The Elphinstone Spg. & Wvg. Mills Co. Ltd.

Chairman's Address by Shri N. K. Jalan

'T'HE following is the Chairman's Address by Shri N. K. Jalan at the Annual General Meeting of The Elphinstone Spg. & Wvg. Mills Co. Ltd. held on June 17, I960:

GENTLEMEN,

It gives me great pleasure to welcome you to this Annual General Meeting of the Company, and with your permission, I shall take as read the Report and accounts for the year 1959 which have been in your hands for some time.

We are meeting to-day in the background of a grave international development. The Summit Conference which was to have been held recently at Paris and to the outcome of which the world was looking forward with great expectations, was not held for reasons that are fresh in your minds. Efforts are being made for renewed negotiations with a view to holding the Conference and let us fervently hope that these efforts will succeed and that the results of the Conference will bring peace and prosperity to the people of the world.

Nearer home, the encroachment on the borders of our country by China has caused considerable anxiety. Our Prime Minister invited the Premier of China to our Capital for a friendly discussion even in the absence of a common ground for a discussion on the dispates about the borders and with full knowledge that China had made several incursions into our country. Although the discussion did not bring about any concrete results, the fact that cordial relations have been maintained should prove helpful in the creation of a congenial atmosphere for an amicable settlement of the border issues some time in future.

It is gratifying to note that Indo-Pakistan talks in Washington on the canal water dispute have reportedly been progressing satisfactorily and that a treaty on the subject is expected to be concluded.

Our recurring food deficits, we know, have been a source of much anxiety to the Government and the people over the last many years. And it was increasingly realised that the basic condition for the success of a plan of accelerated economic development was a substantially increased supply of *food** grains. Accordingly, in the formulation of the Third Five-Year Plan, a high priority is being given to several groups of projects related to small and medium irrigation works and to fertilizer plants, which are calculated to facilitate increased production of food in the Third Plan period. But. while the entire plan of increased food production with a target of NO million tons will take some 4 or 5 years to be fully implemented, it was necessary that some firm arrangement should be made for an adequate supply of foodgrains to meet current deficits and unforeseen calamities like floods and droughts. The successful procurement of food imports on the necessary scale on a year-to-year basis was dependent upon adequate foreign exchange being available and supply conditions being advantageous. Both these factors were, as a rule, exposed to fluctuations a/id uncertainties, and the huge scale of operations involved often entailed an excessive drain of foreign exchange resources with consequent short-fall of such resources for other urgent items of imports required for development. And the problem continued to tax the resourcefulness of the Government and the people over the last many years. Thanks to the brilliant conception of a Food Pact with the U.S.A., put forward by our distinguished Food and Agriculture Minister, Shri S. K. Patil, and his tremendous drive to translate that conception into a reality, a Food Pact with the U.S.A. has become an accomplished fact. And the country is assured of the flow of 1 million metric tons of rice and 16 million metric tons of wheat from the U.S.A. during the next 4 years. There can be absolutely no doubt that the conclusion of this Food Pact is of tremendous advantage to India in implementing the Third Five-Year Plan of accelerated economic development and in providing a strong safeguard against the widespread distress and upheaval caused by recurring scarcity of food. We must also take this opportunity to offer our thanks to President Eisenhower who has, time and again, expressed his keen interest in the accelerated economic development of India and who, no doubt, exerted his great influence, as the leader of a great country, to ensure that the negotiations were expedited and the far-reaching Pact involving a deal worth no less than Rs. 607 crores was concluded in what must be considered a record time.

We are also meeting for the first time after the two new States of Maharashtra and Gujarat have come into existence recently. We offer these two States our felicitations on their newly gained status. It is gratifying that Shri Y. B. Chavan and Dr. jivraj Mehta, the two most distinguished leaders of the Government of the former bilingual State, have been chosen as the Chief Ministers of the two new Stales. To Shri Y. B. Chavan and Dr. Jivraj Mehta and to their colleagues, we extend our best wishes for success in their endeavour to make their respective States prosperous and to foster good neighbourly relations.

The year 1959 was, on the whole, a favourable year so far as industrial and agricultural production was concerned, though it is to be noted that there was some reduction in the output of jute and cotton. Higher levels of production in a large variety of articles were achieved. Output of mill cloth during the year was 4.925 million yards as against 4,927 million yards in 1958.

Despite the higher output in the industrial and agricultural sectors, however, the standard of living of the people did not improve on account of inflation which put up the cost of living. The higher cost of living resulted in the increase of Dearness Allowance payable by the industries to their workers and this phenomenon had the inevitable effect of setting up a vicious circle of higher costs and higher wages.

Following the sharp increases effected in the Excise Duty on cloth in September, 1956, it is well-known that a serious crisis developed *in* the industry resulting in consumer resistance, unprecedented accumulations of cloth stocks with the mills resulting in great financial embarrassment, closure of several units of ihe mill industry and the consequent large-scale unemployment. The unfavourable effects of all these unhealthy developments lasted from the closing months of 1956 to the beginning of 1959.

A FAVOURABLE YEAR

The year under review, however, brought about an improvement in tlie situation, thanks to the successive concessions in respect of the excise duty, the last one being made in July, 1958, at the suggestion of the Textile Enquiry Committee appointed by the Government in May, 1958. The excise duly rates have remained the same thereafter and it seems the Government ultimately realised how ill-conceived fiscal measures resulted in doing permanent harm to the industries and thereby to the economy of the nation at large.

Trading conditions in cloth and yam took a turn for the better from the second quarter of the year under review and the demand in local as well as export markets broadened further during the second half of the year. As a result of the improvement witnessed in the trading conditions, stocks with the mills progressively came down. Mills carried a total stock of only 2,73,700 bales at the end of December, 1959, as compared with 6,59,885 bales at the end of December. 1957, and 5,82,400 bales at the end of December, 1958, These figures also indicate how the crisis was accentuated during 1957 and was progressively got over during 1959. During the first four months of the current year, January-April, the offtake of cloth was steady and the stock figure at the end of April was 2,74,000 bales.

EXPORTS

Exports of cotton piece-goods from India during 1959 came to 810.3 million yards which compared favourably with the 581.4 million yards exported in 1958. The figure of export is, however, below the performance during 1957 when it was 839 million yards. Moreover, the performance during the year 1059 has to be viewed in the background of special Export Incentive Scheme introduced by the Government of India in October, 1958, to encourage exporters to sell in the export market and to earn as much foreign exchange for the country as possible.

The pace of export during the current year so far, however, is not as satisfactory as it should be and the export trade at present is dull. Competition in the world markets has become more keen, especially from Pakistan, China and Japan; and although the Export Incentive Scheme has positively encouraged the exporting mills to export more, it is necessary that, apart from such temporary measures, the industry is given all possible encouragement so that it develops its own inherent strength to be able to compete in the international markets on its own; and this can be achieved only if full facilities are given by the Government to the mills to equip themselves with modern and up-to-date equipment.

In particular, it is essential that the mills should be given full facilities to introduce automatic looms so as to reduce cost and to install mercerising plants, printing machinery, and combers, with a view to improving the quality of our cotton manufactures so as to make them increasingly competitive in the export market as regards price as well as quality. It is well to remember that all the underdeveloped countries are anxious to improve the standard of living of their people, and this should mean an ever expanding demand for cloth in those areas. There is absolutely no reason why the Indian textile industry, with its long-standing experience and traditions in the export trade, should not be able to capture a large share in this newly developing export market. To gear the Indian cotton textile industry to this growing and potentially vast export market in Africa, in Western and South-Eastern Asia, and in South America, it is imperative that modernisation and rationalisation of the industry should go forward, and that all hindrances in this direction, such as„ freezing of the loomage of the mills, ill-advised provisions relating to lay-off and the retrenchment compensation, etc., should be withdrawn.

COTTON

The 1958-59 season held out prospects for a good crop of indigenous cotton, early estimates of the season being placed at 54 lakh bales, Unfavourable weather conditions and unseasonal rains after November, however, rendered the expectations illusory with the actual crop turning out to be only 48.5 lakh bales. As against this, with the demand for doth broadening internally and in export markets, consumption of cotton by mills increased. The result was that the season ended up with anxiety regarding the adequate availability of cotton.

The 1959-60 season has turned out to be even worse. The situation has caused a serious crisis in the supply of indigenous growths during the current season. Due to crop faiture only 37.5 lakh bales equivalent to only about 75% of the originally estimated crop are available for distribution to the mill industry against the normal consumption of about 52 lakh bales (including about 6 lakh bales of imported cotton). The shortfall in the crop has not only resulted in a serious strain on the available supply but has boosted up the prices of practically all varieties of cotton. Realising the gravity of the situation. Government issued an order on the 13th May last imposing stricter control on cotton transactions whereby beginning from the month of August, 1960. sales of cotton are required to be made only to mills nominated by the Textile Commissioner.

WAGE BILL

The wage bill continued to increase throughout the year under review. Higher food prices resulted in the payment of continuously increasing Dearness Allowance month by month.

The recommendations of the Textile Wage Board which have been accepted by the Government and which the Millowners' Association of Bombay have decided to implement, will place a further heavy burden on the industry. Tender the recommendations, all the Bombay mill workers will gel, among other incidental benefits, a basic wage increase of Rs. 8/- per month with effect from January, 1960, and a further increase of Rs. 2/- per month with effect from January, 1962.

The total wage bill of the mills in Bombay is expected to rise by approximately Its. 1.55 crores annually'as a result of the initial increase of Rs, 8/- in the basic wages. Your mills will have to bear an additional burden of a total increase of nearly Rs. 3½ lakhs annually with a further increase of about Rs. 75,000/- from January, 1962, It is most unfortunate that such a substantial burden has been imposed on the industry when it has barely recovered from the recession of the last 3 years and when it is faced with in-' creasingly acute competition in the export market. For the mills to be able to absorb this new burden, it is imperative that they should have the necessary facilities to speed up the process of rationalisation and modernisation.

MODERNISATION

The importance of adopting the latest improved methods and techniques in the various processes of Cotton Spinning and Manufacturing cannot be over-emphasised, and the management has been fully alive to the need for modernisation. In purchasing modern equipment, the object has been to achieve improvement in quality, at the same time attaining optimum production and saving labour wherever possible.

A modern plant for better opening and cleaning of cotton was installed in the mixing room during the year under review. In the Card room, 12 more new Cards were added and in the Spinning Section 10 new N.M.M. Ring Frames were installed in replacement of old spindles. Over and above this, Super High Draft spindles were installed in the year 1956. The new O.M. Super High Draft spindles have become very useful equipment of your mills as the installation of these spindles has helped the company to reduce their overhead expenditure to a certain extent.

In our desire lo keep abreast of Ihe market demands and to improve the quality of goods manufactured, we have recently imported and just completed the installation of a set, of 4 high production Combers of the latest model. These Combers have been added to the existing 8 Combers of the earlier model. The mills have applied for the import of 2 more Combers.

The Company has been able to secure import licence for a set of Barber Colman Winding & Warping Machineries for replacing about half the existing Winding and Warping Machines which have become outdated and are overdue for replacement. Orders for the New Barber Colman Machines have been placed and they are expected to arrive towards the middle of next year. Their installation will effect considerable economics in Winding and Warping Departments and -will also serve to improve the quality of yarn preparation for the Weaving Department with the resultant advantages in cloth quality and production. One Cocker's High Speed Sizing Machine is presently due for arrival.

We are also considering replacement of our existing plain Looms by Automatic Looms but due to the Government policy in this regard our programme in this direction is necessarily limited and permission to install only 48 Automatic Looms could be obtained.

We have recently installed in the processing Section two Semi-Automatic Jiggers for cloth dyeing and a latest model Hot Air Jet Stenter imported from Germany is under erection. We have on order one Chainless Mercerising machine from West Germany, a Cropping and Shearing Machine from U S A and a locally manufactured Backfilling machine.

LEATHER CLOTH DIVISION

Your Company's Leather Cloth Division has made considerable progress. The production of this Division has been progressively increasing and it was more than double during the year under review of what it had been in 1956. The management has got a programme to increase the production substantially in the current year. We have developed the export business and have got ourselves well established in some of the foreign markets for the quality of our products and we are now getting continuous repeat orders from overseas buyers. New machinery, such as friction calender, embossing machine, etc., were purchased partly to meet the increased production requirements. Besides, new qualities have been developed and introduced in the markets.

The management has in mind the modernisation of this Division also by equipping it with the- latest types of machinery and as a first step towards this an order for a German Embossing Calender has been placed.

LABOUR WELFARE

We are glad to say that our relations with labour have remained cordial. Various amenities have been provided for the workers. Five Adult Literacy Classes are conducted including a special one for female workers with facilities of free education for all workers. Every encouragement is being given to the workers for taking part in sports with the result that we have among them a few who attained top class efficiency.

ACCOUNTS

Turning now to the accounts side, I hope you will consider the profits for the Year to be satisfactory, especially in the background of the losses sustained during the previous two years and in the face of mounting costs towards wages and the increased prices of raw materials and stores consumed. The stocks of finished cloth at the end of the year under review came down to Rs 26.80 lakhs from Rs 62.19 lakhs at the beginning of the year. Similarly, the stocks of yarn came down to Rs 0.59 lakh from Rs 4.06 lakhs. The present stock position is also satisfactory.

PROBLEMS OF THE INDUSTRY

I will now deal with certain problems of this industry. The profitability of this largest and, oldest industry in India, has unfortunately been lowest in the industrial sector as disclosed in a study undertaken by the Reserve Bank of India and published in the August, 1959, issue of its Bulletin. This unfortunate factor is the main reason for its inability to modernise its machinery on the required, scale from its own resources.

This industry suffers from a rigid cost structure because it has to pay high prices for its basic raw material, viz. cotton, which accounts for as much as about 50 per cent of the total cost of the finished product, and also because it has to pay the highest wages amongst the unskilled industrial workers in the country. Government taxes on this industry are also far too heavy.

It is necessary that Government renders all possible help to the industry by ensuring adequate supplies of cotton whenever needed and sufficiently in advance. It should also adopt a firm polity not to add to any of the existing burdens of the industry and to help the industry to reduce the present inflated costs to (he minimum possible. As the Textile Wage- Board rightly observes : "This industry must be nurtured so that it may flourish and clothe the nation, and at the same time contribute to the welfare of the State, and extend the scope of the nation's development''.

In conclusion, I have to express my appreciation to our staff/and workers for their valued co-operation during the past year and we

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