camp to strengthen his position and send out clear signals to his rival groups in the state Congress that he was determined to curb factionalism. Ever since assuming office, Digvijay Singh has tried to emerge out of the shadows of ex-party chief Arjun Singh and quell the threat posed by the Shukla brothers.

The message from the Panchmarhi camp was loud and clear: party workers loyal to either Arjun Singh or the Shukla brothers would henceforth be sidelined by the chief minister. In fact, the *shivir* enabled the CM to target four ministers whom he is apparently planning to sack.

The ministers supposed to be in the line of fire are water resources minister Rajendra Prasad Shukla, PWD minister Hazarilal Raghuvanshi, minister for higher education Mukesh Nayak and health minister Ashok


G.N. JHA

PLAYING IT RIGHT: *chief minister Digvijay Singh*

Rao. While the first two are proteges of Arjun Singh, the other two belong to the Shukla camp.

Conducted by Mahesh Joshi, a former minister who is Digvijay Singh's principal troubleshooter now, the proceedings at the *shivir* seemed to be a warm-up to the elaborate pre-election agenda set down by the chief minister. The camp provided the CM with an ideal platform to thrash out several matters of political importance with his loyal supporters within the party, far removed from the auspices of the faction-ridden PCC.

During the *shivir*, Harbans Singh, minister for public health and engineering, dismissed the PCC as a "defunct" body. Harbans, an erstwhile Arjun Singh supporter who now owes allegiance to Digvijay Singh, was jubilant at the "success" of the *shivir*. "The Congress workers got a chance to give vent to their feelings. The chief minister got a lot of feedback," he said.

While PCC chief Parasram Bharadwaj claims that the Panchmarhi camp "had nothing to do with the Congress", not many in the party seem convinced.

Even after a year since Bharadwaj's nomination as its chief, the PCC executive committee has not yet been finalised. This is primarily because the PCC is riven by factionalism and the two rival groups — the Digvijay Singh camp and the Shukla brothers lobby — have failed to arrive at any sort of settlement.

The Shukla camp has alleged that the chief minister's decision to stage the Panchmarhi camp under the auspices of the newly-formed Sansthan will only serve to fuel factionalism. Both the deputy chief ministers were conspicuous by their absence at Panchmarhi .

And while Harbans Singh insisted that the camp would, in fact, "bridge all groupism", there was no denying the fact that the PCC's failure to extend full support to the chief minister had necessitated the Panchmarhi affair.

It has now become quite clear that the chief minister plans to revamp the state Cabinet and also set up an alternative platform to the PCC. How far Digvijay Singh succeeds in doing this, could well determine his political future in the state. •

Deshdeep Saxena/Bhopal

The fugitive

Patrick Heath, arrested last year for drug trafficking, jumps bail and flees to the United Kingdom


DELHI

On 22 June, 1994, Patrick Heath was picked up by the sleuths of the Narcotics Control Bureau (NCB) in Delhi on charges of drug-trafficking. The case hit the headlines mainly because of the 33-year-old's antecedents. Patrick happens to be the grandson of former British Prime Minister Harold Macmillan and nephew of former Tory MP Lord Julian Emery.

After spending eight months in prison, Patrick — who had been nabbed with five kilogram of hashish — was granted interim bail in February this year by the Delhi High Court. But then he simply disappeared. There was absolutely no trace of him for four months before he surfaced in the United Kingdom. In a recent interview to the British press, Heath revealed that he had jumped bail and made his way to the United Kingdom. He also said that he was determined never to return to India.

Meanwhile, the special Narcotics Drugs and Psychotropics Substance (NDPS) court in the capital issued fresh non-bailable warrants against Heath on 9 August. But this cannot be brought into effect as there is practically no chance of the warrants actually reaching Heath.

Meanwhile, the British High Commission in the capital was typically tight-lipped about the whole affair. "He is no more in India," was all that a spokesman was willing to say. According to sources in the British High Commission, Heath was refused a new passport, but he managed to cross the Indo-Nepal border. At Kathmandu, he is said to have acquired a Venezuelan passport.

All this has certainly put a question mark over the enforcement of the stringent measures drawn up to curb drug trafficking in India. •

K.S.Narayanan/New Delhi

The growing malaise

The brutal killing of a TDP legislator is a pointer to the criminalisation of politics in the state

ANDHRA PRADESH

The brutal killing of P. Satyanarayana, Telugu Desam Party (TDP) legislator from Mahboobnagar district, has brought the growing criminalisation of politics in Andhra Pradesh into focus yet again.

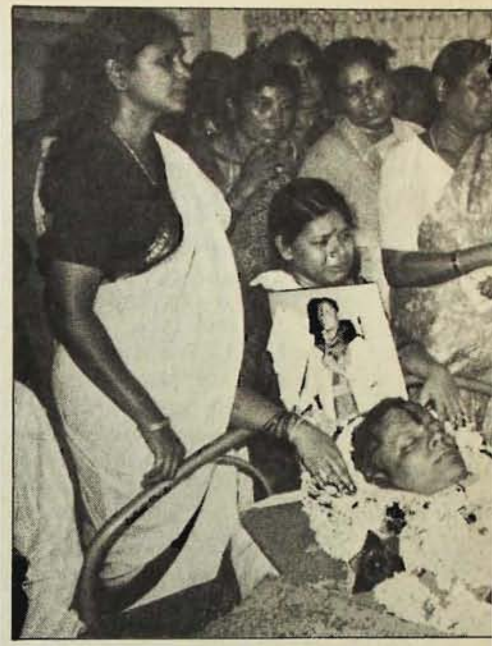
On the evening of 12 August, Satyanarayana, alias Yerda Satyam, had gone to inaugurate a new building of a school in the Badepalli locality of his home town Jadcherla. After the function, he was posing for photographs when he was shot down at point-blank range by a lone gunman. Although 500-odd invitees and several other TDP activists were present, the assailant managed to run to a waiting Maruti car and escape from the spot.

The state police launched a manhunt for the assailants and managed to make a few arrests. A head constable, who had apparently gunned down the legislator with his service revolver, was also nabbed. While the motive for murder is still not clear, it was apparent that the slain TDP legislator had several enemies and rivals gunning for him.

A cousin of state transport minister P. Chandrasekhar, Satyanarayana had over 25 criminal cases registered against him. He was allegedly involved in murder, intimidation and rape in Mahboobnagar district and was a notorious arrack contractor as well.

During the last municipal elections, Satyanarayana had been accused of assaulting some police officials. He was soon suspended from the TDP. Then, about one month before his murder, Satyanarayana was brought back into the party fold by chief minister N.T. Rama Rao himself.

The family members of Satyanarayana blamed the government for not providing adequate police protection in spite of the threat posed to his life. But Satyanarayana's plea to the government for state protection is no isolated case. The



A VIOLENT END: *TDP legislator P. Satyanarayana*

state home minister P. Indra Reddy recently announced that nearly 600 people were given special police protection by the government in Andhra Pradesh. The state government spent a whopping Rs 15 crore every year on

A close shave

A young woman in Delhi cuts her former lover down to size

This surely is the unkindest cut of all. On 10 August, 19-year-old Phool Kumari did a Lorenna Bobbit in the capital. Kumari chopped off her former lover Om Prakash's genitals with a kitchen knife when he tried to rape her at her parent's house at Tirlokpuri in East Delhi.

"Even before my marriage, Om Prakash used to harass me and my sister," Phool Kumari told SUNDAY. "He continued to harass me after I got married. The day before Rakshabandhan, Om Prakash sent a word through my younger sister Usha that he wanted to meet me. But I refused to see him."

Phool Kumari, who had got married to Jatan, an LIC agent, only two months ago, had come to her parent's place on the occasion of Rakshbandhan. On the night of 10 August, Om Prakash, who lives only a few houses away, climbed on to the terrace where Phool Kumari was sleeping along with her sister Usha. He woke up Phool Kumari and after a heated argument, tried to rape her.

Hearing Phool Kumari's cries for help, Jatan and Phool Kumari's father rushed to her resuce. Then, while Jatan held Om Prakash down, Phool Kumari took a kitchen knife and chopped off his genitals.

The police, when informed by the neighbours, rushed Om Prakash to Swami Dayanand Hospital from where he was shifted to Safdarjung

RUPINDER SHARMA

NO REGRETS: *Phool Kumari*

CORPORATE RESULTS

The Worst is Over Now

Sales were up, margins down—Indian companies have survived a difficult year of reforms

ASHESH SHAH

JRD with Ratan Tata after the TISCO board meeting in Bombay: feeling the pinch of liberalisation

By DAKSESH PARIKH

NOBODY said liberalisation was not a painful process. And the annual corporate results for 1992-93 that are coming out now just buttress the point. While sales were up, margins were down. While total profits rose, so did costs. While recession in parts took its toll, competition forced many companies to get a keener edge.

That's the story. No major surprises. No great upsets. Just thank-god-it's-over-and-we-did-okay. Take TISCO, the country's third largest private sector company. It reported a net profit of Rs 127 crore for 1992-93, down Rs 87 crore from the last financial year. More damaging is the 50-per cent drop in profit before tax to Rs 127 crore. TISCO's on-going capital investment programme ensured huge depreciation charges and no need for providing for tax.

Poor off-take in the domestic market due to low demand from the Government and its agencies saw TISCO offering trade discounts. Says Managing Director J.J. Irani: "We have to go to the buyers. The earlier practice of buyers coming to us is no longer valid." Margins on exports were also squeezed as international markets had remained depressed for some time. As a result, gross profit was down. Dividend was slashed from 35 per cent to 25 per cent. But all this bad news is against the backdrop of a hefty rise of Rs 565 crore to Rs 3,352 crore in sales.

The other Tata company, TELCO, turned in a worse show. Not only did its net profit plummet to Rs 30 crore from Rs 130 crore in 1991-92, TELCO's sales were down Rs 88 crore to Rs 3,092 crore. "It is more competitive. The seller's market is being replaced by a buyer's market," Ratan Tata, head of the Tata Group, told newspersons after a TISCO board meeting in Bombay on June 7.

Companies saw real growth after two years. But increased competition hurt profitability in some major segments.

In fact, TISCO's performance—and state—is typical. Higher volumes, lower margins and tonnes of other income. "Reduced government expenditure was also one of the factors for the cement industry posting poor results," says Anil Singhvi, finance controller of Gujarat Ambuja Cement, which seems to be at the end of its four-year-long high—its results are awaited.

Most companies in the cement business were not able to pass on to consumers the additional costs of coal, transportation and railway freight. South India-based companies, however, may have bucked the trend. They were able to get better realisation of Rs 120 to Rs 125 for a 50-kg bag against companies in Rajasthan, Madhya Pradesh and Gujarat which got Rs 100 to Rs 110 because demand remained low in the region.

This is evident from the performance of Chettinad Cement, the only one of the south Indian companies to have come out with the results so far. "However, the results of ACC—the biggest player—would lead to the emergence of a clearer picture," says Singhvi. Gujarat Ambuja and other companies in central India such as Narmada Cement are yet to declare their results.

Despite the many awaited results, some trends are already emerging. The compilation of the annual accounts of 750 companies carried out by *The Economic Times* Research Bureau shows that their aggregate income during the year ended March 1993 had gone up by more than 19 per cent to Rs 71,425 crore.

This is higher than the year's average inflation rate of 11 per cent. Which means that the corporate sector would have had a real growth of 8 per cent, which is substantial. Gross profit has also gone up in absolute terms, but gross profit margins have dipped to 9.4 per cent from 9.8 per cent from the year before. The net profit margins were slightly lower at 4.3 per cent against 4.4 per cent in 1991-92.

And while capital investment did help in lowering the incidence of tax by hiking depreciation, the interest burden on the funds borrowed for the purpose ended up adding to costs. This was one major cost which affected profitability. Delayed payments and higher inventory-carrying costs also affected the performance.

Videocon International, for instance, had to pay nearly 50 per cent higher interest charges at Rs 34 crore, up from Rs 24 crore the year before. Peico Electronics paid Rs 21 crore against Rs 14 crore in 1991-92. As for ITC, the country's second largest private sector company, interest charges went up to Rs 122 crore from Rs 87 crore in 1991-92.

Apart from higher costs, one of the reasons for the slight drop in profitability was the higher depreciation charge necessitated by the expansion and creation of new capacities by the industry. The higher amounts retained by the companies in providing for depreciation, however, meant a lower inflow into the Government's coffers. Provision for taxation has gone down by 4.8 per cent.

The macro-picture, however, hides the fact that some industries did not do well. Sectors like steel, automobiles, petroleum, fertilisers, sponge iron, industrial explosives, tyres, ferro alloys and consumer durables are looking no better than they did last year. And tea and cement, which were last year's golden goose, seem to be heading for the cliff. The accomplishment was in having survived the year. "The steady depreciation of the rupee neutralised some of the adverse impact of lower custom tariffs," says A.M. Paranjpe, a leading Bombay-based economist and corporate analyst.

THE recession was most evident in the consumer goods industry. Bata India, for instance, had an operating loss of around Rs 8 crore for the year ended December, 1992. The rioting had dissuaded dealers in Bombay from stocking goods. Also, reduced buying power due to inflation forced delays in the purchases of refrigerators, TVs and videos.

Videocon VCR Limited's gross profits, for instance, dropped to Rs 3 crore from Rs 6 crore despite a 10-per cent rise in sales of the company to Rs 44 crore. Peico's operating profit was also lower at Rs 40 crore, down from Rs 58 crore. Sales, however, rose from Rs 744.50 crore to Rs 797 crore. "There has been a stagnation in the white goods industry," says Moti Malkani, senior vice-president of Bajaj Electricals.

But two-wheelers, aluminium, cables, engineering, sugar, granites, mini-steels and breweries did relatively well. ITC, whose exports at Rs 761 crore were probably the highest among companies, has seen its net profit go up to Rs 155 crore from Rs 115 crore. Larsen & Toubro also posted a higher net profit of Rs 119 crore as compared to Rs 102 crore. Reliance Industries, in fact, posted an all-time high profit of Rs 321 crore on sales of Rs 4,105 crore. The year before net profit was Rs 163 crore on sales of Rs 2,953 crore.

A good part of the profits, however, came from trading and investments. While the depressed stock-markets did not enable many companies to book capital profits, a lot of profit was booked on account of cancellation of cover on foreign currency contracts. Companies with huge forex liabilities were permitted by the RBI in 1992 to take insurance cover in order to limit their exposure against currency fluctuations.

Many companies took advantage of this. Great Eastern Shipping, for instance, saw its "other income" rise to Rs 57 crore from Rs 13 crore. "Forward contracts and trading in foreign currencies is going to be a normal activity among companies having huge forex exposure," says B.P. Goyal, senior vice-president of Essar Shipping.

But none of the advantage in forex trading, increase in other income or simply better showing benefited shareholders. While Bata India had to skip dividend and TISCO and Peico have had to prune it down, even companies such as Larsen & Toubro which have posted a higher net profit have seen its earnings per share come down due to substantive increases in equity.

For Larsen & Toubro, the earnings per share, for instance, dipped to Rs 6.10 from Rs 11.44. The figure for Videocon International dropped to Rs 13.58 from Rs 56. Evidently, investors who have pumped in nearly Rs 26,000 crore in public/rights issues will have to wait for some time for good returns on their investments.

Also waiting it out with optimism are companies hit by low demand. "The recession induced by structural reforms is likely to persist in 1993-94 but I am quite hopeful that the over-all corporate sector performance will be better than the current year," says K.K. Nohria, managing director and president of Crompton Greaves, which is a part of the L.M. Thapar Group. Nohria and his friends are hoping that reform will start paying off in economic growth. This year's budget which was said to be industry-friendly saw excise duties being lowered across the board. Cheaper raw material and capital equipment imports—a result of lower customs duties—would eventually translate into profits, and later growth.

"The budget will also lead to an uptrend in the economy," says Atul Choksi, managing director of Asian Paints, the country's largest paint-maker. Add to this good monsoon prospects, and corporate India may just take off this year. ■

Chart by JAI

TOP NOTCHERS — Unaudited 1992-93 results

(Rs crore)	Gross income	Net Profit
Reliance Ind.	4105 (2953)	321 (163)
ITC	3809 (3017)	155.3 (115.1)
TISCO	3433 (2870)	127.1 (214.1)
TELCO	3092 (3180)	30.04 (130.8)
L&T	2202 (1784)	118.8 (102)
Hind. Lever *	1769 (1514)	98.4 (80.2)

Figures in brackets are for 1991-92

* Dec end

RAJAN PILLAI

Losing Control

His flagship in Singapore slips out of his hands

THE biscuit baron's year of living dangerously may be running out. While Rajan Pillai's supporters say that the barbarians at his gates are knocking hard, his detractors say that nemesis is catching up with Pillai.

Last month, a Singapore court took away from Pillai the control of Britannia Industries Private Limited (BIPL), the lynchpin of Pillai's byzantine web of companies which straddle Asia's biscuit market. It appointed international accounting firm Arthur Andersen as receivers and managers. Through BIPL, Pillai controls a clutch of companies including Britannia India Limited.

Arthur Andersen's senior partners Steven Lim, Sajjad Akhtar and Ong Chew Chwee have been asked by Justice Karthigesu, who delivered the verdict, to collect all assets, properties and other documents in which the company has an interest.

The evidence for the case came from investigations undertaken by the Commercial Affairs Department (CAD), the white collar crime watchdog of Singapore. CAD has charged Pillai on 25 counts including "dishonestly misappropriating" BIPL money for meeting obligations on behalf of four companies controlled by him and his associates. Under the laws of Singapore, Pillai's actions were illegal, says CAD lawyers. According to the charges he has spent $4.69 million to honour transactions of offshore companies—Vijayalakshmi Cashew Corporation, Paragon Company, Britannia Industries and Singapore-incorporated Shasta Industries.

The petitioner in the Singapore court was F. Ross Johnson, the former chief executive of US foods multinational RJR Nabisco, and Pillai's partner in BIPL. Johnson's dispute with Pillai started last year when Pillai failed to honour an agreement under which he was to have bought Johnson's stake in BIPL. There was disagreement on price. Johnson wanted $57 million but Pillai wanted to adhere to an earlier formula under which he would have to pay just $30 million.

But since the stock-market remained sluggish during much of 1991, Pillai could not raise the cash for paying off, and Johnson claimed his investments were at stake. He sought, from a London court, and won the appointment of an independent auditor last year to go through BIPL's books. The audit was carried out by accounting firm KPMG Peat Marwick. The CAD cases against Pillai were filed soon afterwards.

Pillai: nothing to smile about

NAMAS BHOJANI

A Singapore court has appointed Arthur Andersen as receivers for Britannia Industries Private Limited, Pillai's main holding company.

The problems of Pillai were compounded by his dispute with Groupe BSN, the French foods giant. BSN is Pillai's equal partner in Britannia Brands (Holdings) Private Limited—owner of the biscuit manufacturing and distributing units in India, Pakistan, Malaysia, Singapore, Hong Kong, New Zealand and the UK which use the Britannia brand name. Britannia Brands was born to take-over RJR Nabisco's Asian operations after Nabisco's non-Asian businesses were sold to another US multinational in one of the most expensive buy-outs of the last decade.

Now, BSN wanted to buy out Pillai for $100 million, an offer which was subsequently raised to $120 million. But Pillai turned down their offer.

While fighting Johnson and BSN, Pillai has an edge. He has majority voting rights in all of them except one. The only company where Pillai does not have a majority stake is Britannia Brands, which he owns equally with BSN. Even so, Pillai's partners would find it extremely difficult to throw him out.

But it hasn't stopped them from trying. In February 1992, BSN sued Pillai for siphoning money from Britannia India, a Britannia Brands subsidiary. The Bombay High Court ordered Pillai to repay $6 million to the company by July 31, 1993. Or else be ineligible to offer himself as a candidate for directorship in the annual general meeting scheduled for September 1993. Pillai has not been able to raise the money as yet. If he cannot repay the amount in time, it would be the end of his Indian connection. At least, for some time.

Right now, however, Pillai has to make preparations for the CAD cases which will be coming up in mid-July. These will decide whether he will get control over BIPL or not. He also has to challenge BSN's moves to increase the capitalisation of Britannia Brands, which will dilute Pillai's stake.

In any case, the duelling will be tough even for Pillai, who is known to be a gritty fighter and a canny thinker. But what will be even tougher is to rule Britannia once more.

—SALIL TRIPATHI in Singapore