) Other Products	26.312	26.176	41.596	41.488	39.794	72.456	128.239	126.924
<b>TOTAL</b>	<b>401.206</b>	<b>423.823</b>	<b>558.508</b>	<b>664.091</b>	<b>507.226</b>	<b>1034.056</b>	<b>917.716</b>	<b>868.005</b>
<b>3. Total Production by Weight</b>								
Tyres and Tubes	30,003	31,563	37,524	37,601	26,980	38,164	32,977	36,178
	(In 1,000 lbs.)							
<b>4. Factory Overheads as a percentage of Factory Cost</b>								
(a) Tyres and Tubes	16.46	19.32	17.57	16.01	20.33	11.42	13.76	15.41
(b) Other Products	15.95	25.48	24.03	20.14	26.25	19.07	19.77	26.82
<b>TOTAL</b>	<b>16.43</b>	<b>19.70</b>	<b>17.93</b>	<b>16.26</b>	<b>20.79</b>	<b>11.96</b>	<b>14.60</b>	<b>17.08</b>
	(In Rupees)							
<b>5. Factory Overheads per 100 lbs. :</b>								
Tyres and Tubes	20.57	24.34	24.67	26.50	35.22	28.78	32.94	31.56

## (ii) Firestone Tyre and Rubber Co. of India, Ltd.

## Factory Overheads

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
	(Rs. in lakhs)						
<b>1. Net Factory Overheads</b>							
(a) Tyres and Tubes	49.071	58.895	56.529	70.665	80.590	91.527	90.906
(b) Other Products	1.235	1.466	2.752	4.381	6.658	7.525	6.652
<b>TOTAL</b>	50.306	60.361	59.281	75.046	87.248	99.052	97.558
<b>2. Total Factory Cost (excluding Wrapping)</b>							
(a) Tyres and Tubes	204.14	242.35	232.60	347.11	561.67	548.90	499.51
(b) Other Products	4.72	5.71	7.01	12.69	30.99	30.48	29.34
<b>TOTAL</b>	208.86	248.06	239.61	359.80	592.66	579.38	528.85
<b>3. Total Production by Weight</b>						(In 1,000 lbs.)	
(a) Tyres and Tubes	15,330	18,059	15,645	20,358	23,315	23,837	21,996
(b) Other Products	636	870	756	1,245	2,185	2,314	1,999
<b>TOTAL</b>	15,966	18,929	16,401	21,603	25,500	26,151	23,995
<b>4. Factory Overheads as a percentage of Factory Cost :</b>	%	%	%	%	%	%	%
(a) Tyres and Tubes	24.04	24.30	24.30	20.36	14.35	16.67	18.20
(b) Other Products	26.17	25.67	39.26	34.52	21.48	24.69	22.67
<b>TOTAL</b>	24.09	24.33	24.74	20.86	14.72	17.10	18.45
<b>5. Factory Overheads per ds.</b>							
(a) Tyres and Tubes	32.00	32.61	36.13	34.71	34.57	38.40	41.33
(b) Other Products	19.42	16.85	36.40	35.19	30.47	32.52	33.28
<b>TOTAL</b>	31.51	31.89	36.14	34.74	34.21	37.88	40.66

27.2. Throughout the period under investigation, Dunlop's factory overheads have gone up year by year (except in 1950), and in 1953 they stood at a level which was 85 per cent. higher than in 1946. During the same period the total output increased by only 21 per cent. Consequently, the incidence of factory overheads per 100 lbs. of Dunlop's production of tyres and tubes increased from Rs. 20.57 in 1946 to Rs. 31.56 in 1953, i.e. nearly 50 per cent. Since increases in factory overheads have been responsible for appreciable increases in factory costs, we consider that the company should exercise stricter control over its expenditure under this head.

27.3. The increase in Dunlop's factory overheads is due to various factors which have been detailed below.



# STATEMENT XLII

## Details of Dunlop's Factory Overheads

(Rs. in lakhs.)

	1946	1947	1948	1949	1950	1951	1952	1953
<b>1. Salaries and Wages :</b>								
(a) Staff salaries . . . . .	8.310	14.121	18.901	21.973	21.712	22.725	24.871	26.659
(b) Wages (Indirect Labour) . . . . .	2.855	3.639	3.886	4.932	3.546	3.931	3.627	3.992
(c) Other benefits . . . . .	2.948	4.097	7.760	9.177	9.398	9.863	12.125	11.383
<b>2. Power and Fuel :</b>								
(a) Power . . . . .	5.792	6.253	7.175	7.821	7.368	9.009	9.303	9.636
(b) Fuel . . . . .	5.494	6.562	7.417	7.894	5.869	6.887	7.335	8.305
<b>3. Repairs and Maintenance . . . . .</b>	5.707	8.261	11.501	12.564	12.618	14.591	15.945	15.549
<b>4. Consumable Stores . . . . .</b>	4.220	4.429	5.339	5.489	5.502	7.070	7.694	19.964
<b>5. Depreciation . . . . .</b>	12.136	11.111	13.540	15.079	16.028	16.883	18.513	20.376
<b>6. Insurance . . . . .</b>	1.103	1.140	1.242	1.790	1.934	2.208	2.788	2.355
<b>7. Rent, Rates and Taxes . . . . .</b>	0.399	0.501	0.643	0.883	0.660	0.500	0.851	1.016
<b>8. Stationery, Printing, Postage, etc. . . . .</b>	0.722	0.784	0.876	0.679	0.675	0.860	0.919	0.785
<b>9. Welfare activities . . . . .</b>	5.058	8.481	4.812	4.654	5.106	6.377	7.164	8.608
<b>10. Laboratory and Research . . . . .</b>	3.316	4.017	5.142	5.732	5.530	6.559	8.427	9.187
<b>11. Liaison charges . . . . .</b>	1.187	1.262	1.347	2.049	2.258	3.472	4.871	8.665
<b>12. Royalty . . . . .</b>	..	..	..	0.089	0.042	..	..	..
<b>13. Air Bags . . . . .</b>	4.758	5.302	5.367	4.496	3.590	6.798	5.900	6.097
<b>14. General . . . . .</b>	2.140	3.678	4.424	4.401	3.330	5.192	5.541	5.543
<b>TOTAL . . . . .</b>	66.145	83.638	99.553	108.802	105.166	122.865	135.874	148.130
<b>Adjustments . . . . .</b>	(-) 0.225	(-) 0.155	(+) 0.605	(-) 0.797	(+) 0.310	(+) 0.778	(-) 1.880	(+) 0.083
<b>Net . . . . .</b>	65.920	83.483	100.158	108.005	105.476	123.643	133.994	148.213
<b>Allocable to Tyres and Tubes . . . . .</b>	61.724	76.813	92.567	99.649	95.030	109.828	108.636	114.168

It will be seen that the largest increase, Rs. 28 lakhs, has taken place under the item salaries and wages. The company has explained that the increase was principally due to higher rates of wages and salaries and of dearness and other allowances. Since, between 1946 and 1953, the increase in the number of employees was only 46, the higher expenditure on wages and salaries is mainly attributable to the increase in emoluments. It is interesting to observe that while the indirect labour charges increased by only 40 per cent., the increase in salaries was as much as 221 per cent. The increase in other benefits amounted to more than 286 per cent. The increased expenditure under power and fuel is due to the increase in output and the higher cost of power. Similarly, a part of the increase on repairs and maintenance and consumable stores is attributable to the increase in output and the higher cost of spare parts and other stores. The increase in the liaison charges paid to Fort Dunlop is due to the increase in the technical personnel in the parent organisation. The higher provision for depreciation is explained by the installation of additional assets subsequent to 1946.

27.4. In the case of Firestone, while the output of tyres and tubes increased by 43 per cent. between 1946-47 and 1952-53, the amount of factory overheads went up by 85 per cent. The incidence of factory overheads per 100 lbs. was higher in the case of Firestone as compared with Dunlop. It amounted to Rs. 32 per 100 lbs. in 1946-47 and increased to Rs. 41.33 per 100 lbs. in 1952-53. The following Table gives an analysis of Firestone's factory overheads.





# STATEMENT XLIII

## Details of Firestone's Factory Overheads

(Rs. in lakhs)

	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
<b>1. Salaries and Wages :</b>							
(a) Staff salaries	8.602	10.633	12.430	13.672	16.992	16.898	18.240
(b) Wages (Indirect Labour)	10.011	12.653	11.334	13.896	14.752	15.149	17.621
(c) Other benefits	2.877	3.672	3.630	3.957	4.058	6.493	5.835
<b>2. Power and Fuel :</b>							
(a) Power	2.729	2.895	3.260	4.303	4.802	4.706	5.105
(b) Fuel	2.122	3.112	2.519	3.799	5.634	9.102	7.321
<b>3. Repairs and Maintenance</b>							
(a) Consumable Stores	3.499	4.534	4.584	5.312	5.128	7.078	5.001
(b) Depreciation	4.313	4.644	4.091	5.831	8.721	9.617	9.261
(c) Insurance	5.447	6.613	6.049	6.329	6.781	8.706	8.212
(d) Rent, Rates and Taxes	0.662	0.925	1.376	1.662	1.657	1.832	1.857
(e) Royalty	0.575	0.567	0.562	0.620	0.582	0.786	0.800
(f) Air Bags	7.903	9.368	9.404	15.398	18.201	18.755	17.082
(g) General	1.211	1.219	0.812	1.597	1.889	1.837	2.403
(h) Total	1.277	0.524	0.647	0.986	1.241	1.694	0.834
<b>Warehouse and Shipping</b>							
(a) Total	51.228	61.359	59.698	77.362	90.438	102.653	99.572
(b) Adjustments	(+)0.101	(+)0.250	(+)0.883	(-)0.131	(+)0.034	(-)0.103	(+)1.177
(c) Net Total	(-)1.023	(-)1.248	(-)1.300	(-)2.185	(-)3.224	(-)3.498	(-)3.191
<b>Allocable to Tyres and Tubes</b>							
(a) Total	50.306	60.361	59.281	75.046	87.248	99.052	97.558
(b) Adjustments	49.071	58.895	56.529	70.665	80.590	91.527	90.906

27.5. As in the case of Dunlop, the increase in Firestone's factory overheads was the greatest under wages and salaries, the explanation being the same, namely the increase in the rates of wages and salaries, and dearness and other allowances. The expansion of output necessarily involved a higher consumption of power, fuel and water. But the increased expenditure under these items was also due to the rise in electricity charges and the cost of fuel oil and water. The price of fuel oil in 1951-52 was nearly three times as high as in 1946-47. The reasons for the increased expenditure on repairs and maintenance and consumable stores were similar to those in the case of Dunlop. The company has had to make heavier royalty payments to the parent firm because of the increase in output, and the rupee cost of such payments has also gone up owing to devaluation. The company pays a royalty to its parent company at the nominal rate of 1.5 cents per 100 lbs. The increase in depreciation charges is due to the installation of additional assets subsequent to 1946-47. We consider that Firestone also should exercise stricter control over their factory overheads.

### 3. Administrative, selling and distribution expenses

28.1. Administrative, selling and distribution expenses have to be incurred by the purely trading units as well as by the manufacturing units, and hence statement XLIV shows figures for all the four Companies. These expenses have been taken together for the purpose of our examination, since the classification of individual items of expenses between administration on the one hand and selling and distribution on the other is likely to vary from one company to another. The expenses as shown in the books of the Companies have been adjusted by excluding (a) interest payments which should come out of the gross profits as determined by us and (b) certain extraordinary receipts or expenses such as profit or loss on sale of assets etc. Adjustments have also been made, as in factory costs and for the same reason, for depreciation and bonus.

28.2. Of all elements of costs, the most striking increases have taken place in administrative, selling and distribution expenses. Between 1946 and 1953, whereas Dunlops' sales turnover of tyres and tubes (excluding sales to Goodyear and India) increased from Rs. 315 lakhs to Rs. 553 lakhs, i.e., by 75 per cent, their administration, selling and distribution expenses increased from Rs. 23.7 lakhs to Rs. 78 lakhs, i.e., by 229 per cent. During the same period, the administrative and selling and distribution expenses (allocable to tyres and tubes) of Good Year and India Tyre increased by 127 per cent and 215 per cent, respectively, as against increases of 82 per cent and 177 per cent in their respective sales turnover of tyres and tubes. (The figures of sales turnover are exclusive of the excise duty). In the case of Firestone, the increase in administrative, selling and distribution expenses (allocable to tyres and tubes) between 1946-47 and 1952-53 (after adjustment for certain non-recurring credits in the latter year) works out to 104 per cent, as against an increase of 86 per cent in their sales turnover during the same period. In this matter, Firestone stand in remarkable contrast with the other three companies. All the four companies are operating in the same market under similar conditions and it is surprising that

their administrative and selling and distribution expenses should show such disparate trends. In 1953, the administrative and selling and distribution expenses formed 14.1 per cent. of the sales turnover of tyres and tubes, as against 7.5 per cent. in 1946, in the case of Dunlop, 15 per cent. as against 12.1 per cent. in 1946, in the case of Good Year and 15.9 per cent. as against 14 per cent. in 1946 in the case of India Tyre. In the case of Firestone, on the other hand, the proportion of administrative and selling and distribution expenses to sales turnover of tyres and tubes was only 7.3 per cent. in 1952-53 as against 6.7 per cent. in 1946-47.

28.3. A broad analysis showing the increases in the principal sub-items of administrative and selling and distribution expenses for the four companies is given in the Statements which follow.



सत्यमेव जयते

**STATEMENT XLIV**  
**General Administration and Selling and Distribution Expenses**  
**(i) Dunlop Rubber Co. (India) Ltd.**

(Rs. in lakhs).

Details.	1946	1947	1948	1949	1950	1951	1952	1953
1. (a) Salaries and Wages	11.600	16.293	19.259	22.630	24.549	25.951	30.534	33.146
(b) Other benefits	0.760	0.972	1.153	1.470	1.656	1.736	1.949	2.132
2. Repairs and maintenance	0.249	0.449	0.659	0.667	1.130	0.774	0.650	0.615
3. Warehouse, packing, freight and cartage.	3.392	5.356	5.076	7.167	18.831	23.325	24.989	28.982
4. Depreciation	0.284	0.287	0.412	0.635	1.236	1.450	1.836	2.315
5. Rent, rates and taxes	0.932	0.990	1.352	1.593	1.659	1.827	2.247	2.716
6. Stationery, printing and postage	1.622	1.974	2.288	2.599	2.574	2.437	2.523	2.977
7. Insurance	0.218	0.270	0.403	0.753	0.630	0.708	1.028	0.994
8. Advertisement	2.896	5.286	9.936	8.958	10.072	11.852	15.035	16.863
9. Lighting and Power	0.171	0.199	0.247	0.251	0.603	0.310	0.330	0.371
10. Travelling	3.733	4.300	4.901	5.745	6.629	7.089	8.242	9.570
11. Subscriptions and donations	0.185	0.204	0.226	0.347	..	0.893	0.415	0.356
12. Legal expenses.	0.008	0.017	0.004	0.072	0.129	0.228	0.226	0.216
13. Bad debts	..	..	..	..	..	..	..	..
14. Audit fees	0.153	0.171	0.158	0.155	0.160	0.160	0.153	0.156
15. Directors fees	0.137	0.137	0.117	0.140	0.143	0.134	0.137	0.131
16. Royalty	0.006	0.007	0.006	0.007	0.005	0.004	0.008	..
17. General charges	1.496	1.848	2.468	4.561	2.815	3.026	3.191	4.155
18. TOTAL	27.932	38.760	48.665	57.750	72.821	81.904	93.493	105.695
19. Less credits	0.013	0.008	0.0077	0.424	1.262	3.106	2.867	3.262
20. Net General Administration and Selling and Distribution expenses	27.919	38.752	48.658	57.326	71.559	78.798	90.626	102.433
Less Recoveries for G. A. from Goodyear and India Tyres	1.092	1.558	1.852	2.163	2.249	2.659	4.598	4.102
Net G. A. & S & D	26.827	37.194	46.806	55.163	69.310	76.139	86.028	98.331
G. A. & S & D expenses allocable to Tyres & Tubes	23.715	33.065	41.189	46.337	59.321	66.545	69.769	78.075

STATEMENT XLIV—contd.  
(ii) Firestone Tyre and Rubber of India Limited.

		(Rs. in lakhs)						
Details		1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
1	(a) Salaries and Wages	8.960	10.119	10.554	12.718	16.787	17.543	20.282
2	(b) Other benefits	0.096	0.081	..	0.014	..	0.369	0.469
3	Repairs and maintenance	0.473	0.484	0.547	0.860	1.000	1.374	1.735
4	Warehouse, packing, freight and cartage	7.335	8.465	7.639	10.844	13.971	17.725	16.427
5	Depreciation	0.602	0.412	0.339	0.517	0.446	0.782	0.741
6	Rent, rates and taxes	0.815	0.892	0.910	1.551	2.025	2.157	2.010
7	Stationery, printing and postage	1.338	1.074	0.950	1.668	2.033	2.166	1.561
8	Insurance	0.210	0.309	0.303	0.371	0.470	0.428	0.436
9	Advertisement	2.568	3.363	2.425	3.365	3.199	3.751	4.077
10	Lighting and power	0.078	0.093	0.083	0.111	0.123	0.140	0.172
11	Travelling	2.741	2.947	2.671	3.298	3.456	3.679	4.361
12	Subscription and donations	0.056	0.057	0.152	0.133	0.233	0.146	0.148
13	Legal expenses	0.031	0.119	0.005	0.255	0.017	0.033	0.040
14	Bad debts	..	..	..	..	..	..	..
15	Audit fees	0.087	0.097	0.100	0.060	0.103	0.103	0.103
16	Directors' fees	..	..	..	..	..	..	..
17	Royalty	1.216	1.487	1.011	1.352	1.977	2.022	1.622
18	General charges	..	..	..	..	..	..	..
TOTAL		26.606	29.999	27.689	37.117	45.840	52.418	54.184
19	Less credit	0.898	0.115	0.790	1.046	1.526	1.807	21.570
20	Net General Administration and Selling and Distribution expenses.	25.708	29.884	26.899	36.071	44.314	50.611	32.614
G. A. and S. D. expenses allocable to Tyres and Tubes.		24.397	28.689	26.173	35.025	42.054	47.929	30.657

## STATEMENT XLIV—contd.

(iii) Goodyear and Rubber Co. of India, Ltd.

(Rs. in lakhs).

Details	1946	1947	1948	1949	1950	1951	1952	1953
1 (a) Salaries and Wages . . . . .	7.800	9.474	10.499	17.145	19.382	22.926	21.995	22.414
2 (b) Other benefits . . . . .	..	0.378	0.398	0.383	0.561	0.661	0.570	0.625
3 Repairs and Maintenance . . . . .	0.051	0.043	0.104	0.081	0.098	0.201	0.431	0.317
4 Warehouse, packing etc. . . . .	10.849	10.900	12.556	14.382	12.692	14.186	14.511	17.291
5 Depreciation . . . . .	0.224	0.416	0.589	0.618	0.649	0.631	0.843	1.121
6 Rent, rates and taxes . . . . .	0.742	0.856	1.064	1.459	1.559	1.595	2.561	2.330
7 Stationery, printing, postage etc. . . . .	0.710	0.615	0.625	0.831	0.812	0.976	1.014	0.994
8 Insurance . . . . .	0.096	0.206	0.234	0.395	0.246	0.438	0.527	0.416
9 Advertisement . . . . .	2.386	2.623	4.504	5.812	4.733	5.424	7.480	8.191
10 Travelling . . . . .	4.041	4.789	5.338	5.027	5.260	6.136	6.449	6.253
11 Lighting and power . . . . .	..	..	..	..	..	..	..	..
12 Subscription Donation etc. . . . .	..	..	..	..	..	..	..	..
13 Legal expenses . . . . .	0.010	0.072	0.008	0.029	0.010	0.021	0.061	0.079
14 Audit fees . . . . .	0.074	0.145	0.125	0.187	0.163	0.183	0.176	0.169
15 Directors' fees . . . . .	..	..	..	..	..	..	..	..
16 Bad debts . . . . .	0.003	0.006	0.027	0.003	0.001	0.025	..	0.280
17 General charges . . . . .	2.119	1.965	2.463	3.056	2.423	3.085	2.726	3.349
18 TOTAL . . . . .	29.105	32.488	38.534	49.408	48.589	56.488	58.844	63.829
19 Less credits . . . . .	..	0.013	0.035	0.024	0.027	..	0.047	..
20 Net G. A. and S. & D. E. . . . .	29.105	32.475	38.499	49.384	48.562	56.488	58.797	63.829
H. O. S. and D. Expenses allocable to Ceylon and Pakistan . . . . .	..	..	..	..	..	1.459	1.384	0.695
Net Expenses allocable to Tyres and Tubes . . . . .	22.324	27.831	29.413	41.285	40.452	55.029	57.413	63.134
						45.069	44.725	50.507

## STATEMENT XLIV—contd.

(iv) Goodyear and Rubber Co. of India, Ltd.

(Rs. in Lakhs).

Details	1946	1947	1948	1949	1950	1951	1952	1953
1. (a) Salaries and Wages . . . . .	3.204	5.153	7.794	10.115	10.490	11.591	12.796	13.570
(b) Other benefits . . . . .	0.024	0.041	0.093	0.071	0.191	0.198	0.236	0.238
2. Repairs and Maintenance . . . . .	0.046	0.035	0.080	0.071	0.094	0.103	0.135	0.143
3. Warehouse, packing, etc. . . . .	5.317	6.713	10.266	12.135	9.300	11.121	12.032	13.238
4. Depreciation . . . . .	0.087	0.181	0.339	0.544	0.606	0.620	0.771	0.945
5. Rent, rates and taxes . . . . .	0.445	0.545	0.963	1.209	1.452	1.396	1.463	1.510
6. Stationery, printing, postage, etc. . . . .	0.301	0.447	0.736	0.855	0.972	0.923	1.050	1.224
7. Insurance . . . . .	0.193	0.225	0.563	1.313	1.108	0.930	1.191	1.020
8. Advertisement . . . . .	2.024	2.282	3.446	4.899	4.503	4.478	5.123	5.279
9. Travelling . . . . .	1.447	1.868	2.752	3.304	3.735	3.522	3.856	4.496
10. Lighting and Power . . . . .	0.032	0.046	0.050	0.064	0.070	0.074	0.077	0.105
11. Subscription and Donation, etc. . . . .	0.028	0.042	0.046	0.085	0.089	0.163	0.060	0.064
12. Legal expenses . . . . .	0.008	0.036	0.025	0.025	0.037	0.019	0.058	0.031
13. Audit fees . . . . .	0.047	0.062	0.098	0.072	0.106	0.083	0.089	0.084
14. Directors' fees . . . . .	0.003	0.001	0.002	0.001	0.001	0.001	0.001	0.001
15. Bad debts . . . . .	..	..	..	..	..	..	..	..
16. General charges . . . . .	0.341	0.587	0.557	0.705	0.753	1.783	0.918	1.178
17. TOTAL . . . . .	13.547	18.264	27.810	35.555	33.507	37.005	39.856	43.126
18. Less credits . . . . .	0.045	0.036	0.096	0.270	0.276	0.393	0.486	0.398
19. Net G. A. and S. & D. E. . . . .	13.502	18.228	27.714	35.285	33.231	36.612	39.370	42.728
Net . . . . .	..	..	..	..	..	..	..	..
Expenses allocable to Tyres and Tubes. . . . .	12.206	16.369	25.275	31.792	30.107	33.793	35.276	38.455

28.4. In the case of all the four companies the major increases have taken place in (a) wages and salaries, (b) packing, freight and cartage, (c) advertising and (d) travelling. The increases in wages and salaries were due partly to increases in the rates of emolument and partly to expansion of staff. Considering that Firestone, with their total sales turnover of Rs. 715 lakhs in 1952-53 were able to manage with a salary bill of Rs. 20.7 lakhs only in their administrative and sales organisation, the expenditure of over Rs. 35 lakhs incurred by Dunlop in 1953 for a total sales turnover of Rs. 696 lakhs, Rs. 23 lakhs incurred by Good Year in the same year for a total sales turnover of Rs. 422 lakhs and Rs. 13.7 lakhs incurred by India Tyre also in the same year for a total sales turnover of Rs. 268 lakhs must be regarded as excessive. Some increase in packing, freight and cartage was inevitable in view of the increase in output and the rise in the cost of materials and in freight and cartage charges. However, a net insignificant proportion of the increase was due to some companies following particularly expensive methods of distribution with a view to maintaining or expanding their share of business.

28.5. Dunlop maintain that the increase in selling and distribution expenses is partly due to the return of the buyer's market. The range and diversity of their products and their relatively greater dependence on the home market have also been mentioned as additional causes. We are not, however, satisfied with this explanation. We feel that the basic cause of the increase in the selling and distribution expenses of the tyre companies is to be found in the nature of the competition between them. The tyre companies do not compete with each other on the basis of price, but only of quality and service. The complete elimination of price competition results in excessive reliance being placed on publicity, personal liason and service attractions of various sorts leading to a competitive increase in selling and distribution expenses. While price competition benefits the consumer, the kind of competition which prevails among the tyre companies leads to a growing burden being placed on the consumer. None of the companies can perhaps individually check this tendency which is inherent in the situation itself. It calls for positive control from outside, i.e., by the State. Firestone have been able to restrict their administrative and selling and distribution expenditure to 7.3 per cent. of their sales turnover as against Dunlop's 14.1 per cent., but owing to the system of uniform prices, the benefit of this economy accrues only to Firestone and not to the consumer. In 1952-53, Firestone's sales turnover of tyres and tubes (excluding excise duty) was Rs. 672 lakhs; hence, at least Rs. 46 lakhs of the additional profits earned by them in comparison with Dunlop can be attributed to their success in keeping the ratio of administrative and distribution expenses to sales turnover 6.8 per cent. lower.

#### 4. Fair Profits.

29.1. In determining the fair rate of profit for this industry, account must be taken of the fact that in comparison with other industries of similar magnitude and importance, the gross block, which is the customary basis for calculating fair profits, is small in relation to the value of output and capital employed in this industry. Calculation of profits at the rate of 8 per cent. on gross block and 4½ per cent. on working capital will not, therefore, yield a reasonable



quantum of profits for this industry. Secondly, in the case of a large and expanding industry of this kind, the basis of calculating profits should have some relation to the volume of business. In view of these considerations, we have decided to compute the fair profits due to this industry on the basis of capital employed. We consider that a gross profit (including interest on working capital) at the rate of 10 per cent. on capital employed will be reasonable. Besides, in view of the rise in the price of plant and machinery, we propose to allow special depreciation to the extent of the difference between the depreciation actually provided and that included by us in the computation of costs. The following statement shows the gross profits and special depreciation considered fair in the case of Dunlop which we have taken as a representative unit. The figures relate to the entire activities of the company, including the manufacture of products other than tyres and tubes:—

## STATEMENT XLV

*Total Capital employed in Dunlop and the corresponding fair profits and special depreciation.*

(Rs. in lakhs).

	Capital Employed	Gross Profit	Special depreciation	Total
1946 . . . . .	297	29.7	7.0	36.7
1947 . . . . .	334	33.4	12.5	45.9
1948 . . . . .	413	41.3	10.1	51.4
1949 . . . . .	480	48.0	12.4	60.4
1950 . . . . .	484	48.4	10.4	58.8
1951 . . . . .	571	57.1	8.2	65.3
1952 . . . . .	672	67.2	3.8	71.0
1953 . . . . .	663	66.3	4.0	70.3
TOTAL . . . . .	..	391.4	68.4	459.8

29.2. The aggregate amount of fair profits and special depreciation due to the company for the entire period from 1946 to 1953 comes to Rs. 459.8 lakhs as against Rs. 986.31 lakhs actually earned by the company according to Statements XLIX and LIII (a). One way of judging the reasonableness of this provision is to see what amount of surplus it would have left for allocation to reserves, after paying actual interest charges, profit sharing bonus, the dividend on preference share capital and a reasonable dividend on ordinary share capital. During 1946—53, the company had to pay Rs. 48.2 lakhs for interest charges and Rs. 94 lakhs for profit-sharing bonus. After meeting these charges out of the taxable profits of Rs. 391.4 lakhs and paying taxes at the rate of 44 per cent. on the balance, the amount left to the company, together with special depreciation, would have been Rs. 208 lakhs. During this period the company had to pay Rs. 28.26 lakhs as dividend on preference share capital. To the ordinary share holders, the company paid a dividend at 40 per cent. from 1946 to 1948, at 20 per cent. in 1949 and 1950 and 15 per cent. from 1951 to 1953. It issued bonus shares to the extent of Rs. 50 lakhs in 1949 and Rs. 60 lakhs in 1951. In calculating fair

profits, we do not consider it proper to take into account the additional dividend liability incurred by the company by issuing bonus shares. At the same time, in view of the importance of technology and research in the case of this industry and its dependence on foreign organisations for this purpose, we consider it fair to reckon the dividend due to the ordinary shareholders at 10 per cent., tax free. The provision for dividend on ordinary share capital at the rate of 10 per cent. on the original amount of Rs. 50 lakhs comes to Rs. 40 lakhs for the period from 1946 to 1953. Allowing for the payment of dividend on preference and ordinary share capital at the rates indicated, the amount left for allocation to reserves out of the sum total of profits and special depreciation considered fair by us comes to Rs. 140 lakhs. During the period from 1946 to 1954, the company's actual expenditure on capital account amounted to Rs. 309 lakhs as against the total depreciation allowance of Rs. 132 lakhs included by us in the costs for the period from 1946 to 1953. Taking the depreciation allowance for 1954 on the basis of the normal income tax rates at Rs. 23 lakhs, the amount needed by the company in addition to its normal depreciation allowance, for financing its capital expenditure, was Rs. 154 lakhs for the period from 1946 to 1954. As against this, the amount which the company would have been able to allocate to its reserves out of the profits and special depreciation considered fair by us, for the period from 1946 to 1953 comes to Rs. 140 lakhs. In our view, a basis of calculation which would enable the company to finance so large a proportion of its capital expenditure out of its internal resources cannot be regarded as unfair.

29.3. The figures given above relate to the entire activities of the company. Consequently, the amounts of capital employed in the manufacture of tyres and tubes and the corresponding profits and special depreciation have had to be estimated. We have made these estimates on the basis of the estimated proportions of the manufacturing facilities which were devoted to the production of tyres and tubes on the one hand and the miscellaneous articles on the other. The profits earned on the miscellaneous articles have fluctuated widely from year to year and in some years, the company actually have made a loss on the sale of these articles. We have, however, taken no account of this fact, since these are independent lines and there is no reason why tyres and tubes should subsidise them or *vice versa*. Out of the total profits and special depreciation due to Dunlop on the manufacture of tyres and tubes, a portion is to be recovered from Good Year and India Tyre to whom a part of their production is sold. Under the inter-company agreements, Dunlop recovered from Good Year and India Tyres a charge of 7½ per cent. on actual cost of production (including current overhead charges) on pneumatic tyres and tubes (other than cycle tyres and tubes) sold for replacement and 5 per cent. on cycle tyres and tubes and such of the other types of pneumatic tyres and tubes as were sold otherwise than for replacement, until 1st April, 1953 and a uniform charge of 5 per cent. on all sales thereafter. In our calculation of fair profits, it would not be proper for us to take these charges for granted, because presumably they were fixed in consideration of the profits which the companies were actually able to earn. We consider it fair to take the proportion of the charges (including special depreciation and bonus) actually recovered by Dunlop.

from Good Year and India Tyre to Dunlop's total profits (adjusted for bonus and special depreciation) in each year and to apply that proportion to the total amount of profits and special depreciation considered fair by us for Dunlop for that year, to arrive at the amounts to be recovered from Good Year and India Tyre. The balance is to be recovered from Dunlop's own sales. It is true that if Dunlop had sold their entire output through their own organisation, the fair selling prices of their products would have worked out lower than those calculated on the above basis. The inter-company arrangements, however, have been in existence for a long time and it is by no means certain that in the absence of such arrangements, the production actually carried on in Dunlop's factory would not have been divided between three factories, thereby raising the unit costs of production. In these circumstances, we consider the procedure adopted by us to be reasonable.

29.4. The following Statement gives our estimates of the capital employed in Dunlop's manufacture of tyres and tubes and the corresponding fair profit and special depreciation, excluding the proportionate amounts recoverable from Good Year and India Tyre:—

#### STATEMENT XLVI

*Statement showing the capital employed in Dunlop's manufacture of tyres and tubes and the corresponding fair profit and special depreciation excluding the proportionate amounts recoverable from Good Year and India Tyre.*

(Rs. in lakhs).

	Capital employed in manufacture of tyres and tubes	Fair profit	Special depre- ciation	Amount recover- able from Good Year and India Tyre	Net
1946	267.2	26.72	6.28	5.55	27.45
1947	300.8	30.08	11.22	8.44	32.86
1948	372.1	37.21	9.08	11.07	35.22
1949	431.7	43.17	11.19	14.45	39.91
1950	435.7	43.57	9.35	10.72	42.20
1951	513.8	51.38	7.42	20.90	37.90
1952	571.6	57.16	3.24	16.66	43.74
1953	563.8	56.38	3.38	13.78	45.9

#### 5. Main features of the pricing system.

30.1. The pricing system of tyres and tubes has two main features: (1) tyres and tubes are sold at the same price throughout the country irrespective of the differences in transport charges from the place of production and (2) tyres and tubes of different makes are sold at the same price, the competition between different producers being carried on on the basis of quality and service and not of price. The first feature has certain obvious advantages; it facilitates distribution and is convenient to traders and consumers. The second feature is not a necessary corollary of the first. For example, A.C.C. cement is sold at a uniform price throughout the country; but in spite of this, other producers have been able to sell their cement at a different price. The tyre industry, however, is so organised that the system of uniform prices becomes to some extent natural and inevitable. The industry consists of four large

units each one of which is an offshoot of a world-wide organisation with large financial resources at its disposal. Good Year have arrangements with Dunlop in respect of several markets, according to which one of these units produces tyres and tubes for the other in markets where it has a more predominant position than the other. These arrangements, by their very nature, whether or not they contain an explicit provision to that effect, preclude price competition between the two firms. Firestone also are not in a position to engage in price competition, with any material advantage to themselves, with Dunlop, Good Year or India Tyre. Firestone are already in possession of 37 per cent. of the market for tyres and tubes and all the producers including Firestone are, and have been, making substantial profits on their existing sales. Any reduction of prices by Firestone with a view to capturing a portion of the other companies' business will be of net advantage to Firestone only if they succeed in securing additional business of sufficient volume to compensate for the reduction in their profit margin. All the competing companies, however, have large financial resources and are able to offset their losses in one market by gains in another. Consequently, small reductions in prices by one company are likely to be met by corresponding reductions by other companies, with the result that the company initiating the price reduction may get no additional business at all and may only suffer a loss of profits; if such company is already enjoying a large volume of business, the loss of profits may be substantial. A reduction in price which will force other companies to yield has to be fairly heavy. However, the greater the price reduction, the greater is the volume of additional business required to compensate for the reduction in profit margin; but the extent of additional business that a company can secure is limited by the proportion of the total business it already has, and this limits the possibility of carrying out a competitive price reduction with advantage. All the producers have denied the existence of any price ring among themselves, but it should be clear from the above that the industry is so organised that the producers have to act in unison in their own interest. The tyre industry provides a typical instance of an oligopoly which, so far as prices are concerned, functions virtually like a monopoly. No one producer, whose costs are lower, finds it to his advantage to lower his prices with a view to capturing business from other producers, but all the producers jointly may, and do, reduce prices, whenever they find it in their common interest to do so. The existing level of prices and profits may become politically untenable; the demand at existing prices may show a tendency to slacken; or a reduction of prices may hold possibilities of an expansion of total business, with benefit to all. Any monopoly, basing its prices on the principle of "what the traffic can bear" would effect price reductions in such circumstances. By and large, the price policy of the tyre industry is guided by similar considerations. Our examination shows that other things remaining equal, when the demand for tyres and tubes is not subject to a high degree of price elasticity, the tyre companies do not find it to their advantage to effect price reductions on account of relatively small reductions in cost. In these circumstances, there is as much justification for exercising State control over the price policy of the tyre industry as there would have been if the industry had been organised on a fully monopolistic basis.

In the absence of such control, it would be difficult to ensure that the prices of these products are maintained in fair relation to costs.

30.2. The fact that the producers have eliminated all price competition among themselves has the consequence (referred to in para 28.5 above) that the only method by which individual producers can seek to expand their sales at the expense of each other is by making competitive claims in regard to quality and service. Thus, although Good Year and India tyres are manufactured in the Dunlop factory, both these producers claim their products to be the best available and therefore better than those of Dunlop. While differences in quality can exist between different makes manufactured at the same factory, there is a limit to the extent to which a producer can keep his manufacturing secrets from the factory which carries out the manufacturing operations on his behalf. In the absence of price competition, the sales technique assumes an excessive importance, and the selling and distribution expenses consequently tend to mount up year by year. Since the burden of these expenses eventually falls on the consumer, it is clear that this is one item of costs which calls for strict control by the State.

#### 6. Fair prices of tyres and tubes.

31.1. The fair prices estimated by us represent the net dealer prices (exclusive of excise duty) for replacement purposes and have been worked out by taking into account the actual distribution of Dunlop's total sales between different classes of products and different classes of sales (replacement, Government, original equipment and exports) and the relation between the net prices realised by the company on the different classes of products and of sales, each year. Tyres and tubes of all makes are sold at uniform prices and we have decided, in paragraph 15.4 above, to judge the fairness or otherwise of the actual prices charged by all producers by a common standard, i.e., with reference to the fair prices estimated by us for the representative unit, namely, Dunlop. Consequently, in order to decide whether the actual prices charged were fair or excessive, it is sufficient for us to compare Dunlop's actual average realisation with the fair prices as estimated by us. The following Statement shows the fair prices as estimated by us and the extent to which the actual realisation by Dunlop was in excess of the fair prices in each year since 1946. (See Appendix XVI).

#### STATEMENT XLVII

*Fair prices of Tyres and Tubes Manufactured by Dunlop Rubber Co., (India) Limited.*

**Net Dealer Price for replacement purposes excluding exercise duty.**

**Rs. per 100 lbs.**

Particulars		Average fair price	Average actual realisa- tion	% excess of actual over fair price
1		2	3	4
<b>TYRES 1946</b>				
(i) Passenger Car		164.47	210.29	} 21.79
(ii) Bus and Truck		167.03	213.57	
(iii) Cycle		118.39	151.38	
(iv) Others		146.02	186.70	

## STATEMENT XLVII—contd.

Rs. per 100 lbs.

1	2	3	4
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## TYRES—contd.

<b>1947</b>			
(i) Passenger Car . . . . .	180.57	222.65	18.90
(ii) Bus and Truck . . . . .	176.60	217.75	
(iii) Cycle . . . . .	115.75	142.72	
(iv) Others . . . . .	190.50	234.90	

<b>1948</b>			
(i) Passenger Car . . . . .	190.99	225.38	15.26
(ii) Bus and Truck . . . . .	194.05	229.00	
(iii) Cycle . . . . .	127.25	150.17	
(iv) Others . . . . .	124.19	146.55	

<b>1949</b>			
(i) Passenger Car . . . . .	226.83	250.03	9.28
(ii) Bus and Truck . . . . .	231.72	255.42	
(iii) Cycle . . . . .	169.11	186.41	
(iv) Others . . . . .	121.39	133.81	

<b>1950</b>			
(i) Passenger Car . . . . .	262.70	284.61	70
(ii) Bus and Truck . . . . .	261.02	282.80	
(iii) Cycle . . . . .	176.39	191.11	
(iv) Others . . . . .	114.00	123.51	

<b>1951</b>			
(i) Passenger Car . . . . .	310.56	333.51	6.88
(ii) Bus and Truck . . . . .	324.61	348.59	
(iii) Cycle . . . . .	233.27	250.51	
(iv) Others . . . . .	183.64	197.21	

<b>1952</b>			
(i) Passenger Car . . . . .	301.54	339.73	11.24
(ii) Bus and Truck . . . . .	336.81	379.46	
(iii) Cycle . . . . .	214.90	242.11	
(iv) Others . . . . .	187.73	211.50	

<b>1953</b>			
(i) Passenger Car . . . . .	282.76	309.10	8.52
(ii) Bus and Truck . . . . .	301.63	329.72	
(iii) Cycle . . . . .	200.12	218.76	
(iv) Others . . . . .	208.12	227.50	

## TUBES

<b>1946</b>			
(i) Passenger Car . . . . .	210.83	269.57	21.79
(ii) Bus and Truck . . . . .	196.99	251.87	
(iii) Cycle . . . . .	258.22	330.16	
(iv) Others . . . . .	243.25	311.02	

<b>1947</b>			
(i) Passenger Car . . . . .	214.99	265.09	18.90
(ii) Bus and Trucks . . . . .	194.65	240.01	
(iii) Cycles . . . . .	254.30	313.57	
(iv) Others . . . . .	179.40	221.21	

<b>1948</b>			
(i) Passenger Car . . . . .	228.84	270.05	15.26
(ii) Bus and Truck . . . . .	206.44	243.61	
(iii) Cycle . . . . .	271.02	319.83	
(iv) Others . . . . .	229.21	270.49	

## STATEMENT XLVII—concl'd.

Rs. per 100 lbs.

	I	2	3	4
TUBES—contd.				
1949				
(i) Passenger Car . . . . .		246.66	271.89	9.28
(ii) Bus and Truck . . . . .		243.46	268.37	
(iii) Cycle . . . . .		322.72	355.73	
(iv) Others . . . . .		237.84	262.17	
1950				
(i) Passenger Car . . . . .		257.72	279.22	7.70
(ii) Bus and Truck . . . . .		258.64	280.22	
(iii) Cycle . . . . .		329.54	357.03	
(iv) Others . . . . .		247.58	268.23	
1951				
(i) Passenger Car . . . . .		331.12	355.58	6.88
(ii) Bus and Truck . . . . .		327.18	351.35	
(iii) Cycle . . . . .		434.34	466.43	
(iv) Others . . . . .		303.69	326.13	
1952				
(i) Passenger Car . . . . .		322.50	363.34	11.24
(ii) Bus and Truck . . . . .		327.91	369.43	
(iii) Cycle . . . . .		337.31	380.02	
(iv) Others . . . . .		356.64	401.80	
1953				
(i) Passenger Car . . . . .		302.63	330.82	8.52
(ii) Bus and Truck . . . . .		277.17	302.98	
(iii) Cycle . . . . .		331.16	362.00	
(iv) Others . . . . .		353.22	386.12	

31.2. We give below the average fair prices for Firestone's tyres and tubes together with their average actual realisation from 1946-47 to 1952-53. Since, as stated above, the fairness or otherwise of the prices charged by all producers is to be judged on the basis of the fair prices determined for Dunlop (the representative unit), we have calculated Firestone's fair prices by making the same percentage deduction from their actual realisation as has been indicated for Dunlop in Statement XLVII. The fair prices for individual classes of products determined for Firestone differ from those determined for Dunlop, in spite of the fact that the fair prices for individual products have been assumed to be the same in the case of both the companies. The difference arises partly from the fact that the accounting periods are not the same in the case of the two companies, the accounting period for Dunlop being the calendar year and that for Firestone the year ending 31st October. Further, the types and sizes included in each class of products are not identical in the case of the two companies. But for these factors, the fair prices for Dunlop and Firestone would have worked to identical figures. Data regarding the average actual realisation per 100 lbs. in the case of Good Year and India Tyre are not available, because it has not been possible to estimate the weight of the tyres and tubes sold by them under different categories.

## STATEMENT XLVIII

*Fair Prices of Tyres and Tubes Manufactured by Firestone Tyre and Rubber Co. of India Ltd.*

**Net Dealer Prices for replacement purposes excluding exercise duty.**

Rs. per 100 lbs.

Particulars	Average fair price	Average actual realisation	% excess of actual realisation over fair price
I	2	3	4
<b>TYRES</b>			
<i>1946-47</i>			
(i) Passenger Car . . . . .	206.97	255.20	18.90
(ii) Bus and Truck . . . . .	174.12	214.70	
(iii) Cycle . . . . .	139.57	172.10	
(iv) Others . . . . .	..	..	
<i>1947-48</i>			
(i) Passenger Car . . . . .	211.77	249.90	15.26
(ii) Bus and Truck . . . . .	198.21	233.90	
(iii) Cycle . . . . .	165.33	195.10	
(iv) Others . . . . .	..	..	
<i>1948-49</i>			
(i) Passenger Car . . . . .	239.68	264.20	9.28
(ii) Bus and Truck . . . . .	253.56	279.50	
(iii) Cycle . . . . .	173.73	191.50	
(iv) Others . . . . .	..	..	
<i>1949-50</i>			
(i) Passenger Car . . . . .	261.21	283.00	7.70
(ii) Bus and Truck . . . . .	238.60	258.50	
(iii) Cycle . . . . .	154.42	167.30	
(iv) Others . . . . .	..	..	
<i>1950-51</i>			
(i) Passenger Car . . . . .	331.60	356.10	6.88
(ii) Bus and Truck . . . . .	303.01	325.40	
(iii) Cycle . . . . .	228.52	245.40	
(iv) Others . . . . .	..	..	
<i>1951-52</i>			
(i) Passenger Car . . . . .	351.22	395.70	11.24
(ii) Bus and Truck . . . . .	309.33	348.50	
(iii) Cycle . . . . .	213.20	240.20	
(iv) Others . . . . .	..	..	
<i>1952-53</i>			
(i) Passenger Car . . . . .	337.38	368.80	8.52
(ii) Bus and Truck . . . . .	295.39	322.90	
(iii) Cycle . . . . .	198.15	216.60	
(iv) Others . . . . .	..	..	



## STATEMENT XLVIII—contd.

Rs. per 100 lbs.

1	2	3	4
TUBES			
1946-47			
(i) Passenger Car . . . . .	167.47	206.50	} 18.90.
(ii) Bus and Truck . . . . .	215.08	265.20	
(iii) Cycle . . . . .	188.23	232.10	
(iv) Others . . . . .	..	..	
1947-48			
(i) Passenger Car . . . . .	198.55	234.30	} 15.26
(ii) Bus and Truck . . . . .	237.19	279.90	
(iii) Cycle . . . . .	210.41	248.30	
(iv) Others . . . . .	..	..	
1948-49			
(i) Passenger Car . . . . .	230.52	254.10	} 9.28
(ii) Bus and Truck . . . . .	266.81	294.10	
(iii) Cycle . . . . .	224.71	247.70	
(iv) Others . . . . .	..	..	
1949-50			
(i) Passenger Car . . . . .	238.69	258.60	} 7.70
(ii) Bus and Truck . . . . .	273.48	296.30	
(iii) Cycle . . . . .	267.67	290.00	
(iv) Others . . . . .	..	..	
1950-51			
(i) Passenger Car . . . . .	316.70	340.10	} 6.88
(ii) Bus and Truck . . . . .	337.84	362.80	
(iii) Cycle . . . . .	370.43	397.80	
(iv) Others . . . . .	..	..	
1951-52			
(i) Passenger Car . . . . .	315.45	355.40	} 11.24
(ii) Bus and Truck . . . . .	358.32	403.70	
(iii) Cycle . . . . .	312.61	352.20	
(iv) Others . . . . .	..	..	
1952-53			
(i) Passenger Car . . . . .	297.58	325.30	} 8.52
(ii) Bus and Truck . . . . .	316.70	346.20	
(iii) Cycle . . . . .	291.09	318.20	
(iv) Others . . . . .	..	..	

NOTE.—No figures have been given for "Others", since Firestone's figures of sales under this category cover a variety of products (indigenous as well as imported) showing wide variations in value per unit of weight.

31.3. On the basis of the above data, we have come to the conclusion that the prices of tyres and tubes during 1946 to 1953 were excessive in relation to costs.

32.1. It follows from the above, that the profits made by the producers were excessive by the standard adopted by us. This

general conclusion is supported by an examination of the overall trading results of the companies. In the following Statements we have set out the profits earned by Dunlop and Firestone, in relation to their capital employed:

**STATEMENT XLIX**  
*Ratios of profit to capital employed*

					Profit*	Capital employed	Percentage of net profit to capital employed
					Rs. (lakhs)	Rs. (lakhs)	%
<b>(i) Dunlop</b>							
1946	.	.	.	.	109.58	296.92	36.91
1947	.	.	.	.	116.67	334.22	34.91
1948	.	.	.	.	117.35	413.46	28.38
1949	.	.	.	.	128.22	479.69	26.73
1950	.	.	.	.	117.07	484.15	24.18
1951	.	.	.	.	139.58	570.87	24.45
1952	.	.	.	.	132.82	672.52	19.75
1953	.	.	.	.	125.02	663.31	18.85
<b>(ii) Firestone</b>							
1946-47	.	.	.	.	123.34	228.79	53.47
1947-48	.	.	.	.	159.20	206.05	77.27
1948-49	.	.	.	.	130.02	189.24	68.70
1949-50	.	.	.	.	130.14	204.71	63.57
1950-51	.	.	.	.	174.19	251.95	69.14
1951-52	.	.	.	.	232.11	326.90	71.00
1952-53	.	.	.	.	168.21	353.78	47.55

\*The profits disclosed in the balance sheets have been adjusted for extra depreciation, bonus, interest, sale of assets etc. [See paragraph 34 and Statement LIII (a) and (b), where the above figures have been reconciled with the balance sheet figures.]

If Dunlop could be content with a rate of 19 per cent. on capital employed in 1952 and 1953, the higher rates earned in earlier years must be regarded as excessive. In 1946, when capital employed in Dunlop was only 45 per cent. of what it was in 1953, their total profit was only 12 per cent. lower, with the result that the ratio worked out to the exorbitant figure of 36.9 per cent. The system of uniform prices has resulted in awarding Firestone with rates of profit on capital employed which are excessive by any standard. In 1952-53, Firestone earned 47.55 per cent. on their capital employed, and since it can hardly be argued that this gave an inadequate return to the company, the rates obtained in earlier years which were much higher must be regarded as excessive. Firestone, however, are able to manage with much smaller capital than Dunlop and it would be fair to the industry to take Dunlop's figures as representative. We find that the rate of 18.85 per cent. earned by Dunlop in 1953 was high in comparison with what Indian industries in general have been earning in recent years (the average rate shown in the Statement given in Appendix VII being 8.1 per cent. in 1949, 8.8 per cent. in

1950 and 10.6 per cent in 1951). and also what Dunlop's own parent firm in U.K. earned during the major part of the period from 1947 to 1954 despite its higher turnover and much larger scale of operations spread over several countries of the world. Figures of the ratio of profit to capital employed for the Dunlop Rubber Co. Ltd., U.K., have been obtained from Dunlop (India) for a few years and are given below:—

### STATEMENT L

#### *Ratio of Profit to capital employed in the case of Dunlop (U.K.)*

					Profit*	Capital employed	Percentage of net profit to capital employed
					£ (lakhs)	£ (lakhs)	Per cent.
1947	.	.	.	.	69.24	373.43	18.54
1948	.	.	.	.	79.98	423.89	18.87
1949	.	.	.	.	63.92	462.67	13.82
1950	.	.	.	.	138.26	562.74	24.57
1951	.	.	.	.	139.00	676.64	20.54
1952	.	.	.	.	88.82	711.03	12.49
1953	.	.	.	.	110.48	741.65	14.90
1954	.	.	.	.	125.24	814.39	15.38

The figures of profit given for Dunlop (India) are inclusive of profit sharing bonus which comes to less than 3 per cent. of the capital employed, whereas no such adjustment has been made in the above figures for Dunlop (U.K.). If in view of this difference, the rates earned by Dunlop (India) are taken as 3 per cent. lower than the figures given in Statement XLIX, it will be observed that in each year from 1947 to 1953, except 1950, Dunlop (India) earned a higher rate of profit on capital employed than Dunlop (U.K.). In our view, Dunlop's return on capital employed should not have been even as high as that earned by their parent company.

32.2. The prices of tyres and tubes in India during the period under investigation may be judged by yet another standard. We find that in the case of certain typical sizes of tyres and tubes, the consumer prices in India (excluding internal taxes) were generally higher than those prevailing in U.K., an important source of supply, during the period under investigation. Before devaluation, the consumer prices of certain typical sizes of tyres in U.S.A. also were lower than those in India. After devaluation, the consumer prices of the same sizes of tyres in U.S.A. when converted into rupees at the new rate of exchange worked out higher than the corresponding prices in India, but in the absence of this factor they would have generally continued to be lower as may be seen from the figures

\*Appendix VIII shows how these figures have been arrived at.

given in brackets in the Statement below which have been worked out at the pre-devaluation rate of exchange. The consumer prices of the selected sizes of tubes were generally higher in U.S.A. than in India. The sizes of tyres selected by us are 7.00 20/32×6 (10 p.r.), 7.50—20/34×7 (10 p.r.) and 8.25—20 (10 p.r.). These three sizes accounted for 66 per cent. by weight and 67 per cent. by value, of the total production of tyres excluding cycle tyres in the case of Dunlop. In the case of Firestone, the corresponding figures were 77 per cent. and 78 per cent. respectively. The prices of these sizes of tyres are, therefore, of material significance to the overall profits of the producers.



## STATEMENT I A

Comparison of Retail prices on 1st January each Year—Tyres  
(Excluding internal taxes and including the cost of flaps).

Country	Type and Size of tyres	1938	1946	1947	1948	1949	1950	1951	1952	1953	1954
India		113 4	194 14	177 10	177 12	208 2	227 15	240 2	276 3	258 0	239 3
U. K.		112 7	127 9	127 9	127 9	136 14	150 10	238 11	238 11	198 11	183 10
U. S. A.		227 7	165 8	153 9	161 3	169 5	248 1	339 12	341 15	301 2	323 7
							(172 5)	(236 0)	(236 0)	(209 10)	(225 2)
South Africa	7.00-20/32 x 6	..	227 14	173 14	173 14	173 14	173 14	256 7	274 5	257 3	235 10
Australia	truck.	..	134 8	144 2	144 2	144 2	143 6	206 7	283 5	269 4	246 8
Canada	10 p. r.	..	164 1	164 1	164 1	164 1	247 12	388 0	379 10	385 9	385 12
							(172 1)	(269 9)	(269 9)	(268 6)	(268 8)
India		152 0	249 7	225 2	225 2	255 8	280 0	294 13	338 15	316 7	293 4
U. K.		152 9	172 15	172 15	172 15	185 10	204 6	324 5	324 5	270 0	249 12
U. S. A.		314 12	220 12	203 13	213 15	224 12	294 6	403 11	406 5	357 14	384 6
							(204 8)	(280 7)	(280 7)	(249 2)	(267 9)
South Africa	7.50-20/34 x 7	..	268 15	211 10	211 10	211 10	211 10	310 6	332 0	311 4	284 5
Australia	truck.	..	158 9	180 8	180 8	180 8	179 10	248 14	341 9	324 11	297 3
Canada	10 p. r.	..	204 2	204 2	204 2	204 2	307 9	481 11	471 4	478 10	478 15
							(213 10)	(334 10)	(334 4)	(333 3)	(333 6)
India		149 4	297 7	268 4	249 0	282 13	309 15	326 3	374 11	349 11	324 2
U. K.		150 9	170 10	170 10	170 10	183 5	201 11	320 3	320 3	266 9	262 7
U. S. A.		325 9	235 11	210 2	220 9	231 11	327 1	479 7	482 8	425 1	445 12
							(227 3)	(333 1)	(333 0)	(295 14)	(310 5)
South Africa	8.25-20	..	302 5	237 13	237 13	237 13	237 13	349 7	373 12	350 7	320 14
Australia	truck	..	165 11	178 5	190 4	190 4	189 2	273 3	374 15	356 10	326 9
Canada	10 p. r.	..	237 15	237 15	237 15	237 15	347 11	570 7	558 3	562 14	563 4
							(241 8)	(396 4)	(385 4)	(391 13)	(392 1)

STATEMENT LI— contd.  
Comparison of Retail prices on 1st January each Year—Tubes  
(Excluding internal taxes).

Country	Type & size of Tube	1938	1946	1947	1948	1949	1950	1951	1952	1953	1954
India	7'00-20/32 × 6 truck	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.	Rs. A.
U. K.		12 0	19 11	17 13	17 13	19 15	20 12	21 12	25 0	23 3	21 6
U. S. A.		10 15	11 11	11 11	11 11	11 11	12 11	20 4	20 4	16 14	15 6
		27 11	20 14	18 4	18 4	19 6	28 10	42 0	42 5	39 13	41 50
							(19 14)	(29 3)	(29 3)	(27 11)	(29 0)
South Africa		..	21 11	16 15	16 15	16 15	16 15	24 10	27 14	25 11	22 15
Australia		..	16 9	17 2	17 2	17 2	17 0	23 11	32 11	31 2	24 14
Canada		..	24 4	24 4	24 4	24 4	29 11	38 14	38 8	36 3	36 4
							(20 10)	(27 0)	(26 9)	(25 3)	(25 4)
India	7'50-20/34 × 7 truck	14 0	23 10	21 5	21 5	23 15	25 0	26 4	30 1	28 2	25 15
U. K.		15 15	16 6	16 6	16 6	16 6	17 11	28 4	28 4	23 9	21 6
U. S. A.		37 10	29 8	22 4	22 4	23 9	33 7	48 15	49 4	46 7	48 13
							(23 4)	(34 0)	(34 0)	(32 5)	(34 0)
South Africa.		..	24 12	19 5	19 5	19 5	19 5	28 1	31 12	29 4	26 1
Australia		..	21 9	22 11	22 11	22 11	22 6	30 13	42 3	40 3	32 2
Canada		..	34 2	34 2	34 2	34 2	41 8	54 5	53 13	50 6	50 6
							(28 13)	(37 12)	(37 2)	(35 1)	(35 1)
India	8'25-20 truck	16 4	34 5	30 13	29 14	33 5	34 13	36 10	41 14	39 0	36 1
U. K.		17 4	20 1	20 1	20 1	20 1	21 11	34 6	34 6	28 11	25 11
U. S. A.		45 6	34 0	25 3	25 3	26 11	39 2	57 9	57 15	54 9	57 2
							(27 3)	(40 0)	(40 0)	(38 0)	(39 12)
South Africa.		..	30 3	23 9	23 9	23 9	23 9	34 2	38 10	35 10	31 9
Australia		..	24 4	25 3	25 3	25 3	25 0	35 8	48 11	46 6	37 0
Canada		..	39 6	39 6	39 6	39 6	47 15	62 10	61 1	55 13	55 13
							(33 5)	(43 8)	(42 2)	(38 14)	(38 14)

32.3. The companies have produced figures to show that in certain markets like Pakistan, Ceylon, Burma etc., consumers have had to pay even higher prices than those prevailing in India, but this only shows that there are other markets where trading conditions have been even more favourable to the tyre companies than in India. The foreign associates of Indian companies are in U.K. or U.S.A., and do not export their products to India except by arrangement with the Indian Companies. It would appear from the above price comparison that the absence of foreign competition resulting from this understanding has enabled Indian companies to maintain their prices of certain typical sizes of tyres at a higher level than those prevailing in important markets like U.K.

#### 7. Changes in consumer prices.

33.1. A statement showing the variations in consumer prices of tyres and tubes effected by the tyre companies since 26.9. 1945 is given below:—

STATEMENT LII  
*Variations in Consumer Prices*

Price Change		Passenger Car Tyres		Truck Tyres		Cycle Tyres	
Date	Rate	With Excise	Without Excise	With Excise	Without Excise	With Excise	Without Excise
	Per cent.						
1-1-1946	..	100	93	100	93	100	93
26-4-1946	(—) 10	90	84	90	84	89	83
1-5-1947	(+) 5	..	..	..	..	95	88
1-3-1948*	(+) 5	95	87	95	87	100	91
26-8-1948	(+) 7½	102	91	..	..	..	..
26-8-1948	(+) 10	..	..	105	95	111	100
1-3-1949*	(+) 15	117	95	121	100	..	..
2-5-1949	(+) 5	..	..	127	105	..	..
4-7-1950	(+) 5	123	100	133	110	116	104
22-1-1951	(+) 18½	146	117	160	129	..	..
22-1-1951	(+) 13½	..	..	..	..	132	117
1-8-1951**	..	146	115	160	127	..	..
7-4-1952	(—) 8	..	..	..	..	121	108
15-9-1952	(—) 7½	135	107	..	..	..	..
15-9-1952	(—) 10	..	..	144	117	..	..
23-3-1953	(—) 5	128	102	..	..	..	..
23-3-1953	(—) 7½	..	..	133	109	111	99
26-7-1954†	(—) 2½	128	102	130	109	108	96

\*These price adjustments were for the sole purpose of covering increases in Excise Duty rates.

\*\*This was a reduction in trade discount, which increased the trade price and consequently increased the excise duty. Thus the consumer price was not affected but the sale proceeds after excise were reduced.

†In the case of Passenger Car and Truck Tyres, this is a year-end trade discount which is being disallowed for excise purposes.

(The revisions of Tube prices were the same as above, except that the increase of 1st May 1947 and 2nd May 1949 did not apply to Tubes, the increase on 22nd January 1951 was 18 per cent. in the case of Cycle Tubes and the reduction on 7th April 1952 was 23 per cent. in the case of Cycle Tubes).

33.2. It will be seen that the companies effected successive increases in their selling prices from 1.5.47 to 22.1.51. During this period, the costs of production had also increased, but since the prices in the base year 1946 were already excessive in relation to costs, the effect of these increases was to maintain the selling prices above the fair prices as determined by us in Statement XLVII. From 7.4.52, there have been several reductions in selling prices, but it will be seen from the data given in Statement XLVII that even the reduced prices have been high in relation to the standard of fair prices adopted by us.

#### 8. Analysis of profits.

34. Having examined whether the prices charged by the producers during the period under investigation were fair or excessive, we shall now proceed to a broad analysis of the profits earned by them on the basis of these prices. The variations in profits from one producer to another or over a period are basically due to the variations in costs of production and the scale of output. However, the profits actually earned by any producer in any year may not equal the amount indicated by his output and cost of production in that year, since his actual sales may exceed or fall short of his production and in so far as the sales include stocks carried over from the previous year, the cost of sales will not be equal to the cost of production. We have, therefore, ascertained the profits earned by each company from the net realisation (excluding excise duty) and the cost of sales as shown by its books and the analysis in this section is based on such data. The term 'profits' in this section is used in the sense of gross profits before taxation and includes interest on working capital. The cost of sales as determined by us is made up of (a) factory cost and (b) the administrative, selling and distribution expenses. The latter have been distributed to different products and classes of sales according to the method adopted by each company. For reasons given earlier, we have excluded from the cost of sales the profit sharing bonus and the difference between the depreciation actually provided and that calculated at normal income tax rates. Since interest on working capital has been treated as part of the gross profits, the amount of interest actually paid by the company, which is included in the cost of sales in the books of the company, has been excluded from the cost of sales as determined by us. The profits as determined by us differ from those declared in the balance sheets, partly because of these adjustments and partly because of the fact that we have not taken into account certain extraordinary receipts like profits on sale of assets or E.P.T. refund and extraordinary payments like donations or charges due to transactions of previous years. The profits as shown by the balance sheets, when adjusted for these various factors, tally with the profits as determined by us in each case.

35. In order to provide a check on the figures of profits adopted by us in our analysis of profits, we give below statements reconciling the gross profits as determined by us with those disclosed by the companies in their balance sheets.

(b) Reconciliation of profits as determined by us with balance sheet profits.



## STATEMENT LIII(a)

Gross profits of Dunlop Rubber Co. (India) Ltd., as determined by us reconciled with the profits as disclosed in the balance sheets. (Rs. in lakhs)

Year ended	31-12-46	31-12-47	31-12-48	31-12-49	31-12-50	31-12-51	31-12-52	31-12-53
Gross profits as determined by us	109.58	116.67	117.35	128.22	117.07	139.58	132.82	125.02
Profit as per balance sheet	96.47	94.87	89.77	99.83	89.96	107.90	99.68	92.88
Adjustments —								
Extra Depreciation	6.98	12.47	10.09	12.43	10.39	8.24	3.81	3.98
Bonus	5.70	9.46	10.38	9.69	10.82	14.47	15.85	17.64
Interest (Net)	0.29	0.51	2.76	6.06	5.79	8.80	13.45	10.54
Profit or loss on sale of assets	(—) 0.16	(—) 0.94	(—) 0.01	(—) 0.09	(—) 0.19	(—) 0.13	(—) 0.27	(—) 0.32
Bad debts	0.30	0.30	0.46	0.30	0.30	0.30	0.30	0.30
Miscellaneous	..	..	3.90*	..	..	..	..	..
Total adjustments	13.11	21.80	27.58	28.40	27.11	31.68	33.14	32.14
Balance sheet profit after above adjustments	109.58	116.67	117.35	128.22	117.07	139.58	132.82	125.02

\*Donation to Mahatma Gandhi Memorial Fund.

## STATEMENT LIII(b)

Gross profits of Firestone Tyre & Rubber Co. of India Ltd., as determined by us reconciled with the profits as disclosed in the balance sheets.

(Rs. in lakhs)

Year ended	31-10-47	31-10-48	31-10-49	31-10-50	31-10-51	31-10-52	31-10-53
Gross profit as determined by us . . . . .	122.34	159.20	130.02	130.14	174.19	232.11	168.21
Profits as per balance sheet . . . . .	121.15	150.24	122.08	121.94	151.36	213.51	136.17
<i>Adjustments—</i>							
Extra depreciation . . . . .	(—) 1.19	4.71	4.70	2.98	5.02	5.94	11.47
Bonus . . . . .	4.46	3.43	3.43	3.69	3.85	4.11	8.77
Interest (net) . . . . .	(—) 1.83	(—) 1.07	(—) 0.19	0.20	1.43	2.24	3.32
Profit or loss on sale of assets . . . . .	(—) 0.26	(—) 0.39	..	..	..	..	(—) 0.57
Donations etc. . . . .	..	2.28	..	..	..	..	..
Year end adjustments* . . . . .	0.01	..	..	1.33	12.53	6.31	9.05
Total adjustments . . . . .	1.19	8.96	7.94	8.20	22.83	18.60	32.04
Balance sheet profit after above adjustments . . . . .	122.34	159.20	130.02	130.14	174.19	232.11	168.21

\*These adjustments were on account of gratuity, additional bonus, etc.

## STATEMENT LIII(c)

Gross profits of Good Year Tyre & Rubber Co. of India Ltd., as determined by us reconciled with the profits as disclosed in the balance sheets.

(Rs. in lakhs)

Year ending	31-12-46	31-12-47	31-12-48	31-12-49	31-12-50	31-12-51	31-12-52	31-12-53
Gross profit as determined by us	59.75	47.90	44.78	25.11	26.10	38.30	33.56	35.47
Profit as per balance sheet	58.77	47.23	41.30	22.80	22.10	42.92	27.01	33.43
Adjustment in respect of cost of merchandise in previous years	..	..	..	..	0.65	0.70	1.79	..
Profit or loss on direct imports—into Ceylon, Pakistan etc.	..	..	..	..	..	(—) 7.10	1.54	(—) 0.16
Extra Depreciation	(—) 0.01	1.05	0.52	0.41	0.49	0.94	0.67	0.97
Bonus	0.34	0.63	0.44	0.52	0.86	1.02	1.01	1.14
Interest (net)	(—) 0.55	0.09	0.83	1.65	2.15	0.38	1.77	0.72
Profits or loss on sale of assets	(—) 0.03	(—) 0.41	(—) 0.03	(—) 0.26	(—) 0.14	(—) 0.37	(—) 0.15	(—) 0.32
Bad Debts	1.23	(—) 0.69	(—) 0.03	(—) 0.01	(—) 0.01	(—) 0.19	(—) 0.08	(—) 0.31
Miscellaneous adjustments	..	..	1.75	..	..	..	..	..
Total adjustments	0.98	0.67	3.48	2.31	4.00	(—) 4.62	6.55	2.04
Profit as per Balance sheets after above adjustments <sup>1</sup>	59.75	47.90	44.78	25.11	26.10	38.30	33.56	35.47

## STATEMENT LIII(d)

Gross profits of India Tyre & Rubber Co. (India) Ltd., as determined by us reconciled with the profits as disclosed in the balance sheets.

(Rs. in lakhs)

Year ending	31-12-46	31-12-47	31-12-48	31-12-49	31-12-50	31-12-51	31-12-52	31-12-53
Gross profit as determined by us	18.29	19.01	19.10	15.83	18.64	25.97	16.12	21.94
Profits as per Balance sheets	18.01	17.34	16.54	12.63	14.74	22.97	12.55	16.76
Adjustments—								
Extra depreciation	0.05	0.04	1.17	1.16	1.21	0.41	0.08	1.26
Bonus	0.30	0.42	0.62	0.65	1.10	1.36	1.30	1.50
Interest (net)	(—) 0.03	(—) 0.04	0.01	1.26	1.59	0.71	1.90	2.04
Profit or loss on sale of assets	(—) 0.04	(—) 0.04	(—) 0.09	(—) 0.07	(—) 0.05	(—)	(—) 0.17	(—) 0.34
Bad debts	..	1.29	..	0.20	0.05	0.06	0.04	0.11
Miscellaneous adjustments	..	..	0.85	..	..	0.46	0.42	0.61
Total adjustments	0.28	1.67	2.56	3.20	3.90	3.00	3.57	5.18
Profit as per Balance sheet after above adjustments	18.29	19.01	19.10	15.83	18.64	25.97	16.12	21.94

36.1. We have analysed the profits earned by each company according to the classes of products, viz., passenger car tyres, bus and truck tyres, cycle tyres and other types of tyres and the corresponding classes of tubes, and according to the classes of sales viz., Original Equipment, Replacement, Government and Export. In the case of Dunlop, sales to Good Year and India Tyre are two additional sales outlets. The analysis is divided into the following parts:—

- (i) analysis of cost of sales by classes of products,
- (ii) analysis of cost of sales by classes of sales,
- (iii) analysis of profits by classes of products,
- (iv) analysis of profits by classes of sales,
- (v) profit margins on different classes of products, and
- (vi) profit margins on different classes of sales.

The relevant statements are given in Appendices IX to XIV.

36.2. *Analysis of cost of sales by classes of products:* [See statements (i) to (iv) in Appendix IX].

By far the most important class of products, both by weight and value, is bus and truck tyres and tubes which accounted for 60 per cent. of the total cost of sales of tyres and tubes in the case of Dunlop, 72 per cent. in the case of Good Year and 77 per cent. in the case of India Tyre in 1953. These products formed 85 per cent. of Firestone's cost of sales of tyres and tubes in 1952-53. The share of passenger car tyres and tubes in the total cost of sales of tyres and tubes is relatively much smaller; it amounted to 8 per cent. in the case of Firestone in 1952-53 and varied from 8 to 12 per cent. in the case of the other three companies in 1953. Cycle tyres and tubes account for a significant proportion of the total cost of sales of tyres and tubes in the case of Dunlop and India Tyre, amounting to 24 per cent. and 14 per cent. respectively in 1953, but in the case of Good Year and Firestone, they formed 9 per cent. of the total cost of sales of tyres and tubes in 1953 and only 4 per cent. in 1952-53 respectively.

36.3. *Analysis of cost of sales by classes of sales:* [See statements (i) to (iv) in Appendix X]

The replacement trade constitutes the highest sales outlet for all the four companies, accounting for 86 per cent. of the total cost of sales of tyres and tubes in the case of Dunlop (excluding sales to Good Year and India Tyre), and 76 per cent. and 87 per cent. in the case of Good Year and India Tyre respectively, in 1953 and 72 per cent. in the case of Firestone in 1952-53. Sales for Original Equipment formed the largest proportion of the total sales of tyres and tubes, 10.5 per cent., in the case of Dunlop and the smallest, 3.4 per cent. in the case of India Tyre in 1953. As stated earlier, Firestone are able to sell a higher proportion of their output in the export market as compared with the other companies.

36.4. *Analysis of profits by classes of products:* [See Statements (i) to (iv) in Appendix XI].

Bus and truck tyres and tubes have been the largest source of profit for all the four companies. In 1953, Dunlop derived 58 per cent. of their total profits on tyres and tubes from this source and

both Good Year and India Tyre 76 per cent. In 1952-53, Firestone's profits from bus and truck tyres and tubes amounted to as much as 91 per cent. of their total profits from tyres and tubes. Profits from passenger car tyres and tubes formed a much smaller part of the total profits from tyres and tubes in the case of all the companies, being 8 per cent., 10.5 per cent., and 3 per cent. in the case Dunlop, Good Year and India Tyre respectively in 1953 and 8 per cent. in the case of Firestone in 1952-53. In the case of Dunlop and India Tyre, cycle tyres and tubes provide a significant share of the total profits from tyres and tubes, 30 per cent. and 21 per cent. respectively in 1953; in the same year, Good Year earned only 11 per cent. of their profits from cycle tyres and tubes, while Firestone have been making a loss on their sales of these products during the last three years.

36.5. *Analysis of profits by classes of sales:* [See Statements (i) to (iv) in Appendix XII].

More than 70 per cent. of Dunlop's profits on tyres and tubes in 1953 were derived from the replacement trade. On their sales to Good Year and India Tyre which formed as high a proportion of their total sales as their sales to the replacement trade. Dunlop earned a relatively smaller margin of profit. The other three companies also earn the bulk of their profits on the replacement sales. Sales for Original Equipment have shown a net loss for several years in the case of Good Year and India Tyre, but the other companies have been able to earn a small proportion of their profits from this source. Profits from export sales constitute the largest proportion of total profits in the case of Good Year and the smallest (indeed, a negligible) proportion in the case of Dunlop.

36.6. *Profit margins on different classes of products:* [See Statements (i) to (iv) in Appendix XIII].

In the case of Dunlop, Good Year and India Tyre, the profit margins were the highest on cycle tyres and tubes on which Firestone made a loss during the last three years. The profit margins on bus and truck tyres and tubes were higher than those on passenger car tyres and tubes in the case of all the four companies in 1953. Firestone's profit margins were higher than those of other companies in respect of all products other than cycle tyres and tubes throughout the period under investigation.

36.7. *Profit margins on different classes of sales:* [see Statements (i) to (iv) in Appendix XIV]

In 1953, Dunlop earned as high a profit margin on original equipment sales as on replacement sales, while the profit margin earned by India Tyre on original equipment sales was even higher than that on replacement sales. In the same year, Good Year made a loss on their original equipment business, while in 1952-53, Firestone's profit margin on original equipment sales was smaller than that on replacement sales. As regards export sales, in 1953, Dunlop earned a profit margin of 4.99 per cent., Good Year 22.9 per cent. and India Tyre 26.85 per cent., and in 1952-53, Firestone's profit margin on this class of business was 15.12 per cent. It is interesting to observe that Dunlop earned a higher profit margin on sales to Government than

on replacement sales during the major part of the period under investigation and the same was the case with Firestone during the entire period under investigation. The profit margins earned by Good Year and India Tyre also on sales to Government during 1952 and 1953 were higher than those earned by them on their replacement sales during those years. In comparing the profit margins on replacement sales with those on original equipment and Government sales, it is necessary to remember that a higher profit margin does not necessarily denote a higher price. We have obtained comparative data from the manufacturers regarding the prices charged by them to dealers, motor vehicle manufacturers and Government Departments, which show that the prices charged to the last two classes of buyers were lower than the net prices charged to dealers. Where a manufacturer is found to earn a higher profit margin, in spite of charging lower prices, on original equipment or Government sales than on replacement sales, the position may be partly due to his cost of sales, including selling and distribution expenses, for these classes of sales being lower than for replacement sales. One of the companies allocates a relatively small proportion of its selling and distribution expenses to its Government and original equipment sales. The method of allocation varies from one company to another. Further, there are wide variations in the profit margins on different sizes of tyres and tubes, and differences in average profit margins can result from differences in the composition of the various classes of sales. Selling prices of tyres and tubes are fixed so as to keep a certain relationship according to the size and also to the load-carrying capacity. Consequently, the profit margins are higher on some types and sizes than on others. One of the companies has supplied data to show that in 1952 and 1953, the sizes 9.00-16 HS, 9.00-16cs and 11.00-20, 12 PR formed a large percentage of Government supplies, and on these sizes the profit margins obtained were above those on 7.00-20/32×6, 7.50-20/34×7 and 8.25-20 H.S. which are the typical sizes for the replacement trade.

37.1. We have not considered it necessary to determine the costs of production and fair prices of the miscellaneous products other than tyres and tubes manufactured by the tyre companies. Their influence on the prices of tyres and tubes is indirect and cannot be assessed with any degree of accuracy. Under the system of uniform prices for tyres and tubes, any savings or additional costs resulting from these activities have their effect mainly on the profits of individual producers. We have, therefore, compiled data for each company showing (a) the cost of sales of these products in relation to the total cost of sales of all products, (b) the profits earned on these products in relation to the total profits earned and (c) the profit margins on these products in relation to those on other products. [See Statements A, B and C in Appendix (XV)].

37.2. Between 1946 and 1953, the proportion of the cost of sales of the miscellaneous products to the total costs of sales varied from 8.63 per cent. to 17.39 per cent. in the case of Dunlop, 15.18 per cent. to 24.85 per cent. in the case of Good Year and 7.23 per cent. to 10.87 per cent. in the case of India Tyre. In the case of Firestone, this proportion varied from 3.01 per cent. to 5.67 per cent. between

1946-47 and 1952-53. Thus, in the case of Dunlop and Good Year, the miscellaneous products accounted for a much larger proportion of the total activities than in the case of Firestone or India Tyre.

37.3. The percentage of profits earned on miscellaneous products to total profits varied from 8.9 per cent. to 14.84 per cent. in the case of Dunlop between 1946 and 1953 and 10.47 per cent. to 31.20 per cent. in the case of Good Year and 1.7 per cent. to 19.83 per cent. in the case of India Tyre during the same period. The contribution of miscellaneous products to total profits was the smallest in the case of Firestone, varying from 2.08 per cent. to 6.88 per cent. between 1946-47 and 1952-53.

37.4. Except in 1947, 1952 and 1953, Dunlop earned a higher profit margin (in the sense of the percentage of profits to cost of sales) on miscellaneous products than on tyres and tubes. In the case of Good Year and India Tyre, the profit margin on miscellaneous products was higher than that on tyres and tubes only in three and two years respectively out of the eight years under investigation (1950 to 1952 in the case of Good Year and 1951 and 1952 in the case of India Tyre). Except in 1952-53, Firestone earned a higher profit margin on tyres and tubes than on miscellaneous products and this accounts for their relatively smaller interest in those products. It will be observed that the figures of profit margins on miscellaneous products show wide fluctuations from year to year in the case of all the companies. These fluctuations, however, are likely to be due to changes in the proportions of different products in the group totals as well as to variations in the trading conditions affecting the group as a whole.

38.1. In accordance with points (b) and (d) in the terms of reference, we shall now examine the way in which the tyre companies have utilised the profits earned by them and the effect of this on the prices of their products during the period under investigation. The factual position relating to each company is set out below.

38.2. (i) *Dunlop*.—The following statement shows the total profits available to Dunlop and their utilisation in each year from 1946 to 1953.



## STATEMENT LIV

Statement showing utilisation of gross profits by Dunlop Rubber Co. (India) Ltd.

(Rs. in lakhs)

Year ended	31-12-46	31-12-47	31-12-48	31-12-49	31-12-50	31-12-51	31-12-52	31-12-53
<i>Amount available for distribution:—</i>								
Gross profit . . . . .	109.58	116.67	117.35	128.22	117.07	139.58	132.82	125.02
B/F from previous year . . . . .	4.91	5.38	5.29	5.77	6.50	6.51	6.78	7.01
Refund of E. P. T. . . . .	8.50	..	..	..	0.57	..	0.17	..
<b>TOTAL</b> . . . . .	<b>122.99</b>	<b>122.05</b>	<b>122.64</b>	<b>133.99</b>	<b>124.14</b>	<b>146.09</b>	<b>139.77</b>	<b>132.03</b>
<i>Distributed as follows:—</i>								
Extra depreciation . . . . .	6.98	12.47	10.09	12.43	10.39	8.24	3.81	3.98
Bonus . . . . .	5.70	9.46	10.38	9.69	10.82	14.47	15.85	17.64
Interest . . . . .	0.29	0.51	2.76	6.06	5.79	8.80	13.45	10.54
Miscellaneous adjustments . . . . .	0.14	(—) 0.64	4.35	0.21	0.11	0.17	0.03	(—) 0.02
Taxation . . . . .	65.05	47.01	41.84	49.50	40.16	48.06	33.05	37.50
Reserves . . . . .	16.00	24.50	24.00	26.00	19.00	32.00	39.00	24.00
Preferential dividend . . . . .	3.45	3.45	3.45	3.60	3.60	3.57	3.57	3.57
Ordinary dividend . . . . .	20.00	20.00	20.00	20.00	20.00	24.00	24.00	24.00
Debtore issue Expenses . . . . .	..	..	..	..	7.76	..	..	..
Carried forward . . . . .	5.38	5.29	5.77	6.50	6.51	6.78	7.01	10.82
<b>TOTAL</b> . . . . .	<b>122.99</b>	<b>122.05</b>	<b>122.64</b>	<b>133.99</b>	<b>124.14</b>	<b>146.09</b>	<b>139.77</b>	<b>132.03</b>

38.3. The data given in the above statement may be summarised as follows:—

### STATEMENT LV

*Summarised statement of gross profits and their utilisation by Dunlop.*

	Rs. (lakhs)
Total gross profits 1946-53 . . . . .	986.31
Opening balance . . . . .	4.91
E. P. T. refund . . . . .	9.24
<b>Total</b> . . . . .	<b>1000.46</b>

*Distributed as follows:*

Extra depreciation . . . . .	68.39	
Bonus . . . . .	94.01	
Interest . . . . .	48.20	
Taxation provision . . . . .	362.17	
Reserves . . . . .	204.50	
Dividends Preferential . . . . .	28.26	
Dividends Ordinary . . . . .	172.00	
Debenture issue expenses . . . . .	7.76	
Misc. adjustments . . . . .	4.35	989.64
Closing balance . . . . .		10.82
<b>TOTAL</b> . . . . .		<b>1000.46</b>

38.4. Of the total amount of Rs. 1,000 lakhs available to them during the entire period, Dunlop utilised 6.8 per cent. for extra depreciation, 9.4 per cent. for bonus, 4.8 per cent. for interest, 20.4 per cent. for allocation to Reserves, 36.2 per cent. for taxation provision, 20 per cent. for dividends and 0.8 per cent. for expenses connected with the issue of debentures. The balance is accounted for by the miscellaneous adjustments mentioned in Statement LIII (a) and the closing balance. Taking extra depreciation and allocation to Reserves together, Dunlop ploughed back into business 27.2 per cent. of their profits during the period 1946—53.

38.5. The total amount allocated by Dunlop to Reserves during 1946—53 was Rs. 204.50 lakhs. Adding the sum of Rs. 54.5 lakhs which stood at credit of the Reserve Funds at the end of 1945, the total amount which should have been available in "Reserves" at the end of 1954 was Rs. 259 lakhs, but actually only Rs. 149 lakhs were shown in the balance sheet for 1953. The balance of Rs. 110 lakhs was distributed to shareholders in the form of bonus shares of which Rs. 50 lakhs worth of shares were issued in 1949 and Rs. 60 lakhs in 1951. In 1949, the ordinary capital of the company which stood at Rs. 50 lakhs was doubled by the grant of bonus shares to each shareholder in proportion to his holdings. Similarly, in 1951, the ordinary capital of the company which stood at Rs. 100 lakhs was increased to Rs. 160 lakhs by the grant of bonus shares to each shareholder in proportion to his holdings. The changes in the

capital structure of the company that were brought about in the above manner are indicated below:—

	Authorised capital		Issued & subscribed capital	
	Pref. 6 per cent.	Ordy.	Pref. 6 per cent.	Ordy.
	Rs.	Rs.	Rs.	Rs.
1946 . . .	70,00,000	1,30,00,000	70,00,000	50,00,000
1949 . . .	70,00,000	1,30,00,000	70,00,000	1,00,00,000
1951 . . .	70,00,000	4,30,00,000	70,00,000	1,60,00,000

38.6. Of the total amount of Rs. 200.26 lakhs paid by Dunlop as dividend during the eight years under review, Rs. 28.26 lakhs were paid as dividend on preference shares. The quantum of preference dividend per annum was Rs. 3.45 lakhs from 1946 to 1948, Rs. 3.60 lakhs in 1949 and 1950, and Rs. 3.57 lakhs from 1951 to 1953, the fluctuations being due to differences in the income-tax rates. Of the preference shares aggregating Rs. 70 lakhs, shares for Rs. 30 lakhs were entitled to dividend at 6 per cent. (tax free) and the balance at 6 per cent. (taxable). The total amount of dividend paid during the eight years under review on ordinary shares was Rs. 172 lakhs. The distribution was at the rate of Rs. 20 lakhs each year from 1946 to 1950 and Rs. 24 lakhs from 1951 to 1953. The dividends declared worked out to the following percentages of the paid-up value of ordinary shares:—

40 per cent. from 1946 to 1948.

20 per cent. for 1949 and 1950.

15 per cent. from 1951 to 1953.

The paid-up value of the ordinary share capital, however, was inflated by the issue of bonus shares (Rs. 50 lakhs in 1949 and Rs. 60 lakhs in 1951). In relation to the original value of the ordinary share capital, the dividends declared worked out to 40 per cent. from 1946 to 1950 and 48 per cent. from 1951 to 1953.

39.1. *Firestone*.—The total profits available to Firestone and their utilisation from 1946-47 to 1952-53 are shown in the following statement:

## STATEMENT LVI

Statement showing utilisation of gross profits by Firestone Tyre and Rubber Co. of India Ltd.

(Rs. in lakhs.)

Year ended	31-10-47	31-10-48	31-10-49	31-10-50	31-10-51	31-10-52	31-10-53
<i>Amount available for distribution—</i>							
Gross Profit	122.34	159.20	130.02	130.14	174.19	232.11	168.21
B/F from previous year	107.65	80.43	61.67	70.56	68.21	69.07	90.99
Refund of E.P.T.	..	..	..	..	..	7.80	..
TOTAL	229.99	239.63	191.69	200.70	242.40	308.98	259.20
<i>Distributed as follows—</i>							
Extra depreciation	(-) 1.19	4.71	4.70	2.98	5.02	5.94	11.47
Bonus	4.46	3.43	3.43	3.69	3.85	4.11	8.77
Interest (net)	(-) 1.83	(-) 1.07	(-) 0.19	0.20	1.43	2.24	3.32
Misc. adjustments	(-) 0.25	1.89	..	1.33	12.53	6.31	8.48
Taxation	89.37	77.00	62.50	39.03	69.71	89.00	61.50
Dividends	59.00	92.00	50.69	85.26	80.79	110.39	76.81
Carried forward	80.43	61.67	70.56	68.21	69.07	90.99	88.85
TOTAL	229.99	239.63	191.69	200.70	242.40	308.98	259.20

39.2. The data given above may be summarised as follows:—

### STATEMENT LVII

#### *Summarised statement of gross profits and their utilisation by Firestone*

	Rs. (lakhs)
Total gross profits 1946-47 to 1952-53 . . . . .	1116.21
Opening balance . . . . .	107.65
E. P. T. refund . . . . .	7.80
<b>TOTAL . . . . .</b>	<b>1231.66</b>

#### *Distributed as follows—*

Extra depreciation . . . . .	33.63	
Bonus . . . . .	31.74	
Interest . . . . .	4.10	
Taxation provision . . . . .	488.11	
Reserves . . . . .	..	
Dividends ! . . . . .	554.94	
Misc. adjustments . . . . .	30.29	1142.81
Closing balance . . . . .		88.85
<b>TOTAL . . . . .</b>		<b>1231.66</b>

39.3. Of the total amount of Rs. 1,232 lakhs available to Firestone during the period under investigation, extra depreciation absorbed 2.7 per cent., bonus 2.6 per cent., interest 0.3 per cent., taxation provision 39.6 per cent. and dividends 45.1 per cent. Of the balance 2.5 per cent. was accounted for by miscellaneous adjustments mentioned in Statement LIII (b) and 7.2 per cent. by the closing balance. Firestone maintain no General Reserves in India and even when account is taken of their relatively large closing balance, the percentage of total profits retained in business comes to only 9.9 per cent. (by way of special depreciation and closing balance) in the case of Firestone, as compared with 28.4 per cent. in the case of Dunlop (by way of special depreciation, allocation to reserves and closing balance).

39.4. Firestone's paid-up capital is only Rs. 20,000 which is held by their parent company in U.S.A., to whom the entire amount of dividend is remitted year by year. Although Firestone have been registered in India as a private limited company, they generally function as a branch of the parent company and do not, therefore, find it necessary to make financial provisions for anything except tax and sundry liabilities (like bad debts, rebates, cash discount and gratuity). The parent company provides the funds required by them for fixed capital expenditure, while the working capital needs are met by advances from the National City Bank of New York.

40.1. *Good Year.*—A statement is given below showing the total profits available to Good Year and their utilisation during the years 1946 to 1953.

STATEMENT LVIII  
Statement showing utilisation of Gross Profits by Good Year Tyre and Rubber Co. of India Ltd.

	(Rs. in lakhs.)									
Year ended	31-12-46	31-12-47	31-12-48	31-12-49	31-12-50	31-12-51	31-12-52	31-12-53		
<i>Amount available for distribution—</i>										
Gross Profit	59.75	47.90	44.78	25.11	26.10	38.30	33.56	35.47		
B/F from previous year	10.40	10.03	8.79	19.18	28.80	31.27	53.46	67.80		
Adjustment from reserves	..	..	..	..	2.00	4.82	1.50	1.00		
Profit on direct import into Ceylon and Pakistan	..	..	..	..	..	7.10	(—)1.54	0.16		
<b>TOTAL</b>	<b>70.15</b>	<b>57.93</b>	<b>53.57</b>	<b>44.29</b>	<b>56.90</b>	<b>81.49</b>	<b>86.98</b>	<b>104.43</b>		
<i>Distributed as follows—</i>										
Extra depreciation	(—)0.01	1.05	0.52	0.41	0.48	0.94	0.67	0.97		
Bonus	0.34	0.63	0.44	0.52	0.86	1.02	1.01	1.14		
Interest (net)	(—)0.55	0.09	0.83	1.65	2.15	0.38	1.77	0.72		
Misc. adjustments	1.20	(—) 1.10	4.20	0.74	1.60	0.64	0.36	(—) 0.10		
Taxation	28.84	32.12	20.69	10.67	11.04	21.50	15.37	14.01		
Reserves	..	..	4.81	..	..	..	..	..		
Dividends	30.30	16.35	2.90	1.50	9.50	3.55	..	10.00		
Carried forward	10.03	8.79	19.18	28.80	31.27	53.46	67.80	77.69		
<b>TOTAL</b>	<b>70.15</b>	<b>57.93</b>	<b>53.57</b>	<b>44.29</b>	<b>56.90</b>	<b>81.49</b>	<b>86.98</b>	<b>104.43</b>		

40.2. The data given in the above statement may be summarised as follows:—

### STATEMENT LIX

*Summarised statement of gross profits and their utilisation by Good Year*

	Rs. (lakhs.)
Total gross profits 1946—1953 . . . . .	310·97
Opening balance . . . . .	10·40
Adjustment from reserves . . . . .	9·32
Profit on direct imports into Ceylon, Pakistan etc. . . . .	5·72
<b>TOTAL</b> . . . . .	<b>336·41</b>

*Distributed as follows—*

Extra depreciation . . . . .	5·03	
Bonus . . . . .	5·96	
Interest . . . . .	7·04	
Taxation provision . . . . .	154·24	
Reserves . . . . .	4·81	
Dividend . . . . .	74·10	
Miscellaneous adjustments . . . . .	7·54	258·72
Closing balance . . . . .		77·69
		<b>336·41</b>

40.3. During the eight years under investigation, Good Year had a total amount of Rs. 336 lakhs available for distribution. Of this, 1·5 per cent. was utilised for extra depreciation, 1·8 per cent. for bonus, 2·1 per cent. for interest, 45·9 per cent. for taxation provision, 1·4 per cent. for allocation to Reserves and 22 per cent. for dividends. Miscellaneous adjustments mentioned in Statement LIII (c) accounted for 2·2 per cent. and the closing balance 23·1 per cent.

40.4. Good Year are a private limited company with a paid up capital of Rs. 15,000. All the shares are held by their parent company in U.S.A. Although they are a purely trading concern, having no factory of their own in India, 26 per cent. of their profits were retained in business during the period under investigation.

41.1. *India Tyre*.—The following statement shows the total profits available to India Tyre and their utilisation during the period from 1946 to 1953:—

## STATEMENT LX

Statement showing utilisation of gross profits by India Tyre and Rubber Co. (India) Ltd.

(Rs. in lakhs.)

Year ended	31-12-46	31-12-47	31-12-48	31-12-49	31-12-50	31-12-51	31-12-52	31-12-53
<i>Amount available for distribution—</i>								
Gross profit . . . . .	18.29	19.01	19.10	15.83	18.64	25.97	16.12	21.94
Brought forward from previous year	12.60	8.60	10.34	10.70	6.39	8.23	2.37	7.24
E. P. T. Fund . . . . .	..	..	1.27	..	..	..	..	..
<b>TOTAL . . . . .</b>	<b>30.89</b>	<b>27.61</b>	<b>30.71</b>	<b>26.53</b>	<b>25.03</b>	<b>34.20</b>	<b>18.49</b>	<b>29.18</b>
<i>Distributed as follows—</i>								
Extra depreciation . . . . .	0.05	0.04	1.17	1.16	1.21	0.41	0.08	1.26
Bonus . . . . .	0.30	0.42	0.62	0.65	1.10	1.36	1.30	1.50
Interest (net) . . . . .	(—) 0.03	(—) 0.04	0.01	1.26	1.59	0.71	1.90	2.04
Misc. adjustments . . . . .	(—) 0.04	1.25	0.76	0.13	..	0.52	0.29	0.38
Taxation . . . . .	10.11	7.90	9.18	6.44	6.95	12.40	5.38	13.16
Reserves . . . . .	..	..	1.27	..	..	8.73	..	..
Dividends . . . . .	11.90	7.70	7.00	10.50	5.95	7.70	2.10	7.00
Carried forward . . . . .	8.60	10.34	10.70	6.39	8.23	2.37	7.24	4.84
<b>TOTAL . . . . .</b>	<b>30.89</b>	<b>27.61</b>	<b>30.71</b>	<b>26.53</b>	<b>25.03</b>	<b>34.20</b>	<b>18.49</b>	<b>29.18</b>



41.2. A summary of the data contained in the above statement is given below:—

### STATEMENT LXI

*Summarised statement of gross profits and their utilisation by India Tyre.*

	Rs. (lakhs)
Total gross profits 1946-1953 . . . . .	154.90
Opening balance . . . . .	12.60
E. P. T. refund . . . . .	1.27
<b>TOTAL</b> . . . . .	<b>168.77</b>
<i>Distributed as follows—</i>	
Extra depreciation . . . . .	5.38
Bonus . . . . .	7.25
Interest . . . . .	7.44
Taxation provision . . . . .	70.72
Reserves . . . . .	10.00
Dividend . . . . .	59.85
Miscellaneous adjustments . . . . .	3.29
	<b>163.93</b>
Closing balance . . . . .	4.84
	<b>168.77</b>

41.3. Of the total amount of Rs. 169 lakhs available to India Tyre during 1946—53, 3.2 per cent. was utilised for extra depreciation, 4.3 per cent. for bonus, 4.4 per cent. for interest, 41.9 per cent. for taxation, 6 per cent. for allocation to Reserves and 35.5 per cent. for dividends. The balance was accounted for miscellaneous adjustments mentioned in Statement LIII (d) and the closing balance.

41.4. India Tyre, who are a private limited company, had a paid-up capital of only Rs. 7 lakhs till 1952, when it was doubled by issue of bonus shares for Rs. 7 lakhs. Consequently, although Rs. 10 lakhs were credited to Reserves during the period under investigation, the amount now shown under that head is Rs. 3 lakhs. The entire paid-up capital is held by the parent company in Scotland. Like Good Year, India Tyre also function as a purely trading concern in this country, but the percentage of their total profits retained in business is much smaller as compared with Good Year.

42. Although the profits earned in any period are the net results of costs and prices, the manner in which the profits are utilised in any period can have significant effects on costs and prices in subsequent periods. From the data in this Report, it should be clear that although the tyre companies earned substantial profits year by year, they did not lower their prices to the consumer sufficiently to reduce their profits to a reasonable level. The companies no doubt retained some portion of their profits in business and this enabled them to expand their output and to effect savings in interest and other elements of cost. The consumer, however, did not receive the full benefit of the reduction in costs arising from this factor, since the prices charged were in excess of fair prices, as determined by us, throughout the period under investigation. Further, the companies could have retained in business much larger amounts

than they have done during the last eight years. By declaring dividends at high rates, the companies have given away a good part of their earnings which could have been utilised for expansion and modernisation of their business. Further if lower dividends had been declared, the remittances abroad would have been less to that extent. The smaller the amount of profits remitted abroad, the greater is the benefit to the national economy. Firestone, whose profits were much higher than those of other companies paid 45 per cent. of their profits to their parent company in U.S.A. To some extent, the higher profits earned by Firestone are due to their lower costs which in turn are partly due to their lower selling and distribution expenses and partly to certain special advantages granted to them by their parent company in regard to the cost of equipment, the commission on raw material purchases, royalty and other matters. Neither the consumer nor the economy as a whole, however, receives the benefit of these special advantages (except for the taxes paid by the Company) which accrues wholly to the parent company in the shape of higher profits. When the surpluses earned in India are remitted wholly or largely to the parent companies abroad, there is no certainty that capital funds built in this way at the expense of the Indian consumer will be used for the development of the units in this country and not some of the numerous other units which the parent companies own in other parts of the world. The profits which the tyre companies remit abroad year by year represent a sacrifice to the national economy which partially nullifies the benefit accruing from the local manufacture of tyres and tubes. So long as the country is dependent on foreign technology for the manufacture of these products, some such sacrifice is inevitable, but it is obviously desirable that the sacrifice should be kept to the minimum. One way of achieving this objective is by controlling the general level of profits in this industry through a system of price control which we have recommended in this Report. Another would be by fixing differential prices in such a way as to eliminate the excess profits made by some units, e.g. Firestone. We do not consider this to be either practical or desirable. Firestone (U.S.A.) can make up the loss of profits resulting from such action by charging suitably higher prices for materials or equipment supplied to its subsidiary in India. In any case, the consumer in India should be expected to pay a fair representative price and a unit whose costs are relatively low should be allowed to retain the benefit of its efficiency or special advantages. Yet another way of minimising the sacrifice to the national economy would be by securing a transfer to Indian hands of a larger proportion of the total investment in the industry. We have not discussed this matter with the companies, since this may have a bearing on Government's general policy with regard to the treatment of foreign enterprises. We recommend, however, that Government should examine the desirability of securing larger participation of Indian capital in the tyre companies operating in India, in order that the benefit accruing to the national economy from the manufacture of tyres and tubes may be enhanced through the retention in the country of a larger proportion of the profits earned in this business. We recommend, further that the tyre companies should follow a conservative policy with regard to the declaration of dividends, and limit the rates of dividends to be declared in future. This will facilitate the expansion of the industry as a whole and particularly of units with lower costs of production.

## 9. Government assistance to the tyre industry:

43.1. In accordance with point (c) in the terms of reference, we have examined the data regarding the assistance received by the four tyre companies during the period of World War II in the shape of equipment or otherwise. These companies operated certain projects for (i) augmenting the production of army size tyres, aero tyres etc., (ii) meeting the shortage of raw rubber by reclaiming rubber from rubber scrap and by retreading or repairing used tyres, and (iii) the manufacture of respiratory components. The agreements relating to these projects between Government and the tyre companies provided (a) that the former would pay for the machinery and equipment while the latter would provide the necessary buildings and services (b) that the products of manufacture will be paid for by Government on cost plus basis, and (c) on the termination of each project the company concerned will have the option of purchasing such portion of the plant as was not required by Government.

### 43.2 Dunlop Rubber Co. (India) Ltd.

(i) **Army Special Size Giant Tyres.**—This was a project for the manufacture of 134,000 tyres per annum in sizes used only by the army and for which only small capacity was then available in the country. The tyres produced from this plant were sold to Government at cost plus 10 per cent. The total cost of the plant installed on Government account was Rs. 39,91,063 of which Rs. 5,20,439 represented the cost of moulds. When the agreement was terminated in December 1945 the company made an offer to purchase the entire plant excluding moulds at the income tax written-down value, which, as certified by the company's auditors, was Rs. 18,68,497. Government, however, did not accept the computation. The purchase price was eventually fixed by Government at Rs. 21,30,745.

(ii) **Aero Tyres and Tubes (British Sizes).**—This was a project to increase the Company's capacity for the manufacture of aero tyres in some of the sizes used by the British Royal Air Force. The tyres and tubes produced from this plant were sold to Government at cost plus 10 per cent. The total cost of the plant was Rs. 3,07,891 of which Rs. 1,59,690 represented the cost of moulds. In this case also the Company's offer at the end of 1945 to purchase the plant at the income tax written-down value was accepted but not the Company's computation of this value at Rs. 75,799. Government finally fixed the price at Rs. 85,183.

(iii) **Aero Tyres and Tubes (U.S. Sizes).**—This was a project for the manufacture of tyres in some of the sizes used by the U.S. Air Force. The tyres and tubes produced from this plant were sold to Government at cost plus 8 per cent. The cost of the plant excluding moulds was Rs. 8,94,929. In December 1945 the Company offered to purchase the plant at the income tax written-down value which they had computed at Rs. 6,91,525, but the offer was not accepted. The final figure agreed upon after negotiation was Rs. 7,28,318.

(iv) **Respiratory Components.**—Equipment for making a new type of respirator was imported by Government in 1943 at a cost of Rs. 1,00,400. Components manufactured by the company with this

equipment were supplied to Government at cost plus 8 per cent. After termination of the agreement, the company offered to purchase the equipment for Rs. 73,305. which, according to their auditors represented the income-tax written-down value, but Government increased this to Rs. 83,264. This price was finally paid by the Company.

(v) **Reclaim plant.**—The total cost of the equipment installed on Government account for the manufacture of 3,000 tons per annum of thermal reclaim rubber and 1,200 tons of crumb rubber was Rs. 7,71,638 of which Rs. 59,633 represented the cost of the building. The plant was operated from April 1944 to December, 1946 during which period over 75.59 lakh lbs. of rubber were reclaimed. In connection with this project, the company organised a number of scrap rubber collection depots throughout the country and was paid a management fee of 2½ pies per lb. of reclaimed rubber. The company bought back from Government reclaimed rubber required for its own consumption at prices fixed by Government from time to time. In December, 1945 the company made an offer of Rs. 1,75,000 for the plant but Government fixed a minimum price of Rs. 3 lakhs which was finally agreed to by the company in March, 1947. This price included the cost of the remaining stock of scrap rubber.

(vi) **Repair-retreading plant.**—This plant was imported from U.S.A. under lease-lend for the purpose of repairing and retreading tyres used by the Services, chiefly truck tyres and aero tyres. The actual costs of operating the plant were reimbursed by Government and, in addition, the company received a management fee of Rs. 1,000 per month. This plant was not purchased by the company but was auctioned by Government in May, 1948.

(vii) **Moulds.**—There was no peace-time demand for many of the sizes which could be produced from the moulds imported for the above projects. The company, therefore, could use only some of the moulds. The company has so far paid Rs. 73,650 to Government for moulds purchased by it, the original cost of which amounted to Rs. 2,63,176 and the written-down incometax value to Rs. 87,003.

(viii) **Financial assistance.**—In October, 1942 Government agreed to guarantee the company's over-draft with the National Bank of India Ltd. up to a maximum of Rs. 50 lakhs. For this service Government charged a commission of one-half per cent. of the amount of over-draft. Neither the bank interest nor the commission was allowed as an item of cost for the purpose of the cost plus contracts. The maximum amount of the Government guarantee was increased to Rs. 75 lakhs in September, 1943. The guarantee was withdrawn in November, 1945.

### 43.3. Firestone Tyre & Rubber Co. of India Ltd.

There were three projects under which equipment was installed at the Firestone factory at the expense of Government, and one project of which the entire cost was initially financed by Firestone and subsequently paid by Government. Brief particulars of these projects are given below:

(i) **Special Army Size Tyre Plant.**—The plant was installed by Government at the Firestone factory for the manufacture of giant

army size tyres and tubes. The total cost of the plant was Rs. 27,11,855 of which Rs. 3,81,479 represented the cost of moulds. The tyres produced from this plant were sold to Government at cost plus 10 per cent. The final price at which the plant was purchased by the company was Rs. 12,80,476 of which Rs. 30,000 represented the price paid for moulds.

(ii) **Aero Tyre Plant.**—This was a project for the manufacture of tyres and tubes for aeroplanes. The total cost of the plant amounted to Rs. 12,51,526 of which Rs. 5,40,836 represented the cost of moulds. The sale price of the products to Government was fixed at cost plus 8 per cent. The company eventually purchased the plant for Rs. 3,36,708.

(iii) **Retreading and Repair Plant.**—The actual cost of the plant is not known but the company has estimated the value at Rs. 1,62,929. The company was paid Rs. 1,000 per month as management fee in addition to the actual costs of operation. The company purchased the plant from Government for Rs. 40,000. They have stated that the plant has not been utilised for commercial purposes, but as pilot plant for training army and state transport personnel in repairing and retreading tyres.

(iv) **Reclaim Plant.**—The plant was installed by the company in pursuance of Government's decision to increase the supply of rubber by reclaiming rubber from scrap. The total cost of the plant was Rs. 6,43,597 which included the cost of building. Firestone was paid the cost of raw materials, the expenses of operating the plant and a management fee of 2½ paise per pound of reclaimed rubber. All reclaimed rubber was treated as Government property and disposed of in accordance with Government instructions. When the agreement with Government expired, the building was handed over to Government and the machinery was purchased by the company for Rs. 88,000.

#### 43.4. *The Good Year Tyre and Rubber Co. of India Ltd.*

**Tyre Retreading Plant.**—Good Year operated this project for retreading and repairing tyres at Delhi. The actual cost of the plant was Rs. 2,50,000. The company was paid Rs. 1,000 per month as management fee in addition to the actual cost of operation. On the expiry of the agreement, the plant was sold by Government to a third party by public auction.

#### 43.5. *The India Tyre and Rubber Co. (India) Ltd.*

**Tyre Retreading Plant.**—This project was operated by India Tyre at Madras. The cost of the plant was Rs. 2,50,000 and the operating conditions were the same as in the case of the other companies. On the expiry of the agreement, the plant was sold to a third party by public auction.

44. The projects referred to above were no doubt of considerable benefit to the tyre companies during the war, inasmuch as they enabled the companies to expand their manufacturing activities in certain directions, without incurring the full capital cost involved. The products manufactured under these projects, however, were mostly sold to Government or under Government's instructions at

negotiated prices. At the end of the War when the projects were terminated, the companies took over many of the plants by paying for them and there is no evidence that the plants were sold to the companies at concessional prices. Moreover, some of the equipment was useful only for the manufacture of products required by the Defence Services and the cost of such equipment could, therefore, have no bearing on the prices of products sold in the civil market. The retreading plant purchased by Firestone has not been used for commercial purposes. The reclaim plants were of use to the companies when raw rubber was in short supply, but during the post war period, the companies mostly relied on imports to tide over the shortages of indigenous raw rubber. The assistance given to Dunlop by way of a guarantee for their bank over-draft was intended to meet their working capital needs and could have no effect on their costs after 1945 when it was withdrawn.



## CHAPTER IV.—FAIR PRICES FOR THE FUTURE

45.1. While discussing the fair prices of rubber tyres and tubes for the period from 1946 to 1953, we have discussed the various questions of principle which arises in this connection. We have followed the same principles in determining fair prices for the future. For the reasons given earlier, we have adopted Dunlop as the representative unit and have determined fair prices for the industry as a whole on a uniform basis. Firestone's costs are lower than those of Dunlop and consequently, the system of uniform prices will result in Firestone receiving a larger margin of profit than Dunlop. In this connection, we wish to invite attention to our comments in para. 42 above. In our view it is neither practicable nor advisable to fix differential selling prices for the various units in the industry. Any benefit to the consumer resulting from such a system will be of a temporary nature and will entail serious inconvenience to trade. Nor is it practical to institute an equalisation fund based on differential retention prices in the case of this industry. It involves the risk of a further rise in costs of production and since control over costs is rendered particularly difficult in the case of this industry by the complicated nature of its costing, it is advisable to avoid such risk. The real solution for the difficulties arising from the oligopolistic nature of this industry lies in promoting progressive participation of Indian enterprise in this field to which we have referred elsewhere in this Report (paras. 42 and 47.2). In the meanwhile, a judicious system of control based on uniform selling prices will adequately safeguard the interests of the consumer, without interfering with the continued expansion of the industry.

45.2. The fair prices determined by us in this Chapter are net dealer prices for replacement excluding excise duty. Prices for original equipment and Government should continue to be fixed by negotiations as at present. No control need be exercised on export prices. In order that the consumer may receive the full benefit of the fair prices to be fixed by Government, no reduction should be made in the existing rates of discounts on replacement sales, except with the approval of Government.

45.3. In arriving at our estimates of factory cost for the future, we have taken into account the estimates furnished by Dunlop for the period April—June, 1955. The cost estimates are based on the following estimates of output for the second quarter of 1955.

**Allowances in respect of future costs and profits**

## STATEMENT LXII

*Estimated production of the Dunlop Factory during April—June 1955*

	Dunlop (only)		Total including Goodyear and India Tyre	
	Number	Weight	Number	Weight
		Lbs.		Lbs.
<i>Tyres</i>				
Passenger Car . . . . .	17,775	481,644	38,570	1,045,126
Bus and Truck . . . . .	35,755	2,637,128	88,780	6,544,339
Cycle . . . . .	965,000	1,801,131	1,335,000	2,491,551
Others . . . . .	13,610	474,737	20,670	745,266
<b>TOTAL</b> . . . . .	..	5,394,640	..	10,826,282
<i>Tubes</i>				
Passenger Car . . . . .	16,730	46,739	42,160	117,790
Bus and Truck . . . . .	32,015	236,428	77,290	570,784
Cycle . . . . .	1,208,545	593,332	1,533,545	752,907
Others . . . . .	16,555	60,217	25,590	94,644
<b>TOTAL</b> . . . . .	..	935,716	..	1,536,125
<b>TOTAL TYRES AND TUBES</b> . . . . .	..	6,331,356	..	12,362,407

Due allowance has been made, on the basis of the latest data available, for variations in the costs of materials and other elements of cost. The following statement shows the rates adopted for raw rubber, fabric and carbon black in calculating the factory costs for the future.

## STATEMENT LXIII

*Statement showing the rates adopted for principal raw materials in calculating future costs*

	Tyres				All Tubes
	Passenger Car	Bus & Truck	Cycle	Others	
Rubber . . . . .	23·90	23·96	23·92	23·96	24·59
Fabric (inclusive of loss due to moisture). . . . .	62·69	80·16	41·42	80·16	..
Carbon black . . . . .	11·64	10·57	11·79	10·57	(Same as for corresponding type of tyres).



A formula for adjustment in fair prices for variations in the cost of rubber, fabric and carbon black is given in para. 46.2 below. Factory overheads have been estimated at Rs. 34 lakhs for the total production of the Dunlop factory for April—June, 1955. In view of the considerable increase in general administration and selling and distribution expenses which has already taken place, we have allowed for no further increase under this item over the actual expenditure in 1953. We are convinced that there is scope for economy in selling and distribution expenses and the tyre factories should be expected to carry out such economy in order to be able to meet unforeseen increases in costs. We have allowed (a) gross profit (including interest on working capital) at the rate of 10 per cent. on capital employed which has been estimated at Rs. 696 lakhs for Dunlop for manufacture of tyres and tubes only and (b) the same amount of extra depreciation as was actually provided by the company in 1953. The increase in capital employed is due to the expansion of output. In estimating the fair prices for the replacement trade, we have made due allowance for the proportions of output likely to be sold to other classes of buyers and the differences between the prices charged to them and those charged to dealers.

45.4. In view of the conclusion reached by us in the preceding Chapter that the prices charged by the tyre companies during the period from 1946 to 1953 were excessive in relation to costs, the question arises whether some deduction should be made on this account from the fair prices for the future. In considering this question, it should be noted that our calculation of fair profits due to Dunlop takes no account of the additional dividend liability incurred by the company by issuing bonus shares. Further, the quantum of profits provided by us is expected to result in a substantial reduction in the present rate of dividend. We consider these adjustments to be reasonable. We do not wish to propose a system of fair prices which might involve a heavy draft on reserves accumulated in the past, except for financing capital expenditure. In the case of Dunlop, a good part of the reserves built in the past has been already utilised for replacement and modernisation and the balance left over is required for the company's capital expenditure programme for the next five years.

45.5. Dunlop have furnished the following particulars of their programme of capital expenditure for the five years from 1955 to 1959 and have suggested that although additional capital may have to be raised to finance a part of the programme, the company should be permitted to earn sufficient profits to enable them to finance the balance of the capital expenditure.

Plant and equipment—

	Rs.	Rs.
For replacement and modernisation . . . . .	116,06,000	
For expansion . . . . .	114,62,000	
	<hr/>	230,68,000

Factory building—	Rs.	Rs.
Rehabilitation . . . . .	6,55,000	
Expansion . . . . .	7,00,000	13,55,000
Housing . . . . .	..	43,43,000
Welfare buildings . . . . .	..	18,41,000
TOTAL . . . . .	..	306,07,000

Out of the total expenditure of Rs. 306·7 lakhs, Rs. 121·62 lakhs is for expansion and Rs. 184·45 lakhs for plant replacement and modernisation, rehabilitation of factory buildings, housing and welfare buildings. We consider that the capital expenditure for expansion should be largely financed by raising fresh capital from outside. During the period from 1946 to 1954, the company set aside Rs. 242·95 lakhs for depreciation and Rs. 234·5 lakhs for reserves, making a total of Rs. 477·45 lakhs, out of which the actual capital expenditure incurred by the company was Rs. 309·02 lakhs. A sum of Rs. 168·43 lakhs is, therefore, available to the company for capital expenditure during the next five years out of the allocations to depreciation and reserves made during the period from 1946 to 1954. Since the capital expenditure proposed for the next five years, otherwise than for expansion, is Rs. 184·45 lakhs, the amount which the company has to find from internal sources, over and above the unspent portion of the reserves accumulated in the past is Rs. 16·02 lakhs only. We, therefore, see no need for making any extra provision for the company's capital expenditure.

45.6. In our calculations of fair prices, we have assumed that Dunlop will continue to utilise a portion of their capacity for manufacture of tyres and tubes for Goodyear and India Tyre. As their remuneration for providing this facility, Dunlop are entitled to receive a portion of the profits which Goodyear and India Tyre would earn on the production sold under their trade names. The rate of payment laid down in the present inter-company arrangement is 5 per cent. of Dunlop's factory costs (including current overheads). Since, however, the over-all level of profits is to be reduced in future, it stands to reason that the charges to be paid to Dunlop by the other two companies should also be reduced. If these charges are assumed to remain unchanged, and if Goodyear and India Tyre, despite the reduction in prices, continue to pay them, Dunlop's profits on their sales to these two companies will not bear a fair proportion to their profits on their own sales; this will be anomalous. If on the other hand, Goodyear and India Tyre do not find it possible to pay these charges, either the charges will be reduced, or the inter-company arrangement will be brought to an end. Our estimates of fair prices, however, are based on the continuance of the arrangement and if the arrangement does come to an end, a new situation will arise necessitating a review of the fair prices. It will thus be seen that a reduction in the inter-company charges is a natural corollary to the reduction in the over-all level of profits and we see no alternative but to assume such reduction in our calculation of fair prices which is based on the continuance of the inter-company arrangement. We have estimated the charges to be recovered by Dunlop

from Goodyear and India Tyre on the basis of the proportion which the charges payable under the terms of the present arrangement would bear to the total profits which Dunlop would earn if prices were not reduced. This is, however, without prejudice to the freedom of these companies to fix these charges on a different basis by negotiations.

45.7. The fair prices for tyres and tubes for the future, as determined by us, are shown in the following statement:—

Fair prices for the future.

[See Appendix XVI also]

### STATEMENT LXIV

#### Fair Prices of Tyres and Tubes.

#### Net Dealer prices for Replacement purposes excluding Excise Duty.

Rs. per 100 lbs.					
	Factory Cost	Administrative, Selling & Distribution Expenses.	Cost of Sales.	Average fair price.	Average price realised at present
(1)	(2)	(3)	(4)	(5)	(6)
<b>I. Tyres :—</b>					
(i) Passenger Car . . . . .	197.63	36.09	233.72	252.52	283.73
(ii) Bus and Truck . . . . .	209.94	38.36	248.30	275.83	309.92
(iii) Cycle . . . . .	143.91	26.20	170.11	189.05	212.42
(iv) Others . . . . .	197.92	36.15	234.07	249.32	280.14
<b>II. Tubes.—</b>					
(i) Passenger Car . . . . .	202.83	34.87	237.70	292.81	329.00
(ii) Bus and Truck . . . . .	189.19	33.33	222.52	268.19	301.34
(iii) Cycle . . . . .	241.43	43.05	284.48	332.11	373.16
(iv) Others . . . . .	213.73	36.70	250.43	268.36	301.53

The fair prices as determined by us involve a uniform reduction of 11 per cent. in the current net dealer prices. The same percentage reduction will be necessary in the list prices (i.e., prices to the consumer), after taking into account the normal discount of 10 per cent. and the year-end discount of 2½ per cent. and the excise duty at varying rates for different groups of tyres and tubes. The effect of making an over-all reduction in the net dealer prices is to preserve the same relationship between the prices of different types and sizes of tyres and tubes as obtained at present. The excise duty is at present calculated on the basis of the list price less 10 per cent. discount without taking into account the year-end discount of 2½ per cent.

The companies, however, have represented to Government that the year-end discount should also be taken into account in calculating the excise duty. If this request is granted, the percentage reduction in the net dealer prices and the list prices will be 11.56 per cent. Since October 1952 when the Commission was asked to take up this inquiry, the tyre companies have effected two price reductions. On 23rd March 1953 the list prices for passenger car tyres and tubes were reduced by 5 per cent. and those of other tyres and tubes by  $7\frac{1}{2}$  per cent; and on 26th July 1954, the list prices of all tyres and tubes were reduced by  $2\frac{1}{2}$  per cent. Taking these reductions into account, the fair prices recommended by us, as compared with the prices prevailing before the matter was referred to the Commission, will be lower by 17.6 per cent. in the case of passenger car tyres and tubes and 19.7 per cent. in the case of other tyres and tubes, if the excise duty continues to be charged on the list price less discount of 10 per cent; and by 18.1 per cent. in the case of passenger car tyres and tubes and by 20.3 per cent. in the case of other tyres and tubes, if the year-end discount of  $2\frac{1}{2}$  per cent. also is taken into account in calculating the excise duty. The fair prices recommended by us should remain in force upto 31st December, 1957, subject to the formula for adjustment given in paragraph 46.2.

46.1. In view of our comments in paragraph 45.3 above we consider that it would be sufficient to provide for adjustments on account of variations in the cost of rubber, fabric and carbon black only. The formula for adjustment has been devised by us on the basis of available evidence. The companies themselves have not suggested a formula, since their contention has been that it is impracticable to provide for variations in the prices of rubber tyres and tubes on the basis of a formula. The only alternatives to prescribing a formula, however, are to fix fair prices for short periods or not to fix any fair prices at all. The former alternative will not be in the best interests of either the producers or the consumers. It may seriously impair the incentive to effect economies or to expand production. Cost investigations at frequent intervals will also cause considerable inconvenience to the producers. The alternative of not fixing any fair prices at all is equally unjustifiable, in view of the past performance of this industry. In the circumstances, the only practicable course is to provide for adjustments in fair prices on the basis of a formula.

**Formula for adjustment of fair prices.**

46.2. We recommend that if, during the period of price fixation, there are significant variations in the cost of rubber, fabric or carbon black, the prices of tyres and tubes may be revised, upon application by the tyre companies or otherwise, in accordance with the formula given below. We have not provided for revision of prices at fixed intervals, because we feel that the fluctuations in the costs of materials may not be of such magnitude or frequency as to warrant the uncertainty involved in a periodical revision of prices. In the past, the tyre industry has been able to maintain the prices of its products fairly stable for long periods and we expect that in future also, an industry which consistently makes such large profits in relation to its fixed investment should be able to absorb small increases in its costs of production without raising the prices of its products. The tyre industry, because of the large scale of its

operations, has to carry fairly heavy stocks of materials and this to some extent delays the full impact of changes in the prices of materials on the costs of production. By adopting a formula, it should be possible to deal with any application for revision of prices fairly expeditiously. As stated in the preceding paragraph, we have devised the formula on the basis of the evidence available to us, but if the industry provides evidence of changes in the usage of materials or any special factors affecting the cost of materials, such evidence may be taken into account while applying the formula.



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## STATEMENT LXV

Formula for adjustment in fair prices for changes in cost of rubber, fabric and carbon black

## (1) Rubber.

Product	Fair price per 100 lbs. of product	Quantity of rubber in 100 lbs. of product	Price of rubber per lb.	Total cost of rubber in 100 lbs. of product	Total increase in cost per 100 lbs. of product if cost of rubber increases by Rs. 10 per 100 lbs.	Amount      % on fair price	
						6	7 (6/2×100)
I	2	3	4	5 (3×4)			
	Rs.	Lbs.	Annas	Rs.	Rs.	%	
<b>Tyres :</b>							
Passenger Car	252.52	53.3	23.90	79.62	5.33	2.11	
Bus and Truck	275.83	50.7	23.96	75.92	5.07	1.84	
Cycle	189.05	54.9	23.92	82.08	5.49	2.90	
Others	249.32	50.9	23.96	76.22	5.09	2.04	
<b>Tubes :</b>							
Passenger Car	292.81	70.9	24.59	108.97	7.09	2.42	
Bus and Truck	268.19	70.1	24.59	107.74	7.01	2.61	
Cycle	332.11	68.2	24.54	104.60	6.82	2.05	
Others	268.36	70.3	24.59	108.04	7.03	2.62	

## STATEMENT LXV—contd.

## (ii) Fabric.

Product	Fair price per 100 lbs. of product in replacement trade	Quantity of fabric in 100 lbs. of product	Price of Fabric (dry) per lb.	Total cost of fabric per 100 lbs. of product	Total increase in cost per 100 lbs. of product if cost of fabric (dry) increases by 8 as. per lb.	% on fair price	
						Amount	%
1	2	3	4	5 (3×4)	6	7 (6/2×100)	
	Rs.	Lbs.	Annas	Rs.	Rs.	%	
Types :							
Passenger Car	252.52	14.1	62.69 (a)	55.25	7.05	2.79	
Bus and Truck	275.83	17.4	80.16 (b)	87.17	8.70	3.15	
Cycle	189.05	13.2	41.42 (c)	34.17	6.60	3.49	
Others	249.32	17.4	80.16 (d)	87.17	8.70	3.49	

(a) Includes 6.7% loss due to moisture.

(b) Includes 10.4% loss due to moisture.

(c) Includes 6.3% loss due to moisture.

(d) Includes 10.4% loss due to moisture.

# STATEMENT LXV—contd.

## (iii) Carbon Black.

Product	Fair price per 100 lbs. of product	Quantity of Carbon Black in 100 lbs. of product	Price of Carbon Black per lb.	Total cost of Carbon Black in 100 lbs. of product	Total increase in cost in 100 lbs. of product if cost of Carbon Black increases by Rs. 10 per 100 lbs.	
					Amount	% on fair price
I	2	3	4	5 (3×4)	6	7(6/2×100)
		Lbs.	Annas	Rs.	Rs.	%
<b>Tyres :</b>						
Passenger Car	. . .	13.4	11.64	9.75	1.34	0.53
Bus and Truck	. . .	18.1	10.57	11.96	1.81	0.66
Cycle	. . .	4.8	11.79	3.54	0.48	0.25
Others	. . .	18.1	10.57	11.96	1.81	0.73
<b>Tubes :</b>						
Passenger Car	. . .	3.9	11.64	2.84	0.39	0.13
Bus and Truck	. . .	3.9	10.57	2.58	0.39	0.15
Others	. . .	3.9	10.57	2.58	0.39	0.15



47.1. (a) *Imports*.—The tyre companies in India have hitherto enjoyed a sheltered market and this has enabled them to charge excessive prices. Government should, therefore, explore the possibility of securing imports of tyres and tubes with a view to providing some measure of competition to the Indian companies.

**Ancillary recommendations.**

47.2. (b) *Establishment of Indian enterprises for manufacture of tyres and tubes*.—The technique of manufacturing tyres and tubes is at present in the hands of companies which are wholly or predominantly foreign-owned, and they have utilised this position to recover excessive prices from the consumer. We feel that even if a small part of the exorbitant price paid by the Indian consumer year after year for this specialised knowledge had been diverted to developing the technique in the country, some progress would have been made towards establishing Indian enterprises in this field. The activities of the tyre industry in India provide a striking example of the heavy penalty a country has to pay, if it is completely dependent on foreign countries for the technical knowledge required for the manufacture of essential products. Inquiries made at the National Chemical Laboratory and other research institutions show that no research has so far been carried out in India, outside the tyre companies, in any of the important processes involved in the manufacture of tyres and tubes. We feel that this lacuna should be remedied as early as possible. We accordingly recommend that (a) a pilot project should be started for manufacture of tyres and tubes and (b) that special assistance should be offered to Indian enterprises wishing to enter this field, either independently or in collaboration on reasonable terms with foreign enterprises.



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## CHAPTER V.—SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

48. Our conclusions and recommendations are summarised below:—

- (1) From 1946 to 1950, the cost of rubber played no part at all in the increase in factory costs in the case of Dunlop and only a minor part in the case of Firestone. During this period, the benefit due to the consumer on account of the control over the prices of rubber was nullified by increases in other elements of cost, principally fabric and factory overheads.

[Paragraph 20.2]

- (2) Following the outbreak of the Korean War in 1950, the prices of all materials, including rubber, showed substantial increases and although the trend was reversed in 1952, they remained at a higher level as compared with the pre-Korean period.

[Paragraph 20.2]

- (3) Taking the entire period since 1946, the rise in the prices of fabric rubber and chemicals and in administrative, selling and distribution expenses have been mainly responsible for the increase in costs, though a **not** insignificant proportion of the increase is due to the higher expenditure under factory overheads.

[Paragraphs 20.2 and 28.2]

- (4) No complaints have been received from the rubber growers or any organisation connected with the production or marketing of rubber against either the purchasing system followed by the tyre companies or the prices paid by them for raw rubber.

[Paragraph 22.3]

- (5) Between 1946 and 1953, Dunlop's factory overheads increased by 85 per cent. as against an increase of only 21 per cent. in their output of tyres and tubes. Factory overheads of Firestone also increased by 85 per cent. between 1946-47 and 1952-53, whereas their output of tyres and tubes expanded by 43 per cent. Both Dunlop and Firestone should exercise stricter control over their factory overheads.

[Paragraphs 27.2 and 27.5]

- (6) Of all elements of cost, the most striking increases have taken place in administrative, selling and distribution expenses. Between 1946 and 1953, whereas Dunlop's sales turnover of tyres and tubes (excluding sales to Good Year and India Tyre and excluding excise duty) increased by 75 per cent. their administrative, selling and distribution expenses increased by 229 per cent. During the same period, the corresponding expenses of Good Year and

India Tyre increased by 127 per cent. and 215 per cent. respectively, as against increases of 82 per cent. and 177 per cent. in their respective sales turnover of tyres and tubes. In the case of Firestone, the increase in administrative, selling and distribution expenses allocable to tyres and tubes between 1946-47 and 1952-53, after adjustment for certain non-recurring credits in the latter year, works out to 104 per cent. as against an increase of 86 per cent. in their sales turnover during the same period. All the four companies are operating in the same market under similar conditions and it is surprising that their administrative, selling and distribution expenses should show such desperate trends. These expenses formed 14.1 per cent. of Dunlop's sales turnover in 1953 and only 7.3 per cent. of Firestone's sales turnover in 1952-53. At least Rs. 46 lakhs of the additional profits earned by Firestone in 1952-53 in comparison with Dunlop can be attributed to their success in keeping the ratio of administrative, selling and distribution expenses 6.8 per cent. lower.

[Paragraphs 28.2 and 28.5]

- (7) The complete elimination of price competition results in excessive reliance being placed on publicity, personal liaison and service attractions of various sorts leading to a competitive increase in selling and distribution expenses. While price competition benefits the consumer, the kind of competition which prevails among the tyre companies leads to a growing burden being placed on the consumer. Government should, therefore, exercise strict control over the selling and distribution expenses incurred by the tyre companies.

[Paragraphs 28.5 and 30.2]

- (8) The industry is so organised that the individual units are not in a position to engage in price competition with each other and have, therefore, to act in unison so far as prices are concerned. Consequently, there is as much justification for exercising State control over the price policy of the tyre industry as there would have been if the industry had been organised on a fully monopolistic basis. In the absence of such control, it would be difficult to ensure that the prices of tyres and tubes are maintained in fair relation to costs.

[Paragraph 30.1]

- (9) The prices of tyres and tubes were in excess of the fair prices as determined by us by 21.79 per cent. in 1946, 18.90 per cent. in 1947, 15.26 per cent. in 1948, 9.28 per cent. in 1949, 7.70 per cent. in 1950, 6.88 per cent. in 1951, 11.24 per cent. in 1952 and 8.52 per cent. in 1953.

[Paragraph 31.1]

- (10) The conclusion that the prices of tyres and tubes during the period from 1946 to 1953 were excessive in relation to costs is corroborated by the over-all trading results of the

tyre companies. The ratio of gross profits to capital employed varied from 19 per cent. to 37 per cent. in the case of Dunlop between 1946 and 1953 and from 47 per cent. to 77 per cent. in the case of Firestone from 1946-47 to 1952-53. These ratios are high in comparison with what Indian industries in general have been earning in recent years.

[Paragraph 32.1]

- (11) In each year from 1947 to 1953, except 1950, Dunlop (India) earned a higher rate of profit on capital employed than Dunlop (U.K.). In view of the fact that Dunlop (U.K.) have a much higher turnover and much larger scale of operations spread over several countries the rate of profit earned by Dunlop (India) on their capital employed should not have been even as high as that earned by their parent company.

[Paragraph 32.1]

- (12) In the case of certain typical sizes of tyres and tubes, the consumer prices in India (excluding internal taxes) were generally higher than those prevailing in U.K., an important source of supply, during the period under investigation. Before devaluation, the consumer prices of certain typical sizes of tyres in U.S.A. also were lower than those in India. After devaluation, the consumer prices of the same sizes of tyres in U.S.A., when converted into rupees at the new rate of exchange worked out higher than the corresponding prices in India, but in the absence of this factor they would have generally continued to be lower.

[Paragraph 32.2]

- (13) The foreign associates of the Indian companies do not export their products to India except by arrangement with the Indian companies. The absence of foreign competition resulting from this understanding has enabled the Indian companies to maintain their prices of certain typical sizes of tyres at a higher level than those prevailing in important markets like U.K.

[Paragraph 32.3]

- (14) The manner in which the tyre companies have utilised the profits earned by them during the period under investigation has been discussed in Section 8(e) of Chapter III. The tyre companies have retained some portion of their profits in business and this has enabled them to expand their output and to effect savings in interest and other elements of cost. The consumer, however, has not received the full benefit of the reduction in costs arising from this factor, since the prices charged have been in excess of fair prices as determined by us.

[Paragraph 42]

- (15) The tyre companies could have retained in business much larger amounts than they have done during the last eight years. By declaring dividends at high rates, the companies have given away a good part of their earnings which could have been utilised for expansion and modernisation

of their business. Further, if lower dividends had been declared, the remittances abroad would have been lower to that extent. When the surpluses earned in India are remitted to the parent companies abroad, there is no certainty that capital funds built in this way at the expense of the Indian consumer will be used for the development of the units in this country and not some of the numerous other units which the parent companies own in other parts of the world. The profits which the tyre companies remit abroad year by year represent a sacrifice to the national economy which partially nullifies the benefit accruing from the local manufacture of tyres and tubes. So long as the country is dependent on foreign technology for the manufacture of these products, some such sacrifice is inevitable, but it is desirable that the sacrifice should be kept to the minimum. Government should, therefore, examine the desirability of securing larger participation of Indian capital in the tyre companies operating in India, in order that the benefit accruing to the national economy from the manufacture of tyres and tubes may be enhanced through the retention in the country of a larger proportion of the profits earned in this business. Further, the tyre companies should follow a conservative policy with regard to the declaration of dividends and limit the rates of dividend to be declared in future.

[Paragraph 42]

- (16) The tyre companies received Government assistance during the War for various projects which enabled them to expand their manufacturing activities in certain directions without incurring the full capital cost involved. The products manufactured under these projects, however, were mostly sold to Government or under Government's instructions at negotiated prices. At the end of the War, the companies took over many of the plants by paying for them and there is no evidence that the plants were sold to them at concessional prices. The assistance given to Dunlop by way of a guarantee for their bank overdraft was intended to meet their working capital needs and could have no effect on their costs after 1945 when it was withdrawn.

[Paragraph 44]

- (17) As regards fair prices for the future, a judicious system of control based on uniform selling prices will adequately safeguard the interests of the consumer, without interfering with the continued expansion of the industry.

[Paragraph 45.1]

- (18) If the excise duty continues to be charged on the existing basis, namely, the list price less discount of 10 per cent, a uniform reduction of 11 per cent. should be made in the current net dealer prices and list prices. If the basis of charging the excise duty is revised, as requested by the tyre companies, so as to take into account the year-end discount of 2½ per cent. in addition to 10 per cent. the net dealer prices and list prices should be reduced by 11·56

per cent. The fair prices so arrived at should remain in force till 31st December, 1957 subject to a formula for adjustment on account of variations in the cost of raw rubber, fabric and carbon black given in paragraph 46.2.

[Paragraph 45.7]

- (19) No reductions should be made in the existing rates of discounts on replacement sales, except with the approval of Government.

[Paragraph 45.2]

- (20) Prices for original equipment and Government should continue to be fixed by negotiations as at present. No control need be exercised over export prices.

[Paragraph 45.2]

- (21) Taking into account the two price reductions effected by the tyre companies since October 1952 when the Commission was asked to take up this inquiry, the fair prices recommended by us will be lower than the prices prevailing in October 1952 by 17.6 per cent. in the case of passenger car tyres and tubes and 19.7 per cent. in the case of other tyres and tubes, if the excise duty continues to be charged on the existing basis and the current prices are accordingly reduced by 11 per cent. and by 18.1 per cent. in the case of passenger car tyres and tubes and 20.3 per cent. in the case of other tyres and tubes, if the basis of charging the excise duty is revised as requested by the tyre companies and the current prices are accordingly reduced by 11.56 per cent.

[Paragraph 45.7]

- (22) Government should explore the possibility of securing imports of tyres and tubes with a view to providing some measure of competition to the Indian companies.

[Paragraph 47.1]

- (23) (a) A pilot project should be started for manufacture of tyres and tubes, and (b) special assistance should be offered to Indian enterprises wishing to enter this field, either independently or in collaboration on reasonable terms with foreign enterprises.

[Paragraph 47.2]

49. We wish to thank the tyre companies, the other interests connected with this industry and the Government Departments concerned for their co-operation in carrying out this inquiry. Our Costing Division has had to work very hard to prepare the cost data presented in this Report. The task of analysing costs, prices and profits for so long a period as eight years which was involved in this inquiry was without parallel, in point of volume or complexity, in any other inquiry which the Commission had undertaken in the past and the Costing Division, under the direction of Shri N. Krishnan, Senior Cost Accounts Officer, has executed this task with commendable efficiency. We wish to

place on record our appreciation of the valuable work done by Shri Krishnan, and Dr. Rama Varma, Director (Investigation) in connection with this inquiry.

Shri M. D. Bhat, Chairman and Shri B. N. Das Gupta, Member, served on this Panel till 16th and 31st May, 1955 respectively on which dates they relinquished charge of their posts.

B. N. ADARKAR,  
*Member.*

C. RAMASUBBAN,  
*Member.*

S. K. BOSE,  
*Secretary.*

BOMBAY;  
*The 25th June, 1955.*



APPENDIX I

[Vide paragraph 1]

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

(TARIFFS)

New Delhi, the 30th October, 1952

**No. 3-T(3)/52.**—The question of fixing fair selling prices for rubber tyres and tubes has been engaging the attention of the Government of India for some time past. After careful consideration of all aspects of the case, Government are of the opinion that an enquiry should be made under Section 12(d) of the Tariff Commission Act, 1951 (No. L of 1951), into the prices of these goods manufactured in the country. The Tariff Commission is accordingly requested to conduct the necessary enquiries and submit its recommendations on:—

- (1) What should be the fair prices of tyres and tubes manufactured by several producers; and
- (2) Whether the prices charged by them from time to time for their products since 1946 have been fair or excessive in relation to the costs entering into the manufacture of these products.

In conducting the enquiry, the Tariff Commission is requested to pay special attention to:—

- (a) the cost of raw materials bought from time to time by manufacturers of tyres and tubes since 1946 and prices paid by them for indigenous rubber from time to time during the said period;
- (b) the profits earned by those concerns year by year since 1946 and how they have been utilised in dividends, additions to reserves and distribution of part or parts of the reserves by way of bonus shares, etc.;
- (c) the assistance which they may have received during the period of World War II for expansion in the shape of equipments and financial assistance; and
- (d) the effect of (a) to (c) above on the price structure of tyres and tubes and other rubber goods manufactured by those concerns.

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ORDER

Ordered etc. etc.—

S. BHOOHALINGAM, Secy.



## APPENDIX II

[Vide paragraph II.2]

Statement showing the analysis of the balance sheets of Dunlop Rubber Co. (India), Ltd. for the years 1946 to 1954

	1946	1947	1948	1949	1950	1951	1952	1953	1954
	1	2	3	4	5	6	7	8	9
<i>Liabilities</i>									
Paid-up Capital .	1,20,00,000	1,20,00,000	1,20,00,000	1,70,00,000	1,70,00,000	2,30,00,000	2,30,00,000	2,30,00,000	2,30,00,000
General Reserves .	22,00,000	84,00,000	1,08,00,000	84,00,000	1,03,00,000	75,00,000	1,14,00,000	1,38,00,000	1,68,00,000
Debentures .	..	..	..	..	1,30,00,000	1,30,00,000	1,30,00,000	1,30,00,000	1,30,00,000
Other Reserves .	48,50,000	11,00,000	11,00,000	11,00,000	11,00,000	11,00,000	11,00,000	11,00,000	11,00,000
Bank Overdraft .	46,95,000	45,22,000	1,60,54,000	1,48,21,000	..	1,25,51,000	1,46,40,000	87,79,000	1,28,19,000
Sundry Creditors .	28,00,000	28,75,000	42,16,000	22,33,000	85,25,000	52,38,000	46,48,000	66,25,000	76,28,000
Tax provision .	53,00,000	62,00,000	49,00,000	40,11,000	42,56,000	51,00,000	24,00,000	3,25,000	5,75,000
Unclaimed Dividends .	15,000	1,94,000	55,000	60,000	1,12,000	2,15,000	1,55,000	1,04,000	73,000
Dividends payable .	22,55,000	22,55,000	22,55,000	22,70,000	22,70,000	26,67,000	26,67,000	26,67,000	26,67,000
P. & L. account surplus	5,38,000	5,29,000	5,77,000	6,51,000	6,51,000	6,78,000	7,01,000	10,83,000	11,89,000
Sundries .	..	..	..	..	..	..	..	..	..
TOTAL .	3,46,53,000	3,80,75,000	5,19,57,000	5,05,46,000	5,72,14,000	7,10,49,000	7,37,11,000	7,04,83,000	7,88,51,000

## APPENDIX II—contd.

[illegible]

## APPENDIX III

[Vide paragraph 12.1]

Statement showing the analysis of the Balance Sheets of Firestone Tyre and Rubber Co. of India Ltd., for the years 1946 to 1954

	1946	1947	1948	1949	1950	1951	1952	1953	1954
	1	2	3	4	5	6	7	8	9
<i>Liabilities</i>									
Paid up Capital	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Sundry Reserves	2,76,000	4,53,000	1,48,000	1,40,000	1,39,000	10,04,000	11,52,000	11,93,000	20,00,000
Taxation Reserve	80,34,000	1,41,41,000	97,99,000	68,37,000	49,92,000	77,48,000	1,11,01,000	1,06,16,000	66,19,000
Bank loans	..	..	..	52,65,000	47,19,000	1,12,90,000	1,02,19,000	1,16,13,000	1,40,91,000
Sundry Creditors	73,00,000	44,87,000	50,36,000	43,59,000	80,75,000	1,18,06,000	1,14,69,000	81,23,000	1,40,21,000
Balance of P. & L. account.	1,07,66,000	80,43,000	61,67,000	70,56,000	68,21,000	63,70,000	90,99,000	88,84,000	1,01,30,000
TOTAL	2,63,96,000	2,71,44,000	2,11,70,000	2,35,77,000	2,47,66,000	3,81,75,000	4,30,60,000	4,04,49,000	4,68,81,000
<i>Assets</i>									
Net block	25,07,000	28,68,000	42,14,000	34,17,000	34,52,000	45,47,000	61,37,000	66,07,000	62,63,000
Stocks and Stores	89,23,000	73,31,000	64,29,000	96,60,000	1,11,72,000	1,55,89,000	1,87,34,000	1,71,73,000	2,19,57,000
Debts due	1,07,35,000	40,80,000	54,30,000	71,11,000	60,52,000	1,10,38,000	1,06,49,000	1,09,46,000	1,34,04,000
Inter Company account	..	..	..	..	22,24,000	19,82,000	16,38,000	19,30,000	20,98,000

APPENDIX III—*contd.*

	1	2	3	4	5	6	7	8	9
Advance, Deposits, Prepaid and Deferred charges . . .	4,35,000	41,52,000	37,62,000	21,54,000	17,58,000	36,06,000	37,41,000	35,30,000	28,23,000
Cash and other balances	37,96,000	87,13,000	13,35,000	12,35,000	1,08,000	14,13,000	21,61,000	2,63,000	3,36,000
<b>TOTAL</b>	<b>2,63,96,000</b>	<b>2,71,44,000</b>	<b>2,11,70,000</b>	<b>2,35,77,000</b>	<b>2,47,66,000</b>	<b>3,81,75,000</b>	<b>4,30,60,000</b>	<b>4,04,49,000</b>	<b>4,68,81,000</b>



## APPENDIX IV

[Vide paragraph 13.2]

Statement showing the analysis of the Balance Sheets of Good Year Tyre and Rubber Co. (India), Ltd., for the years 1946 to 1954

	1946	1947	1948	1949	1950	1951	1952	1953	1954
1	2	3	4	5	6	7	8	9	
<i>Liabilities</i>									
Paid up Capital	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Taxation Reserves	42,30,000	42,61,000	32,29,000	14,12,000	7,81,000	22,13,000	13,99,000	12,28,000	20,11,603
Sundry Reserves	2,28,000	1,62,000	9,02,000	9,81,000	9,56,000	5,89,000	4,91,000	4,27,000	4,71,610
Bank overdrafts	20,90,000	28,79,000	41,65,000	70,88,000	51,80,000	60,75,000	45,45,000	21,87,000	38,19,235
Sundry Creditors	25,39,000	20,29,000	19,54,000	17,37,000	27,25,000	41,59,000	35,18,000	36,07,000	39,42,878
Balance of P. & L. account	10,03,000	8,79,000	19,19,000	28,80,000	31,27,000	53,46,000	67,80,000	77,69,000	93,40,328
<b>TOTAL</b>	<b>1,01,05,000</b>	<b>1,02,25,000</b>	<b>1,21,84,000</b>	<b>1,41,13,000</b>	<b>1,27,84,000</b>	<b>1,83,97,000</b>	<b>1,67,48,000</b>	<b>1,52,33,000</b>	<b>1,96,00,654</b>
<i>Assets</i>									
Net block	1,15,000	3,63,000	3,04,000	4,89,000	4,22,000	5,09,000	5,10,000	4,45,000	4,15,703
Stocks and Stores	43,52,000	48,44,000	52,07,000	71,41,000	50,88,000	97,33,000	96,92,000	82,99,000	95,21,161

APPENDIX IV—*contd.*

	1	2	3	4	5	6	7	8	9
Debts due . . .	21,85,000	20,14,000	43,49,000	42,95,000	41,87,000	68,05,000	54,12,000	57,54,000	75,59,433
Advances recoverable .	3,57,000	3,71,000	3,74,000	3,91,000	4,42,000	6,59,000	8,99,000	6,69,000	6,03,380
E. P. T. Deposits and Refunds due.	26,48,000	22,80,000	16,52,000	16,53,000	16,53,000	..	..	..	..
Cash and other balances	4,48,000	3,53,000	2,98,000	9,44,000	9,92,000	6,91,000	2,35,000	66,000	15,00,977
<b>TOTAL</b>	<b>1,01,05,000</b>	<b>1,02,25,000</b>	<b>1,21,84,000</b>	<b>1,41,13,000</b>	<b>1,27,84,000</b>	<b>1,83,97,000</b>	<b>1,67,48,000</b>	<b>1,52,33,000</b>	<b>1,96,00,654</b>

# APPENDIX V

[Vide paragraph 14.2]

Statement showing the analysis of the Balance Sheets of India Tyre and Rubber Co. (India), Ltd., for the years 1946 to 1954

	1946	1947	1948	1949	1950	1951	1952	1953	1954
	1	2	3	4	5	6	7	8	9
<i>Liabilities</i>									
Paid up Capital	7,00,000	7,00,000	7,00,000	7,00,000	7,00,000	7,00,000	14,00,000	14,00,000	14,00,000
General Reserves	..	..	1,27,000	1,27,000	1,27,000	10,00,000	3,00,000	3,00,000	3,00,000
Taxation Reserves	10,85,000	12,00,000	13,65,000	8,15,000	7,75,000	9,99,000	4,50,000	10,87,000	8,50,000
Sundry Reserves	1,31,000	2,50,000	2,50,000	2,50,000	2,50,000	2,50,000	2,50,000	2,50,000	2,50,000
Bank overdrafts	..	..	14,86,000	69,61,000	14,66,000	42,23,000	70,27,000	47,52,000	44,16,000
Sundry Creditors	9,34,000	17,21,000	15,99,000	26,22,000	36,25,000	27,70,000	19,69,000	25,15,000	27,73,000
P. & L. accounts	8,61,000	10,35,000	10,70,000	6,39,000	8,23,000	2,37,000	7,24,000	4,84,000	13,00,000
TOTAL	37,11,000	39,06,000	65,97,000	1,21,14,000	77,66,000	1,01,79,000	1,21,20,000	1,07,88,000	1,12,89,000
<i>Assets</i>									
Net block	80,000	2,84,000	3,22,000	4,04,000	3,70,000	3,67,000	6,10,000	6,30,000	6,61,000
Stocks and Stores	16,01,000	16,21,000	44,66,000	86,77,000	30,49,000	47,08,000	70,13,000	51,62,000	46,00,000

APPENDIX V—*contd.*

	1	2	3	4	5	6	7	8	9
Debts due . . .	11,88,000	11,04,000	8,43,000	21,56,000	28,50,000	41,26,000	36,80,000	36,62,000	49,74,000
Advances, deposits, etc.	4,57,000	2,82,000	4,00,000	5,32,000	5,65,000	1,59,000	2,37,000	2,39,000	2,71,000
Cash and other balances	3,85,000	6,15,000	5,66,000	3,45,000	9,32,000	8,19,000	5,80,000	10,95,000	7,83,000
Total . . .	37,11,000	39,06,000	65,97,000	1,21,14,000	77,66,000	1,01,79,000	1,21,20,000	1,07,88,000	1,12,89,000



# APPENDIX VI

[Vide paragraph 17]

List of selected sizes of tyres and tubes and their specifications.

Type	Dunlop	Firestone
<b>TYRES :</b>		
<i>I. Passenger Car</i>		
5.00-14	B.S.W. 4 ply	5.00-16 4 pl
5.50-15	B.S.W. 4 ply	5.25-16 4 p
5.00-16	B.S.W. 4 ply	4.50-17 6 ply
6.00-16	B.S.W. 4 ply	5.00-16 6 ply
5.00-16	B.S.W. 6 ply	6.00-16 6 ply
5.25-16	B.S.W. 6 ply	6.50-15 6 ply
6.00-16	B.S.W. 6 ply	
5.50-15	W.S.W. 4 ply	
6.00-16	W.S.W. 6 ply	
<i>II. Bus and Truck</i>		
6.00-16 Mud and snow	6 ply	6.00-16G.G. 6 ply
6.00-20/30×5	8 ply	6.00-20/30×5 8 ply
7.00-20/32×6(N)	10 ply	6.50-20 8 ply
" 4TB(D)	10 ply	7.00-20/32×6 10 ply
" ROC	Do.	7.50-20/34×7 10 ply
" Truck	Do.	7.00-20/32×6 10 ply
" Master	Do.	7.00-20/32×6 Rayon
7.50-20/34×7N	10 ply	7.00-20/32×6 (10 plus 2)
" 4TB(D)	Do.	ply
" ROC	Do.	7.50-20/34×7 (10 plus 2)
" TM	Do.	ply
8.25-20 N.	Do.	8.25-20 (10 plus 2)
" 4TB(D)	Do.	ply
<i>III. Motor Cycle</i>		
3.25-19 Universal		....
<i>IV. Cycle</i>		
28×1½ Bates Dunlop		28×1½
<b>TUBES :</b>		
<i>I. Passenger Car</i>		
500-14		CD-16
C-15		D-15
B-16		D-16
CD-16		B-16
<i>II. Bus and Truck</i>		
CT.-20		DT-20
700-20/32×6		ET-20
750-20/34×7		CT-20
8.25-20		8.25-20
<i>III. Motor Cycle</i>		
V. 19		....
<i>IV. Cycle</i>		
28×1½ Bates Dunlop		28×1½ Roadmaster Black.
		28×1½ Roadmaster Red.

# APPENDIX VII

[Vide Paragraph 32.1]

*Gross Profits as percentage of all total capital employed.*

(Source : Report of the Taxation Enquiry Commission 1955—page 122 o. Volume I).

Industry	1949	1950	1951
Number of Companies . . . . .	710	681	681
Cotton Textile . . . . .	10.4	8.3	11.8
Jute Textile . . . . .	1.9	12.0	13.4
Other Textile (Silk and Woollen) . . . . .	5.1	14.7	..
Iron and Steel . . . . .	10.0	10.4	13.5
Engineering (including Electrical goods) . . . . .	3.3	5.8	6.5
Sugar . . . . .	9.8	7.9	10.8
Chemicals . . . . .	3.6	5.1	5.4
Paper . . . . .	7.1	11.3	13.8
Vegetable Oil . . . . .	2.3	1.9	1.0
Matches . . . . .	24.2	17.2	16.3
Cement . . . . .	9.8	11.3	14.7
Tea Plantations . . . . .	..	18.4	11.9
Other Plantations (Coffee and Rubber) . . . . .	..	14.0	16.4
Coal . . . . .	..	8.8	8.0
Electricity . . . . .	9.4	8.4	8.0
Shipping . . . . .	..	2.5	8.2
Others . . . . .	1.9	7.7	8.8
All Industries . . . . .	8.1	8.8	10.6

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## APPENDIX VIII

[Vide paragraph 32.1]  
*Consolidated Accounts of the parent Dunlop Company, London.*  
 [Statement supplied by Dunlop Rubber Co. (India) Ltd.]

	31-12-54	31-12-53	31-12-52	31-12-51	13-12-50	31-12-49	31-12-48	31-12-47	31-12-46
<i>Capital Employed.</i>									
Fixed Assets	£ 33,851,916	£ 30,270,831	£ 27,891,863	£ 25,370,650	£ 24,183,714	£ 21,279,078	£ 20,003,775	£ 17,090,043	£ 14,489,297
Investments	1,486,009	1,411,291	1,135,453	1,007,986	911,187	805,714	717,930	666,457	729,213
Current Assets	89,712,826	76,698,336	81,641,310	93,359,519	73,546,461	48,414,470	45,959,010	39,067,252	34,410,664
	125,050,751	108,380,458	110,668,626	119,738,155	98,641,362	70,499,262	66,680,715	56,823,752	49,629,174
Less : Current Liabilities and Provisions.	38,504,495	32,048,251	38,671,240	49,529,911	33,520,683	23,072,879	21,573,983	17,152,879	14,614,915
Capital employed	86,546,256	76,332,207	71,997,386	70,208,244	65,120,679	47,426,383	45,106,732	39,670,873	35,014,259
<i>Average Capital Employed</i>									
	1954	1953	1952	1951	1950	1949	1948	1947	
	£	£	£	£	£	£	£	£	£
Net Profit as per Accounts	81,439,231	74,164,796	71,102,815	67,664,461	56,273,531	46,266,552	42,388,802	37,342,566	
	4,858,500	4,068,426	3,497,825	4,607,413	5,062,863	2,869,128	3,541,357	2,886,619	
Deduct : Exceptional items relating to previous years.	168,597	605,816	749,345	371,193	194,911	194,499	192,100	134,515	
Add : Interest on debenture stock and loans.	4,689,903	3,462,610	2,748,480	4,236,220	4,867,952	2,674,629	3,349,257	2,752,104	
Additional depreciation	362,911	377,977	378,409	277,410	265,711	235,898	238,207	248,428	
	460,000	460,000	479,000	470,000	..	..	..	..	

APPENDIX VIII—*conid.*

	1954	1953	1952	1951	1950	1949	1948	1947
	£	£	£	£	£	£	£	£
Provision for taxation	7,011,114	6,747,198	5,275,688	8,915,898	8,691,890	3,458,867	4,327,807	3,841,004
Subsidiary Preference Dividends paid under guarantee.	..	..	..	..	..	22,277	82,500	82,500
Adjusted <i>et profit before taxation</i>	12,523,928	11,047,785	8,881,377	13,899,528	13,825,553	6,391,671	7,997,771	6,924,036
Percentage <i>net profit to capital employed</i> .	15.4%	14.9%	12.5%	20.5%	24.6%	13.8%	18.9%	18.5%

**APPENDIX IX**  
**[Vide paragraph 36.2]**  
**Analysis of cost of sales by classes of products**  
**(Tyres and Tubes taken together)**  
**(i) Dunlop Rubber Co. (India) Ltd.**

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946 . . .	400.65	17.54	58.32	20.91	3.23
1947 . . .	432.59	18.34	60.42	19.60	1.64
1948 . . .	586.59	12.54	66.83	18.75	1.88
1949 . . .	678.24	6.80	68.99	21.71	2.50
1950 . . .	546.77	11.35	59.87	23.37	5.41
1951 . . .	1029.55	12.50	65.57	18.11	3.82
1952 . . .	886.08	9.93	65.16	20.96	3.95
1953 . . .	837.39	9.54	60.32	24.22	5.92

**(ii) Firestone Tyre and Rubber Company of India Ltd.**

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946-47 . . .	244.35	16.41	75.93	5.69	1.97
1947-48 . . .	278.69	10.99	78.16	6.48	4.37
1948-49 . . .	247.31	7.61	84.91	4.56	2.92
1949-50 . . .	387.78	9.57	86.58	2.34	1.51
1950-51 . . .	612.36	11.39	83.94	3.01	1.66
1951-52 . . .	568.21	7.50	85.98	4.51	2.01
1952-53 . . .	515.42	8.46	85.37	3.72	2.45

**(iii) Goodyear Tyre and Rubber Co. of India Ltd.**

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946 . . .	136.21	Not available.			
1947 . . .	168.90				
1948 . . .	195.71				
1949 . . .	224.55				
1950 . . .	219.65				
1951 . . .	336.62	14.89	70.05	10.11	4.95
1952 . . .	312.56	11.50	75.69	6.68	6.13
1953 . . .	306.28	11.81	72.25	8.98	6.96

APPENDIX IX—*Contd.*(iv) *India Tyre and Rubber Co. (India) Ltd.*

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (Lakhs)	%	%	%	%
1946 . .	69.89	17.06	59.22	23.72	..
1947 . .	96.97	13.84	68.05	18.11	..
1948 . .	136.66	8.15	77.00	14.85	..
1949 . .	166.45	5.45	80.97	13.48	0.10
1950 . .	164.93	8.48	78.25	13.03	0.24
1951 . .	256.97	10.15	78.82	10.86	0.17
1952 . .	221.11	8.67	79.11	11.76	0.46
1953 . .	221.74	8.16	77.45	13.84	0.55



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# APPENDIX X

[Vide paragraph 36.3]

## Analysis of cost of sales by classes of sales

### (Tyres and Tubes)

#### (i) Dunlop Rubber Co. (India) Ltd.

Year	Amount	O.E.	Replacement	Government	Export	Good Year	India Tyre
	Rs. (lakhs)	%	%	%	%	%	%
1946 .	400.65	1.97	40.38	0.94	15.02	27.94	13.75
1947 .	432.59	6.40	43.83	0.44	6.50	26.32	16.51
1948 .	586.59	8.16	42.94	1.60	3.05	24.56	19.69
1949 .	678.24	7.80	43.15	1.14	1.86	23.02	23.03
1950 .	546.77	5.81	51.27	2.56	1.91	23.04	13.41
1951 .	1029.55	6.72	42.87	1.63	0.40	27.10	21.28
1952 .	886.08	5.13	43.31	3.33	0.08	26.74	21.41
1953 .	837.39	5.76	47.38	1.24	0.54	26.44	18.64

#### (ii) Firestone Tyre and Rubber Co. of India Ltd.

Year	Amount	O.E.	Replacement	Government	Export
	Rs. (lakhs)	%	%	%	%
1946-47 . . .	244.35	13.95	69.57	0.26	16.22
1947-48 . . .	278.69	14.11	68.97	1.19	15.73
1948-49 . . .	247.31	11.07	74.02	4.23	10.68
1949-50 . . .	387.78	5.42	75.14	3.24	16.20
1950-51 . . .	612.36	10.36	78.10	1.72	9.82
1951-52 . . .	568.21	6.83	78.98	6.60	7.59
1952-53 . . .	515.42	7.86	72.07	4.16	15.91

#### (iii) Good Year Tyre and Rubber Co. of India Ltd.

Year	Amount	O.E.	Replacement	Government	Export
	Rs. (lakhs)	%	%	%	%
1946 . . . . .	136.21	4.28	78.94	..	16.78
1947 . . . . .	168.90	15.63	78.84	..	5.53
1948 . . . . .	195.71	19.89	80.11	..	..
1949 . . . . .	224.55	21.98	78.02	..	..
1950 . . . . .	219.65	7.09	92.36	..	0.55
1951 . . . . .	336.62	10.97	73.51	7.55	7.97
1952 . . . . .	312.56	5.69	73.10	11.36	9.85
1953 . . . . .	306.28	4.12	75.72	5.85	14.31

## APPENDIX X —Contd.

(iv) *India Tyre and Rubber Co. (India) Ltd.*

Year	Amount	O.E.	Replacement	Government	Export
	Rs. (lakhs)	%	%	%	%
1946 . .	69.89	2.05	84.20	1.14	12.61
1947 . .	96.97	6.04	85.69	..	8.27
1948 . .	136.66	10.69	80.74	2.01	6.56
1949 . .	166.45	12.01	85.57	1.77	0.65
1950 . .	164.93	10.18	80.70	7.10	2.02
1951 . .	256.97	10.88	82.72	6.24	0.16
1952 . .	221.11	5.44	82.42	11.27	0.87
1953 . .	221.74	3.41	87.44	7.60	1.55



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# APPENDIX XI

[Vide paragraph 36·4].

## Analysis of Profits by Classes of Products

(Tyres and Tubes taken together)

(i) *Dunlop Rubber Co. (India) Ltd.*

Year	Amount*	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946 . . .	93·14	20·30	46·26	32·60	0·84
1947 . . .	97·85	14·52	57·34	26·68	1·36
1948 . . .	96·70	11·31	61·59	24·90	2·20
1949 . . .	100·81	9·03	58·55	29·64	2·78
1950 . . .	95·58	10·76	52·15	33·65	3·44
1951 . . .	112·53	12·11	47·28	38·62	1·99
1952 . . .	112·71	9·55	51·54	35·15	3·76
1953 . . .	113·18	7·84	57·63	30·33	4·20

\*The figures of profits on tyres and tubes shown in this column are exclusive of the amount of bonus and extra depreciation recovered from Goodyear and India Tyre which has been treated as an extra element of profit. It is not possible to allocate these extra profits to different products or classes of sales.

(ii) *Firestone Tyre and Rubber Co. of India Ltd.*

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946-47 . . .	117·12	12·62	82·42	2·66	2·30
1947-48 . . .	154·16	6·92	85·44	4·06	3·58
1948-49 . . .	127·31	5·64	89·80	1·54	3·02
1949-50 . . .	127·07	5·15	91·26	0·54	3·05
1950-51 . . .	165·83	9·73	87·02	(—)0·003	3·28
1951-52 . . .	220·18	6·72	91·77	(—)0·37	1·88
1952-53 . . .	156·64	8·22	90·87	(—)2·10	3·01

APPENDIX XI—*Contd.*(iii) *Good Year Tyre and Rubber Co. of India Ltd.*

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946 . . .	48.77	}	Not available.		
1947 . . .	42.89				
1948 . . .	36.91				
1949 . . .	21.16				
1950 . . .	20.93				
1951 . . .	26.35	12.93	53.73	25.74	7.60
1952 . . .	25.60	21.50	55.67	15.69	7.14
1953 . . .	30.94	10.50	76.38	11.33	1.79

(iv) *India Tyre and Rubber Co. (India) Ltd.*

Year	Amount	Passenger Car	Bus and Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946 . . .	17.27	14.94	58.62	26.44	..
1947 . . .	17.74	12.32	64.49	23.19	..
1948 . . .	17.70	13.50	65.61	20.89	..
1949 . . .	14.94	17.79	65.64	16.49	0.08
1950 . . .	18.32	3.01	79.26	17.43	0.30
1951 . . .	22.75	3.97	67.10	28.99	(—)0.06
1952 . . .	12.93	16.72	44.51	38.31	0.46
1953 . . .	19.89	3.40	75.97	21.22	(—)0.59

# APPENDIX XII

[Vide paragraph 36.5]

## Analysis of Profits by Classes of Sales (Tyres and Tubes)

(i) *Dunlop Rubber Co (India) Ltd.*

Year	Amount*	O.E.	Replacement	Government	Export	Good-year	India Tyre
	Rs. (lakhs)	%	%	%	%	%	%
1946	93.14	1.99	70.88	3.43	11.20	8.46	4.04
1947	97.85	6.61	74.91	0.85	4.28	8.05	5.30
1948	96.70	3.24	72.94	3.75	2.77	9.39	7.91
1949	100.81	(—)1.37	77.69	2.80	1.09	9.65	10.14
1950	95.58	2.86	77.17	3.97	1.92	8.39	5.69
1951	112.53	(—)0.74	69.91	0.48	0.05	16.90	13.40
1952	112.71	6.09	63.60	7.39	0.07	12.85	10.00
1953	113.18	8.91	70.71	2.12	0.20	10.56	7.50

\*The figures of profits on tyres and tubes shown in this column are exclusive of the amount of bonus and extra depreciation recovered from Goodyear and India Tyre which has been treated as an extra element of profit. It is not possible to allocate these extra profits to different products or classes of sales.

(ii) *Firestone Tyre and Rubber Co. of India Ltd.*

Year	Amount	O. E.	Replacement	Government	Export
	Rs. (lakhs)	%	%	%	%
1946-47	117.12	7.94	73.58	0.44	18.04
1947-48	154.16	6.15	71.97	1.68	20.20
1948-49	127.31	3.53	84.19	7.23	5.05
1949-50	127.07	0.15	93.49	5.76	0.60
1950-51	165.83	0.07	96.54	3.01	0.38
1951-52	220.18	3.23	82.11	10.59	4.07
1952-53	156.64	7.62	79.78	4.68	7.92

(iii) *Good Year Tyre and Rubber Co. of India Ltd.*

Year	Amount	O.E.	Replacement	Government	Export
	Rs. (lakhs)	%	%	%	%
1946	48.77	0.10	96.23	..	3.67
1947	42.89	3.66	90.18	..	6.16
1948	36.91	(—)8.24	108.24	..	..
1949	21.16	(—)37.67	137.67	..	..
1950	20.93	(—)17.49	118.30	..	(—)0.81
1951	26.35	(—)25.15	93.49	5.82	25.84
1952	25.60	(—)8.19	69.79	14.28	24.12
1953	30.94	(—)1.18	61.68	7.05	32.45

APPENDIX XII—*contd.*(iv) *India Tyre and Rubber Co. (India) Ltd.*

Year	Amount	O.E.	Replace- ment	Govern- ment	Export
	(Rs. lakhs)	%	%	%	%
1946 . . . . .	17.27	0.78	80.22	0.56	18.44
1947 . . . . .	17.74	6.29	71.70	..	21.95
1948 . . . . .	17.70	(—)1.53	92.28	1.33	7.92
1949 . . . . .	14.94	(—)10.41	106.27	2.71	1.43
1950 . . . . .	18.32	(—)7.52	98.40	4.83	4.29
1951 . . . . .	22.75	(—)14.10	114.68	(—)0.92	0.34
1952 . . . . .	12.93	2.33	76.21	18.93	2.53
1953 . . . . .	19.89	4.63	76.12	14.61	4.64



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# APPENDIX XIII

[Vide paragraph 36.6]

## Analysis of profit margins (percentage of profits to cost of sales) on different classes of products

(Tyres and Tubes Taken together)

(i) Dunlop Rubber Co. (India) Ltd.

Year	*Amount	Passen- ger Car	Bus & Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946	93.14	26.91	18.44	36.24	6.06
1947	97.85	18.03	21.47	30.80	18.62
1948	P 96.70	14.86	15.19	21.89	19.32
1949	100.81	19.74	12.61	20.29	16.49
1950	P 95.58	16.56	15.22	25.17	11.13
1951	112.53	10.59	7.88	23.31	5.68
1952	112.71	12.23	10.06	21.33	12.13
1953	113.18	11.11	12.91	16.92	9.59

\*The figures of profits on tyres and tubes shown in this column are exclusive of the amount of bonus and extra depreciation recovered from GoodYear and India Tyre which has been treated as an extra element of profit. It is not possible to allocate these extra profits to different products or classes of sales.

(ii) Firestone Tyre and Rubber Co. of India Ltd.

Year	Amount	Passen- ger Car	Bus & Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946-47	117.12	36.86	52.03	22.43	56.00
1947-48	154.16	34.82	60.47	34.63	45.32
1948-49	127.31	38.17	54.44	17.35	53.27
1949-50	127.07	17.64	34.54	7.51	66.08
1950-51	165.83	23.15	28.07	(—)0.31	53.42
1951-52	220.18	34.75	41.36	(—)3.17	36.17
1952-53	156.64	29.52	32.35	(—)17.15	37.33

(iii) Good Year Tyre and Rubber Co. of India Ltd.

Year	Amount	Passen- ger Car	Bus & Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%
1946	48.77	} NOT AVAILABLE			
1947	42.89				
1948	36.91				
1949	21.16				
1950	20.93				
1951	26.35	6.79	6.00	19.92	12.03
1952	25.60	15.31	6.02	19.24	9.53
1953	30.94	8.98	10.68	12.75	2.60

APPENDIX XIII—*contd.*(iv) *India Tyre and Rubber Co. (India) Ltd.*

Year	Amount		Passen- ger Car	Bus Truck	Cycle	Others
	Rs. (lakhs)	%	%	%	%	
1946	17.27	21.63	24.46	27.54	..	
1947	17.74	16.29	17.34	23.43	..	
1948	17.70	21.46	11.04	18.22	..	
1949	14.94	29.29	7.28	10.98	7.27	
1950	18.32	3.95	11.25	14.85	13.99	
1951	22.75	3.46	7.54	23.63	(—)3.00	
1952	12.93	11.27	3.29	19.05	5.80	
1953	19.89	3.74	8.80	13.75	(—)9.85	



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# APPENDIX XIV

[Vide paragraph 36.7]

## Analysis of profit margins (percentage of profits to cost of sales) on different classes of sales

(Tyres and Tubes)

(i) Dunlop Rubber Co. (India) Ltd.

Year	Amount*	O.E.	Replace- ment	Govern- ment	Export	Good- year	India Tyres
	Rs. (lakhs)	%	%	%	%	%	%
1946	93.14	23.41	40.81	84.53	17.33	7.04	6.85
1947	97.85	23.36	38.66	42.73	14.86	6.93	7.27
1948	96.70	6.54	28.00	38.70	14.98	6.31	6.62
1949	100.81	(—)2.61	26.76	36.34	8.68	6.23	6.55
1950	95.58	8.60	26.31	21.00	17.44	6.37	6.45
1951	112.53	(—)1.20	17.82	3.19	1.12	6.81	6.89
1952	112.71	15.10	18.68	28.21	11.14	6.11	5.94
1953	113.18	20.90	20.17	23.14	4.99	5.39	5.43

\*The figures of profits on tyres and tubes shown in this column are exclusive of the amount of bonus and extra depreciation recovered from Goodyear and India Tyre which has been treated as an extra element of profit. It is not possible to allocate these extra profits to different products or classes of sales.

(ii) Firestone Tyre and Rubber Co. of India Ltd.

Year	Amount	O.E.	Replace- ment	Govern- ment	Export
	Rs. (lakhs)	%	%	%	%
1946-47	117.12	27.28	50.69	81.77	53.32
1947-48	154.16	24.09	57.72	78.25	71.03
1948-49	127.31	16.40	58.55	88.05	24.32
1949-50	127.07	0.92	40.78	58.25	1.21
1950-51	165.83	0.19	33.47	47.42	1.04
1951-52	220.18	18.37	40.28	62.12	20.79
1952-53	156.64	29.46	33.64	34.24	15.12

(iii) Good Year Tyre and Rubber Co. of India Ltd.

Year	Amount	O.E.	Replace- ment	Govern- ment	Export
	Rs. (lakhs)	%	%	%	%
1946	48.77	0.87	43.64	..	7.86
1947	42.89	5.93	29.05	..	28.23
1948	36.91	(—)7.81	25.48	..	..
1949	21.16	(—)16.14	16.55	..	..
1950	20.93	(—)23.55	12.21	..	(—)13.70
1951	26.35	(—)17.95	9.95	6.04	25.37
1952	25.60	(—)11.80	7.82	10.29	20.06
1953	30.94	(—)2.89	8.23	12.17	22.90

## APPENDIX XIV—contd.

(iv) *India Tyre and Rubber Co. (India) Ltd.*

Year	Amount	O.E.	Replacement	Government	Export
	Rs. (lakhs)	%	%	%	%
1946 . . . .	17.27	9.48	23.54	11.93	36.15
1947 . . . .	17.74	19.08	15.32	..	48.53
1948 . . . .	17.70	(—)1.86	14.80	8.58	15.64
1949 . . . .	14.94	(—)7.78	11.15	13.76	19.69
1950 . . . .	18.32	(—)8.21	13.55	7.55	23.58
1951 . . . .	22.75	(—)11.46	12.27	(—)1.32	19.40
1952 . . . .	12.93	2.50	5.41	9.81	16.95
1953 . . . .	19.89	12.18	7.81	17.24	26.85



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**APPENDIX XV**  
[Vide paragraph 37·1]

(A) Statement showing the cost of sales of (i) all products and (ii) products other than tyres and tubes and the percentage of the latter to the former

(i) *Dunlop Rubber Co. (India) Ltd.*

Year	Products other than Tyres and Tubes	All products	Percentage of 2 to 3
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
1946	42·899	443·544	9·67
1947	44·489	477·083	9·33
1948	59·265	645·854	9·18
1949	87·832	766·074	11·47
1950	72·326	619·094	11·68
1951	97·257	1126·805	8·63
1952	156·506	1042·588	15·01
1953	176·337	1013·725	17·39

(ii) *Firestone Tyre and Rubber Co. of India Ltd.*

Year	Products other than Tyres and Tubes	All products	Percentage of 2 to 3
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
1946-47	13·900	258·247	5·38
1947-48	12·903	291·602	4·43
1948-49	7·685	255·001	3·01
1949-50	12·456	400·236	3·11
1950-51	33·118	645·475	5·13
1951-52	32·021	600·233	5·33
1952-53	30·990	546·409	5·67

(iii) *Good Year Tyre and Rubber Co. of India Ltd.*

Year	Products other than Tyres and Tubes	All products	Percentage of 2 to 3
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
946	45·042	181·250	24·85
947	30·224	199·128	15·18
948	63·889	259·594	24·61
949	44·210	269·481	16·41
950	43·055	262·705	16·39
951	68·356	404·978	16·88
952	87·880	400·441	21·95
953	79·921	386·205	20·69

(iv) *India*

Year	Percentage of to 3		
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
1946	8.206	78.096	10.51
1947	11.822	108.789	10.87
1948	13.822	150.486	9.18
1949	19.024	185.470	10.26
1950	18.771	183.698	10.22
1951	20.013	276.978	7.23
1952	23.947	245.054	9.77
1953	24.786	246.525	10.05

**B. Statement  
other tl**

Year	2 to 3		
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
1946	11.239	109.580	10.26
1947	9.553	116.666	8.19
1948	11.781	117.353	10.04
1949	17.565	128.227	13.70
1950	13.564	117.077	11.59
1951	17.445	139.581	12.50
1952	12.072	132.818	9.09
1953	3.780	125.024	3.02

\* The figures of profits on all products shown in this column are inclusive of bonus and extra depreciation recovered from Goodyear and India Tyre which has been treated as an extra element of profit. It is not possible to allocate these extra profits to different products.

(ii) *Firestone Tyre and Rubber Co. of India Ltd.*

Year	Products other than Tyres and Tubes	All products	Percentage of 2 to 3
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
1946-47	5.213	122.335	4.26
1947-48	5.051	159.209	3.17
1948-49	2.705	130.017	2.08
1949-50	3.068	130.142	2.36
1950-51	8.361	174.190	4.80
1951-52	11.928	232.107	5.14
1952-53	11.570	168.210	6.88

APPENDIX XV—*contd.*(iii) *Good Year Tyre and Rubber Co. of India Ltd.*

Year	Products other than Tyres and Tubes	All products	Percentage of 2 to 3
(1)	(2)	(3)	(4)
	Rs. (lakhs)	Rs. (lakhs)	%
1946	10.978	59.753	18.37
1947	5.014	47.900	10.47
1948	7.874	44.780	17.58
1949	3.953	25.110	15.74
1950	5.174	26.104	19.82
1951	11.952	38.304	31.20
1952	7.958	33.560	23.71
1953	4.528	35.471	12.77

(iv) *India Tyre and Rubber Co., (India), Ltd.*

Year	Products other than Tyres and Tubes	All products	Percentage of 2 to 3
(1)	(2)	(3)	(4)
1946			
1947			
1948			
1949			
1950	0.316	18.040	1.70
1951	3.221	25.967	12.40
1952	3.197	16.122	19.83
1953	2.048	21.938	9.34

**C. Statement showing the profit margins i.e., profits as percentage to the cost of sales on (i) products other than tyres and tubes and (ii) on tyres and tubes.**

(i) *Dunlop Rubber Co. (India) Ltd.*

Year	Products other than Tyres and Tubes	Tyres and Tubes
(1)	(2)	(3)
	%	%
1946	26.20	23.25
1947	21.47	22.62
1948	19.88	16.48
1949	20.00	14.86
1950	18.75	17.48
1951	17.94	10.93
1952	7.71	12.72
1953	2.14	13.52

APPENDIX XV—*concl.*(ii) *Firestone Tyre and Rubber Co. of India Ltd.*

Year	Products other than Tyres and Tubes	Tyres and Tubes
	%	%
1946-47	37.50	47.93
1947-48	39.13	55.31
1948-49	35.30	51.48
1949-50	24.63	33.77
1950-51	25.25	27.08
1951-52	37.25	38.75
1952-53	37.33	30.39

(iii) *Good Year Tyre and Rubber Co. of India Ltd.*

Year	Products other than Tyres and Tubes	Tyres and Tubes
	%	%
1946	24.37	35.81
1947	16.59	25.39
1948	12.32	18.86
1949	8.94	9.39
1950	12.02	9.53
1951	17.48	7.83
1952	9.06	8.19
1953	5.67	10.10

(iv) *India Tyre and Rubber Co. (India), Ltd.*

Year	Products other than Tyres and Tubes	Tyres and Tubes
	%	%
1946	12.53	24.71
1947	10.72	18.30
1948	10.11	12.95
1949	4.68	8.98
1950	1.68	11.11
1951	16.09	8.85
1952	13.35	5.85
1953	8.26	8.97