from the Chair

Mahindra & Mahindra Limited

Speech of the Chairman, Shri K C Mahindra

THE following is the speech delivered by the Chairman, Shri K C Mahindra, at the 13th Annual General Meeting of the Members of Mahindra & Mahindra Limited, held on the 18th May, 1959, at the Taj Mahal Hotel, Bombay 1 -

Record Earnings

I welcome you to the 13th Annual General Meeting of your Company. That in this 13th year the Company would report a record level of earnings is not a concession to any juxtaposition of stars, as perhaps our Hindu shareholders would claim, but it is a reflection of the hard work, selective judgement and constructive enthusiasm of the staff in our various divisions many of whom are also proud shareholders.

There was no change in the composition of the Board during the year, but it is sad to note that Raja Maharaj Singh, our respected colleague, ceases to be a Director, for, owing to illness, he does not wish to continue to serve on the Board. To him is due our grateful appreciation for his wise counsels throughout; and we extend to him our best wishes for speedy recovery.

Expansion and Growth

You have before you a proposal to increase the number of Directors from nine to twelve. In view of the rapid expansion in the activities of the Company, it is desirable that the Board be enlarged, it is also desirable that we continue to receive advice and counsel from men of varied experience in different parts of our country. I hope that you will approve of the proposal and thus extend the area of experience and guidance available for the Management of the growing activities of the Company.

During the year the paid-up capital of the Company was increased from Rs 80 lacs to 187 lacs; the programme for the issue of new oapital was smoothly carried out and the support received from our shareholders was indeed gratifying. This large increase in the capital, necessitated by our various projects, enjoins upon the Management and the staff the need to expand sales, to enlarge margins of profit through strict vigilance on expenses and ever to maintain a buoyant optimism for the future.

New Schemes

The rapidity of expansion has become imperative by growing pressures of planned development. I make no apology for the growth which has enveloped your Company, for I consider it both an essential element of faith as well as consistent with business ideals that there remain in the Managers a continuous look at the future, a persistent glance to the yonder horizons, a corporate philosophy which assumes obligations to support loyally State plans for rapid economic development In making this general statement I am envisioning further capital developments within the ambit of the activities of your Company and its associated groups in the near future.

The report of the Directors refers briefly to the proposals for manufacturing one ton 4-wheel drive truck, and David Brown tractors. We expect these schemes to fructify during the year. Your Company is also participating in the expansion of the Otis Elevator Co. (India) Ltd,---a Company in our associate Group which is increasing its capital fourfold and embarking on an ambitious programme for manufacturing various types of lifts required in the country. Few other schemes are under examination.

Allocation for Research

The Shareholders must have noticed the appropriation this year of a modest sum of Rs. 50,000/- towards a Research and Development Fund. This is the beginning of an organised effort to determine through basic research the essential adaptability of vehicles and other products to conditions prevailing in our country and through applied experimentation design and develop something which will suit not merely the operating requiremente but cheapen costs in conformity with the low purchasing power of the millions, Sustenance of demand is essential for a programme of growth, and unless the product is within the reach of multiple consumers of moderate means, demand cannot be sustained over the years.

Accounts

Turning to the Accounts you will notice that additional depreciation^ which amounts to about Rs. 2,71.000 over and above the normal permitted under the Income Tax Act regulations has been provided. This has been done in order to conform to the realities of replacement of some of our fixed Assets. A Development Rebate account appears in the Profit & Loss Account, representing, as stipulated by the Finance Act, 75 % of the amount admissible to the Company for tax reliefs. The provision for taxation for the year is double the amount provided last year because of the great increase in the gross profits of the Company, being Rs. 71.25 lacs as against Rs. 43.10 lacs last year before providing for Depreciation).

Reference has been made in the Directors' Report to the decline in the volume of turnover in sales and service, from Rs. 24.41 crores to Rs. 17.69 crores. The apparent decline does not give a correct picture, for a substantial quantity of steel imports was arranged through successful bids on tenders which did not require financing. The relative figures (in Rs. crores) are as follows ;

	1957	1958
Sale of steel material purchased and financed	18.82	13.65
Sale of steel material l No finance involved)	1.70	7.27

Dividend

In view of the changing pattern and incidence of taxation It is difficult to present a comparable statistical picture of the operating results. It should, however, be gratifying to the shareholders to note that the profit margin on sales and service has more than doubled as compared to previous year, but the quantum of corporate taxes for the year is also little more than double of what was provided in 1956-57 being Rs. 31 25 lacs as against Rs, 15.50 lacs last year. Nevertheless, the net earnings per equity share have kept pace with increase in the profit margin and considering that the new capital came into service only for one month during the year, the results may be considered highly satisfactory.

As already reported by the Directors, the provisions of Section 23A of the Income Tax Act apply to the Company for this year and accordingly the Directors have recommended payment of a Dividend of 22% p.a. (free of tax) on ordinary shares this percentage must be distributed according to the Act I do not disguise my reluctance in respect of this dividend, for, at this stage of the Company's development, I feel that cash resources may be conserved to the maximum extent and particularly in view of our enlarged programme, it is ordinary business prudence to maintain the cash ways and means position in a healthy state. I trust, however, that the shareholders will approve of the dividend recommendations with acclaim and join me in hoping that the future will also bring satisfactory returns.

Jeep Division

Even with increased emphasis on our manufacturing activity and consequent high costs, we have experienced satisfactory results dur ing the last, six months of the current year. The application Of the American Loan funds towards some of our requirements of both capital goods and current vehicles has resulted in larger allocations and the volume of turnover in the Jeep Division shows substantial increase as compared to last year.

Steel Division

In the Steel Division we are holding our ground and although orders so far booked indicate a decline in tonnage, this is according to anticipations. Interest is being increasingly diverted to enlarging Internal distribution channels. With increasing production of steel in the country our dependence upon imports will soon diminish and time is opportune for the formulation of a comprehensive policy relating to distribution, control and prices.

The Iron and Steel Controllers organisation, with experience now ranging over both the war and post-war periods will have garnered sufficient data on the subject and I am sure they will be the first to recognise the technical complexities of steel production and distribution: satisfactory and advance programming of both aspects is a sine qua non for effective and maximum yields from the vast amount of capital invested in an industry which is basic for general economic advancement. I make Plea for an early enquiry and decisions in this matter, for hasty judgments and ad hoc policy announcements are more likely to retard than improve a rational consumption growth and useful utilisation of both plants and products.

Road Transport

Of interest to the Automobile industry several exciting things have happened during the year. The most momentous event was the very comprehensive enquiry into Road Transport whose report is now receiving the attention of Government. In rny address to you last year I urged speedy development of an extensive Road Haulage Service and submitted for discussion a proposal to ensure the production of requisite volume of trucks and trailers on the one side and the design for financing this development on the other. Transportation as the conveyor belt of industry assumes greater importance as the emphasis on agricultural activity and the drive to produce more of each crop gain momentum. The movement factor of such growth in production therefore needs immediate attention.

In this context it looked rather odd to me that the Railways Ministry would ascribe temporary fall in their earnings to increased competition from Road Services, implying that, a curb be placed on such activities. With the best will in the world and even after completing the very ambitious Railways Plan, which would absorb more than 25% of the Second Plan Expenditure and with whatever impetus is given to development of Road Transport, I remain apprehensive in that there will not be sufficient transport available to move the target productions of both industry and agriculture at the conclusion of the Second Five Year Plan. More detailed efforts are therefore necessary in the direction of improving and enlarging transport facilities all round.

Defence Requirements

Another event which caused considerable excitement was the decision taken by the Ministry of Defence to commence production of certain types of trucks and vehicles for their own requirements thereby threatening to curtail the scope of the market for similar vehicles presently being produced in several existing factories. The decision was explained on the ground that the present commercial producers have been very tardy in their programme of manufacture; that their prices are too high; that there was spare plant capacity in the Ordnance Factories; that the Defence Ministry desired to become self-sufficient in respect of its major requirements.

1 am not in a position to appraise properly the various comments which have been made on this policy, but. would like to draw attention to the apparent lack of co-ordination between the Ministry of Defence and Ministry of Commerce & Industry The latter regulates and controls the development of the automobile industry and a Policy resolution on the subject announced in '1956 took the comprehensive view that the industry was being placed in the protected category and it was desired that the manufacturing programme of the several units should be rationalised and speeded up.

Tariff Commission's View

The Report of the Tariff Commission submitted in October, 1956, which formed the basis for the Policy Resolution, contains an exhaustive review of the difficulties in respect of manufacture and of demand, of high local costs and relatively large capital needs. The smallness of the demand for motor vehicles engaged the attention of the Tariff Commission and I reckon that the recommendation to coordinate civilian and military requirements was made specifically for the purpose of ensuring a larger volume to the producers, which alone can form the base for reduced costs of production.

In this context the decision of the Defence Ministry means subtraction of an important part of the demand from the general volume which to that extent will diminish the incentive to lowering of prices, At the same time it is axiomatic that the Ordnance Factories with their limited volume wH* not be able to achieve production at any lower cost level.

Distribution and Prices

Another event which has exercised enough comment has been Government intrusions in respect of distribution and prices. The restrictions on imports which the industry began to feel from September 1957 have continued, with the result that fewer and fewer automobiles became avalable and a black or grey market has developed in this respoet. I am glad that this position is not applicable to Jeeps and allied vehicles, for supplies have been fairly well maintained and distribution channels adequately supervised.

It is a notorious comment that "Government have a habit of applying controls at wrong points of the supply line or of applying them piece meal and half-heartedly." This is as true of automobile regulations as of food grain policy. There is no cure where demand out-reaches supply except the pumping in of more supply or strictly regimented rationing of available supply. I do not see any practicable solution to the emergent black market and sky rocketing of prices except a bold decision by Government to bring in the country a sizeable volume of car and trucks. This expenditure on foreign exchange can be amply justified for curing the imbalance which has developed and which threatens to upset the delicate price structure already under severe pressure of inflationary forces. The Tariff Commission of 1956 considered this matter of short supply and price controls. They came to this firm conclusion:—

> "It might appear that in the absence of price controls, the current shortage . - . may lead to an excessive rise in prices. We are of the opinion however that even this possibility does not justify the present system of price control It is the shortage which creates opportunities for an excessive rise in prices and the correct remedy is to take measures to relieve the shortage. So long as the shortage persists a system of price control which prevents only the manufacturer from charging excessive prices cannot protect the consumer against exploitation by Dealers and middlemen."

I commend this conclusion to the Government

'People's Car

Another event of considerable Import to the Automobile industry was the announcement of a seven man Committee presided over by Mr, L. K. Jha to examine the possibility of producing a more economic car for the common man, that is, a low cost car within the price range of *RS,* 5,000 to Rs. 7,000, It is stated that the Committee will examine various models of such cars that have been developed in different countries and suggest ways and means of manufacturing such a car in India.

I welcome this move as two years ago I advocated exploration and research toward building a "people s car I hope that the dreams will soon materialise and that the Committee would arrive at the conclusion that something should be done and done quickly to produce in the country what a person of small means can afford. You want a vehicle which will go and reasonably go anywhere, a vehicle which will suit the conditions of locomotion and roads available, a vehicle which is simple to operate and easy to service. Cost factor is of course most important for the people s car as for other vehices and costs can be brought down only by volume production. There is no other way.

Import Small Cars

As a start Government may consider licencing the import of say 2,000 small cars of approved make whose ultimate manufacture is being designed by the Jha Committee, on conditions (a) that the retail price must not exceed 5% over landed cost and (b) that the importer should bring in with each consignment equivalent of 5% worth of spare parts. The impaort- of 2,000 cars will also help in relieving the pressure on prices of vehicles.

Experiment on Different Models

In addition to the problem of production of a low cost vehicle which will engage the attention of the Jha Committee, I suggest that consideration be given to provide facilities for the present manufacturers to devise ways and means to increase their volume of production. One sure way is to permit them to experiment on different models with various combinations of functional components of the basic vehicle each is producing. I submit this as one of the measures which will reduce the costs of production and enable retail prices to be brought down

I have pleasure in reporting that a five year Agreement was signed last week with the Union representing the workmen and members of the Staff. This was made possible after a very exhaustive joint study and analysis of the various jobs, and through the goodwill and co-operation extended by the representatives of the Union. This Agreement, I am sure, will provide an incentive to attaining higher productivity.

This has been a good financial year for the Company. In my opening remarks I have paid tribute to the management and the employees of the Company for the fine results. I am sure they will not rest on their laurels and will continue to give ungrudging service with readiness and enthusiasm and sense of loyalty of which you and I should be proud. Join me in saying thank you to them, one and all.

Note:- This does not purport to be a record of the proceedings of the Annual General Meeting.

U N SPECIAL FUND ASSISTANCE

INDIA has applied for an assistance of $ 860,000 from the United Nations Special Fund to finance the Central Training Institute for Industrial Instructors, to be set up at Calcutta. The Institute will train 400 craft instructors in a session lasting five and a half months, with courses in 14 crafts. The Fund's assistance will be utilised to purchase equipment as well as to cover this expenses of foreign experts to train the instructors. Besides this amount, India will spend Rs 1 crore ($ 2 million) on the project.

The project has bean recommended along with 12 others from 15 countries (five Latin American countries have jointly sought aid for a research institute for industry) as part of the Special Funds $ 7.5 million first operational programme. The recommendations are feeing submitted for approval to the Funds Governing Council which is to meet on May 26*