Alembic Chemical Works Company Ltd, Baroda

Speech of the Chairman, Shri RB Amin

THE following is the text of the speech of Shri R.B. Amin, Chairman, Alembic Chemical Works Company Limited, Baroda, at the 58th Annual General Meeting *of* the Company held on June 17, 1965 :

Ladies & Gentlemen,

I have great pleasure in welcoming you to the 58th Annual General Meeting of the Company. The Accounts for the year ended 31st Decernber, 1964 and the Directors' Report have been circulated to you, and with your permission, I shall take them as read.

It may be recalled that during the last three years the Company had undertaken and completed various schemes of expansion. The more important amongst these were : the expansion of the Penicillin Plant, the Sulphuric Acid and Fertilizers Plants and the Distillery. I am glad to say that these expansions have contributed to the very satisfactory working results of the year under review.

The increase in the sales achieved in the year 1964, and expected in the current year, might make it necessary to undertake further expansion in the capacities of the Yeast Plant and the Fertilizers Plant. The use of better strain in the manufacture of Penicillin has improved its yield and with the expected higher yields we would be able to meet the continuously rising demand.

Some of the products of the new Hompro Division, like Rubex Ointment and Nasal Drops were introduced in the market in the current year. Tooth Paste and Shaving Cream will be in the market soon.

I had mentioned to you, when we met last, our intention to undertake the manufacture of two Antibiotics viz. Erythromycin and Kanamycin. We have secured the collaboration of reputed manufacturers of these products. It has, however, not been possible to get Government approval yet. It appears. Government was undecided about whether the manufacture of these and other new Antibiotics should be reserved for the Public Sector. There can be no discremination between the two sectors of our economy and there need not be any conflict between them also. Any manufacturing unit which has an immediate plan for the manufacture of a product, which it is desirable to manufacture in the country, should be allowed to do so. It would not be in the national interest to sell it on the ground that the public sector might like to undertake it at a later date,

A Letter of Intent for the manufacture of Hydroxocobalamin has been granted to us and the terms of collaboration are being negotiated with the Foreign Collaborators and the Government of India. We expect that the necessary industrial licence will be issued to us soon.

Availability of finance and the continuity of good management are perhaps the two most important requirements for the growth of Industry. They are more so in the conditions of India to-day when the country is striving for a rapid industrialisation. It is, therefore, unfortunate that measures are being taken by Government which tend to affect these adversely.

It may be necessary to take steps to discourage or restrict the flow of funds to unproductive or speculative purposes. But a blanket ban. like the one the Reserve Bank has placed, on the utilisation of the funds returned during the slack season would starve the Industry of the funds which they need and to which they look forward in this season.

The credit squeeze and the resultant high interest rate would make investment in shares and debentures less attractive and force a further recession in their prices. What is most necessary to be done is that wasteful and unproductive expenditure, both in Government and in the public sector undertakings must be stopped because that contributes to inflation. Any restrictions on the funds needed for Industry can only affect production adversely with the resultant pressure on prices.

In our country the traditional form of Management of joint—stock organisations has been the Managing Agency system. Managing Agents have pioneered many industries and have provided the necessary entrepreneurship and financial resources. They have also provided a firm and stable management. The Managing Agency system offers most of the advantages of group management under which comprehensive services are rendered to companies under their management, and in this respect may be said to have anticipated the recent trend in industrially advanced countries of a single company providing technical, managerial and expert personnel services to several companies in which it has a financial interest.

It is wrong to think that the institution of Managing Agency has outlived its useful purpose. Entrepreneurship is not restricted to the initial stages of the history of a concern. The need to be alert and inventive remains vital throughout There are the almost never ending problems of expansion, innovation and replacements. In as much as, therefore, entrepreneursbip persists at all stages of a concern, the need for a continuation of the management is clearly indicated. By providing risk and other capital to managed companies, both from their own resources and by attracting savings of others, the Managing Agents continue to help in the expansion of existing enterprises also.

If the institution of the Managing Agency has proved to be very useful in the past and is thus necessary for the present, it would not be wise to end it in the existing stale of our economy. It has been mended reveral times in the past and the powers assumed by the Government under the existing provisions of the Company legislation are more than sufficient to prevent any mismanagement by a Managing Agency. There is no particular merit or advantage on tne insistence of management of companies by Board of Directors alone. The form of management of a particular joint—stock company is a question of suitability and convenience to be decided by the shareholders of that Company. The Government can, and does, act as a reviewing authority and can prevent wrong people from taking over the management by unfair means. But a honest and competent Managing Agency House should be allowed to continue. That would be in the interest of the Company and of the rapid industrialisation of the country.

In a planned economy, it may be necessary to fix some priorities; it might also call for some amount of control by Government But these should be broad and general, and planning and control should not degenerate into a bureaucracy. That all things must be decided in accordance with the wishes of those that are most affected by it is a rule that must be allowed to operate subject only to the overall interest of the nation. But otherwise, there must be no restrictions and fetters on the initiative and the will of individuals and organisations. Only thus can institutions and nations make progress.

Before I conclude, I wish to thank all my colleagues on the Board as well as the Managing Agents, Staff and the Workers of the Company for their co. operation, I now commend the Annual Accounts and Directors' Report for your consideration.

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

AROUND BOMBAY MARKETS

Dalal Street Forges Ahead

Wednesday, Morning

D|ALALSTREET did not pause for _ long to 'digest' the gains already made. It took a big leap forward last week and pushed its way into new high ground. Equities recorded impressive gains all-round. Rayons, Steels, Engineerings, Shippings and Dyes and Chemicals—all these vied with one another to steal the show. There was a marked improvement in turnover. Though activity continued to be mainly professional, interest broadened appreciably and quite a number of cash scrips received good attention and scored handsome gains.

In a matter of days Century improved from Rs 535 to Rs 552, National Rayon from Rs 388 to Rs 409, Tata Steel from Rs 153.75 to Rs 160, Tata Locomotive from Rs 233 to Rs 249.50, Scindia from Rs 14.24 to Rs 14.80, Indian Dyestuff from Rs 192 to Rs 208, Tata Chemicals from Rs 19 to Rs 1936, SLM—Maneklal from Rs 116 to Rs 130.50, Tractors and Bulldozers from Rs 134 to Rs 157.50 and Baroda Rayon from Rs 67 to Rs 79—to mention some of the more important names.

Market psychology had for some time been veering round to 'he constructive side. Sentiment earlier in the week was aided by the absence of any adverse political news and the announcement of the British and U S loans for Rs 6.6 crores and Rs 92.3 crores respectively. But the spurt in prices which occured mostly after the turn of the settlement on June 18 was caused essentially by the marked decline in the carry-forward charges in certain popular counters, reflecting serious shortage of floating stocks resulting from the massive purchases by the Life Insurance Corporation over the past several weeks. Despite the closure of transfer books, the carry-forward charges in Tata Locomotive were on the low side and the 'budil' actually turned against the sellers in the case of Tata Steel — an extraordinary situation, never noticed in this scrip for years.

The manner in which the stock market made its upward thrust after the turn of the settlement suggested that it had simply been waiting for an opportunity which was provided by the low carry-forward charges. In its constructive mood, the market took very little notice of the higher rates of interest offered on the two new Joans, which, of course, merely reflect the existing money market pattern. Sentiment was considerably helped by renewed optimism about an early agreement on cease-fire in Kutch and the restoration of the 16 per cent power cut enforced during the second week of June. Reports suggesting a big World Bank loan for maintenance imports during the current year had also a steadying effect on the market.

The market has changed and it does not seem to be simply due to the magic of fluctuations—trading sentiment steadies up with the rise in prices which in turn causes a further rise in prices. Apart from technical factors, the turn in market sentiment is attributable to improved prospects of a negotiated settlement of the Kutch border dispute. Improvement in the political situation can have a significant impact on the general market psychology. But since any further big rise is likely to focus attention on the yield on equities, the market will find it difficult to sustain an upward trend for long. Credit squeeze is unlikely to be relaxed and interest rates are not expected to come down in the foreseeable future. Production costs continue to rise and with the foreign exchange position being what it is, import policy will continue to be extremely restrictive and it might well adversely affect industrial production. The economic prospect is not conducive to the revival of investors* confidence without which the current recovery cannot be transformed into a major upward movement. Dalai Street's recent behaviour, however, holds out the hope that the current recovery phase will be extended further.

COTTON

Premiums Harden Further

COTTON prices have been quoted well above the statutory ceilings for quite some time. The premiums continued to harden week by week but the authorities seem altogether unconcerned about it If price control is to make any sense, those who contravene the control order must be punished severely and the authorities entrusted with administering price control must also be made to explain their conduct (misconduct will perhaps be more appropriate). Market men reported fairly good demand for cotton used for coarser counts and the prices of Kalagin and Wagad rose by about Rs 25 to Rs 50 per candy last week, Strangely enough, mills which seem to be greatly worried over the accumulation of stocks of both Cloth and yarn and the consequent financial strain, have not raised any cry against soaring cotton prices. The Indian Cotton Milk' Federation does not talk any more of self-discipline in respect of cotton purchases. This is perhaps because the Federation feels that any such talk is likely to displease the State Government (or Governments) which does not really pay in the long run.

June is nearing end but the Government of India has still to wake up its mind on the cotton policy for the 1965-66 season. The policy announcement does not really count for much. There is hardly any evidence to show that sowings of cotton are in any way guided by the Government's price policy; nor has the price policy any