

FILE NAME: Shree Digvijay (SDV)

DATE: 1970

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DOCUMENT DESCRIPTION: Johns-Manville File on Shree Digvijay

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File

SHREE DIGVIJAY CEMENT CO.

GENERAL - June, 1970-Oct., 1970

Hof

JOHNS-MANVILLE INDIA LIMITED

22 EAST 40th STREET • NEW YORK, N. Y. 10016 • CABLE ADDRESS "JOHNMANNVIL"



July 15, 1970

Mr. V. N. Somani
Shree Digvijay Cement Company Limited
Shreeniwas House
Waudby Road, Fort.
Bombay - 1
INDIA

Dear Mr. Somani:

I wish to supplement my letter of July 8, 1970 in response to your letter RDT:A:1480 dated June 1, 1970 and also RDT:A:1342 of May 26, 1970 with particular reference to an alleged claim against International Johns-Manville Beirut which you indicated as amounting to approximately Canadian \$1,415.

I can only assume that at the time you wrote this letter you had not familiarized yourself with the file because if you had, I think you could establish the fact that Johns-Manville had no responsibility whatsoever on this particular claim.

I see no reason, therefore, that we should belabor this point further. This same subject has come up over and over again and I would suggest that we close the books on that particular subject.

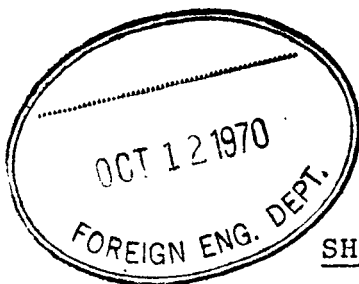
With kindest regards.

Sincerely,

R. S. Olson

RSO/lvr

bcc: G. Read
W. E. Lehmann
N. B. Oliphant
D. G. Colwell
R. Gomez
A. J. Steneri
L. V. Zavatone - Bellegarde
M. I. Fatovich - Rueil
D. Poutiatine



July 10, 1970

SHREE DIGVIJAY CEMENT CO., LTD. - INDIA

BACKGROUND

In 1962 J-M acquired 10% of the stock of Shree Digvijay for a total cost of \$473,000. The investment was made in connection with the company's expansion into the manufacture of Asbestos Cement sheets and pipes using J-M "know-how". The technical assistance agreement for a 15 year period, provides for 3% on domestic sales, and 5% on export sales. Shree also agreed to purchase all of their asbestos fibre requirements from J-M, to the extent permitted by the Government of India.

The majority stockholders of Shree are the Banqurs brothers, a large industrial group in India, and is managed by the Somani brothers.

The following year, 1963, Shree increased its equity capital to finance the second phase of the expansion project. In order to maintain our 10% equity, and to qualify for the foreign tax deemed paid credit, J-M elected to make an additional investment of \$115,000, bringing our total investment up to \$588,600. Our investment was insured with A.I.D. against inconvertibility and expropriation for 100% of our investment.

In 1964 there was a change in the Indian tax laws, whereby Indian income paid to a non-resident taxpayer became liable for withholding taxes up to and exceeding 80%.

Had J-M qualified as a company in India under the Indian Tax Act of 1961, withholding taxes on dividends and royalty income would have been reduced to 50%. J-M's Legal Department would not approve having Johns-Manville Corporation qualified as a corporation for Indian income taxes, since it would have made it possible for the Indian Government to levy income taxes on a portion of J-M's total income.

Rather than have J-M qualify as a Indian Corporation, a Delaware subsidiary, J-M India, was organized, which was then qualified in India for purposes of taxation. The technical assistance agreement with Shree was then assigned to J-M India and the royalty income from Shree is paid to J-M I at the reduced withholding tax rate of about 50%. The dividend income from Shree is paid to J-M Corp. after withholding taxes which have averaged 70% - 80%. J-M is now trying to transfer its shares of Shree to J-M India; but the transfer has not yet taken place since the Indian tax authorities will assert an unknown amount of gift and/or capital gains taxes on the transaction.

In 1966 the Indian Rupee was devalued 36.7%, from 4.76 Rupees to the dollar to 7.50 Rupees to the dollar.

SHREE DIGVIJAY OPERATIONS - APPENDIX A

Shree sales in Rupees increased from 46 million Rupees in 1962 to 120 million Rupees in 1969. Net earnings in 1962 of 5.0 million Rupees, increased to about 10 million Rupees in 1966, then decreased to 6.3 million Rupees in 1969. Sales and earnings in U. S. dollars show a different trend due to the devaluation of the Rupee in 1966, as follows:

YEAR	M RUPEES		RATE OF EXCHANGE	M. U.S. \$	
	SALES	NET EARNINGS		SALES	NET EARNINGS
1962	Rs. 46,450	Rs. 4,893	(Rs. 4.76/\$1)	9,755	1,028
1963	61,778	6,148	(")	12,937	1,291
1964	76,430	7,790	(")	16,050	1,636
1965	85,424	7,790	(")	17,939	1,636
1966	95,348	9,978	(Rs. 7.5/\$1)	12,710	1,330
1967	84,125	8,836	(")	11,214	1,178
1968	81,000	2,859	(")	10,797	381
1969	119,821	6,271	(")	15,973	836

Appendix "A" shows the sales and earnings in U. S. dollars, and the rate of net earnings to sales. From 1962 to 1967 the ratio of net earnings to sales ranged from 9.1% to sales to 10.5%, and declined to 3.5% in 1968 to 5.2% in 1969.

J-M INCOME AND YIELD - APPENDIX B

Accumulated dividends to date amounted to \$259,000 before withholding tax, and \$57,000 after tax. Accumulated royalties before withholding tax were \$360,000 and \$117,000 after tax. The total income J-M received, therefore, amounted to \$174,000, and over the seven year period (1963-1969) has an average yield of 4.2% on the investment of \$589,000. On a DCF basis the yield on our investment was nil over the same period.

J-M's share of S.D.C.'s net worth at its inception amounted to \$657,000 and appreciated \$264,000 to \$921,000 at the end of 1969, including \$362,000 loss on exchange due to the devaluation of the Indian Rupee in 1966.

ASBESTOS FIBRE PURCHASES - APPENDIX B

Purchases of Asbestos Fibre from J-M, ranged from \$176,000 in 1962 to \$425,000 in 1969.

Asbestos fibre shipped in 1962 valued at \$ Can. 183,000 was shipped to Shree to avoid any delay in starting production, and was made in the form of a loan, with 6% interest. The Government of India would only allow the debt and interest to be remitted to the extent Shree realized export sales. As of June, 1970 \$13,700 of the principal amount and \$60,250 in interest are still outstanding. To hasten the repayment of this long over-due debt, we had offered to aid Shree in promoting their export sales with the services of our J-M Beirut staff. However, prices offered by Shree for their products by and large have not been competitive. In 1969 Canadian J-M Asbestos Ltd., assigned and transferred the accounts receivable to J-M India for tax savings on the interest portion.

Prepared by Anne C. Fraser
Office of the Controller

SHREE DIGVIJAY - SALES AND NET EARNINGS000 \$

<u>YEAR</u>	<u>NET SALES</u>	<u>NET EARNINGS</u>	<u>% EARNINGS TO SALES</u>	<u>J-M'S SHARE OF EARNINGS</u>	<u>DIVIDENDS PAID TO J-M</u>	
					<u>GROSS (A)</u>	<u>AFT. W/H TAX</u>
1962	9,755	1,028	10.5	103	-	-
1963	12,973	1,291	10.0	129	-	-
1964	16,050	1,636	10.1	164	46	7
1965	17,939	1,636	9.1	164	63	14
1966	12,710	1,330	10.5	133	40	7
1967	11,214	1,178	10.5	118	-	-
1968	10,797	381	3.5	38	50 (B)	9
1969	15,973	836	5.2	84	59 (C)	20

(A) Dividends paid out of prior years earnings

(B) Dividends for the year 1966

(C) Dividends for the years 1967 & 1968

SHREE DIGVIJAY CEMENT CO., LTD.

<u>YEARS</u>	<u>% EQUITY</u>	<u>J-M COST</u>	<u>NET WORTH</u>		<u>J-M'S INCOME AFT. W/H TAX</u>			<u>% RETURN ON INVEST.</u>
			<u>TOTAL COMPANY</u>	<u>J-M'S SHARE</u>	<u>DIV</u>	<u>ROY</u>	<u>TOTAL</u>	
1962	10.0	473	6,569	657	-	-	-	
1963	10.0	589	8,588	859	-	-	-	
1964	10.0	589	9,498	950	7	12	19	3.2
1965	10.0	589	10,401	1,040	14	29	43	7.4
1966 (A)	10.0	589	8,576 (A)	858	7	21	28	4.8
1967	10.0	589	8,950	895	-	-	-	-
1968	10.0	589	8,935	893	9	-	9	1.5
1969	10.0	589	9,215	921	<u>20</u>	<u>55</u>	<u>75</u>	12.9
					57	117	174	

(A) Includes \$2,600,000 loss on exchange - Indian Rupee Devaluation in 1966.

<u>PURCHASES OF J-M ASBESTOS FIBRE</u>	
<u>YEAR</u>	<u>M \$</u>
1962	176
1963	212
1964	327
1965	94
1966	215
1967	51
1968	--
1969	425

PHONE : 268241
CABLE : JAMCEMENT
Telex : LOTUS-2735

SHREE DIGVIJAY CEMENT
COMPANY LIMITED

WORKS : SIKKA - AHMEDABAD - BOMBAY.

SHREENIWAS HOUSE,
WAUDBY ROAD,
BOMBAY-I, INDIA



Ref.: RDT:A:1342

Date: 26th May 1970

M/s. JOHNS MANVILLE INTERNATIONAL CORPN.,
22 East 40th Street,
New York - N.Y. 10016,
U. S. A.

Attn: Mr. R.S.Olson

Dear Sirs,

We have yesterday cabled you as under :

" ATTENTION MR RS OLSON YOURLET NINETEENTH REMITTED
CANADIAN DOLLARS 83000 APPROXIMATELY STOP LETTER
FOLLOWS REGARDS "

We enclose herewith a statement of account showing the position as on date from which you will kindly observe that as on date only a small amount of Can.\$ 13342.91 remains payable on capital account to your Canadian Associates. We are making every effort to clear this balance as early as possible.

As regards interest charges, in the statement attested by Mr. N.T.Olsen and forwarded to us with your letter of 18th March 1970, the interest charges were calculated at compound rate. In this connection our Mr. V.M. Somani had cordial discussions with you recently at New York when he requested you to charge only simple interest. You have very kindly assured him of your favourable consideration of his request and we are thankful to you for the same.

We have now to request you to kindly let us have an up-to-date signed statement after taking into account the latest remittances and charging therein simple interest at six per cent per annum. The said statement may please be drawn up to show the position as on

Contd...2..

PHONE : 268241
CAPLE : JAMCEMENT
Telex : LOTUS - 2735

SHREE DIGVIJAY CEMENT
COMPANY LIMITED

WORKS : SIKKA - AHMEDABAD - BOMBAY.

SHREENIWAS HOUSE,
WAUDBY ROAD,
BOMBAY-I, INDIA



Ref. :

- 2 -

Date :

30th May 1970 and may be sent to us in sextuplicate.
It would be better if this statement is sent to us
from Canada duly signed by the Canadian Johns Manville
Asbestos Ltd. We are endorsing a copy of this letter
to them.

We take this opportunity to thank you for the very
helpful attitude you have extended to us all through-
out despite the delay which has been occasioned much
against our will.

Thanking you,

Yours faithfully,

For and on behalf of
Shree Digvijay Cement Co. Ltd.

rdt/pb

cc: to Mr. N.T.Olsen,
Vice President,
M/s. JOHNS MANVILLE INDIA LTD.,
U. S. A.

cc: to Mr. David G.Colwell,
Asst. Treasurer,
Executive Offices,
M/s. JOHNS MANVILLE INTERNATIONAL CORPN.,
U. S. A.

cc: to M/s. CANADIAN JOHNS MANVILLE ASBESTOS LTD.,
Asbestos,
Quebec,
Canada

(Asbestos Products vision)

M/s. CANADIAN JOHNS MANVILLE ASBESTOS LIMITED - CANADA

	<u>Debit</u>	<u>Credit</u>
	C. \$	C. \$
12-9-1962 by cost of fibre supplied		1,83,013.36
31-8-1964 by cash remittance	54,045.03	
1-9-1964 - do -	1,12,606.73	
	<u>1,83,013.36</u>	<u>1,83,013.36</u>
1-1-1965 -	-	1,12,606.73

REMITTED

On 8-4-1970 -	-	C. \$	9,595.20
On 23-4-1970 -	-	C. \$	3,253.62
On 22-5-1970 Rs.3,02,875.58			
On 25-5-1970 Rs.2,99,982.51			
	<u>Rs.6,02,858.09</u>	= say C.\$ 85,000	<u>85,000.00</u>
			<u>97,848.82</u>

Due to Can. J.M. on Capital A/c. as on 1-1-1965	C.\$ 1,12,606.73
Less proceeds remitted -	C.\$ 97,848.82
	<u>-----</u>
Balance on capital A/c.	C.\$ 14,757.91

Less : Value of A.C. Sheets supplied to M/s. Gohelin, Jeddah valued at 2 057-10-0 in November 1965 as per instructions of M/s. International Johns Manville, Beirut for which payment has not been received - say	C.\$ 1,415.00
	<u>-----</u>
	C.\$ 13,342.91
	<u>=====</u>

(Note: Amounts remitted on 22nd and 25th May 1970 are taken at C. \$ 85,000/- which is approximate. Actual amounts will be taken into account after hearing from Canada)

Noted
R2J

Johns-Manville India Limited

June 18, 1970

**Mr. R. D. Tripathi
Shree Digvijay Cement Company Limited
Shreenivas House
Waudby Road, Fort.
Bombay - 1
INDIA**

Dear Mr. Tripathi:

Thank you for your letter of May 26, 1970 and I note that you sent copies to Messrs. N. T. Olsen and D. G. Colwell. Mr. Colwell or I will acknowledge your letter formally in the very near future.

With kindest regards,

Sincerely,

R. S. Olsen

RSO/lvr

**bcc: D. G. Colwell
N. T. Olsen
G. Read
R. Gomez**

JOHNS-MANVILLE INDIA LIMITED

22 EAST 40th STREET • NEW YORK, N. Y. 10016 • CABLE ADDRESS "JOHNMANVIL"



June 18, 1970

Mr. V. N. Somani
Shree Digvijay Cement Company Limited
Shreeniwas House
Waudby Road, Fort.
Bombay 1
INDIA

Dear Mr. Somani:

I hope you will overlook my delay in replying to your letter Ref. 1398 of May 25, 1970 but I have been out of the office for a few weeks.

We will formally acknowledge the receipt of funds that you have been able to send us and we appreciate very much that this matter is progressing.

Mr. Gomez, of course, gave me a complete review of your visit at our various plants and I am glad to note that you found your visit to be helpful to you.

There must be some misunderstanding on a visit to Hong Kong because I have no plans whatsoever to visit Hong Kong in July. If things work out, however, I would hope to visit you in November but will advise you further on this at a later date.

With kindest regards,

Sincerely,

R. S. Olson

RSO/lvr

bcc: D. G. Colwell
N. T. Olsen
G. Read
R. Gomez

Shree Digvijay Cement Company Limited

REGISTERED OFFICE : SIKKA. (GUJARAT)

Works at
SIKKA,
BOMBAY 15,
AHMEDABAD, G.



Administrative Office :
SHREENIWAS HOUSE,
WAUDBY ROAD, FORT,
BOMBAY 1. BR.

REF. 1378

DATE 25th May, 1970.

R. S. Olson, Esq.
Johns-Manville International Corporation
22 East 40th Street
NEW YORK N.Y.10016
U.S.A.

Dear Mr. Olson,

I arrived here on the 19th instant.

I had spent 2-3 days in Hongkong and I had a detailed discussion with Mr.Mottier and other members of your office.

I am really thankful to you to have arranged my visits to the Research Centre, Manville, Long Beach, Stockton, Pittsburg, so also for sparing Mr.Gomez to accompany me to all these places. These visits have been of great education to me and Mr.Gomez a great help in understanding the intricacies of manufacture of Asbestos products. I am sure, with the knowledge and experience I have gained, the working of the installation at Ahmedabad would improve. Many suggestions have been given to me by Mr.Gomez, which will be followed up in Ahmedabad and, as has been discussed, when Mr.Gomez is in India in the latter half of the year matters will be discussed then as well. I have to only request that the programme of Mr.Gomez be so arranged that he will spend at least a week with us.

Kindly note that we have been able to remit to you an amount of Rs.3,02,875.58 (Can.\$42,658.5) on last Saturday, the 23rd instant, and an amount of Rs.2,99,982.52 (Can.\$42,252.5) today. In this we have remitted to you the entire foreign exchange earned by our exports so far. Enclosed please find a statement which gives what remains to be earned and remitted to you and also the simple interest thereon. So far as compounding of interest is concerned, the matter was discussed and I am thankful that your office has been sympathetic enough to waive compounding of interest.

I understand that you have a programme for Hongkong next month or in the month of July, and I request you to return to New York via. India, spending a couple of days in Bombay and also seeing

contd.

TELEPHONE OFFICE : 269241 (10 LINES)

TELEGRAMS : JAMCMENT, COMPA
TELEX : 2735-LOTUS BOMBAY

Shree Digbijay Cement Company Limited

REGISTERED OFFICE : **SIKKA.** (GUJARAT)

Works at
SIKKA,
BOMBAY 15,
AHMEDABAD, 5.



Administrative Office :
SHREENIWAS HOUSE,
WAUDBY ROAD, FORT,
BOMBAY 1 BR.

REF. _____

DATE 25th May, 1970

- 2 -

the operations in Ahmedabad. It would be our pleasure to welcome you here on your return trip to New York.

With kind regards,

Yours sincerely,


(V. N. Somani) -

copy sent to Nani

SURE DIGVIJAY CEMENT COMPANY LTD.

 (Asbestos Products Division)

M/s. CANADIAN JOHNS MANVILLE ASBESTOS LTD - CANADA

	Debit ----- C. \$	Credit ----- C. \$
12-2-1962 by cost of fibre supplied		1,83,013.36
31-3-1964 by cash remittance	54,045.03	
1-9-1964 - do -	1,12,606.73	
	-----	-----
	1,83,013.36	1,83,013.36
	-----	-----
1-1-1965 -	-	1,12,606.73

REMITTED

On 8-4-1970	-	C.\$	9,595.20
On 23-4-1970	-	C.\$	3,253.62
On 22-5-1970	Rs.3,02,875.58		
On 25-5-1970	Rs.2,99,982.51		

	Rs.6,02,858.09	= say C.\$ 85,000	85,000.00

			97,848.82

Due to Can. J.M. on Capital A/c. as on 1-1-1965	C.\$ 1,12,606.73
Less Proceeds remitted	C.\$ 97,848.82
Balance on capital A/c.	----- C.\$ 14,757.91

Less: Value of 10 sheets supplied to M/s. Gobelin, Jeddah valued at 2 007-10-0 in November 1965 as per instructions of M/s. International Johns Manville, Beirut for which payment has not been received	- say	C.\$ 1,415.00

		C.\$ 13,342.91
		=====

(Note: Amounts remitted on 22nd and 25th May 1970 are taken at C.\$ 85,000/- which is approximate. Actual amounts will be taken into account after hearing from Canada)

P.S. to W. E. Lehmann

I agree fully with your letter of July 9, 1970. I might, however, point out that everything is not quite as bad with Shree Digvijay as it used to be because we have not only now received nearly all the overdue payments on asbestos fiber amounting to at least \$100,000, but we are also receiving substantial royalties. The fact that we are not receiving large dividends is because of a miserable India tax problem, which we partially created.

Again, I believe your comments are perfectly in order but I thought you would like to know that we are now making some money from Shree Digvijay in royalties, dividends and also from asbestos fiber sales.

A handwritten signature in dark ink, appearing to read 'R. S. Olson', with a stylized, cursive script.

R. S. Olson

July 9, 1970

R. S. Olson

Shree Digvijay - Export Sales

I consider Somani's letter to you a joke. Other people in my organization would probably be rather upset, as Somani has either been given a snow job by his people, or he is deliberately making false statements.

The present and previous Beirut Managers (Fatovich and Zavatone) could give us a long list of sad tales with details about the unbelievable lack of cooperation from Shree, but I am not going to ask them to waste any time in dragging out skeletons.

Somani personally reviewed the situation with Zavatone and other members of the Beirut staff on several occasions, and was shown ample proof of his firm's complete lack of performance.

I believe you should refute the statements made by Mr. Somani just for the record, without going into details as I am not interested in any dispute with these people. Our experience is just 100% negative or, as Leo would say, "sad."

WEL:JA
cc;L. V. Zavatone - Bellegarde
M. I. Fatovich - Rueil


W. E. Lehmann