

From the Chair**Mahindra & Mahindra Limited****Speech of the Chairman, Mr K C Mahindra**

THE following is the Speech delivered by the Chairman, Mr. K. C. Mahindra, at the 16th Annual General Meeting of the Shareholders of Mahindra & Mahindra Limited held in Bombay on April 23, 1962:

As usual I extend genuine welcome to shareholders who have found it convenient to attend this Annual General Meeting, the Sixteenth in the series. That the Company's meetings deserve your personal attention is a tribute, which I willingly acknowledge, to your perspicacity and desire to learn more about this Company, its Management and the prospects it holds forth for future development.

Our efforts to present the accounts earlier than May have been speeded by the compulsory provision made in the Companies Amendment Act last year that the Annual General Meeting must be held within six months of the closing of the Company's financial year. The revision of the Articles of Association is not yet completed, but I hope that will be done at an early date.

Higher Profits

Since the Report and the Accounts for the year 1960-61 have been before you, the financial press has commented upon the increase in gross profits as compared to the previous year. The issue is well taken and I would like to take this opportunity to place this matter in its proper perspective. The Company's main activity is built round the manufacture and sale of Jeeps and allied vehicles. In a smooth running and well-structured organisation engaged in automobile manufacture, there is a certain minimum level of industrial work-points, manned by skilled operators, of supervisors, inspectors and engineers, of service personnel and regional field workers and not the least important, of development technicians accounts personnel and senior managers. Maintenance of an effective organisation requires provision of operational resources on a minimal scale. Such provision is possible if a certain volume of vehicles are regularly produced and sold at prices

which would yield the necessary margins. Alongside arc transient incidences like experimental work on complicated parts and shortages in pipelines of production, mostly raw materials which also have to be paid for. And as I mentioned last year, there is the requirement for annual increase in wage costs of labour averaging 8 to 10% a year. Volume of production and sales along with proper emphasis on productivity is therefore the chief determinant of profit margin. We may now analyse the 1960-61 factors as applicable to your Company's operations. The accounts as presented indicate that while selling prices have remained the same, costs have been held except for increase in wages and salaries which has perhaps been cancelled by more efficient turn-rounds and more effective utilisation of machines. Development relating to manufacture of complicated functional parts has been completed and production established on more balanced batches.

I may add that the surplus as shown in the accounts before you is not extra-ordinary; while there is no element of casual gain therein, the profit ratio to capital employed or even sales to net profit ratio is still low and the reason is simple: in conformity with the desires and directions of Government we have held the price line despite ample justification in increased wage-costs and raw material prices for increase in sales price. It is also to be remembered that the incidence of taxation is high, and that our allocation to Reserves over the six years of the Company's operations as a public company have been very modest. The Company must accordingly depend upon an increasing volume and economy of management to yield a return on shareholders' money which is both fair and attractive for further capital formation.

Jeep Manufacturing Capacity To Be Raised

We can turn now to change and development in the Jeep Division in the ensuing years. The capacity is

to be increased to produce, entirely indigenously, 10,000 units and more. A programme of centralisation of Company's manufacturing activities is already under way at Kandivli, where we have purchased and taken possession of about 137 acres of land for this purpose. A complex of factory buildings, administration offices, canteens, transport maintenance shops, medical aid centre and possibly a testing track will arise in this area. A new pattern of costs will begin to emerge as we get into the stride of increased production in the course of next 2 to 3 years. It is my hope that this grouping will lead to more efficient control over quality production and over expenditure, and that with increasing turnover the Company will progress from strength to strength.

Operations of the Steel Division have been satisfactory and the backlog of unfulfilled contracts helped in maintaining the anticipated margins. As indicated in the Directors' Report the pattern of activity for this section is changing and although imports of special sections and varieties of steel, not so far produced in the country, will continue on a diminishing scale for next couple of years, it is to be hoped that the new Steel Works will have stabilised their respective production schedules and that with assurance of supplies the distribution of steel will be rationalised and channelled through experienced and dynamic centres. The Company's Steel Section has already gained such reputation in Calcutta and Bombay and we are hoping to spread over to Madras and Delhi shortly.

Delay in Government Payments

Last year, I referred to delays in the receipt of payments from Government against Steel bills. There has been no improvement whatsoever in the matter of payments although on several occasions during the year promises were made by officials concerned for speedier settlement. The authorities do not seem to realise their contractual obligations; their apathy toward problems

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created by themselves, because of conflicting instructions and departmental lapses, is astounding. With the decreasing volume of subsidised imports, the burden of interest charges unless payment is promptly received is becoming very heavy. It is not fair that importers who have discharged their entire contractual obligations should be made to suffer for reasons which do not concern them at all. An effective solution to this chronic problem has to be found at as early a date as possible, and I would suggest that a Statutory Committee be constituted consisting of representatives of the Ministries of Steel and Finance, Iron & Steel Control and Steel Importers' Association with powers to decide each individual dispute on its merits. We may get somewhere.

Brief mention has been made in the Directors' Report of our development activities. I am confident, the Shareholders will welcome the collaboration agreement with the world renowned International Harvester Group of Chicago in respect of manufacture of Tractors to their design. As announced, it is proposed to form a separate public Company for the purpose, to which the International Harvester will give a substantial long-term loan as well as participate in its equity. Most of the formalities have been completed and we are now discussing with our associates as well as with Government the pattern of capital structure and the timing of the new Company's flotation. Shareholders will be interested to learn that Voltas Limited have agreed to join the International Harvester and ourselves in promoting the new Company as a tripartite venture. Besides participation in the equity capital of the new Company, Voltas will serve as the Company's sole distributors and thereby give to the new concern the benefit of their vast experience in the agricultural field. Steps are also in hand for installing facilities for manufacture of agricultural implements needed for attachment to tractors. This will bring to a climax the end of the first phase in our pursuit and endeavour to establish a unit for direct assistance to agriculture.

Alloy Steel Project

Mention was also made in the Report to the Alloy Steel Project. While we have concluded satisfactory

agreements with the well known Ugine Group in France, formal approvals of Government respecting this collaboration as well as proposals for financial arrangements, are pending. I should tell the Shareholders that this is a major project and finance required is of the order of 6 to 7 crores of which the foreign exchange component is approximately 45%. Search for this kind of finance is going to be a laborious process but is well under way. In the meantime, exhaustive technical studies have been made by our French collaborators; Ugine's engineers are now in India discussing with us detailed operation plants; several prospective sites in the Madras State have been examined and power supplies discussed with Electrical Authorities. Tentative search for plant and equipment has begun, I am revealing no secrets when I say that the project report prepared by us in consultation with Ugine's engineers has received warm commendation from the finance institutions whom we have approached for assistance. This is a tribute to the zeal, enthusiasm and hard work of the personnel in our Steel Division. I am hopeful that a conclusion will soon be reached and that before the next Annual General Meeting comes round the Steel Alloy project will be launched.

Certain other ancillary plans are in various stages of development, so also expansion programmes in the various units in our associated group of companies.

Social Justice and Business Motivation

The other day our Prime Minister exhorted businessmen to consider social justice as the supreme aim of national activity. He went on to say that affluence itself is good, but alongside extreme poverty it presents a painful sight. Social justice therefore must become the prime motivating factor of all human activity. This expostulation, though in general terms, is meant for every man and woman in India, no matter in what activity he or she is engaged.

In so far as business motivation is concerned I am afraid profit motive will remain the prime criterion for the initial risks. Sound business analysis postulates a positive return on the monies and skills to be invested. But once the economics of a business venture promises such return,

there is no reason why business people should not engage themselves toward harmonising the profit motive with the concept of social justice. What is social justice? To business people it should mean the consideration of more than fair returns to the employees for the work they put in, in as much as the pressure of the unemployed and the unemployable together with the general need to feed many mouths require a more than the market return for labour involved. There is another impressive argument in favour. Hunger has no morals and therefore the minimum needs of employees in the matter of food, clothing and shelter deserve to be met, irrespective of what their toil can fetch in the market. In order, however, to distribute more than the quantum of current wages there must be a surplus available for the purpose. Granted there may be occasions when no surpluses are available to meet such extra-normal requirements, and one can do nothing about it, Nevertheless it should remain the endeavour of every profit-making enterprise to keep in view this narrow but practical application of social justice. Mr. G. L. Mehta, the scholar diplomat, who has served India with great distinction in several spheres and commands wide respect for his knowledge and wisdom, in an address before the International Industrial Conference held in San Francisco in September 1961 posed before his American audience the issue of social justice in the following words.

"The milieu within which private enterprise functions today is far different from that prevailing in the 18th and the 19th centuries. Private enterprise is no longer taken for granted and its justification is no longer sought to be measured only by the profit rate it is able to earn. Private enterprise will be judged by—and its survival depends upon—its social utility to the economy."

In the present context of our country's poor economic level, there can be no two arguments, for the other way would ultimately lead to chaotic conditions and revolutions of the nature which would wipe away many of the things which we today cherish.

Motivations of social justice in the planning of an industrial complex

must generate amongst the entrepreneur the aspiration of care for the poor and the lowly, but while "minimum needs" form the starting gun on the track, the line at finish will not find all runners abreast at the tape. This factor of difference is a human element and should be respected as such, Richard Tawney, the noted British historian who was born in India, described it brilliantly in this passage;

"Equality of opportunity is not the absence of violent contrasts of income and conditions, but equal opportunities of becoming unequal."

Government's Responsibility

This is where the responsibility of Government begins. Spread of educational and social standards, so that every citizen has an equal opportunity to grow, is a prime concern of the State, and any monies devoted to the development of this infra-structure of our future society are healthy and essential investments. In the limited sector of industrial operations State policy should inspire acknowledgment of social motivations amongst the management and the workers alike. Compulsions hardly achieve any targets

in the long run. Both management and workers need to be educated in their respective responsibilities - perhaps, so also the Government of the day. Look at the fiasco of the Compulsory Employees State Insurance Scheme which has been in operation over the last decade. I am not exaggerating when I state that there is hardly any group of industrial workers who feel benefitted or satisfied with the meagre and almost callous service provided under the scheme. Every Company despite the wage-percentage contribution that is levied on it has to maintain its own medical contingent to look after the workers. May I suggest a complete re-study of various aspects of the scheme and if the criticism is found valid Government should not hesitate to scrap it altogether. I recommend instead that each Company should be asked compulsorily to spend its present contribution to the scheme or more on developing its own medical service and I am confident that it will be able to provide for its staff equal if not better facilities. Government should on its part

build hospitals and recuperation homes in selected areas near where the workers live; the large unutilized funds of the Employees State Insurance Scheme should be devoted to this purpose.

Labour's Rights

We have also experienced during the past decade an attempt at codification of the rights of labour, I have expressed the conviction that mass poverty commands allegiance from business men to the dictates of social justice. In order that doles and charity should play no role in the practical acceptance and application of the concept, industrial workers should also appreciate their responsibility toward production and productivity standards. Even in Communist Russia where they are aiming to evolve a class-less society, emphasis is placed primarily on the produce of labour and not on Actional rights. Only recently Nikita Khrushchev went on record as follows:—

"Labour productivity must be always one jump ahead of the growth of wages. The level of wages depends entirely on the output of produce, on the productivity of labour in a given society."

There is also a larger obligation in addition to mitigation of mass poverty - the obligation to remove inertia, to eradicate listless apathy amongst millions obligation on the few thousands who can intelligently plan and operate. There has arisen however a new political platform in the country with non-planning and non-sequitor as its party slogans. Time does not permit the luxury of stop-and-go as a way of life. However valid the charges of a permit-licence-raj may be against the present Government, responsible economists generally accept that in an underdeveloped economy planning by the State has become a prerequisite, and an essential one, for economic betterment. Even Britain, the home of traditional laissez-faire, has reluctantly admitted, after the successful experience of France over the last six years, the need for planned development. Political platforms usually adopt an extreme position but not even the most profound advocate of non-planning will deny that "a river is water, but a

river is also banks. And without banks there is no river."

It is another matter that planning may be slipshod and unrelated to facts of a particular situation; that mistakes after mistakes have been and continue to be committed; that results so far belie the claims of the planners and the hopes of the millions. These problems should be taken up specifically and one by one in order to find the lacunae in methods and performance.

Lag between Planting and Achievement

For instance, I referred casually last year to the growing lag between planning and achievement. With diminishing resources in foreign exchange the scarcity of industrial raw materials which require to be imported is being increasingly felt. For the automobile manufacturers there is still the absolute dependence on imports in their requirements or special steels and forgings, in addition to the necessity of periodic re-furnishing of more progressive and therefore more efficient machinery and plant. To these are currently added, shortages of coal and coke, of transport and of power. These deficiencies which will, if continued, increasingly handicap proper utilisation of plant capacities cannot just be explained away by the fact that expansion has been too rapid and has taken even the Planning Commission by surprise. Many of these deficiencies are Government-based, in the sense that the decisive voice say, in Railway development or coal production or power generation, remains solely with Government, and it must now be acknowledged that to this extent the planning techniques were deficient and that supervision over performance too slack. In a commentary on this aspect of planning in India, Barbara Ward the well-known British economist and a sympathetic observer said recently that "in army parlance, the Q-Plans (in India) are not balanced by Q-OPs," meaning that there is need for "a tough agency demanding a regular account of work in progress, not simply in terms of money spent, but of physical targets actually achieved and giving no quarter until every back-log is made up"

There is great force in this comment. The other day at a seminar

organised by the National Council of Applied Economic Research in Delhi, the discussion paper was titled "Looking Ahead." Projections were made of the future shape of things 20 years from today and certain heartening conclusions were tentatively advanced for the world of 1981. And yet, the assumptions behind these hopeful projections were, amongst others, the following:—

1. Existing transport and power deficiency 2 or 3 years.
2. Transports will be removed in the next and power facilities will be developed ahead of their actual requirements.
3. Minerals developments policy, particularly with regard to iron ore, coal, limestone and manganese, will be geared to the short and long term requirements of industrial development and export trade, without undue insistence on reserving coal and iron ore mining for the public sector on non-economic considerations.

These assumptions appear to be just wishful thinking: but if we are to hope for a decent, deserving, justice-oriented life 20 years from today, it is time the Planning Commission and Government thought of "Q-OPs" and set about in earnest correcting the lag between plan and performance, particularly in the critical sectors. There are grave problems, I am confident that persons in private business will be only too glad to assist in every way they can to find solutions. These are also challenges posed by an expanding economy, which offer exciting avenues for further progress and advancement.

Further Rise in Sales

Before I conclude, you will be interested to know that for the 5 months ended 31st March 1962 our operations both in the Jeep and the Steel Divisions have been satisfactory. Sale of vehicles averaged 678 per month as against 517 during the corresponding period in 1960-61. Steel orders booked in this period amount to over 74,000 tons as against 164,000 tons in the whole of last year. The movement of Control-

led Stocks has averaged nearly 2,000 tons a month from Calcutta and Bombay Stockyards. Negotiations for three small units in the field of flexible insulations, gauges and tools and current limiters and regulators are nearing conclusion. We can look forward to a promising year.

On behalf of the Board and the Shareholders I would like to convey greetings to our Staff and thank them for their services during the year.

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



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.

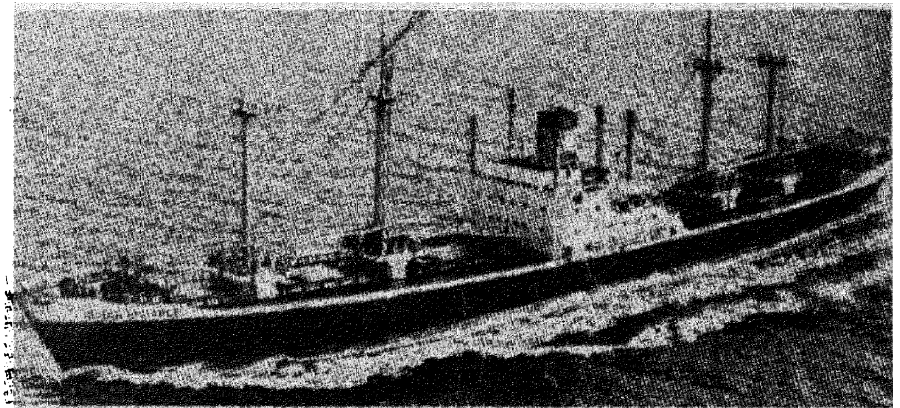
Its services are also extending to various trade routes. After initial consolidation in the India-U.K.-Continent trade—the Company entered the Indo-Soviet service to the Russian Black Sea ports in

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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