

Ownership and Control - II

A Study of Inter-Corporate Investment

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

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

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

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

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

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

The first part of this article was published in last week's issue.

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

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

VARIETY OF INTERESTS

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

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

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

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

The Mahindras are engaged exclusively in Trade and Engineering.

The Tatas have practically no interest in Banking, Timber, Rayon, Woollen, Sugar, Paper, Publishing, Real Estate, Glass, Plastics and

Transport. The Birlas, on the other hand, are not interested in Power, Steel and Motels.

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

SYSTEMS OF MANAGEMENT

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

TABLE 1: Assets of Industrial Companies
(Rs lakhs)

Complexes	Circles	Total Assets	Net Fixed Assets	Investments	Inventory & Receivables
Tatas	Inner	253.90	159.95	7.10	81.63
	Outer	73.31	33.19	1.90	34.57
Birlas	Inner	134.36	60.95	7.67	58.15
	Outer	4.62	1.23	4	3.20
Mafatlals	Inner	17.96	4.68	1.48	8.75
	Outer	6.77	1.03	8	4.21
Walchands	Inner	16.00	3.44	1.24	10.60
	Outer	57.53	27.01	7.92	13.25
Mahindras	Inner	1.92	95	Neg	68
	Outer	1.03	7	—	93
Total		567.40 (100.0)	293.50 (51.7)	27.43 (4.8)	215.97 (38.1)
Total excl Tatas		240.19 (100.0)	100.36 (41.8)	18.43 (7.7)	99.17 (41.3)

Figures in parentheses are percentages.

The percentages do not add upto 100 since all the items under total assets are not invert in the Table.

TABLE 2 : Ownership of 491 Companies.

(Rs lakhs)

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

Notes to Tables 2 to 9 : 1 Inner and Outer Circles have been lumped together for the sake of convenience.

2 Indian companies include Exchange Banks but exclude Executor and Trustee companies.

3 Slight differences in totals are due to rounding.

TABLE 3 : Ownership of 228 Public Companies

(Rs lakhs)

Companies	Tatas 70		Birlas 121		Mafatlals 16		Walchands 16		Mahindras 5		Total 228	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	77,80	16,06	48,07	15,17	4,42	1,08	16,36	2,00	1,11	64	1,47,76	34,95
Owners :												
Indian Coys	21,25	2,40	21,48	5,86	2,32	26	5,28	28	15	5	50,48	8,85
Foreign Coys	2,98	22	73	---	---	---	---	---	12	2	3,83	24
Life Insurance Corp.	4,22	2,08	59	1,06	2	9	46	7	Neg	Neg	5,29	3,30
Government	1,25	2,73	75	94	Neg	---	1	1	Neg	25	2,01	3,93
Individuals & Firms in India	46,28	8,34	21,25	6,94	2,05	72	10,31	1,62	76	29	80,65	17,91
Trusts	1,24	28	3,13	33	Neg	1	Neg	Neg	---	Neg	4,37	62
Individuals Abroad	59	1	14	5	2	---	30	1	8	3	1,13	10
Of share capital held by												
Indian Coys :-												
Banks & Insurance	7,77	1,23	1,66	2,60	11	9	1,91	13	1	Neg	11,46	4,05
Inv & Mg Agency	8,16	87	14,92	1,90	1,60	17	2,67	11	2	1	27,27	2,94
Industrial	4,81	10	3,80	1,19	59	---	80	1	Neg	Neg	10,00	1,30
Trading	51	20	1,10	17	2	---	Neg	2	13	3	1,76	42
Public	12,19	1,53	18,52	5,77	68	15	4,65	24	5	3	36,09	7,72
Private	9,06	88	2,96	9	1,63	11	62	4	10	2	14,37	1,14

TABLE 4 : Ownership of 263 Private Companies

(Rs lakhs)

Companies	Tatas 41		Birlas 195		Mafatlals 11		Walchands 12		Mahindras 4		Total 263	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	10,58	1,32	4,82	18	1,28	1,08	1,38	2	14	6	18,20	2,66
Owners :												
Indian Coys	8,55	11	1,45	7	33	30	1,03	2	8	6	17,44	56
Foreign Coys	42	---	---	---	---	---	---	---	5	---	47	---
Life Insurance Corp.	---	---	---	---	---	---	---	---	---	---	---	---
Government	---	---	---	---	---	---	---	---	---	---	---	---
Individuals & Firms in India	79	20	3,24	6	95	78	36	---	1	---	5,35	1,04
Trusts	80	1,01	14	5	---	---	---	---	---	---	94	1,06
Individuals Abroad	3	---	Neg	---	---	---	Neg	---	---	---	3	---
Of Share Capital held by												
Indian Coys :-												
Banks & Insurance	17	3	3	---	---	---	---	---	Neg	---	20	3
Inv & Mg Agency	5,80	4	1,21	5	30	30	3	---	1	2	7,35	41
Industrial	2,53	---	6	2	2	---	99	2	---	---	3,60	4
Trading	6	3	15	---	---	---	1	---	7	4	29	7
Public	4,45	9	85	7	2	---	99	2	7	6	6,38	24
Private	4,10	2	60	Neg	30	30	4	---	1	---	5,05	32

and managing agency companies in the Mafatlals, probably explain why these Groups depend much less on the managing agency system as compared with the Tatas and Walchands.

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

SIZE DISTRIBUTION

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

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

PARTNERSHIP VENTURES

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

STRUCTURE OF ASSETS AND LIABILITIES

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

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

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

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

Figures of net fixed assets and investments in the five Complexes are given in Table I. Any estimate of fixed capital requirements in Industry must, therefore, include the finance required for investments, most of which are generally of a fixed nature and which, from the point of view of the companies con-

cerned, may be almost as important as fixed assets.

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

OWNERSHIP

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

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

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

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

IMPERSONAL HOLDINGS

Individuals and Firms in India, thus, provide more than one-half of both equity and preference or Rs 105 crores out of a total share capital (at par) of nearly Rs 201 crores. Indian companies (including banks as non-veneficial owners but excluding executor and trustee companies) are the next largest shareholders with a contribution of Rs 71 crores. The Life Insurance Corporation

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

Companies	(Rs lakhs)									
	Tatas 14		Birlas 110		Mafatlals 12		Walchands 7		Total 143	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	8.28	2.79	9.63	34	86	81	61	81	19.58	4.75
Owners :										
Indian Coys.	6.45	43	5.19	6	15	3	11	2	11.90	54
Foreign Coys	38	22	—	—	—	—	—	—	38	22
Life Insurance Corp.	5	32	Neg	1	—	—	—	1	5	34
Government	14	34	—	—	—	—	—	Neg	14	34
Individuals & Firms in India	45	47	3.82	17	70	78	50	78	5.47	2.20
Trusts	81	1.01	62	7	—	—	—	—	1.43	1.08
Individuals Abroad	—	—	Neg	3	—	—	—	—	—	3
Of Share Capital held by										
Indian Coys :-										
Banks & Insurance	58	21	15	1	Neg	—	Neg	1	73	23
Inv. & Mg. Agency	5.87	6	4.11	4	15	3	9	1	10.22	14
Industrial	—	5	53	1	—	—	1	1	54	7
Trading	—	10	40	Neg	—	—	1	—	41	10
Public	1.39	39	4.49	5	2	—	8	2	5.98	46
Private	5.06	4	70	1	13	3	3	Neg	5.92	8

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

TABLE 6 : Ownership of 212 Industrial Companies

Companies	(Rs lakhs)											
	Tatas 67		Birlas 110		Mafatlals 14		Walchands 16		Mahindras 5		Total 212	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	73.60	14.27	37.57	14.78	4.84	1.34	16.76	1.18	65	39	1,33.42	31.95
Owners :												
Indian Coys	20.61	1.79	15.78	5.81	2.19	51	5.95	26	18	4	45.01	8.41
Foreign Coys	2.87	Neg	73	—	—	—	—	—	16	2	3.76	2
Life Insurance Corp	3.87	1.74	43	1.05	2	9	48	6	—	—	4.80	2.94
Government	1.11	2.39	75	94	Neg	—	1	1	—	25	1.87	3.59
Individuals & Firms in India	43.95	8.06	17.27	6.68	2.30	71	10.02	84	23	5	73.77	16.34
Trusts	96	23	2.46	28	Neg	1	Neg	Neg	—	—	3.42	57
Individuals Abroad	24	1	13	2	2	—	29	1	8	3	76	7
Of Share Capital held by												
Indian Coys :-												
Banks & Insurance	6.87	89	1.51	2.59	9	9	1.90	13	Neg	Neg	10.39	3.70
Inv & Mg Agency	6.42	75	11.08	1.86	1.77	42	2.48	10	1	1	21.76	3.14
Industrial	6.79	4	2.46	1.19	59	—	1.58	1	Neg	—	11.42	1.24
Trading	52	10	73	17	1	—	Neg	2	17	3	1.45	35
Public	13.75	95	13.30	5.74	68	15	5.36	22	8	2	33.17	7.08
Private	6.86	83	2.48	7	1.81	36	59	4	10	2	11.84	1.32

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

TABLE 7 : Ownership of 127 Trading Companies

Companies	(Rs lakhs)											
	Tatas 25		Birlas 93		Mafatlals 1		Walchands 4		Mahindras 4		Total 127	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	4.59	32	3.17	23	Neg	2	28	2	60	31	8.64	90
Owners :												
Indian Coys	2.20	29	1.39	6	—	2	14	2	5	6	3.78	45
Foreign Coys	15	—	—	—	—	—	—	—	Neg	Neg	15	—
Life Insurance Corp	28	2	2	—	—	—	—	—	Neg	Neg	30	2
Government	—	—	Neg	—	—	—	—	—	Neg	—	Neg	—
Individuals & Firms in India	1.33	1	1.61	15	Neg	—	14	—	54	24	3.62	40
Trusts	25	—	16	2	—	—	—	—	—	Neg	41	2
Individuals Abroad	38	—	Neg	—	—	—	Neg	—	—	—	38	—
Of share capital held by												
Indian Coys :-												
Banks & Insurance	9	15	1	—	—	—	2	—	Neg	Neg	12	15
Inv & Mg Agency	1.56	11	63	5	—	2	2	—	1	2	2.22	20
Industrial	53	Neg	64	1	—	—	10	2	Neg	Neg	1.27	3
Trading	2	3	10	—	—	—	—	—	4	4	16	7
Public	1.06	28	1.12	5	—	—	10	2	4	6	2.32	41
Private	1.14	2	27	1	—	2	4	—	1	Neg	1.46	5

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

holds nearly Rs 9 crores, and Trusts Rs 7 crores. The figure of Trust holdings is clearly an under-estimate since section 153 of the Companies Act discourages registration of trusts as shareholders. Government has subscribed nearly Rs 6 crores, and foreign investors about Rs 5.8 crores. About 48 per cent of the share capital of the 491 companies, thus, comes from entities other than individuals.

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

CORPORATE HOLDING

Analysis of Indian corporate (i.e. joint stock companies.) holding of Rs 71 crores by occupation of investors indicates that Investment & Managing Agency companies (the former predominantly) are the biggest holders providing Rs 38 crores. They are followed by Banks & Insurance (mostly the former on behalf of their clients, especially in some Tata and Birla companies and in Scindia Steam) with nearly Rs 16 crores, industrial companies hold Rs 15 crores and the remaining Rs 2.5 crores comes from Trading companies, some of which in the Birla Group might actually be Investment companies. Industrial companies do not hold any significant amount of preference shares except in the Birla Group. The proportionate importance of Industrial companies as shareholders is clearly greater in the larger Groups.

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

Tables 3 to 7 give breakdowns of ownership separately for public and private companies and for the four occupational categories in which

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

BANKS AS NOMINEES

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

Tables 5 to 7 show the pattern of ownership of 113 Investment & Managing Agency, 212 Industrial and 127 Trading companies. Bank & Insurance have been left out because of their small number.

INVESTMENT COMPANIES

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

Industrial companies (see Table 6) raise nearly 55 per cent of their share capital from Individuals in India, and another 32 per cent from Indian companies. Foreign invest-

TABLE 8 : Ownership of Companies by Occupational Categories

Owners	(Rs lakhs)				
	Total Share Capital (491)	Bank & Insurance (9)	Inv & Mg Ag (143)	Industrial (212)	Trading (127)
Indian Coys	71.32	1.21	12.44	53.42	4.23
Foreign Coys	1.53	Neg	60	3.78	15
L I C	8.61	16	39	7.74	32
Govt	6.01	Neg	50	5.51	—
Individuals in India	101.92	3.12	7.67	90.11	4.02
Trusts	6.95	4	2.51	3.97	43
Individuals Abroad	1.24	Neg	3	83	38
Total	203.58	15.4	24.13	165.37	9.54

Figures in parentheses give the number of companies.

TABLE 9 : Synoptic View of Inter-Corporate Holdings

	Total	Type		Occupation			
		Public	Private	Bk & Ins	Inv & Mg Ag	Industrial	Trading
Number of Coys	491	228	263	9	143	212	127
Total share capital	203.57	132.71	20.36	4.53	24.13	165.37	9.54
Holding of Indian Coys	71.32	59.33	12.00	1.21	12.44	53.43	4.23
Of which held by :							
Public coys	50.41	43.31	6.62	1.00	6.44	40.25	2.72
Private coys	20.90	15.51	5.37	21	6.00	13.17	1.51
Banks & Insurance	15.74	15.51	23	41	96	14.09	27
Inv & Mg Agency	38.09	30.33	7.76	41	10.36	24.90	2.43
Industrial	14.94	11.30	3.64	35	61	12.66	1.30
Trading	2.53	2.18	36	4	50	1.79	22

TABLE 10 : Control of 402 Companies
(Rs lakhs)

Companies	Tatas 55		Birlas 308		Mafatlals 17		Walchands 15		Mahindras 7		Total 402	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	60.36	15.71	50.69	15.17	4.26	1.67	2.91	2.00	1.07	70	1,19.29	35.25
Controlling Interest holding of which :	16.70	1.44	32.95	4.86	3.30	1.09	2.03	12	49	7	55.47	7.58
Managing Agents	23	3	13	—	—	—	13	Neg	9	2	58	5
Investment Coys	7.66	5	14.75	1.75	1.50	31	1.40	3	—	—	25.31	2.14
Banks & Insurance	92	5	72	54	—	—	—	—	—	—	1.64	59
Industrial Coys	5.40	Neg	3.58	1.14	61	—	5	1	—	—	9.64	1.15
Trading Coys	2	3	93	15	—	—	—	2	2	5	97	25
Trusts	1.85	1.19	3.32	28	—	—	—	—	—	—	5.17	1.47
Individuals	62	9	9.53	1.01	1.19	79	46	6	39	—	12.19	1.95

Notes : 1 Analysis Covers Tuter Circles only.

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

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

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

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

(Inner Circles only)

(Percentages)

	Tatas (5)		Birlas (308)		Mafatlals (17)		Walchands (15)		Mahindras (7)		Total (402)		Total excl. Tatas (347)	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total	27.6	9.2	65.0	32.1	77.5	65.5	69.8	6.2	46.0	9.8	47.0	22.0	66.0	31.0
Public Coys	18.0	2.2	61.5	31.3	69.6	9.7	66.8	6.2	42.8	5.3	40.0	16.0	62.0	17.0
Private Coys	91.9	88.9	98.8	100.0	99.2	100.0	100.0	—	79.3	61.1	95.0	94.0	99.0	98.0
Banks & Insurance	24.5	—	23.2	—	—	—	—	—	—	—	24.0	—	23.0	—
Inv. & Mg. Agency	86.1	63.3	93.7	61.5	99.0	100.0	59.9	3.2	—	—	96.0	57.0	92.0	52.0
Industrial	18.7	2.1	57.6	30.7	74.3	35.2	72.1	8.3	16.6	8.5	33.0	17.0	83.0	30.0
Trading	47.6	51.1	95.6	82.9	100.0	100.0	—	—	69.1	11.5	69.0	45.0	91.0	45.0

Figures in parentheses give the total number of companies.

TABLE 12 : Tatas & Birlas—Percentage of Controlling Blocks under Various Heads
(Inner Circles Only)

(Percentages)

Occupation Group	Bank & Insurance		Inv. & Mg. Agency		Industrial		Trading							
	Tatas (5)	Birlas (3)	Tatas (11)	Birlas (109)	Tatas (25)	Birlas (109)	Tatas (12)	Birlas (90)						
Type of Shares (a) Controlling Interest Holding (Rs lakhs)	47	59	5.38	1.13	9.01	21	9.06	30	20.45	4.47	1.79	1	2.91	19
(a) as % of Total Share Capital held by :	24.5	23.2	86.1	63.3	93.7	61.5	18.7	2.1	57.6	30.7	47.6	51.1	95.6	82.9
Managing Agents	—	—	0.1	—	Neg	—	2.4	4.9	0.7	—	0.8	100.0	—	—
Investment Coys	18.1	31.1	79.5	1.7	45.6	17.7	25.9	11.8	48.1	37.2	53.4	—	21.4	25.7
Bank &/or Insurance	75.6	0.2	0.5	2.5	1.4	2.4	5.5	6.9	2.9	12.1	2.0	—	0.1	—
Industrial Coys	—	31.8	—	—	4.4	1.6	54.2	1.0	11.6	25.2	27.3	—	21.5	6.5
Trading Coys	1.4	0.3	—	—	4.4	1.7	Neg	11.3	2.3	3.2	0.6	—	1.9	—
Trusts	1.5	3.5	15.0	89.5	8.3	29.9	3.7	57.9	11.7	4.2	13.7	—	5.1	12.7
Individuals	3.4	33.1	4.9	6.3	35.9	46.7	3.3	6.2	22.7	18.1	2.2	—	50.0	55.1

Figures in parentheses give the total number of companies

ment in them amounts to Rs 4.5 crores, mostly in equity. Government and L I C together have invested Rs 13 crores or nearly 11 per cent of aggregate share capital, of which one-half is preference. Trusts have invested about Rs 4 crores,

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

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

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

INTER-CORPORATE HOLDINGS

Table 9 presents a synoptic view of the pattern of inter-corporate holdings in so far as it can be observed from shareholders' lists. This picture is relatively more reliable and more comprehensive than the one that emerges from the analysis of inter-corporate investments as shown in balance sheets. Share capital held in the name of Indian companies is about 35 per cent of the total share capital of 401 companies. This proportion slightly over-estimates the relative magnitude of Indian corporate holding, since some Bank holdings possibly

belong to unincorporated persons, including Trusts.

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

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

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

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

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

CONTROL

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

Table 10 presents a synoptic analysis of holdings by the respective Controlling Interests in 102 Inner Circle companies. Outer Circles are excluded and dealt with separately.

Out of the total share capital of nearly Rs 155 crores, taking equity and preference together, Controlling Interests provide Rs 03 crores or 40 per cent. Excluding the Tata Group, in which controlling blocks are very low in proportionate terms, the Controlling Interests provide Rs 15 crores or 57 per cent of the total share capital of Rs 79 crores.

Barring the Tatas, the other four Controlling Interests taken together provide more than one-half of the share capital of their companies: 100 per cent of equity and 31 per cent of preference. The proportion in Mahindras is unduly depressed by their small holding in ONE-Industrial company: in Mahindra & Mahindra itself, they hold more than two-thirds of the equity. In all Groups barring the Tatas, therefore, the respective Controlling Interests

enjoy an absolute majority of voting power. The Birlas alone, however, have subscribed a substantial amount of preference capital of their companies.

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

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

CONTROL VESTED IN INVESTMENT COMPANIES

It may be observed that, out of the aggregate holdings of Rs 63 crores by the five Controlling Interests, Individuals contribute Rs 11 crores only, of which Rs 9.5 crores is found in the Birla Group alone. The remaining Rs 19 crores comes from institutional holders like joint stock companies and trusts.

Table 11 shows the proportions of controlling blocks by types and occupational categories of companies. Controlling Interests hold, in the aggregate 10 per cent of equity and 16 per cent of preference in public companies, against 95 per cent and 94 per cent, respectively, in private companies. Exclusion of Tatas, however, raises the respective percentages in public companies substantially to 60 and 30.

Controlling blocks are highest in Investment & Managing Agency and Trading companies, followed by Industrial companies; they are lowest in Rank & Insurance. Barring Tatas and Mahindras, controlling equity

confers an absolute majority of voting power in all categories except Bank & Insurance. Even the Tatas have an absolute majority of voting power in Investment & Managing Agency companies; in Industrial companies, however, their voting power is 19 per cent only.

INTER-GROUP DIFFERENCES

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

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

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

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

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

Tatas Industrial companies Investment companies. Trusts. Insurance companies.

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

Mafatlals—Investment company, Individuals, Industrial companies.

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

Mahindras Managing Agents, Trading companies. Individuals.

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

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

OUTER CIRCLES

The estimation of Group interest in Outer Circles is very difficult, because, in several cases the Group's investments are made by and through 50-50 and minority companies. A synoptic picture of respective Group interests in their Outer Circles is, nevertheless, attempted in Table 11, without any attempt at aggregation. It should be made clear at the outset that the figures in Table 14 tend to over-estimate Group holdings.

Tata equity holding in their Outer Circle is 13 per cent which involves some over-estimation. The Birlas hold nearly 46 per cent, Mafatlals about 25 per cent, and Walchands nearly 17 per cent. The Mahindra holding is the highest at about 4 1/2 per cent due to the extremely narrow ownership of their Outer Circle.

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

In Tatas, Birlas and Mafatlals, the Group's blocks in the Outer Circles are held largely or almost wholly by Investment (and Managing Agency)

companies, but in Walchands, Industrial companies are the largest single holders. In Mahindras, the function is performed by Trading companies.

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

TECHNIQUES OF CONTROL

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

The Mahindra family and top executives hold more than two-thirds of the equity of Mahindra and Mahindra, the investments of which, together with those of its subsidiary, Turner Hoare Private (in which the Tatas have a minority interest), control the rest of the Complex. The investments of Mahindra family and executives are almost totally confined to the principal company.

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

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

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

TABLE 13 : Mafatlals, Walchands, Mahindras — Percentage of Controlling Blocks under Various Heads (Inner Circles Only) (Percentage)

Occupation Group	Inv & Mg Agency				Industrial				Trading					
	Mafatlals (6)		Walchands (6)		Mafatlals (10)		Walchands (9)		Mahindras (3)		Mafatlals (1)		Mahindras (4)	
Type of Shares	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
(a) Controlling Interest Holding (Rs lakhs)	54	76	33	3	2.76	31	1.70	10	8	3	Neg	2	41	4
(a) as % of Total Share Capital 99.0	100.0	59.9	3.2	74.3	35.2	72.1	8.3	16.6	8.5	100.0	100.0	69.1	11.5	
% of (a) held by:														
Managing Agents	---	---	3.5	---	---	---	6.9	2.6	86.5	63.6	---	---	4.6	---
Indian Coys :-	1.5	---	22.4	---	54.2	90.8	78.2	26.4	---	---	100.0	---	---	---
Investment Coys	1.5	---	22.4	---	54.2	90.8	78.2	26.4	---	---	100.0	---	---	---
Industrial Coys	4.6	---	---	24.0	21.3	---	3.0	5.9	---	---	---	---	---	---
Trading Coys	---	---	---	---	---	---	---	20.4	8.2	30.3	---	---	2.9	97.7
Individuals	93.9	100.0	74.1	76.1	24.5	9.2	12.5	44.7	5.3	6.1	100.0	---	92.5	2.3

Figures in parentheses give the total number of companies.
Trust holdings could not be identified in these three Groups.

TABLE 14 : Group Interest in Outer Circles (Rs. lakhs)

Companies	Tatas		Birlas		Mafatlals		Walchands		Mahindras	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Total Share Capital	28.03	1.68	2.20	18	143	49	14.84	2	18	---
Group Holding*	3.63	16	34	Neg	36	12	2.47	2	7	---
% of Total Share Capital	(13.0)	(9.5)	(15.5)	(2.6)	(25.2)	(24.5)	(16.6)	(100.0)	(40.5)	(---)
Managing Agents	82	4	---	---	---	---	7	---	1	---
Investment Coys	1.76	3	26	---	33	11	74	---	---	---
Banks and/or Insurance	24	3	1	Neg	---	---	---	---	---	---
Industrial Coys	65	5	2	---	---	---	1.52	2	---	---
Trading Coys	2	---	Neg	---	---	---	---	---	7	---
Trusts	4	---	---	Neg	---	---	---	---	---	---
Individuals	10	Neg	5	Neg	3	1	15	---	Neg	---

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

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

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

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

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

companies in technically unrelated concerns, and a kind of circular flow by means of which controlling funds return to their starting points, are utilised for controlling the far-flung Complex.

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

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

(To be concluded)

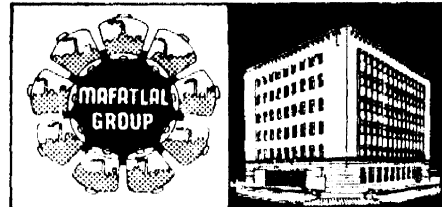


portrait
of the people...

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