

Ownership of Calcutta Managing Agency Houses

A K Sur

To what extent have the old managing agency firms, the historic and unique form of organisation through which British capital used to be channelled in to Indian trade, industry and plantations, changed hands in the post-war period ?

What structural changes in organisation accompanied the process of transference of ownership?

The question has also been raised, to what extent have changes in shareholding of the managing agency firms, which were mostly converted into public companies after the war, led to transfer of control ?

Have the agency firms really succeeded to any significant extent in dissociating control from ownership, as is sometimes suspected, retaining the one while parting with the other ?

The following analysis of the past and present position of ten of the leading Calcutta managing agency houses by Shri A K Sur, the Economic Adviser to the Calcutta Stock Exchange, suggests some of the answers.

THERE has been a fundamental change in the composition of ownership of British managing agency house in this country in the post-war period. At least this is the case with the Calcutta managing agency-houses. Prior to 1947, these managing agency houses were predominantly British, in the sense that they were both under British control and ownership. But since then, the control and ownership of many of the houses have passed on to Indian hands. The present analysis is intended to show how far this has happened in the case of some ten Calcutta managing agency houses. These ten houses are :

- 1 Rainier Lawrie & Co Ltd
- 2 Duncan Brothers & Co Ltd
- 3 Jardine Henderson Ltd
- 4 Martin Burn Ltd
- 5 Macneill & Barry Ltd
- 6 Kettlewell Sullen & Co Ltd
- 7 McLeod & Co Ltd
- 8 Shaw Wallace Co Ltd
- 9 Hoare Miller & Co Ltd
- 10 Gillanders Arbuthnot & Co Ltd

These are all old managing agency houses. Some of them are indeed more than a hundred years old. But their corporate existence is of very recent origin, mostly dating from the post-1945 period. Indeed, with the exception of one or two, they were partnership concerns, the partners being all Europeans. This in other words implies that prior to their transformation into corporate entities, there was seldom any Indian interest in them. When the change-over took place, the shares in the

newly formed corporate concerns were handed over mostly to the partners of the old firms in lieu of vendors' share of interest in the old undertakings. Thereafter the old partners or the directors of the newly formed companies offered their holdings of the shares, in part or in whole, to the public at considerable premium. As a matter of fact, they thereby pocketed large amounts of money. Some of the shares thus sold in the late forties are shown in Table I.

It is evident that when the shares were offered to the public, they were taken over by all classes of investors, both Indian and non-Indian. That was the beginning of percolation of Indian interest in the ownership of these managing agency houses. But, how many of these shares then offered to the public

really went into Indian hands and how many continued to remain in the hands of non-Indians, we cannot say, for data relating to that period are now not available. However, we have precise data relating to the present structure of shareholding in these companies. Let us start with a brief summary of it. Table II gives (as in 1961) the total number of shareholders, the total amount of paid-up capital, and the amount of paid-up capital held by the ten largest shareholders.

Even a cursory look at Table II will show that the bulk of the equity capital of these managing agency houses is held by the ten largest shareholders. So it is obvious that it is these ten largest shareholders who actually wield control over these concerns. An analysis of the composition of nationalities of these

Table I

COMPANY	TOTAL NO OF SHARES IN THE COMPANY	NO OF SHARES GIVEN TO THE DIRECTORS AT PAR	NO OF SHARES OFFERED TO THE PUBLIC	PREMIUM CHARGED BY DIRECTORS %
1 Martin Burn	13,00,000	12,99,993	5,00,000	75.0
2 Jardine Henderson	2,00,000	1,99,993	98,000	120.0
3 Shaw Wallace	6,50,000	6,50,000	3,00,000	80.0
4 Gillanders	64,900	64,900	22,543	87.5

Table II

COMPANY	TOTAL NO OF SHARE-HOLDERS	TOTAL PAID-UP CAPITAL Rs	AMOUNT OF CAPITAL HELD BY THE TEN LARGEST SHAREHOLDERS Rs
1 Balmer Lawrie	864	80,01,400	55,46,800
2 Duncan Brothers	183	90,00,000	63,87,700
3 Martin Burn	7,404	1,47,12,250	1,04,48,110
4 Jardine Henderson	4,745	2,00,00,000	1,17,08,000
5 Macneill & Barry	58	3,00,00,000	1,44,81,600
6 Kettlewell Bullen	22	40,00,000	32,12,500
7 McLeod	187	40,00,000	34,39,600
8 Shaw Wallace	1,056	75,00,000	38,32,010
9 Hoare Miller	445	35,20,000	23,38,950
10 Gillanders	561	65,00,000	48,80,070

ten largest shareholders will, therefore, give us a clue to how far these concerns have been Indianised of late. The result of such an analysis is presented in Table III.

It will be seen from Table III that in the majority of cases, the Kinopan interest in these concerns is no longer of crucial importance. Indeed, in some of them it has completely disappeared. Among them are Macneill & Barry, Kettlewell Bullen, McLeod, and Hoare Miller. In other cases where European interest still remains, the percentage of holdings varies between 26 and 70.

Now the question that may pertinently be asked is: what is the status of those who hold interest in these managing agency houses? In the majority of cases, it is either Joint stock companies or institutional investors who hold the predominant interest: in them. Individuals are smaller in number. Thus against joint stock companies and institutional investors numbering 63, we have individuals numbering only 37.

The corporate holdings in the shares of the companies are shown in Table IV.

Of the public companies included in the category of joint stock companies in Table IV, the majority are non-listed companies; only two or three are listed ones. Among the joint stock companies, nine are private limited companies. Among insurance companies, excepting LIC, all are general insurers. The LIC has holdings in Balmer Lawrie, Martin Burn, Jardine Henderson, Macneill & Barry, Shaw Wallace and Hoare Miller. The LIC's interests in these companies are as follows:

COMPANY	HOLDINGS OF LIC (No. of Shares)
1 Balmer Lawrie	5,658
2 Martin Burn	74,740
3 Jardine Henderson	9,685
4 Macneill & Barry	5,000
5 Shaw Wallace	41,400
6 Hoare Miller	7,500

Preference Share and Debenture'

So far we have given an analysis of the equity holding of the ten largest shareholders. Let us now make a reference to the other kinds of securities of these concerns. Eight of them have other kinds of securities. Duncan Brothers, Martin Burn, Jardine Henderson, Macneill & Bar-

COMPANY	NO OF SHARES HELD BY TEN LARGEST SHAREHOLDERS	NO OF SHARES HELD BY NON-INDIANS	VALUE OF SHARES HELD BY NON-INDIANS as per cent of total paid-up capital
1 Balmer Lawrie	55,468	1,300	.01
2 Duncan Brothers	63,877	25,009	27
3 Martin Burn	10,44,811	3,85,077	26
4 Jardine Henderson	1,17,080	59,846	29
5 Macneill & Barry	1,44,816	....	Nil
6 Kettlewell Bullen	32,125	....	Nil
7 McLeod & Co	43,396	....	Nil
8 Shaw Wallace	3,83,201	2,14,300	56
9 Hoare Miller	2,33,895	....	Nil
10 Gillanders	4,88,070	4,58,650	70

COMPANY	JOINT STOCK COMPANIES No	INSURANCE COMPANIES No	INVESTMENT COMPANIES No	BANKS No
1 Balmer Lawrie	2	3	2	1
2 Duncan Brothers	4	3	3	1
3 Martin Burn	2	1	....	....
4 Jardine Henderson	2	3	....	....
5 Macneill & Barry	3	2	1	2
6 Kettlewell Bullen	4	1	1	1
7 McLeod & Co	4	2	1	1
8 Shaw Wallace	4	2	1	1
9 Hoare Miller	1	2	....	....
10 Gillanders	3	....	....	....

COMPANY	NO OF SHARES (PREF)	NO OF PREF SHARE- HOLDERS	HOLDINGS OF TEN LARGEST SHAREHOLDERS	FOREIGN HOLDINGS	LIC'S HOLDINGS
1 Duncan Brothers	15,000	230	24,013	2,670	7,645
2 Martin Burn	60,000	1,297	39,278	690	29,765
3 Jardine Henderson	50,000	806	26,451	2,554	9,777
4 Macneill & Barry	100,000	85	61,191	14,000	24,500
5 McLeod & Co :					
1st	10,000	90	4,925	....	1,600
2nd	40,000	377	15,951	....	5,355
6 Kettlewell Bullen :					
1st	20,000	104	13,515	....	6,690
2nd	10,000	105	5,132	....	1,290
7 Shaw Wallace	75,000	845	26,016	....	13,288
8 Gillanders	25,000	144	16,952	3,486	7,716

COMPANY	TOTAL NO OF DIRECTORS	INDIAN DIRECTORS No	NON-INDIAN DIRECTORS No	HOLDINGS OF NON-INDIAN DIRECTORS No of Shares
1 Balmer Lawrie	4	1	3	301
2 Duncan Brothers	3	1	2	102
3 Martin Burn	5	3	2	3,85,077
4 Jardine Henderson	5	3	2	2,250
5 Macneill & Barry	7	4	3	2
6 McLeod & Co	7	3	4	305
7 Kettlewell Bullen	4	4	....	....
8 Shaw Wallace	9	3	6	43,750
9 Hoare Miller	4	2	2	1,100
10 Gillanders	4	2	2	200

ry, McLeod & Co, Kettlewell Bullen, Shaw Wallace and, Gillanders have only one series of preference shares each. McLeod and Kettlewell Bullen have two series each. Macneill & Barry has, in addition to preference shares, also debentures. The foreigners' holding of preference shares is quite insignificant. The shares are generally held by institutional investors, among whom the Life Insurance Corporation holds securities in all. Table V gives particulars relating to these shares at a glance.

As control over the companies is generally exercised by the Board of Directors, it would also be relevant to give the breakdown by nationalities and the holdings of the members of the boards of the different companies (see Table VI).

On the Board of Directors

These data are to be closely followed. In five out of ten cases, non-Indian directors are in majority. Naturally in board meetings, their views would prevail. In some of them again the casting vote of the chairman would also matter. But how far this theoretical dominance is actually carried into practice in the day-to-day business of the companies remains uncertain. But the fact that these directors are in some cases more or less show-pieces and hold very little voting interest, by virtue of their shareholding in the concern, makes it quite clear that in the event of any large difference of opinion, it would be difficult for them to get elected in general meetings. Thus the ultimate control rests with the Indian elements.

However, it is to be noted that the state of things described in the foregoing paragraph does not hold good in the cases of Gillanders and Shaw Wallace, where European interests still predominate. Other managing agency houses of Calcutta where a state of things analogous to that of Gillanders and, Shaw Wallace still obtains are Bird Heilgers, Andrew Yule, Williamson Magor, Octavius Steel, and Turner Morrison. But as the office of the managing agent itself is determined by the shareholders of the managed companies, it would be interesting to study the composition of shareholding of the managed companies. This aspect of the question I propose to examine on a later occasion.