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A NOTE ON THE METHOD OF COLLECTING INFORMATION FROM MANAGING AGENCIES

COMPILATION OF THE MANAGING AGENCY POPULATION LIST

No governmental publication so far issued gives a full list of either managing agencies or associations. Private bodies of national importance do give lists of their members e.g. the Federation of Chambers of Commerce and Industry and the Associated Chambers give lists of affiliated chambers and associations. As for managing agencies the Investors Encyclopaedias and the membership lists of large associations are the best available sources. As far as the Investors Encyclopaedias are concerned, these lists become reasonably comprehensive only for recent years.

In organising the survey a beginning was made by taking a census of associations in each of the major industrial centres selected for the survey and securing their membership lists. These membership lists supplemented Kothari's Investors Encyclopaedia and give us the total population of managing agencies in these centres in the year of the survey.

The enquiry into associations was followed by an enquiry into managing agencies. All managing agencies in the major industries in each centre were approached. This almost exhausted the managing agents managing more than one company and included the largest among those managing only one company.
THE QUESTIONNAIRE

In the case of managing agencies managing only one company the most important questions in our questionnaire e.g. the extent of common services, etc. did not apply and the attempts made to secure information on other points did not succeed beyond providing a rough verification of information either published or already available with associations. The questionnaire was kept as simple as possible and attempted to elicit information relating to the origins, growth and each function of the managing agency firm. A separate questionnaire was also drafted for managed companies in order to secure further information regarding rationalisation, technical personnel and to obtain data relating to the managing agency. As the questionnaire had to be kept extremely simple it became necessary to elaborate orally and supplement the questionnaires by further detailed questions where effective collaboration was obtained. Attempts were also made to check the general picture obtained by discussions with leading members and office bearers of shareholders and technicians associations.

THE TECHNIQUE ADOPTED IN CONDUCTING INTERVIEWS

In every case an introduction was secured through an influential person, or, where this could not be obtained a general introduction from the relevant chamber of commerce or association was used instead. Next, a point was made to master all the published information, especially historical, for copies of the questionnaires used see end of this volume.
relating to a particular group before calling to discuss the questionnaire. Careful attempts were made not only to obtain new information but to verify information relating to origins etc. The questions in the questionnaire relating to points like origins, common services etc. were orally elaborated and supplemented by further detailed questions. In each case information was obtained either from the active head or any responsible person designated by him. In contrast with the survey of associations and chambers where full cooperation was easily secured and all required material obtained (including even some information relating to their members) great difficulty was encountered in the investigations into managing agency houses. Full cooperation was obtained in many cases, but in others it was withheld in spite of the most influential sponsorship. In these cases we had to rely on information gathered from technicians associations, shareholders associations, trade associations, informal contacts and published information. This, however, is not very surprising when we note the history of various committees, commissions and private investigators who have attempted investigations in the business field in India. As a consequence it has proved possible to use collected material to a much greater extent in our chapter on Associations and Chambers, while in the chapter on managing agencies we lean on published material in many respects. The sketches of individual managing agency groups
may be said to use collected material to a considerable extent. Though many of the perspectives and details in the history of the evolution of particular functions were rendered possible only because of the enquiry, yet it is clear that these sections rely more heavily on published material. In other words, the enquiry into managing agencies was not as successful in its quantitative aspects as was the enquiry into chambers and associations, whose results are presented in the next chapter.

PRESENTATION OF RESULTS

As an attempt is made to investigate each function performed by private enterprise institutions it was inevitable that the information collected would have to be combined with published information. In the first chapter we had to rely, of course, mainly on library material. In this chapter and the next information collected during the survey and library material are combined in different proportions; care has been taken, therefore, to give a proper bibliography of the material available on Indian business institutions. Even the securing of this published information involves great trouble and difficulty as one has to visit libraries in different centres and as brief histories of firms, association memoranda, etc. which are published for limited circulation cannot be obtained without visiting the relevant bodies.
A word may be added here regarding the sketches included in this chapter. The histories of certain interest groups for which fragmentary information was obtained are not included here e.g. James Finlay which has an interesting background (one of its offshoots amalgamated with Harring Brothers — one of the most important firm in England's trade in America, a trade which can be compared very usefully with England's trade with India) does not figure as a separate sketch. The scattered points relating to these firms that became available are introduced in other parts of the thesis. On the other hand firms like Currimbhoy Abraham which are not included in our lists — because they no longer exist — are included in our sketches because of their historical importance. The sketches are sufficiently exhaustive to give an idea of the revolution brought about by managing agency houses in different fields of enterprise.

Lastly, it is necessary to note that the historical presentation of the evolution of private enterprise institutions is brought only up to the year of the survey. The collection of material was completed in 1953. Important later developments in the managing agency field (such as the new company law) have probably opened up an altogether new field of evolution. Such developments, though noted in footnotes (and one post script to the section on the financial function) at the end of each section in the managing agency chapter, are not fully analysed. The factual background which will enable us to see these developments in
perspective is however, available. Apart from its interest as economic history, therefore, the material is still sufficiently fresh to provide the basis for such limited prognosis as is possible on the basis of a study of the history and evolution of an institution.
Chapter II
THE MANAGING AGENCY SYSTEM

INTRODUCTION

We have already enumerated the managing agencies existing in 1890. Here we begin by giving tables of managing agencies having more than one managed companies for 1914 and more especially for 1952, in order to indicate the character of the population of agencies in the centre studied, as well as various ways of classifying this population. As Industrial Development in India has been highly concentrated locationally we find that almost all of the companies in a table constructed from a standard source such as Kothari's encyclopedia fall within the centres covered during our survey. In fact certain important groups in these centres are unrepresented in Kothari's and have been added to our tables as local enquiries revealed their importance. The tables do not indicate the entire population of agencies in our centres as managing agencies managing only one company (see footnote to table No.3) are omitted. This balance was obtained from the membership lists of selected associations, particularly associations of the major industries such as textiles etc.

In the text of this chapter, when we comment on managing agency, in an industry as a whole (that is including units not covered in our survey) we indicate clearly the sources of our information.

1. The reader will have observed that it has been possible to represent the total population of managing agencies and also as we shall see in chapter III, of Chambers of Commerce and associations) at various dates.
Next comes the classification of agencies, because, after 1914, it becomes cumbersome to deal with them without some such device. The first steps in this classification are also taken in the tables enumerating agencies, because these agencies are grouped according to communities in each centre and within the groups are arranged in descending order of total number of companies managed. To this table we add another table grouping agencies according to communities and centres but arranged in descending chronological order of their dates of foundation. With the help of these sets of tables (and with help of further information regarding agencies managing one company only) we can classify agencies into classes and sub-classes according to centres, communities, sizes, industries and ages. We can tell when these agencies were founded and trace their growth between 1914 and 1953. It was found during the survey that each of these classifications were more or less useful for analysing managing agents functions, remuneration, growth and problems relating to associations and monopoly.

These very broad classifications are made a basic frame of reference in this chapter.

There is another basic frame of reference which will be used in discussing every function and structural characteristic of the managing agency system. This frame of reference is provided by the different economic
economic interests 'within' and 'without' (i.e. outside) managing agency firms. In the first category we include managing agents, shareholders, and managed companies, etc. In the second category we include labour, technicians the producers of raw materials, and the more general "public" interests among which the consumers is the chief.

This frame of reference in relation to which we shall discuss the managing agents functions, etc. is, in a way, more fundamental for analysis than the first (i.e. the classifications of managing agency firms according to communities, centres, sizes, industries, ages, etc.). This is so because the first really helps to explain different characteristics of agencies and their growth while the second helps us to analyse each of these classes and sub-classes in relation to a central economic issue - the harmony and conflict of economic interests.

In each of the subsequent sections, therefore, we shall begin by mentioning whether any of the classifications in the first frame of reference is basic for the issue in hand or not. The second frame of reference will also be used throughout the chapter; though certain types of conflicts of interest, will, of course, be irrelevant in discussing particular functions.

An alternative classification of interest may also be made. Thus we can have ownership, control, the interests of different types of suppliers of factors of production other than capital and the interests of society in general. In any case, however, the problem is to see how the policies of the control affect other interests.
The following is an enumeration of the sub-sections which are formed according to our five significant factors of classification:

Centres: Calcutta, Bombay, Ahmedabad, Kanpur, Madras, Coimbatore and Delhi.

Communities: British, Parsi, Gujarati, Marwari, Chettiar Punjabi Hindu business communities, Sikhs and minor communities and sub-sections.

Sizes: This classification is extremely rough, we use the number of managed companies quoted on the exchange as an index of the size of the agency. Of course, one large managed concern might be more significant than many small managed concerns. In general however, the companies having large concerns also have a large number of concerns so that we make size classes of managing agencies as managing ten concerns and over between five and ten and below five, noting exceptions which do not fit into their class due to the size of managed companies.

Industries: Jute, collieries, shipping, railways, engineering, paper, tea, cotton, wool, sugar, chemicals, vegetable oils, electricity, other plantations, chemicals, airlines, miscellaneous.

Ages: A convenient division of fifty year periods

1. This classification (age) is chiefly used in the

Continued...
periods to give us age classes may be adopted. A fact to be noted in this case is that these groupings coincide with community grouping and in some cases with size groupings. Thus, for example, the British firms are in general the oldest firms and the longest lived firms while there is a tendency, in general, for large firms to be long-lived, though with some notable exceptions.

Sometimes the above classifications will overlap—e.g. the oldest agencies may be British agencies and the largest agencies and they may be confined to particular industries. In such cases one has to be particularly careful in attributing characteristics to classes of agencies and to carefully find out which particular classification is relevant in explaining the characteristic by referring to the area where there is no overlapping etc.

In the next section, we indicate very briefly the growth of managing agencies (particularly after 1914) by grouping them in accordance to our five criteria or aspects, each of which provides a number of sub-classes. The comments are based chiefly on the tables we present, but there are also some remarks on those sections of the population of managing agencies that are not presented in the tables.

Footnote continued from previous page.

Sketches presented. It was found possible to use it only in a few other sections.
We now proceed to classify managing agencies according to community, centre, size, industry and age and to comment on the growth and significance of these classes.

A. Managing agencies classified communitywise

This classification is a convenient one to begin with because of the importance of the community factor in historical change. We have already noted that it was the British and the main Indian business communities that set up managing agencies. In discussing the growth of agencies belonging to different community groups we shall note the age of agencies in each community group, the centres where they have been established, their size and the importance of managing agency business as compared with other forms of business in the same community.

The British agencies, as we have noted, include some that have been established a few centuries ago while histories of a century are even more common. The British developed the main lines in eastern India, i.e. Jute, coal and plantation and had some very important firms
firms in southern industrial concerns, in Kanpur, in the Punjab and in Bombay. Over a major part of the British sector the small managing agencies was already the exception and the large one the rule by the year 1914. Concentration had at this date proceeded far in Calcutta and in the south but was less marked in Bombay and was of an informal nature in the north. The British agencies accounted for the entire British business sector, there being only a few exceptions in minor lines who did not adopt these forms. These included some private planters, British firms doing retail trade of the western type; and more important, the large international companies in fields like petroleum, tobacco, etc. In 1914, the British managing agencies represented about half of the total field covered by managing agents while in 1952 it was substantially less.

The Parsi managing agencies were among the first to enter in cotton textiles in Bombay. Continuity was maintained over a considerable period by some important families but on the whole these cases do not last into the modern period. Only one important house grew into

1. e.g. the Wadias.
into fields other than cotton textiles viz. the House of the Tatas that came into the business field in the second half of the 19th century. Apart from this house the activities of the Parsis were mainly confined to Bombay. They participated in retail trade and other minor spheres but the proportion of modern business to indigenous business was remarkably high for an Indian community.

1 The Gujarati agencies, which were established mainly after 1850 had a less continuous history than the British, there being comparatively few firms who can trace their history back even up to the 1860s. The Gujarati cotton textile managing agencies belonged to different sub-communities and were established in Bombay, Ahmedabad and Sholapur. Agencies have been changing hands frequently though there are isolated instances of continuity in each centre such as that of the Moolji group in Bombay. The Gujaratis have a large group of activities where the managing agency form is not employed.

The Marwari agencies, in general, are younger than those of the British or the Gujaratis, having expanded, in the main, in the interwar and war periods.

1. I use the term to cover all Hindu and Jain communities which originate in Gujarat, Kathiawar, or Cutch, and who speak Gujarati. Thus the Bhatias settled in Bombay, who speak Gujarati, are included, but not the Marwaris.
The example of Kanpur, where the Marwaris have participated in industrial development in early days, is an exception which proves the general rule. The Marwari managing agencies have spread from Calcutta and Kanpur to almost all centres; though their influence in Ahmedabad, Coimbatore and Madras is small. It is noteworthy that, unlike the British, who have only large agencies, the Marwaris have agencies of all sizes. The sector that is left to other forms of organisation is particularly large in the case of the Karwari community, because of its importance in indigenous banking and trade and in miscellaneous agencies. The growth of Marwari managing agencies after 1914 has been very rapid.

The age of the Managing agency firms belonging to the South Indian business communities is even less than that of the Karwari firms. The most important are the Nattukottai Chettiar - the traditional banking caste of the South and the Kannavars - who have entered the cotton textile industry from agricultural origins. They are confined to the south Indian industrial centres and particularly to Madras and Coimbatore. The Kannavars are mainly active in Coimbatore while the Chettiaris are spread throughout the province. These communities have important interests in textiles, engineering and trade but their firms have not attained the size of the largest firms among the British and Marwaris. A fairly large
large sector is left to other forms of organisations in the case of the Chettiar, though not to the same extent in the case of the Kammavars.

The Bengalis and Maharashtrians have entered recently and have only a few large firms operating in their own areas. These entrants have been drawn from the professional classes. There is a great scarcity of the myriads of small agencies that characterise the Marwari and Gujarati community. Being very large communities the Maharashtrians, and more particularly the Bengalis, do however play a role in retail trade, processing, and miscellaneous agencies run on a small scale.

The north Indian Hindu business community also entered during the interwar period and operate in Punjab, U.P., Delhi and Calcutta. Though a few of the agencies are of the largest size, there are comparatively fewer agencies in the middle group, unlike the Gujaratis and Marwaris. They have a number of small agencies in the sugar industry. They also have a considerable amount of indigenous business.

The Sikhs are of minor importance as far as the form of organisation - managing agencies - that is chiefly studied in this work is considered.

1. This again is an omnibus grouping in which I include Khatris, Aroras and Bania domiciled in Punjab and U.P. i.e. North India as here used.
We take up next the growth of agencies grouped together centrewise. The rise of centres of modern industry such as Calcutta, Bombay, Ahmedabad, Kanpur, Coimbatore, and the planting areas tended to develop independent traditions peculiar to each. Apart from the basic historical influence of the community factor, peculiarly local forces developed in many centres, as it shown by the fact that agencies belonging to the same community, industry age and size may follow different policies if located in different centres. The individuality of each centre is of course partly determined by combinations of industries, communities, etc. that prevail; but this factor - the tradition of a centre- has come to acquire an independent importance of its own. It is, therefore, necessary to indicate certain common developments for which all communities and sometimes all industries, size, etc. in a centre are responsible.

Managing agencies of each centre may be said to exhibit certain dominant characteristics and common policies.

By 1914, Calcutta exhibited concentration in the highest degree (as represented not only by size but by
but by the degree of integration of various organisations) Bombay came second but was characterised by comparatively greater instability and speculation. Ahmedabad was less concentrated and had different financial and labour policies. Kanpur tended to be more like Calcutta on a smaller scale rather than like the other two.

Differences in labour and financial policies in different centres persisted right down to the present. There has been some widening of the differences as regards labour matters and a slight evening of differences as regards finance. The different degrees of concentration have also persisted.

In each centre, there has been a tendency for Indian communities to imitate British methods, for smaller communities to imitate dominant communities and for small units to imitate larger units. Thus various business practices and business conditions have tended to become standardised in the different centres.

MANAGING AGENCIES CLASSIFIED SIZE-WISE

We now consider managing agencies by putting them in size classes. The functions of a managing agency undergo a qualitative change when more than one unit of a similar type is managed.
Historically, there has been a tendency for failures of established managing agency houses being far less frequent than the failure of agencies managing one unit, which survive or fall with the unit. There is also a tendency for managing agencies to grow into higher size classes. Arranging communities in descending order of "having large agencies" we would get the following order, for 1914 - British, Gujarati, Parsi, etc. For 1952, the order would be British, Marwari, Gujarati, Chettiar, Punjabi-Hindu, Bengali, Parsi, Maharashtrian, etc. For centres, the "having large agencies" order would be Calcutta, Bombay, Kanpur, Ahmedabad, Madras and Coimbatore. With the last two centres becoming relevant only for 1952.

MANAGING AGENCIES CLASSIFIED ACCORDING TO AGE

We have already enumerated the classes that are formed according to this criteria. We can also arrange communities, centres, industries and sizes in descending chronological order.

1 This of course, can only be done roughly e.g. For communities we can have a division into the earliest entrants (British, Parsi, Gujarati etc.) those who first entered - somewhat later (Marwaris, the professional communities etc.) and those who came in last (like the Chettiar, the Punjabi Hindu Jania communities and particularly Kammavars).

Continued on next page...
The classification of agencies according to age classes will be found to be most significant in the sketches of large groups (that are arranged in chronological order) and for discussing some functions. Some of the agencies which we will be treating in detail (e.g. the long established firms in Madras and Calcutta) have digested revolutions in technique and passed through several phases of evolution in financial, trading and legal organisation; others have opened and closed with the British empire or at least have seen the century through.

Footnote continued from previous page.

As for Centres we can classify them into those developed by the East India Company before 1850 (Calcutta, Madras, Bombay). These developed after the growth of factory industry in the 1850's (like Ahmedabad and Kanpur) and lastly very recent growths like Coimbatore.

As for industries we have cotton, jute, plantations, coal, etc. among those that had already progressed far before the coming in of industries like cement, chemicals, iron and steel, hydro-electricity, sugar, etc. either just before or during the inter-war period. The most recent categories are fields like Vanaspati, airlines and certain branches of engineering. Of course, broad categories like "Engineering" etc. cannot be satisfactorily arranged chronologically.

As regards size, in general large size and age go together. This holds as a broad statement, through the largest Merwari agencies are inter-war growths, and similarly some small British retail firms (not managing agencies) have survived over very long periods.
with the British empire or at least have been the 1
century through.

MANAGING AGENCIES CLASSIFIED INDUSTRYWISE

The jute, coal, plantation, shipping and railway
agencies were the first to develop in eastern India.

1 The most interesting point in this type of classification is perhaps the examination of firms in centres like Calcutta, and in the British community generally. For certain firms, particularly British, have developed techniques for maintaining continuity and present examples which demonstrate that the British entrepreneur can change his policy and contribute effectively to very different types of social environment. These characteristics have also been imitated by some recent entrants in various centres. The traditions of continuity referred to are seen more particularly in the methods of recruiting personnel for the top control. Other traditions of continuity have an altogether different significance. For example, particular practices are developed in particular industries or to take another example the fact that business remains in the hands of the same communities though individual firms may not have lived long results in continuity of traditions in public relations and finance for a community as a whole. All this does not mean that Indian firms with long traditions are completely absent. All we want to stress is that core of modern Indian business has shorter traditions than the British. This fact may be explained by the general crisis that took place in Indian society as a result of the British impact and does not necessarily reflect unfavourably on Indian firms.
The same agencies operated in all with some exceptions, of these fields and reached a considerable size. In western India the main agencies grow up in the cotton textile industries. Later, other centres such as Kanpur and in the 20th century, Coimbatore, developed groups of textile agencies. The growth of agencies in electricity, engineering, etc. also comes in the 20th century. Chemicals, vegetable oils, airlines, and miscellaneous industries are among the most recent developments.
### Table No. 1

Managing agencies existing in 1952 arranged in chronological order of dates of foundation.

<table>
<thead>
<tr>
<th>CALCUTTA - BRITISH</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>1761</td>
<td>Martin Burn</td>
<td></td>
</tr>
<tr>
<td>1819</td>
<td>Gillanders Arbuthnot</td>
<td></td>
</tr>
<tr>
<td>1841</td>
<td>Gladstone Lyall</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>Kilburn and Co.</td>
<td></td>
</tr>
<tr>
<td>1842</td>
<td>Jardine Henderson</td>
<td></td>
</tr>
<tr>
<td>1856</td>
<td>Mackinon Mackenzie</td>
<td></td>
</tr>
<tr>
<td>1860</td>
<td>Hoare Miller</td>
<td></td>
</tr>
<tr>
<td>1860</td>
<td>Octavius Steel</td>
<td></td>
</tr>
<tr>
<td>1867</td>
<td>Dalmer Lawrie</td>
<td></td>
</tr>
<tr>
<td>1872</td>
<td>Anderson Wright</td>
<td></td>
</tr>
<tr>
<td>1874</td>
<td>Thomas Duff</td>
<td></td>
</tr>
<tr>
<td>1874</td>
<td>Kettlewell Bullen</td>
<td></td>
</tr>
<tr>
<td>1875</td>
<td>Duncan Bros</td>
<td></td>
</tr>
<tr>
<td>1880</td>
<td>Bird and Co.</td>
<td></td>
</tr>
<tr>
<td>1885</td>
<td>Devenport</td>
<td></td>
</tr>
<tr>
<td>1886</td>
<td>Shaw Wallace</td>
<td></td>
</tr>
<tr>
<td>1889</td>
<td>McLeod</td>
<td></td>
</tr>
<tr>
<td>1895</td>
<td>Villiers</td>
<td></td>
</tr>
<tr>
<td>1904</td>
<td>H. V. Low</td>
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<tr>
<td>1915</td>
<td>Holmes Wilson</td>
<td></td>
</tr>
<tr>
<td>1919</td>
<td>Bullion and Co.</td>
<td></td>
</tr>
<tr>
<td>1927</td>
<td>Elias and Co.</td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td>Perkins Ltd.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CALCUTTA - MARWARI</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>1914</td>
<td>Dalmia-Jain</td>
<td></td>
</tr>
<tr>
<td>1918</td>
<td>Birla Brothers</td>
<td></td>
</tr>
<tr>
<td>1919</td>
<td>Ramdutt Ramkisondass</td>
<td></td>
</tr>
<tr>
<td>1923</td>
<td>Cotton Agents (Birla)</td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>Goenka</td>
<td></td>
</tr>
<tr>
<td>1933</td>
<td>Sahu Jain (Dalmia)</td>
<td></td>
</tr>
<tr>
<td>1935</td>
<td>Fangur</td>
<td></td>
</tr>
<tr>
<td>1939</td>
<td>Bajoria</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>Hindustan Investment Corporation (Birla)</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>Surajmal Nagarmal</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CALCUTTA - PUNJABI HINDU</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1936</td>
<td>Karamchand Thappar</td>
<td></td>
</tr>
</tbody>
</table>
CALCUTTA - BENGALI AND BIHARI

1907 Bhatters Agency
1913 Ghose and Sons
1921 Dutt
1921 Hamsardas Rathor
1934 Amritlal Ojha
1934 Bass Bros.
1945 Dutt
1946 Dutt Agency
1948 Sarkar

BOMBAY - BRITISH

1790 Forbes, Forbes, Campbell
1874 Sassoon - Jew
1816 James Finlay
1851 Turner Morrison
1857 Killick Nixon
1888 Currimbhoy Ebrahim
1893 Brady and Co.

BOMBAY - PARI

1852 Tatas

BOMBAY - KOJA

1888 Currimbhoy Ebrahim

BOMBAY - GUJARATI

1871 Thakersey Moolji
1902 Walchand Company
1904 Muffatlal Gagalbhai
1905 Ramnarain and Son
1907 Bhullal amin
1912 Muffatlal Chandulal
1919 Aero Auto (Walchand)
1919 Scindia Steam (Walchand)
1926 Mehta & Co.
1926 Consolidated Electric
1936 Cement Agencies
1938 Rawal Bros.
1938 Kaycees & Co.
1939 Kamanis
BOMBAY-MARWARI

1916       Rajputana Textiles
1939       Aggarwal and Co.

BOMBAY-MAHARASHTRIANS

1894       N. Sirur and Co.
1920       Kirloskar brothers

AHMEDABAD-GUJARATI

1880       Mansukhbhai Inagubhai
1880       Ambalal Sarabhai
1888       Haridas Achralal
1889       Kotilal Hirobhai
1892       Chamanlal G. Parikh
1897       Kasturbhai Lalbhai
1905       Sakarlal Balabhai

CAWNPORE-BRITISH

1842       Pegg Sutherland

CAWNPORE-N.I. BUSINESS COMMUNITIES

1918       Narang Brothers
1920       J.P. Srivastava

CAWNPORE-MARWARI

1905       J. K. Group

CAWNPORE-GUJARATI

1914       Phadani Bros.
1936       R. S. Industrial Corporation

DELHI-PUNJAB HINDU BUSINESS COMMUNITIES

1899       Delhi Cloth.

MADRAS-BRITISH

1788       Parry & Co.
1790       Binny's.
1849       Simpsons Amalgamations.
1936       Associated Planters.

MADRAS-IND. CHRISTIANS

1935       A. V. Thomas
1937       A. V. George
### MADRAS-CHETTIARS AND OTHERS

<table>
<thead>
<tr>
<th>Year</th>
<th>Firm Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>Sheshashayee Brothers</td>
</tr>
<tr>
<td>1928</td>
<td>Chandri and Co.</td>
</tr>
<tr>
<td>1930</td>
<td>Chari and Chari</td>
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<td>1930</td>
<td>Indian Industries</td>
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<td>1933</td>
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### MADRAS-SYRIAN CHARISTIAN

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<tr>
<th>Year</th>
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<tr>
<td>1910</td>
<td>Young India Agencies.</td>
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### COIMBATORE - KAMMAVAR

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<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>1910</td>
<td>Kuppuswami Naidu</td>
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<tr>
<td>1922</td>
<td>P. S. G.</td>
</tr>
<tr>
<td>1923</td>
<td>V. Rangasami Naidu</td>
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### COIMBATORE-CHETTIAR

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>1921</td>
<td>Karimuttu Thyagaraja Chettiar</td>
</tr>
</tbody>
</table>

**Note:** It should be noted that in the case of composite interest groups e.g. Martin Burns, Gladstone-Lyall, Jardine Henderson, B.I.C. etc., we have in all cases taken the date of foundation of the component firm that was established first as the date of foundation of the group. To have taken the date of amalgamation would have given a wrong impression of the age of firms. The sources for the table are the same as for the table that follows (See these for further details regarding sources) except that the dates of foundation have been obtained either from the firms themselves or from published sources.

The table gives the dates of foundation of groups managing more than one firm. The fact of transfers etc. makes it cumbersome to include here agencies managing one firm only. Some information regarding transfers etc. is available in my 'Notes on the rise of the business communities in India' published by the I.P.R. in April 1951. For particular industry and regions we have sources like Rutnagar's Bombay Industry, the Cotton Mills and N. Desai's Ahmedabad Mill directory. In the case of firms managing only one unit, moreover, an idea of the date of entry into a particular industry gives us the date of foundation.
<table>
<thead>
<tr>
<th>Table No. 2.</th>
<th>Managing agencies in 1914 arranged regionwise in descending order of total companies controlled.</th>
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<tr>
<td>Calcutta</td>
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<tr>
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<td>McLeod &amp; Co.</td>
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<td>Jardin and Skinner</td>
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<td>Bevenport</td>
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<td>Balmer Lawrie</td>
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<td>Macshill Co.</td>
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<td>N.C. Storor</td>
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<td>Barry</td>
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<td>Mackinnon Mackenzie</td>
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<td>Tatas</td>
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<td>A.S. Jordan</td>
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<td>J. Mackillcon</td>
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<td>Planter's Stores &amp; Agencies</td>
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Table continued from previous page.

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<thead>
<tr>
<th>Name of the company</th>
<th>Jute</th>
<th>Col</th>
<th>Shipping</th>
<th>Rlys.</th>
<th>Eng.</th>
<th>Tea.</th>
<th>Paper</th>
<th>Cot- Flo- Suger</th>
<th>Misc.</th>
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<tr>
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</tbody>
</table>
In the table given above, we have included only managing agency firms that managed more than one company in 1914. Our sources are the Investors India Year Book and membership list of Associations like the Millowners Associations, the I.J.M.A. etc. In the case of Ahmedabad and Coimbatore we have included groups that do not appear to be groups from the Published Lists (because they are managing agencies with different names in the same interest groups) but which on local enquiries are found to be closely knit groups. Adding to the above the managing agency companies that managed only one company each in 1914 (these were found mainly in cotton and to a smaller extent in Jute apart from a few miscellaneous lines) gives an idea of the population of agencies in 1914.

Table continued from previous page

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SKETCHES OF INDIVIDUAL INTEREST GROUPS

Having given an outline of the growth and significance of different classes of managing agencies we are now in a position to go into detail.

We begin by giving historical sketches of the largest interest groups (in this section) and then pass on to consider each function of the managing agency in detail (in the next section).

In the sketches we cover aspects such as origins (thus providing a link with the historical background presented in Chapter 1) and also important data relating to various aspects of organisation, which, in combination with data relating to small or individual companies not here presented, forms an useful background for the analysis of individual functions of managing agencies that follows.

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1 See also page 101 where some remarks are made regarding these sketches. It should further be noted that we rely on published material and indirect sources of information for the British groups. Calculations for all other groups were obtained directly from the firms concerned. The sketches are arranged community-wise, in chronological order for each centre. The latter being the second criterion for arrangement.
After discussing origins we bring out the composition of interest groups and the way in which the groups have grown. Data on financial and trading practices of each group is brought in to the extent possible. Lastly, we comment on the composition of boards, bringing out matters like interlocking, the taking in of outside directors, and other special features. In the case of boards of directors, unless otherwise stated, the position referred to is that obtaining in 1951-52.
Among the two companies that form this group, Burn and Company is the older, having its origins in 1781, i.e. nearly a century before Martin & Company, which was founded in 1875.

In 1781, a retired veteran of the Indian Army, Colonel Archibald Swinton, established a small workshop chiefly for the repair of ships at Howrah. After various changes in ownership, Mr. Alexander Burn became chief partner in 1799.

Martin & Company was founded in 1875 by Sir Acquin Martin and R.N. Mukherjee, Mr. Harold Martin and Mr. C.W. Walsh. The fact that R.N. Mukherjee was one of the founders is remarkable, as few Indians then had an opportunity to collaborate with the British at top levels in the business sphere.

**COMPOSITION OF THE INTEREST GROUP**

Burn & Company, inspite of its long history, does not

---

1 For further details regarding origins see Lokanathan: Industrial Organisation in India, p. 45. Also A. Macmillian: Seaports of India, p. 62, 63. Lokanathan gives information for Burn & Co. from 1879 onwards, when the name of the old engineering business was changed to Burn and Co. As regards Martin and Co. he notes that T.A. Martin came to India in 1874 to form a branch of H/S. Walsh, Lovett and Co., a firm of merchants with large interests in South America and headquarters in Birmingham and London. Walsh, Lovett and Co. subsequently withdrew from the Indian business as they were not interested in the main lines developed; viz. trade in general stores and metal; besides large contracts such as the building of an aqueduct.
not have a long history as an agency house. The transition to the usual managing agency and managed company form took place as late as 1895, when the Howrah firm became a limited company with Burn & Company as managing agents. Martin & Company began floating managed companies shortly after its foundation. The next step was the amalgamation of Burns & Martins in 1927 and lastly we have the transformation of the private managing agency firm into a public limited company, in 1946.

<table>
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<tr>
<th>SPREAD THROUGH PROMOTION AND TAKING OVER</th>
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<tr>
<td><strong>Burn &amp; Company - 1781 - 1875</strong> : - The early history</td>
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<table>
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<tr>
<th>Management Company</th>
<th>Year of Foundation</th>
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<tr>
<td>Burn and Company</td>
<td>1894</td>
</tr>
<tr>
<td>Howrah Austa Light Railway</td>
<td>1895</td>
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<tr>
<td>Howrah Shenkhalla Light Railway</td>
<td>1895</td>
</tr>
<tr>
<td>Buxhadiapurr Bihar Light Railway</td>
<td>1901</td>
</tr>
<tr>
<td>Barasat Bairhat Light Railway</td>
<td>1903</td>
</tr>
<tr>
<td>Shahdra (Delhi) Shaharanpur Light Railway</td>
<td>1905</td>
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<tr>
<td>Arrah Sasaram Light Railway</td>
<td>1909</td>
</tr>
<tr>
<td>Chaparmukh Silghat Light Railway</td>
<td>1915</td>
</tr>
<tr>
<td>Fulta Isalampur Light Railway</td>
<td>1915</td>
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<tr>
<td>U.P. Electric Supply</td>
<td>1915</td>
</tr>
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<td>Indian Iron and Steel</td>
<td>1918</td>
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<tr>
<td>Steel Corporation of Bengal</td>
<td>(1937)</td>
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<tr>
<td>Indian Standard Wagon</td>
<td>1918</td>
</tr>
<tr>
<td>Borooah Timber (Railway Sleepers)</td>
<td>1919</td>
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<tr>
<td>Sone Valley Portland Cement Co.</td>
<td>1922</td>
</tr>
<tr>
<td>Agra Electric Supply Co.</td>
<td>1924</td>
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<td>Jubbulpore Electric Supply Co.</td>
<td>1926</td>
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<td>Robert Hudson</td>
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<td>Leyland Birmingham Rubber</td>
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</table>
history of Burn and Company consists of the expansion of a single unit - their workshop at Howrah - which continued to grow and became the fore-runner of the Howrah Iron Works. Thus the firm had a very unexciting history for a considerable period, and was by no means among the giants in the early years of the 19th century.

**Burn & Company - 1875 - 1927** :- The first event we have to notice in this period is that in 1917, when the Indian Iron and Steel Company was founded, partly to secure their own supply of pig iron for the large orders that were flowing in into the foundry and the workshops. This in turn led to the foundation of the Indian Standard Wagon Co. in 1918 - after the government had announced their purchase policy in this regard.

**Martin & Company - 1875 - 1927** :- The firm began with water works and other contracts and went on to light Railways. The Howrah-Austa and the Howrah-Shenkwalla were founded in 1895, the Bukhatiapur-Bihar in 1901, the Paraset-Baihat in 1903, the Shahadara (Delhi) Saharanpur in 1905, the Arrah-Sasram in 1909, the Champarmukh Silghat and Futwa-Islampur in 1915. The flotation of electric companies took place after 1915. The U.P. Electric Supply Co. was founded in 1915, the Agra Electric in 1924, the Sambalpur Electric and the Nathura Electric in 1926 and the Burnard Electric in 1927.
Martin Furns 1927-52: In 1927 came the amalgamation, after which the new company has continued to expand. The Upper Jamuna Electric was established in 1928 and the Saugor in 1929. The most important new development was the flotation of the steel corporation in 1927. Later the position of this unit has been affected by the Government steel ordinance.

**TECHNICAL AND ECONOMIC ORGANISATION**

Martin & Co. were securing some economies of horizontal integration through the organisation of common departments. It must be noted that since the amalgamation the administrative structure has become increasingly elaborate. For example, apart from common departments, we may note that all arrangements were made to allow the Steel Corporation to concentrate on steel making by relieving them of other decisions, e.g. such as those connected with raw materials, sales, etc.

The history of the introduction of modern techniques in the firm is also interesting. Swintons Workshop (Howrah) was prior to the use of the steam engine in Indian industry; for although James Watt had taken out his first patent in 1769, it took time before it reached India. When Mr. Alexander Burn joined in 1799, the use of steam appliance had made considerable progress and the tradition of introducing these was begun by him.
Later, this tradition of introducing the most modern equipment was continued "Nasmyths Steam Hammer in 1839 was followed by many wonderful contrivances that are common place today." 

As regards the recent past we must particularly note the achievements during World War II. A long list of new products not previously manufactured - and in many cases regarded as products that could not be manufactured with existing resources - were developed during this period. Martin Burn was the one of the few firms that could, under war conditions, bring about adaptation, imitation and adjustment on a major scale.

TRADE

The firms have always had and still have a larger number of distributing agencies in the engineering field. The nature of the groups activities in production have determined its trading organisation. The group is vertically integrated to a considerable extent.

2 Tyson: India arms for Victory: 1941-45.
FINANCE

In the coal companies managed by the Group we know that in the early thirties the fifteen most important share-holders in seven managed coal companies held 19, 22, 31, 73, 18, 73, 74 per cent shares respectively.

As for the provision of working capital we know from the evidence given before the Central Banking Enquiry Committee that this firm regularly supplies such capital to the tea gardens.

The firm has also played a substantial part in the large iron and steel enterprises it has promoted. The latest information regarding the share holding of this group was not obtained.

The managing agency directors have been and are connected as directors or Chairman with the Imperial Bank.

1. Lokanathan page 177: Industrial Organisation in India.

Bengal Provincial
2. Central Banking Enquiry Committee, p. 121 1929-30 and Local Empires.
COMPOSITION OF BOARDS

In noting the origins of the two amalgamating interests we have already made some remarks in the early pioneers who founded these interests. As regards the present composition (1952) of the managing agency board and the boards of the managed companies the following remarks may be made. Indian and British interests are mixed at all levels. The Electricity Company Boards are large and almost the same board is repeated for all companies. Men who are partners in the managing agency of Gillanders Arbuthnot, which controls the Copper Corporation, are well represented on the Boards of the Electricity Companies. Gillanders Arbuthnot are also represented on the Steel Corporation. Prominent outsiders have been taken in on the iron and steel boards.
It is worth going further back, in this firm's case, than we usually do, and to trace the activities of the individuals who set up Gillanders Arbuthnot and Company in 1819.

A Mr. George Arbuthnot (accompanied by his brother) sailed from England to Ceylon in 1800, and, after spending a few months there, came to Madras. He had much business experience and kept a diary on which historians have drawn. In Madras he became associated in business with Mr. Lautour, the founder of the old agency house we have mentioned. On Mr. Lautour's retirement from business, the firm was reconstituted under the name of Arbuthnot and Co. Its success, which was due to Mr. Arbuthnot's genius for business, led eventually to the starting of numerous offshoots, including Messrs. Gillanders.

2. See page 26.
Gillanders Arbuthnot and Co. of Calcutta; Messrs. Ewart Latham and Co. of Bombay; Messrs. Arbuthnot, Latham and Co. of London (of which the late Mr. Alfred Latham, Governor of the Bank of England, was the second partner); Messrs. Ogilvy, Gillanders and Co. and Messrs. Arbuthnot, Ewart and Co. of Liverpool (in which several members of the Gladstone family have been partners); and Messrs. Gladstone, Latham and Co. of Manchester.

Gillanders Arbuthnot and Co. was founded on the joint initiative of the Arbuthnots and a member of the Gladstone family (the father of the Prime Minister). The firm soon acquired considerable prestige as is indicated by the fact that it played an important part in the foundation of the Calcutta Chamber (1833) which was to lead to the future Bengal Chamber. (1853)

Many of the different Arbuthnot offshoots were mainly trading firms and at least one of them (the Madras firm) was also prominently interested in banking. In Bombay, as early as 1848-49, the President of the Chamber was contributed by one of these offshoots.

1 Sir Charles Lawson: Memoires of Madras, p. 274. See Chapter XIV on the Arbuthnots. It is interesting to note that the family emphasizes the hereditary principle in recruitment to the top control and generations of family members have been connected with their various firms.

It is however the firm of Gillanders Arbuthnot and Co. (which was originally interested in trade, like the other offshoots) that became the most important in production and hence it is only the history of this one firm that we now continue to trace.

**SPREAD THROUGH PROMOTION AND TAKING OVER.**

In 1862 the firm went into railway construction. After H. N. Gladstone's joining the firm in 1876, it promoted its first jute mill, Hooghly, in 1883 and its first tea garden in 1890. In 1892, they promoted Gondalpara Jute (which was brought into existence through securing concessions from France in Chandranagar). Tea

We give below, in chronological order, the dates of foundation (in cases where firms have been taken over the date of taking over is indicated and the words "taken over" added in brackets) of firms at present managed by the interest group.

1869 Arcuttipore Tea.
1874 Lackatoborak Tea.
1889 Hooghly Mills.
1890 Gairkhata Tea.
1892 Gondalpara Mill.
1912 Beijan Tea.
1914 Clive Buildings (Calcutta) Ltd.
1915 Jutlibari Tea.
1917 Searsde Coal.
1916 Tengpari
1919 Indian Wood Products.
1920 Anandboy Tea.
1922 Manipur Tea.
1928 Cherra Chatack Ropeway.
1929 Kalimpary Ropeway.
1936 Sclimbong Tea.
1945 Taipoo Tea Association, Ltd.
Tea companies continued to be floated almost regularly as the list on the preceding page shows. In 1914, Clive Building became a registered company. It was during the war that the group first entered coal through the promotion of Searsole Coal (1917). In 1922, they took over the interests of D. Waldie and Co. (a famous firm with pioneering traditions in chemicals). They also have a controlling interest in Bangalore White lead, Nivia Pharmaceuticals and Arumul Products (India) Limited. They manage McCintosh Burn and the Airconditioning Corporation which provides a small internal market for some of their companies. They floated the India Wood Products in 1919 and this may be said to mark the commencement of a new pattern of integration as this new activity was related with their activities in tea. In 1928, and 1929 they promoted two ropeway companies, thus continuing their early activities in the transport field.

Thus the firm has developed the usual jute coal complex, some vertical integration in tea and some integrated development in chemicals and miscellaneous industries.

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1 The main industries in Eastern India - Jute, Coal Plantations, etc. have been developed by a few houses, most of which are interested in all or most of the main lines in the region.
TRADE

The Bombay and Madras branches of this firm are purely trading organisations. The Calcutta branch is interested both in manufacture and trade. The managing agency conducts purchases and sales for the managed companies.

FINANCE

This firm has a long tradition of having large financial resources and of being connected with banking business. The independent banking business of this company, that is of one of the companies included in this family group, once reached large proportions.  
1 Arbuthnot Bank had invested Rs. 25 lakhs in Arbuthnot industrials, Limited, which was directly connected with several industrial concerns, a jute mill, a cement works, rice mills, sugar mills, etc. the firm was also on the directorate of the Bank of Bengal since the latter part of the 19th century.  
2 At present representatives of this firm are on the directorates of the Allahabad Bank and the Imperial Bank.

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1 P. S. Lokanathan - Industrial Organisation in India, 1935, p. 382. This bank failed in the early years of the 20th century.
2 Ibid, page 163.
COMPOSITION OF BOARDS

The present structure of entrepreneurship is not as significant as the original. There are two Indian directors among four on one jute board and two out of five in the other jute board. All the Tea Boards are purely British. The Indian directors include Biren Mukerjee (Martin Burn) and Bangur.
ORIGINS.

We find the name of one of these two companies amongst the list of British traders in the Calcutta area in 1854.

SPREAD THROUGH PROMOTION AND TAKING OVER

The chronological order in which the units were founded is given in the footnote below. The following comments are intended to bring out certain characteristics.

1 Wattenbach, Heilgers & Co. See Appendix C (List of members of Bengal Chamber as at November 1, 1853) in "Bengal Chamber of Commerce and Industry 1853-1953: A Centenary Survey" by G.W. Tyson.

2 Date of foundation.

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrackpore Coal</td>
<td>1875</td>
</tr>
<tr>
<td>Union Jute</td>
<td>1880</td>
</tr>
<tr>
<td>Titaghur Paper</td>
<td>1882</td>
</tr>
<tr>
<td>Boorrea Coal</td>
<td>1891</td>
</tr>
<tr>
<td>Clive Mills</td>
<td>1894</td>
</tr>
<tr>
<td>Standard Jute</td>
<td>1895</td>
</tr>
<tr>
<td>Investment and Finance</td>
<td>1896</td>
</tr>
<tr>
<td>Ondal Coal</td>
<td>1897</td>
</tr>
<tr>
<td>Kinnison Jute</td>
<td>1899</td>
</tr>
<tr>
<td>Standard Coal</td>
<td>1900</td>
</tr>
<tr>
<td>Lansdowne Jute</td>
<td>1904</td>
</tr>
<tr>
<td>Nalhati Jute</td>
<td>1905</td>
</tr>
<tr>
<td>Balambarree Coal</td>
<td>1906</td>
</tr>
<tr>
<td>Sonakund Falling</td>
<td>1906</td>
</tr>
<tr>
<td>Sendra Coal</td>
<td>1907</td>
</tr>
<tr>
<td>North Brooke Jute</td>
<td>1908</td>
</tr>
<tr>
<td>General Investment and Trust</td>
<td>1908</td>
</tr>
</tbody>
</table>

Footnote continued on next page.
characteristics of the growth indicated by the table. The
nine jute units included in this group were started be­
tween 1880-1908. The nine coal companies that are
included in this group (and quoted on the exchange) were
started between 1891-1918. The miscellaneous companies,
which include engineering and other forms of mining were
started between 1896 and 1918. The company was an early
pioneer of investment trusts, the Investment and finance
company being founded in 1896, the General investment
and trust in 1908 and Eastern Investments in 1927.
Birds Investments was founded in 1936 exclusively to
hold shares belonging to this group of companies. The
major development of the group was complete by 1914,
though a few entries took place in 1918 and yet a few
more later.

Footnote continued from previous page.

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland jute</td>
<td>1908</td>
</tr>
<tr>
<td>Kumardhuki Engineering</td>
<td>1915</td>
</tr>
<tr>
<td>Pisra Stone Mills</td>
<td>1915</td>
</tr>
<tr>
<td>Assam Saw Mills</td>
<td>1916</td>
</tr>
<tr>
<td>Chuliå Coal</td>
<td>1918</td>
</tr>
<tr>
<td>Karampura Development (Coal)</td>
<td>1918</td>
</tr>
<tr>
<td>South Karanpore Coal</td>
<td>1920</td>
</tr>
<tr>
<td>Birds Investment</td>
<td>1922</td>
</tr>
<tr>
<td>Eastern Investment</td>
<td>1927</td>
</tr>
<tr>
<td>Coal Shipments, Limited,</td>
<td>1936</td>
</tr>
<tr>
<td>Silvertone Lubricants (India) Ltd.</td>
<td></td>
</tr>
<tr>
<td>Sijua (Jherriah) Electric</td>
<td></td>
</tr>
<tr>
<td>Karanpur Collieries</td>
<td></td>
</tr>
</tbody>
</table>
The organisation of the group is rather elaborate as is indicated by the existence of a special research department and in the case of some industries of specialised departments for different purposes, e.g. in jute the jute and gunny export department to handle one type of sales and jute mill department to look after production. The following is a complete list of departments: Accounts and Finance, Share Department, Coal Department, Industrial Department, Shipping and Clearing, General Department, Indian Patent Store Department, Insurance Department, Jute and Gunny Export Department, Jute Mill Department, Labour Department, Minerals Department, Research Department, Oil Department, Timber Department, Agency Department, Titaghur Paper Department, Steamer and Passage Department. They also maintain labour agencies to serve their managed units. They provide special services to particular companies, e.g. they are technical consultants to Sirmur Minerals Development Company Limited and attorneys for Indian Globe Insurance, etc.

TRADE

The managing agency firm undertakes purchase and sale for its managed companies. Apart from this they hold 15 agencies of engineering and mineral products, 2
FINANCE

In the jute companies managed by Bird and Company the 15 most important share-holders in seven managed companies held 23, 16, 13, 15, 17, 15 and 16 per cent respectively. In Heilgers and Company the 15 most important share-holders in seven managed coal companies held 44, 31, 68, 57, 44, 25 and 28 per cent respectively.

In September, 1925, the capital structure of Titaghur Paper was reorganised and the managing agents offered to forego a loan of Rs. 30 lakhs they had advanced and in consideration of this gesture they were allotted one lakh seventyfive thousand differed shares of Re. 1 each.

The low holding of the managing agents in jute has continued to be characteristic. In 1944-45, the majorias secured a majority of the ordinary shares of Clive Mills and brought about a situation in which

_____________________________________________________________________


which Birds thought it best to sell out their interest.

The history of another firm Kumardhubi Engineering, founded in 1915, also gives some information regarding the financial resources and policies of the group. The firm made losses for nearly 20 years after World War I. The managing agents provided working capital and money for extension of block during this period. In 1930, these advances amounted to 18.48 lakhs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsecured loans</th>
<th>Amounts due to managing agents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1920</td>
<td>-</td>
<td>7,43,656</td>
</tr>
<tr>
<td>1926</td>
<td>-</td>
<td>10,80,137</td>
</tr>
<tr>
<td>1930</td>
<td>-</td>
<td>18,48,497</td>
</tr>
<tr>
<td>1937</td>
<td>-</td>
<td>9,14,617</td>
</tr>
<tr>
<td>1944</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1952</td>
<td>1,00,000</td>
<td>1,00,000</td>
</tr>
</tbody>
</table>

The following investment trusts are controlled by Birds and two among them hold securities of the Bird's group only.

1 Shareholders Association: Memorandum on Managing Agents, 1951, p. 38.

Investment and Finance 1896
General Investment and Trust 1908
Eastern Investments 1927
Birds Investment 1936

COMPOSITION OF BOARDS

As for the composition of Boards we note that different sets of men are important in each field of activity. A. S. Officer, H. P. Kitching, and G. S. Johnstone today figure on all jute boards, W. H. S. Michelmore, T. C. Hornby, J. L. Esplen and P. Mukerjee are important on the coal boards. A. D. Vickers is important both in coal and other forms of mining. Two investment trusts (Eastern Investments and General Investment and Trust) and two jute mills (Kinnison and Naihati) have identical boards: European and Indian directors are roughly equal in number but the same Europeans, as we have noted, figure often in particular fields in the group. The Bangur family has an interest in the managing agency.
ANDREW YULE AND COMPANY

ORIGINS

The firm was independent in its early years. It was later acquired by Morgan Greenfell and Company. Its first activities were presumably in the tea and jute trade.

SPREAD THROUGH PRODUCTION AND TAKING OVER

Hoolungoori tea was floated in 1872 and the Calcutta Hydraulic Press in 1873 with Mimb Tea following in 1875.

1 P. S. Lokamanathan: Industrial Organisation in India, p. 314, footnote 1.

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hoolungoori tea</td>
<td>1872</td>
</tr>
<tr>
<td>Calcutta Hydraulic Press</td>
<td>1873</td>
</tr>
<tr>
<td>Mimb Tea</td>
<td>1875</td>
</tr>
<tr>
<td>Bengal-Nagpur coal</td>
<td>1890</td>
</tr>
<tr>
<td>Katras-Jharia coal</td>
<td>1893</td>
</tr>
<tr>
<td>Choombatti tea</td>
<td>1894</td>
</tr>
<tr>
<td>Fudge-Fudge jute</td>
<td>1894</td>
</tr>
<tr>
<td>National Company (Jute)</td>
<td>1895</td>
</tr>
<tr>
<td>Bauarhat tea</td>
<td>1895</td>
</tr>
<tr>
<td>Bengal Assam steamship</td>
<td>1895</td>
</tr>
<tr>
<td>Delta Jute</td>
<td>1897</td>
</tr>
<tr>
<td>New Doras tea</td>
<td>1897</td>
</tr>
<tr>
<td>Belvedere jute</td>
<td>1906</td>
</tr>
<tr>
<td>North-West coal</td>
<td>1906</td>
</tr>
<tr>
<td>Port Shipping Co.</td>
<td>1906</td>
</tr>
<tr>
<td>Bhattadi coal</td>
<td>1906</td>
</tr>
<tr>
<td>Barsadhumu Coal</td>
<td>1907</td>
</tr>
<tr>
<td>Albion Jute</td>
<td>1909</td>
</tr>
<tr>
<td>Dilaram tea</td>
<td>1910</td>
</tr>
<tr>
<td>Seebpore coal</td>
<td>1910</td>
</tr>
<tr>
<td>Central Hydraulic press</td>
<td>1910</td>
</tr>
<tr>
<td>Gillapukri tea</td>
<td>1911</td>
</tr>
<tr>
<td>Jaibirpur tea</td>
<td>1911</td>
</tr>
</tbody>
</table>
There were no developments for the next 15 years and then from 1890 to 1897 we have a series of developments in coal (two companies), tea (three companies), jute (two companies) and one steamship company. From 1897 to 1906 we have no new floatations. Between 1906 and 1918, we have more development in all these three lines. In this period 5 jute mills, 9 tea companies, 7 coal companies, one shipping company, one Zamindari company, and a large number of miscellaneous companies were floated. The period 1906 to 1918 was thus again one of intensive development. Almost half of the development of this period took place after 1914.

In the period after 1918 there have been only minor floatations.

(Continued from preceding page)

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
<th>Location</th>
<th>Other Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digwarra rubber</td>
<td>1914</td>
<td>Calcutta</td>
<td></td>
</tr>
<tr>
<td>Caledonij tea</td>
<td>1915</td>
<td>Discount</td>
<td></td>
</tr>
<tr>
<td>New Central Jute</td>
<td>1915</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orient Jute</td>
<td>1916</td>
<td>Chitpur</td>
<td>Goatari Tea</td>
</tr>
<tr>
<td>Lothian Jute</td>
<td>1916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rajgarh Tea</td>
<td>1916</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Midnapur Zamidari</td>
<td>1917</td>
<td>Textile</td>
<td></td>
</tr>
<tr>
<td>Deoli Coal</td>
<td>1917</td>
<td></td>
<td>appliances</td>
</tr>
<tr>
<td>Reliance Firebrick and Pottery</td>
<td>1917</td>
<td></td>
<td>Hooghly</td>
</tr>
<tr>
<td>Kalpahari Coal</td>
<td>1917</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Savan Sugar and Gur</td>
<td>1917</td>
<td>Printing</td>
<td></td>
</tr>
<tr>
<td>India Paper Pulp</td>
<td>1918</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheviot Mills (Jute)</td>
<td>1918</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sarvgaon tea</td>
<td>1918</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tide Water Oil Co.</td>
<td>1919</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basmatai Tea</td>
<td>1921</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hojojrajudi Tea</td>
<td>1922</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morphulani tea</td>
<td>1925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjai Collieries</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Andrew Yule and Company have a jute department, a coal department, a tea department and so on. These are again further sub-divided into a purchase department, for the requirements of all jute mills a sales department, a financing department and so on.

TRADE

The company handles purchase and sale for its managed companies. A considerable amount of vertical integration has been developed.

FINANCE

In the 30s, among the eight jute mills managed, the most important 15 share-holders held 29, 24, 14, 30, 43, 21, 26, and 7 per cent respectively. In the 15 coal companies managed the 15 most important share-holders held 43, 30, 31, 27, 25, 22, 55, 26, 46, 38, 22, 34, 40, 30, and 50 per cent respectively.

The latest information regarding managing agents share-holding is not available.

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It is important to note that this group has been entirely independent of banks for its working capital. The firm of Morgan Greenfell and Company has moreover been connected with important banks like the Allahabad Bank and the P. & O. Banking Corporation.

COMPOSITION OF THE BOARDS

The changes in the control that have taken place during the history of the firm indicate a continuity and a planned introduction of variety in entrepreneurial personnel so that the best of the hereditary and the selective principles are combined. The late Sir David Yule, when he retired from active business, took in a few partners, but these were not allotted any shares as such. They were given a definite share in the profits of the company. After his death, the partners had an agreement by which if any one dies the others would buy his shares out; and any new partner can only be taken with the consent of all the partners. The idea is that the firm must not lose its continuity, central purpose and direction; neither should initiative or freshness be lost.

1 Lokanathan: Industrial Organisation in India, p.217-18
Andrew Yule and Company, even in 1914 had few directors who were represented on most of their concerns. A few of their companies carried on without a board of directors until the 1913 Act made this obligatory. Subsequently some of these were transformed either into public or private concerns. The present structure of directorship still has a marked characteristic viz. a few directors who are represented on most of their concerns. The main change observable is the entry of Indians. At present the majority of the directors are Indians but the English Directors play a key role and each one is represented on a large number of boards. Among the Indian directors, the family of Jatias are important.

N.B. See also page 496 George Yule was one of the early organisers of the Indian National Congress.
ORIGINS

The business of Messrs. Balmer Lawrie and Co. was established in 1867 by Mr. S. G. Balmer who died soon afterwards and Mr. Alexander Lawrie who directed it till 1912.

SPREAD THROUGH PROMOTION AND TAKING OVER

Though started in 1867, Balmer Lawrie, like the earlier agency houses, were interested in banking and trade (See Section on finance). In 1886 they founded the Bengal Paper Mills and in 1894 the Bengal Flour Mills. In 1920 they incorporated the Bridge and Roof India, Ltd. In 1926, they founded two companies - The Indian Galvanising and the British India Electric Construction.


2. Bengal Paper Mills 1886
   Bengal Flour Mills 1894
   Bridge and Roof Co. (Ind.) Ltd. 1920
   Indian Galvanising Co. (1926) Ltd. 1926
   British India Electric Construction. 1926
They have well organised departments for their different activities. In fact the Bridge and Roof Co. India, Limited was originally a department of the managing agency firm whose activities increased so greatly that it was transformed into a separate limited company. The following is an enumeration of their departments.

The Tea garden department serves 15 companies. The tea purchase and export department is under the supervision of expert tasters and has made special efforts to develop the U.S.A. and Canada markets through sending representatives regularly. The firm also maintains a tea warehouse. The metal department are stockists for Tatas, Martin Burn, etc. and also have a cement and roofing section. In the miscellaneous sections, we have woodboards, timber masonite and other agencies. The oil department handles agencies of oils such as wood preservatives, disinfectants, etc.

Similarly the Engineering Department, the Passage Department and the clearing and shipping department handle agencies in their respective fields. (For details of engineering department, see Section on trade).

TRADE.

We have already enumerated the departments the firm
the firm runs, and these gave us some idea of their trading activities. Balmer Lawries were throughout very large importers of metal machinery and electrical plants. At present their engineering department has five sub-sections with 16 agencies in engines and heavy machines six in the electrical sections and 7 in the plant and machinery section. The colliery equipment section has six agencies and lastly there is a contract section. The activities of the managing agencies in the tea trade and the link of its trading activities with finance has also been mentioned.

FINANCE

The most interesting characteristics of this group is its integration of finance and trade. "In the old days of eastern trade many of the large mercantile houses operated as bankers and Messrs. Balmer Lawrie and Co. Limited are one of the few of that character still left whose financial resources are utilised for the convenience and advantage of their various customers." ¹

1 Macmillan: Seaports of India and Ceylon, page 71.
The firm has organised instalment sales plans and presumably accommodates its customers in various lines by giving them preferences in credit. The amount of fixed capital held by the managing agents is not known.

COMPOSITION OF THE BOARD

There are only three Indians on the various Boards. The boards are small and the proportion of agency directors is high.
McLEOD AND COMPANY

ORIGINS

The business was founded in 1889 by C.C. McLeod and A. Cambell. In 1893 they floated the Tezpur Baliapur Tramway for the benefit of tea concerns in Tezpur district. They first entered tea plantations in 1900 and jute in 1904. Thereafter they have been floating companies in three main fields jute, tea and transport.

SPREAD THROUGH PROMOTION AND TAKING OVER

This steady development of three lines proceeded uninterrupted right down to 1939, the only new fields opened up being represented by some engineering units (see below) that were floated in between.

1. Macmillan: Seaports of India and Ceylon, p. 77
2. Tezpur Baliapar Tramway 1893
   Dhatkhawa tea 1900
   Margaret's Hope tea 1900
   Tirrighannah Co. Ltd. 1902
   Alexandra Jute 1904
   Banicherra Tea 1908
   Roopacherra tea 1908
   Dejoo Valdey (tea) Co. 1908
   Bajhhat tea 1910
   Empire Jute 1912
   Bordwan Cutwa Railway 1913
   Ahmedabad Katwa Railway 1914
   Bonkura Damoodar Railway 1914
   Katakhal Lalakazar Railway 1915
   Kalughat Falta Railway 1915
   Britannia Engineering 1917
The jute mills were founded in the following years:

- Alexandra - 1905, Empire - 1912, Kelvin - 1917, Presidency - 1919, Eastern manufacturing - 1927, and Nellimarla - 1939. Among these Beavert (1916) and Alliance (1895) were acquired from Begg Dunlop and Company in 1947, as a consequence of Begg Dunlop and Company being absorbed by this group.

Their tea companies were founded as follows:

- Amluckie, Sungama, Tyroon etc. were taken over from Begg Dunlop and Company in 1947.

<table>
<thead>
<tr>
<th>Company</th>
<th>Founded Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kelvin Jute</td>
<td>1917</td>
</tr>
<tr>
<td>Presidency Jute</td>
<td>1919</td>
</tr>
<tr>
<td>Borah tea</td>
<td>1922</td>
</tr>
<tr>
<td>Chitavalsah Jute</td>
<td>1926</td>
</tr>
<tr>
<td>Eastern Manufacturing Co.</td>
<td>1927</td>
</tr>
<tr>
<td>Formah Jan Tea</td>
<td>1936</td>
</tr>
<tr>
<td>Western Jute Bailing</td>
<td></td>
</tr>
</tbody>
</table>

Begg Dunlop and Co. (taken over in 1947 by McLeods)

This group consisted of:

<table>
<thead>
<tr>
<th>Company</th>
<th>Founded Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amluckie tea</td>
<td>1876</td>
</tr>
<tr>
<td>Tyroon Tea</td>
<td>1890</td>
</tr>
<tr>
<td>Waverly Jute</td>
<td>1916</td>
</tr>
<tr>
<td>Baghmari tea</td>
<td>1918</td>
</tr>
<tr>
<td>Ruteema tea</td>
<td>1919</td>
</tr>
<tr>
<td>Teloijan tea</td>
<td>1922</td>
</tr>
<tr>
<td>Bibrugarh Co.Ltd.</td>
<td>1927</td>
</tr>
<tr>
<td>Dibrugarh G.Ltd.</td>
<td>1927</td>
</tr>
<tr>
<td>Nellimarla Jute</td>
<td>1939</td>
</tr>
</tbody>
</table>
Among the engineering concerns in the group Britania engineering (1917) is important. It specialises in the production of spare parts for jute mill machinery. (now expanded to manufacture some jute mill machinery, etc.)

Triangle Lead Mill Limited, a private company was formed in 1926 and is managed by Messrs. McLeod and Co. It is devoted to the production of lead foil for tea box lining.

The light railway companies promoted by the Group include: The Tezpur Balipara Tramway Company in Assam which was formed in 1893, the Burdwan Cutwan Railway - 1913, the Ahmedabad Katwa Railway - 1914, The Bankura Damodar Railway - 1914, the Katakhal Lalabazar Railway - 1915, and the Kalighat Falta Railway - 1915.

Between 1939 and 1945 no new concern was floated but Begg Dunlop and Company was absorbed in 1947. In 1948 the Western Jute Bailing was promoted.

The vertical integration in this group is now particularly striking. The two main lines of jute and tea being supported by interests in transport, capital goods, raw materials, etc. relevant to these lines.

**TECHNICAL AND ECONOMIC ORGANISATION**

With the absorption of Begg Dunlop and Co. in 1947
the group has reached a very great size and common de-
partments, etc. are naturally elaborate and chiefly con-
cerned with the jute and tea industries. There is one
separate department to manage the railway enterprises.

TRADE

Apart from the importance of vertical integration,
which promotes internal trade within the group, the
agencies, etc. handled by the firm for other foreign
cmpanies are also of a related nature e.g. equipment for
estates, insurance, etc. The managing agency firm is
specially interested in the export of jute and in the
import and export of material required for or connected
with their many undertakings.

FINANCE

In the thirties, in the four jute mills managed by
McLeod and Company the 15 most important share-holders
held 9, 16, 1, and 72 per cent respectively, while in
Begg Dunlop and Company’s four managed jute mills the 15
most important share-holders held 35, 30, 10 and 13 per
cent respectively. ¹

The latest position regarding managing agents shareholding is not available.

It is however probable that the percentage of holdings has gone down even further because in the case of the Kelvin Company in 1935 the agents held only .4 per cent of the shares.¹

**COMPOSITION OF THE BOARDS**

The Managing Agency Board consists of four foreigners and one Indian. On the boards of the eight jute mills, eight out of a total of 17 directorships are held by Indians. Each of the mills has a fairly small board, generally of four or five. C. L. Kanoria and J. M. Pattom are represented on many boards in the jute mills in addition to being managing agency directors. In the tea groups, we have only five Indian directorships out of nearly 30. Among the Indian directors, the Kanoria family holds an important position.

¹ Basu: Industrial Finance in India, 1950, p.150.
The business was originally founded by Thomas Parry in the year 1788. Early developments are best indicated by quoting a paragraph from the Company's pamphlet.

"In the very early days his (Thomas Parry's) activities were confined to the South Coromandel Coast and Ceylon. In common with other Free Merchants of those days, the firm engaged itself in anything which offered good business opportunities. Parry himself did business of great variety, including the export of local produce, exploring new markets, importing sundry articles, banking, insurance, freight-booking, ship-owning and ship-building, including men-of-war for the King's Navy in Indian waters. He also launched out into new lines, establishing the first tannery in Madras and also an indigo works. Above all, he helped to finance the introduction of West Indian methods of sugar-cane cultivation in the Presidency, thus providing a direct link with one of the biggest interests of the firm today."

1. See pamphlet entitled "Parry and Co." published by the Company for circulation amongst shareholders, etc.
Many branches of the firm's early activities such as the tannery and indigo works were dropped and the general characteristic of the company has been to pioneer and experiment in the exploitation of various types of opportunities.

COMPOSITION OF THE INTEREST GROUP

From 1788 until 1928 the business was carried on as a series of private partnerships. The business was converted into a private limited company in 1928 and into a public limited company in 1947.

SPREAD THROUGH PROMOTION AND TAKING OVER

The East India Distilleries and Sugar Factories Limited was incorporated in London on 13th December, 1897. The company concentrated the older small establishments and built up modern mass production factories. A con-

1 East India Distilleries and Sugar 1897
Deccan Sugar and Akbari 1901
Travancore Sugar and Chemicals 1937

2 Incidentally Parry & Co. Ltd. is registered in India and is not a subsidiary of any company or corporation outside India though it acts as agents in India for the Associated British Oil Engines (Export) Limited, Brush Electrical Engineering Co. Ltd. and several British Companies and has close relations with some of them. We note that the original share capital and all subsequent capital has been found in India so that the incorporation of this unit in London is not particularly significant.
confectionary factory was started just before the first world war. The Deccan Sugar and Abkhari Co. Limited had also joined the group in 1901 when by arrangement with the East India Distillery and Sugar Factories, Ltd. Parry & Co. became the managing agents—which position they have held to this date. Between these different companies, the sugar industry in south India both North and South of Madras was largely concentrated under the management of Parry & Company. The sweets sold under the trade-name of Parrys became famous in India and neighbouring eastern countries. The company also entered into the production of heavy chemicals, fertilizers, pottery and stoneware at Ranipet.

During the inter-war period 1919 to 1939 the company’s main interest, namely the management of the sugar manufacturing companies, manufacture and distribution of chemical fertilizers and sale of engineering products, were considerably expanded but generally speaking no entirely new field of operations was entered upon.

The company has not, after 1939, withdrawn from any of the fields of activity except that during the war, at the request of Government of India, it set up two factories for dehydration of vegetables for supply of the armed forces and since the termination of the war, those factories have been closed.
TECHNICAL AND ECONOMIC ORGANISATION

Attempts have been made to organise common services and departments etc. as far as is possible. The group has a common selling organisation.

TRADE

The firm undertakes purchases and sales for its managed companies. It has agencies for the products of both foreign and Indian manufacturers. The main lines it deals in are sugar, engineering products, etc.

FINANCE

The firm claims that it has been its consistent policy to plough back capital into the business. The holdings of the managing agency directors as apart from the holding of the managing agency firm, were reduced as a result of the conversion of the managing agency into a public limited company in 1947.

1 Answer to our questionnaire: 1952.
COMPOSITION OF BOARDS

The Indianisation of boards in British companies frequently takes place when the public are invited to take an interest in the ownership of companies through their conversion into public limited companies. Parry & Co. was thus converted in 1947. There are, however, still no Indian directors on the Board of Parry & Company though there are Indian directors on the Board of public companies for which Parry & Co. Limited act as managing agent.
ORIGINS

The original firm of Binny & Company was founded late in the eighteenth century, the exact year being unknown. The firm became a limited liability company known as Binny & Co., Limited, in 1906, being registered under the English Joint Stock Companies Act.

SPREAD THROUGH PROMOTION AND TAKING OVER

In 1920 the present company was formed and registered under the Indian Companies Act. It was in this year that the textile interests in Madras proper were amalgamated into one firm. At this time the Company's main activities were as follows:

Shipping Agents, Banking and Insurance Agents, General import and export business, Managing Agents or Managers of several textile companies whose interests

1 From the Company's Answers to our Questionnaire.
2 Buckingham and Carnatic 1920

Bangalore Wollen, Cotton and Silk Mills, Limited 1884
interests were transferred to the Buckingham and Carnatic Co. Limited, in 1920; Agents, Secretaries and Treasurers of the Bangalore Woollen, Cotton and Silk Mills Co., Limited.

During the inter-war period the only new field of industrial activity entered into was that of engineering beginning with a small Works at Madras Harbour primarily intended for the execution of ship repairs. With the years the scale of operation of the works grew to include foundry work, and general and mechanical construction engineering.

TECHNICAL AND ECONOMIC ORGANISATION

The textile units have common departments as a result of the amalgamation. There are special departments for banking and insurance, import and export, etc. The group also has a sales department.

TRADE

The Company has been interested in the cotton trade and owns a number of gins in southern districts. The

1 The only subsidiary of the company is the engineering works referred to above, which was formed into a separate company on 1.1.1950, known as Binny's engineering Works, Limited.
The company also became representative or agents of a number of British Engineering firms during the inter-war period and as such the major items which they came to handle were electric motors, transformers, switch gear, etc. and oil engines. These types of arrangements have been arrived at not only with non-resident but also with resident companies.

**FINANCE.**

The exact percentage of the managing agents holdings was not revealed by the Agents, but they emphasized that they as a regular practice ploughed back most of their profits in the Company.

As for loans from managing agents which represent both working capital and fixed capital the following table reveals the position.

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans from M/Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>13.82</td>
</tr>
<tr>
<td>1925</td>
<td>33.96</td>
</tr>
<tr>
<td>1930</td>
<td>11.87</td>
</tr>
<tr>
<td>1936</td>
<td>4.19</td>
</tr>
<tr>
<td>1940</td>
<td>-</td>
</tr>
<tr>
<td>1947</td>
<td>-.56</td>
</tr>
<tr>
<td>1953</td>
<td>-</td>
</tr>
</tbody>
</table>

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1 In their answer to our questionnaire, 1952.

The decline of dependance on managing agents during the war period is noticeable in many other companies also.

COMPOSITION OF BOARDS

The Company's board of directors consists of British nationals who have attained their position after long service in India with the Company.
THE SIMPSONS AMALGAMATIONS LTD. GROUP

ORIGINS

We shall begin by tracing separately the histories of different interests - two major and two minor - that now form a single group. Here, as in the case of Martin Burns we can look back to an earlier technology.

Simpson & Company was started in 1840, but long before that date their premises had been used as Livery Stables in the days of the Stage coaches - which were, to a small extent, introduced by the British in India. Messrs. Simpson & Company became, in pre-motor days one of the largest and most famous firms of coach builders in India. They were suppliers, "by appointment" to high British dignitaries and to Indian princes. To be suppliers by appointment reflected some slight business eminence and was a result of quality of products or of political influence. The completeness of Messrs. Simpson & Company's activities as coach builders is indicated by the fact that they made nearly all the fittings of their carriages including gold and silver laces, lamps, etc. etc. and manufactured every type of carriage known, as is shown by their old catalogues. The firm became a limited liability company in 1924.

1 Macmillan: Seaports of India and Ceylon, p. 300. Our account has been verified and enlarged by the Company. These origins are specially interesting because they present a complete aspect in the evolution of transport - from coaches to cars.
As for the printing interests of the group, we note that in 1925 a new company was formed for the amalgamation of the combined interests of (1) Higginbotham & Co. (2) Associated Printers Madras and (3) The Madras Mail under the name of Associated Printers (Madras) Limited.

Addison & Company, which was later to become important in automobile engineering and to be amalgamated with the group, started as a small printing concern in 1873, and their interests in this line went to swell those mentioned above. The engineering activities have, however, continued to expand steadily.

SPREAD THROUGH PROMOTION AND TAKING OVER.

Between 1919 and 1939 the group expanded its operations in (1) road transport (2) motor car coach building and (3) gas plant manufacture. It began also to

1. From Missionary origins, this has now become one of the most up-to-date organisations in printing and distribution both retail and wholesale in all southern cities and railways.

2. List of important companies and year of promotion.

   Simpson and Co.   estb. in 1840
   Addison & Co.     "  1873
   Addison's Paints  "  "  1948
   & Chemicals Incorporated
   Sembiam Saw Mills  "  "  1949
   India Pistons Ltd. "  "  1949
   The Wheel & Rim    "  "  1951
   Co.of India Ltd.

NOTE: The activities of the recently incorporated companies are not altogether new but are developments of the old activities of the parent firms.
to develop vertically in each of these three major fields. Thus their manufacturing activities are closely linked with their distribution agencies as indicated, for example, by the fact that they undertake the manufacture of spare parts arising out of short shipments of original equipment. They have their own servicing stations in many centres and themselves manufacture paints and chemicals, Pistons, and a whole group of products which come under the heading of automobile components. The wheel and rim company, for example, has an agreement with the Firestone Tyre and Rubber Company for the manufacture of products indicated by its name.

The group is also engaged in the assembly and progressive manufacture of Perkins diesel engines and has an agreement with Perkins.

**TECHNICAL AND ECONOMIC ORGANISATION**

The different enterprises are highly integrated owing to the amalgamation and the related nature of activities.

**T R a D e**

The group has its own distribution and servicing organisation in transport and also its own distribution organisation in printing.
FINANCE

There is no managing agency at present. Finance is now almost entirely Indian.

COMPOSITION OF BOARDS

The present structure of entrepreneurship presents many points of interest. Mr. S. Anantharamakrishnan who now "owns Mount Road" was formerly an accountant in the group he now controls. The fact that he is a Brahmin and occupies a prominent position in business is significant. Simpsons-Addisons have a fairly long tradition of associating Indians with the control. Foreign directors still figure on the Board as a result of their inherited interests (though the Company is now mainly Indian owned), as a result of relations with foreign concerns, and as a result of the personal technical abilities of individuals. There is now no managing agency and the group is an example of a deliberate avoidance of the managing agency form. Most of the directors are active in day today management. There is no fixed convention regarding the number of Indian directors, but this, Mr. Anantharamakrishnan claims is, in their case, an indication of strength and not the opposite.

1. Remarks made in the course of discussions with the author.
THE STAHL GROUP:

ORIGIN:

The firm started as a private business towards the end of the last century and its first entry into modern business was in plantations.

SPREAD THROUGH PRODUCTION AND TAKING OVER:

The company floated the United Coffee Supply Co. in 1906 and the United Nilgiri Tea Estates in 1922. They also started the Coimbatore Spinning and Weaving Co. Ltd., the first mill in that was afterwards to become an important textile centre. In 1930 they entered the field of transport through promoting Stanos Motors (South India) Ltd. shortly after the depression they sold the Coimbatore Spinning and Weaving Co. Ltd. and Sivasundaram Mills as result of the slump and a consequent shortage of money which affected this firm. In 1937 they floated Indian Cashewnuts and plantations Ltd. In 1947 they become managing partners of Tyresoles (India) Calcutta and secretaries of M/s. Needle Industries India Ltd. (1949) thus further diversifying their interests.

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1. Managed firms:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Coffee Supply Co. Ltd.</td>
<td>1906</td>
</tr>
<tr>
<td>United Nilgiri Tea Estates Co. Ltd.</td>
<td>1922</td>
</tr>
<tr>
<td>Stanos Motors (South India) Ltd.</td>
<td>1930</td>
</tr>
<tr>
<td>Indian Cashewnuts &amp; Plantations Ltd.</td>
<td>1937</td>
</tr>
<tr>
<td>Stanos Amalgamated Estates Ltd.</td>
<td>1946</td>
</tr>
</tbody>
</table>

Managing Partners: Tyresoles (India) Calcutta 1947
Secretaries: M/s. Needle Industries (India) Ltd. 1949
It is interesting to note that political factors had early affected the employment policy of this concern. Thus Indian technicians had an early entry. As the number of managed companies was not large there is no question of special economies through organising common departments on a significant scale etc.

TRADE:

The firm has been highly flexible in its policies and has shifted into different production and trading fields as opportunity offered. There has been one constant factor - namely plantation products - and an attempt to combine production and trade in the other fields such as transport etc. that they attempted to enter. They are managing partners of Tyresole Ltd. who are paid a royalty while Stanes are concessionaries for certain parts of India.

FINANCE:

The managing agents holding in this group have always been fairly low.

The Managing Agency has been unable to supply the required working capital at crucial times and this factor was mentioned in the answer to our questionnaire as the reason for the withdrawal from cotton textiles in the 1930s.

According to the director of the company, the formation of Indian ministries at the provincial level was a factor that made the firm adopt a deliberate policy of Indianisation.
COMPOSITION OF BOARDS:

The Managing Agency is a private limited concern and the Board is purely British. Mr. Ramaswamy formerly an accountant in the firm has risen to be a member of the Boards of a number of managed companies.
ORIGINS

Mr. Charles Forbes founded the business in 1790 and worked in India till 1811. He formulated a scheme for assisting the Government with cash when the Bombay Shroffs were reluctant to advance money. Mr. Charles Forbes acting for his own firm and for Messrs. Bruce Fawcett & Co. lent money freely to Government at low rates of interest on the security of standing crops of cotton and teak and sandalwood forests. At one time, over half a million sterling had been lent and were useful in propping up British power. The Forbes loans were said to be the forerunners of the Indian government public loans. The house was chiefly interested in the cotton trade and in banking.

This firm was regarded as the most important in Bombay in the year 1820 when Alexander and Company was the most important firm in Calcutta. In 1831, Charles Forbes of this House was a director of the East India Company.

2 Phillips C.H. The East India Company 1784-1834, p. 240
We shall be noting in our history of the Bombay Chamber, that this (Forbes, Forbes and Campbell was one of the four important houses that stayed out of the organisation in its early stages. The second Sir Charles Forbes expanded the business by taking over some time after 1836 Leckie and Co. (another of the old Big Four in Bombay) and the Prince of Wales Press Company. The firm at this time were large exporters of raw produce and importers of piece goods and in addition bankers. Their entry into textile production, unlike Killicks, came late, and they continued to be interested in trade, processing, and banking for a very long period. The period between 1879 and 1894 was one of liquidations and reorganisation and in 1894 Forbes, Forbes and Co. emerged.

SPREAD THROUGH PROMOTION AND TAKING OVER

In 1903, another important British firm (again one of the old Big Four) Ritchie Stewart & Company (founded in 1816) was amalgamated with the firm. In 1907, the Bombay Safe Deposit Vault was established continuing the old Banking tradition. The Company started the Simplex Mills 1912. Gokak Mills 1919. Indian Vegetable Products, 1927.

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1 See page 485 of this work.
2 The Chamber was organised in 1836.
3 Bombay Safe Deposit Co. 1907.
   Simplex Mills 1912.
   Gokak Mills 1919
   Indian Vegetable Products, 1927.
Simplex Mill in 1912 and the Gokak Mill in 1919. In 1927, it entered the Vanaspati field by promoting Indian Vegetable Products, Limited at a time when this field was quite neglected.

TECHNICAL AND ECONOMIC ORGANISATION

The firm maintains departments for its various activities, but the vertical rather than horizontal development of the firm limits the possibilities of economising through having departments that can serve many concerns.

TRADE.

The Company undertakes sales and purchase for its managed companies. It has been interested in cotton export and later in the piecegoods trade.

FINANCE

The percentage of agents holding and the amount of working capital supplied is not known. The control of the Bombay Safe Deposit Vault by the group and the presence of important financial figures on the Board is the only data available.
The company has now taken in a considerable number of Indians on its Boards. At present Mr. R.W. Bullock is represented on all the Boards being one of the two English directors found on each Board. Sir Purshottumdas Thakurdas is on three Boards and prominent Indian businessmen from Bombay figure on the rest.
KILLICK NIXON AND CO:

ORIGINS

Killick Nixon and Company opened its door as merchants in 1657. They represented exporters in Lancashire, dealing in piecegoods, etc.

COMPOSITION OF THE INTEREST GROUP

Till its reorganisation in 1908 the firm was purely British, with a financial control in London and a subsidiary firm in India. It is important to note that this firm founded the Bombay Steam Navigation in 1906 and controlled it till it was taken over by Narottam Murarji in 1939. The firm are also partners in Cement Agencies, Limited formed in 1936.

From representatives of Lancashire they spread into cotton exports and then into railway construction and management. The opening up of the interior through the development of various railway lines they pioneered led to the next step in the development of the concern. This step is significant as it affords an illustration of how complimentary development (i.e. complimentary to the economy of the Metropolitan countries) stops and development competitive with the economy of the metropolitan power begins. This is but to be expected, as the interests of individual British firms and of the British economy regarded as a whole would not necessarily coincide. To quote from Wilfred Russell "The more cautious men would have nothing to do with the idea (of starting textile mills—the next step we have been talking about) for fear of upsetting their Lancashire trade; these men and the firms they have handed down were doomed to a lingering death, for the thrusters among the British, pressing on hand in hand with their enterprising Parsee associates, took the plunge and dropped their Lancashire connection as time went on, and

   Shivrajpur Syndicate 1905
   Central Prov. Rly.
   Ahmedabad Electricity 1913
   Surat Electricity 1920
   Bombay Suburban Electricity 1926.
and the mills they built up on the damp islands of Bombay began to churn out cloth at a surprisingly low cost." Killicks started the Kohinoor Mills in 1896.

As remarked above, they founded the Bombay Steam Navigation in 1906 and managed it till 1939. They also purchased in 1906 the well-known coastal trading concerns known as Shepheards which had been established by J.A. Shepards but was then held by Haji Ismail Hasan. Killick Nixons had started a prominent cement unit early in the 20th century and also had a distributing organisation. They joined the A.C.C. in 1936. Ahmedabad Electric (1913) and Kohinoor Mills (1896) have been expanding concerns, the latter having also entered the field of silk weaving in 1940. They have managed the Bombay Suburban Electric Co. since 1926. The number of railways managed has diminished as a result of this field being increasingly reserved for public enterprise.

TECHNICAL AND ECONOMIC ORGANISATION

As we have remarked above the London control of the

1 Wilfred Russel: Indian Summer - 1951, p.35
the firm is composed of purely financial elements while the men on the spot are largely technicians or men with outstanding organisational qualifications. The firm maintains a staff of technicians for its managed companies and assist them very considerably in publicity, sales, and distribution.

TRADE

The firm have always been very important in this field. Each one of their production activities, textiles, railways, and cement or electricity have been accompanied by a full sales organisation and trade in each of these field. In fact at many stages trade has been more important than production. With the passing of time, however, the emphasis has shifted and production is the chief activity of the firm.

FINANCE

The managing agency company is known to have been an important source of finance but no exact figures were obtained regarding the proportion of fixed securities held at different stages and sold in 1948 to the new Gujarati owners. It is also known that the company from time to time obtained funds from the London Financial control. As we shall see below (see section on composition of boards) its financial policies were sub-
subordinated to long-term objectives such as securing expert management, etc. rather than being dictated solely by the profit motive.

Some definite information is available as regards loans made to the Kohinoor mills. The importance of unsecured loans and amounts due to agents indicated that the agents thus provided both working and fixed capital. Between 1915 and 1940 the average figure was Rs. 4,55,400. In 1916 it amounted to Rs. 9,55,000. In 1917, to Rs. 13,10,000. In 1918 to Rs. 9,45,000 and again in 1933 to Rs. 11,79,000. The following figures also illustrate the same.

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsecured loans</th>
<th>Loans from agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>7,20,164</td>
<td></td>
</tr>
<tr>
<td>1925</td>
<td>10,41,353</td>
<td>57,336</td>
</tr>
<tr>
<td>1930</td>
<td>5,16,444</td>
<td>2,75,961</td>
</tr>
<tr>
<td>1935</td>
<td>3,42,728</td>
<td>2,41,318</td>
</tr>
<tr>
<td>1945</td>
<td>2,68,332</td>
<td>-</td>
</tr>
<tr>
<td>1953</td>
<td>9,47,233</td>
<td>-</td>
</tr>
</tbody>
</table>

1 Employers Association; Achievements of the Managing Agency System, pp. 70-74.
The men in charge of the actual management in India have always been technical experts, prominent Indian businessmen of the more public spirited type and public relations men like Wilfred Russel. As we have already mentioned the London control had a purely financial composition.

The change in the control in 1948 as a result of the withdrawal of British capital from this concern was dovetailed with the firm's policies regarding recruitment to controlling positions. Instead of the usual mere conversion into a public limited company or the selling out of shares we had a more elaborate arrangement. "The principal on which the plan was based laid down that share-holders in the numerous companies managed should be given first choice in taking up shares in a new public limited company which would not have a majority of Indian share-holders but a majority of Indian directors on the Board." This company was successfully

1 The Author of "Indian Summer" whom we have quoted in several places in this sketch.

successfully launched six months after independence. Besides Mr. H. F. Milne and Mr. S. O. Shephard, the managing agency now has as directors prominent Gujaratis like Sir Purushottamdas Thakurdas (price control committee), Sir Nekabhai Premichand, Sir C. V. Mehta (Managing Director of the Century before the Birlas took over) and Dinsha K. Daji.
W. H. BRADY & CO. LTD.

ORIGINS

Messrs. W. H. Brady and J. H. Bradbury both Lancashire cotton experts and engineers started business in partnership at Bombay in 1893 under the name of Bradbury and Brady. They were large-scale agents for textile machinery.

COMPOSITION OF THE INTEREST GROUP

The partnership continued till 1912 and after being separated for a year between 1912 and 1913 the original interests were again re-united and now composed a single managing agency.

SPREAD THROUGH PROMOTION AND TAKING OVER

From importing capital goods and being contractors for designing, equipping and installing mills they went

1 Rutnagar: Bombay Industries: The cotton mills, pp. 651-52 and 701. It may be noted that before they started business both men were mill managers.

2 New Great Empire Dyeing and Mfg. 1874
   New City of Bombay 1905
   Pelapur Co. 1919
   G. Claridge & Co. 1919
   Brady Engineering 1946
went into cotton manufacture by acquiring the managing agencies of the New City of Bombay Mills, the New Great Eastern, the Sun Mills and by setting up Bradbury Mills. The company claims that change of agencies in each case led to modernisation and efficient management.

Brady and Company entered the field of sugar when they took over the Belapur company (which had been established by Marshall Sons in 1919 at the initiative of the Government of India.) This was taken over because of the inability of the earlier managing agents to perform their financial functions. In 1946, Bradys Engineering was established so that from machinery import the firm has now gone into manufacture.

TECHNICAL AND ECONOMIC ORGANISATION

The managing agency has at its disposal a staff of experienced engineers. The tradition of expert know how has always been present in this group. The integrated character of their organisation has helped in maintaining high levels of technical efficiency.

The firm has frequently been the first to introduce innovations and adaptations in textile machinery into the Indian market. They are important suppliers of cotton textile and sugar machinery. They are also interested in insurance agencies, in engineering agencies
agencies and in the distribution of a wide variety of articles in the printing trade.

TRADE

The managing agency undertakes purchase and sale for the managed companies. The managing agency company also act as selling agents for a number of machinery manufacturers.

FINANCE

The importance of a sound financial structure and adequate provision of facilities by the managing agents was illustrated by the taking over of the Belapur Company. Similarly in earlier years, Brady and Bradbury were in a strong position due to their importance in the capital goods trade in textiles. As we have noted elsewhere many of the unsound promoters used dangerous practices in this regard, practices which Brady's did not have to undertake due to their unique position.

COMPOSITION OF THE BOARDS

The managing agency board is still purely English.

1. See page 388
2. See page 287
ORIGINS

The British India Corporation was established to combine and amalgamate from 1st January, 1920, the following firms:

The Kanpur Woollen Mills, Ltd., The Empire Engineering Co. Ltd., Cooper Allen & Co. Ltd., The Northwest Tannery Co., Ltd., The Agerton Woollen Mills, Co. Ltd. and The Kanpur Cotton Mills, Ltd.

The British India Corporation thus unites many traditions and many interesting origins. Most of their enterprises existed as we have seen in 1890. The close family connections between the British interests that pioneered these units and the history of Begg Sutherland & Co. are the most relevant in understanding the background of this corporation.

1. Kothari's Encyclopaedia; also local enquiries.
2. The two woollen mills had been founded by Alexander MacRobert; Cooper Allen had been managing agents of the North-west Tannery in 1904, thus whiting all the leather interests. A third company was Cawnpore Cotton Mills. The origins of the Begg Sutherland group, which was absorbed by B.I.O. in 1946, are noted below.
4. See the History of the U.P. Chamber of Commerce, 1873.
COIUTION OF THE INTEREST GROUP

At present there are two types of units in the organisation - the branches and the subsidiaries. The branches are the amalgamating units mentioned above, with the exception of Empire Engineering, which has been closed. The subsidiaries are (1) Begg Sutherland & Co. which was acquired in 1946 as a going concern (2) G. Mackenzie & Co. (1919), Ltd., and (3) Smith Stan-street & Co., Ltd., Chemists, etc.

SPREAD THROUGH PROMOTION AND TAKING OVR

The group did not promote any new units between 1920 and 1952. The most important acquisition was that of Begg Sutherland and Co. in 1946.

TECHNICAL AND ECONOMIC ORGANISATION

One of the objectives of amalgamation was to secure

1. The early predecessors of Begg Sutherland & Co. according to old partnership deeds in the possession of the Co. (p.64, Macmillan: Seaports of India and Ceylon) were John Kirk & Co. who were established as merchants in Kanpur prior to 1842 (This name was subsequently changed to Bathgate Campbell & Co.). Subsequently, it became Begg Christie & Co. (1856), Begg Maxwell & Co. (early sixties) and lastly Begg Sutherland & Co. in 1872. Till 1894 they traded mainly in indigo and tobacco, though they were also connected with the Elgin Mills between 1864-1872. They set up their first sugar factory, in 1895. They became managing agents of Brushwares, Ltd. In 1904, 1905, and 1913, they set up three more sugar mills. In 1914, they re-acquired the managing agency of the Elgin Mills. They started Cawnpore Textiles in 1920. Two more sugar units were founded in 1932, and yet one more in 1948.
secure administrative economies. As a result, common departments were established and elaborated.

TRADE

The branches and subsidiaries operating in the same line use the same distribution channel. For example Roopnarain Ramchandra of Kanpur is the sole agent for cotton wool textile products. The group also has an organisation for its trade in leather products.

FINANCE

The centralisation of financial accommodation was also one of the objectives of the amalgamation. The group apart from having considerable resources of its own, can use finance more economically as a result of amalgamation.

COMPOSITION OF BOARDS

Historically, the importance of families like the Greenways and the Maxwells and of individuals we have

1 Kothari's Encyclopaedia.
2 Local enquiries - 1952.
have mentioned helped to provide links between different British firms in Cawnpore. Coming to the present structure of entrepreneurship we note that Indians play an important part. There are five Indians on the B.I.C. Board, the total strength of which is ten. Some of the men in the Central Board have come from special fields in the group, e.g. Sir Arthur Cecil Inskip, The Deputy Managing Director who died on 24th December, 1951, joined the Corporation's Cooper Allen branch in the year 1920 and served the Corporation, first on its leather side and later on the management.

As for entrepreneurship in the Begg Sutherland Group, we note that Boards are small, that one or more of the directors from the B.I.C. Board are represented thereon and that, roughly, Indians and foreigners are equally represented. Among the Indian directors is Mr. Narang the wellknown sugar magnate. There are no Bombay or Calcutta businessmen on the Board.
ORIGINS

We have noted elsewhere that with the changes in transport that took place a hundred years ago in Bengal and U.P., there was a wave of migration of business firms from Mirzapur to Kanpur. The forefathers of the Singhania family (Aggarwal Marwaris) were part of the wave and came to Kanpur from Mirzapur about one hundred years ago.

The Singhanias were interested in money lending and agricultural marketing before they came to Kanpur; and after they came to Kanpur in supplying raw products to and selling the final products of Kanpur Cotton, Victoria and Elgin Mills. By 1905, their firm (which till 1905 was known as Baijanath Ramanath) had one jute mill, one hydraulic press, three ginning factories and two flour mills. In 1905, the family split into two firms and after an intervening period their took place a family division (1908) in which Lala Kamalapat Singhania chose the families industrial undertaking as his share.

2 See Page 500.
In the year 1921, Messrs. Baijnath Jugilal (one of the two firms mentioned above) again separated to form two firms one of them being Messrs. Jugilal Kamalapat.

COMPOSITION OF THE INTEREST GROUP

The separate managing agencies in the J.K. Group have been formed as a result of the need of recognising separate interests and spheres of activities within the family and as a result of the policy of organising the group on a regional basis. Thus we have J.K. Commercial Corporation, Kanpur, J.K. Eastern Industries, Ltd. Calcutta, J.K. Bhopal Limited and J. K. Trust, Bombay.

SPREAD THROUGH PROMOTION AND TAKING OVER

In 1921 J.K. Cotton Spinning and Weaving was founded, and the firm attaches considerable importance

<table>
<thead>
<tr>
<th>Company/Factory</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>J.K. Cotton Spinning and Weaving</td>
<td>1921</td>
</tr>
<tr>
<td>Kamala Lee Factory</td>
<td>1921</td>
</tr>
<tr>
<td>J.K. Oil Mills</td>
<td>1924</td>
</tr>
<tr>
<td>J.K. Hosiery Factory (Cawnpore)</td>
<td>1929</td>
</tr>
<tr>
<td>J.K. Jute Mills</td>
<td>1931</td>
</tr>
<tr>
<td>B.P. Sugar Mills</td>
<td>1932</td>
</tr>
<tr>
<td>J.K. Cotton Manufactures</td>
<td>1933</td>
</tr>
<tr>
<td>J.K. Hosiery Factory (Calcutta)</td>
<td>1934</td>
</tr>
<tr>
<td>J.K. Iron and Steel</td>
<td>1936</td>
</tr>
<tr>
<td>Plastic Products</td>
<td>1938</td>
</tr>
<tr>
<td>Aluminium Corporation (taken over)</td>
<td>1941</td>
</tr>
<tr>
<td>Raymond Woollen (taken over)</td>
<td>1944</td>
</tr>
<tr>
<td>Eastern Chemicals (taken over)</td>
<td>1944</td>
</tr>
<tr>
<td>New Kaiser-1-Hind (taken over)</td>
<td>1945</td>
</tr>
<tr>
<td>Textile Fabrics Ltd.</td>
<td>1946</td>
</tr>
<tr>
<td>Impex (India) Ltd.</td>
<td>1946</td>
</tr>
</tbody>
</table>
importance to this as an original source of strength which was to assist further expansion. In 1921, Lala Kamalapat opened the Kamala Ice Factory; in 1924 the J.K. Oil Mills; in 1929, the J.K. Hosiery Factory, Kanpur; in 1931 the J.K. Jute Mills; in 1932, the N.P. Sugar Mills; in 1933, the J.K. Cotton Manufacturers; in 1934, the J.K. Hosiery Factory, Calcutta and the J.K. Iron and Steel; and in 1938 Plastic Products Ltd. Two minor enterprises straw products and Snow-white foods were founded in 1938 and 1939 respectively. In 1941 the Aluminium Corporation was taken over from Bihari interests, in 1944 Raymond Woollen Mills and Eastern Chemicals were acquired, in 1945 the New Kaiser-Hind was acquired and in 1946 the Textile Fabrics Limited and Impex India Limited were founded.

TECHNICAL AND ECONOMIC ORGANISATION

With the acquisition of important mills and establishments at Bombay and Calcutta the activities of the J.K. Group have been organised on a zonal basis. Common departments, etc. are similarly organised.

Judging by indices such as productivity, etc. most of the acquired concerns appeared to have increased considerably in efficiency under the management of this Group. The Group is characterised by advanced planning.
planning and liberal policies. Attempts at quality control in J.K. Iron and Steel and certain reorganisation measures under Ibcons advice (in the cotton mills) have also been attempted.

TRADE

The house, as we saw, spread from banking and trade to large scale trade and industry. We also noted clear attempts to explicitly and clearly subordinate trading interests to industrial interests, and though it is not possible with the data at our disposal to evaluate the significance of this step, there seems to be no reasonable doubt that it was explicitly adopted. (The firms record during the life of Juggilal Kamalapat substantiates this, but in the thirties and forties the Group has been largely engaged in taking over going concerns). A considerable amount of vertical integration and of a separation between trading and manufacturing activities characterise the group even today. The trading operations of the sales companies in the group are on a large scale and the company emphasises that they are independent businesses of their own and are not meant to be devices to deprive shareholders in their industries of a part of their profits. Juggilal Kamalapat distributors and J.K. Traders, Limited, Kanpur, J.K. Trust Bombay and Impex, Ltd. are the trading companies
companies in the Group. In Bombay, the Group has entered retail trade in wool, etc.

**FINANCE**

Not much information is available regarding the share-holding of the managing agents though it is known that their investment trusts hold a substantial proportion of their shares.

In the new Kaiser-E-Hind in 1945, out of a total of three thousand paid-up shares of Rs. 500 each, twenty-two thousand shares were sold by Vussonjee Munjee to J. Ks.

After the transfer advances were made though for short duration to Lala Kailaspat Singhania and Reymond Woollen Mills, etc.

The unsecured loans advanced to the Aluminium Corporation of India are also significant.

**Aluminium Corporation of India.**

<table>
<thead>
<tr>
<th>Unsecured loans.</th>
<th>year.</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>1939</td>
</tr>
<tr>
<td>12,04,236</td>
<td>1945</td>
</tr>
<tr>
<td>3,61,497</td>
<td>1951</td>
</tr>
<tr>
<td>80,701</td>
<td>1953</td>
</tr>
</tbody>
</table>

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1 Share-holders Association: Memorandum on Managing Agents, p. 2.
2 - do - p. 6.
The representatives of the Singhanias are on the Boards of Directors of the following :-

**BANKS** :-
- Hindustan Commercial
- Bank of Jaipur.

**INVESTMENT TRUSTS** :-
- J. K. Investment Trust.
- J. K. Investors (Bombay)
- J. K. Commercial Corporation.
- J. K. Limited (Calcutta).

**INSURANCE COMPANIES** :-
- Free India General
- National Life
- National Fire & General

**COMPOSITION OF THE BOARDS**

The concern is closely controlled by the Singhania family and some members of this group, like K.L. Jatia who manages eastern J.K. Enterprises, have penetrated many other firms. Not many prominent outsiders are found on the Singhania Board excepting a few Marwaris. The members of the Singhania family connected with this concern are well educated men connected with politics,
and important commercial organisations. The positions held by family members include memberships of legislature, the presidency of the Karwari Chamber of Commerce and Wool Federation and important positions in bodies relating to lines in which they are interested. The Group has been following a policy of Indianisation in all spheres.
THE BIRLA GROUP

ORIGINS

Seth Baldeva Das Birla came down to Calcutta from Jaipur in the latter part of the 19th century. He commenced as a broker and trader. The exact year when he or his firm became selling agents for important firms in Calcutta, especially cotton textiles, is not known. It is also not known whether the business of the Birlas as selling agents extended to jute and whether it assisted in their entry into jute manufacture; but it is probable that their position as "Banians" to Andrew Yule and Company assisted in their entry into cotton textiles, as they took over the Kesoram Cotton Mills from Andrew Yule in 1923. Before this, they had already established the Birla Jute (1919) and Birla Cotton Spinning and Weaving (1920).

1. Burman; The mystery of Birla House P98. This is a very partisan booklet, but details such as the one quoted are correct.

2. Employers Association Achievement of the managing agency system P19.
The Birla family at present controls these important managing agencies. These are Birla Brothers, founded in 1918; Cotton Agents, Limited founded in 1923; and Hindustan Investment Corporation, founded in 1940.

**Spread through Promotion and Taking Over.**

We have already noted the developments up to 1923 in discussing origins. Between 1923 and 1940 we have to trace the expansion both of Birla brothers and Cotton Agents (the new family agency founded in 1923).

Birla Brothers promoted Sutlej Cotton (1934) Orient Paper (1936) Hind Cycles (1939) and the Textile Machinery Corporation (1939) during this period.

Cotton Agents began as a trading firm. It took over C. & E. Morton in June, 1928. It promoted Bharat Sugar and New Swadeshi Sugar in 1931. In 1932, it promoted Oudh Sugar and Upper Ganges Sugar and in 1933 New India Sugar.

From 1940 to 1953 we have to trace the expansion of Birla brothers, Cotton Agents and Hindustan Investment Corporation.

**Birla Brothers promoted Central India Paper (1942)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birla Jute</td>
<td>1919</td>
</tr>
<tr>
<td>Birla Cotton Spinning &amp; Weaving</td>
<td>1920</td>
</tr>
<tr>
<td>Kesoram Cotton Mills (taken over)</td>
<td>1923</td>
</tr>
<tr>
<td>Bharat Sugar</td>
<td>1931</td>
</tr>
<tr>
<td>New Swadeshi Sugar</td>
<td>1931</td>
</tr>
<tr>
<td>Oudh Sugar</td>
<td>1932</td>
</tr>
<tr>
<td>Upper Ganges Sugar</td>
<td>1932</td>
</tr>
<tr>
<td>New India Sugar</td>
<td>1933</td>
</tr>
</tbody>
</table>
Hindustan Motors (1942) Jayashree Textiles (1944),
India Plastics (1945) Bharat Airways (1945), Hindustan
Woollen Mills (1946) and took over Jayashree Tea (1945).

Cotton Agents promoted Tungabhadra Industries, a
Vanaspati Manufacturing Unit.

Hindustan Investment Corporation promoted Central
India Coal and West Bengal Coal in 1944 and took over
India Starch Products (1940) and Surrah Jute (1946) from
McLeods.

Thus if we mark off rough stages in growth we have
origins in trade in cotton textiles, and the development
of cotton and jute manufacturing business in the Calcutta
area. Then we have a spurt of growth in the U.P. sugar
industry. Next come larger enterprises unconnected with

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(footnote continued).
(from last page)

Sutlej Cotton Mills 1934
Orient Paper 1936
Hind Cycles 1939
Textile Machinery Corporation 1939
Indian Starch Products (taken over) 1940
Hindustan Motors 1942
Central India Paper 1942
Jayashree Textiles 1944
Central India Coal 1944
West Bengal Coal 1944
Bharat Airways 1945
Jayashree Tea Gardens (Taken over) 1945
Hindustan Woollen 1946
Surrah Jute (taken over) 1946
Birla Cotton Factory -
Premier Stores SUPPLYING Co. -
Prasad Hosiery Factory -
Indian Shipping Co -
Jayajee Hao Cotton Mills -
Textmaco -
Woodcraft Products Ltd. -
Hindustan Gas Co. -
with other activities such as Orient Paper, activities of a pioneering nature such as Hind Cycles and a further extension of vertical development through the promotion of the Textile Machinery Corporation. In the war and post-war period the trend towards the strengthening of cotton and jute interests continues and we also have further developments of a pioneering nature such as Hindustan Motors, etc.

TECHNICAL AND ECONOMIC ORGANISATION

The entire group is managed by the three Birla Brothers, each supervising a large group of concerns. It has always been the practice of the Company to pool experience gathered in the different companies by the comparison of results of different companies and by inter-staff consultations. The share-holding departments (one for the whole group) of most companies are under an experienced manager. The 3 different managing agents have also some common departments for the concerns they manage. The Birlas, like other agencies have organisational links with foreign firms.

1 From the Company's answer to our questionnaire.
Two important examples are the agreement with the Nuffield Organisation (i.e. Hindustan Motors) and the agreement which resulted in setting up Texmaco.

The Group originated in trade and has continued to be active in the field. A number of the groups associates Loyalkas, the Kajjariwals and individuals like B.L. Murarka, S. Mohta and Anandilal Goenka are included in the organisation of a number of independent companies, which are closely connected with this and possibly with other Marwari Groups. Some of the Birla companies purchases and sales are made through their respective firms e.g. Hind Cycles, Texmaco, etc. have their organisations.

Exact information is not available regarding the shareholding of the managing agency companies in the different managed companies. Judging by articles in the share-holders association journal, however, it would seem that this percentage has varied greatly from company to company and in different stages of growth.

There are also cases like that of Birla Jute manufactur-

1 Kardas Share-holders Association Journal.
manufacturing in which the managing agents contribute to fixed capital as is evidenced by the fact that by 1925 capital expenditure had considerably exceeded the paid up capital.

More information is available as far as working capital is concerned. Apart from guaranteeing loans from banks, the agents themselves have from time to time advanced loans to managed companies.

To the Kesoram Cotton Mills the managing agents had to advance large sums and at one stage the company was owing to them as much as Rs.18.5 lakhs. The managing agents also underwent sacrifice during the critical period 1925 to 1935 through supporting the mill financially.

In the case of Birla Jute Manufacturing, the managing agents had at one stage advanced as much as Rs.13 lakhs to the Company from their own resources, apart from securing loans from banks, etc.

But we have got data showing not only how Birlas have sacrificed for managed companies, but also data

1. Employers Association : Achievements of the managing agency system, p.34
2. Ibid p.29
data showing how managed companies have been sacrificed by them. For example, the two mills mentioned above figure in Xapadia's study and we find that during the year 1942-1948 and 1947-1948 respectively these units borrowed heavily on the one hand and invested heavily in shares on the other. The Orient Paper Mills and Hindustan Celluloid and Paper are also known to have been dealing heavily and regularly in investment. Such transactions were probably used to take over other concerns, etc. " The giving of fuller information as to the name of companies ( in which investments are made is, therefore, all the more essential in order to judge how far they are in the nature of interlocking transactions or otherwise. The Birlas are represented on the boards of directors of the following financial institutions:

**Banks**
- United Commercial
- Hindustan Mercantile
- Hind Bank
- Bank of Baroda

**Investment Trusts**
- New India Investment Corporation
- Hindustan Investment Corporation.

**Insurance Companies**
1. New Asiatic
2. Ruby General
3. Bombay Life Assurance

COMPOSITION OF THE BOARDS

As regards the directorship, we note that G.D. Birla is the most important figure in the group. There is little repetition or interlocking on the lower Boards and prominent men from each area have been taken in concerns in their respective areas. In this matter, Birlas appear to have followed the practices of certain British concerns.

Shri G. D. Birla has devoted considerable time to politics and has affiliations in particular with the Congress Party.
THh D/LMI^JAIN GROUP

ORIGIN

Few details are known about the early activities of Seth Ramkrishna Dalmia. We know, however, that he first began with the establishment of a fourteen hundred ton sugar factory. By 1933, three sugar factories had been floated.

COMPOSITION OF THE INTEREST GROUP

The group at present contains 5 major managing agencies. Sahu-Jain (1933), Dalmia-Jain & Co. (1936), Dalmia-Jain Agencies (1946) and two prominent managing agencies belonging to an interest group which was taken over as a going concern in the 1940's, viz. Govan Brothers and Govan Brothers (Rampur) Limited. One more managing agency - Hari Brothers, Limited was established in 1950.

SPREAD THROUGH PROMOTION AND TAKING OVER

In 1933 Rohtas Industries, Ltd. was established.

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Year of foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Dehri Rohtas Light Railway</td>
<td>1912</td>
</tr>
<tr>
<td>Rohtas Industries</td>
<td>1933</td>
</tr>
<tr>
<td>National Safe Deposit and Cold Storage</td>
<td>1936</td>
</tr>
<tr>
<td>Dalmia Cement</td>
<td>1937</td>
</tr>
<tr>
<td>Bharat Collieries</td>
<td>1944</td>
</tr>
<tr>
<td>Dalmia Jain Airways</td>
<td>1946</td>
</tr>
<tr>
<td>Shri Krishna Gyanodaya Sugar</td>
<td></td>
</tr>
</tbody>
</table>
Through the promotion of a number of units in various lines this was gradually built up into an important industrial complex. In 1937, Dalmia Cements (With Dalmia Jain & Co. as managing agents) was started and five cement plants were established to take advantage of the locational drawbacks of the A.C.C. units. The next important developments was the acquisition of Govan Brothers i.e. of two sugar mills and the Indian National Airways Ltd. Later we had the acquisition of the Madhowji Dharmaji and Sir Shapurji Froacha Mills in the Bombay area by Dalmia Jains. Shahu-Jains took over Albion Lothian and New Central Jute in the early 1950s.

TECHNICAL AND ECONOMIC ORGANISATION

The Group is organized through the acquisition of control and hence the old set up of departments, etc. in these separate groups continued though there tended to

In Dalmianagar Rohtas Industries activities in sugar were not the only line developed. Two chemical plants had been set up to supply a paper mill which in turn supplied the playing card and box-board factory. The central workshop at Dalmianagar supplies all spare parts required by different factories in the centre. The Dehri-Rohtas Light Railway is owned by the group and supplies Bamboo for paper, stone for cement and cane for the sugar factory. Electricity is generated by the company's central power house. There is also a vegetable ghee plant, a soap factory and several research laboratories. During the war period the firm entered coal production for which it also has an internal market.
to be some integration along regional and industry lines. Ramakrishna Dalmia exercises overall supervision excepting in the enterprises in eastern India, where S.P. Jain his son-in-law controls Rohtas, the Calcutta concerns and two other Jains, Bharat Bank and Bharat Insurance. The former Govan Group and the Cement Groups are managed by J. Dalmia and V. H. Dalmia.

The old traditions of the acquired companies have been a great asset to this group and there has been some (though perhaps temporary) deterioration, more often on the financial than on the technical side. On the other hand there are the increased economies and the increased vertical integration on the credit side. The production services of the group compare well with international standards both in the case of units taken over and in the case of units started by the group. The units taken over have maintained their reputation in production. Among units started by them we again find high standards; for example, one of the cement units is the biggest in India, and uses the wet process. Its products are above standard British specifications. The Dalmianagar plant to make pulp from Bagasse is the first of its kind in India and probably the second in the world. Many of the units in the group fall in the largest size class in their respective fields.
TRADE

The managing agents undertake the sales of products for their managed companies. For cement and paper, they have set up since 1937 the Dalmia Cement and Paper Marketing Company. This company is connected with their financial transactions also. In other lines such as jute they have set up co-ordinated policies. In lines such as sugar their policies are conditioned by the existence of the syndicate and in textiles, newspapers, etc. they have continued the practices of the companies they took over.

FINANCE

The following information is available regarding the managing agents contribution to fixed capital. In 1937 in Dalmia Cement out of an issued capital of 100,00,000 half was taken by the managing agents, directors and friends though we may note that they held types of shares having proportionately greater voting power (out of 3,15,000 ordinary shares and 3,50,000 deferred shares which they held, the ordinary shares could be sold out without endangering control). In 1947, in

in the Dalmia Cement and Paper Marketing Co. which had a paid-up capital of 50,00,000 (2,50,000 preferred of 100 each, 2 lakhs ordinary of Rs. 10 each and 5 lakhs deferred of Rs. 1 each) the managing agents held the deferred shares. In Lothian, Albion, and New Central, Dalmia Jains held a majority of shares at the time of transfer of control. Similarly in buying out the private and public companies in the Bombay area Dalmia Jain made substantial though interlocking investments.

As regards working capital we may note that in Rohtas the managing agents had at particular stages advanced loans amounting to Rs. 1 crore. During 1946-53 capital was provided both for fixed investment and working purposes by the managing agents of this firm.

The representatives of Dalmias are on the Boards of Directors of the following:

Banks:-(1) Bharat Bank.
(2) Universal Bank of India.
(3) Gwalior Bank.

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1 Shareholders Association: Memorandum on Managing Agents, p. 99 and p. 23.
2 Shareholders Association: Memorandum on Managing Agents, p. 40.
Investment Companies: (1) Dalmia Investment.  
(2) Industrial Credit Company.  
(3) Dalmia-Jain & Co.  

Insurance Companies: (1) Bharat Insurance.  
(2) Bharat Fire & General Insurance.  

CONPOSITION OF BOARDS  
The managing agency has still been kept a purely family affair. Prominent businessmen are taken in on the Boards of some of the managed companies. The political ambitions of certain managing agency directors may be noted. The building up of a chain of newspapers by Shri Ramkrishna Dalmia and his transitory attempts to use them in politics, especially in Rajasthan, and on certain political issues (e.g. cow protection) as well as the activities of Shri S. P. Jain in parliament, in the Federation of Chambers of Commerce and Industry, and in the Indian Chamber of Commerce, are noteworthy.
THE DELHI CLOTH & GENERAL MILLS CO. LTD.

ORIGINS

This group has been controlled by members of the Kotwalwalley family of Delhi ever since its foundation in 1699.

SPREAD THROUGH PROMOTION AND TAKING OVER

The firm spread from Cotton spinning to tent manufacture in 1915-16 (Government Orders in World War I). After 1919 weaving became the main business of the Company. Mills No. 2 and 3 in the main Delhi mills were set up in 1925 and 1928. A sugar factory was set up in Meerut in 1932 and later expanded while a sugar unit acquired in 1940 was also shifted to this district. In 1934 a textile mill was started at Lyallpur and in 1941 the D.C.P. Chemical Works, the largest in northern India was started. A Vanaspati Unit was set up in

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Lala Gopal Rai, founder and First Secretary, was a member of the Kotwalwalley family. His brother, Lala Madan Mohan Lall succeeded him as Secretary and worked in that capacity from 1901-1934. Sir Shankar Lall followed him as Secretary in the years 1935 and 1936. In 1937, the management was vested in the firm of Shankar Lall Bharat Ram & Co. This appointment is, however, now subject to legislation, and pending its outcome Sir Shri Ram and Sir Shankar Lall were appointed Managing Directors in 1943. Sir Shri Ram retired in 1946 and the management is now in the hands of Sir Shankar Lall, assisted by his nephews, Lala Murlidhar, Lala Bharat Ram and Lala Charat Ram, who were appointed as Assistant Managing Directors in 1944 and Joint Managing Directors in 1949.
in Delhi during 1946 and also a Garment Factory while the Swatantra Bharat Mills were set up in 1948. It is important to note that most of the plant for the sugar, Vanaspati and Chemical units was fabricated in the company's own workshops. All these activities are carried out by a single firm.

TECHNICAL AND ECONOMIC ORGANISATION

The Group does not include a large number of units in any particular field. The managing agent's contribution lies in the development of close vertical integration as will be brought out below. Well equipped research laboratories are maintained by the company.

TRADE

As we have stated vertical integration is a characteristic of the Group. The extension of this Group to the retail field is also well known to the cloth consumer in different centres. They now have 85 retail shops.

FINANCE

The managing agents probably own a considerable

1 The exact proportion is unknown but the general supposition that it is fairly high is supported by the facts that bold experiments to which shareholders would have objected if this holding had not been high have been tried and the reported purchase of a large block of shares by Karamchand Thappar has in no way affected the control.
proportion of the shares. It is claimed that a quite large number of the staff owns shares in the company and that in many cases these shares were bought with the bonuses given to the staff by the Company.

**COMPOSITION of Boards**

The managing agency is controlled by the family. (at present family members are managing directors).

The most interesting feature however is the presence of staff directors on Company Boards. Staff Directors are not found in any other unit in India through technical directors are found in a few important units. A provision in the Articles of Association to this effect and the presence of two representatives is far more striking and hardly comparable to the allotment of directorships as an incentive to technicians. Among the two places reserved on the Board of Directors for staff one is for officers and the other is for workers.

It is also claimed that promotion is made at all stages solely on merit.


2. Ibid.
THE THACKERSY MOOLJI GROUP

ORIGINS

Thackersy Moolji, Sir Vithaldas’s grand father came to Bombay in 1825 "in order to seek his fortune in the rising Emporium of industry and trade". Starting as a broker to a European firm Messrs. Peter Kabali, and working with Mr. Maneckji Nasserwanji Petit, he prospered so much so that in 1871, he founded his own firm Messrs. Thackersy Moolji & Co., with his four sons, Damodar, Govindji, Pragji and Narayandas.

COMPOSITION OF THE INTEREST GROUP

There are four managing agencies in the group, all controlled by members of the family. Thackersy Moolji & Co., 1872, Thackersy Moolji Sons & Co., 1880, Damodar Thackersy Moolji & Co. 1882 and Purshottam Vithaldas.

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1 Kaji H.L. Life and Speeches of Sir Vithaldas Thackersy, Taraporewalla, Bombay, 1934, page 3.
SPREAD THROUGH PROMOTION AND TAKING OVER

He started in 1874, the Hindustan Spinning and Weaving Mills, which absorbed a few years later, the Thackersy Moolji Mills, started in 1878. In 1880 he purchased the Manchester and Bombay Mills, which was reorganised completely and became the Western India Spinning and Manufacturing Co., Limited. In 1882, the Indian Manufacturing Co. was started (through taking over Gordon Mills) and ten years later in 1892, the Hong-Kong Mill at Chinchpokli was added to the list of cotton mills under the management of M/s Tackersy Moolji and Co. (This was sold again in 1919-20). In 1900 the Crown Spinning and Manufacturing was acquired by the Group.

TECHNICAL AND ECONOMIC ORGANISATION.

The group has a limited number of common departments and competent technicians have been exchanged within the group as and when necessary.

TRADE:

The firm was interested in the piece-goods trade and Seth Thackersy took a leading part in the starting of the well-known Cloth market, the Moolji Jetha Market in Sheikh Nemon Street.

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1. Hindustan Spinning and Weaving 1874
Western India Spinning & Manufacturing 1880
(taken over)
Indian Manufacturing Co. (taken over) 1882
Crown Spinning & Manufacturing (taken over) 1900
FINANCE

The group has been famous for its connections with important financial institutions. The failure of the Specie Bank managed by Sir Vithaldas was perhaps the most serious set-back in the history of this group.

COMPOSITION OF BOARDS

The group has had a long line of competent entrepreneurs Damodar Thackersy (like Morarji Goculdas) established several cotton mills and his son Sir Vithaldas Damodar Thackersy won even greater fame as an industrialist, financier and public figure.

1. The Indian Specie Bank was floated in 1905 with Sir Vithaldas Thackersy as Chairman. The Swadeshi movement helped it but it failed in 1915 mainly owing to unsound policies. Sir Vithaldas was a banking expert and was closely connected with the establishment of the Bank of Baroda (as director) (1906), the Indian Bank (1907), Madras (soon after the failure of Arbuthnots Bank), Bank of Mysore, The Bombay Central (now State) Cooperative Bank, etc.

2. The Bhatia community since its entry into modern business has produced families of outstanding ability, e.g. Morarji Goculdas, one of the pioneers in founding cotton mills in the city and up-country in Sholapur, his son Narottam Morarji so prominently associated with Walchand (who again is connected with Sholapur) in providing the country with a mercantile marine, are an example of a succession of competent entrepreneurs in the family, similar to the Thackeeyas.
THE DEVELOPMENT OF WALCHAND AND ASSOCIATED GROUPS OF COMPANIES.

ORIGINS.

The family of Mr. Walchand belongs to the Jigambar section of the Jain community hailing from north Gujrat, in and about the Indian state of Idar from where about a thousand families seem to have migrated towards Deccan, about eighty to hundred years ago.

1. Information taken from Walchand Hirachand's Biography i.e. Diamond Jubilee commemoration volume, by Walchand commemoration committee: Published by E.D. Sardesai Bombay 1942. esp. P.3

2. Many of the families migrated to the states of Phaltan and Akalkot; some established themselves in the Rizan's Dominions at Atland, Osmanabad, etc. and some settled down in the districts of Baramati, Poona, Sholapur and Pandharpur. That is how the grandfather of Mr. Walchand Sheth Nemchand Joshi found himself in the British district of Sholapur where he settled down with his family to a quiet and undisturbed life of a peaceful businessman, along with several other families of the same community. In a gathering of businessmen in the area when a workable definition of a Maharashtrian was discussed it was found that the majority kept their accounts in Balbodh character akin to Sanskrit or Nagari character whereas Mr. Walchand was found to be the only member present who not only kept the accounts in Kodi but used it for his private correspondence. Mr. Walchand's early training included both an academic side and practical work and other adatayas who were themselves substantial firms of commission agents who used to purchase considerable stocks of yarn as well as of cloth at wholesale prices from Sholapur to retail them in their own centres. These agents represented the traditionally frugal business class which unfortunately has been replaced by a more speculative and extravagant type. (See the Diamond Jubilee Commemoration Volume P. 3 )
COMPOSITION OF THE INTEREST GROUP.

The following are the managing agencies in the group. Walchand and Company (founded in 1922). The Premier Construction (founded in 1920) and Aeroauto Limited (founded in 1944). Apart from these we have a number of associated groups. For example in Aeroauto we have three interests: Kilachand Devchand, a family concern founded in approximately in 1912; Mulraj Khatau (textiles); and Walchand Hirachand. Kilachand Jevchand and Co. Walchand Hirachand and Co. and a third family concern -Narottam Morarji and co; had already cooperated in the organisation of Scindia Steam in 1919.

SPREAD THROUGH PROMOTION AND TAKING OVER.

It was round about 1920 that Mr. Walchand branched out into a really large business.

The Scindia Steam was floated in 1919 and its subsequent history represents steady growth which brought about a triumph of Indian enterprise against established British opposition.

Next we must note the Tatas invitation to Mr. Walchand to be the managing director of the Premier Construction Co. Ltd. which was floated in 1920.

1. The Scindia Steam brought about a revolution in the organisation of sea transport in the sense that it secured entry and became one of the largest Indian Joint Stock co's. in spite of the rate war launched by opposing British interests. The company secured considerable support from Indian Politicians and its development may be regarded as an important triumph of the Swadeshi Movement. The fact that Kilachand Devchand extended his grain trade (See p.207) in order to enable the Scindia Co. to secure freight is a striking example of co-operation.
In its very first year, Mr. Walchand secured for the company a controlling interest in Marsland Price and Co., limited, a firm of constructional engineers and contractors. In the same year he secured patent rights for the manufacture of concrete pipes by the Hume Process and floated a subsidiary company called Bombay Hume Pipe Co. Ltd. The company also secured the managing agency of the Hume pipe and Concrete Construction (India) Ltd. Both the Hume pipe and Concrete Construction (India) Ltd. proved to be failures.

In 1930, the Tatas withdrew from Premier Construction and it came under the complete control of Mr. Walchand. A year after the reconstruction of the company, three new subsidiaries were added to the parent company, three were the Hindustan construction Co. Ltd. The Indian Hume Pipe Company Limited and the All India Construction Company Ltd. Since 1930 the Company has become a holding company and now controls 7 companies enumerated in the foot note to this section.

Mr. Walchand changed Marsland Price & Company from an engineering works to a sugar company and set up the Kavalgaon sugar farm where attempts at vertical integration and at the elimination of the seasonal operation (through developing suitable activities) are made.
Hindustan Aircrafts, Limited was also originally floated by Mr. Walchand, though later taken over by the Government.

TECHNICAL AND ECONOMIC ORGANISATION

The construction companies in the group were among the first to employ highly qualified engineers on their staff. Common departments and exchange of personnel have been organised though the nature of activities has been such that this has been necessary only to a small extent.

TRADE

The trading activities in these groups in different fields present some points of special interest.

For example the entry of an associated firm (Kilachand Devchand) into the grain trade in order to provide freight for the Scindia Steam Vessels is a remarkable example of different managing agencies co-operating.

Another remarkable complex of trading activities developed by the Walchand Group is in relation to products required for construction. Here the group has in the first place a considerable internal market and a strong control over the hume pipe trade because of its owning patents in construction activity, this field. Since however, supplies a finished product
that does not have to be sold, it follows that the contribution of the managing agents lies in their securing of contracts, etc.

FINANCE

The following sums up the position as regards the percentage of managing agents share-holding.

In 1950 Walchand and Co. did not hold any shares in the Hindustan Construction, Indian Hume Pipe, All India Construction, or Building Construction. They, however, held 1129 ordinary shares in the Premier Construction, Ltd. which in turn held above 50% of the shares in Walchandnagar Industries, Ltd. Hindustan Construction, Indian Hume Pipe, Acme Manufacturing, All India Construction and Building Construction are direct subsidiaries of Premier Construction and not merely managed by Premier Construction as is the case with Walchandnagar Industries. Walchand and Company hold a large percentage of shares in Navelgaon Sugar Farm (6499 ordinary and 9270 deferred) and a significant amount in Cooper Engineering, Ltd. (1092 ordinary).

1. Information provided in answer to my questionnaire 1952.
Working capital is largely taken from banks. Only one company in the group namely Walchandnagar Industries mentions in its answer to our questionnaire that it is provided with working capital by the managing agents viz. Premier Construction.

COMPOSITION OF BOARDS

The composition of boards indicates the strong position of the Walchand family. Outsiders have been taken in but the main managing agency firm is purely controlled by family members and even the other boards are largely manned by them.
KAMANI BROTHERS

ORIGINS

Members of the Kamani family had been connected with the non ferrous trade and in 1939 they set up their first production unit at Jaipur.

COMPOSITION OF THE INTEREST GROUP

There are two managing agencies in the group, both controlled by the Kamani family. Poonamchand and Brothers floated the Jaipur Metal Works in 1939, while Kamani Brothers, the other managing agency, was formed in 1944.

SPREAD THROUGH PROMOTION AND TAKING OVER

The factories of Messrs. W. Leslie & Co. of Calcutta were purchased in 1941 and the manufacture of non-ferrous metals commenced in 1945.

1 The company's public relations department circulates a Kamani news review from which we have taken these details.

2 Jaipur Metal Industries, 1939
Kamani Metals and Alloys 1944
Kamani Engineering Corporation 1945.
ferrous alloys and semi-manufactures therein was expanded. New factories were set up at Lahore, Bombay, Aligarh, Benares, Surat, etc. with depots at Madras, Karachi, Calcutta, etc. The Bombay plant set up in 1944 includes a rolling mill and factories for aluminium, brass and copper utensils as well as for enamel-ware. Later a sheet rolling mill was also set up.

TECHNICAL AND ECONOMIC ORGANISATION

The concern has a number of common departments: Administrative, Power Plant and Import-export, Finance and Sales, Insurance, Freight and estates, public relations, Agricultural machinery. (This last, of course, is not common, but is an activity of the managing agency firm). Each department is in charge of a different director. The sales department is highly organised and has depots at different centres testifying to the highly developed distribution activities of the firm.

The non-ferrous metals line is but recently developed in India, and Kamanis have pioneering achievements in this field to their credit. The non-ferrous alloys which Kamanis are now making can be classified as copper base alloys, lead base alloys and tin base alloys. They are pioneers in India in making alloys such as arsenical copper, brazing solder, silver solder, manganese bronze and rollable phospher bronze. Foreign consultants are
are always available due to the firm's wide international contacts and contracts. They also have arrangements for closer co-operation for specific jobs with various large foreign groups in different ports of the world. Among the foreign contacts we have West Japan Heavy Industries (formerly Mitsubishi), Siemens of Germany, Eimag (now entering into a steel contract with the Govt. of India), Kisserlang, the American Transport Company and Harry Ferguson etc.

TRADE

The sales activities of the group are unusually important for an Indian firm. Indian firms do not generally have distributing agencies of a large number of prominent foreign firms. The production activities of the firm have in some cases grown out of its sales activities, e.g. foreign firms have thought it worthwhile to manufacture with Kamanis on the spot in India and to distribute through Kamanis. The group includes three private companies, (1) Kamani Metal Refinery and Metal Industries, (2) India Metal Sales and (3) Metals Trading Corporation - the last two among these are sales companies.

FINANCE

No information is available regarding the proportion
proportion of Managing Agents holdings but in Jaipur metal (which has 20,000 deferred shares of Rs. 10 each, 10,000 ordinary shares of Rs. 100 each and 8,000 preference shares of 100 each) the managing agents hold 1 half of the deferred shares (holdings of other classes of shares unknown).

The memorandum on managing agents quoting from the balance sheets of Jaipur metal, Kamani metals and Kamani Engineering showed that these public companies had to receive substantial sums from the managing agency company and from the private companies in which the agents were interested (Rs. 12,00,000; 6,60,310; and 7,27,675 were due to the three public companies mentioned). The memorandum holds that the group is a case of the managing agents benefiting from taking finances from the managed companies. The short history of the group and wartime demand are factors that make the managing agents indirect benefits seem excessive or obtained without any equivalent preliminary sacrifices.

1 Shareholders Association: Memorandum on Managing Agents, pp. 54-55.

2
The concerns are controlled by the Kamani family. A striking characteristic of the top management is the inclusion of a technical director - Shri R. K. Mehta. He has been responsible for the setting up of different factories and was taken up for his technical talents. Most of the directors are associated with the day-to-day management as each directly controls a common department. The diplomatic, governmental, and foreign business contacts of the various directors (a few of whom are men experienced in these fields) have been of great use to the firm and account for the successful organisation of international co-operation in sales, production consultations, etc.
THE MAFATLAL GAGALBHAI GROUP.

ORIGINS

The first mill that the group floated was the Shorrock Spinning and Manufacturing Co. Ahmedabad (1905)

Sheth Mafatlal agreed to render services as financer and agent representing M/s. Mafatlal Chundulal and Company.

Mr. Chundulal agreed to serve as weaving master for the whole of his life and a Mr. Collinson agreed to act as consulting manager for at least three years from the date of working of the mill. Thus, right from the start both financial and technical services were provided by the managing agents.

SPREAD THROUGH PROMOTION AND TAKING OVER.

The main development was in the field of cotton textiles. A large number of the mills in different centres of the west coast, as can be seen in the table given below,


2. The Shorrock Spg. & Mfg. Co. Ltd. 1905
   The Surat Cot on Spg. & Mfg. Co. Ltd. Surat. 1915
   The New China Mills Ltd. Bombay 1921 (acquired)
   The Standard Mills Co. Ltd. Bombay 1927 (acquired)
   The Gagalbhai Jute Mills Ltd. Calcutta 1930 (acquired)
   The Mafatlal Fine Spg. & Mfg. Co. Ltd. Navaari 1934
   The Indian Bleaching Dyeing & Printing Works Ltd. Bombay 1933 (acquired).
   Ratnagar Steam Navigation 1935.
   The Sassoon Spg. & Mfg. Co. Ltd. Bombay (acquired) 1948
   The New Union Mills Ltd., Bombay (acquired) 1948.
were acquired. The Group, however, has also branched out into Jute (1930) shipping to serve the west coast (1935) and holds miscellaneous investments in sugar, (e.g. Phaltan sugar.) etc.

**Technical and Economic Organisation.**

The following quotations from the Directory of the Ahmedabad Mill Industry shows that the company has a high reputation in these matters. "The obligation on the agent to finance the company (Shorrock) and not to indirectly permit the directors to trade with the company or to get extra remuneration for the agents in matters of buying and selling of material, yarn and cotton etc. have endeared the agents Seth Mafatlal Gagalbhai to etc. etc." These matters were made into fixed rules by introducing them into the articles of association. The provision of technical services, which we have seen had a early start, was further expanded as the concern grew; though the widespread locational dispersion of units places some limitations in this regard.

**Trade.**

The Gagalbhai Group claims that it has not exploited its managed mills in these matters and that independent selling agents are in general appointed.
The obligations which the company undertook in relation to managed companies in this matter have already been mentioned. As regards the latest position the company answered in a letter to the Employers association Calcutta that they have a predominant interest as far as shareholding goes in all the concerns cited above. (Information supplied by courtesy of Mr. Seshan of the Employers Association, Calcutta and based on letter from Mafatlal Gagalbhai and Sons dated 23.7.1951, Bombay).

COMPOSITION OF BOARDS.

The Gagalbhais are represented on most of the Boards. Different local interests are associated with particular units.
THE AMBALAL SARABHAI GROUP.

ORIGINS.

Karamchand Premchand, like so many shroffs in Ahmedabad, registered his Pedhi as a private limited company and entered the cotton textile field.

SPREAD THROUGH PROMOTION AND TAKING OVER:

The first entry in cotton textiles was through taking over Calico Mills in 1880. Jubilee Mills Ltd., were floated in 1897. In the 20th century the firm has expanded into chemicals, sugar, through the establishment of industrial corporation in 1921 and has established a trading estate, the Kampala Trading Estate Ltd. in East Africa. Advertising Companies, a prospecting syndicate, and a few sales companies have also been floated. A construction company was recently started in Bombay.

TECHNICAL AND ECONOMIC ORGANIZATION:

As independent companies had been formed for a number of activities frequently undertaken by managing agents it is natural that the managing agency firm itself merely controls these concerns and has only a small organisation of its own. Services are rendered by particular

1. Natvarlal V. Desai, "Directory of Ahmedabad Mill Industry 1929-33" Deed and History Section pp 56-60
firms in the group to other firms. It is worth noting that this was the first managing group in Ahmedabad "that encouraged young energetic educated people (with University qualifications) into the textile field by taking them up as paid apprentices and training them up to occupy responsible posts such as managers, secretaries, weaving masters, spinning masters, salesmen and the like".

It is also noteworthy that Seth Ambalal voluntarily surrendered some of the managing agent's powers as per article 96 of the Calico Co. and the managing agency has thenceforth acted under the supervision of the Board of Directors.

TRADES

The managing agents undertake purchase and sales for the managed companies. They have developed vertical integration and floated independent companies for the purpose.

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FINANCE:

Sarabhais hold almost all the shares in the managing agency. Following the Ahmedabad tradition they are also responsible for a considerable portion of the fixed and working capital of the managed companies.

COMPOSITION OF BOARDS:

The Sarabhai family entirely controls the managing agency and is represented on the managed companies. Two directors have been taken up from the higher executive staff and are present on several boards. The Sarabhai family has been associated with political activity and has been active in the Ahmedabad Millowners Association. Ambalal Sarabhai is said to have taken the initiative in the establishment of the AIIR.

ORIGINS

The most striking fact about this group is that after originating as recently as the 1930's it has grown to its present enormous size.

SPREAD THROUGH PROMOTION AND TAKING OVER.

As mentioned above, development has been concentrated in a short span of time. The main lines developed are coal, sugar and paper with engineering, chemicals and cotton coming next. Another feature of growth is the simultaneous entry and growth in several industries. Units in the group are located in the Punjab, U.P. Bihar and Bengal.

1. New Savan Sugar and Gull.
   Shree Sitaram Sugar 1932
   Gorila Sugar 1936
   Shree Gopal Paper 1936
   Bharat Starch & Chemicals 1937
   Indian City Properties 1939
   Indian Medical Supply Laboratories 1941
   Mohini Sugar 1942
   Hindustan General Electric Corp. 1945
   Bellarpur Paper & Straw Board 1945
   Ganges Fireboard Manufacturers 1946
   Jagajit Cotton 1947
   United Collieries 1947
TECHNICAL AND ECONOMIC ORGANISATION

The managing agency Karamchand Thappar and Brothers on its own account maintains very well developed departments (one for each industry) and has modern departments such as public relations, planning, etc.

TRADE

The firm has its own sales companies at least in one field, namely coal. Its activities in sugar have naturally been influenced by the existence of the syndicate.

FINANCE.

Very little information is available regarding the percentage of the shares held by the managing agents. But it is known in general that this is fairly high. The fact that the group has grown very recently tends to support this to a certain extent. The prospectus of Jagagit states that the managing agents, directors and their friends promised to take up 35 lakhs out of the required 60 lakhs.

p. 91, Shareholders Association: Memorandum on Managing Agents.
nature of advances to the managing agents and not strictly for the legitimate purposes of the companies. Thus the retention of the company's funds by the managing agents is wholly incompatible with clause 9(b) of the managing agency agreement which envisages financial assistance to the Company by the managing agent and not that the company is to finance the managing agent.

Representatives of the managing agency firm are on the board of directors of the following financial institutions.

**Bank:** Bombay Oriental Bank of Commerce.

**Insurance:** Indian Trade & General, Karatir insurance.

**Investment Trusts:** Karamchand Thappar and sons (Investment Trust).

**COMPOSITION OF BOARDS**

Marwari elements, though not included in the inner finally group that composes the managing agency, are very prominent on lower Boards. The Poddars, for example, are very heavily represented - H.P. Poddar on 13 boards, A. I. Poddar on 5 boards, S. L. Poddar on 4 boards, and T. P. Poddar on 1 board. Khemka, another famous Marwari businessman, figures on 4 boards. Other North Indian businessman like H.C. Jaisaka, Chir. Ram and Carivatava are well represented. Lalaji I. represented on all the boards. B.K. Thappar is represented on many and B. K. Thappar on all coal boards.
The present partners of Murugappa and Sons are A.M.K. Murugappa Chettiar, A.M.M. Arunchalam, and M. V. Aruna — chalam and are the descendants of one of the most prominent Chettiar families with large trading and agricultural interests. They started Swastik and Company a firm of stock and share brokers in 1938.

COMPOSITION OF THE INTEREST GROUP.

The managing agencies in the group include T. & M. Industries (in which Murugappa's hold 51% of the shares while Tube Investment limited and Hercules Cycle and Motor-well known international interests hold the rest); Murugappa Sons(Travancore) Limited and Murugappa Sons, Limited; all three are purely family concerns.

SPREAD THROUGH PROMOTION AND TAKING OVER.

In 1939, Murugappa and Sons floated the Ajax Products

1 From the Company's answer to our questionnaire.

2

Swastik and Co. (stock & Share Brokers) 1938.
Ajax Products 1939
Murugappa Agencies 1941
New embadi Estates 1942
Coromandel Engineering 1947
I.I. Cycles of India 1949
237

Products, Limited (manufacturers of quality coated abrasives and steel security equipments). Murugappa agencies Limited is a private concern which acts in the import and export line and as manufacturer's representatives. This concern was started in 1941. The new Ambadal Estates, Limited and a new managing agency Murugappa Sons (Travancore) Limited were founded in 1942 and took over Rubber, Cocoanuts, and Coffee estates. The rubber estate was taken in 1942 and coffee estates in 1951. In 1947 Murugappa and Sons started the Coromandel Engineering to work as Engineers and Building Contractors. In 1949, Murugappas, in partnership with the famous international cycle combine Tube Investments, started T.I. Cycles of India, Limited and formed T. & M. Industries to play the role of managing agents.

TECHNICAL AND ECONOMIC ORGANISATION

The Managing agency as such does not maintain any technical staff or conduct any research activity. The individual companies are managed by particular members of the managing agency firm. Co-ordination of activities has not been possible except on a limited scale in actual day to day working due to various factors peculiar to the organisation. But in as much as policy decisions are ultimately made by the Managing Agents the activities.
activities, especially financial, may be said to be co-
ordinated to a certain extent. The group's most important
unit (T. I.) has been brought into existence as a result
of an agreement with Tube Investments and organisational
help is obtained from them in the shape of experts, etc.

TRADE

The partnership of the group with a foreign combine
enables them to use their trade mark and to avoid competi-
tion with certain makes. We have also noted that one
purely trading firm (export-import) is included in the
group. In answer to our questionnaire, however, it was
stated that the respective individual companies attend both
to the purchase and sale of products.

FINANCE.

The amount of fixed capital held by the Managing Agents
is very high, as is indicated by the following table:

1. as indicated in their answer to our questionnaire.
2. as indicated in their answer to our questionnaire.
Ajax Products, Limited                   80%
T. I. Cycles of India, Ltd.               Murugappa alone holds 51%
The Murugappa Agencies Ltd.               Cent Percent.
Swastik & Company                        Cent percent.
New Ambadi Estates Ltd.                  85%
Murugappa Sons (Travancore) Limited.     Cent percent.

We have already noted that the group controls a firm of stock-brokers also. The Managing Agents have also supplied some amounts of working capital from time to time.

COMPOSITION OF BOARDS

T. & I. Industries has 3 Indian and 3 foreign directors while T. & M. Industries has 2 foreign and 2 Indian directors. In the other companies the Murugappa family are prominent.

2. As indicated in their answer to our questionnaire, 1952.
THE TATA GROUP

ORIGIN

The Tatas were originally a family of Parsei priests. In 1852, N. R. Tata started business in Bombay. His son J. N. Tata completed his education and joined the firm in 1858. Thereafter the firm engaged in export trade with China and formed branches in Japan, China, Paris and New York and agencies in London and elsewhere. There appears to have been a setback in the fortunes of the firm during the Bombay Financial crisis and the firm was rehabilitated only with the help of contracts for army supplies in the Abyssynian War. As the first significant entry of the Tata Group was in cotton textiles in Central India, it is unlikely that the former export business was in any way a direct basis for this development, though it may have helped the group later.

COMPOSITION OF THE INTEREST GROUP.

The following are the managing agencies in the group:-

Tata Sons, Limited 1907
Tata Hydro-electric Agency 1910
Cement Agencies 1936
Investment Corporation of India 1937
Investa Industrial Corporation Ltd. 1941
Tata Industries, Limited 1945
Among these the original firm of Tata Sons is a family firm which controls the rest. Cement agencies and Tata Hydro-electric agency have important outside interests as partners. The Investment Corporation of India and Investa Industrial Corporation were promoted and are controlled by Tata Sons.

Spread through Promotion and Takeover.

The first Tata entry (by organising modern joint stock limited production companies) was in cotton textiles. The Central India Spinning, Weaving and Manufacturing Co. was established in Nagpur in 1874. The Swadeshi was established in Bombay in 1866 and the Ahmedabad Advance in Ahmedabad in 1903.

The Iron and Steel Company was established in 1907 and the Tata Hydro-electric in 1910. (All subsequent promotions of electric Companies were by Tata Hydro-electric agencies). Tata Cotton Mills, Bombay, was established in 1913.

1 Commercial Printing Press 1862
   Central India Spinning Manufacturing & Ginning 1874
   Swadeshi Mills 1886
   Ahmedabad Advance 1903
   Indian Hotels 1904
   Tata Iron & Steel 1907
   Tata Mills 1913
   Tata Hydro-Electric 1915
   Tata Oil Mills 1917
   Associated Building Co 1921
   Andhra Valley Power Supply 1922
   Tata Power Co 1929
   United Power Co 1937
   Investment Corporation of India 1937
   Tata Locomotive and Engineering 1939
   Tata Chemicals 1939
The Andhra Valley Power Supply Company was established in 1916, and the Tata Oil Mills, Limited in 1917.

In the immediate post-war period, Tatas promoted New India Insurance, 1919; the Tata Power Company, 1919 and the Tata Industrial Bank, 1921.

Another spurt in growth occurred in the late thirties. The Associated Cement and the Indian Standard Metal were established in 1936, the United Power Limited in 1937 and Tata Chemicals in 1939.

Two new companies were set up at the beginning of World War II. The National Ecko was floated as a private limited company (1940) to manufacture wireless equipment etc.

The Investa Industrial Corporation was promoted in 1941 with the Investment Corporation of India (promoted 1937) and Investment Trust and Managing Agency as managing agents. The main object of the company is to promote small scale and minor industries retaining in some cases a controlling interest in the companies thus promoted. So far the Corporation has promoted Investa Machine Tools and Engineering, Palanpur Vegetable Products, and Vazeer Enamel Works.

(footnote from last page contd.).

<table>
<thead>
<tr>
<th>Company</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Ecko</td>
<td>1940</td>
</tr>
<tr>
<td>Investa Industries</td>
<td>1941</td>
</tr>
<tr>
<td>Tata Aircraft</td>
<td>1942</td>
</tr>
<tr>
<td>Tata Industries Ltd.</td>
<td>1945</td>
</tr>
<tr>
<td>Air India</td>
<td>1946</td>
</tr>
</tbody>
</table>

1. Page 15, Pamphlet entitled Tata Enterprises published by Tatas.
The war period also marks the entry of the Tatas on a larger scale into the airlines field, through the promotion of Tata Aircraft in 1942, Air India in 1946 and Air India International in 1948.

TECHNICAL AND ECONOMIC ORGANISATION

Tata Sons themselves have only a few common departments. The publicity department and the economic and statistics department being the only one common for the whole group. There are also common departments for managed companies in particular managing agencies in the group, e.g. electricity, airways and the managed companies of Investa Industrial Corporation. These in each case are departments of the subsidiary managing agencies. In certain cases departments of particular managed companies also handle business for other companies in the group.

There are certain other organisational characteristics which must be noted. The firm depends to a considerable extent on foreign consultants for technical advice and on firms like Itecon for advice regarding the organisation of administration, etc. The larger companies like the Iron and Steel Company and the Engineering Companies have their own research organisations and the chief achievements of these have been the development
development during world war II, of a number of products not manufactured before in India.

Turning to peculiarities of economic organisation we can note that they were the first to introduce the system of managing agencies being remunerated on profits. They undertook to experiment with industrial banking on a larger scale than any other company. Their attempts in the direction of small scale production have also been noted above. Among these attempts the Industrial Bank failed and the use of the managing agency form in small scale production is yet on an insignificant scale. Their method of recruiting directors can be regarded as an experiment in transforming a family concern into a well organised corporation.

TRADE

The managing agency firm as such is not much concerned with trading. The position in each field is described below:

Chemicals: The managing agents, though not providing a department for the purpose, see to it that the

1 We are interested in managing agents trading activities as distinct from the managed companies.
the larger unit i.e. Tata Oil Mills handles most of the sales for Tata Chemicals. Tata Oil Mills have their own (not Tata Sons) Sales Depots in all the important centres of the country. These depots have in turn appointed distributors who canvass business from the consumer and book their orders with the depots.

Electricity :- Sales are undertaken by the subsidiary managing agency company - The Tata Hydro-Electric Agencies - without any additional remuneration for the work.

Palanpur Vegetables :- The managing agency Investa Industrial handles purchases and sales.

Textiles :- "The products are marketed wholesale in India mostly through sole selling agents. The same firm (of sole selling agents) handles export sales also, except to Australia, and New Zealand where we have appointed our own direct sole selling agents."

Iron and Steel :- The sales are handled by the company direct to large consumers and through dealers to others.

Radios :- The National Ecko has appointed sole selling agents.

Locomotives :- Loco and Engineering manufacture for government orders only.
In general, we may say that the managing agents render services by way of general supervision, by their refusing to charge for sales services where rendered, by their making different companies co-operate and place their organisations at each others disposal etc. But they do not themselves have a sales organisation distinct from the managed companies.

**FINANCE**

The position as regards fixed capital is as follows. The position in 1927 was as follows:

<table>
<thead>
<tr>
<th>Mill</th>
<th>Total No. of paid up shares</th>
<th>Holdings of Managing Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad Advance</td>
<td>10,000 of Rs. 100</td>
<td>Sir D.J. Tata-1038</td>
</tr>
<tr>
<td>Central India Spg.</td>
<td>46,875 of Rs. 100</td>
<td>Sir D.J. Tata and</td>
</tr>
<tr>
<td>Weaving &amp; Mfg.</td>
<td>and 10,000 of Rs. 500</td>
<td>R.D. Tata 3,750.</td>
</tr>
<tr>
<td>Swadeshi Mills Co.</td>
<td>20,000 of Rs. 100</td>
<td>Agents 2,039.</td>
</tr>
<tr>
<td>Tata Mills</td>
<td>6,000 of Rs. 500 Ord. Agents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,000 of Rs. 500 pref.</td>
<td>1,007.</td>
</tr>
</tbody>
</table>

In their answers to our questionnaire in 1952, they noted that their share-holding in cotton mills was now negligible. In the Tata Oil Mills, the managing agents

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agents have a very high holding. 96,384 ordinary and 5,740 preference. This large holding is mainly due to the issue of 88,000 preference shares of the face value of Rs. 25 each to them in part payment of a loan that was later converted into an equal number of ordinary shares. As regards the other mills they provided the following information.

The Tata Iron and Steel owns 16% of the shares of Tata Locomotive and Engineering with 40% held by the Government of India and 20% by the Industrial Trust Fund, Hyderabad.

In Air India, they hold 37% of the issued share capital. The Investment Corporation of India holds 18.7% in National Ecko and Engineering, 20% in Investa Industrial Corporation and 45.9% in Indian Standard Metal Company.

The Investa Industrial Corporation in turn owns Rs. 450,000 worth of shares in Investa Machine Tools and Engineering and 2 lakhs worth of shares in Palanpur Vegetable Products.

As regards the Apex firm of Tata Sons 65% of the capital is held by charitable trusts. In Tata Hydraulic Electricity, Tatas and an American firm (Abasco Services and its Associate the American Foreign Power Company)
held 50% each and since 1951 Tatas have the controlling interest. In Cement Agencies again Tatas have a partnership. It may again be noted that Tata Hydro-Electric Company do not hold any shares in the principal companies they manage.

The Tatas have also contributed substantially to working capital, as is indicated by the fact that capital which was later permanently invested was in a few prominent cases originally advanced as working capital.

The representatives of the Tatas are on the Board of Directors of :-

Banks
1. The Central Bank of India, Ltd.
2. The Imperial Bank of India, Ltd.
3. The Bank of India, Ltd.
4. The Bank of Baroda, Ltd.

Investment Trusts.
1. The Investment Corporation of India.
2. The Investa Industrial Corpn. Ltd.

Insurance.
1. The New India Assurance Co. Ltd.

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1 With which goes the right to appoint the majority of directors, the right formerly enjoyed by the American Associates.
COMPOSITION OF BOARDS

The Tatas have introduced a system of taking in outstanding men as paid directors. This has resulted in modifying the family character of the concern to a very substantial extent. The affairs of each concern are directed by Board of Directors where the representatives of Tatas are in a minority and paid directors in a majority. The fact of Cement Agencies, Hydro-Electric Agencies, etc. being partnership agencies has influenced the composition of Board in these particular fields.
ORIGINS

The merger was originally brought about in 1936 due to the enterprise of Shri F. E. Dinshaw, a solicitor who figured on no less than thirty textile boards and who was favoured by the circumstances and homogeneity of practices prevalent in the cement industry. The merger was also promoted by the fact that Killicks, the most important British interests had a tradition of co-operation with prominent Indians, while Tatas could also be relied on to realise the advantages of the joint working of several agencies, a policy of alliances they have followed in many fields.

COMPOSITION OF THE INTEREST GROUP

The Group has been formed through the cooperation of three prominent managing agency houses namely Killicks, Tatas, Khatau and Dinshaw. In 1950, Killicks (now Gujarati) held 61 shares, Tatas 40, Khataus 26 and Dinshaw (descendents of original Dinshaw) 56, the Gwalior State Trust 9, Sir Purshotumdas Thakurdas 4 and Sir Chunilal Mehta 4 shares in Cement Agencies, Limited respectively. The three last were nominees appointed by the first four.
SPREAD THROUGH PROMOTION AND TAKING OVER.

The number of companies has not increased but there has been an expansion in the number and capacity of units owned.

TECHNICAL AND ECONOMIC ORGANISATION.

The merger has enabled the company to maintain an excellent technical force. They have a special organisation for sales.

TRADE

The company has been able to rationalize distribution and to follow a policy of low prices. There has been alternating co-operation and competition with the Dalmia Group.

FINANCE

The extent of the managing agency firms holding A.G.C. shares is unknown, as also the amount of working capital supplied. As we have seen in other sketches, however, the managing agency houses connected with this firm have important links with financial institutions.
COMPOSITION OF BOARDS

On the cement agency board we have J. M. Khatav and Haridas Gopaladas representing Khatav, Milne H.F. and Leslie Sawhney (Wilfred Russel's brother-in-law so often mentioned in his 'Indian Summer' which we have quoted in our sketches on Killick Nixon) now replaced by Sir Purshottamas Thakuradas, representing Killicks, Woolgaonkar S. and S.H. Patel representing Tatas; while S.P. Dinshaw, P.S. Mistry and H.S. Captain represent the Dinshaw interests.
The Sassoon Group

Origins.

This is the only important Jewish group that has played an important part in India's industrial development. The Sassoons trace their descent from the Ilu Shoshans of Spain, and the first member to attain distinction was Mr. David Sassoon, who was engaged in banking at Baghdad until the year 1822, who visited Bombay in 1832; establishing his business there and soon opening Branches at Calcutta, Shanghai, Canton and Hongkong. It is the boast of this firm that they have throughout their history observed the old Jewish law relating to Tithe which requires a man to devote a tenth portion of his income to charitable purposes. The firm was engaged in banking and were general merchants especially interested in cotton opium, etc.

1 Information taken from A. Macmillan "Seaports of India" Pages 201, 202, and 221 and Kutsar "Bombay Industries the Cotton Mills" Pages 721, 724 respectively.

2 The Jews also settled in the southern tip of India and have a small settlement of traders there to this day. A few of them are also found scattered in miscellaneous positions in the various urban centres. But the Sassoon Group was in no way connected with the early southen migrants and is the only house that we need consider.

3 The Indian Economist, Calcutta, February, 28, 1874, page 194 gives figures of the yearly total of opium chests exported from Bombay to China by the Bombay Merchants in 1873. David Sassoon and Co. head the list with 13747 chests and E.D. Sassoon come second with 6783 chests.
The firm's first connection with textile production was due to its interest in Messrs. Merwanji Framji & Co. (founded 1860) the first textile managing agency in Bombay (Mr. Davar's mill 1851 did not have a managing agency). Merwanji Framji's mill had on its board of directors W.S. W.F. Hunter, P. Scovell, Maneckji Petit, Byramji Jijibhoy, E. D. Sassoon, Varjivandas Madhavadas and Ardeshir Cursetji Dadi. It will be seen that Mr. Sassoon who was to soon launch out on the independent enterprises of his own, figured here as a director along with other men who were to found houses of their own.

COMPOSITION OF THE INTEREST GROUP:

The Sasson group included K.D. Sassoon and Co.(1878) which was a proprietary concern till 1920; David Sassoon and Co. which was founded before 1864; and Sasson J. David and Co. which was founded in 1909.

1. This type of development, namely all the partners or directors in an early concern later founding concerns of their own is noticeable in several industries and centres. The higher technicians also sometimes joining in e.g. the British firms in Cawnpore, Early Textile enterprises in the main centres, Films, Agra shoemaking, etc. The promotion of technicians as has occurred in the East and South and south is a different type of phenomenon and occurs later stages also. We may divide entries into these "from within the industry" and those "from positions of vantage outside the industry proper".
SPREAD THROUGH PROMOTION AND TAKING OVER:

The first Sassoon entry into textiles took place in 1874 (Sassoon Mills) and another in 1883 E.D. Sassoon (Mills). Two mills were started in 1888 namely David Mills No. 1 and Union Mills Ltd. In 1893 Jacob Sassoon was started and in 1899 David Mills No. 2. In 1897 the Elphinstone Spinning and Weaving Mills was floated. In 1909 as seen in the table given below two mills were taken over as a result of the suicide of Dwarkadas Dharmsey (who had indulged in speculation.) In 1910 Narayanjee Mill was taken over and named Meyer Sassoon. The Manchester, the Rachel Sassoon and Alexandra had been taken over at various dates as indicated below. The final and most spectacular change took place when the Sassoon group began to sell out its interests after World War II. During the interwar period Sassoons

1. An excellent account of transfers in Bombay textiles up to 1927 (relating not only to this but to other groups, is found in Bombay industry the cotton mills. 1927)

<table>
<thead>
<tr>
<th>Sassoon J. David &amp; Co.</th>
<th>Dawn 1909 (acquired)</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Sassoon &amp; Co.</td>
<td>Sassoon 1874</td>
</tr>
<tr>
<td></td>
<td>Union 1888</td>
</tr>
<tr>
<td></td>
<td>Apollo 1874</td>
</tr>
<tr>
<td></td>
<td>Edward Sassoon 1909 (acquired)</td>
</tr>
<tr>
<td></td>
<td>Elphinstone 1897</td>
</tr>
<tr>
<td></td>
<td>Meyer Sassoon 1910</td>
</tr>
<tr>
<td></td>
<td>S.J. Sassoon United 1920</td>
</tr>
<tr>
<td></td>
<td>Alexandra 1880 (acquired)</td>
</tr>
<tr>
<td></td>
<td>E.D. Sassoon 1883</td>
</tr>
<tr>
<td></td>
<td>Jacob Sassoon 1895</td>
</tr>
<tr>
<td></td>
<td>Rachel Sassoon 1905</td>
</tr>
<tr>
<td></td>
<td>Turkey Red Dye works</td>
</tr>
</tbody>
</table>

(Manchester Mills taken over sometime after 1907)
had also become agents for shipping and insurance companies.

TECHNICAL AND ECONOMIC ORGANIZATION:

The Sassoon group took over various inefficient concerns and made them efficient while on the other hand when they sold out their interests various concerns again deteriorated.

The Sassoon group was one of the earliest to organize a competent group of technicians under the auspices of the managing agency firm to serve all managed mills. Thus in-efficient mills which were taken over were rapidly reorganized. When the transfer to various Indian groups took place, these arrangements and standards were no longer possible on the same scale. This accounts for the difficulties experienced by the new entrants in what may prove to be a transitional period.

The Bombay textile Inquiry committee notes that the Sassoon Group was the first to introduce modernisation measures in the Bombay Textile industry. (1927)

TRADE:

The Sassoon group continued to be closely connected with the textile trade in particular and the China trade

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in general for a considerable period. Their trading activities tended to become more and more linked with their production activities as the firm grew in age.

**FINANCE**

The following was the percentage of the managing agents' holdings in 1927.

<table>
<thead>
<tr>
<th>Mill</th>
<th>Total No. of paid-up shares.</th>
<th>Holdings of the Managing Agents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dawn</td>
<td>3200 of Rs. 250</td>
<td>Agents 924, Sir S. Edward 50.</td>
</tr>
<tr>
<td>David</td>
<td>1800 of Rs. 500 6000 of Rs. 250 ord.</td>
<td>Sir V. Sassoon (1331).</td>
</tr>
<tr>
<td>Edward Sassoon</td>
<td>8500 of Rs. 200</td>
<td>Agents 1452.</td>
</tr>
</tbody>
</table>

The following was the position in the 1940s.

| Meyer | 40000 of 100 each | 24,000 held by R.B. Sassoon sold 1946 to B.K. Sassoon. |

As regards working capital we have details for 1921 E. D. Sassoon United Mills, working capital borrowed from managing agents Rs. 96 lakhs (total Capital 733 lakhs). Meyer Sassoon Mills (2.8 lakhs) out of a total of 40.8 lakhs. Edward Sassoon Mill 1.5 lakhs (out of a total of Rs. 51.21 lakhs).

Sir Victor Sassoon described the arrangement of finance for the managed companies as the most valuable function of the managing agent.

Kapadia give details regarding financial mismanagement after purchase by B. R. including taking up of advances from mills etc.

1. Lokanathan Industrial Organisation in India 1935, p. 234.
This Group has its origins in trade, especially China Trade. The firm before 1868 when its first mill was established in Bombay (Currimbhoy Mills) appears to have traded in the then important lines like opium, yarn, cotton, silk, tea and other merchandise and we have it on record that the firm had branches at Hong Kong, Shanghai, Kobe, Singapore and Calcutta.

Spread Through Promotion and Taking

Soon, however, textile production came to be the main interest of the Group. The yarn trade had led to this entry into textiles and textiles in turn led to the establishment of pressing and ginning factories in Central India, for Sir Currimbhoy was one of the men who thought it necessary to take this precaution in order to secure unadulterated cotton.

The textile interests of the concern continued to expand rapidly. In 1889 Currimbhoy Mills established a second unit. In 1896 they established the Ebrahimbhoy Pabney Mills. In the first few years of the 20th century they acquired the Damodhar Mills and converted it into the Crescent Mills. Fazalbhoy Mills was started in 1905. The Madhavrao Scindia Mill was acquired in 1907. Pearl Mill was established in 1913. The Group took over some Gujarati controlled mills in the 1920s. The Premier Mills was established in 1921. Thus expansion took place both through the promotion of new units and the taking over of going concerns. The collapse of the Group in the early thirties is the only major example of a large group completely crashing. It led to the first entry of Marwari groups in Bombay. Most of the companies that took over these mills were new in this field, with the exception, perhaps, of Gagalbhais.

**TECHNICAL AND ECONOMIC ORGANISATION**

The firm had organised common services and departments for the various concerns.

**TRADE**

The managing agents continued to be interested in the raw cotton trade throughout their history. They participated in the yarn trade to China.
FINANCE

The share-holding of Currimbhoy Ebrahim and Co. in 1927 was as follows:

<table>
<thead>
<tr>
<th>Mill</th>
<th>Total No. of</th>
<th>Holding of the paid up shares</th>
<th>Managing Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bradbury</td>
<td>4000 of Rs.250 Ord.)</td>
<td>Rs. 624</td>
<td>448</td>
</tr>
<tr>
<td>Crescent</td>
<td>6000 of Rs.250 Ord.)</td>
<td>1293</td>
<td>204</td>
</tr>
<tr>
<td>Currimbhoy</td>
<td>15000 of Rs. 100</td>
<td>4202</td>
<td>Currimbhoy and Ebrahim 640. Total - 1120.</td>
</tr>
<tr>
<td>Ebrahim Kabaney</td>
<td>8000 of Rs. 250</td>
<td>Agents 484</td>
<td>Currimbhoy and Ebrahim 640. Total - 1120.</td>
</tr>
<tr>
<td>Fazalbhoy</td>
<td>7200 of Rs.250</td>
<td>810</td>
<td></td>
</tr>
</tbody>
</table>

No information is available regarding the working capital supplied by the managing agents. In 1927 several mills under the agency of Messrs. Currimbhoy Ebrahim and Sons, Limited purchased shares of the Premier Mills under the same agents to the extent of nearly Rs. 14 lakhs. This has been quoted as an example of the unsound financial practices of the group. Members of the Currimbhoy family were frequently represented on the Board of the Bank of India. They assisted in its foundation in 1906.

COMPOSITION OF BOARDS

As for the characteristics of boards, we find that
the Currimbhoy family played an active part on all Boards. The Sassoons were present on some Boards as also a number of prominent Parsi and Gujarati businessmen from Bombay.

It is worth noting that Sir Currimbhoy Ebrahim played a prominent part in the commercial congress of 1916. He was actively connected with the consolidation of Indian Chambers of Commerce and it is noteworthy that in spite of the existence of this large Bhora Group separate Muslim Chambers of Commerce were not established till the 1930s. when this firm had already collapsed, or was about to collapse.
GENERAL CONCEPTUS OF THE EVOLUTION OF COMMON DEPARTMENTS IN AGENCY FIRMS

Having presented factual material relating to important groups we now proceed to analyse the relationships between managed and managing companies and each function performed by managing agents in detail. We begin by giving a general conspectus of the evolution of common departments in agency firms. For this purpose it is necessary to piece together both direct and indirect evidence as the information we have for certain periods is scrappy. In the history of the Bengal Chamber of Commerce we read "by the middle 1860s the Bengal Chamber of Commerce had, in a very real sense, come to epitomise in its own structure the character and functions of the great managing agency houses which form the backbone of its membership." Local enquiries tended to confirm the supposition that the system had been imitated from the organisation of some of the agency houses. The agency houses may, therefore, be said to have organised common departments for managed companies by this period. We also know that the agency houses had even before the coming in of the joint stock form, managed several enterprises. This must have made the transition to the new situation (characterised by several managed joint stock companies and common agency departments) smooth.

With the coming in of the

the joint stock form, i.e. by the 1860s. the managing agency as a system of multiple company management came to consist of a single account and shares department and a handful of adventurous youngmen to administer the individual concerns. The elaboration of departments was a gradual process. The fact that the agency houses represented a large number of foreign companies made it easy for them to develop their sales departments. Their banking departments except in one case cannot be shown to be long established from the data available with us. Some agency houses probably organised these departments in the period under review. Further, the fact that there were a large number of units organised in each of the three main lines viz. jute, coal and plantations, led to the evolution of common departments for each of the lines.

The Indian agencies developing in western India, on the other hand, tended to be quite simply organised. They had no long traditions like the British firms; their banking traditions led to an informal financial integration rather than to organised departments like those in Calcutta; while their traditional trading activities also did not call for new organisation (e.g. there were no traditional foreign contacts or agencies of foreigners which might require more elaborate methods).

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1 See sketches of Balmer Lawrie, Andrew Yule, and references to Jardine Skinner and Co. on pages 145-146, 149-150 and 22-23.
By 1914, British firms in Eastern India had already acquired most of their present characteristics. (Many of the houses having grown almost to their present size) while Indian agencies, with a few notable exceptions, were, still, comparatively less evolved.

Between 1914-1952, we had the setting up of altogether new types of departments; such as planning, publicity, public relations, etc. and also the growth of special departments for the new industries that were being started. The separation between production on the one hand and sales, finance and administration on the other tended to become more clearly marked in at least a few cases (e.g. in Martin Burns in whose case the steel corporation was allowed to concentrate exclusively on production or even Balmer Lawries, where departments of the agency House that were already engaged in production evolved into separate companies managed by the group). We also had the development of specialised companies, such as sales companies or investment trusts, within or without interest groups, to undertake particular functions, and also the further growth of associations and similar organisations to perform particular functions, all of which affected the development of departments within managing agency firms.

In 1952, a considerable number of the large agencies
agencies had come to have departments of the modern type mentioned.

The centrewise differences in the development of these administrative structures persists even today. In Eastern India, where we have much larger agencies, we have separate departments for coal, tea, jute, sugar, engineering, etc. apart from common "office" departments. In the west and south, on the other hand, common departments, are confined in general to accounts, shareholding, etc. except in a few of the largest agencies.

Sizewise differences and industrywise differences overlap to a considerable extent with the centrewise differences. The larger agencies, both British and Marwari, are located in Calcutta and have maximised these administrative economies. The industries managed by these

1 The largest British groups in Calcutta, in general, had elaborate departments of a modern type (groups like Bird Heligers etc. in particular, had special departments for research, labour matters, etc.) In general, again, the large Indian groups tended to have fewer common departments, and fewer departments of a "modern" type (i.e. departments like public relations, planning, research, economics and statistics, labour, etc. that came into being relatively recently). A few exceptional firms like Karamchand Thappar etc. in Calcutta had organised public relations and planning departments. But the facts such as Indian groups having independent sales companies instead of sales department and their tendency to conduct their public relations through the Lok Sabha or their own press - or to neglect it altogether - accounts for these differences. In Bombay only a few Indian groups viz. Tatas - who had common publicity and economics and statistics departments for the whole group; and Kamani's who had a public relations department and a very modern organisation.
these groups naturally tend to have the services of more elaborate agency departments. The system originated by the British has thus been imitated by all large agencies, and particularly in the Calcutta area. If we look at managing agencies historically we frequently find a picture of gradual additions of new departments, though there are a few recent examples of groups that started full fledged with a large number of departments.

The extent to which common departments have been developed helps to indicate the extent to which administrative economies are secured. Common departments enable a group to form pools of personnel both for industrial administration and for further planning.

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1. As size falls the elaborateness of managing agency organisation diminishes.

2. See section on pioneering, pages 248-280. See also sub-section on office expenses on pages 335-336. For further comments on the significance of the administrative organisation of managing agencies.
THE PIONEERING FUNCTION

The "Pioneering Function" covers a whole range of actions. In order to make comparisons between entrepreneurs (as far as this function is concerned) possible and effective it is necessary to divide these actions into sub-classes.

The criteria that are likely to be useful to form sub-classes of entrepreneur’s actions in performing this function can easily be indicated by bringing to

1 The procedure is analogous to the division of entrepreneurship into different types e.g. one worker in the field suggests the division of entrepreneurs into innovating, imitative, fabian and drone. See F.A. Chance and J.E. Entrepreneur: Harvard Univ.

These distinctions between entrepreneurs are descriptive in character and new distinctions may be added or omitted from these or from other types of distinctions that are found in the literature on the subject; the only point to be remembered is that additions or omissions must be made to suit the field being described e.g. in describing the Indian field we classify entrepreneurs according to communities and other factors peculiar to the Indian situation. Similarly in developing reference to particular functions they perform, it is necessary to take the particular field being described (here the Indian context) into account.
to mind some relevant considerations, viz. in discussing the pioneering function in the Indian context it is best to consider separately (1) the development of new industries and (2) the development of particular aspects of technical or economic organisation (changes not necessitating the starting of a new industry and not necessarily confined to one industry), e.g.

(1) In the development of new industries it is possible to separate pioneering from routine developments by discussing entries: a "first entry" is to be distinguished from "taking over" (of concerns already started) and from "duplication" (of concerns in an industry already developed).

(2) In the development of particular aspects of technical or economic organisation it is possible to separate pioneering from routine developments. This is achieved by discussing (i) the initiation of such changes (changes which can be ranked in significance by (a) considering their effects and (b) seeing whether they remain confined to the enterprise making them or spread to other concerns) and (ii) distinguishing them from routine imitation of established practices and routine expansion.

By first entry we mean merely the setting up of a plant in an industry that has not been introduced in the country before. No altogether new industry have so far been started in India (with the exception perhaps of certain pharmaceutical products) so that the starting of altogether new industries based on new inventions etc. - though it falls within the term - is not significant in the case we are considering.
We therefore proceed to take each of the chronological periods into which we have been dividing our chapters and find out how much of "pioneering" there has been in (1) entries and (2) developments in technical and economic organisation. In other words, we try, in the Indian context, to separate "pioneering" change from other types of change and further to evaluate its significance by using the rough and ready concepts suggested above.

The relative share of the East India Company and the agency houses in pioneering entries and new developments during 1750 to the 1850s have already been indicated in Chapter I.

Beginning, then, with the period from the 1850s, to 1914 we can note the following:

As regards entries the main pioneering achievement were those of the British agency houses. They

1 In some cases "pioneering", "taking over" and "duplication" may occur in various degrees and combinations. This may make it difficult to classify particular entrepreneurial acts. These limitations of the rough and ready concepts suggested should be kept in mind.

2 See pages 34-37 and 48-50
They developed the jute, coal and plantation industries in eastern India. Even in the cotton textile industry, the setting up of the first mills (experiments prior to Davar's mills and Davars mill itself, 1854) was at least partly the achievement of British entreprenure (though not of the large agency houses). Even in fields like cotton ginning entries using the new techniques were the work of the British agency houses (e.g. Greaves Cotton). The sugar industry was revived by British firms towards the close of the country. Each of the early revivals of the sugar industry in the country must be treated as being a pioneering achievement, as it involved a full re-examination of the potentialities of this form of enterprise. The wool industry (Cawnporeollen 1876 and New Egerton 1880) was pioneered by Sir...

1 As we have seen in chapter 1, both the agency houses - the East India Company played a part in developing these industries as well as some insignificant British entrants.
3 This house was responsible for a revolution in Technique in the Field of Cotton Ginning (a director of the firm invented the saw gin) and in cotton textiles (the introduction of ring spinning). The firm was interested in cotton trade, ginning, machinery trade and cotton textiles.

4 Noel Deerr writes (in the History of Sugar Chapman and Hall, 1949, Vol. I, Page 57) the renaissance of sugar in India dates from the end of the nineteenth century. At that time, Mr. L. W. Macdonald, with his son of the same name and his nephew Mr. T. M. Macdonald, engaged a West Indian Planter, Mr. David Wilkie, to go to India and report on the prospects of a sugar industry in upper India, as the indigo industry was already showing signs of decadence. Associated with them was Sir William Hudson. The first outcome of this visit was the erection in 1902 of a factory at Ottur in Behar by the India Development Co. (this ended in failure but others succeeded). These others were Purtapur and Karriward, built in 1901, the former by...

continued on next page..
Sir Alexander Mac Robert in Northern India. The first paper mill (F.W. Heilgiers, Titaghur 1882) was set up in Eastern India by a British Agency house (a small paper unit had also been set up in Bombay in 1862 by unknown interests). International combines, like the petroleum companies, had set up their distribution organisations in the country by the end of this period. The Indian entries were confined to textiles (a field in which pioneering honours were shared with the British). Towards the close of the period Tatas made entries which owing to their scale and character are correctly described as opening up new lines (iron and steel (1907) and Hydro-electricity (1910). In the field of trade also Indians had participated in the opening up and developments of the cotton and opium trades.

As regards developments in particular aspects of technical and economic organisation we may mention the following innovations that took place during this period.

Continued from previous page

the Macdonald interests and the latter by the Gawnpore Sugar Works (by M/s. Begg Sutherland and Co.) They were followed by factories in 1904 at Rosa and 1905 at Pурса, owned by Mr. G. W. Dixon; at Japalia, by Mr. Richardson; and at Barra Cha Kia, by the Champaran Sugar Co. controlled by M/s. Begg Sutherland and Co. Of these six factories five remain in successful operation today, and from this pioneer group which blazed the way, the modern Indian Sugar Industry descends." (See also footnote to our sketch on the British India Corp. which gives the history of Begg Sutherland which was absorbed by the B.I.C.).
Technical innovations in the absolute sense of new inventions were hardly made even by the British firms. One important exception is the invention of the saw gin by one of the directors of Greaves Cotton and Co. which revolutionised the cotton ginning industry in the country. Coming to adaptations we find that firms like the planters agencies and important firms of machinery & importers were responsible for quite a few adaptations. In the main however, the pioneering of British firms consisted in the introduction -- for the first time in India -- of processes invented abroad, e.g. the introduction of ring-spinning in cotton textiles.

Economic innovation i.e. the development of new forms of organisation must be discussed next. The managing agency of a joint stock company itself was, an "invention" of the British. Variants in this "invention" that were introduced by Indian Groups e.g. Tatas at Nagpur and by the early entrants in Ahmedabad, may also be mentioned. Apart from this there were basic

1. See footnote No.3 on Greaves Cotton and Co. on page 271
2. e.g. Duncan & Stratton's modified Ploughs, floor mills, presses, etc. to suit Indian conditions. The Planters agency also undertook similar projects.
3. See page 271
4. See pages 58-61
5. See pages 327-328.
basic changes and developments relating to different entrepreneurial functions such as finance, trade, etc. through the developing of new departments and practices (e.g. in finance the development of the first investment trusts or in trade the replacement of the consignment trade system etc. etc.). Managing agents also began to operate through Chambers of Commerce or associations though here the British agencies had begun to do this much before the Indian agencies (i.e. before the period we are here considering).

Reviewing the development during 1850 to 1914 in the fields of (1) entry and (2) of other developments in technical and economic organisation one is struck by the dominant role of the British communities, particularly the agency houses, which though engaged a great deal in the duplication of units; also developed into permanent pioneering organisations. An initial start, accumulation of experienced personnel, prestige, and the character of financial organisation, all helped to preserve the lead they had secured.

It is not surprising that early pioneering of all types was the work mainly of British firms - who were also incidentally the largest firms in the country. The phenomenon is at least partly explained by facts that form part of the sociology of knowledge. The Indian commercial communities had no experience or knowledge
of modern production and the local intelligentsia could not guide them in this field. Indian thought had not yet made the shift from the speculative to the practical. Indian intellectual life, in fact, was in a condition of disorganisation. The commercial communities had not imbibed the knowledge of processes recently developed in the west. The break with the old traditions of craftsmanship and skilled castes was complete; neither had a place in the new structure that was emerging.

We now pass on to consider the period 1914 to 1939.

During this period the main characteristic is the undertaking of more ambitious entries by Indian groups. In general, the size of the managing agency firm was now emerging as an important factor in undertaking new types of entries. Most of the pioneering achievements have to be credited to large firms.

During the world war I some of the larger groups did develop new lines of production but in general expansion was along old lines, or in lines that had been recently established, like iron and steel. The development of capital goods industries did not take place to any substantial extent. The development by some engineering firms of a few machine tools, and of minor articles e.g. Tatas supplying pruning knives to the tea estates.

1 The British managing agency groups were also not idle. They
etc. are the types of development that can be recorded.

A Gujarati group - Walchand and Associated Companies - was responsible for the development of shipping a field that had formerly been an exclusive monopoly of the British. The Scindia Steam Companies entry in 1919 may be called a case where organisational difficulties were overcome.

In the twenties the Swedish match combine commenced large scale manufacture of matches and in the thirties Lever Brothers pioneered the first Vanaspati plant.

The Marwadi groups, in the inter-war period, were not responsible for much pioneering activity. Duplication and taking over largely explain their growth.

opened up new branches of engineering etc. Even as far as opening up new regions were concerned they were in the forefront in developing new centres for textiles (Delhi in the former period and Coimbatore in the 1930's: Stains Mill) and opening up new areas for the Sugar Industry (Brady in the Deccan 1928)

2. India A Bird's Eye view by the Earl of Minto, 1924. See especially, page 160.

3. See footnote on Scindia steam in sketch on Walchand and Associated Companies.

4. Both of these like petroleum refineries were international concerns and not managing agency firms.
Their pioneering activity commenced in the war and post-war periods when they developed fields like cycles, automobiles, air-planes, and capital goods manufacture.

The engineering and chemical industries were two other industries that developed towards the close of the interwar period and more particularly during and after World War II. Here again the Chief contribution was from the large managing agency houses British, Marwari and Parsi. It is to be noted however, that in the case of Engineering and Chemicals, the professional communities were responsible for the development of interesting sections of these industries.

In the chemical industry a special branch, the development of indigenous pharmaceuticals may be regarded as an outstanding example of innovation. Concerns like Bengal Chemicals, The Alchemic Chemical Works etc. were

1. See sketches of Birlas, J.Ks. and Dalmia Jains on pp. 195-201.

2. The Indian film industry was also pioneered by these communities.

3. P. C. Ray was the founder of the Bengal Chemicals and Pharmaceutical Works. This marks the initiation of the Indian Pharmaceutical Industry, which combined foreign and Indian traditions, and proved to be one of the healthier manifestations of the Swadeshi Movement. The firm developed many traditional Indian products along modern lines. The scientific genius of P.C. Ray helped to make use of formulae drawn from classical Hindu chemistry. (See P.C. Ray, Life and Experiences of a Bengal Chemist, 1932).
founded by indigenous scientists. Among other concerns in the field D. Waldie is an important pioneer while Brunner Monds have a world significance.

In the engineering industry also we had quite a few entrants from the professional classes setting up small concerns in various areas especially in Bengal and Bombay.

As regards developments in particular aspects of technical and economic organisation we may note the beginning of the departments of a modern type in the more important British groups (publicity, labour, etc.) and later in some Indian groups. Round about 1920, there took place important amalgamations of the British agencies both in the north and in the south in order to

1 P.C. Ray in the same book gives some interesting information regarding D. Waldie and Co. (on page 94 where he quotes the mural tablet erected by the Company in 1913 as well as other scientific works "David Waldie was associated with the discovery, in 1847, of the properties of chloroform. Arriving in Calcutta, in 1953, he became the pioneer of chemical manufacture in India."

2 Regarding Brunner Monds we again have interesting information in P.C. Ray's book. He points out on page 97 that Brunner Mond & Co. were a very important influence in the chemical industry and even then practically monopolised the markets of the whole of Asia including China and Japan. From other sources we can learn that Brunner Monds was one of the firms that later merged to form Imperial Chemical Industries.
secure organisational efficiency and economies in
finance. Modernisation as a consistent policy came
to be adopted by some groups. The development of trade
unionism led to the managing agents responding by
developing their labour activities, mainly through
associations.

During world war II we had a much larger number
of adaptations than during world war I. The beginnings
of capital goods production by the large groups and
improvements and adaptation of vast varieties of war
materials by Martin-Burns, Tatas etc. are particu-
larly noteworthy. Organisational developments taking
place during World War II were mainly responses to the
control mechanism.

As regards the nature of the present day pione­
ing it is worth noting that opening up new lines is
in general more complicated than it was in the case of
the consumers goods industries developed during the
inter-war period. Today we find certain typical pat­
terns both of (1) entry and (2) technical and economic
organisation.

1. e.g. See sketches of Biitish India Corporation
and Binny's, pp. 167-169 and 161-162, resp.
2. e.g. See sketch of Sassoons, pp. 253-257.
3. Tyson India arms for victory 1944.
As regards entry the largest groups, both the British and the Indian, have opened up new lines in the engineering, locomotive, ship-building, non-ferrous, and chemical fields. International combines have set up petroleum refineries.

As regards organisation it is to be noted that during this period both public and private enterprise entered a large number of new and difficult fields with the help of foreign partnerships and agreements relating to foreign technical assistance. The general task of initiating development in very large projects is now shared by combinations of entrepreneurs and state organisations. The community factor, which has been so important historically, is now overshadowed by the factor of size. The British community is now pioneering in partnerships with Indian elements. The restrictions placed on the taking over of going concerns are also likely to channelise energy towards pioneering.

1. Our sketches mention the Indian groups that have entered into such agreements. Most of the Government projects are also dependent on similar agreements.
THE FINANCIAL FUNCTIONS OF THE MANAGING AGENTS

INTRODUCTION

In discussing evolution from the agency house to the managing agency we noted that though the institution has passed through various phases, yet through the whole period it has always performed, though to varying degrees, the financial function. Data telling us, approximately, to what degree this function persisted between the 1850s to 1914 and between 1914 and 1952, will be given later on in this section. Historically, the financial function helps to explain why entry into modern production was possible for the agency houses and the indigenous bankers and traders. With the introduction of the joint stock principle after the 1850s a new pattern of financial practices was bound to emerge. The study of the financial function in this new context is our aim.

1 We will also be able later, to refer to aspects closely related to this function. Thus the financial function helps to explain the process of concentration of which it forms an essential part. Finance released from a managed unit after it becomes stabilised is used for the promotion of another unit. The financial position enables the managing agents to dictate the terms of managing agents remuneration. In other words it leads to the exercise of an amount of coercive power by the managing agents. It is not the services rendered alone that can explain the remuneration. The very existence of the concern is threatened if the managing agent is not ready to arrange the finance.
The development of other purely financial institutions such as banks, which can mobilise savings and are ready to provide certain types of finance to industry; has resulted in a situation in which managing agents are responsible both for certain contributions to finance and for the routing of finance to production units.

It is therefore essential to see as to how far managing agents have contributed to fixed and working capital respectively, and to study the development of other specialised institutions that have developed.

We shall try to bring out, first, the agents' role in the supply of fixed capital. To do this, we try to give some details regarding (a) the percentage of shares held by managing agents, (b) the attempts

1 Organised industry requires fixed or block capital and floating capital or short-term accommodation for its day-to-day needs. A certain portion of the working capital of an industry although used for current expenses is really of the nature of permanent capital. The stock of raw materials, manufactured and semi-manufactured commodities never falls below a certain minimum and the capital required for holding them is of the nature of permanent capital.

2 It is very difficult to get information regarding the percentage of shares held by managing agents. Most of the managing agents with a few exceptions in whose case we present this information were reluctant to reveal anything relating to this. It is also extremely difficult to use the summaries of capital and lists of shareholders that are available with the different provincial
attempts (towards the fag end of the first and during the second period) to develop banks to supply fixed capital to industry and (c) the insignificance of insurance companies in this type of finance.

Footnote continued from previous page.

provincial registrars of joint stock companies. The shares are not always held in the name of the managing agency firm. Friends and relatives figure in the list and cannot be identified on a mass scale. In Calcutta, there is the additional difficulty caused by the system of blank transfer under which shares may be held. It is also necessary to note that some information regarding the different groups is already available in published form. Under these circumstances and taking into account the fact of the limited resources within which enquiries for this work had to be conducted it was not possible to undertake investigations of share-holding at the offices of the different provincial registrars of joint stock companies. Not only are there difficulties in the collection of figures regarding managing agents holding but there are also difficulties in interpretation. By itself the managing agents holding indicate nothing regarding policies that are likely to be followed. For in the Indian context it is clear that many groups with small holdings follow very different types of policies, some of which lead to a conflict between the ownership and the control while others do not. Putting it in very general terms one may say that such conflicts are more evident in the large Karwari agencies than in the large British agencies. A coincidence of interests between ownership and control depends upon the business standards of the controlling groups on managing agency terms etc. There is thus no necessary and fixed relation between percentages held and methods of control and policies adopted. It must be remembered moreover that a high holding if planned to last over a very long period renders the joint-stock principle ineffective and is therefore not desirable. Yet with all these limitations in mind it is essential to study the percentage of managing agents holdings; because it enables us to show that sociological factors today determine business performance, and that older economic theory, which stated that economic pressure would lead to efficiency and identity of interests (because they assumed united ownership and control) does not in fact hold.
We wish to bring out next the role of the agents in supplying working capital. To do this, we examine (a) the provision by managing agents of their own funds to managed companies (b) their relation to banks, and (c) the development of the deposit system.

Thirdly we wish to consider the development of specialised functions in the field of finance. We shall cover this point by enquiring into the rise of particular types of banking, of stock exchanges, of investment trusts, and of under-writing practices, etc.—all in relation to managing agents, during this period.

We proceed to explore developments relating to the three sets of points made in the three paras above. The developments in different areas and communities during two periods; from the 1850s to 1914, and from 1914 to 1952, are brought out.

1 It is even more difficult for an investigator to secure information regarding the supply of working capital from a firm than it is secure information regarding fixed capital. The amounts advanced vary from time to time, so that in any quick survey one can merely ascertain whether this function is performed or not.
The transition from Agency houses to managing agencies was most direct in Calcutta. Many established agency houses floated or came to control joint stock companies. Some of them were independent of outside finance, while others already had some credit with the British controlled banks in the centre. In this centre as in others there was in the early stages a great amount of capital contributed by agents. This is at least partly indicated by the fact that right up to 1891-92 there was a predominance of British capital in the country. The British agencies access to the European capital market enabled them to commence on a basis different from that required by those depending purely on the Indian capital market. The paid up capital of the 26 mills floated by 1891-92 was Rs. 13750000 + 1757000. Figures for later dates show that there was a continuous trend making for a decline in the proportion of British capital in the established concerns.

2. Ibid
3. Ibid
Probably this trend was due to the managing agents realizing the capital for use elsewhere. Especially between 1900 to 1914 there took place a reduction in managing agency holding in fixed capital. The managing agents were replaced by a developing class of Indian investors.

In Bombay the Parsi and Bhatia bankers and traders who promoted mills during the first phase - which may be said to last from 1854 (which marks the floatation of the first cotton mill) to 1861 (which marks the commencement of the American war) - took up the bulk of the share capital themselves and divided the rest amongst a small circle of their own community.

The second phase includes: the American war 1861-65; its after-math 1865-67; and the period that was required for things to settle down before new mills could be floated - 1867-70. During the war there developed a unique situation which helped to change financial practices "the plethora of capital, by way of surplus realisation of cotton in Liverpool, was so great that they knew not how to invest such surpluses in really sound concerns which might yield a reasonable profit."^2

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2 Wacha's Premchand Roychand, p. 48.
It was during this period that working capital began to be supplied by banks and in consequence the requirements of fixed capital of firms declined. The third phase begins in 1870 with new factors coming in around 1882 and 1888 respectively. During this period the requirements of fixed capital were reduced owing to the policies adopted by suppliers of machinery who contributed quite substantially by offering accommodation, purchasing shares, and accepting deferred payments. Promoters eager to establish mills came in after 1882 and organized various types of credit for working capital; this reduced the need for fixed capital. After 1888 we had the entry of a number of British groups who could obtain working capital from banks and therefore again had a slightly smaller need for fixed capital. By 1914 a position not very different from that which existed when the Tarrif Board reported in 1926 had probably emerged. Managing agency holdings were higher than in Calcutta but much smaller than in the early days of mill flotation in Bombay.

3 Rutnagar, p. 47. Cost of machinery about 7 or 8 lakhs. 5% commission. Thus a substantial sum could be invested. Under the deferred payment system only 1/3 of the price was paid in cash. Rest in instalments; 6% interest.
In Ahmedabad the pattern of development was again quite different. The original position in this centre tended to persist over a much more extended period. The earliest entrants were shroffs who invested a substantial amount of capital and accepted deposits. Mills were independent of modern banks and entrants throughout the 19th century and in the early years of the 20th century were drawn from similar classes. No new system of finance developed and there was no specialisation in the supply of fixed and working capital.

It remains to discuss the attempts at supplying fixed capital made by Banks and Insurance Companies during this period.

A number of commercial banks intending to supply fixed capital to industry were started as a result of the Swadeshi Movement, especially in the Punjab during 1906-1913. The included the Peoples bank of the Punjab, the Indian Species Bank (see sketch of Thackersey Mooljee & Co.), the Hindustan Bank, the Lahore Bank, the Doaba Bank, the Natwar Bank, the Industrial Bank and the Credit of India. None of these succeeded.

1 For details regarding these failures, see Basu Industrial Finance in India, 1950, pp.145-16
Insurance Companies did not invest substantial amounts in industry.

THE SUPPLY OF WORKING CAPITAL BY MANAGING AGENTS 1850s TO 1914.

As regards Calcutta we know that some of the agency houses had their own banking departments. These include Andrew Yules, Martin Burns, Arbuthnots, Balmer Lawrie.

The agency houses could also get advances from banks, there being traditions of close cooperation in the European mercantile community. As the need for working capital increased attempts were also made to control independent banks e.g. the directorate of the (old) Bank of Bengal has always been a close borough confined to a certain managing agency firms, some 16 in number. Some of these have had members of these firms as directors during the past, 50 years at least (written in 1935). Even if a director went on leave, another partner got his place. Again shares were

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1 In 1914, there were 63 insurance companies registered in India (both foreign and Indian) and 25 foreign companies working in India. (R.K. Ray: Life Insurance in India. Appendices 10 and 13). We get exact figures for investment in Industry only from 1921 onwards (see page 297.) but presumably the situation was not significantly different earlier.

2. See sketch of Balmer Lawrie. 17-18.
were held by the firm (and not by the persons in their individual capacity) so that as soon as one partner left or went on leave, the shares were transferred to another member of the firm." Messrs. Jardine Skinner, George Henderson, Gillanders Arbuthnot, Begg Dunlop and Turner and Morrison have had seats on the banks boards continuously.

As regards Bombay we have already noted that working capital began to be supplied in significant amounts by banks as a result of the conditions created by the cotton boom. It is probable that this was strengthened with the development of banking and the entry some years later of European groups who generally followed this practice. The Asiatic Banking Corporation (originally named the Bombay Joint Stock Bank) was floated in 1863 and had on its board representatives of several agency interests (Gray and Company - Ritche Stewart, etc.). Its flotation is explained by the fact that cotton traders were eager to have larger advances which the old and prosperous banks, well established for some years before in the city were not prepared to give. The old Bank of Bombay

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1 p. 163 footnote Lokanathan: Industrial Org. in India 1935.
2 pp. 48, 49 Wacha's Premchand Roychand.
also amended its charter during this period. Advances on personal security were prohibited under the original charter of 1840. This was removed and the bank was empowered to lend not only on Government Securities, but on the Securities of "other public companies in India". All these changes tended to make financial accommodation for mills easier to secure.

During the 1860s one more noteworthy tendency came into operation. The suppliers of machinery (whom we have already mentioned) were followed by cotton merchants, coal dealers and store suppliers who came to the help of mill promoters, on the prospect of securing a monopoly for the supply of these commodities to the mills. This eased the problem not only of fixed capital (as mentioned earlier) but of working capital. The entry of British Groups after 1888 strengthened the tradition of borrowing from banks, as this was by the time, a well established practice of British entrepreneurs in India. In the 20th century we have the promotion of more Indian Banks, including the Central Bank which was promoted by the Sassoons and other large managing agency groups. By 1914...

1 p.57 Mucha's Premchand Roychand.
of large British and Indian groups on banks for their working capital had, in general, been established on a permanent basis.

In Ahmedabad, as we noted, fixed and working capital were both supplied by agents. The deposit system tended to contribute to working capital and continued unchanged throughout the period. It is probable that a few groups might have borrowed from banks even during this period.

**THE DEVELOPMENT OF SPECIALISED INSTITUTIONS IN THE DIFFERENT CENTRES: 1850s - 1914.**

Contrasting the three centres we can note that specialisation of financial functions during this period proceeded further in Bombay and Calcutta than in Ahmedabad. It is natural that to begin with in the Indian situation, the whole gamut of financial functions was performed by the managing agents. The supply of working capital could become a specialized function only in cases where promoters were not themselves bankers or where they gave up that function. Another development in financial institutions the rise of stock exchanges, may also be looked upon as involving the development of a specialised service that facilitated the task of the managing agents. These institutions enabled them
them to release substantial amounts of their capital from old concerns, but no new specialised institutions such as those for guaranteeing sales of securities, etc. developed. All that happened was that the funds of a large number of people were placed at the disposal of the agents. The Bombay Stock Exchange or the Native Share and Stock Brokers Association, as it is called, was formally constituted on the 3rd of December, 1867. Long before the advent of this organised security market dealings in securities were carried on in Cotton Green (where Elphinstone Circle is now situated). Six dealers were recognised by the mercantile community during the period 1840 to 1850. In Calcutta transactions in securities reached considerable proportions before the organisation of the exchange. In the daily money market reports quotation of no less than 91 joint stock companies were found, in the year 1864. The Calcutta Joint Stock Exchange Association was however formed as late as 1908.

After 1905 we have attempts at the development of banks to supply fixed capital especially in the Punjab as an aspect of the Swadeshi movement.

Newer institutions like Investment Trusts appeared only in one centre, viz. Birds attempt in Calcutta.

The lack of specialization in financial services may be therefore regarded as a dominant characteristic.

THE SUPPLY OF FIXED CAPITAL BY MANAGING AGENTS 1914-52

The following facts give an idea as to trends in the percentage of shares held by managing agents in their respective managed companies.

In Calcutta, as we have seen in the last chapter, at least sixty per cent of the securities were already held by the Indians in 1914, so that at least this amount was certainly not owned by managing agents, who at this time were purely British. Data relating to certain

1 We have already given the data from Basu's book (Industrial Finance in India 1953) relating to the holdings of certain important Calcutta groups and this is reproduced here for the reader's convenience. The list is compiled from summaries of capital and lists of share holders.

<table>
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<th>Name of Jute Co.</th>
<th>Year</th>
<th>Total No. of shares</th>
<th>No. of shares held by M/A's</th>
<th>Percentage of total capital held by M/As.</th>
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<td></td>
<td>20,000</td>
<td>426</td>
<td>2.1</td>
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<tr>
<td>(M/s. Bird and Co.) 1934</td>
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<td>30,000</td>
<td>735</td>
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<td>M/s. Kankinarrah Jute 1883</td>
<td></td>
<td>14,000</td>
<td>3685</td>
<td>27.7</td>
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<tr>
<td>(M/s. Jardine Skinner &amp; Co.) 1935</td>
<td></td>
<td>40,000</td>
<td>4685</td>
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<tr>
<td>The Hooghly Jute Mills Ltd. 1914</td>
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<td>159600</td>
<td>20255</td>
<td>12.9</td>
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<td>11000</td>
<td>1125</td>
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<td>17500</td>
<td>155</td>
<td>.8</td>
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<td>16000</td>
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<tr>
<td>(M/s. McLeod &amp; Co.) 1935</td>
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<td>17000</td>
<td>75</td>
<td>.4</td>
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</table>
certain important groups shows that this percentage probably declined further in the subsequent period. A similar decline may be noted in some groups in Ahmedabad and Bombay but the impression of well informed local people is that this trend was probably not general in these centres.

The differences between the three centres i.e. the percentage of share-holding being highest in Ahmedabad, less in Bombay and lesser in Calcutta, continued unchanged in this period. In the thirties a new textile centre - Coimbatore - began to develop and most of the

1 e.g. in our sketch on Tatas we found that in all their textile units the percentage of managing agents' holdings had fallen drastically between 1927-32. Such falls in percentage are quite general in Calcutta groups - as managed units became established money is withdrawn. For new units this has not occurred to the same extent in Bombay and Ahmedabad.

2 This is illustrated by data relating to 1930: Central Banking Enquiry Committee. This general picture was again roughly confirmed by our local enquiries made in 1950-51. Mr. Kasturbhai Labhali of the Millowners' Association of Ahmedabad stated before the Tariff Board of 1932 that in several cases managing agents held 3/5ths of the shares in the cotton mills. There were even individual cases where 85 to 90 per cent of the shares were owned by them (Tariff Board Cotton Textiles, 1932 volume 1, page 139). As regards the Bombay Mills, a careful perusal of the evidence tendered before the Tariff Board of '27 and '32 gives one the impression that the managing agents were the majority shareholders (Tariff Board, Cotton Textiles, 1927, volume 4, page 248). In Bengal we have some figures for the late thirties. In Bengal Luxmi the managing agents held 25 per cent of the shares. In Maheshwari 10 per cent. In Mohini 5 per cent but in Basanti mills 80 per cent. See Basu: Industrial Finance in India 1953, p.144.
the mills in this centre had a high percentage of agent finance in fixed capital. The large number of small new companies that sprang up during this period consisted of some that had a high proportion of agent finance and others that had a particularly low proportion of such finance.

The data permitted us to show certain contrawise contrasts for both periods; but for 1952 (which falls in the second period) it also permits us to comment on the differences between important groups belonging to different communities. The share-holding is small both in the largest British groups and in the largest Marwari agencies. The largest Chettiar groups and some of the largest Gujarati groups in Ahmedabad appear to follow a different practice and hold a very high percentage of shares even when the managed concerns are past.

1. The professional classes in general have a small stake wherever they have entered business, e.g., in the Deccan, the companies that are not connected with Bombay agents are characterised by (a) the excessive importance of deposit finance and acceptance of deposits for short period. (b) the small stake of the managing agents who are more frequently technicians rather than financiers. The smaller Marwari agencies, however, would have quite a different pattern. The extent of agent's interest being likely to be high in the case of banking communities.

2. As the reader will have noticed while reading the managing agency sketches, the information regarding the percentage of managing agents' share holding in these groups is far from complete. We have full information for certain groups, for other we have information regarding only a few of the managed companies in the groups concerned and in some cases we have rough information such as "over 50 per cent" or "about 25 per cent" etc. rather than exact figures. The point to be noticed is that it was only among the Ahmedabad and the Chettiar groups that cases of very high share holdings were observed (Ambalal Sarabhai, Mafatlal Gagalbhai and Murguppas are the three cases included in our sketches).
past infancy. Though it is difficult to generalise we can say that the Bombay Gujarati groups hold fewer shares than those in Ahmedabad.

Continuing with the problem of fixed capital we turn to our second point namely the efforts to float banks that were intended to supply fixed capital. We have already noted a few pages earlier the failure of a number of such attempts between 1906 and 1913. In the period we are now covering this phenomenon was important only in the immediate post-war period. Between 1917 and 1923 no less than 8 industrial banks many with considerable capital and the largest belonging to the Tatas were floated. The Tata Bank failed, and the others, though they did not undertake industrial finance on a large scale; excepting a few minor investments in concerns in which the banks directors were interested; also failed to survive.

Insurance companies have never been an important source of fixed capital in India. In 1921, 5 per cent of their assets were invested in shares of Indian companies and 1.67 per cent in mortgages. The percentages in 1936 rose to 0.77 and 3.78 respectively. In 1940 a little over 6 per cent was invested in industrial shares.

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1 See page 288.
In this context Basu suggested that the insurance acts of 1931 which laid down certain percentages for holding of government and government approved securities (these percentages were subsequently enhanced) would "reverse whatever tendency they (insurance companies) may have shown in recent times to function as providers of long-term capital for industry."

When the Shroff Committee examined the problem however, they found that as on December 31, 1952, out of the total assets of Rs. 292.92 crores, the investments of Indian insurance companies in shares and debentures amounted to Rs. 41.79 crores. This shows that the investment in industry had increased. The Shroff Committee, however, regarded this as still being a small proportion as compared with industrialised western countries. The committee goes on to remark "Quite apart from the restrictions imposed by the insurance act, the representatives of certain leading companies who met the committee pointed out that this state of affairs is partly due to their unhappy experience in the past of the heavy depreciation in the value of such investments. During the last two

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1. p. 102: Basu; Indian Industrial Finance in India.
2. A.D. Shroff (Chairman) - Report of the Committee on Finance for the private sector published April 1954 page 32.
two years, however, insurance companies have played a somewhat more active role in providing industrial finance, and according to the evidence placed before the committee, they have taken up a substantial proportion of recent debenture issues."

THE SUPPLY OF WORKING CAPITAL BY MANAGING AGENTS 1914-52

As regards working capital it is necessary for us to note three points viz. the provision of working capital by managing agents out of their own funds, the relationship of managing agents with banks which are a large source for this type of capital and thirdly deposits which provide this type of capital in Bombay and Ahmedabad.

The position in the inter-war period has been described well by Basu. In 1930, the managing agents were responsible for 21 per cent and 24 per cent of the total finance required by Bombay and Ahmedabad mills while bank loans formed only 9 per cent and 4 per cent. Basu also notes the existence of managing  

managing agency agreements (e.g. Vohini mills) which oblige the agents to furnish working funds. In Calcutta where managing agents are not interested in the share capital of their companies to the same extent as in Bombay and Ahmedabad, and where deposits are not in vogue, industrial finance is provided by them to a great extent in the form of loans on current account. The Balance Sheets of a large number of jute mills indicate the enormous amounts due to the managing agents in this way.

We can add to this account by drawing attention to some little data regarding the period after 1939. During this period war conditions lead to a curious reversal of the position in quite a number of cases and managed companies financed the plans of managing agents for expansion quite as much as managing agents financed them.

Taking up the relationships with banks it is necessary to note that the Imperial Bank act of 1920 made the managing agents guarantee obligatory. This

1. Basu Industrial finance in India, p. 175
2. See sketches on Binny and Co., Kamania, Dalmias etc., pp. 128 and 168
3. In this connection, it is interesting to note Basu’s remarks pp. 128 and 168
This practice was followed by other banks also, except perhaps in Calcutta. In 1934, the Imperial Bank Amendment act waived the condition and the Bank could lend directly against the hypothecation of goods subject to the direction of the central board.

It is also necessary to note that the larger Indian groups and even some of the smaller ones set up modern joint stock banks of their own particularly during the later part of this period.

1 These included—\(\ldots\) listed below.

<table>
<thead>
<tr>
<th>Year of Paid up capital in</th>
<th>Foundation</th>
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<tbody>
<tr>
<td>1942  20,137,175</td>
<td>1949-50</td>
</tr>
<tr>
<td>1943  5,000,000</td>
<td></td>
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<tr>
<td>1943  5,000,000</td>
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<tr>
<td>1943  12,500,000</td>
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<td>1943  20,000,000</td>
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<td>1944  5,000,000</td>
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<td>1944  5,000,000</td>
<td></td>
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<tr>
<td>1944  5,000,000</td>
<td></td>
</tr>
<tr>
<td>1944  1,250,000</td>
<td></td>
</tr>
<tr>
<td>1942  1,000,000</td>
<td></td>
</tr>
<tr>
<td>1945  10,000,000</td>
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Source: Kothari’s Investors’ Encyclopaedia, 1949-50.

As regards banks that are under the influence of big interest groups we may make two categories: (1) banks like Birlas United Commercial, Tata’s Central India, or J.Ks. Hindustan Commercial which are completely under the influence of these groups; and contrast them with (2) banks that are as it were shared between a small number of prominent agencies, e.g. the Imperial Bank and even the Reserve Bank for that matter — always had a Board composed of a handful of representatives of large managing agencies. Similarly banks like the Bank of Jaipur, the Hind Bank and the Hindusthan Mercantile as well as the Punjab National (which has come under Dalmia’s influence, since it absorbed the Bharat Bank), the Bank of Baroda, etc. are under the control of a number of large Marwari agencies rather than any one agency. Similarly the Eastern Bank and the National Bank of India are controlled by large
The system of deposits continued to prevail in Ahmedabad and to a lesser extent in Bombay. During the inter-war period however, the dependence on this type of finance in Ahmedabad was lessened somewhat.

THE DEVELOPMENT OF SPECIALISED INSTITUTIONS IN THE DIFFERENT CENTRES - 1914-52

The early beginnings of new types of institutions we had noticed during the period extending from the 1850s. to 1914 became much more significant during the period we are now considering.

There was a large increase in the number of investment trusts. Kothari's Encyclopaedia 1954, lists 26 investment trust companies while a much larger number had been established.

An important development springing from the establishment of investment trusts is the commencement of the practice of underwriting. Tata's who started the Investment Corporation of India in 1937 were among the first to branch out into this field. The Corporation has a paid up capital of Rs. 1.20 crores and so far has underwritten and sub-underwritten issues of the value of over Rs. 3-1/2 crores. Since then underwriting has

1 Vol. II Textile Enquiry Committee, p.257.
has become quite significant. An important point to be noted is that managing agents by underwriting indirectly provide a substitute to taking up large blocks of shares of new concerns themselves.

The experiments of establishing banks for supplying fixed capital were repeated (as we have noted in the section on fixed capital) during this period but again failed.

The stock exchanges developed further and a large number of companies came to be listed thereon.

The newest institution in the field is the Industrial Development Corporation which was taken up as an infant on the recommendations of the Shroff Committee.

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The latest relevant developments in this field may be summed up as follows:-

(1) New institutions such as the Industrial Finance corporations and direct aid to certain large units by government have substantially altered the role of the government in providing capital to modern business.

D.R. Gadgil, in a paper circulated to the National Development council remarks "that a substantial portion of the capital required by modern business" is being supplied by the state.

Ms. M.S. Gurupadswamy, V.K. Dhage, B.C. Ghose, and Amjad Ali in the 3rd minute of dissent to the report of the joint committee on companies bill 1953 remark "The capital market is more developed today than it was in the 19th century and it is not so difficult now to raise capital from the market even in the absence of the managing agency system. Moreover, a number of financial institutions have recently been set up to provide long-term capital to industry".

T.K. Choudhari, in the 7th minute of dissent to the above quoted report, mentions the organisation of Industrial financial corporations, the Industrial credit and Investment corporation, the National Industrial Development corporation, the direct financing of and guaranteeing of world bank loans to Tatas and the entry of the State in basic and key industries, as "significant and large scale developments in the sphere of industrial management and finance."

(2) The recent nationalisation of insurance further strengthens the position of the State.

(3) Increased government control and influence in the sphere of banking must also be mentioned in order to complete the picture of the new position of government in the field of finance.

As a result of all these developments, the proportion of funds provided by managing agents out of their own funds, as contrasted with the routing of funds obtained from banks, becomes important. We have already traced the evolution of the present position in these matters. It is worth giving here the latest figures given by Mr. C.D. Deshmukh in Parliament. Unfortunately, the
centreIs breakdown of these figures is not available. The government had examined the statistics of 1720 companies managed by 1340 managing agencies which covered a large proportion of the bigger managing agency firms. It was found that out of a paid-up capital of Rs. 251.21 crores, managing agents had contributed Rs. 29.26 crores, being 11.6 per cent of the aggregate paid-up capital of these companies. Loans and advances made or guaranteed by managing agents amounted to a little over Rs. 13 crores in a total of Rs. 76.45 crores i.e. about 29.95 percent. The loans advanced by the government were not of this dimension. If one were to eliminate the managing agency system one would have to find every year finance to the extent of Rs. 18 or 20 crores for loans and advances and 15 per cent of the capital of new promotions. (See page 6; Times of India August 20th, 1955.)

This being the situation it is clear that several possibilities exist. An extreme course would be a decision against allowing formation of capital in the hands of managing agents and/or a decision against allowing the routing of capital via managing agents. If the managing agency justifies itself during its "period of trial", it might be found possible to allow it to continue to play both these roles, not purely for private profit, but under the general guidance of the State. Thus seems the most likely course of actual events. The third alternative, the continuance of the financial function in private hands with, perhaps, an association of managing agents for underwriting etc. is now not regarded as a solution that is sufficient in itself, but such developments, if they occur, would help private enterprise to retain the position it is losing.
THE TRADING FUNCTION

INTRODUCTION

Trading activity, like financial activity goes right back to the earliest agency houses. The peculiarly modern problem, namely the significance of the total sphere in which the agency houses trade and the significance of discussing separately trade on its own account and trade on the account of the managed companies arose mainly after the 1850s. With the shift to productive activity organised under the joint stock form, after the 1850s, it was inevitable that these problems would arise. Modern manufacturing production was almost exclusively controlled by the managing agency form. Thus the problem of disposing off their manufacture and of purchasing raw material faced all managing agents. Did the managing agents take up this responsibility or did they leave it to individual companies? If they undertook it how far towards the consumer and towards the raw material or capital good producers did their organisation extend? Did they undertake trade on the behalf of other resident and non-resident producers? Lastly through what mechanism did they undertake these activities and what significant conventions and practices did they follow? It is our objective to outline briefly the main trading activity
activity undertaken by managing agents between 1850s to 1914 and 1914 to 1952.

FROM 1850s TO 1914 - MAIN LINES OF TRADING ACTIVITY

We shall now proceed to note separately developments in each centre. It will be found that the European firms and Indian firms in different areas followed different patterns of development and their relative significance in different types of trade varied very considerably.

The pattern of managing agency houses trade in Calcutta is perhaps the easiest to describe. The main export lines that were developed during this period were tea and jute products. Both involved the marketing of the products of managed companies that had been developed by these houses. Tea exports were shared by the agency houses and other international concerns while the export of jute was solely in the hands of the agency houses. The agency houses owning a large number of jute mills such as Finlays, Yules, McLeods, etc. entered this field. The agency houses also continued to represent an increasing number of foreign manufacturers. In imports machinery was a very significant item and firms like Martin Burns and Balmer Lawries specialised in this field, while other firms
firms tended to take agencies for products they could consume in their managed companies or market conveniently for other reasons. Most of the British agency houses made attempts to develop internal markets within their own groups, but did not pursue, with the vigour of the early agency houses, the attempt to penetrate Indian consumer markets.

1 In Bombay European firms handled the bulk of the export trade (which mainly consisted of the cotton trade) until the arrival of the Japanese shipper about the year 1886. Early in the 20th century Indian firms like H. M. Mehta and Kilachand Devchand entered the field. Throughout this period cotton exports continued to be the most significant. In the yarn trade Karimbhoys, Sassoons, Petits etc. participated. Tatas, Nowrosjee Wadia, Moolji Jetha, H.M. Mehta, Khatau, Dharamsey etc. had ginning factories. In Machinery import Greaves Cotton were the first to enter (in 1870) and transferred their agency for Platt Brothers to Nowrosjee Wadia in 1880. The two continued to secure orders till the following competitors entered: Sorabjee Shapurji (1887), Bradbury and Brady (1895), Gannon Dunckerley (1895), H. M. Mehta (1897), Duncan

1 Data for Bombay relating to this period obtained from Rutnagar: Bombay Industries - The Cotton Mills, 1927, pp. 609, 649-663, 697-772.
Duncan Stratton (1906). Among buying agents for mills machinery we find Greaves Cotton, Finlay, Sassoon, etc. In piece-goods imports firms like Killick Nixon Brady and Co. etc. figure (though during this period, and more so during the next, these firms tended to shift to other lines such as machinery etc.).

In Ahmedabad Shroffs business and mill promotion tended to be combined to a considerable degree. Shroffs like Harivalabhdas Mulchand and Mansukhbhai Bhagubhai had promoted textile mills before 1890. Agents like Tatas, Mangaldas and Co. and Mansukhbhai Bhagubhai were interested in ginning. Mangaldas and Doctor and Co. were among those interested in mill machinery and stores. Ambalal Sarabhai is an example of spread from production to raw material trades. The Seth Mangaldas Jaysinghbhai group is remarkable for having undertaken Suttas (speculation in raw materials) for its managed companies.

In Madras trading activity was very important. Raw produce export and the import of engineering goods and piece goods constituted the main activity. Firms like Parrys, Bests, Binny etc. participated in these activities.

1 Data for Ahmedabad during this period obtained from the Ahmedabad Mill Directory 1910-1911 published by N. N. Desai, "Commercial News", Ahmedabad.
FROM 1914 TO 1952 - MAIN LINES OF TRADING ACTIVITY

In discussing the modern period it is possible and necessary to go into further details regarding the role of the managing agencies in different stages of trade. Thus we consider the role of different classes of managing agencies in each stage and field of trade in each centre.

MANAGING AGENCIES IN EXPORT-IMPORT TRADE-1914-1952

The British managing agencies in Calcutta, Madras and Bombay continued to be important in this field during this period. Indian agencies, as we shall see below, entered only in the export of certain raw materials. The number of distribution agencies of non-resident companies handled by British managing agencies appears to have expanded during this period. The character of these agencies also changed: to illustrate, firms like Killick Nixon, Bradys and some Calcutta houses, who were interested in the import of piece goods, tended to shift to the import of machinery. In the machinery trade itself the variety of products, imported tended to increase very greatly. It has to

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1 Some Indian managing agencies interested mainly in trade were also established during this period e.g. Kilachand Devchand.
to be noted, however, that during this period the importance of the managing agency form in the field of export-import trade declined owing to the increase in trade with non-Empire countries; countries whose trading organizations preferred to deal direct with the small Indian wholesaler and retailer; rather than via. British managing agencies who had the facilities for such trade. The fact that the Indian wholesale and retail sectors were independent of the managing agencies made it easy for foreign goods to enter the market. Secondly, the increased importance of international firms such as Levers, Fergussons, the Petrol companies, the Tobacco and Chemical companies, etc. were at least a small factor reducing the importance of the managing agency form.

MANAGING AGENCIES IN RAW MATERIAL TRADE - 1914-1952

The trading activities of the managing agents also extend into stages prior to manufacture, namely the supply of various raw materials and machinery. As we have noted vertical integration in the supply of machinery, transport and coal has proceeded far in the Calcutta jute, tea and coal complex (in the case of tea plantation is undertaken by managing agents). In Iron and Steel engineering; units like Martin Burns and Tatas tell the same story.
In industries like sugar, it is only the agencies in the Deccan that control raw material production. This is a development which falls definitely in the period after 1914 while the earlier patterns in Jute, tea and coal might be described as a continuation of earlier developments. In cotton textiles the managing agents continued to own a number of gins and to purchase this raw material; which, in contrast with sugar cane, was not perishable, and hence gave the managing agents more opportunities for profit. There are also large independent trading firms (often controlled by individuals who have some manufacturing interest also) in the raw material supply field such as Kilachand Devchand, Rallis, Volkart, etc. Unpublished works and works under preparation show that these foreign firms and a few Indian firms in Bombay and Calcutta substantially influence the raw cotton trade.

1. The reference is to unpublished thesis and thesis under preparation dealing with cotton marketing in various regions. The works referred to deal with the South Indian and Central India regions respectively: viz: Indian: Production and marketing of raw cotton in South India, Madras University Library: TSOI (unpublished thesis) and Prof. Bal (Nagpur) thesis under preparation.
MANAGING AGENCIES IN WHOLESALE TRADE-1914-1952

In the distribution of products we find that the tendency towards the elimination of the wholesaler appears to have been stronger in the Indian rather than in the British sector. The formations of syndicates in sugar and cement both fields were Indian enterprise predominates are said to have reduced the number of wholesalers; though wholeselling was retained as an independent stage by these organisations. Similarly, during the war period, the control authorities also operated in this direction, particularly in cotton textiles. In spite of this fact, however, the tendency towards the elimination of the wholesaler cannot be taken as established; we have rather a fairly stable position with occasional large-scale attempts to change the balance in particular fields.

Managing agencies in retail trade-1914-1952

Centrewise differences are not important in this matter. It is industrywise differences that are signi-

significant and again it is only in the section mainly controlled by Indian enterprise that we find attempts to enter this field.

In the consumers' goods industries; cotton textile, sugar, jute, paper, etc. the retail stages continued to be outside the control of the managing agents throughout this period. It was only cotton textiles and that too in recent years that systematic attempts by managing agency groups to enter this field became evident.

In the producers' goods industries; iron and steel and engineering, it is only in a few branches of engineering that all India organisations for distribution i.e. retail shops and show-rooms have been set up by managing agents. Thus we find that the

1 See pamphlet entitled "Struggles and Achievements of Federation of Calcutta Retail Textile Goods Dealers and Tailors associations" pub. Dec. 1949 by L. R. Dasgupta of the Eastern Chamber of Commerce, Calcutta. Page 19 the mills managed the initiation of a more for leaving the entire distribution matters to them and a scheme was brought before the Government of India in 1947 whereby the mills would open retail shops and would sell cloth to the consumers at a cheaper price... Proposals were mooted out even for contribution of a huge sum by the mills to a central fund, to be utilised for the subsidisation of purchases by the poor sections of the community." These efforts failed but we have noted in our sketches and elsewhere the entry of managing agency groups in this field. See also p. 142-144 of infra text.
the rough area occupied by each field and stage of trades by the managing agency form can be indicated. Certain fairly definite patterns appear to prevail in each field.

Lastly we can note the peculiarities of certain individual groups in the trading matters. Thus in the case of Walchands we have a special case of an entry into trade to support a shipping enterprise. In the case of Kamanis we have an example of an Indian firm being a distributor of various foreign products. In the case of firms like the Mooljees we have example of leading entrepreneurs having helped to establish markets and organise trade on a large scale. In cases like Balmer Lawries we have the continuation of old traditions of integrated trade and finance; in certain cases like Delhi Cloth mills we have a deliberate entry into the retail stage on a large scale. In the case of particular type of manufacturers we again have links with particular types of trade. Thus apart from variations in the character of activity between classes of managing agencies there are a very large number of individual variations. Past history, present vertical integration and entries for special purposes explain the trading activity of managing agents.
We consider certain broad peculiarities that characterised the trading mechanisms of British and Indian agencies; of managing agencies in each separate industry; and of large and small managing agencies respectively. We have already noted the fields and stages of trade in which these classes of agencies were interested.

We begin by outlining the developments as far as British managing agency companies are concerned. Right from the start it was large British companies and not Indian companies who came to represent an increasing number of foreign manufacturers. The large British groups also developed elaborate sales and purchase departments. The existence of a sales department permits rationalization of this activity within the group. The possibility of efficient organization is sometimes increased by the fact that a number of import lines either related to the main producing lines or required for the manufacture of the main lines are also handled by these agency offices. Common purchase departments increased bargaining strength. We have already noted the changes in the trading practices of British agencies that took place about 1870, namely the decline in the
the significance of the consignment trade system, the increase in the strength of the agency houses and the development of foreign exchange banks for financing the export import trade.

During an extended period, commencing from the 1850s, there occurred a shift in the trading activity of British managing agencies from commodities in which agency houses had been formerly interested to an export of jute and tea and the import of machinery. This was due to the development of the coal, jute and tea production complex. Now it must further be noted that different types of commodities tend to be handled through different types of trading mechanisms. According to local information the trading practices that developed when these new commodities became important still prevail today. We have therefore merely to describe present practices. As for imports (which are handled by the overseas manufacturers sections of the British agency houses) we may note that supplies are obtained from manufacturers in various ways, e.g. "outright purchase either for stock or for filling particular orders, ordering on a commission basis, occasional orders on consignment etc." As for sales the larger groups
groups maintain representatives abroad. Their sales departments pay constant attention to these markets while their associations e.g. the Indian Tea Association, are active in concluding international agreements, etc. relating to these commodities.

Turning to the large Indian groups we find quite a different pattern of practices. Indian agencies were never important in the import trade and only a few were important in the export trade (i.e. the yarn trade to China). They do not, in general, represent foreign manufacturers. Thus only internal trade need be considered. In the case of Ahmedabad agents, even remuneration was based on sales, which were thus explicitly made the agents responsibility. The other most significant peculiarity that has developed in many Indian managing agency houses is the independent sales company which replaces or becomes more important than the sales department. Among our sketches we mentioned Dalmia Jains, Birlas, J.Ks. and Kamanis as examples of agencies having selling agents controlled by the managing agency houses. The importance of such practices in Ahmedabad and Bombay have been noted by the Memorandum of the Bombay Shareholders Association (e.g. in Bombay New Kaizer-I Hind, Madhusudan and Meyer had such agencies. Swadeshi cotton and New Pralhad are also mentioned as examples.
There might appear to be a few exceptions even to the rule that trade is undertaken by managing agencies.

1 The sales company is an independent legal entity. It is set up and controlled by the managing agency and it undertakes the marketing of the finished products (in particular lines) of the parent agency's managed units. It may sometimes do the same job for outside companies. This work is generally done on terms which the managing agent himself might have found difficult to secure. On the other hand this device permits rationalisation of marketing within the group. This end, however, is also achieved where we have a common sales department. The advantage of the sales company, it is claimed, is that it gives incentives superior to those that can be given in a common sales department. Its flexibility is greater because it represents the private capital of managing agents as against shareholders' capital and therefore it is permissible to run greater risks to include goods produced by other companies, etc. etc. (See p. 80, Memorandum of Bombay Shareholders Association).

2 On the other hand, such practices are explicitly prohibited in the managing agency agreement of some British groups. It should also be noted that groups like J.K.s. and Mafatlal Gagalbhai insist that they appoint independent sales agents and that even if they are interested in these companies they were set up not to exploit the manufacturing units but as independent units (See sketches of J.K. and Mafatlal Gagalbhai).
agencies but on closer examination we find that most of the exceptions are exceptions in form rather than in content. The Tatas for example have no sales organization of the managing agency as such. But they have a common policy which is implemented through departments for sub-groups or by inducing particular companies to undertake particular trading activities for each other. Similarly Muruguppas replied that they do not undertake sales for managed companies but as they do not have many managed companies in the same line no purpose would be served by the managing agents formally undertaking sales as their own responsibility.

We note, however, that the trading organisation of managing agents seldom extends to the retail stage, and the presence of wholesalers in many industries shows that over an important sector managing agents operation do not extent to this stage also.

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We have so far been discussing differences as between British and Indian Agencies. It was inevitable however, that as some industries were developed by both British and Indian agencies, common practices would emerge in these fields. As each type of industry developed its different physical characteristics encouraged the development of particular type of practices, e.g. taking the consumers goods sector as a whole the wholesale and retail stages tend to have more power in this sector than in the capital goods sector. The multiplicity of producers in the consumers goods industries is responsible both for this weakness of the managing agents and for the wide variety of trading terms and practices that developed in industries such as textiles.

The phenomenon is even more marked in industries where reorganisation of trade was jointly effected by British and Indian agencies. The organization of syndicates in industries like sugar and cement in the inter-war period resulted in trading practices in these industries becoming significantly different from others.

1. In different types of industries, for example, the credit extended to different stages in the trade is likely to vary and provide differing advantages to the managing agents.
In cement distribution was rationalized. The elimination of the wholesaler in sugar has already been noted. Thus the physical characteristics of products as well as conventions and organization in each field are important factors.

A further fact that leads to make trading practices of British and Indian agencies different is that British agencies are mainly large agencies while Indian agencies include many small firms. It is only in the large managing agencies that characteristics of agency houses such as special departments for trade, etc. developed. In the case of small agencies particular conditions in different fields determined trading organization. In the larger firms in the Cotton and Jute industries trading activities are often confined to one particular related trade e.g. in the Cotton textile industry, as we saw, particular agency houses tended to specialise in some one related trade e.g. machinery, the yarn trade, the raw cotton trade etc.

1. See pages 305, 312.

Post script

The latest developments in this field are not, as yet, as far reaching as in the sphere of finance. The new company law (Sections 356-360 both inclusive) prevents managing agents from acting as sales agents and will eliminate the conflict between managed and managing companies to that extent. The problems presented by S&H's Syndicates and the vertical spread of firms in certain fields have not yet formed the subject of new policies. The pros and cons and the spheres of State trading are still under discussion.
The Remuneration of Managing Agents

We shall try to indicate in this introductory section the importance of this item. Though we shall be chiefly concerned with a description of the evolution of systems of remuneration and their significance for economic history it is yet necessary to begin by stating the importance of this item in so far as it is related to many other vital points.

We refer first to the conclusions of former sections because they are closely linked up with the main topic of this section, e.g. in preceding sections, we have already acquired some idea of the functions of managing agents. It will have been noticed that some of these functions such as finance, trade and the other functions performed by the different departments can be roughly quantified. Many of the important functions of managing agents are however intangible such as pioneering, timing of rationalisation, the organisation of monopoly, skill in purchase and sale of different sorts, etc.


1. The remuneration clauses are a crucial item in the managing agency contract. Remuneration clause, like other clauses, are the result both of business evolution and of legal changes.
In preceding sections, we have also considered the effects of the policy of the managing agents on different interests "within" and "without" firms.

Now, both functions performed and the interests involved are affected by the policies of the agents; which in turn are partly determined by the framework of incentives provided by the remuneration clauses. These classes are therefore crucial.

The problem of remuneration is also important, because, apart from broad patterns of practices which have differing significance, it may also reflect, within these patterns, high or low business standards and attempts at undue extortion by certain classes of firms adopting each type of practice.

Most important of all, the problem of remuneration casts light on two problems, the elucidation of which is very important for an understanding of history and present policy. The first problem is that of evaluating the significance and describing the conditions under which remuneration is "given up" by managing agents. The second is the need to balance the services rendered by managing agents against remuneration on one hand and the disservices and abuses of the system on the other.
The following are the main items of which the remuneration is composed.

1. Office allowance - Payments for head office and branch office expenses. This item is dealt with in a separate section.

2. The most important item in remuneration is a percentage of either production profits, sales, etc. or a percentage on various combinations of the same. To any of these may be added limitations or provisa which give varying incentive results.

3. Commission on purchase or commission on securing of particular goods or facilities that are explicitly mentioned. (Items No. 2 and 3 are dealt with in one section.)

4. Indirect benefits such as patronage, etc. that are not explicitly sanctioned. This can be treated only in general terms.

Items two and three given above are generally included under the term "commission", but it is the commission on production, profits, or sales (i.e. item No. 2) that constitutes the major item and the most significant item in remuneration. What one refers to managing agents commission or remuneration without...
further clarification it is item No. 2 that is referred to.

**EVOLUTION OF DIFFERENT COMMISSION SYSTEMS :-**

We have already noted that systems of remuneration that vary with production, profits and sales are the main forms of commission taken by managing agents. In addition to these three main forms, many agents take other commissions for particular "services", which, as stated above, do not account for the bulk of their recognised remuneration. In the following account we shall be chiefly concerned with the main forms of remuneration and only mention the other forms while commenting on a few centres where they are prominent. Centre-wise differences and industry-wise differences are the most important in this contest.

We shall first describe origins and developments in each centre.

1. We have mentioned elsewhere that the first managing agency agreement was drawn up by a British firm of solicitors in Calcutta; the system of commission on sales and on production that was adopted in early

1. See page -61
agreements in Calcutta came to be generally prevalent in this centre. In the Calcutta centre in general and especially in the jute industry, the majority of the mills long continued to pay on gross sales.

In the Bombay Centre, C. N. Davar (1854) adopted the system of remuneration on the production of yarn and this was adopted by his successors. There followed some dissatisfaction as dividends fluctuated while managing agency commission remained constant; obviously a tendency that made the introduction of some new system desirable. The system of commission on profits was originated by the Tatas in Nagpur and introduced in Bombay by Greaves Cotton in 1886, after which it has been increasingly adopted in this centre.

As time passed commission on profits became increasingly popular in Bombay. It has been noted that "by 1928 only one mill paid commission on production, 8 paid commission on sales and 61 mills paid on profits". (1 mill was managed by a managing director whose remuneration was fixed by the Board of directors).

1 See Rutnagar Bombay Industries, The Cotton Mills 1927
2 The new machinery they installed in 1886 namely the ring frame which doubled the output for spindles rendered the old system of commission unsuitable and provided another compelling reason for change.
3 Lokanathan's Industrial Organisation in India, 1935, P338.
In Ahmedabad the first mill was floated in 1857 by Rao Bahadur Ranchodlal Chhotalal. The managing agency agreement provided for a permanent arrangement and a two and a half per cent commission on cloth and yarn produced and sold. One-third of the commission was to be foregone if the company could not pay a dividend of four per cent. In Ahmedabad we originally had a few firms that charged commission on production plus sales. Later this was changed to a commission on sales only so that the phrase "3 pies per pound of yarn" came to be replaced by 3 or five per cent of commission on sales proceeds. Many of the subsequently set up mills followed the system of commission on sales. The link with profits (dividends) and the making of an agreement of "permanent" duration was fairly common. In the case of certain companies floated in the 1870's we have provisions for compensat-
ing the agents if the company is wound up, provisions that permit forward contracts, provisions that enable the agent to take a percentage on all bills, and the striking provision providing for a division of managing agency profits among subscribers of original capital (e.g. in Marsden Mills there is a provision for the division of a ten annas share in the managing agency

1. See Natvarlal V. Desai "Directory of the Ahmedabad Mill Industry 1929-1933"
managing agency among subscribers of the original capital
with the Marsdens retaining only six annas which was a
development peculiar to this centre.

Kanpur, which developed after the 1870s generally
came to adopt the system of commission on profits, though
some of the early British entrants had adopted other
systems.

New centres like Coimbatore, have adopted the same
system though there are variations from centres like
Bombay etc. as commissions are taken on a wider variety
of purchases etc. and there are some variations in
business and accounting practices.

The development of other industries and industrial
areas such as mines, etc. also show the same type of
history. i.e. the early adoption of commission on sales
in the British firms and special commissions such as
royalties, salamis etc. to suit the particular industry.
The north Indian centres in general adopted the system
of commission on production.

The origins and the trends of developments in
various centres were the result of the differing histo-
rical background and of differing requirements of
different industries. We have seen that even in the same industry e.g. cotton textiles, different practices developed in different centres. At the same time, in the same centres different practices were developed to suit different industries e.g. in Eastern India coal and plantations tended to have special provisions in addition to the general prevalence of commission on sales. The position reached by the thirties has been summarised industry-wise by Lokanathan.

"In the tea industry, the usual terms are a minimum amount when a garden is laid out and subsequently a commission of 2.1/2 per cent on sale proceeds and a further 2.1/2 per cent on profits; 10 per cent on profits is the usual return to managing agents in the coal industry. With important exception of the Indian paper Mills Company, the paper industry pays to its managing agents a commission based on profits, usually about 10 per cent. In the cement industry the commission on profits is almost universally prevalent in all the units. Both the systems of the commission on profits and commission on gross sale proceeds exists in the sugar industry".

1. P.S. Lokanathan: Industrial Organisation in India 1935, P -33
The next factor that would have caused a change in the situation was the company law of 1936. This law which made provisions recommending the system of remuneration based on profits, however, provided for the adoption of other systems by special resolutions. A survey of remuneration practices in 1951-52 showed that the net result of the law was that such special resolutions became common, and except for some strengthening of the trend to adopt commission on profits in new floatations, no change in the situation took place. The large houses which had long traditions of systems other than that on profits (e.g. the large British groups) continued their traditional practices.

Lastly we can present an industry-wise account (nothing variations in different centres of the same industry) of the systems of remuneration prevalent in 1951-52.

In the cotton textile industry commission is generally on profits, with the exception of Ahmedabad South Indian agency agreements explicitly permit commission on raw materials, buildings, machinery etc. as do a few firms in other centres. Many agencies that

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1 Quantitative remarks based on our table,(overleaf), while a few others are based on local information collected during the survey.
do not have this explicit sanction however, continue to follow old practices such as purchasing cotton and shifting it to the managed or managed company’s name as profit considerations indicate. This practice was noted by Rutnagar (1920s or earlier) and was still prevalent in the post-war period.

In the jute industry the adoption of the system of commission on profits by some large agencies has altered the old proportions, so that out of the 50 concerns in our table, 1951-52, 29 paid commission on profits, 15 on sales, and 6 on profits plus sales. Even here we have provisions for commission on purchase of machinery, raw materials, etc., in a few cases, but in this industry and in the British sector generally managing agents depend for profits more on their monopolistic power and patronage than on cruder malpractices.

Commission on profits is now also more important in coal and universal in new industries like shipping, airways, vegetable oils, mining and chemicals, engineering, the new miscellaneous group, etc. It is also more prevalent than it formerly was in sugar, planting, etc., while it continues in cases like iron and steel etc., as noted in the quotation from Lokanathan given earlier.
Apart from the basic system, i.e. profits, sales, production, etc. it is important to note four types of provisions, (a) concerns giving a minimum which are a substantial fraction (37 in our table) and much larger than class (b) (5 in our table) which put a maximum on remuneration — thus limiting incentives and encouraging particular types of policies in case of high profits, (c) the third provision that we must note is the link with dividends that has been becoming increasingly popular since the Tatas introduced it in 1916 (32 concerns in our table), (d) the fourth provision is the linking of remuneration with the satisfaction of capital requirements, thus giving the agent an incentive to fulfill what has come to be though of as his most important function. (Noticed in small firms, in new institutions and in plantations.)

All these four types of provisions affect business policies and are likely to assume greater importance as the public character of private enterprise is increasingly realised.

1. There are many types of sliding scales aimed at inducing the agent to perform his varied functions. One illustration has been given above. Another useful incentive is provided by the linking of remuneration with the starting of production. Various incentives that provide links with the construction of an adequate financial structure, and other combinations, all reflect either the individual requirements of the company or illustrate some general adjustment between interests.
The next point we must note is that there are also provisions laying down the obligations of managed companies, and which reflect special advantages possessed by the managing agency firms for which the managed companies charge. The link with commission of equipment purchased may show that particular advantages are possessed by the managing agency firms for making such purchases. Commission on finance building and machinery, labour etc. may reflect the same. The prescription of a minimum percentage of share-holding to be held by managing agents reflects a solution of the problem of separation between ownership and control and lays obligations on both managed and managing companies. The system of giving increments to managing agents is prevalent in many cases. It is particularly significant in small companies and represents an obligation of the managed companies.

1. There have always been varieties and variations in these obligations that partly reflect conventions and partly adjust remuneration to the particular needs felt in an individual company. Even in the same agency group, as can be seen in our table, we have variations to suit different situations. Much information relating to these matters can be found in Kothari's investors encyclopaedia.

2. We may bring together in a foot note certain points relating to the whole question of the conflict between ownership and control. The following are the points that have emerged from our discussion (a) the percentage of the managing agents shareholding we saw in our section on finance that this did not necessarily lead to conflicts if certain business traditions existed. (b) the incentive system provided by the agency agreement is likely to affect the emergence of this conflict. (c) business standards (d) the provisions of company law demarcating the
OFFICE EXPENSES

As for office expenses, it is generally claimed that at least in the case of the larger agencies in Calcutta great economies are achieved in this regard. In Bombay during 1927-30 the tariff board was given statements of what mill companies were charged for office expenses and though we cannot go into the full justification for these yet the amounts seem roughly reasonable.

The agencies that are well established in Ahmedabad, Coimbatore, Kanpur and other centres also cannot be criticised on this score without a more detailed and separate investigation into these expenses. It is however clear that the newly promoted small companies

Foot note No. 2 continued from last page.

the powers and responsibilities of managing agents, directors and shareholders provide the basic frame within which conflicts between ownership and control take place (a) the awareness of the shareholder and other sociological factors affect the immediately important practices.

1. Incidentally we may note here that the Company Law Committee goes into the general problem of remuneration and deals with various issues we have discussed above, e.g. a maximum for remuneration with excesses in risky fields to be sanctioned by special resolution; the theoretical possibilities of drawing up a scale of varying percentages applicable to companies of different size and carrying on different types of business when information is more complete, the sanctioning of minimum remuneration by the shareholders and the tightening up of restrictions on patronage, inter-investment, etc.
sometimes lose through this type of payment so that in cases of failure, the managing agents, instead of shouldering the risk they should properly bear, shift it on to the share holders. Certain fixed expenses ratios for administration have tended to emerge in the tea, air-craft, coal and other industries.

In addition to the remuneration that the managing agents receive as percentages commissions, etc. they receive the above mentioned office allowance. This, therefore, is something supplementary and is meant to exactly cover expenses and not to make profits. C. C. Choudhury (Indian Company Guide-1949 page 221; remarks "of late there has been tendency to take it as if it were a part of the remuneration of the managing agents and prospectuses can be seen where managing agents charge office expenses to the company and in addition take on office allowance but make no provision for minimum remuneration; thus the office allowance becomes a substitute for the minimum."

GENERAL REMARKS:

Having touched on the historical evolution of remuneration systems we can now sum up some results and discuss further some of the issues raised in our introduction.
In our introduction we tried to indicate the importance of the problem of remuneration and its relation with the problems of the performance of functions of the results secured by different interests and of the managing agents probable reactions to different economic situations.

Two problems were selected as particularly important; one was that of remuneration being given up. The other stated that services rendered (which we noted were difficult to measure) should be balanced against remuneration and disservices and abuses.

Our review of the evolution of different items in remuneration has shown that it is as difficult to measure remuneration as it is to measure services because our fourth item viz. the indirect benefits derived - is not measurable.

We have noted that legal pressures (esp. 1913 and 1936 acts) have not achieved much. Remuneration has also not been determined through any general competitive pressure. It has been more dependent on business standards, the degree to which the particular managing agent is in a strong position etc.

The indirect benefits mentioned will disappear only if new and rigid organisational frames and new authorities are created to exercise some of the powers
such as recruitment, purchase, etc. formerly exercised by agents. The fact that the largest companies give different terms to different managed companies shows, apart from the industry-wise contrasts, the importance of individual adjustments and of the strategic powers of the agents. It is also necessary to note that the narrowing of the legal framework (the 1936 act) did not very strongly promote the trends making for equal levels in remuneration and that varieties and variations in terms remain very important. Apart from the fact that both terms and achievements cannot be precisely measured, we have, therefore, to take into account the fact that they are not related through any general competitive pressures, but are more dependent on business standards, strategic power, etc. We have also seen that the expenses charged for promotions, office expense etc. are likely to give room for abuse in the case of smaller companies, while patronage etc. give equally large room in large organisations. The variations in terms to provide differing incentives for small and large business and for special situations also call for further investigation; as the mere pronouncement that remuneration should be based on profits is incomplete in detail.

It is necessary to clear up one more question
here. This is the sacrifice of remuneration by managing agents. As this represents a point that is much made of, it is worth reviewing the opinions of various expert bodies that have directly enquired into this problem. In fact the techniques and standards of managing agents have come in for criticism from a number of expert committees. Their reports formulate certain issues and throw light on the group of controversies that include the problem of remuneration.

Take the report of the Court of Enquiry, Coimbatore appointed to enquire into the disputes between the labourers and employers in the textile mills in Coimbatore district Madras 1938.

We find in this report that the opinion that managing agents always sacrifice remuneration only when absolutely unavoidable because of the necessity of pleasing the share-holders or of nursing the concern; but never, except under pressure, for labour was accepted by the author. The usual story of various pleas and claims, such as special difficulties in finding finance, and of having given up commissions, are also refuted in this report. In this centre commissions had been given up only when net profits proved insufficient to make up a particular rate of dividend and it was either stipulated or taken as understood that the amount given

up would be recompensed in the subsequent years. The high percentage of share to block capital in Coimbatore and the fact that agencies were not really separate (though the Millowners claimed that they were) and the general prosperity indicated by various factors were used to refute the argument relating to finance.

The U.P. Labour Enquiry Committee 1946-48 takes the most extreme pro-labour position in interpreting balance sheets that is possible in the current context. For example they treat reserves as separate from capital and built up at the expense of labour (here they do not accept the present law as a guide). They also refuse to consolidate loans and capital (which income tax procedure allows) and regard depreciation at high rates as concealed profits, (pp. 260 to 263). The data they present indicates that managing agency commission and remuneration has kept pace with mounting profits.

The Bombay Textile Enquiry Committee 1938 (pp gives interesting data and comments for the three textile centres in Bombay.

"We hold that it will be a reflection on Indian employers as a class to suggest that to induce them to
expert themselves to their highest capacity, remuneration has to be offered to them on a basis which is generally recognised as unsound". The justification offered is that the managing agents hold a large initial share in capital. This justification is not unique and has nowhere been accepted. Besides, "even in Ahmedabad credit from banks is now more in vogue than in the past."

The figures for commission charged and forgone etc. show that both are higher than in other centres. "Taking all the factors into account payments to agents in Ahmedabad are on a higher scale than in other centres. The agents have also been more enlightened in labour matters and have promoted the efficiency of mills." (See Report of the Textile Enquiry Committee pp 453-244)

The issues raised by the shareholders associations, by labour representatives, and the above mentioned committees were further accentuated by war time developments and the general deterioration that set in during the period of inflation and controls administered by a foreign government in collaboration with representatives of the business class.

It is difficulty to estimate how much the managing agents actually gain in different industries. Even if we make an attempt to measure those quantities that are
measurable we find that there are certain phenomenon (e.g. see Munshi's conclusions given below) that cannot be significantly explained with the limited data that the managing agents are prepared to make available.

We may, however, note here most emphatically that the elaborate cases of commissions surrendered are not really valid unless all these facts are given.

In a study of profit trends between 1910 to 1944 it was found that the percentage of managing agent's remuneration remained fairly steady over the period in the case of the cotton textiles followed by paper, coal and sugar, whereas there were wide fluctuations in the case of jute. It is difficult to justify either the steady maintenance of high rates or of very wide fluctuations. The remuneration was the lowest in the case of iron and steel, sugar coming next. These trends of the percentages of agents remuneration to net profits however further support a contention that could in any case have been made on the basis of general judgement alone.

It is that the managing agents generally regard themselves as entitled to any residual windfalls and to as

high a general level as is permissible with the slightly 

felt need of deferring to shareholders wishes. Often 

these decisions depend on temporary considerations 

that affect financial policy.

Post script:

The restrictions placed by the new company law on 
the appointment of associates etc. as sales agents will 
affect the real remuneration of some managing agents. 
Other restrictions on patronage etc. will have the same 
effect.

Managing agents will now be entitled to a 
commission not exceeding 10% of the net profits and 
when there are no profits or in the case of inadequacy 
of profits to a maximum remuneration of 50,000 per year. 
This sum includes the office allowance and remuneration 
of directors. Additional remuneration is permitted if 
sanctioned by special resolution of the company and 
approved by the Central Government as being in the 
public interest (See pp 76-79 of A Hand Book on the 
companies act 1955 issued by the Indian Chamber of 
Commerce, Calcutta).

The necessity of further experimentation 
with remuneration systems is a matter of importance to 
private houses if they intend to justify their existence.
The increasing recognition of the public significance of the managing agency form in particular circumstances

The necessity for making special provisions to restrict managing agencies in particular fields was realised quite early, and the tendency has been to increase the number of such fields; as well as to increase restrictions in the fields that remain. The nature of each industry leads to variations in the public responsibilities of the control. Thus the responsibilities of private enterprise in financial companies, in public utilities, in transport, in mining, and in the press have been and are quite different, e.g. national development, conservation, defence consideration, the responsibilities of democracy, etc. are all considerations which in one field or the other necessitate increased restrictions on or facilities to private enterprise.

We shall now consider the different fields in chronological order of managing agents being placed in special legal positions.

Railways

As is well known this was the first field in which we have special conditions for private business. These, however, were not restrictions but concessions. We had private enterprise at public risk.
The great bulk of capital export to India in the decades following the 1850s was for railways and the terms of investment were set by a standard type of contract; the guaranteed interest railway contracts first signed in London in August, 1849. Apart from interests in England (who were the main beneficiaries) a number of Indian British managing agency houses entered this field, especially in the construction of small lines and hence benefitted from these concessions.


The contract covered; raising and expenditure of capital, construction, operations and traffic charges, division of net receipts and terms for the eventual transfer of the railways to the Government of India. There was an absolute guarantee on interest though not on profit. The distribution of risk, uncertainty and profit was as follows: "risk was to be borne by the East India Company; uncertainty should it operate to the disadvantage of the railway promoters, could always be shifted to the East India Company; profit was to accrue to the railway companies (pages 173-175).

The first two large lines, the E.I.R. and the G.I.P. had many agency house connections. These were overwhelmingly important in the case of the E.I.R. while in the case of G.I.P. English business interests and railway interests were the most important. The following lists of original personnel on their boards are taken from Thorner, pp.67 and 116-117 respectively.

E. I. R. 1845 Board.

Sir George Larpent, Chairman. Cockerell and Company.
Bazettee D. Colvin, Deputy Chairman (after May 24, 1845). Crawford, Colvin and Co.
Robert Gurney Barclay
Robert Gurney Barclay
Alexander Beattie
C. D. Bruce
Sir John Campbell
Sir John Campbell
Major General James Caulfield.

Continued....
ELECTRICITY

The Indian Electricity Act of 1910 laid down certain restrictions on private enterprise. The public utility nature of this industry led to a situation in which managing agents' percentage had to be effectively restricted, etc. The rate-structure, however, was not rationalized. There was a scramble for licences and large British firms and smaller Indian groups entered the line. Later the special public utility character of this in-

Footnote continued from previous page.

Thomas L. Kelsall  Kelsall and Company.
John P. Latins  Prominent shipper, formerly of the East India Company's Service.
Alexander Nairne  Prominent shipper, formerly of the East India Company's Service.
William Scott  Scott, Bell and Co.
John Stewart  Ritchie, Stewart and Company.

G.I.P. 1845 Board

John Stuart-Wortley  Member of Parliament
W. J. Hamilton  Member of Parliament
Frederick Ayrton  Lately of the East India Co's Service.
Major General Briggs  Merchant and Shipper.
Major Clayton  Merchant, formerly of the Bengal Cavalry.
Colonel Dickenson  Late Chief Engineer of Bombay (connections not listed)
Capt. Greasley  Thomson, Bonar and Company.
William Gladstone  Director of the London & County Bank.
Swynfen Jervis  Denison, Heywood, Kennards & Co.
John Peirse Kennard  Deputy Chairman, Northern and Eastern Railway Co. (of England).

John Malleson  Lately Military Secretary, Hyderabad.
Major Moore  Chairman, Northern & Eastern Railway Company (of England).
Richard Peterson  Chairman, Middlessex, Magistrate.

Henry Powell  Long-time resident of India.
William Ambrose Shaw  Lately of the East India Co.'s Service in Madras.
Major General Trewhman  Chairman, Allied Assurance Office.

Melvin Wilson  Later the agency houses came to control a large No. of light railways in the country.
industry resulted in the province of Madras taking special action for the nationalisation of this industry.

BANKING

The Banking Act of 1913 prohibited managing agents in the field of banking. The special responsibilities of banks and the fact that the peculiar functions of the managing agents were here irrelevant led to this prohibition. Some banks however, continued to be included within interest-groups and thus the prohibition has been only partially effective.

INSURANCE

Managing agency firms were never an important form of organisation in this field of activity. They were prohibited altogether in 1939. As in the case of banks, however, they continued to be within interest-groups and hence are not completely free from the influence of the system. In the case of both banking and insurance there are a large number of other restrictions which restrict the freedom of the controlling groups.

1 Not many banks had managing agents as a conflict of interests between them and deposit holders interest was likely to arise. The importance of safety and the inadequacy of the profit motive had been abundantly demonstrated by the early history of banking.
A I R L I N E S

Since the early 30s the Airlines have been the recipients of substantial subsidies. The managing agents however, have acquired a distinctive position in this field not only because they have received these subsidies but because they have taken a distinctive type of risk. Almost the entire capital was subscribed by managing agents. The fact that subsidies were likely to be a continued feature and that competitive and unplanned growth had made a unified plan essential led to the formation of a national corporation to take over airlines.

C O A L

The suitability of profit making organisations in fields where conservation is important have been questioned by many. The Mahindra Committee was the first to explicitly consider the problem of nationalisation. The special character of the coal industry, the unsuitability of private enterprise for the conservation of resources or even for their scientific exploitation; added to the fact that

1. Dhekney: Air Transport in India, p. 109 1955
that similar conditions had led to nationalisation in other countries, made the Committee consider this problem. Special organisational changes were suggested by this Committee, which envisaged control and even the eventual abolition of the managing agency system.

PRESS

The problem of managing agents began to acquire importance in this field with the entry of large chains owned by managing agents in the 1930’s. It was inevitable that this would lead to serious concern when the question of organising a democratic press came to the forefront. This we find in the Press Commission’s Report on examination of the problem of forms of ownership; recommendations regarding adoption of the trust form for this field, and recommendation for the diffusion of ownership among employees and even subscribers - in this field. The recommendations are directed against the profit motive operating unchecked in this industry - they regard the newspaper as essentially a public utility and they feel that vital public interests cannot be safeguarded here by the profit motive. They include the managing agency form along with others as one needing regulation and as one which should be encouraged to change.

OTHER INDUSTRIES

The major industries, were no unique restrictions have been placed or are proposed to be placed on managing agents, are cotton, jute, planting, engineering, chemicals and cement. Even here, however, we have the general framework of an increasingly tight company law, of the industrial bill (1951) particular labour and control requirements, special provisions for Indo-British partnerships, etc.

Thus, apart from general public significance of the agency system we have to note the special problems presented by each field of activity and even by different classes of firms in these fields of activities.

Just as it is necessary to comment on each field and industry similarly it is also necessary to comment separately on the large agencies as a class, for they present problems that are different from the problems of the system in general. The typical units composing this class are the large interest groups. An interest group has as its nucleus influential individuals (in a few cases with political experience) who have organised one or more managing agency companies which have come to control a large number of managed concerns of various types. Such groups may also control associations or are
are at least influential in several. Such interest
groups may exercise pressure on expert committees, on
the public, and on political parties. From time to
time they may succeed in exercising such pressures,
though resistances and difficulties are great. These
problems are all the more important because they would
still be there even if the managing agency system was
prohibited and some other forms of private enterprise
took its place.

Post script.

The new company law has to a certain extent
tried to eliminate the conflict between the agents
interest and other interests. The response of the
Business communities and any new initiatives they may
take during the Second Five Year plan are thus likely
to prove important.

The special problems presented by the Inter­
national companies, that are becoming increasingly important
of late, is another aspect that has acquired importance.

The repercussions of the business policies are very
widespread, and hence a large number of topics are relevant in
considering the public significance of forms of organisation. Two
specially important problems that have not been comprehensively
handled by the recent company law are concentration and recruit­
ment to the Board of Directors. As regards concentration the
new company law definitely works against it; but the nature of
current priorities and the policy of government financial insti­
tutions are of a nature favouring concentration. As regards
recruitment to the Boards of Directors we saw in our sketches
that only exceptional Indian firms like Delhi cloth, Kamani's
Karamchand Premchand, etc. have experimented with promoting re­
presentatives of technicians and labour to the Board of Directors.
These traditions have a longer standing in the British Groups.
In the process of Indianisation of the Boards of British com­
panies there are instances like Simpsons, Amalgamations and Stains
where Indians on the staff have risen to the Boards but the
general tendency is to take in the financial family. All these
tendencies present problems to the policy makers.
The information presented in this section falls into two parts: (1) We give the number of important units of control in each industry at different points of time. This of course does not prove the existence of monopoly but indicates the presence or absence of one characteristic that is relevant in the study of monopoly. (2) We discuss in the next sub-section various forms of co-operation - organised with constructive and/or restrictive purposes - between managing agency firms. This co-operation may be organized independently of associations and chambers or through associations and chambers. In other words, our last section leads naturally to an investigation of chambers and associations - an investigation which is undertaken in the next chapter.

1 The data must necessarily be combined with other bodies of data e.g. (a) information regarding the organisation of restrictive schemes that can be obtained from association reports and field investigations, (b) information regarding bargaining strength of raw material producers, labour, etc. and (c) information regarding wholesale and retail trade, etc. before we can discuss monopoly. Some of this information is presented in the next chapter.
Oligopolistical situations first emerged in the British controlled industries that grew up in the early stages of industrialisation. In jute certain groups soon became dominant. The five largest agencies controlled more than fifty per cent of the industry in 1914, 1938 and 1952. In wool a few units have been dominant throughout the whole century 1860 to 1952 (though a few small units emerged in the second half of the period). In paper a few large British units were predominant until well into the 20th century, and even later the number of units has not increased very greatly. In the sugar industry, we had a couple of dominating units of control in North East and South India in the early stages of development. Even after the increase in the number of mills after tariff protection, the five largest units of control in 1938 and 1952 controlled approximately a fifth of the capacity. (This may be contrasted with the case of jute mentioned above, where five units controlled half of the capacity. In the case of sugar it is necessary to add the next 16 to 20 managements before half of the capacity is accounted for). In cotton textiles we had the emergence of large groups in centres like Bombay, Ahmedabad, and, later, when Coimbatore developed, in this centre also. It should be noted
noted that in the interwar period the dispersal of this industry was brought about by independent units cropping up in various areas. The five large units of control accounted for a little less than one sixth of the total employment in 1936, and even less in 1952 due to the splitting up of the Sassoon group. In cement, iron and steel, motor tyres, motor cars, and non-ferrous metals the number of producers is in every case small. The same holds true of particular items in engineering. In plantation, in spite of the presence of large managing agency and international firms, there are large numbers of small planters also. In coal the British sector which produces superior coal is largely concentrated in the hands of a few agencies.

Thus among the major industries sugar and cotton are less concentrated than jute. The British Sector is in general more highly concentrated. The only fields where the small British operator is found is in plantations - where he is one among other types of interests - and in retail trade of a particular type which till quite recently was entirely in his hands.

1. An international combine is almost entirely in control of the match industry. Others are influential in the soap, tobacco, petroleum, chemicals, lamps, cycles and automobile and metal box fields. Though these companies may occasionally use the managing agency form for their Indian subsidiaries, they form a separate class of firms. They have advantages in purchase and sale and in administration that are not available to the other form.
Concentration is not significant and has never been significant in the processing industries such as oil, rice mills, cotton ginning, etc. in spite of the entry of some large firms in the field. Certain industries that developed during the inter-war period such as particular branches of engineering and chemicals, tanning, glass, rubber factories, and vanaspati have a very large number of units. This remains true in spite of the presence of a few very large units in Vanaspati, tanning engineering and chemicals; because the percentage of total capacity these units control is not very high.

DEVELOPMENT OF COOPERATION BETWEEN MANAGING AGENCIES.

Lokanathan touches on this problem in his "Industrial Organisation in India."

The new context of planning makes it worth while to revive and if possible to give it more elaborate treatment. Co-operation at different levels for different purposes and on different terms has various types of social implications. Co-operation may have, as we remarked earlier, either constructive or restrictive
restrictive or both purposes. It is also important to understand the difficulty that lies in the way of co-operation of different types. It is, therefore, important to see what has actually happened so far, so that we can envisage future possibilities.

We shall consider past examples of co-operation by considering separately co-operation organised outside and through associations. We shall consider the subject of co-operation outside associations functionwise, i.e. we shall touch on co-operation for pioneering, co-operation for performing financial and trading functions, co-operation for rationalisation, etc.

In the field of pioneering in the sense of opening up new lines interesting examples of co-operation between managing agency firms are found both in Bombay and Calcutta.

In Bombay the co-operation between Walchand, Kilachand Devchand and Narottam Morarji in floating the Scindia Steam Navigation Company and between Walchand and Tatas for floating the Premier Construction Company are striking examples of big firms cooperating for pioneering. Some-

1 See sketch of Walchand and Associated Companies on p.215-125.
Sometimes this co-operation takes place informally and not through an explicit sharing of the managing agency of a new project. Thus Premier Automobiles in the floating of which powerful agency firms co-operated does not have a managing agency.

If we consider co-operation in pioneering in Calcutta we find that the main instances have been the recent Indo-British partnerships and in engineering. An example of even more limited co-operation - but yet co-operation of a pioneering nature - is provided by the three large engineering managing agencies that came together to build Howrah Bridge.

Managing agencies or rather the leading figures in agencies also co-operate frequently in the duplication of units in well established industries.

As regards co-operation in finance it is known that apart from the personal interlocking mentioned above, there is interlocking of investment in a few cases. Temporary accommodation appears to be more general. Another point which may indicate collaboration is that some banks are jointly controlled by a few large agency houses.

1. See Sketches on pages 195-202 (B.V. Ias) 715-220 (B.L.C.) 237-238 (Kanan) 236-239 (Mongipper) and 240-241 (Tatas).

2. See Sketches on pages 2-8 and sketches of larger groups.
To perform the function of marketing managing agencies have co-operated more often through associations than outside. Even here, however, we have important illustrations such as the co-operation of Martin-Burns and Tatas in iron and steel and the formation of the cement agencies by the A.C.C. in 1936, followed by co-operation between the A.C.C. and the Dalmia group. The handling of distributing agencies etc. also brings out many prominent examples of co-operation between managing agents or between managing agents and other types of manufacturing firms. This was initiated by British agencies and now tends to be adopted by an increasing number of large Indian agencies.

The necessity of rationalisation has also led to co-operation among managing agencies, e.g. among the British groups in the north and south of country, round about the early 1920s, loose forms of co-operation were replaced by complete mergers in order to facilitate further rationalisation. More significant perhaps are the famous examples of vested interests negotiating in order to implement rationalisation measures desirable from the shareholders point of view, but finding it difficult to agree. The managing agents of the Bombay textile mills would have found it difficult to protect their particular interests if they had agreed to merger and rationalisation.
Having considered co-operation that does not directly depend on associations and chambers we pass on to discuss these bodies — for the whole association and chamber movement is in a sense the outcome of co-operation between business interests such as managing agency firms, etc.

These bodies, which acquired importance quite early in the British sector and later spread to the Indian sector were entrusted with some of the functions of managing agencies and performed new functions that could not be undertaken by managing agencies. These includes representation, collection of information and less frequently marketing, advertising or other common services. The new bodies also came to condition or limit the policies of managing agencies or of the top control of various interest groups in certain matters. An intervening unit through which leading or perhaps co-operating top controls could operate thus cropped up and affected the relations between the state, the managing agents and various economic interests (especially labour and the consumer) in society. This development is important in understanding monopoly and the sphere of influence of interest groups. Thus a study of entrepreneurial units merges with a study of associations and chambers.
INTRODUCTION

These concluding sections do not summarise the factual trends that have been established in this and the former chapters but merely draw attention to some implications with special reference to (1) our basic classification according to centres, communities, sizes, industries and age groups, (2) our focusing of attention on different economic interests within and outside firms.

I

Throughout this chapter, as and when necessary, we have classified agencies according to centres, communities, sizes, industries and age-groups.

Classifying agencies according to communities was found to be significant in explaining many aspects of the history of the managing agency system. The entrepreneurial elements who were in a position to enter when the managing agency device was first introduced - the British agency houses and the Indian business communities - had very different sources of strength - in one case they

1. These sections were written before the recent companies bill was published. It has been found possible to let them stand in their original form, though some remarks are added at the end of sections II and III.
lay in local knowledge of and an hold on an established system of trade and finance as well as an ability to work on very low overheads. It was inevitable that under such circumstances a flexible form of organisation such as the joint stock company with a managing agency should develop many variations. These variations were found to lie in the different types of departments and overhead organisations developed, and in the different patterns of pioneering, trading, and financial activities. In all cases differences between British and Indian managing agencies were most marked but differences between Indian communities were also distinctly discernible.

Classifying managing agencies according to industries revealed important industrywise differences in functions and structures. These differences are largely explained by physical differences between industries and also by the fact that common conventions tend to develop in each industry. Even the historically important differences between the British and Indian managing agencies tended to fade away (though not completely) particularly in industries like cement and sugar where the two communities were very closely associated, and persisted in industries like cotton, where association was not so close. Technical or physical differences between industries lead to differences in amounts of
fixed and working capital required, in problems of handling raw material, and in the organization of finished product trades, etc. Legal restraints on the managing agency vary from industry to industry. Association activity, another conditioning factor, also varies from industry to industry.

Mere size also affects the significance of the managing agency. Pioneering, the maintenance of common departments and the adequate performance of financial, trading and pioneering functions are possible in an organised manner only for large agencies. As for remuneration, though systems may not change with a size, yet the services rendered in exchange for office expenses (one part of remuneration) vary considerably; the large agencies definitely supplying better services in relation to the specific cost earmarked for the same. Large size is also likely to facilitate monopoly and influencing the administration because of the ability of large firms to command expert negotiators to influence associations and to own journals, etc.

The association of characteristics with particular industrial centres is less marked though similarity in remuneration systems and in association activity - especially in labour matters and in the organisation of these bodies - are characteristics that are associated to some extent with particular centres.
As for classification according to age of firms, its main use is for historical exposition.

Thus, we see that certain characteristics can be associated with particular classifications according to community, industry, size, or centre. We have also illustrated the characteristics that are significantly associated with particular classes and have drawn attention to certain characteristics that have been influenced by more than one or all factors.

II.

We now state in brief the claims and cases put forward by different economic interests and then examine some of these arguments by putting forward the economist's point of view. The last three paragraphs go on, not to sum up material already presented, but to discuss certain recent developments that are relevant, and to note certain related but broader considerations.

The managing agents themselves generally refer to six points as summing up their achievements in the past. These are 'Pioneering' 'Commission given up' 'Tiding over difficult periods' 'administrative economies' 'their share in the financial and trading functions performed' and lastly 'the advantage of comparing results internally.'

1. It will be noticed that tiding over difficult periods may be regarded as a Financial function.
Other interests such as shareholders have attacked the managing agency system and the business standards maintained by them. They have tried to bring pressure both on entrepreneurs and on legislatures. The emphasis here is on an ideal private enterprise system. The agitation conducted by various share-holders associations has however led to a fundamental reexamination of the right of the system to exist. In general these interests have been impressed by the difficulties of abolishing the system and yet retaining a private enterprise economic system. Such a transition may however become possible when the private sector is more thoroughly controlled.

Labour is chiefly concerned in the attack on financial policies (distributive) and the share acquired by different interests, particularly labour. These interests would certainly support the proposals made by the shareholders and even more extreme measures advocated by political parties. Labour would, in general, have the support of the technician class in its long term policies, in spite of the conflict of interests between technical and managerial personnel and labour on certain issues.

As economists we have necessarily to pay attention to certain commonly recognised principles in evaluating the managing agency system. Thus we have to examine its effects on production, distribution and consumption.
In the sphere of production we have noted certain serious drawbacks, e.g. the unsatisfactory performance of managing agents in matters like pioneering, cooperation, rationalisation, etc., thus we have shown that the case of the managing agents is not very strong, even as regards the points to which they themselves draw attention. It is not enough to show that some results and economies have been achieved in the sphere of production. It is necessary, if one wants to defend the system (or some slight modification of the same) in the new context of social policies, to prove that at least in certain matters it (or some slightly modification) is inherently superior to other forms.

In the sphere of distribution the increasing strength of managing agents due to the concentration process and their control over the key functions of finance and trade has led to conflicts of interests. Our examination of the incentives to which managing agents react has shown that the position is by no means satisfactory even if a private enterprise philosophy is accepted. The agents are likely to be in a strong position vis-a-vis shareholders, technicians, labour, suppliers of raw material and distributors. No doubt some of these interests may from time to time gain the upper hand; but even in such cases only a comparatively
narrow class benefits and there is no general spread of
the advantage over the economy as a whole by benefiting
the consumer. Thus the case for state intervention or
control is strengthened.

There is therefore, much ground to criticise the
managing agency system at least as it has operated in the
past, for while we recognise that managing agents often re­
present not merely finance but pools of experience we have
also shown the unsatisfactory and even chaotic conditions
that prevail and which would be incompatible with a planned
system or rather with the objective of such a system in the
spheres of development, distribution, and production. In
judging the cases put forward by various interests it
would be useful not only to re-examine the claims made
by various interests, but also bring out the cases that
are not generally represented. Managing agents have
generally been vocal about their claims. A
better perspective would be obtained if we examine as to
how far other interests, for example, technicians, govern­
ment raw material produces, distribution, etc., have con­
tributed to improvement and progress.

Having isolated the agents contribution in the past
we point out that the price for his services - the managing
agency terms have been determined by himself and are hence
not adjusted to achievement - except through the device
of foregoing commissions - which is purely negative and
which cannot be accepted as genuine - unless proved to be so. The foregoing of commissions, moreover has been undertaken only under certain circumstances and with reservations - it is really an investment for which agents expect something. It is done under shareholders' pressure and never for labour. Actual trends in agents remuneration as indicated by balance sheet analysis; and the false pleas put forward by agents regarding their special services through some imaginary sacrifices of amounts that should in many cases not be charged at all, are disquieting.

Recent legislation, to which we have made references in footnotes at the end of each section, is likely to correct some of the defects indicated above. The facts that the new company law forms part of a programme of legislation to regulate industry, and the fact that it is supported by measures such as the nationalisation of certain financial institutions and an administrative build up to regulate companies gives it a better chance of success. The government view, therefore, may be described as giving the managing agency a chance in the new context. It's future will be determined by its ability to set its house in order (i.e. eliminating conflicts of interest 'within' and 'without' firms as far as possible) and negatively by the limitations of government - "if the economy begins to develop while
the capacity of government to manage business does not increase, there will be an inevitable and growing transfer of activities to the "private sector" - either indigenous or international. We must remember that the large scale sector now consists of the public sector, the managing agency sector, and the increasingly important section occupied by international firms."

It is worth speculating here on the considerations that must have weighed before the recent legislation was passed and which will continue to be important.

As we have seen the managing agency system has something to show in the spheres of finance (provision and routing) of trade (established trading networks) of pioneering (records of past and present achievements) and in the building up of pools of experience and personnel. The managing agency cannot be allowed in the new historical context to take decisions in response to an uncontrolled pricing mechanism on rationalisation size, labour, priorities of development, common production programmes and other matters. We have also to remember that the state will have to share a burden in pioneering, in finance, and even to assist in trade. In such a situation it becomes necessary to consider whether particular functions such as the financial, the trading, etc., can be taken over by joint-stock companies

2. For a list of these, see footnote 1 on page 354
without managing agents, by specialized private institutions, by public institutions, by some form of modified association activity, by some combination of these, or be conducted by the present bodies under new restrictions. The whole thing boils down, in the present historical context, to a question of strategy. Can we achieve rationalisation of finance, trade and industry, and its subordination to social needs; by mending the managing agency, or by abolishing it altogether and arranging for new institutions to perform its functions in the new business environment proposed? Is a buildup of governmental power necessary to counter the build-up of agencies and associations? Should the approach be in the nature of building in governmental influences into the private sector rather than building up government restrictions against them and ultimately eliminating them?

No attempt is here made to offer solutions for these problems. On the contrary we emphasize that no judgement is passed as to the potentialities of private enterprise. We leave the question of public versus private enterprise entirely open and approach the data without a bias in favour of either system. We merely draw attention to aspects of the past and present which will undisputably be matters of public concern, and to certain standards of efficient performance and justice that have been accepted by our planners. Even if a particular system of ownership is
regarded by an individual reader as an absolute value; it is still possible that this analysis would interest such a reader, because it indicates the nature of the existing situation on which any policy would necessarily be based.

III

We can conclude this chapter by commenting on definitions of the managing agency.

All these definitions - as found in company law or as put forward by various authors - emphasize that the essence of the system, is the 'contract to manage'. It is necessary to supplement this terse formulation by making a few remarks. The old agency houses did enter into contracts to undertake business for their clients. But it is necessary to remember that the first 'contract to manage' a joint stock company comes a century after the origins of the agency houses.

An economist naturally remembers, moreover, that the entrepreneurial function has always been completely in the hands of the managing agent and the Boards are completely under their control.

As a historical phenomenon of interest to the economist, the essence of the system lies in its entrepreneurial function - in the position which enables it to bargain with the other economic interests involved.
It is possible that in future there will be still a contract to manage under which some aspects of management are undertaken by managing agents or secretaries and treasurers. But to what extent the entrepreneurial function will lie with them is a matter for speculation.