

Kirloskar Oil Engines Limited

Speech of the Chairman Shri S L Kirloskar

THE following is the text of the speech delivered by Shri S L Kirloskar, Chairman, at the 19th Annual General Meeting of the Company, held in Poona, on Saturday, the 28th August, 1965.

Ladies & Gentlemen,

It is with pleasure that I welcome you to this meeting. You must have, by now, gone through the Directors' Report and the audited Accounts of the Company for the year 1964-65. With your permission I shall take them as read.

Accounts

I am once again pleased to be able to report another successful year. The working results for the year reveal a steady progress in your Company's activities. The accounts show a profit of Rs 1,02,50,576 (as against a profit of Rs 81,88,996 during the previous year) after providing for depreciation, remuneration to Managing Agents and the amount set aside for bonus to the employees. Your Directors have indicated in their Report, their recommendations for the allocation of the profit under various heads.

Production & Sales

Increased production and sales, marked the results for the year under review. The continued pace of growth has been well maintained. With the increase in production of standard engines, the development of several special versions of the same, suitable for special applications by original equipment manufacturers, has been an additional feature during the year. I wish to make special mention here, of the marine version of our engines, which is becoming more and more popular.

The production in our Bearing Division too has increased appreciably. The development of bearings for more and more types of automotive and industrial stationary type of engines, has considerably widened our market and accounts for the increase in sales. One serious bottleneck in increasing our production of bearings has been, short supply of bi-metal strips, on account of import restrictions. So, as I had reported before, we planned to put up a bi-metal strip plant, in our factory.

It gives me pleasure to report to you, that this strip plant will be put in operation, within a few weeks. This will not only facilitate increase in production, but will also save considerable foreign exchange.

Export

You would, indeed, be pleased to know that your Company has earned for itself the distinction of being the largest exporter of engineering goods from India. Our exports rose from Rs 34 lacs during 1963-64 to Rs 98 lacs during 1964-65. This represents about 15% by value and 30% by numbers, of our total production during the year. So our export has virtually doubled itself, during the year under review. In addition to consolidating our position, in markets where we have established ourselves, we are continuously exploring new foreign markets. This year marks the introduction of our engines into Central and Latin American countries. We have been able to establish distribution links in distant parts of the world, like Jamaica, Panama, Costa Rica, El-Salvador, Ecuador.

Export has not been a profitable proposition to engineering industry all along. Then the question that immediately comes up in our mind is, if that be the case, why export at all? Are we not increase jeopardising the interest of the shareholders by exporting, if export does not bring any profit? Can we not increase our profit by selling in the inland market, the engines we now export? At first blush, these questions do look quite pertinent and logical. But the situation is not so simple. Our country is not as yet self-sufficient in the requirements of the engineering industry. We need machinery and many critical items, which are not available in the country, without which we can neither maintain our present production nor undertake any expansion. So, these have to be imported if the industry is to keep going or if it wants to undertake expansion. Import needs foreign exchange and the Government is not in a position to give us any foreign exchange unless we earn foreign exchange by exports. So, the importance of export, even at a loss, comes in here. Even the production we made during the year, would

not have been possible, if we had not exported. So, whether (here is profit or not, under the existing conditions, we have to export a portion of our products, if we have to keep our factories working.

However, no engineering industry in India under today's conditions can afford to export more than 30%, of its total production, without seriously endangering its finances. From this it is obvious, if we have to increase our present export, we have to increase our total production commensurately, on this basis. At no time in the history of Independent India, was the necessity for export more keenly felt. To increase exports, the increase of overall production is essential. Is the time propitious for any industry, to increase its production on a large scale, is the question. The cost of production is increasing by leaps and bounds. On account of severe restriction on imports, availability of machinery and critical raw material is becoming difficult. Due to the new policy adopted by the Government, finance for industries is also becoming a serious problem. In the face of these strong odds, how to increase production with a view to increase exports is the problem facing all industries. A suitable solution has to be found out to tide over this difficult situation. It should be recognised that it is the private enterprise that has to shoulder most of the responsibility of developing foreign trade. In the ultimate analysis, it is the effort of the private agency, that will determine the success or failure of the ambitious export programme, now undertaken by the Government. Government has done much to stimulate export trade; but more remains to be done. A pragmatic appraisal of the problems confronting export alone can help us out of the present difficult situation.

Credit Squeeze

I would like to refer in the passing, to the recent Reserve Bank of India policy, to restrict credit to trade and industry. The duration of this scarce money policy was not clearly indicated, when the policy was conveyed to the executives of the Commercial Banks on 4-5-1965. by the Governor of the Reserve Bank of India. However, officials have been hinting since,

that this policy will continue, for quite some time.

This policy applies ostensibly only to trade and distribution. At first blush private industry seems exempt from it. But this is at best a delusion; for, when the credit squeeze operates against suppliers and distributors, the repercussions of that would obviously be felt by manufacturers. When the bank credit to distributors shrinks, their offtake of our products for distribution also wilt fall. Their capacity to make prompt payment for what they may buy also suffers. Similar would be the case with suppliers. Their capacity to keep stocks of goods and raw material, for being supplied to industries, also would be affected; consequently supplies to industries would suffer. Thus, as a result of this credit-squeeze, pressures on manufacturers are bound to emanate from supply and distribution. Further, it is indicated, that hereafter, bank credit would cover raw materials and in direct stores and may not extend to finished products. Since no credit may be granted against finished products, manufacturers have to see that their products move faster, out of the factory. Some concerns may well find themselves having to unload their products on the market at a price sacrifice,

A possible effect of this policy would, therefore, be a cutback in the existing scale of turnover, not to speak of the slow down in expansion. This would mean rising overheads, resulting in a rise of unit cost of production. This is not a desirable position.

Issue of Capital

The allround expansion programmes, the Company has taken in hand, need progressively more and more finance. The Industries Finance Corporation of India has granted to the Company a loan of Rs 99 lacs, partly in Deutch Marks, partly in U S Dollars and partly in Rupees. In addition, the Company will be issuing immediately 2,50,000 equity shares of Rs 10 each, at par, to the present equity shareholders of the Company. The shares are issued at par, even though they can be sold in the market at a sizeable premium, so that the shareholders may have the full benefit of the prevailing market value of the shares. I would request you to extend to us your helpful co-operation, in subscribing to the shares now being offered to you.

Subsidiary

The working results of Shivaji Works Ltd a subsidiary of the Company too has been satisfactory. It has been able to declare dividend of 9.3% on its preference shares and 9% on equity shares, for the year ended 31-12-1964.

Prospects

You would be interested to know, what are the prospects for the current year. As for the Company, its activities in stepping up its production, and its expansion and development programmes are proceeding as per schedule. But, as a result of the credit squeeze, increase in bank rate, import curtailment, and the impact of

the Fourth Five Year Plan, it would be difficult to predict what turn the events will take. We cannot say, when we may have to trim our production to suit the conditions. We are proceeding rather cautiously in this matter.

Before I close, I wish to convey to the staff and workers our sincere thanks for their excellent team work, and the management for steering the affairs of the Company, with skill and efficiency, to which we owe the excellent results, the Company could produce during the year.

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

THE JAIPUR UDYOG LIMITED

Regd. Office : SAWAI MADHOPUR (W. Rly)

NOTICE

THE Annual General Meeting of the shareholders of The Jaipur Udyog Limited will be held at the Registered Office of the Company at Sawai Madhopur on Thursday, the 30th September, 1965 at 12 Noon to transact the following business :

1. To receive and adopt the Directors' Report and the Audited Statement of Accounts for the financial year ended 31st March, 1965.
2. To declare dividends.
3. To elect a Director in place of Shri Ramnath A. Podar who retires by rotation and is eligible for re-appoint.
4. To appoint Auditors for the current year and to fix their remuneration. The retiring Auditors, Messrs. R. D. Joshi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

Register of Members of the Company will remain closed from Saturday, the 25th September, 1965 to Thursday, the 30th September, 1965, both days inclusive.

By Order of the Board,
For THE JAIPUR UDYOG LIMITED,
For SAHU JAIN LIMITED,

A. K. Jain

Director,
Managing Agents

Calcutta

5th September, 1965.

N. B. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.