CHAPTER - I -


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Unsuccessful Attempts to Establish a Cotton Textile Mill:

An attempt was made as early as 1817 by Fergusson & Co. to operate a cotton textile mill named and styled as Bowreas Mill, run by steam, worked exclusively by non-Indian technicians, installed at the cost of £ 2,00,000 and with a capacity of 20,000 spindles and 100 looms. This unit which was fifteen miles away from Calcutta proved a failure and the mill had to be sold off for £ 60,000. A composite joint-stock mill, subsidised heavily by the French Government was operating with 22,800 spindles and 454 looms in Pondicherry in South India, in the year 1830. Fort Glaster the Mill was established on the bank of river Hoogly in Calcutta by an Englishman named Patrick round the year 1830. It continued to be in existence in 1854 when systematic and more fruitful attempts were made in Bombay and Broach - a town on the bank of river Narmada in the State of Gujarat - for creating a viable cotton textile mill. Through the good offices of Major Fulljames, by the year 1847, Mr. Ranchhoddal Chhotalal the pioneer and founder of the cotton textile mill industry of Ahmedabad and endowed later on with the title of "DEWAN BAHADUR" unsuccessfully attempted to secure from Bryan Duncan & Co. of
London, more up-to-date estimates for the establishment of a textile mill on the bank of the river Narmada. Major Full James was the "Commandant of the Gujarat Irregular Horse."

In 1851, James Landon, an Englishman who had secured an enviable fortune after taking over from the East India Company the charge of the Cotton Experiments Centre at Broach, where he was running a large Ginning Factory as well, helped Mr. Ranchhodlal to secure from England reliable estimates for launching a mill and offered to secure 50% of the required capital. For the proposed mill, on specific terms Landon was ready to get the building constructed and the machinery installed. He was also prepared to manage the proposed mill and to offer the security guaranteeing the fulfilment of his responsibility in the contract between him and the rest of the shareholders of the proposed mill. Enthused by all this, Mr. Ranchhodlal decided to mobilise capital for the proposed mill which in all was expected to be of the order of Rs.5,00,000.

But the expected shareholders and supporters of Mr. Ranchhodlal eventually refused to stand by him, sign the contract deed and pay up subscriptions. The reason for it was this. Messrs Lackie & Co., then a leading Agency House of Bombay, with which Landon had trading connections, guaranteed that share subscriptions would be deposited with them till Landon required them for purchasing machinery in London and if they were not so required they would be returned to the shareholders. The expected shareholders naturally objected to this guarantee on the ground that it deviated substantially from the one specified by Landon to Mr. Ranchhodlal. Landon's arguments that he was going to be
the largest shareholder, nearly 1/5th of the entire cost of machinery and buildings was to be paid for with his money, his own unencumbered property in India valued more than half of his consideration in the contract, he was to manage the mill and last but not the least his character was vouched for by one of the leading Houses of Bombay, could not persuade expected shareholders to contribute their promised subscriptions. They discovered further objectionable terms in the agreement.

SUCCESSFUL ADVENTURES:

On 1st January 1855, with a capital of Rs.4,00,000 divided into 80 shares of Rs.5,000 each, Landon successfully started the Broach Cotton Mills. In Bombay Cowasjee Dawar and Manekjee Petit successfully started their mills on 7th February 1856 and 27th May 1858 respectively.

Mr. Ranchhodlal did not lose courage when his negotiations with Landon ended rather abruptly. He continued his efforts to establish the mill and in 1858 succeeded in floating a company to start a small mill with a capital of Rs.1,00,000 divided into 20 shares. These shares were gradually paid up. Among the earlier shareholders were Mr. Ranchhodlal himself, ‘Rao Bahadur’ (to be abbrivated to R.B. from hence forward) Mr. Maganlal Karamchand, R.B. Premabhai Hatheesingh, Mr. Kesarsing and Mr. White. Mr. Ranchhodlal was entrusted with the erection and the management of the proposed mill and in consideration for which, he was to receive a commission of 2½ % on the sale of yarn. The mill was expected to commence with a strength of 2500 throttle spindles.

Through Dadabhai Naoroji, Mr. Ranchhodlal placed orders
for machinery in England. But boundless as his courage and
tenacity were, equally difficult and trying were the circum-
stances he was called upon to combat with. Since the railway
line now connecting Bombay and Ahmedabad did not exist in those
days, he must have been required to utilise all wits at his
disposal in transporting machinery from Bombay to Ahmedabad.
Before the machinery arrived, the English technician entrusted
with the erection and the management of the proposed mill, died
of Cholera. The machinery capsized in the way. As goodluck
would have it, it was insured and orders were promptly placed
for a new one. The new machinery which was landed at the port
of Cambay in Gujarat, arrived in Ahmedabad by bullock-carts
four months after disembarkment. Not satisfied with their skill,
Mr. Ranchhodlal was required to relieve one after the other,
four technicians employed to install the machinery. Ultimately
with the help of an astrologer friend, who knew a bit of
applied mechanics, he began to install the machinery himself,
and was helping himself fairly well. But in the meantime, he
could acquire the services of an English technician named
Eddington, who completed the remaining installation. Mr.
Ranchhodlal outwitted his circumstances and started in
1861 an exclusively spinning mill, the first of its type in
Ahmedabad and known as "The Ahmedabad Spinning and Weaving Co.
Ltd." It was run by 63 locally recruited operatives, skilled
ones among whom were very scarce in those days. In the first
year of its working, "The Ahmedabad Spg. and Wvg. Co."
declared a dividend of 6%. But that did not earn a word of
appreciation from the trading community of Ahmedabad where
market rates of interest stood higher. In course of time the mill prospered and its capital and spindles were respectively raised to Rs.3,20,000 and 10,000.

In 1879, with all help and support from his father D.B. Ranchhodlal, Mr. Madhavlal promoted another mill named "The Ahmedabad Ginning & Mfg. Co.Ltd.", popularly known as 'Madhubhai Mill'. The mill was promoted with a capital of Rs.3,50,000. Eventhough both the mills installed by D.B. Ranchhodlal have gone out of existence by now yet the name of D.B. Ranchhodlal, as the founder of the textile industry, is still actively alive in the mind of every intelligent man of Gujarat in general and Ahmedabad in particular. Prosperity of Gujarat can be traced to the tireless efforts and entrepreneurial zeal of D.B. Ranchhodlal. He was a linguist, president of the Ahmedabad Municipality and nationalist. Though not as liberal in donations as his grandson Sir Chinubhai Madhavlal Bart.1, he nevertheless helped cultural and educational institutions. Though a man of very moderate means in the beginning of his career, he died as one of the richest men of Ahmedabad.

The Second Mill in Ahmedabad.

With the outbreak of the American Civil War in 1861, export of cotton from America to England stopped completely. In those days, next to America, India was the largest exporter of cotton to England. With the demand for Indian cotton going up on account of the Civil War, speculation for it in India even became so ubiquitous, that a person (James MacLean - the Editor of the Bombay Gazette) who was issuing strident warnings every morning against speculative excesses, got
contaminated with it. How severe must have been the crisis in the market when the Civil War terminated in 1865, can be judged from the fact that the share of the Back Bay Reclamation Company which was being quoted at Rs. 55,000 two months before the termination of the Civil War, did not find a buyer even for Rs. 5,000. In the speculative madness of the Civil War period, the cotton textile industry in India was not hurt as badly as the general market was. Due to very high prices of raw materials, it was only required to keep some men and machines idle. But the reduction in imports of the English cotton textile goods to India compensated for it. Yarn from D.B. Ranchhodlal's mill was probably sold in England during the Civil War period. The end of that period was propitious for Ahmedabad which had also not been left free from the speculative spree. For in 1865, with a capital of Rs. 5,00,000 R.B. Bechardas Lashkari promoted "The Bechardas Spinning and Weaving Mill," the second mill in Ahmedabad.

R.B. Bechardas, born in a Patel family of Ahmedabad, had wide contacts amongst businessmen and officials. Interalia the help rendered by him to Britishers during the mutiny of 1857, he was endowed with the titles of 'Rao Bahadur' and 'C.I.E.' by the British Government. The Bechardas Spg. & Wvg. Mill, the oldest surviving mill of Ahmedabad, established as a joint-stock concern was converted after some time into a Private Ltd. Company and was reconverted into a joint-stock company in 1916. Throughout the history of its long existence, the Bechardas Mill appears to have been controlled by the Lashkari family.

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* S.D. Mehta: "The Cotton Mills of India 1854 to 1954" P.30
Expansion of the Textile Mill Industry between 1870 to 1890.

Inspite of the gradual abolition of the tariff on the import of English cloth in India and though Lancashire actually wanted to nip the growing Indian cotton textile industry in the bud, between 1870 and 1890, the industry expanded rapidly in India and Ahmedabad as well. The opening of the Suez canal and the consequent cut in the travel distance between India and England and the increased use of steel in the building up of higher and bigger vessels, led to a substantial reduction in the freight cost of machinery. Between 1869 and 1890 the railway mileage in India increased by 11570, and resulted in a spread over of the internal cloth market.

Jamshedji Tata experimented with the Sabbath Ring Spindle invented in America decades ago — Lancashire was conservative enough not to give it even a trial — found it useful and adopted it. Animated by its success in Jamshedji's mill, many millowners in India absorbed it into their mills. Since good spinning depends upon good carding, Revolving Cards which had been invented, were exclusively adopted in our Mills. Experiments in filling and carding machinery, which was later on extensively used in our mills began during this period.

But the singularly important factor, accounting for expansion of the Indian cotton textile mills during the period, was the wide expansion in the Chinese Market for Indian yarn. With these favourable factors to outweigh the adverse repercussions of the abolition of tariffs, the Indian and the Ahmedabad textile industries expanded rapidly during the thirty years from 1860. By 1889, there were 108 mills in the country with
26,67,000 spindles, 22,000 looms and 92,000 workers. Two years later, there existed in Ahmedabad, 9 mills, all cotton textile ones, and with 1,93,737 spindles, 2,485 looms and 7,451 workers. Facts relating to some of the mills which came into existence during the period are as follows:

In 1876, two brothers Jamnabhai and Mansukhbhai, who on account of their philanthropic endowments had possibly the highest reputation in Ahmedabad after the passing away of D.B. Ranchhodlal, established 'The Gujarat Spg. and Wvg. Co.Ltd.'. Their family had controlled and commissioned the affairs of the mill till the year 1953, during which it was sold out to Shri Ratilal Nathalal’s family and was renamed as 'Tarun Commercial Mills Ltd.'. At present this mill is managed by two of its Directors.

In 1880, Jamnabhai and Mansukhbhai started another mill named 'Gujarat Ginning Mill'. In the year 1939, the mill went out of existence; its machinery was scrapped and sold off. According to a historian of the textile mill industry of India, "In Ahmedabad Mansukhbhai Bhagubhai was easily the managing Agent of the largest number of mills - six of them being managed by him at the close of the period".*

In 1891, Trikamlal Harilal Mill which along with a Financier Firm was promoted by a group of five friends, was named as 'Mansklal Harilal Spg. & Wvg. Co.Ltd.'. This is popularly known as 'ACHABHAI MILL'; as the name of it was adopted from the name of Shri Achratlal, who controlled its affairs between 1892 to 1925.

* S.D. Mehta: Ibid: p.50
In 1880, M/s Karamchand Premchand and a few others, purchased a mill in liquidation and named it the "Ahmedabad Mfg. & Calico Printing Co.Ltd.". It is one of the best mills not only in Ahmedabad but in the whole of the country. It came up under the able stewardship of Mr. Ambalal Sarabhai, who happens to be an important personality in the history of industrial relations in Ahmedabad. In the year 1940, "The Ahmedabad Jubilee Spg. & Mfg. Co.Ltd." was merged with the Calico Mills.

**Years 1890 to 1900.**

The period 1890 to 1900 saw the emergence of adverse factors, which could have strangled the expanding cotton textile mill industry.

As a result of the difficulties created by the stoppage of free coinage of silver in 1893 and other factors, exports of our yarn to China and Japan had fallen by nearly twenty three percent. From 12,000 bales in 1894, our export of yarn to Japan dwindled to nil by 1901 and Japan also captured two-fifth of Chinese market for Indian yarn. With the permission of the Secretary of State, in modification of its original proposal, the Government of India imposed a five percent duty on imports of cotton piece goods, yarn and locally produced yarn above 20s. In 1896, it was decided by the Government of India that all woven cotton textile goods, whether imported or manufactured within the country, should be taxed at a uniform rate of three and a half percent and yarn should be kept taxfree. Both these decisions were taken against the wishes and interests of the Indian people. They
were taken to safeguard the Manchester interests to the maximum possible extent. During the decade under review, Bubonic plague broke out in Bombay, Kanpur and Ahmedabad. Thousands of workers left these cities for their villages and Bombay mills were run with the scanty human complement of one-fifth of the normal one. "The millhand was not alone in his fears and as a matter of fact, he was probably the last of the major groups to join the stampede....... Not a few Managing Agents left their mills in the charge of some illiterate or half-educated relative, who probably had no option in the matter, while they sought the safety of their hometowns....... There was an open bidding for workers at street corners ...... wages rose and a system of daily payment came into vogue ...... Extension of the industry in Bombay was checked and there was no question of any new mill being projected." In 1892, millowners in Bombay and Ahmedabad tried to cut down wages. The actual cut in wages varied between ten to fifteen percent. But contrary to expectations of millowners, the workers reacted to wage cuts furiously. In Ahmedabad mills, a general strike took place. "Workers collected in an angry procession which smashed up windowpanes and mill furniture, and moved like an avalanche to the house of Ranchhodlal Chhotalal, the great pioneer: and leading millowner, to whom was ascribed the evil genius behind the wage cut. The violent mob surrounded his bungalow and threatened physical harm, and only the fortunate absence of Ranchhodlal from his residence prevented uglier developments. Tempers,

however, cooled down very soon and workers returned to the mills, "without succeeding in their objective of getting the wage cut annulled." Simultaneously with the outbreak of Bubonic plague in Bombay, a famine of unusual magnitude overtook vast parts of North-West India. The severity of the famine was greater than that of any other in the preceding two decades. The famine visited the country once again at the close of the century and in 1901, the shortages which existed then were unparalleled in the history of Indian famines. These famines reduced the purchasing power of peasants substantially and their demand for the cloth of Indian mills as well.

So heavy was the impact of all these factors in the aggregate, that the production of yarn in Indian mills, fell down within an year's time by 32% in 1901.

During the period under review which has been characterised as a period of 'crisis', the number of mills in India increased from 108 to 190. Their spindles increased from 26 lacs to 49 lacs; their looms increased from 22,000 to 41,000 and their workers increased from 92,000 to 1,56,000. Concomitantly in Ahmedabad, the number of mills went up from 9 to 27, spindles increased from 1,93,737 to 4,77,242 , looms increased from 2,485 to 5,690 and the number of workers increased from 7,451 to 15,943.

It is rather difficult to understand why during the period of 'crisis' in the history of the cotton textile mill industry of India, when the production of cloth was actually reduced, cotton mills in India and Ahmedabad increased in

* S.D. Mehta: ibid: P.82
number. In all periods of depression in the history of cotton textile mills of India possibly the number of mills has increased. Or it may even be that in depressions millowners might have taken a different view, a bright view of the future ahead and thought it prudent to have more mills. Lower costs of manufacturing and machinery existing during depressions might have induced them to establish mills during the 'crisis'.

A few facts relating to mills established in Ahmedabad during the period of the 'crisis' are as follows:-

In 1892, Mr. Mangaldas Parekh, whose contribution to making industrial relations in Ahmedabad peaceful is unique, established in the company of Mr. Balabhai Damodardas Shodhan, "The Aryodaya Spg. & Wvg. Co.Ltd.". In 1893, Trikamdas Jamnadas, a known indigenous banker of Ahmedabad, promoted "The Maneckchock Ahmedabad Mfg. Co.Ltd.". In 1894, Mr. Amritlal Shodhan, promoted "The Ahmedabad Cotton Manufacturing Co.Ltd.", popularly known as the "Bagicha Mill". In 1937, while the gross profit of the mill was Rs. 4811 only, the managing agency commission due, of which one third was voluntarily given up, was Rs. 53,518 and the Financier Firm of the Shodhan family was indebted to the mill by more than a lac of rupees and therefore the agency of the mill passed into the hands of Shri Amritlal Hargovandas. He is a double graduate of the University, successful businessman and man with status and influence not only in Ahmedabad but all over Gujarat. In 1895, Motilal Ghelabhai, promoted "The Gujarat Cotton Mills Co.Ltd.". Numerous changes in its managing agency have taken place since
its inception and at present the mill is controlled by Messrs Kanoria & Co. In 1896, Mr. Motilal Hirabhai promoted "The Ahmedabad Sarangpur Mills Co. Ltd.". In the same year was promoted "The Commercial Mills Co. Ltd.". The managing agency of that mill was changed in 1922 and passed on to Mr. Ratilal Nathalal.

In 1897, Mr. Lalbhai Dalpatbhai, promoted "The Saraspur Mfg. Co. Ltd.". In 1924, the mill was ordered to be sent into liquidation. Mr. Kasturbhai, the son of Mr. Lalbhai, put forth a scheme that satisfied creditors and shareholders of the mill and the mill continued to be under the management of the Kastoorbhai family. Shri Kastoorbhai is a very successful industrialist and businessman. His donations exceeding a crore of rupees are probably as great as his reputation all over. He too happens to be an important personality in the history of industrial relations in Ahmedabad.

In 1895, "The Hutheesingh Mill", which is at present run by the State, was promoted by Mr. Maneklal, the son of Mr. Mansukhbhai Bhagubhai.

In 1900, "The Hitwardhak Cotton Mills Co. Ltd.", was promoted by Mr. Manilal Maganlal. In 1941, it came under the control of Mr. Chhotabhai Patel, who was the first Chairman of the State Transport Corporation of the Bombay State and was named as the "Asarwa Mill" to which "The Shrinagar Mill" was merged in 1951.*

From the Dawn of the Twentieth century to the First World War. Despite ups and downs amidst which, "an unmistakable

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* Most of the material pertaining to the history of the establishment of mills in Ahmedabad has been drawn from Shri N.N. Desai's, "Directory of the Ahmedabad Mill Industry 1929 to 1956."
undertone of faith and confidence was present", years from the
dawn of the twentieth century to the beginning of the First
World War, were in general conducive to the prosperity of the
cotton textile mill industry. Due to the rise in price of
raw cotton from 4 d a lb. to 9 d a lb., and not matched by a
proportionate rise in the price of yarn, spinning mills were
badly hit in the year 1904. As it were to wash out the adverse
impact of the previous year, 1905 was an year of unprecedented
prosperity for Indian mills. In that year, cotton prices were
brought down by a bumper crop of cotton in the U.S.A. and
Japan was kept out of the Chinese market due to the Russo-
Japanese War. Indian exports of yarn to China had risen by
the year 1905 upto 5,67,000 bales as against 2,98,000 bales at
the close of the previous century. But possibly the most
important factor to account for the prosperity of the mills
in 1905, was the spirit of 'Swadeshi' - the substitution of
indigenous products for foreign made goods - kindled in our
country by the partition of the Bengal. Temporarily but how
widely our people were taken in by the Swadeshi movement can
be judged from it, that "School Children made it impossible
for any of their colleagues to don textiles manufactured in
Lancashire. Young girls of five refused to accept presents,
even of shoes, that were not made in India. Surendranath
Banerjee tells a similar story, that was repeated in many
Bengali homes, of a girl of six whose delirious cries on the
surgeon's operation table declared that she would not take
any foreign medicine. Marriage presents were returned, if they
happened to be of foreign make.....no Bengalee would think of
purchasing a foreign-made dhoti or saree; and if he wanted to do so for its cheapness it had to be done during the hours of darkness. The Swadeshi movement not only brought about a great increase in the domestic market for the products of Indian mills, but even led them to venture into new lines of production to displace Manchester products. Due to the decline in Indian exports of yarn to China by 1,85,000 bales by 1907, absence of marriages among Hindus in 1908, unusually small crop of cotton in the U.S.A. in 1911 and the failures of financial institutions promoted by men of doubtful virtue and organisational ability and patronaged during the Swadeshi movement, the Indian mill industry was badly placed from 1907 to 1914. Spinning units were worse hit than weaving or composite ones and many of them converted themselves into composite ones. It would not be unjustified to characterise the period 1907 to 1914, as the period of mild recession. And yet in the same period, production of cloth by Indian mills, increased from 393 million yards in 1898 - 1899 to 780 million yards in 1908 - 1909 and the components in structure of the supply of cloth also changed. In the beginning of the twentieth century, imports, handlooms and the mill production accounted for the supply of cloth by 60 percent, 31 percent and 9 percent respectively. By 1906, these percentages had respectively changed to 57 percent, 27 percent and 16 percent.

It is against the background of these broad facts that one has to analyse why during the period (1901 to 1914) under

* S.D. Mehta: 'ibid' : p.90
review, in India and Ahmedabad the number of mills went up from 190 to 259 (36%) and 27 to 49 (81%) respectively, the number of spindles from 49 lacs to 65 (32%) lacs, and 4,77,242 to 9,63,472 (100%) respectively, the number of looms from 41,000 to 94,000 (132%) and 5,690 to 19,288 (242%) respectively and the number of workers from 1,56,000 to 2,51,000 (60%) and 15,943 to 35,415 (140%) respectively.

In the year 1902, in Ahmedabad Mr. Mangaldas G. Parikh purchased the managing agency of "The Rajnagar Spg. Wvg. & Mfg. Co., Ltd.", in which was merged, "The Haripur Spg. & Mfg. Co., Ltd.", that was purchased in the year 1912. "The Rajnagar Ginning Mill" purchased by Mr. Mangaldas, in 1912, was sold out to "Girdhardas Harivallabhdas Mill" in the year 1930.

Around 1894, Jamshedji Tata, "lent on a short mortgage Rs.3/- lacs to those in charge of the Advance Mills." As a matter of fact the name was singularly inappropriate for the concern. It was one of the fore-runners of that section of the Indian mill industry which is run by the lowest quality of entrepreneurship, and is characterised by poor construction of building and distinguished by an underlying faith in the purchase of second-hand machines, to be supplemented by divided counsels amongst managing agents, directors and shareholders - leading inevitably to the final conclusion bankruptcy !!! Jamshedji felt that his money was not safe and to protect his interests he foreclosed. A dispute ensued lasting until 1900, when Jamshedji purchased the concern for Rs.2,03,550.

"(Jamshedji) The great pioneer was once again seen in a characteristic role. He floated a company to take over the
Advance Mill, but restricted the issue of shares to members of his own family — What had been done for the Swadeshi was repeated for the Advance.*

In the year, 1905, Mr. Balabhai Shodhan promoted "The Sarangpur Cotton Mfg. Co. Ltd.". By 1955, on a share of Rs. 100, apart from fat dividends, the mill company had given bonus shares of more than Rs. 700 and the market value of its share exceeded Rs. 2,000. In 1929, the mill created another mill out of its reserves and in 1934, scrapped and entirely replaced the machinery of the first mill. In the same year, Mr. Lalbhai Dalpatbhai promoted "The Raipur Mfg. Co." from the reserves of which, "The Arvind Mill" was started in 1931. In the very same year, during which the Swadeshi spirit was riding on the crest of the country, Jivanlal Girdharlal, in commission partnership with Mr. Mangaldas G. Parekh, promoted "The Bharatkhand Textiles Mfg. Co. Ltd.", Amritlal Shodhan promoted "The Ahmedabad New Cotton Mills Co. Ltd.", the machinery of which was scrapped and replaced by an entirely new one in the year 1935, Mr. Hiralal Lallubhai and his brother Trikamdas promoted "The New Maneckchok Spg. Wvg. & Mfg. Co. Ltd.", Mr. Chinmanlal Lalbhai promoted "The Hirubhai Mfg. Co." which went over to Shri Khushaldas Patel, Mr. Mafatlal Gagalbhai who had risen from the position of a mill boy, promoted "The Shorrock Spg. & Mfg. Co. Ltd." and Sir Rustamji Jhangir promoted "The Jhangir Vakil Mills Co. Ltd." which passed over to Mr. Mangaldas Jeshingbhai in 1915.

In 1907, Mr. Chinmanlal Munshaw promoted "The Ramkrishna Mills Co. Ltd.". By giving up the practice of appointing One's • S.D. Mehta: 'Ibid': P.60
relatives on the Board of Directors and giving place in the latter to social and honest illuminaries of Ahmedabad, by appropriating, the profit of the mill for the payment of bonus to the staff from the inception of the mill and by being the first mill agent in Ahmedabad to manufacture 'dhotis' and 'Sarees' from imported yarn of finer quality, Mr. Munshaw leaves a qualitative mark in the history of the textile mill industry.

1914 to 1922: Boom years:

On account of the loss of a few markets on the continent, scarcity of shipping leading to a reduction in exports of yarn to China, unwillingness of consumers to purchase dehoarded textile goods at higher prices and the decline in the supply of stores and coal from abroad, the initial impact of the First World War on the cotton mill industry of our country was adverse. But not long after the commencement of the War, due to the curtailment of import of cloth and the enhancement of import duty on cloth by the Government of India in order to meet financial difficulties, a situation of de facto protection to Indian mills was created. Further, the reduction in the import of cloth was not made good by an increase in internal production on account of the cessation of the availability of machinery from abroad. Therefore, the overall supply of cloth fell short of its demand and led to inflation and speculation, of which the mill industry took a handsome advantage. And lastly, wages remained steady right up to year 1918 in certain centres and 1920 in some others. The aggregate of all these influences outmatched the initial adverse impact
of the war on the mill industry and paved the way for an unprecedented boom.

Even before the war began, prices of standard coarse varieties had gone up by 75 percent. By 1917, profiteering in cloth business had been so rampant, that the Government set up the office of Cloth Controller to require mills to produce Standard Cloth. The office of the Cloth Controller and imports to India of Japanese cloth at exceptionally low rates, succeeded in reducing cloth prices in India by a fair margin.

Due inter alia to the loss of the Chinese market for yarn, difficulties of importing mill machinery on account of unstable exchange rates, and inroads successfully made by Manchester in the Indian market in 1921, the Indian cotton textile mill industry like textile mill industries of the most of the countries, would have been facing a depression. But the "Swadeshi" movement as a part of the Non-co-operation Movement launched by Gandhiji in 1921 came to its rescue and helped the continuation of the boom. With the abrupt withdrawal of the Non-Co-operation Movement due to the perpetration of violence in Chauri-Chaura, the boom for our mill industry ended at the close of the year 1922.

During the period (1914 to 1922) under review in India, the number of mills increased from 259 to 292 (12%), spindles increased from 65 lakhs to 77 lakhs (18%), looms increased from 94,000 to 1,43,000 (34%) and the number of workers increased from 2,51,000 to 3,44,000 (36%). Production of cloth which stood at the beginning of the period at 1164 million yards went up to 1732 million yards (57%) at the end of it. The components in the structure of its supply
also changed further; imports accounted for 36 percent and the cloth of mills was 40 percent of the aggregate supply.

During the same period, in Ahmedabad, the number of mills went up from 49 to 56 (14 %), spindles increased from 9,63,472 to 11,33,582 (15 %), looms went up from 19,288 to 25,267 (36 %) and the number of workers increased from 35,415 to 52,571 (48 %).

How great were the prosperity and extravagence of the mill industry during the years of boom, can be judged from this. "During the six years 1917 to 1922 the profits of Bombay Mills aggregated to Rs.33,90,40,424 i.e. nearly four and a half times the paid up capital in 1917. Dividends distributed totalled Rs.21,66,16,545.". At the same time, in 1921 and 1922, for 50 and 49 mills of Ahmedabad, for which figures have recently become available* paid up capital was Rs.301.77 and 300.87 lakhs respectively, gross block was Rs.751.74 and Rs.907.85 lakhs respectively, annual written off depreciation was Rs.38.25 and Rs.39.03 lakhs respectively, gross profits were Rs.289.81 and Rs.186.05 lakhs respectively, dividends distributed were Rs.183.30 and Rs.117.34 lakhs respectively. In 1921 and 1922, the Ahmedabad mill industry distributed dividends which amounted respectively to 61 per cent and 31 per cent on paid up capital. Bombay and Ahmedabad figures given above are strictly speaking not comparable. "But basic facts of the situation were substantially the same everywhere."

In 1913, in Ahmedabad "The Ahmedabad Cotton and Waste Mfg. Co. Ltd." was promoted and its name was changed to

* S.D.Mehta : 'Ibid' : P.155
* Through the courtesy of the T.L.A.
"Maheshwari Mills Ltd.", in 1925. In 1953, M/s Dhirajlal Khushaldas & Co., resigned as agents of the mill which is since then managed by two directors of the Munshaw Family. In 1914, Mr. Mangaldas G. Parekh purchased "The Vepar Uttejak Spg. & Mfg. Co.Ltd.", in liquidation and floated out of it, "The Aryodaya Ginning and Mfg. Co.Ltd.". How much constitutional and rational the architect of peaceful industrial relations in Ahmedabad was, can be judged from this. According to the Article No. 112 of the Association of the mill company the managing agency of which vested in Mr. Mangaldas, capital debt should not have exceeded the value of the paid up capital. When Mr. Mangaldas's attention was drawn to it, in 1929 that against the paid up capital of Rs. 5 lakhs, the capital debt of the company stood at Rs. 35 lakhs, he floated 4000 new shares of the company and purchased them each at Rs. 725/- to equilibrate capital with the capital debt.


In the year 1914, Mr. Amritlal Shodhan promoted "The Lakshmi Cotton Mills Co.Ltd.". In the same year Mr. Motilal Hirabhai purchased "The Ahmedabad Merchants Spg. & Wvg. Mills Co.Ltd.", in liquidation and promoted out of it, "The Kaiser-I-Hind Mills Ltd.". "The Ahmedabad New Textile Mills Co.Ltd.", was established some time about 1914.

In 1920, Mr. Balabhai Shodhan promoted "The Silver Cotton Mills Co.Ltd.";
With the novel practice of issuing shares of the managing agency firm to shareholders, in 1920, two brothers, Englishmen, Charles and Ben Marsden who had earlier worked in Ahmedabad, as Weaving Masters, promoted "The Marsden Spg. and Mfg. Co. Ltd.". Difficulties encountered by Marsden Brothers were similar to those of D.B. Ranchhodlal. Three Directors of their mill resigned, shares of the mill were not all paid up, the machinery lying idle in the Bombay Dock could not be taken possession of due to the shortage of finances and finally Messrs Jhon Taylor & Co. to which the money had been paid for the machinery, collapsed without delivering it. But Marsden Brothers bore with these ordeals courageously and got out of them with the help of Mr. Manilal Mulchand. In course of time the mill prospered and the triumvirate of Charles, Ben and Manilal promoted another mill, "The Monogram Mills Co. Ltd." in 1927. In 1920, Mr. Nanubhai Munshaw promoted "The Vivekanand Mills Ltd.". "The Ahmedabad Jupiter Spg. and Mfg. Co. Ltd.", was also promoted in 1920. In the same year Mr. Kasturbhai Lalbhai promoted "The Ashoka Mills Ltd.". In 1922, Mr. Mangaldas Jaysangbhai purchased a mill in liquidation named, "The Vasso Bombay Mills Ltd."), and promoted out of it "The Jehangir Vakil Mills Co. Ltd.".

1923 to 1930.

The period from 1923 onwards to 1930 could be described to be one ranging somewhere between recession and depression which deepened later on. By 1923, Government's budgetary and monetary policies had become mildly deflationary and together with the exchange ratio of 1 s. 6 d., generated
adverse business expectations. Contrasted to 1920, rates of company floatations and mortality respectively decreased and increased by 77 percent and 300 percent. Increases in stocks of cloth and prices of cotton on account of a crop failure in the U.S.A., caused hardships to Indian mills. After a small setback due to the earthquake of 1923, in 1924, Japan reentered the Indian market for cloth. And with that, prices of cloth fell down still further. Accumulations of cloth did not constitute that headache to Indian mills, which the lower profitability due to lower prices did. Mills of Bombay most of which were over-capitalised - their capital had increased from Rs. 7½ crores to Rs. 20 crores - were the hardest hit by the onslaught of Japanese competition. Japanese mills had several advantages over Indian mills. Their workers were more educated and not organised; strong nationalistic feelings bound them to devoted and sincere work. Japan had already established machine-manufacturing industries and could install mills cheaper. Japanese worker though better paid, had better technical knowledge and had an efficiency greater than that of the India worker. The following tables bear that out.

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>No. of looms</th>
<th>No. of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1913</td>
<td>100</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td>1928</td>
<td>100</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>1933</td>
<td>100</td>
<td>18 to 37</td>
</tr>
<tr>
<td>India</td>
<td>1928</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
For the fear of the compulsion of disclosure of details, which were then considered by them to be trade secrets the Bombay Millowners' Association, did not support the agitation for a revision in tariffs. Mills of Bombay tried to meet the competition of Japan by converting spinning units into composite ones.

During the period under review, the number of mills in India increased from 292 to 344. At the same time spindles increased from 77 lakhs to 95 lakhs, looms increased from 1,43,000 to 1,89,000 and the number of workers increased from 3,44,000 to 4,35,000.

In Ahmedabad in between 1922 and 1930 the number of mills increased from 56 to 72, spindles increased from 11 lakhs to 16 lakhs, looms increased from 26 thousand to more than 38½ thousand and the number of workers increased from 52,571 to 64,480.

In Ahmedabad, in 1925, Mr. Chimanlal Nagri set up "The Nagri Mills Co.Ltd.". In the same year Mr. Chunilal Patel, controlling "The Himabhai Mill" purchased "The Gomtipur Spg. Wvg. and Mfg. Co.Ltd.", from liquidation and named it "The Patell Mills Co.Ltd." and restarted it. Concomitantly, "The New Swadeshi Mills of Ahmedabad" which was subsequently taken
over by Mr. G. D. Birla, was snatched out of liquidation. In 1926, Mr. Harivallabhdas Kalidas whose son Mr. Jayakrishna today holds the Mayorsalty of Ahmedabad with the support of the Labour Union, purchased "The Oriental Mills Ltd.", in liquidation and floated out of it "The Ambica Mills". In 1937, Mr. Harivallabhdas purchased "The Chandrakant Mill" and "The Jagdish Mill" at Baroda and merged them with "The Ambica Mills.". In 1927, Mr. Motilal Hirabhai's grandsons set up "The Vikram Mills Ltd.". In the same year, Mr. Ratilal Nathalal and Mr. Pranlal Bhikhabhai, established their second mill named "The New Commercial Mills Co., Ltd.". "The Bhalakia Mills Co., Ltd." was promoted in 1928 by Mr. Chandulal Mashruwala and Mr. Jethalal Bhalakia. In the same year, Mr. Kasturbhai Lalbhai promoted, "The Aruna Mills Ltd.". "The New Rajpur Mills Co., Ltd." with the overhauled machinery of "The Rajpur Mills Co." promoted in 1913, was floated in 1928. "The Lal Mill" now under the agency of Mr. Jayakrishna Harivallabhdas Family and bearing the new name of "Arbuda Mills Ltd." was promoted in 1929. In the same year Mr. Jayantilal Amritlal D. Shodhan, promoted "The Anant Mills Ltd.".

We may now have a look at the changes in the financial structure of the mill industries of Bombay and Ahmedabad during the period under review. In the year 1929, in the textile mill industry of Bombay, paid-up capital was 44 percent, debentures were 7.1 percent, Bank loans were 7.9 percent, Directors' loans were 21.9 percent and reserves were 19 percent. These figures are per centages of total capital, notionally equal to 100. In the same year, thanks to the financial prudence of mill agents of Ahmedabad, therein the
paid up capital was 26.2 percent, Bank loans on which interest rates would be normally comparatively higher were 3.3 percent, Directors' loans were 11.5 percent, public deposits attracted at low rates of interest (4% roughly) due to the personal financial reputation of mill agents, were 36.5 percent and reserves to total capital were 22.5 percent. In 1921 rates of depreciation* in Bombay mills and Ahmedabad mills were respectively 4.8 percent and 5.1 percent and in 1929 respectively 0.9 percent and 3.4 percent. In 1929, incidences of interest charges were 7.9 percent and 3.2 percent for Bombay mills and Ahmedabad mills respectively. In 1921 the rates of dividend distributed to paid-up capital in Bombay mills and Ahmedabad mills were respectively 30 percent and 60.5 percent and in 1929 they were respectively 1.7 percent and 12.8 percent. In 1929, the rates of dividends to net profits for Bombay mills and Ahmedabad mills were respectively 63.2 percent and 72.6 percent; and in 1929 they were respectively negative and 64.3 percent. Figures of rates of profits to investors' money for Bombay and Ahmedabad cotton textile mill industries in between 1921 and 1930 are tabulated below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage rate of profit to Investors' money</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bombay</td>
<td>Ahmedabad</td>
</tr>
<tr>
<td>1921</td>
<td>34.77</td>
<td>45.73</td>
</tr>
<tr>
<td>1922</td>
<td>15.86</td>
<td>24.08</td>
</tr>
<tr>
<td>1923</td>
<td>1.28</td>
<td>4.98</td>
</tr>
<tr>
<td>1924</td>
<td>3.57</td>
<td>6.05</td>
</tr>
</tbody>
</table>

* Rate of depreciation = Depreciation provision x 100
The value of the Block.
<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage rate of profit to Investors' money</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bombay</td>
</tr>
<tr>
<td>1925</td>
<td>- 5.11</td>
</tr>
<tr>
<td>1926</td>
<td>- 1.74</td>
</tr>
<tr>
<td>1927</td>
<td>4.07</td>
</tr>
<tr>
<td>1928</td>
<td>- 5.38</td>
</tr>
<tr>
<td>1929</td>
<td>- 5.17</td>
</tr>
<tr>
<td>1930</td>
<td>- 5.46</td>
</tr>
</tbody>
</table>

During the period under review dividends declared by the mill industry of Ahmedabad were fatter than those of the Bombay mill industry. That was possibly neither healthy nor necessary. But leaving the question of the dividends distributed apart, it has to be said to the credit of the Ahmedabad mill industry that its financial structure was in general healthier than that of the Bombay textile mill industry. The table quoted above bears it out without any doubt.

The Depression and Recovery:

In 1930-31 the depression deepened. Prices of food and non-food crops declined by more than 40 percent, farmers' incomes declined by more than 30 percent in 1932-33 and 1933-34, values of assets possessed by farmers declined in certain cases up to 25 percent and the rural credit machinery lost even

*All figures quoted above have been taken from Dr. V.R. Trivedi's unpublished doctorate thesis of the Bombay University. The thesis appears to be on the Wage Profit Relationship. But its exact title could not be traced from it.
its notional speed. During the depression farmers and other consumers were impoverished and therefore their demand for the cloth of Indian mills should have fallen. Further the quantity of the supply of cloth by Indian mills with their known higher manufacturing cost, increased in the domestic market to as much as 68% between 1930 and 1934. During the depression in spite of falling prices, in order to maintain incomes intact, farmers produce more of agricultural commodities. Like farmers, in order to maintain incomes constant, possibly mills also produce cloth in excess of the demand for it which falls. The arguments often made that greater production and the commencement of night shifts help mills in reducing the overhead cost do not appear to be very rational from the point of view of their healthy working. Because the proportion of the overhead cost of production of cloth is much smaller than that of raw materials and labour in the overall manufacturing cost. And secondly even if through greater production of cloth and the commencement of night shifts, the overhead cost is reduced it does not prevent the creation of greater imbalance between the demand for and the supply of cloth. The said imbalance paves the way for the further fall in the price of cloth and increases the magnitude of imbalance further. With all these factors operating no wonder between the years 1930 to 1934 it was very difficult for Indian mills to survive.

"1930 was easily the most difficult year", says Dr. Mehta, "Not because it recorded the trough of depression but because the downswing was both drastic and abrupt, squeezing
out huge quantities of working capital, as sales had to be effected at prices substantially below costs."* The initial impact of the Satyagraha Movement of thirties, which was in the offing with the depression and which ultimately helped mills greatly in standing up against the latter, was not favourable to our mill industry. For traders and wholesalers, upon whose cooperation depends the existence of the mill industry, slackened their business activities and actively participated in the Satyagraha Movement. Secondly, "As cotton continued to decline in price, its effects were immediately seen in the prices of yarn and cloth, involving mills in losses, since cloth and yarn made from higher priced cotton had to be sold at lower prices."* As has already been noted, in the latter half of twenties, Japanese competition had become irresistible for Indian mills. Belatedly by 1931, the Government first raised duties on the imports of cotton piece-goods from the U.K. to 15 percent (from 11 percent) and later on to 20 percent. At the same times, duties on non-U.K. imports of cotton piece goods were at first raised to 20 percent and then to 31½ percent.

In 1930 began the famous Satyagraha Movement. It was different from earlier movements of the same type; for its influence was longer, it coverage of people was wider and it also penetrated into rural areas. The Indian National Congress called upon mills not to import yarn. Many mills abided by the call of the Congress. Some of them did so for the fear of the boycott of their products. In response to the invitation

*S.D.Mehta, ibid, p.175
S. Mehta, 'ibid', p.175
of Mr. Motilal Nehru, the Bombay Millowners Association agreed not to raise prices of piece-goods beyond those prevailing on March 12, 1930, acted upon it and published lists of fair prices. Ahmedabad mills even transcended the observance of the pledge given to the Indian National Congress and decided not to import even machinery unless it was essential to do so. The cooperation with the Satyagraha Movement prevented the price inflation of cloth by Indian mills. But it did increase the local demand for their cloth and helped them to liquidate their accumulated stocks. The most prominent effect of the Satyagraha Movement as far as Indian mills were concerned, was the creation of a larger local market through a drastic reduction in imports of cloth. From 18,977 million yards in 1929-30, imports of cloth were reduced to 873 and 760 million yards in 1930-31 and 1931-32 respectively; a fall of about 60 percent. In short, the Satyagraha Movement brought about a de facto protection to the Indian mill industry.

By the end of 1931 the favourable impact of the Satyagraha Movement on Indian mills had been exhausted. But the movement appears to have created a hope in Indian mills that they would be able to survive in future even though it may be more depressing.

In Bombay between 1930 and 1937, public deposits with mills, declined by 55 percent, and paid-up capital increased from 41.9 percent to 55.1 percent. In Ahmedabad though during the period of acute depression (1930 to 1934) public deposits increased from 39.7 percent to 45.2 percent, by 1939, they went down to 33.5 percent.* From 5 percent in

*Dr. V.R. Trivedi: 'Ibid': p.4
1929 the bank rate increased to 7 percent in 1931*, and even at that rate finances were not easily available to mills. 1932 also was a very bad year for Indian mills. The reduction in the value of a yen from Rs.1.53 to Rs.0.85 and sizable purchases of cotton by Japanese mills prior to that, enabled them to reduce the price of cloth in the Indian market slightly above the raw materials cost to Indian mills and increase the export of cloth by 500 million yards to India. Added to this was the adverse effect of the increase in the production of cloth by Indian mills, whose stocks of cloth increased from 12 percent to 18 percent. In vain, Indian mills tried to arrest the pace of Japanese competition by adopting fragmentary rationalisation. Unfortunately by the time the Government raised the ad valorem import duty on Japanese cloth from 37% percent to 50 percent, the Yen - Rupee ratio had fallen still further, to neutralise the effect of increase in import duty.

The year 1933 is famous for two agreements effected during it. The first agreement was made between the British Trade Mission and the Indian millowners. By it, Britain agreed to the need for protection for Indian mills and the later conceded that, "when the Government was in a position to remove the surcharge levied in October 1931 on all imports, the Indian interests would not make fresh proposals with regard to duties applicable to U.K. Imports". The same agreement also provided for the reduction in duties on imported yarn, artificial silk, piece-goods and mixed fabrics. The Ahmedabad mills producing yarn and cloth of finer count did not like the agreement. Convinced of the inability of Indian mills to

* Dr. S.D. Mehta: 'Ibid': p.178
stand up against the sharply competitive techniques of Japanese mills, the Government of India raised the duty on Japanese imports to 75 percent ad valorem. Japan retaliated to this by deciding not to import Indian cotton. Ultimately an agreement - the second one - was arrived at between the Governments of India and Japan, and the "most - favoured nation" treatment was decided to be given to Japan and the quota of Japanese imports were fixed at 400 million yards of piece goods against the export of 1½ million bales of Indian cotton. These two agreements helped to reduce the supply of cloth in the Indian market and prevented its price from falling further. But they could not and were not expected to raise the working of mills to a level of profitability. The recovery in prices of food and non-food crops between 1934 and 1937, in which year again there was a mild relapse of depression did not help mills much. There are several reasons for it. First, the general price level rose, but it was substantially below the predepression level. Secondly, the disturbance in relative prices of agricultural products, adversely affected the purchasing power of the farmer in general and more particularly of those farmers whose standard of living was higher and who could have patronised mills. Thirdly, apart from an increase in imports of cloth by 200 million yards, the recovery tempted Indian mills to produce additional 450 and 550 million yards of cloth in 1934 and 1935 and that accentuated their difficulties. Indian mills did not prefer to heed to the proposal of the Bombay Millowners' Association to restrict the output. The lowering down of imports in 1937, to the
record low level of 579 million yards, due to the Sino-
Japanese war, was made up by an increase in the indigenous
production by 500 million yards.

From 72 in 1930 and 84 in 1936, the number of mills
in Ahmedabad came down to 77 in 1939. In the same years as
referred to above, spindles in Ahmedabad mills were more than
16 lakhs, 20 lakhs and 19 lakhs respectively; looms were
38,812, 50,811 and 46,853 respectively; and the number of
workers was 64,480, 80,705 and 77,859 respectively.

In 1931, Mr. Lallubhai Gordhandas running a company
dealing in mill stores and machinery established "The Rohit
Mill," Mr. Motilal Hirabhai promoted "The Bihari Mill", Mr.
Chinubhai Naranbhai promoted "The Ajit Mills Ltd.", Mr. Popatlal
Nagri from whose hands affairs of the mill later on passed
on to Mr. Ratilal Nathalal, promoted "The New National Mills
Ltd.", Mr. Chimanlal Parekh purchased and converted "The
Rajnagar Mill No.2" into "Girdhardas Harivallabhdas Mills Ltd.;
and Mr. Kastoorbhai promoted "Nutan Mills Ltd.", and "Arvind
Mills Ltd.". In 1932, Messrs Manilal Sankelchand and Co.
has established "The Bharat Suryodaya Mills" which so far
witnessed many changes in its managing agency.

During the period (1931 - 1939) under review, in
Bombay, the proportion of Directors' loans to mills went
down from 22.5 percent in 1931 to 8.1 percent in 1939 but in
Ahmedabad it increased from 8.2 percent in 1931 to 21.6
percent in 1939. Reserves used as working capital remained
practically steady at 19 percent of total capital in Bombay.
In Ahmedabad they fell down between 1930 and 1939 from 19.3
percent to 15.6 percent. In Bombay, paid up capital as a proportion of total capital increased from 43.7 percent to 53.2 percent; in Ahmedabad it remained steady at about 26 percent. In Bombay, the proportion of Bank loans increased from 8.5 percent to 13.1 percent but in Ahmedabad, it increased from only 2.4 percent to 4.1 percent. In Bombay and Ahmedabad in 1931, rates of depreciation were respectively 1.4 percent and 3.3 percent; incidence of interest charges were respectively 7.3 percent and 2.7 percent; rates of dividends distributed were respectively 1.4 percent and 12.0 percent and percentages of dividend on net profits were respectively negative (there was net loss of Rs.12 lakhs) and 65.4 percent. In 1939, in Bombay and Ahmedabad, rates of depreciation were respectively 1.7 percent and 4.0 percent; incidences of interest charges were respectively 7.8 percent and 4.1 percent; rates of dividends distributed were respectively 3.6 percent and 8.7 percent and percentages of dividend on net profits were respectively 104.7 percent and 88.1 percent.

Below are tabulated the rates of net profit on investors' money in the mill industries of Bombay and Ahmedabad during the period under review.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate of profit on investors' money.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bombay</td>
</tr>
<tr>
<td>1931</td>
<td>0.67 %</td>
</tr>
<tr>
<td>1932</td>
<td>-2.84 %</td>
</tr>
<tr>
<td>1933</td>
<td>-3.65 %</td>
</tr>
<tr>
<td>1934</td>
<td>0.38 %</td>
</tr>
<tr>
<td>Year</td>
<td>Rate of profit on investors' money.</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td></td>
<td>Bombay</td>
</tr>
<tr>
<td>1935</td>
<td>-0.19%</td>
</tr>
<tr>
<td>1936</td>
<td>0.75%</td>
</tr>
<tr>
<td>1937</td>
<td>2.74%</td>
</tr>
<tr>
<td>1938</td>
<td>4.30%</td>
</tr>
<tr>
<td>1939</td>
<td>2.53%</td>
</tr>
</tbody>
</table>

Summing up the trends in the cotton textile industry during 1930's this is what Dr. S.D. Mehta points out. His quotation though lengthy is seemly. Says he, "the cotton textile mills of India became a national industry in 1930's - Bengal, South India, Uttar Pradesh and Saurashtra being the main beneficiaries. The thirties also mark the main phase of the effective elimination of foreign competitors from the Indian market, although they did not cease to have considerable relevance to the fortunes of the industry. The growth of the powerloom and hosiery sectors created a wider market for the yarn-selling industry, although overall trends in production did not permit reasonable profits, even in low wage centres. In the cloth-producing sector of the industry, low wage centres - especially in Bengal, Saurashtra and Uttar Pradesh - were in a more fortunate position, although even in this case successful mills could not hope to earn rates of profit earned by some mills up to the first decade of the present century. The abundance of labour supply both skilled and unskilled and the rapid growth in the number of technicians enabled rapid expansion in the mill industry that was achieved
in addition at extremely low first cost. The English lost not merely their superiority as exporters of textiles to India but lost a fair part of their monopoly of the Indian market for machinery”.

Second World War and Prosperity:

As the Second World War progressed, the Government demand with mills cloth for war purposes increased greatly. Consumers' demand engineered by the currency inflation also began to assert itself, though slowly. Export of cloth and orders with mills increased. Mills, therefore, shifted to double-shift production in a large number and enjoyed the war-generated prosperity. The factor basic to it, was the scarcity of supply in relation to a great spurt in demand. The Government was keen that mills should produce the maximum possible cloth and agreed to treat the cost of alterations in machinery necessary for executing its orders as the revenue expenditure and promulgated the Defence of India Act to prevent strikes. It also subsidised trade unions to propagate to produce more for the war. The war successes of the Japanese in the South East Asia and Burma in particular created a suspicion in the minds of many about the future of the textile industry. But that was short-lived. As the Government demand for cloth for the war rose to 1000 million yards a year and the Quit India Movement of 1942 launched by Ghandiji lead to strikes by workers - In Ahmedabad mills stopped working for three and a half months - the imbalance between excess demand for and the supply of cloth became

still wider. "Prices rose rapidly, in some varieties by as

* S.D. Mehta: 'ibid': p.191
much as 400 percent in less than twelve months". The Government enforced the Scheme of Standard Cloth Production, took over the distribution of it, managed it inefficiently and imposed controls on all important requirements of mills. And yet prices of cloth rose rapidly. "Thus between January and May 1943, the price of the cloth produced from the yarn of 20s rose from Rs.1.8 to Rs.3 per lb. and the price of 20s/20s grey cloth rose from Rs.2.1 to Rs.3.14 per lb." This price rise was not very much related to an upward change in the cost structure but was manipulated by speculative tendencies. Between 1929, an year good enough for the industry, and 1942, in Ahmedabad, cotton and yarn cost had fallen from 57.34 percent to 40.39 percent, wages and salaries cost had fallen from 24.86 percent to 20.38 percent, stores, power, insurance, repairs, depreciation and interest charges experienced some rises respectively from 6.47 percent to 13.70 percent, 2.50 percent to 6.22 percent, 0.40 percent to 3.06 percent, 1.20 percent to 4.70 percent, 3.55 percent to 4.68 percent and 1.86 percent to 2.08 percent.*

Finally, the Government imposed the price control and made the declaration of stocks which with traders alone amounted to 2700 million yards obligatory. In 1940, 1943 and 1944 gross profits of the textile mill industry of India respectively amounted to Rs. 7 crores, Rs.109 crores and Rs.85 crores. The story of the production and marketing of cloth during war years is, "more or less a story of black market,

* Dr. V.R. Trivedi: 'ibid'.
control and still more black market. The gap between prices of cloth and the cost of production narrowed down in 1944 and substantially so in 1947 and 1948 when wage awards raised labour earning. Between 1942 and 1944, in Ahmedabad, wage and salary cost as a percentage of the cost of production had risen from 20.38 to 29.45. Due to wide-spread labour troubles, political uncertainty and communal disturbances in 1947-48 as compared to 1944-45, the year of peak war production, the production of yarn and cloth had fallen from 1600 million lbs. and 4700 million yards respectively to 1330 million lbs. and 3800 million yards. The partition of 1947 deprived India of some of the very prosperous agricultural tracts which supplied to Indian mills cotton of longer staple for spinning upto 50s and whose inhabitants, because of their high standard of living, had been patronising mills considerably. The partition therefore made it imperative for the Indian mill industry to export its products.

During the war period, no new mill was created in Ahmedabad. From 25.2, the percentage of paid up capital to total capital rose in Ahmedabad, to 32.5 percent in 1945. Public deposits to capital which stood at 33.3 percent in 1941 fell down to 23.7 percent in 1946 in Ahmedabad. At the same time importance of reserves as capital increased from 14.3 percent to 27.0 percent. Comparative depreciation, dividend and profit position in Bombay and Ahmedabad mills during the war period are tabulated below.
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Mills</th>
<th>Depreciation in lakhs of Rs.</th>
<th>Dividends distributed in lakhs of Rs.</th>
<th>Rate of profit on investor's money.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Block Capit</td>
<td>Provision for depreciation</td>
<td>Amount.</td>
<td>Dividend as a percentage of paid up capital.</td>
</tr>
<tr>
<td></td>
<td>tal.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>68</td>
<td>60</td>
<td>3349</td>
<td>1849</td>
</tr>
<tr>
<td>1941</td>
<td>68</td>
<td>60</td>
<td>3395</td>
<td>1902</td>
</tr>
<tr>
<td>1942</td>
<td>68</td>
<td>60</td>
<td>3432</td>
<td>1922</td>
</tr>
<tr>
<td>1943</td>
<td>68</td>
<td>60</td>
<td>3459</td>
<td>1952</td>
</tr>
<tr>
<td>1944</td>
<td>70</td>
<td>59</td>
<td>3537</td>
<td>1939</td>
</tr>
<tr>
<td>1945</td>
<td>30</td>
<td>62</td>
<td>2186</td>
<td>2026</td>
</tr>
</tbody>
</table>

Source: Dr. V.R. Trivedi's unpublished thesis.
Since Independence.

In 1948, the Government of Independent India removed all controls on the production and the distribution of cloth and its prices. After the promulgation of decontrol, prices of cloth over controlled ones, went up by 50 to 75 percent and brought huge profits to mills. Decontrol was therefore soon removed and stocks were frozen. In 1951, the production of cloth in the country was 4,076 million yards against 4,320 million yards in 1948 and cloth available for internal consumption (22½ lakhs bales) was lower than that in the year 1949 by 1½ lakh bales. And yet, the textile industry experienced a crisis. Prices of cloth fell down between 10 to 40 percent, and with the consumer resisting to purchase, stocks of cloth accumulated with producers and distributors. In Ahmedabad, 21 mills put up notices of the closure of their night shifts. In Ahmedabad, according to the President of its Millowners' Association, accumulated unsold goods with mills amounted to Rs.25 crores. Even the Government of Bombay, which had stocked cloth to prevent the exploitation of the consumer through the price rise, is reported to have suffered a loss of Rs.1.5 crores.* As a way out of the crisis, producers suggested complete decontrol on production and to permit them to export cloth without the apprehension of an internal shortage. How far the freedom to export cloth freely could have liquidated stocks, is questionable in view of the fact that Japan with its lower cost of production had increased its production of cloth from 6.6 million square yards in 1947 to 20.3 million yards by 1951. Two events of importance during the

* M.P. Gendi "The Indian Cotton Textile Industry (1951-52-Annual)"
First Five year Plan Period, were complete decontrol on the production, distribution and prices of cloth and yarn and the plea made to the Planning Commission to encourage handlooms and powerlooms at the cost of mills by freezing their production and the imposition of a levy on them in order to subsidise handlooms and powerlooms. The Kanugo Committee Report published in 195^ pointed out that as the per capita consumption of cloth will rise in the country from 15 to 18 yards by 1960, the total cloth requirement including 1000 million yards for exports, will go up to 8,200 million yards. In 1955-56 the total production of cloth in the country was supposed to be 6,600 million yards (5,000 million yards by mills and 1,600 million yards by the decentralised sector). According to the Kanugo Committee, additional production of 1,600 million yards for the Second Five Year Plan, should have been allotted to the decentralised sector and the production of mills should have been frozen at 5,000 million yards. Practically similar was also the view of the Karve Committee. But out of the targetted additional production of 1,700 million yards of cloth for the Second Five Year Plan, 700 million yards were allotted to the handloom industry, 300 million yards to the Ambercharkha, 200 million yards to powerlooms and 350 million yards to mills with additional automatic looms. All the additional production of mills had been earmarked for exports. Reacting to all this, this is what the President of the Millowners Association, Ahmedabad said: "The provision in the new policy for installation of automatic looms by mills even for a specific purpose shows
that anti-rationalisation forces have been overcome to a certain extent — the per capita consumption of 18.5 yards adopted by Government in the new policy is on the low side, considered in the light of facts and figures —— It is further doubtful if the intention of Government to make available adequate quantity of cloth at economic prices would materialise as the output by decentralised sectors may not come up to the expectations and consequently the country may continue to experience shortage of cloth.” Needless it is to say that the view expressed above has not proved to be correct. Prof. M.P. Gandhi, who too earlier thought that the per capita consumption of cloth had been calculated at a lower level in 18.5 yards, revised his view in his Indian Cotton Textile Industry 1958-59 Annual. Further during the First Plan, production of mill cloth, increased from 3,718 million yards to 5,102 million yards (37%) and that of the decentralised sector could increase by more than 75 per cent from 810 million yards to 1,459 million yards.

In the middle of the year 1956, the Government made changes in the structure and rates of excise duty on cloth produced by mills. Except in the case of 'dhoties' and 'sarees' in coarse counts, the rate of excise duty was increased per square yard from 3.125 nP. to 9.375 nP.; in the medium count it was increased from 6.25 nP. to 12.5 nP.; in fine cloth it was augmented from 10.9305 nP. to 18.75 nP. and in the superfine it was increased from 15.625 nP. to 25 nP. There was a good amount of agitation by mill agents against these changes in excise duties. As a result of the recommendations
of the Textile Enquiry Committee (The Joshi Committee) of 1958, the structure of excise duties tabulated below, was evolved.

<table>
<thead>
<tr>
<th>From</th>
<th>Coarse</th>
<th>Medium</th>
<th>Medium B</th>
<th>Super fine</th>
</tr>
</thead>
<tbody>
<tr>
<td>types of production</td>
<td>A (upto 25s)</td>
<td>25s to 35s</td>
<td>Fine</td>
<td></td>
</tr>
<tr>
<td>4-7-58 Per sq.yd.</td>
<td>-do-</td>
<td>-do-</td>
<td>-do-</td>
<td>-do-</td>
</tr>
<tr>
<td>Grey</td>
<td>4 nP. + 3 nP. in lieu of State's Sales Tax.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bleached Grey rates</td>
<td>Grey rates</td>
<td>Grey rates</td>
<td>Grey rates</td>
<td>Grey rates</td>
</tr>
<tr>
<td>Grey, print, mercerised or otherwise chemically process ed</td>
<td>Grey rate</td>
<td>Grey rate</td>
<td>Grey rate</td>
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<tr>
<td>Shrink proof and organdie processed</td>
<td>Grey rate</td>
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<td>Grey rate</td>
<td>Grey rate</td>
</tr>
</tbody>
</table>

Apropos, one finds the following comments in the 1959 annual presidential speech of the Millowners Association of Ahmedabad. However, despite all that has been done, the situation has not materially improved. For the first time since 1950, there has been a substantial fall in mill production - the production in 1958 being less by nearly 400 million yards as compared to 1957. Expressed in terms of money the loss of production was of the order of Rs. 27 crores. Employment in the textile industry declined from 7,92,000 in December 1957 to 7,40,000 in June 1958... Therewith, however, one particular aspect of the
development of the decentralised sector, which affects materially the well-being of the handloom industry and the organised sector. Several thousands of unauthorised powerlooms are said to be working in the country. The average quantities of yarn and cloth held in stock with the mills during 1958 were 36.71 million lbs. and 846.69 million yards. The mills were obliged to make distress sells to meet with current obligation. Though the demand for finer varieties has been increasing, the production of 'dhoties' and 'Sarees' in coarse counts increased respectively from 9 million yards in 1955 to 172 million yards in 1957 and from 2 million yards to 200 million yards to save excise duties. In the opinion of the Textile Enquiry Committee of 1958, rated capacity of mills was 5100 million yards and no more and their trouble was due to the imbalanced production described above and not due to the encouragement of the decentralised sector.

During the Second Plan, the production of mill cloth increased from 5,102 million yards to 5,127 million yards and that of the decentralised sector from 1,773 million yards to 2,349 million yards (about 35 percent). Total production thus increased from 6,875 million yards to 7,476 million yards (about 8 per cent). There was a short-fall in reaching the target, by 824 million yards (about 11 per cent). The requirement of cloth at the end of the Third Plan has been

* Report of the Millowners' Association for the year 1956.

* The per capita consumption of cloth measured on availability increased from 15.1 yards to 16.8 yards between 1948 and 1957 according to the report of the Textile Enquiry Committee (p. 7).
calculated at 9,300 million yards - 8,450 million yards for internal consumption and 850 million yards for exports - The figure for domestic consumption, provides for an annual increase of 2 per cent in population and 2 per cent for the per capita consumption increase. As for the additional production, 3,500 million yards have been allotted to the decentralised sector and 800 million yards to mills on the assumption that their effective capacity to produce stands at 5000 million yards.

The assumptions that the effective demand in 1960 was 7,000 million yards against the actual production of 6,750 million yards which was due to the shortage of cotton and that the effective production capacity of mills was 5000 million yards in 1960, are both questionable.

In the budget for the year 1961-62, during which mills were required to reduce prices of cloth, basic excise duty on Medium 'A' Grey cloth was increased by 25 per cent, the surcharge on all varieties of processed cloth was increased by 66.2/3 percent, the rate of excise duty on cloth manufactured on automatic looms was increased by 25 percent and for the first time a duty was levied on yarn consumed by composite mills. According to the President of the Millowners' Association, Ahmedabad, in aggregate, additional taxation thus imposed would be to the tune of Rs.10 Crores.*

In 1956, there were more than 20 lakh spindles and 41 thousand looms in Ahmedabad. In the same year, next to U.S.A.

* Report of the Millowners' Association for the year 1960 (p.2)
producing 10,248 million yards of cloth, India was the second largest producer of cloth; its production standing at 5,306 million yards. Of the total cloth production in the country, Ahmedabad produced about 22 per cent - 1211 million yards. Of that, 22 million yards (about 1.8 percent) was coarse, 835 million yards (about 68 per cent) was in the medium count, 226 million yards (about 18 per cent) was in the fine count and 126 million yards (about 12 per cent) was in the superfine count.*

* Memorandum and Answers submitted by the Millowners' ASSOCIATION to the Cotton Textile Wage Board, 1957.