

*Chairman's Statement***Voltas Limited**

THE following is the Statement by Mr. J. D. Choksi, Chairman, Voltas Limited, circulated to the Members of the Company, with the Annual Report for the year 1962-63:

"It gives me great pleasure to report excellent results for this ninth year of our operations. We have now reached, I think, a stage from which there is no going back. Our problems have increased, but so have our achievements. The shareholders can claim a fair share of our success for they have given us, through the years, much encouragement and support. We shall need both these at the present moment.

As you know a proposal for a rights issue will be placed before the annual general meeting for approval. The capital structure has remained unchanged since 1956 when it was increased to Rs 255 lacs. This latter sum, along with profits retained in the business have supplemented our cash credit facilities from banks and have sufficed so far to provide the company with the funds needed for its expanding volume of trade. Our sales have increased by 100% in the last four years, and as the expansion in our manufacturing activities has taken concrete shape with the start of construction of our new factory at Thana, the demand for fresh funds has become inevitable. Pioneers, as we are, in the field of air conditioning, we propose to carry forward our manufacturing plans in this field to a further stage of self-sufficiency. Once we are able to manufacture the compressors required by this industry, the company will have gone a long way towards meeting the backlog of demand created by import restrictions and the additional requirements of the defence forces, of Government and industrial undertakings and offices, to say nothing of growing requirements for 'comfort cooling'. After air conditioning, our manufacturing activities will be largely concentrated on materials handling and mining equipment and in other joint venture projects in which your company is interested and will

participate as promoters, shareholders and selling agents.

Finance has, accordingly, to be provided for the manufacturing unit, and for shares in the joint ventures and finally for working funds. The Directors' Report indicates steps taken for procurement of the additional funds which include a rights issue to shareholders. I think shareholders will agree with me that the terms of issue (which require the approval of the Controller of Capital Issues) are reasonably attractive.

The lax demand on last year's profits, in spite of the additional reserves provided to meet it in the company's accounts, proved to be substantially higher than anticipated. On the same scales this year's taxes work out to approximately 65% of the profits. A tax system, so devised as to leave to the shareholders of a company, rich and poor alike, 35% of the profits for dividends on which again taxes will be payable at rates applicable to individuals rising to 87% on rehabilitation and expansion plus contingencies can only lead ultimately to a negation of democracy in which private enterprise can play a worth-while role. The only justification for such measures would be when the nation is in a state of dire peril. We can only hope, that notwithstanding the heavy burdens on the national exchequer, the impact of these self-defeating tax measures will be substantially curtailed in the Finance Bill of 1964, bringing some relief to trade and industry and placing them in a better position to develop and expand and so meet the challenge of the Plans.

Let me now carry a stage further the main theme of my statement last year. In any marketing activity, the customer is king, and customer satisfaction is the axis on which the sphere of marketing revolves. Voltas, in conforming to the criteria of dynamic marketing has, therefore, assigned as important a role to its service, as it has to its sales

Essentially, Voltas' trading operations are in themselves an economic service to the community, since they ensure the equitable distribution of goods at fair prices on a nationwide basis. Yet over and above Voltas' actual selling activities are the services it renders before and after sales. It is this complementary aspect of our marketing functions that I would like to describe.

While it is our practice to offer such pre-sales information and advice of a technical nature as enables a customer to choose equipment or materials that are profitable to his venture, the greater part of the company's services comes after sales; Voltas' after-sales service is now a by-word in the country. This reputation has been achieved over years of careful planning and execution. It is our strong conviction that after-sales service is an important phase of the whole plan of marketing. After-sales services, if adequate, create continuous customer goodwill and confidence and stimulate repeat orders and establish brand loyalties*

After-sales service, in the widest sense, is any service rendered to a customer after the transaction of sale is made. It is any service performed after an order is booked or after a formal agreement to sell and buy has been reached. Basic after-sales services include good packing, quick deliveries at the customer's convenience, timely presentation of invoices that are easy to read and understand, courteous methods of collecting outstandings and a helpful attitude in settling claims which may arise.

The company's technical after-sales services mainly cover quality guarantees to keep machinery or equipment sold in workable condition for a predetermined time at the total or partial cost of the supplier, manufacturer or distributor. The cost of these obligations is substantial. But the Company tries to render that type of

service as is close to the requirements of the customer.

Many of you are familiar with the Voltas Crystal room air conditioners and, as you know, air-conditioning for comfort-cooling enters into the personal life of people. To ensure that our clients enjoy the comforts of air conditioning without interruption, our services are so organised as to enable a telephone call requesting service to be attended to without appreciable delay in most centres of the country. You will realise what this means in a city like Bombay, where there are 15,000 air conditioners that require service by the company and in which Voltas' air conditioning and refrigeration division receives about 200 calls a day. As much thought and planning must go into the devising of an after-sales service system as is accorded to a production plan. Consequently, the company has to provide for an adequate number of trained servicemen, for suitable equipment and facilities and sufficient working capital as would be provided in any large scale activity in an industrial or business organisation.

To provide for this and, at the same time, to maintain a high standard of service, the company has its own training schemes to feed its service force. Every six months, about 40 trainees receive basic training at our Chinchpokli Works and are then absorbed by the various divisions for more specialised and on-the-job training.

On a wider scale, where the company's clients are project authorities, Voltas' after-sales service assumes even greater significance. As many of you are aware, your company supplies giant machines like bulldozers, excavators and cranes that are used for the larger projects of the nation. The standing charges and operating cost of any one of these machines vary from Rs. 50 to Rs. 250 per hour. One can fairly visualise the extent of the loss to the nation in the event of a breakdown of such machinery. In most cases, the company's service staff not only erect these machines at project sites, but also train the customer's own work forces to take over their maintenance and working with a

minimum loss of time and efficiency.

Another aspect of after-sales service is the assistance a customer receives in obtaining spare parts. Severe import licence restrictions make it impossible for us to maintain our own stocks of spare parts at levels which we consider fully adequate for customer requirements. However, in many ways, we assist customers, including Government projects, in obtaining import licences for essential parts and in storing and distributing them. The company's own inventory of spare parts contains 80,000 items, representing an investment of over Rs. 2 crores with an organisation of close on 175 persons. The company goes a step further in ensuring customer satisfaction by assisting its dealers in establishing their own service schemes and service stations and by training their personnel.

The costs of after-sales have to be controlled if these are not to run away with profits. But judicious expenditure in after-sales service is in the best interests of good business. After-sales service acts as a market builder. When the services prove satisfactory, the company's reputation and that of its products are enhanced and a wider market created through customer satisfaction and goodwill. Moreover, after-sales service helps the company to watch continuously the performance of a product and to gauge market reactions. It provides a feedback service on which to base the development of better products.

23 per cent of the company's staff are directly or indirectly assigned to various forms of service. This alone will give a measure of the importance we attach to this aspect of marketing. In the present phase of national development, in which most items of equipment are in short supply, the importance of keeping installed equipment in working order can easily be assessed. We hear much these days about the necessity of nationalising the import and distribution trades of this country. Few of the radical 'nationalisers' may be aware of the obligations and services that are involved in importing and distributing technical equipment and machinery such as I have tried to outline in this statement. The oft-maligned "middleman" may appear

in a different light if the service aspects of distribution and marketing are properly understood. -

I should like to close, this statement by expressing the appreciation of the Board and all of you for the excellent services performed by the organisation as a whole during the year."

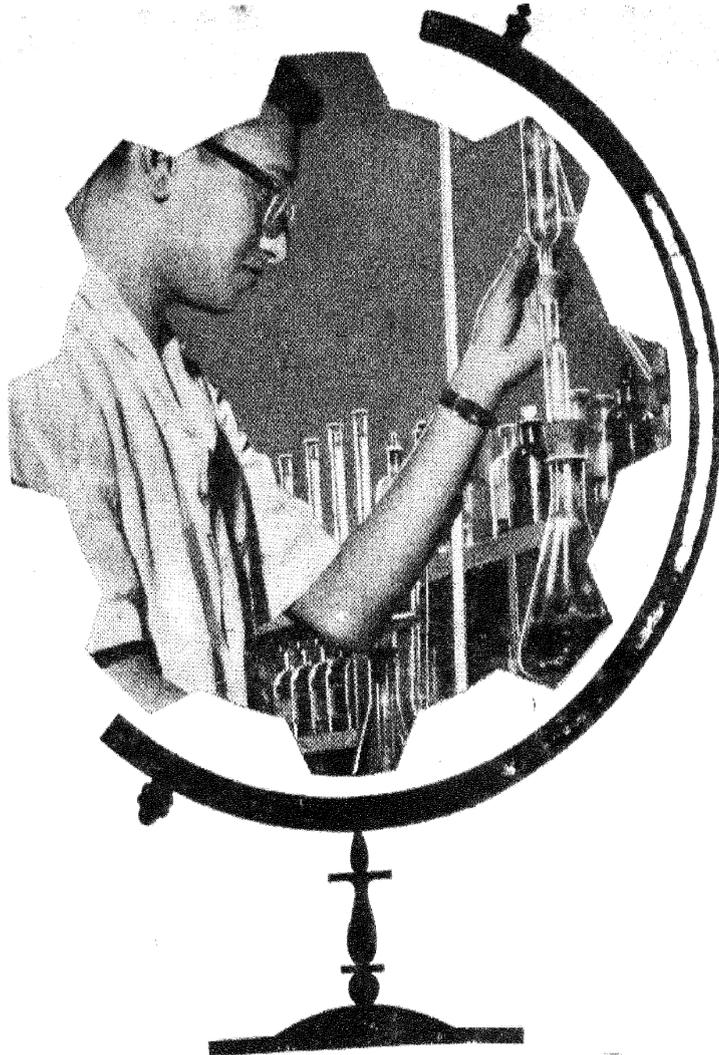
NOTE: The above statement is not a report of the proceedings of the Annual General Meeting which will be held on the 27th February 1964.

Finances of Private Companies

A RESERVE Bank study of the finances of 501 non-Government non-financial private limited companies for the year 1961 (published in the January 1964 issue of the *Reserve Bank of India Bulletin*) reveals smaller growth rates in the value of production, sales and assets formation as compared to 1960.

The increase in the value of production and sales of the 501 companies was less than 5 per cent in 1961 as compared to a more than 18 per cent increase in 1960 recorded by the 333 companies studied for that year. However, as the rise in expenditure during 1961 was less than income, there was a substantial increase of 19 per cent in the gross profits and the margin of profit, as measured by the ratio of gross profits to sales, also improve' from 6.5 per cent in 1960 to 7.2 per cent in 1961. The profitability of capital also increased during the year with the ratio of gross profit to total capital employed increasing from 10.2 per cent to 11.2 per cent. Net profits of the 501 companies rose only moderately by 8.3 per cent.

The rate of gross assets formation of the 501 companies in 1961 was lower at 7.6 per cent as compared with 11.1 per cent for the 333 companies in 1960. However, capital formation was slightly higher at 11-12 per cent in comparison with 10-11 per cent in the previous year. As regards financing of assets formation, companies relied on their internal sources to a greater extent in 1961 than in the previous year; these sources supplied 60 per cent of the total funds in 1961, compared to 46 per cent in 1960.



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