

The Dunlop Rubber Co. (India) Ltd.

Mr Cecil Stack's Review

THE 30th Annual General Meeting of The Dunlop Rubber Co. (India) Ltd. was held on the 25th April, 1956, in Calcutta. Mr. Cecil Stack, Managing Director, said:

Gentlemen,

The Directors' Report and Accounts for the year 1955 have been in your hands for some time and with your permission I will take them as read.

The Year's Trading

From the point of view of volume of sales the year under review may be considered very satisfactory. Progress was achieved in all products and the factory worked to full capacity throughout the year, thus maintaining the highest possible level of employment. In my speech last year I advised you that our consumption of crude rubber in 1954 was the highest recorded, being 18% above 1953. Another record was created in 1955, rubber usings being nearly 10% higher than in the previous year. Nevertheless we had difficulty in meeting the demand for our products which is indicative of the continued expansion of India's economy and the growing importance of our own particular industry. As I suggested on this occasion last year, the level of output and employment will require to be expanded considerably if the demand for rubber products under India's second Five Year Plan is to be met, and we as a company hope to play our full part.

Distribution of the Company's products was again adversely affected by unsatisfactory transport conditions and shortage of railway wagons. The indications are that this problem will become more acute in years to come and in my opinion it calls for the most serious attention by the Government of India,

Total sales in value were 10% higher than in 1954 but as the result of selling price reductions the net profit at Rs. 96,72,154 was approximately the same as for the previous year and the ratio to turnover declined from 7% to 6.4% before taxation. The price reductions on this occasion arose out of Government's implementation of the Tariff Commission's recommendations regarding tyre prices. I do

not propose to comment on the Commission's report other than to say we do not necessarily agree with some of the findings but this has not in any way affected our relations with the Government which I am pleased to say remain satisfactory.

Products

In the Rubber Industry in recent years the most intensified research has been undertaken in relation to new varieties of raw materials and new methods of manufacture. Development work continues on a vast scale and no manufacturer can afford to stand still. In this respect we are fortunate in having available the benefits of Dunlop research activities not only in Great Britain but in many other countries, notably Canada, United States of America, Germany, France and Malaya. Our technical staff are in constant liaison with the world-wide 'Dunlop Group' research organisation, which ensures that the most modern production methods, equipment and materials are available to us.

The Dunlop Trakmaster Giant tyre, which is specially designed for rough roads and cross country routes, has proved most popular and it is hoped that this year supplies will be sufficient to meet all demands. Another important development has been the introduction this year of the new Dunlop Roadster Giant tyre which I have no doubt will be equally successful. This tyre has been thoroughly tested in many countries of the world on some of their worst roads and results everywhere have been outstanding. The tubeless car tyre which your Company were first to introduce in 1954 has given excellent results and is now being fitted as original equipment by most car manufacturers.

Further progress was made in our sales of tractor, off-the-road and aero tyres and new records were again created in our production and sales of cycle tyres and rims. The use of the bicycle has grown so rapidly that we have not so far been able to keep our cycle tyre capacity abreast of the demand although it is hoped to remedy this before long. Stock shortages unfortunately existed throughout the year and

to ease the situation Government have now adopted our suggestion of permitting tyres to be imported.

Substantial increases were also achieved in sales of other products, for which increased manufacturing capacity is also required if the needs of our customers are to be met. Great strides were made in Dunlopillo Latex Foam Cushioning, which is now firmly established as the most economical and hygienic material for cinemas, hospitals, hotels and transport services. It is also being used increasingly for domestic purposes and by car manufacturers.

Our rubber-ply transmission belting sold well throughout the year and we have had difficulty in maintaining dealers' stocks at an adequate level. Many important contracts for Conveyor belts which are supplied only against firm orders have been fulfilled from our Sahaganj factory. It is gratifying to know that our industrial vee belts and fan belts are proving so popular as borne out by an increase in sales of over 00% compared with the previous year. The excellent quality of our braided hoses has justified our decision to increase our range of sizes so that we can meet consumer needs more fully.

During 1955 we further expanded our activities to cover the highly specialised field of anti-corrosive and abrasive linings. This service is available to a wide range of industries and not only do we undertake the application of linings to vessels and pipes at our factory, but at customers' premises as well.

Raw Materials

The raw material supply position was satisfactory throughout the year except in the case of crude rubber. Against the total consumption of rubber by manufacturers in 1955 of 27,543 tons, India produced only 22,481 tons which means that there was a deficit of over 5,000 tons. In such circumstances it is the larger manufacturers who are forced to import a portion of their requirements, especially when the world market price is higher than the controlled Indian price. We in fact imported 2,368 tons of rubber in 1955, but we experienced considerable diffi-

culty in obtaining import licences from Government and our stocks at times fell dangerously low.

The controlled price for local rubber was increased from Rs. 138 to Rs. 150 per 100 lbs. in February 1955 and again to Rs. 155-12 in September. The prices paid by us for imported rubber ranged from Rs. 144 to Rs. 207. There were no significant price changes in other raw materials.

Profit And Loss Account

The net profit for the year was Rs. 96,72,154 and after deducting the provisions for taxation and retirement gratuities the balance of profit available for disposal is Rs. 61,28,686 compared with Rs. 69,45,891 for 1954. The Directors propose the same rate of ordinary dividend as for 1954, that is 15% which will absorb Rs. 24 lakhs. The Directors also recommend the transfer of Rs. 22 lakhs to General Reserve as against Rs. 30 lakhs last year. This will increase General Reserve to Rs. 1 crore 90 lakhs as shown in the Balance Sheet. The total amount transferred to Reserves during the last 11 years was Rs. 2 crores 67½ lakhs, representing earnings retained and fully employed in the business.

Balance Sheet

The additions to Fixed Asset' during the year amounted to Rs. 33,70,000 consisting mostly of plant for expansion and modernisation. The amount of depreciation written off in 1955 was Rs. 27,51,000 as against Rs. 30,20,000 in 1954. Schedule VI of the Indian Companies Act, 1956 lays down that any future amount written off for depreciation in excess of the amount reasonably necessary shall be treated as a reserve and not as a provision. In view of this the Directors have considered it desirable to transfer to Special Depreciation Reserve an amount of Rs. 113,86,000 representing depreciation on Buildings and Plant provided in the post-war years at higher than normal rates.

Stock inventories at Rs. 391,63,000 are Rs. 4,18,000 lower than at the close of the previous year in spite of expansion in the volume of production and sales. This was due mainly to abnormally low stocks of raw rubber and some categories of finished goods. Bank and Current Balances are also lower by Rs. 6,90,000 but Sundry Debtors

are up by Rs. 16,74,000 as a result of the higher sales turnover, giving an increase of Rs. 7,16,000 in total Current Assets. Net Working Capital is, however, approximately Rs. 6 lakhs lower than at the end of 1954 and the closing bank overdraft is reduced by Rs. 17,49,000.

Employee Relations

During the past year no effort has been spared in maintaining our high reputation for working conditions and general labour relations, which, I am happy to say, remain consistently good. Further extensions and improvements have been made to our housing and social amenities for the benefit of our factory staff and operatives. The construction of new quarters for 30 of our Watch and Ward personnel was completed and these are now fully occupied. Work on the additional married operatives' quarters which I mentioned last

year was unavoidably delayed but we shall shortly commence the building of 65 further houses. During the year electric lighting was installed in 800 single quarters. The addition of a Tennis and Social Club, consisting of a clubhouse and 3 floodlit tennis courts, has proved extremely popular and successful. A retirement gratuity scheme, which is additional to the provident funds which have been in force for many years, was introduced at the beginning of 1955 and will benefit all long-service staff and operatives.

Once again all our employees, at head office, factory and in the field, have shown initiative and devotion to duty and played their part in the achievement of the year's results. I know you will wish to join with the Directors in sending them a message of thanks and appreciation of their continued efforts.

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