Hindustan Lever Limited
Management Development In Hindustan Lever

Speech delivered by Mr. P. L. Tandon, Chairman, at the Annual General Meeting of Hindustan Lever Limited held at Bombay on Tuesday, 28th April 1964:

EVEN more than capital and raw materials has a rapidly developing 'economy to think of its resources of management. For ultimately how well the economy grows will depend upon the calibre of its managers and their attitudes. We, in India, have been fortunate in this respect. Growth of trained management has been rapid and much attention has been paid to this need, and how big is the problem may well be judged from a simple calculation. Out of two million jobs estimated to be created in each year of the Third Plan, even at a ratio of 2 per cent of them being managers we shall need to train 40,000 new managers every year. This is indeed no small task, more so when it is considered that a manager not only must possess a basic discipline such as engineering, accountancy or marketing but to be really effective also receive training in how to be a manager: we have to develop in him besides his function the skills and attitudes of management.

We have always been conscious of this task, and how we view it and what we do about it is the subject of my speech today, as I feel you may be interested in knowing something about this most important aspect of our Company.

Although founded by the genius of one man, our parent company has always been professionally managed. This has been a strong tradition with us and one we have valued in Hindustan Lever. We have always bestowed a lot of care on the proper selection, training, development and promotion of men and women; we have looked ahead at our needs foreseeable and unforeseeable, and tried to provide for them before they arise. Nearly twenty years ago, as an instance, we appreciated the need for Indianising our management, and the process was handled with care but with boldness till it ceased to need any further impetus some years ago. Over twenty years ago we began our Management Trainee selection scheme, which over the years has with attention and assimilation of new techniques improved until today it stands high by international standards. Opportunity for men from the general staff to rise to management has been another of our conscious efforts.

We have today 341 managers, of whom 178 or 52 per cent have risen from the ranks; a total of 11 or 3.2 per cent are expatriates; our selection and training department in 1963 recruited 26 managers and put through training courses 25 managers as well as 17 non-management trainees; 5 from the staff were promoted to management. Our management strength forms 5.2 per cent of our total employees. Although essentially a manufacturing and marketing company, we have 27 women managers, who interestingly possess a diversity of specialised skills like psychology, operational statistics, scientific research, accountancy and home economics.

Management development with us is a complex of activities whose purpose, simply stated, is to ensure three things. First, to anticipate our requirements over the next five to ten years; second, to select, recruit and train men and women to fill those requirements; third, to develop attitudes and values in individuals that prepare them to meet their responsibilities at the standards we consider desirable. All this, ultimately, like capital expenditure, budgeting, annual estimates and operational plans, is the responsibility of the Board, assisted by the active participation of all our managers and operated by the Personnel Department, which has a member on the Board.

Management Forecasting

It takes time to make managers, especially to befit them for higher responsibilities; but we do not believe in age as a determining or even a particularly important factor, in fact it seldom enters our calculations. It is our experience that it takes about ten years to prepare a young manager to take over senior responsibility. If he has the ability and responds to development, with the opportunities that are constantly opening up in a growing and decentralised concern like ours, we would in fact be disappointed were he not able to receive his first shot of a senior independent charge in his early thirties. For all this much forward planning is necessary, especially where the future winners are concerned, for they have to be picked, groomed and trained for twenty years or more. And we may lose some in the process.

The instrument of forecasting is the Management Review which is prepared every year for the next five years. It is much like the Cash Forecast. It evaluates in terms of managers the needs of our business which will arise out of expansion, new projects, new products and organisational changes. This need is then equated with our internal resources, what will be generated by way of promotions from the staff to management, the losses that are likely to occur through retirements and losses through anticipated and unexpected separations. The exercise ultimately throws up our net requirement, which in a growing country and an expanding business must happily be always on the plus side.

The advantages of this exercise are three. In analysing our needs we make sure that they are genuine and not Parkinsonian; and in quantifying them we know when they are likely to arise and how we will meet them. Otherwise it can easily become a case of people retiring or new vacancies arising without their having been provided for well in advance. We begin thinking of the replacement of retiring men some years ahead of the event. Men are nominated and tried, more so for senior positions.
Planned transfers and cross-postings are also a part of development, often into functions different from their original skill or training. The third and important advantage is that the promotion potential within the Arm gets carefully looked at. As it is the first priority to promote from within, each department in stating its needs will carefully consider how it can meet them from its own resources.

The Management Review is normally brought up to date every year, but sometimes circumstances may need an ad hoc study. Its preparation and follow-up, like the Cash Flow, keep our management resources under constant study.

**Selection and Recruitment**

The five-year plan is reduced to an annual operating plan of recruitment and the Board is kept in touch with its progress. Every quarter a statement of the total strength of the Company is prepared showing staff in each category, retirements, separations, promotions and recruitment, and this is examined by each department, its director and finally by the Board.

From where do we get our managers? First, always, we look within. Who is ready to be made a manager and who is ready to move up? The profess of following initial selection of staff with a good original record, observation, training and grooming should ensure a regular flow from within and a ladder for the men and women with the right qualities to climb to the higher levels.

Secondly, we recruit young trainees, fresh from the Universities with good degrees in humanities or sciences for the general side, in engineering and technology for production, qualified accountants for finance and audit. Experience may help, but we primarily look for a good mind and a likely ability to possess and develop the set of attitudes that we consider important for our business. These may be called "management-like qualities": not easy to define but meaningful when they are there, and the cause of management failure when they are missing.

We resort to direct recruitment when it is necessary. In actual practice this is mostly confined to specialists as in our agricultural operations, animal feeding-stuffs, research, economics, statistics, engineering, medical and legal fields where we do not have specialist resources within the Company. But sometimes even in non-specialist jobs if we have not got a suitable qualified person, rather than lower the standard we will go outside.

Despite all the care we take in selecting, 20 per cent of our trainees do not make the grade. This may sound a high proportion and is costly, but one we would not like to see reduced through a sacrifice in our standards or through over-caution. These are young men who are basically able and well qualified but have either not taken to business or have not developed the attitudes we need. The answer perhaps lies in a keener follow-up on our part; to carefully isolate these attitudes; to try and build them into our training and of course to ensure that those training the trainees are themselves conscious of them. This is a task that we are now attending to. Were I to attempt defining them I would say that they are, positively and negatively, a dedication to our business, keenness for achievement without a desire for power for its own sake, a deep social sense, and ability to get on with the job without wasting time or the frills. In short, we prefer solid ability to just virtuosity. I am of course faking for granted the usual qualities of intelligence, industry, integrity, self-confidence, etc. We like poise and ease but put no premium on background as a veneer. We have also managed to be respected by those who recommend candidates to us, for we will carefully look at everyone who knocks on our door because we are anxious to take in talent, but we make no concessions to influence.

Some interesting features of our selection procedure may be worth mentioning. All applications—and we receive nearly 1,000 for every person selected—are screened for conforming to basic requirements of age and qualifications. Those who meet the requirements are sent a printed application form which, apart from details of the school and university career and any jobs held, asks for some data that would throw up academic and extra-curricular interests and hobbies, ideas about his career and any leadership experience at school and college. These are again screened by experienced persons, and the promising candidates are invited for a preliminary interview at the Head Office or one of our branches. Those who show promise are then invited to our Head Office at Bombay for final selections, which are held in two parts.

In the first part of final selections, a group of six to eight candidates is brought together to a conference table and given a choice of subject and a case study which they discuss in the presence of four senior managers, who however only act as observers. The group is "leaderless" and has to organise its own discussion and provide opportunity to each member to display his qualities of mind as well as leadership and being led. Our consulting psychologist, who knows us and our requirements will, is also present at these group discussions, which he follows up with an interview at which each candidate is put through some psychological tests.

In the second part of final selections the most promising candidates are put up before a senior board of at least two directors, the Personnel Director and some senior managers. From this group we finally select and offer appointments to as many as reach our standards, though we are always willing to take some risk with otherwise promising material. This must account for some of our Josses. I should like to add that we try to make our selection procedure as objective and impartial as possible, particularly so that it leaves those who are not selected with a feeling that the process was fair. Secondly, the psychologist has not a decision making function; his role
is confined to the use of technical methods of assessing such aspects of personality requirements as are relevant to the job. The information that is gained through his tests is considered along with other impressions formed of the candidate. The psychologist’s opinions are helpful to the selection Board but not decisive. All opinions of the psychologist are treated as confidential.

We find from experience that the group method of selection has several advantages. It provides for greater scope for studying the different aspects of a candidate’s personality. A group can be given certain tasks which cannot be given to an individual. The men are seen together and are therefore easier to compare. Rejection is also less painful in a group method, and although the unsuccessful may not always agree with the decisions of the selectors, group inter-action will usually make it abundantly clear as to who stands out. In fact the candidates, when questioned individually, will usually pick the right ones themselves. Lastly, the procedure is economical.

Training

Whatever the methods and techniques followed in the selection procedure, personnel interviews, group discussions, psychological test, etc., selection is only the first stage in the total process of acquiring and developing managers. After selection begins our real task.

Training is given individually and on the job. We have found from experience that young intelligent trainees do not like to spend months in circulating around the various departments of the Company watching how others do their jobs; instead they like to get down to a job themselves and so our training programme is now job-oriented. Also, this is the best way of judging their performance and potential at an early stage. After a very quick familiarisation programme lasting only about four weeks in a Division, they are put to work in it. Let us take the marketing side, which absorbs the largest number of trainees. The young man will go into the field and work under a salesman for a month, after which he will work independently as a salesman for three to four months. He then works under a sales supervisor for a month and then independently as a supervisor for another three months or so. By now he has been "blooded" and can hold his own in the field. The men who work under him later should recognise that behind what he expects them to do lies experience and ability to do it himself, and well. After this spell of about nine months in the field he works in a junior management capacity in branch administration where he learns to deal with the field work from the office end. After some months of this he is seconded to a sales manager and helps him run an area. At the end of one and half years of all this training he is given his first managerial responsibility and appointed an Area Sales Manager. From then on he will go as far as he deserves.

All through the training his seniors devote a good deal of their time and attention to his progress, and the Board constantly receives reports on his progress. His Director will meet him regularly, and the Chairman occasionally. The progress reports are discussed in detail in a committee of the Vice-Chairman, his own Director and the Personnel Director. His training finished, a recommendation will be put up for confirming him in the covenanted grade of management; and the Chairman will usually personally hand him the covenant. He is from now on the Company's most valued investment, and we are deeply disappointed at our occasional failures, though they have to be faced in the interests of the Company as much as for his own sake.

Training never really stops. We have designed our own courses, principally to give the managers a broader picture of our operations and its environments and to sharpen their managerial skills. These courses are always residential and there they meet men and women from other sides of our business. The courses can be general or functional, as in marketing, finance, O. & M. To many of them we invite as participants men from our associate Unilever companies in Africa and Asia. We also send our managers to courses, seminars and conferences held outside the Company to provide the stimulus of meeting people from other organisations and particularly from Government and its undertakings. We send them to the Administrative Staff College at Hyderabad, the new Institutes of Management of Calcutta and Ahmedabad, the regional and the All India Management Associations, the National Productivity Council and to other more strictly functional courses.

Unilever’s training facilities in the United Kingdom and its specialist courses in Australia and America are also open to us. We have also sent men to Henley and Harvard. Lastly, we send a few men every year to the United Kingdom for specialised training with Unilever companies in that country and on the Continent.

We find all this training, carefully planned for both its content and timing, an integral part of the growth of a manager. It has to be judiciously controlled though, to stop it from becoming a fad. Each name for outside training is examined carefully by the Board and each manager is made to realise that he can get out of a course only in proportion to what he himself puts in.

A very useful aspect of training is the encouragement we give to our managers to accept various extra-mural responsibilities. In a developing economy, it is natural that demands should be made on our managers by Government and other organisations and it is only right that we should make our contributions in the fields in which we have special knowledge or experience. We are, therefore, always prepared to help as long as the demands made on us are consistent with the priorities and requirements of our own business. We believe that this kind of assistance is to mutual advantage and, in the ultimate analysis, we gain as much
from such efforts as we give because it adds to the knowledge and experience of our managers.

Promotion

Promotion is always and invariably on merit, irrespective of age or length of service. We frankly believe in the logic of the best man for the job because only then will the job be done best. But evaluating merit is not an easy task. We therefore do not leave such evaluation entirely to the time when the need for promotion arises but make it a continual process so that when the time comes it is quite “obvious who the man is; in fact normally he has already been groomed for it. Evaluation with us is a constant process, consisting of progress reports, thorough training, personal contacts by the seniors and by annual personnel reports, discussions at the monthly Board meetings, job evaluations, short lists of promising men: all this helps to ensure unbiased and objective judgment.

How do our managers respond to this system which takes away the crutch of “automatic” promotion? They accept it implicitly when they join us and, in fact, they often tell us that they regard this as one of the best reasons for joining us. The system, which they themselves will have the responsibility to operate, assures a fair assessment, and cases of unfair promotions are almost unknown. There may be two views on a quick or unexpected promotion but nearly always the sense behind the decision soon becomes obvious. The capable rise rapidly, so that they don’t lose the fine cutting edge; some are inevitably left behind—arithmetically must work inexorably, for after all the shape of a management structure must be pyramidal. Those left are well looked after and have a very useful function since it is not that many are left behind but that some must get further and faster. To use an American phrase: There cannot be all “Chiefs and no Indians” (the American kind).

You may have noticed that I have frequently mentioned the Board in connection with selection, training and promotions of managers. This indicates not the control the Board exercises over these processes but the interest it takes in what I have already referred to as our most valuable asset. Management Development, as I have tried to describe it, is an integrated operation which has a quality of wholeness like marketing or manufacturing; and not merely the application of a series of isolated techniques. How well we grow, how successfully we meet the challenges will depend on how well we select and prepare each man for his job and inculcate the right attitudes. I have tried to present to you the thinking and practice on this subject, but let me be clear. We are, of course, aware that what we are trying to do can be improved upon. To effect such an improvement is our constant endeavour.

Note: This does not purport to be a report of the proceedings of the Annual General Meeting.
Managing Director’s Speech

The Dunlop Rubber Co. (India) Ltd.
Speech of Mr. M. L. Bexon, M. C.

The following is the Speech delivered by Mr. M. L. Bexon, M. C., Managing Director of The Dunlop Rubber Co. (India) Ltd., at the 38th Annual General Meeting of the Company held in Calcutta on the 22nd April, 1964:

I HAVE much pleasure in welcoming you to the 38th Annual General Meeting of the Company. The Directors’ Report and Accounts have been in your hands for some time, and with your permission I should like to take them as read. You will have noticed that the Accounts this year are being presented in the modern columnar form. This outlines the highlights of the Profit and Loss Account and Balance Sheet more clearly, while the details are given in the form of notes and schedules.

The Year’s Trading

In 1963 the Company maintained its predominant position in the car, truck and motorcycle tyre replacement market, and as suppliers to the automobile manufacturing industry. We were called upon to make substantially increased supplies of tyres for Defence purposes involving a complicated range of specialised sizes for military use, and taxing our technical and production resources heavily. It is a source of satisfaction that we managed to maintain and increase our overall level of sales in spite of the supply problems thus created.

During the year three new tyre manufacturers began marketing their products, and the Company’s success in holding its position was attributed to the continued public demand for our products based on their high reputation, to the loyal support of dealer friends and to the efforts of our sales and depot organisation in giving first-class service to fleet owners and the trade. Distribution has become more complicated as the result of the increase in the rate of tax on inter-state trading and disparities between sales tax in various States resulting in price differentials.

Our sales of large earthmover covers continue to be satisfactory although somewhat affected by capacity parities for Defence. It is our intention to expand our production to incorporate larger sizes to meet the increasing demand from national multi-purpose and major irrigation schemes, which should result in a saving of valuable foreign exchange.

Our cycle tyres continue to be extremely popular and we are unable to meet the demand for our brand. We continue to supply the original equipment requirements of both large and small scale cycle manufacturers.

The turnover contribution by the non-tyre range, i.e. Industrial Rubber Products and Dunlopillo, increased substantially over the previous year. This was mainly due to the increase of the conveyor belting business resulting from the implementation of some Plan projects. Generally, the demand for all items of our range continued to rise and our selling efforts were, in some measure, limited by production capacity. It may interest you to know that non-tyre business represents about 10% of total turnover, and further diversification is constantly being explored.

Conveyor belting, the largest turnover item in our non-tyre range, engaged our attention on increased productivity, technological development and expansion of the range. The scheme for manufacture of P. V. C. Belting is being implemented and supplies are expected to be available towards the end of the year.

We are also expanding the range of braid hose by further specialised developments.

Dunlopillo sales showed an increase over 1962, and the requirements of the railways and the automobile industry, which geared its output to the defence effort, necessitated our special attention.

Exports

Our total exports in 1963 registered a 17% increase over 1962 spite of the setback suffered as a result of the sudden ban on exports during the latter part of 1962, and also capacity limitations due to our heavy defence commitments.

A significant feature of our export achievement during this year has been our success in the export of special service off-the-road tyres to Europe. The value of these made a substantial contribution to our overall exports.

There was, however, a drop in our cycle tyre exports which has been primarily due to unsettled political conditions in South East Asia.

While we hope to be able to maintain, if not better our exports during 1964, it will not be out of place to mention that the export market for products that we manufacture is fast shrinking with the setting up of local manufacture in many neighbouring Asian Middle Eastern and African countries.

Raw Materials

The raw material supply position in 1963 was reasonably satisfactory, although import licence delays again caused some difficulties.

We started using large quantities of Indian-made rayon, synthetic rubber and carbon black, and are planning for a further increase in consumption during this year in substitution for imported materials, with a corresponding saving in foreign exchange. The generally higher prices of indigenous materials are having a serious effect on the cost of production, which can only be partially offset by our planned increase in production efficiencies.

Productivity

Once again I can report that the output from both factories in the last year was a record. The Ambattur factory increased its output by nearly

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17% over the preceding year and a slight increase was recorded at Sahaganj, despite the severe power cuts which affected factory operations during the greater part of the year. This achievement reflects great credit on the factories' management and labour, and their joint effort continues further to improve productivity. I am confident that nothing will be spared towards the achievement of the higher production targets set for this year.

**Expansion**

Last year I had to tell you that, following the introduction of Super Profits tax, we were reviewing our expansion schemes and that no positive report on their progress could be given. Indeed, 1963 laid increased financial burdens on your Company as a result of additional taxation, extra costs arising from the use of indigenous raw materials, premia payments in respect of Emergency Risks Insurance, and the tie-up of more capital following the further surcharge on Excise duties.

New temporary and permanent sources of finance had to be explored if we were to avoid abandoning or cutting back some of our schemes. Three measures were successfully negotiated in the latter half of the year which have enabled us to embark once more on a full-scale expansion programme. These were, first, negotiation of additional bank overdraft facilities to tide over our temporary requirements, second, a decision to proceed with our application for a rights issue and the agreement of the Dunlop Rubber Company Limited, U.K., to advance meanwhile the necessary sterling for expansion by way of a loan, and third, a modest increase in tyre prices of 3% from the end of September, 1963.

Our expansion schemes are now well in hand and we anticipate increased production in many of our products during the latter half of this year, although the complete expansions will not be finally implemented until about the middle of 1965. The rights issue is now being processed and is expected to be made towards the end of this year.

**Profit and Loss Account**

The main features are given in the Directors' Report, from which you will have seen that the profit before tax remains much the same as the previous year, this despite an increase in sales of approximately Rs. 3.61 crores. The additional profit which would normally have arisen as a result of the increased sales was more than absorbed by additional costs, particularly those arising from the use of indigenous raw materials.

The net profit for disposal after tax — Rs. 1.68,86,953 — is substantially higher than last year, entirely due to taxation adjustments as already explained in the Directors' Report. After the compulsory transfer to Development, Rebate Reserve of Rs. 10,25,000, and providing for Preference Share dividend of Rs. 4,00,000, a balance of Rs 1,54,01,953 remains.

The Directors propose to transfer to General Reserve Rs. 75,26,953 of this balance and recommend a dividend for 1963 on the Ordinary Share Capital of 17½%: subject to tax. This will absorb Rs. 78,75,000 and compares with 15% paid in respect of 1962.

**Balance Sheet**

A concentrated effort was maintained to contain Inventories despite the higher volume of output and I am pleased to say this was successful. Debtors are substantially higher mainly due to the larger volume of business, most of which took place in the latter part of the year.

Bank borrowings are also higher, reflecting heavier taxation payments during the year and also the higher working capital required to sustain the increased volume of business.

**Future Prospects**

The 1964 Budget proposals reduced the incidence of tax payable by your Company through the abolition of the Super Profits tax and the substitution of a Surtax on excess profits. However, increased tax arises from the 7.5% tax on dividends.

During the closing stages of 1963 Government made the welcome announcement that Emergency Risks Insurance premia would not be payable for the first quarter of 1964, and that price control over our products was discontinued. Tyre prices were increased by 6% at the beginning of 1964, which will help to offset the increased costs imposed on the industry during the course of last year.

Two years ago I referred to the increasingly competitive conditions in the tyre industry. This trend was slowed down by the Emergency and subsequent rite in Government purchases, but is now again very evident. There is now no overall shortage of tyres of any type, but we are confident of our ability to achieve the targets we have set ourselves for 1964, both in the sales field and in the factories, through the wholehearted efforts of all concerned. We look forward to another year's satisfactory working, although the trend of rising costs is a disturbing factor.

In conclusion, I am sure you would like me to associate you with the Directors in expressing our thanks to all employees for their loyal efforts during the past year.

NOTE — This does not purport to be a record of the proceedings of the annual general meeting.

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**S Anantharamakrishnan**

WITH the death of Shri S Anantharamakrishnan in Madras on April 18, the country has lost a leading industrialist. Shri Anantharamakrishnan was Chairman of the Simpson Group of companies. He started his career as a Chartered Accountant, joining Simpson and Company as its Secretary. It is a tribute to his ability that he rose to the highest position in the concern.

Shri Anantharamakrishnan was the architect of the present Simpson Group of industries. In addition to his efforts on behalf of his own enterprises, he took an active interest in the industrial development of Madras. He served on a number of official and private committees and was also a member of the Regional Board of the Reserve Bank of India.
Mahindra & Mahindra Limited
Speech of the Chairman, Mr. Keshub Mahindra

The following is the Speech delivered by the Chairman, Mr. Keshub Mahindra, at the 18th Annual General Meeting of the Shareholders of Mahindra & Mahindra Ltd., held in Bombay on 23rd April, 1964:

Ladies and Gentlemen,

It is a proud privilege for me to be addressing you for the first time and to be able to extend to you a warm welcome to the Eighteenth Annual Meeting. In their report to you, your Directors have expressed their deep feelings at the sad find sudden death of our Founder Chairman, the late Mr. K. C. Mahindra. Many of you in this room who knew him intimately over the years, will agree with me, that his greatness lay in his sensitivity towards people—which produced in all of us a deep sense of affection for him. He looked forward to meetings such as these, for they provided him an opportunity to share his thoughts with you on many issues. His speeches were the products of a mind which had an unique appreciation of knowledge and a remarkable gift of language and judgement. His appraisals invariably germinated food for thought.

Today I can think of no better way of paying adequate tribute to his memory and to the memory of the late Mr. J. C. Mahindra, than to narrate to you the story of the growth of your Company. It was in 1945— that our late Chairman together with his brother, laid the foundations of your Company. The first ten years were spent in formulating long term objectives, procuring talent, laying down sound management controls and training technical and managerial personnel. This was the time spent in exploring and choosing. Financial resources were being harnessed for the period of growth. These were the foundations laid for establishing manufacturing industries basic to the country's economic development. The record of the last eighteen years bear testimony to their zeal, devotion and tireless efforts.

Machinery Manufacturers Corporation

Machinery Manufacturers Corporation was the first venture with public participation. This Company was formed with the object of manufacturing carding engines for the textile industry. The history of this Company may be known to many of you. In the years that followed serious setbacks had to be faced and met. The lack of a well defined protective policy, as well as initial resistance to an indigenously manufactured produce aggravated the situation. It is, therefore, of considerable satisfaction, that after years of struggle for survival, today the Company continues to be the largest producer of carding engines in the country. After fifteen years of operation, the maiden dividend was declared two years ago. It was perhaps this experience which made the Founders hesitate initially in inviting public participation in their new ventures.

Over the years a wide range of products were chosen for manufacture. The Automobile Division which forms the principal activity of the Company, now has an installed capacity to manufacture 10,000 Jeeps per year. This has been possible through an association with a large group in the U.S.A. and we have, the privilege of having their President on our Board of Directors. The dependence on imports for components is fast diminishing; and with continuing progress in the field of ancillary production, it is anticipated that an indigenous content of 90% will soon be achieved. The Division is fully staffed with skilled technicians, and through its intensive training programmes for operators and engineers, it is to a great extent self-generating in its requirements of personnel. New factories are under construction at Kandivili, and it is envisaged that well integrated units will be ready for occupation by early next year.

Other Companies

Recognising the advantages of linking substantial investment with the procurement of technical "know-how" from abroad, your Company promoted a number of other units, which today serve our economy. In partnership with organisations in the U.K., various companies were formed to manufacture a range of products such as trailers, sintered products, air-cooled diesel engines, water meters and instruments. In collaboration with a German firm, a company was formed to produce synthetic resins, enamels and varnishes, while in association with an American company a unit has been set up to produce elevators.

Steel has always played an important role in the affairs of your Company, and while the import of steel sustained the Company during its formative years, a need was felt to establish a manufacturing unit in the country. To this end in collaboration with a leading French firm a Company has been floated for the manufacture of alloy steels. This, as you are all aware, is a large project involving considerable capital outlay. A second large project is the manufacture of tractors in collaboration with one of the largest corporations in U.S.A. This Company has been formed and shares will be offered to the public in the course of this year.

Capital and Labour

Looking back, it was in 1955 that shares were offered to the public for subscription. At that time the Company was privately owned by the family. Before the public issue, an offer was made to all employees or the Company who had five years service or more, to participate in the share capital. It is gratifying to remember that nearly all employees took advantage of the offer.

The First Public Issue was made with an offer of about 47 lacs of capital. The response from the investing public was overwhelming. Over the years, there have been two further rights issues, incidentally both were over-subscribed, bringing the capital of the Company to the
present level of Rs. 253 lacs and number of shareholders has increased from 1860 to over 5500 today.

While the role of capital is not to be underestimated, it is labour which gives it a meaning in industry. I think of labour in its integrated sense, embracing all members of an industrial enterprise, whatever their functions. Without the effort of labour to plan and to execute, capital remains stagnant. Corresponding with the increase of capital, our own labour strength in the parent Company has increased from 1200 in 1955 to nearly 5000 today. Labour in the Company looks to the future for increased earnings, for opportunities to better their way of living and for chances if promotion. Over the last four years, over 800 vacancies have been filled through promotions from within - sufficient assurance that ample opportunities exist in your Company for advancement. Better pay, good service conditions and a share in the prosperity of the Company have been the benefits accrued to labour. In response, the Company has their assured loyalty and a desire end enthusiasm to meet the ever growing need for better skill and more productivity.

Quality Control

In all our varied manufacturing activities we have always laid emphasis on quality control and I can say, that the quality of our products has ensured consumer satisfaction. Nor does our responsibility end with the value of the product - the importance we have given to after Cessa vice has instilled a sense of confidence in the consumers, which must reap rich dividends in the future.

It is your faith and confidence that has made possible this growth. Great care has been exercised by your directors to ensure fair and reasonable dividends. Keeping in mind the need for liquid funds for expansion and diversification, your Directors have favoured a stable policy of dividends. The operations of the Company over the years have fully justified expectations, reflected by the profits earned from year to year. The shareholders' enjoy an added sense of security that the reserves of the Company have increased to 80 less while the investment portfolio stands at 63 lacs. In conformity with the views expressed by many of you, a modest beginning was made in offering you shares in the new steel company. I hope that with continuing growth, there will be further opportunities for you to invest in new companies or in the expansion of the existing units, so that you may share in the prosperity of your Company—a share which rightly belongs to you.

Confidence in Future

The economy has reached a difficult stage in its development. The country through the Five-Year Plans is in the process of reappraising the methods by which desired social objectives can be achieved. You may well ask whether this transitional period will have any effect on our industrial philosophy. I can only answer you by affirming that practically every unit in the group is in the process of expansion and that we have our sights fixed on more ambitious targets in the future. We would be failing in our duty if we did not continue to contribute to the growth of the community to which we belong. In these endeavours we do not doubt that there will be vast difficulties. The large commitments we have already undertaken are a measure of the confidence we have in the future.

In reminiscing over the past, I may have taxed your patience. The encouraging and the guiding hand of the late Chairman is no longer with us. I am, however, fortunate in having the wise counsel of my colleagues on the Board which will make my task less burdensome. I have the loyalty of our employees and I hope your confidence. I am sure that you would like to join me in welcoming our two new Directors, Mr. lengan and Mr. Hydari—they need no introduction from me.

You will be glad to know that for the five months of the current financial year that is to the end of March 1964 our operations in all divisions of our Company have been satisfactory. Production of Jeep vehicles averaged 900 vehicles per month and deliveries have kept pace with this production. The Steel Division has maintained its rate of bookings and the Machine Tool Division anticipates a considerable volume of business during the year.

I thank you.

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

Sanforized and Cloth Exports

INDIAN cotton textile exports last year totalled 531.2 million yards, a bare 4.5 per cent higher than in 1902—but well below the 582.4 million yards exported in 1961. Price-wise the situation was even more disappointing. The 1963 exports were worth a total of Rs 41.2 crores, only 3.3 per cent greater than in 1902. Looked at another way, the price per yard of cotton fabric exports has been going down: from 80 nP in 1901, to 79 nP in 1962, to 77 nP in 1903.

But although total exports of Indian cottons have been on an irregular decline, shipments of Sanforized-labelled fabrics to a large number of foreign countries have shown a steady rise. Indian mills last year exported a total of 10.3 million yards of Sanforized-labelled fabric. This was 31.2 per cent higher than in 1902; the 1962 figures were themselves 41.07 per cent higher than those for 1901.

Exports of Sanforized-labelled fabric were worth, on a per yard basis, nearly twice as much as the export price of all cotton fabrics. Last year the value of Sanforized-labelled fabric exports averaged Rs 1.33 per yard. This compares with the 77 nP per yard general, figure mentioned previously.

Contacts that the Sanforized Company has in 19 countries on all five continents have helped Indian exporters to achieve this enviable record. The Company's world-wide experience in textiles has also led it to suggest a number of ways for Indian textile exporters to meet the export challenge and improve their own and their country's foreign currency earnings.
The Central Bank of India Ltd.
Speech of the Chairman, Sir Homi Mody

Turning to the Budget of the Central Government, Sir Homi recalled how at the last Annual General Meeting he had emphasised that any scheme of fresh taxation based on the grossly inaccurate estimates which were being presented annually to Parliament could not but be unfair and oppressive. Last year’s figures, he said, told the same old tale, an estimated deficit of Rs. 16 crores having been converted into a surplus of Rs. 88 crores! Yet, every Budget ignored this trend and proceeded to levy fresh burdens on the helpless tax-payers. Meanwhile, Government’s administrative expenditure, not all of which could be considered productive, mounted, and inflation and the resultant fall in the real value of the rupee continued to inflict greater and greater hardship on the common man.

Budget Proposals

When the present Finance Minister assumed office, much was expected of him and it was believed that he would make a realistic approach to the whole scheme of taxation and give substantial reliefs. Instead, the present Budget proposals merely rectified some anomalies, put the income-tax rate structure on a somewhat more scientific basis, leaving the totality of the burden alone and actually increasing it by Rs. 40 crores, of which the share of the Corporate Sector was estimated to be Rs. 11 crores. It is impossible to understand how the economy of the country could recover and how the capital market which had dried up could ever come to life in these conditions. “When one comes to the specific proposals for taxation,” observed Sir Homi, “one does need to be an economist to appreciate the dire consequences of some of the burdens the Finance Minister is seeking to impose. The grand design is becoming clear—the further crippling of the Private Sector, and the elimination, by rapid stages, of whatever remains of the much-abused Capitalist class, to which India owes so much of her economic development. He would indeed be a very foolish person who will not see in these drastic socialist moves a grave threat to the stability and progress of the country.”

Dealing with the monetary and banking spheres, Sir Homi referred to the impressive increase of Rs. 450 crores in the volume of money supply with the public. Scheduled Banks’ deposits had also increased by Rs. 210 crores to touch Rd. 2,252 crores at the end of the year, the major portion of such increase being accounted for by Demand Deposits. Similary, Scheduled Bank credit which stood at Rs. 1,422 crores in December 1962 expanded by as much as Rs. 158 crores during the year under review. To enable the banking system to meet the ever-increasing demand for credit from all sectors of the economy, the Reserve Bank found it necessary, at the commencement of the current busy season, to liberalise the borrowing quotas allowed to Scheduled Banks. Unfortunately, this facility turned out to be short-lived. The pace at which Scheduled Banks’ advances have moved upwards has been so rapid that the Reserve Bank has now thought it necessary to apply the axe somewhat ruthlessly. Not only have the basic borrowing quotas been reduced, but the rate of interest has been so stepped up on each successive slab, that the effective cost of the total borrowings from the Reserve Bank has risen substantially. Coming as it has done, when the busy season has reached the highest peak, his action has placed the Banks in a difficult position.

Interest Rates Controversy

The suggestion made by the Reserve Bank that, in their efforts to mobilise deposits, Banks should re-examine the pattern of interest rates had created a controversy in banking circles. The Inter-Bank Agreement on maximum rates of interest on deposits had been working satisfactorily and had helped to keep down the general cost of deposits for the bank-
utilising manpower resources will be a large share of the Bank’s total earnings, the proportion being as high as 34% in 1963.

Mechanisation Resisted

Sir Homi also voiced his concern at the rate at which overtime allowances paid to the Bank’s staff were going up in spite of additions to the staff. In Western countries, Banks had achieved a considerable measure of advance by modern methods and machinery. In India, apart from the difficulty of importing accounting machines and their components in sufficient quantities, there was a stiff resistance on the part of large sections of Bank employees to any attempts at mechanisation. The fear that machines would displace men and result in the retrenchment of staff arose from a short-sighted view. Banking business in India is constantly expanding and acquiring new dimensions, and even if mechanisation was introduced on a substantial scale, there would still be a growing demand for more and more men. Sir Homi hoped that the staff would give dispassionate consideration to this aspect of the matter and co-operate with the Management in introducing new methods so essential for the streamlining of the Bank’s manifold operations.

Besides the interim dividend of Rs. 2.40 per share already paid out, it was recommended that a final dividend of Rs 2.60 per share, subject to tax, be paid out of the Special Reserve, as was done last year.

Sir Homi paid a glowing tribute to the services rendered by Mr. N.K. Karanjia who had retired after a long and distinguished career of 45 years. He welcomed Mr. P.C Cooper who was appointed General Manager on Mr. Karanjia’s retirement and wished him a successful term of office. Sir Homi also expressed his warm appreciation of the very valuable services rendered by the Vice-Chairman, Mr. C. H. Bhabha, in looking after the affairs of the Bank and in developing its business. Sir Homi ended by observing that “the contribution which a Bank of our size and status can make to the economic growth of the country is immense, and if we continue to enjoy the confidence of the business community and if all of us give of our best to the service of the institution, we have every hope that the Central Bank will long continue to occupy the proud position it holds in the banking system of the country.”

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India Steamship Co., Ltd., has a steady record of progress... Since Independence, its tonnage has increased from about 85,000 D.W. tons to over 200,000 D.W. tons — more tonnage being still on order. Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continental trade — the Company entered the Indo-Soviet service to the Russian Black Sea ports in 1956 and later to Rumanian ports. In 1959 the Company forged still another link in the overseas with South America, and in 1960 it extended its service to Poland.

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