From the Chair

Ashok Leyland Limited, Madras

Speech of the Chairman, Sir A Ramaswami Mudaliar

THE following is the Speech delivered by Sir A Ramaswami Mudaliar, K C S I, D C L (Oxon). Chairman. Ashok Leyland Limited, to the Shareholders at the Thir. teenth Annual (General Meeting of the Company held on 12th March 1962 at Ennore. Madras :

Gentlemen.

I have great pleasure in extending to you a cordial welcome to the Thirteenth Annual General Meeting of your Company.

The Directors' Report, Audited Balance Sheet and Profit and Loss Account for the period from 1st January to 30th September 1961 have been circulated to you and with your permission I shall take them as read.

At the last Annual General Meeting 1 referred to the change in the financial year which the Directors decided to make. This is reflected in the Balance Sheet and Profit and Loss Account before you which cover a nine-month period only from 1st January to 30th September 1961 and the future financial years will run from 1st October to 30th September inclusive.

As the Profit and Loss Account shows, the Sales for the nine-month period at Rs 8,11.93,053 are a little less than the figure of Rs 8,32.66.909 representing Sales in the previous twelve months. It is gratifying to note that the value of Sales in nine months this year has nearly equalled that in 12 months last year, a result which was achieved mainly by increasing the output of Comet Chassis, the average output per month being 170 in I960 as against 195 during the nine-month period in 1961. an increase of nearly 15%.

The continuous expansion of the Factory is the result of the investment of funds mainly raised by additional Share Capital and to some extent by external credit. There has been only a negligible contribution of funds from the profits of the Company. In an expanding industrial unit, where plant and machinery have been added and additional buildings have been constructed to accommodate the plant and machinery and the increased activities of the Company, it must be obvious that after providing for depreciation, development rebate and taxation reserve, there will be little left for ploughing profits into the concern. The small surplus remaining after these expenditures have been appropriated for a reasonable divid. end. Your Directors are considering ways and means by which there might be a reasonable amount of profit which could he ploughed back into the concern for further expansion.

Impressive Progress

The progress of your Company during the last five years must be recognised to have been impressive. The rapidly expanding assets have been appropriately depreciated so that the total depreciation up to 30th September 1961 exceed Rs 98 lakhs. The Development Rebate stands at Rs 37.25 lakhs. With a paid-up Capital of approximately Rs 3.45 Crores, the gross block on 30 September 1961 was over Rs 3.76 Crores and the total assets on that date included stocks valued at Rs 3.21 Crores. I may mention here that the price charged by the Company for your Comets is the same today as it was in 1955, the difference in selling price being accounted for by the additional Customs or Excise Du. ties imposed in successive Finance Acts. 1 am not aware of any other Automobile Company which has maintained its price at the same level during the last seven years.

Additional buildings to a value of approximately Rs 40 Lakhs have been erected and additional plant and machinery of a value exceeding Rs 56 Lakhs have been installed during the year under review. These additions represent partly the provision of plant and machinery to carry 'forward the Phased Manufacturing Programme and partly the buildings, plant and machinery required for the expan. sion programme to which I referred last year. Buildings required for the expansion of production are nearing completion and the installation of plant and machinery has commenced. I hope that by the end of the current financial year, i e. by 1st October 1962, nearly all the machine tools will have been installed and most of the jigs and tooling required for the production of components in accordance with the phased planning will have been supplied. We look forward to the production and sales continuing to increase during 1962 and I trust that in 1963 the expansion programme having been completed, our output of Comet Chassis will be at the rate of 5000 per annum with a 20% excess capacity for the production of Spare Parts. In addition, Engine output will have been increased to provide not only the Comet Engines, but also the heavier '600' and '680' types required for Chassis and industrial applications.

It will not be inappropriate if at this stage of our development I attempt to review the task we have undertaken during the last few years. As I stated, its magnitude is impressive. In 1956, at the commencement of the phased Manufacturing Programme, it seemed an optimistic estimate that we might within five years reach an output of 1000 Comets per annum; and with restrictions on gross laden weights in most States, preventing the operation of our Goods Vehicles, it appeared a most 'formidable task to sell 1000 Vehicles per annum. However, by the end of 1957, it was clear that demands for our vehicles would exceed our ability to supply. Pending the practicability of a major ex. pans! on project, it was decided to introduce double-shift working with the object of increasing production to 2000 Vehicles per annum. It is no small satisfaction lo the Board and myself that with plant and machinery designed to produce 1000 vehicles per annum with single-shift working, the Factory was able to produce nearly 2400 in 1961 and will probably produce over 3000 in 1962 with double-shift working. Coincident with the task of increasing production with the plant and machinery currently available and with the progressive deletion of imported components, planning has been in progress since 1959 to give effect to the decision to increase production capacity to 6000 "Cornets' and in addition 1200 Heavy Duty Engines per annum.

Ennore Foundries Ltd, has made good progress since your last Annual General Meeting. Production commenced in November 1961 and by the end of March 1962 it will supply all the castings required by Ash ok Ley land Ltd, which from April 1962 will discontinue the import of castings, including cylinder blocks and heads. From May 1962 progressively surplus capacity will be available for the supply of quality castings to users other than your Company. Thenare, nevertheless, certain difficulties which Ennore Foundries Ltd, have to face. Steel scrap is in short supply and is expensive, while pig iron available in the country has too high a phosphorous content. These difficulties may be overcome in due course, but while they persist the price of high quality grey iron castings will remain higher than it might otherwise lie. Until these difficulties are overcome, it is unlikely that it will be possible to produce iron castings appreciably more cheaply than the landed cost of imported castings. It is hoped that before too long there may be definite plans to produce "Sponge" iron in India as this would provide an ideal raw material, as an alternative to steel scrap, at an economic price. "Sponge" iron is obtained by the direct reduction of iron ore by suitable carbonaceous matter; and considerable progress has been made in this new technique, particularly in Germany. Madras has iron ore available at Salem and lignite at Neyveli, which could provide an ideal combination for the production of "Sponge'" iron, which would be very useful not only to Iron Foundries but also to Steel Works.

Road and Rail Transport

There has been from time to time discussions about the competition of road transport with rail transport and opinions have been expressed in some quarters that the Railway earnings must be protected and that they ought not to be. eroded by road transport earnings. A review of present conditions of traffic on rail and road and a reasonable forecast for the future must leave one under no delusion about the necessity for road traffic developing and indeed side by side with the development of rail traffic-. It must be clear in the light of recent experience that road and all other forms of transport must continue to expand and that in no other way can the success of India's agricultural and industrial development be assured. This expansion will during the next ten years not only result in the demand for Commercial Vehicles equalling the combined output of manufacturers but also in increased demand to a figure which may well be a 100% more than the existing maximum production targets. The Hoard has. therefore, decided to go forward with the expansion project with confidence and be ready for such further developments as time and circumstance may demand.

You will be interested to know that, following requests received from a number of Shareholders, we have come to an arrangement with our Bankers whereby they will charge us a concessional rate of 1/64 per cent on the total payments to Shareholders who encash Dividend Warrants at any Branch of our Bank; and this charge will be paid by the Company. This will obviate Shareholders having to pay bank charges of Naye Paise sixty-five per warrant in order to encash them at out-stations.

Since your last Annual General Meeting, we have had several visits From senior officials of Messrs. Leyland Motors Limited. Mr West, Deputy Chairman of Leyland, accompanied by Mr Grimshaw, Leyland's Engineering Consultant, came in November 1961; and Mr Robinson, Leyland's Planning Con. troller in January 1962. In February 1962, we had the pleasure of welcoming Sir Henry Spurrier, Chairman of the Leyland Group, who visited us accompanied by Mr West and Mr Grimshaw. I must once more place on record not only our appreciation of the readiness with which our British Associates come to India to assist our efforts, but also of the invaluable advice which we receive from them. l am sure you will wish me to convey to them, and particularly to Sir Henry Spurrier, our thanks for all their assistance.

As Chairman l feel l must refer to one of my colleagues on the Board whose contribution to the progress of your Company has been outstanding. l refer lo the Managing Director. Mr Collins. His initiative and drive combined with his suavity an invaluable asset to both in the Factory and in relations with Governments — has been a great factor in all our progress.

1 must also record the enthusiastic help and co-operation which the Officers, Staff and Workers of your Factor) have extended to your Directors. This co-operation has been readily given, indicating the interest of all employees in the development of the Factory and the cordial relations which exist. I should like to convey our thanks to them all.

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

Streptomycin Plant

INDIA'S first Streptomycin plant, of Hindustan Antibiotics at Pimpri. will be inaugurated on March 29. The plain has been built with the assistance of Merck and Co. the well-known L S firm who provided the patents and technical assistance to Hindustan Antibiotics for the new plant. The plant will he capable of producing 90.(KM) kilos of Streptomycin and Dihydrostreptomycin each year, enough to meet nearly all of India's present need for the important antibiotics.

Merck Sharp and Dohme of India. a joint lndo-l[1] S enterprise owned by Merck and Co of U S and Tata Sons, is now setting up a new plant at Bhandup. Bombay, to manufacture steroids, vitamins diureties. sulphadrugs and a large number of other medicinals.