Gujarat Ambuja Cements Ltd. (GACL)

The company was incorporated in October 1981 as Ambuja Cements Pvt Ltd. It was jointly promoted by Gujarat Industrial Investment Corporation and Narottam Satyanarayan Sekhsaria and his associates, for setting up a cement plant in the joint sector. The company was converted into a public limited company in 1983 and the name was changed to Gujarat Ambuja Cements Ltd. Within a span of 22 months from the beginning of civil construction in November 1984, commercial production of cement (installed capacity of 7 lac tons) commenced in October 1986 at Ambuja Nagar (Amreli district, Gujarat). The company adopted latest dry-process precalcination technology for the plant supplied by Krupp Polysius AG, West Germany and Buckau Wolf India. The plant and major equipments were also supplied by Krupp.

The cement plant with one million capacity was commissioned in March 1993 at Kodinar (Gujarat). The company started moving its cements by sea transportation from September 1993 from its loading terminal at Muldwarka (Gujarat). It has two other terminals at Surat and New Bombay and is the only cement company in the country to have a bulk movement system. International Finance Corporation of Washington acquired 3.3 per cent equity in Gujarat Ambuja, by exercising one million warrants at Rs.225 per warrant for conversion into one equity, the total investment amounting to $ 8.3 million.
Subsidiary companies of the Gujarat Ambuja Cements Ltd are GAEL Finance Ltd., Concrete Investments Ltd., and Indo-Nippon Special Cements Ltd. GACL has also promoted a housing finance company named Hometrust Housing Finance Company Ltd.

The new project of the company under implementation is the Kodinar cement project in Amreli, Gujarat for one million ton capacity costing Rs.350 crore. The liberalization made it possible for the private sector to enter the power sector. The company has taken advantage of opening up of the strategic window and decided to enter the power sector with Sanjay Gandhi (Birsinghpur) Project II in Shahdol, Madhya Pradesh for 500 MW coal fired power project estimated to cost Rs.2000 crore. This project is a joint venture with Madhya Pradesh Electricity Board, and Houston Industries Energy Inc., of the US. The project is expected to be complete by March 1999.

The mission and objectives of GACL at the outset was that there was no way it could ever aspire to leadership status on the bases of capacity or quantity. Instead, the organization decided that it would put all its efforts to achieve: highest productivity in the cement industry from a single plant; Lowest power consumption per ton of cement produced; lowest coal consumption per ton of manufacture; and consistently high product quality which can yield higher-than-industry-average price realization.
The main environmental threat is to operate in an environment where giants like ACC are operating. Increased severity of pollution control legislations also pose as a threat as cement plants add significantly to pollution. The major strategic advantage of GACL is that it is a small regional player having high degree of maneuverability. In the crowded cement market of Gujarat, Ambuja cement has created an identity and a major presence. It enjoys brand-leader statues in Gujarat through the largest network created in a short span of less than five years. Ambuja cement has a dominant share of the Gujarat market. Importantly, its cement fetches the highest per bag price. The 1.5 million ton plant costing Rs.430 crore at Bilaspur (Himachal Pradesh), also is expected to repeat the history. It is to serve the country's prime markets viz. Delhi, Haryana, Punjab and western Uttar Pradesh, where there is no major cement plant. Power tariff in Himachal Pradesh is considerably low compared to that of in Gujarat. Besides, a huge amount of high quality lime stone has also been found nearby in Solan district.

The company has a loose organizational pattern and the focus is on performance rather than procedure. A clear understood priority down the line is that there must be no plant stoppage. If there is a problem, the dealing office is given full freedom to tackle it and solve it so that production is not hampered. And neither is delegation restricted to operational working only. It covers capital expenditure as well. It is a company rule that if the payback period is less than three years for any machinery or equipment needed under energy conservation or productivity heads, no prior clearance is needed from top management. The mill has recorded steadily lower power consumption averages. On the productivity.
front, capacity utilization has also gone up. Productivity-wise and energy efficiency-wise, the Ambuja Plant is at the top of the Cement industry.

Ambuja Cement was the first one to treat cement not as a commodity but as a branded product. It pioneered colour ads in the vernacular press, a novelty which proved to be a big hit. Ambuja Cement has better compressive strength than that prescribed by the Bureau of Industrial Standards (BIS). BIS stipulations indicate that in 28 days a mold should have a compressive strength of 330 Kg/Cm², however, Ambuja cement has a strength not below 600 kg/Cm². Other top leaguers like Larsen & Toubro and Vikram also share this characteristic of high compressive strength.

A controlling interest (46 per cent) is held by the low profile Neotia-Sekhsaria clan (related by marriage) based in Calcutta and Bombay. The Neotia brothers Suresh and Vinod and Narottam Sekhsaria are the promoters of Gujarat Ambuja Cements Ltd. Suresh Neotia, the Chairman is a well-known collector and dilettante of the arts, whereas Narottam Sekhsaria the Managing Director was successful Cotton trader. P.B. Kulkarni is the Vice-President (Technical) and B.S. Dulani is the General Manager (Production).

Gujarat Ambuja, Cement Ltd. issued a Statement-‘I can’ along with its Annual Report for the year ending in 1991, in which the company projects its corporate image. The company lays great emphasis on individual achievement and achieving international standards in all spheres of its operations, in particular, pollution control, capacity utilization and...
such statements certainly helps aligning its internal environment and better the rhythm and momentum of the organization.

Financial Highlights

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<thead>
<tr>
<th></th>
<th>Year ending 30/06/95</th>
<th>30/06/94</th>
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<tbody>
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<td>Net Sales</td>
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<td>Operating Income</td>
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<tr>
<td>Dividend - Equity</td>
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Asian Paints India Limited (APIL)

APIL's history started with incorporation of a partnership firm in 1942. In 1945 the firm was converted into a private limited company under the name of Asian Oil & Paint Co. Pvt. Ltd. A plant at Bhandup, Bombay was set up in 1957. The name was changed to Asian Paints (India) Pvt. Ltd. in 1965. It was converted into a public limited company in 1973.

In the early years, the company started with a product range catering to limited segments, but over the years expanded the product range to become the leader in the paints industry, amidst intense competition from foreign companies. In 1974 a major modernization programme was undertaken to streamline the paint and resin production facilities. The Bhandup plant has adequate resin manufacturing capacity to meet its entire requirement.
On the basis of the technology developed in its laboratory, the company had set up a plant at Ankleshwar, Gujarat for manufacture of automotive refinishes which was commissioned in 1981. Another plant was set up at Taloja (Maharashtra) in collaboration with Chemische Werke-Huls AG, Germany, for the manufacture of vinyl pyridine latex. This plant started production in 1980. The Patancheru, Andhra Pradesh plant for the manufacture of paints and enamels went into production in July 1985. The project to manufacture phthalic anhydride at Ankleshwar was completed during 1989-90. A joint sector project with TNIDCO under the name of Pentasia Chemicals Ltd. for the manufacture of pentaerythritol and sodium formate was started in 1987. The plant at Kasna, Uttar Pradesh for paints, enamels, varnishes and resins was commissioned in March 1990.

The company is expanding its existing plant capacities from total of 109.3 ton to 200 ton of paint and enamels at Ankleshwar, Bhandup, Kasna, and Patancheru at the estimated cost of Rs.120 crore. The expansion project is under implementation and is likely to be complete by December 1998. The company further plans to set up a new unit for manufacture of paints, enamels and varnishes at Mangalore, Karnataka with capacity of 30 ton estimated to cost Rs.60 crore.

ARIL is diversifying into ceramics. The company plans to set up a tiles making unit in Gujarat at a cost of Rs.70 crore. The project will be set up in two phases. In the first phase the capacity will be around 23,000 tons per annum and it will be increased to 50,000 tons in the second phase.
APIL's joint ventures abroad are Asian Paints (South Pacific) Ltd. in Fiji, Asian Paints (Tonga) Ltd., Asian Paints (Nepal) Pvt. Ltd., Asian Paints (S.I.) Ltd., and Asian Paints (Vanuatu) Ltd.

The major problem of Asian Paints (India) Ltd., is to become a creative technological leader in automotive and industrial paints sectors. Presently, Goodless Nerolac Paints enjoys the leadership in these sectors.

"Intuition is your guide here", said Pye. "One level of you knows every thing there is to know. Find that level, ask for guidance and—trust you will be led wherever you most need to go. Try it."

The cover of Annual Report 1989-90 of Asian Paints (India) limited reflects the artist's vision of intuitive judgment transcending the logical. And inside of the cover reads the above mentioned quote from 'ONE', a novel by Richard Bach. The importance of intuition in the strategy making in Asian Paints cannot be highlighted better.

Philosophy of Asian Paints

The philosophy of Asian Paints, since 1942, has been that "Profits and growth are elusive when you seek them, but are the natural consequences of the pursuit of excellence". 389
Objective of Asian Paints

To become a creative technological leader the first in the industry, to develop and market new products at the tip of an advancing technology. The stress is on the automotive and industrial paints sectors.

Shared Values in Asian Paints

Background

Asian Paints (India) Limited, which today is India's largest paint company. It started in 1942 as a partnership firm with rather a small amount as capital. But on the other hand, it had some substantial intangible assets. These were the native business acumen of the four young Gujarati men who initiated the venture, their perseverance, and their determination to succeed. And they have done amazingly well, considering that none of the four—Suryakant Dani, Champakkal Choksey, Chimanlal Choksey and Arvind Vakil—knew much about manufacturing paints.

Only one formula of guidance was there that any color can be obtained by mixing red, yellow and blue in the right proportions. People both from within the industry and outside marvel at the prophetic quality of their decision making: each decision seems so logical in retrospect. Yet at the time, the persons doing the decision making probably did not use much analysis. They simply made assumptions about the future and, despite many uncertainties, succeeded in making the right decisions, one after another.
Growth

The company has five manufacturing installations at Bhandup (Bombay), Taloja (Maharashtra), Ankleshwar (Gujarat), Patancheru (Andhra Pradesh), and Kasna (Uttar Pradesh); employs 2300 people; and commands roughly 35 per cent of the organized sector market. The company offers widest choice of product range and of the quality comparable, if not better, than that of international standards. Asian Paints is a multinational in its own right. It has started small overseas companies in Fiji (1978), Tonga (1981), Solomon Islands (1983), and Nepal (1983).

Initial Strategy and its Implementation

When the partnership got going in 1942, the product range was limited to Zinc Paste, red lead paste and battle ship gray, all of which were popular in those times. Manufacturing processes were crude. The ingredients were dumped into a large tub, and workmen mixed and kneaded them, with their feet. The entry barrier of paint industry hence was low. The partners sold large quantity of paints to a ship chandler. Business in 1942 was good. But market wasn't easy, and competition forced the fledgling firm to offer customers long-term credit facilities. Also, between 1942 and 1948, the market began experiencing a change. The war was drawing to a close, and consequently the demand for marine paints began declining. Moreover, most shipping companies preferred placing orders with British Paint companies in India, in whom they had more trust. Thirdly, most distributors (Wholesalers) also preferred stocking products of foreign paint companies. The environment was unfavorable to
Asian Paints. There was also intense rivalry among the existing well-established firms in the industry and the bargaining power of buyers was high. But the partners with their native business acumen, analyzed and diagnosed the environmental factors. They identified an opportunity of growth in consumer demand for decorative paints. Their weaknesses were narrow existing product range and old style of producing paints. Limited scope of growth in existing market was a threat due to well established multinational giant competitors.

The key aspect of Asian Paints corporate strategy, again prompted by the awareness of resource limitations, is that they identified a different battle ground on which to compete with the multinational giants, so that they would not have to fight head-on. They sought out markets, functions and product ranges where they could initially avoid head-to-head competition. They defined clearly the business domain i.e. decorative paints. They extrapolated the forces at work in business environment into future on the basis of cause and effect, and stated logical hypothesis as to the most likely scenario i.e. their future would depend upon servicing consumer demand for decorative paints which was bound to grow. Once the strategic choice was made, people, technology and money was deployed boldly and aggressively. By concentrating most of its resources in support of decorative paints, the company gained a bigger edge over its competitors in decorative paints business and thereby improved its success rate. Asian Paints paced its strategy according to its resources, throughout, rather than going all out to achieve too much too soon.
By 1945, the partners allotted resources of around Rs.16000 for the purchase of a small paint factory at Gaiwadi, Bombay along with its machinery imported from Europe so that their workshop, which till then was in a small garage rented out in the heart of Bombay city, is expanded and modernized as well as their existing range of products is widened and upgraded to meet consumer preferences. In October 1945, the company became a private limited company and changed its name to Asian Oil & Paint Company Private Limited with a capital of Rs.1 lac held by the promoters.

In 1947 the company moved its factory to a 3092 square yard plot of land at Matunga in Bombay due to increase in its sales in two previous years, necessitating expansion of the production live. At this stage the promoters began inducting technically qualified people into the company. So far, the organization's bag of tricks included the concept of brand confusion. For instance the company sold its varnish under the brand name 'Three Mangoes' to cash in on the popularity that another brand, 'Three Birds' of Japan, then enjoyed in India. But now, fully confident of the technical competence, company's first enamel in 1952 was pushed in under the brand 'Apcolite', which later gained immense popularity and contributed almost 35 per cent of Asian Paints' Sales. Quality and an increasing faith that market began to have in Asian Paints boosted sales to Rs.1.35 crore by 1960. By then the company's plant had to be expanded to cover almost 20,000 square yards at Bhandup in Bombay.

A major environmental factor that contributed to Asian Paints' success was that it had started off at a time when the market was particularly
favorable. The second world war caused the flow of imports into India to slow down, resulting in a need for greater indigenous production of all kinds of goods. There was a great demand for crudely manufactured paints. But the company opted for higher margin sophisticated products in late 40s for growth. The manufacture of enamel paints and later vinyl acetate alkyd emulsion paints pitched the company against the big league which comprised multinationals like British Paints (now Berger Paints) and Goodlass Nerolac.

Revised Strategy and its Implementation

The strategies that the company chose to follow were: (a) developing a new product range; (b) different packaging; and (c) attacking a new market - the rural market - through retailers rather than distributors.

The British companies controlled market through their distributors and since the distributors were not interested in selling Asian Paints products, the company changed the rules of the game and decided to approach the retail level agencies themselves, something that had not been attempted before. This was bound to upset the rhythm of multinationals as they could not follow Asian Paints steps to compete it, because if they did it, they would soon loose loyalty of the distributors, earned after decades of business relations and if they did not, Asian Paints would grow unhindered and someday become large and much stronger than themselves, and actually it did happen eventually. Another advantage gained by Asian Paints by going directly to retail level was that they could identify the precise nature of customer needs. The
foreign companies did not quite understand the market well and kept on manufacturing and selling pastel shades where as people in India preferred brighter colors for their interiors and Asian Paints tailor made the products for the market. The contact with the consumer brought another need. The established companies offered their paints in packs of just three sizes - 1 gallon, 1/4 gallon and 1/8 gallon. Asian Paints was the first to offer 1/16 gallon packs in the paint industry. This endeared Asian Paints to small consumers - a segment that had gone virtually untapped and unrecognized. And this segment is sizable in India. To counter the established companies urban culture, Asian Paints tried to concentrate on rural markets as well, yet it insisted on quality control right from the start.

Streamlining Systems

In order to go to rural areas and to offer them a wide range of quality colors to choose from, the company needed to have a large inventory. This in turn needed larger amounts of working capital. Another related problem was long credit outstanding which meant that much money remained blocked. Asian Paints introduced a scheme according to which every dealer who paid every single payment of each supply made to him throughout the year was offered an incentive of 3.1/2 percent of total annual purchases. The scheme was a success and credit outstanding were around 25 days, the closest rival had outstanding of more than 40 days. Some of the other companies were still worse off. Strict inventory control was exercised by working out system. The company could bring down the inventory level to not more than 45 days- including material in the depot,
factory and in transit. To ensure efficiency, the management went for a computer as early as 1968 at a cost of Rs.18 lac, and was one of the first companies to do so in India. Today the company is one of the top companies in quality application of computers in India. Asian Paints was also the first in India to have a colour matching computer to ensure uniform blends batch after batch.

**Bargaining Power of Buyers**

Industries, buyers of industrial paints were more concerned about costs and wanted long credits. They also had strong bargaining power being bulk buyers. On the other hand, small consumers, buyers of decorative paints were less sensitive to costs and paid cash. They had low bargaining power being small consumers, unorganized and lacking total information about the paint business. The promoters were quick to realize the potential the decorative paints sector had and tried to encash it fully.

**Rivalry Among Existing Firms**

Indian paint industry was Rs.2500 crore in 1996. Of the total market for paints, decorative paints accounted for 56 per cent, automotive sector 26 per cent and industrial paints 44 per cent. Asian Paints with total sales of Rs.842 crore had a market share of 33 per cent of total paint industry, followed by Goodlass Nerolac 16 per cent, Berger Paints 11 per cent, ICI 10 per cent, Shalimar Paints 9 per cent, Jenson & Nicholson 9 per cent and others 12 per cent.
APIL commands close to 50 per cent of market share in the decorative paints segment. The company has always ruled supreme in the lower end emulsions in this segment with brands like Gattu, Tractor, and Utsav. Super acrylic emulsions which constitute the higher end of the market is dominated by brands like ICI's Velvette Touch (50 per cent of the market share) and Berger Paint's Luxol (25 per cent). This is the only area APIL lacks a presence in, and which is growing at 18 per cent per annum. APIL is currently choosing to concentrate on making its mark in the industrial paints segment.

APIL has tied up with PPG Paints of the US and Nippon Paints of Japan to manufacture automotive paints, which so far has been Goodlass Nerolac's domain. The tie-ups would help the company to establish itself in both the automotive and industrial segments of paint industry.

APIL's key strength is its retail distribution network. It is reputed for having the best logistics system in the country. It is the only company in the decorative paints segment that sells directly through retailers. It has 45 warehouses across the country, which reach about 9000 retailers. The retailer informs the warehouse of the demand and it is supplied within 24 hours time, something that is made possible due to the company's state-of-the-art information systems. Stock positions are monitored on a week-to-week basis.

Gattu, the Mascot

Having had cashed in on the popularity of other brands in the past by the concept of brand confusion, management of Asian Paints was not
unaware of the threat of other producer playing the same trick on them resulting into not only loss of sales but also probable damage to their goodwill in the market. In order to by pass such threat, Champaklal Choksey, one of the promoter selected the mascot of Gattu. The decision was made more on gut feeling rather than based on any scientific consider­ations. Gattu, the impish boy with the paint tin and brush, has been one of the luckiest mascots for any Indian company. Gattu endeared himself to every villager who instinctively preferred this visual iden­tification of a popular brand—selection of Gattu, the mascot and company's focus on it to advertise its products was a shrewd move. Pictorial presentation of the brand was bound to create high level of brand identification and retention among consumers in a country like India, where level of literacy is low and is low specifically among the paint workers. The success of Gattu the mascot impelled established leaders to go in for mascots as well. In 1970 Goodlass Nerolac started advertising Goody the tiger and in 1974 Garware Paints opted for an elephant as its mascot.

Structural Changes

By 1973 the company went public to keep pace with the growth. Although the renamed company, Asian Paints (India) Limited, continued to be closely held by the four promoters, two senior employers; general manager and technical manager; were made members of the company's board. After this change in the top level of organization structure, the board became more open to allowing outsiders enter the august circle.
Research and Development

Asian Paints R&D Laboratory, the largest of its kind among the paint industry in India, had won recognition from the department of science and technology, Government of India in 1975. The separate four-storied building covering 25,500 sq.ft. area housed R&D Laboratory, having excellent facilities and a library and information center. The cumulative gross R&D assets are now worth Rs. 3 crore and expenditure on R&D activities made in 1989-90 amounted to Rs. 1.08 crore. Highly qualified scientific and technical personnel are working in R&D consisting of six doctorates, forty-seven post-graduates and sixty-seven graduates on various projects. The important aspects of R&D efforts are (i) development of new products; (ii) continuous improvements in the existing product range; and (iii) exploration of possible applications of other fields.

Product Line

The company had started its operation with a narrow product range consisting of ready mixed and stiff paints. Today the company manufactures and sells a wide range of decorative paints and enamels, chemical resistant coatings; varnishes, automotive coating including refinishes and synthetic rubber latexes. The company also has facilities for manufacture of its entire requirement of synthetic resins. Some of the popular brands of the company are Apcolite, Aspa, Krilo, Touch Wood etc.
Technology

The company preferred developing its own products for self-reliance, but since 1975 the management has become less averse towards having collaborations with overseas companies. It entered into collaboration in mid-eighties with Chemische Werke Hulls AG, a German Chemicals group for the manufacture of vinyl pyridine latex (VPL); joined hands with Tamil Nadu Industries Development Corporation, which had a collaboration with Hercules of USA, the best in the field, for setting up a project to manufacture pentacrithritol, a vital raw material for the paints industry.

Similarly in a bid to woo the automotive and industrial paints markets which has now begun growing at a faster rate against decorative paints, Asian Paints entered into collaboration in mid-eighties with Devo Marine of the USA for the manufacture of special protective marine paints, and with PPG Paints of the US and Nippon Paints of Japan with an eye on the burgeoning automobile market which has been increasingly tying up with Japanese Vehicle manufacturers who promote and encourage those suppliers who have Japanese tie-ups. Asian Paints has adopted the goal of becoming leader in industrial paints segment also. Presently, Goodlass Nerolac is the largest in the industrial paints sector, which had tied up with Kansai Paints of Japan in mid-seventies and had won the contract for supplying paints to Maruti Udyog Limited.
Finance and Control

The equity share capital of the company as on 31/03/95 was Rs.199.11 million. The company has substantial accumulated reserves which stand at Rs.1469.02 mn as at 31st March 1995. The company's policy of ploughing back most of the profits has contributed greatly to its success. The families of four promoters hold equal number of shares and together they hold about 55 per cent.

Leadership

In the days, when so many business are split on account of discord among the members of the family of the owner, members of the family of four promoters though belonging to different families have stayed together in the company's management inspite of growth and change. In 1984 Champaklal Choksey and Suryakant Dani, Managing Directors stepped down from being managing directors to make way for their second generation Atul Choksey and Ashwin Choksey, who too have maintained the same rhythm of growth of the company. The company has also been one of the largest recruiters of MBAs from the Indian Institute of Management and has 100 MBAs, out of 200 executives. This reflect the high degree of professionalism, the top level management desires to have in the company's management.

Marketing

By a conscious policy of identifying the precise nature of customer needs and meeting them in most effective manner, the company has been
able to rise to the position of leader in the Indian paint market. The company's stupendous success in the market in the face of stiff competition from established foreign companies can be attributed to its effectiveness in two key areas—distribution policies and product policies.

In the area of distribution, the company follows an 'Open Market Policy' whereby multiple dealers in the same town are encouraged to deal in the company's products. The resulting inter-dealer competition assures the customer of fair prices and good services. Through a responsive production planning mechanism and a wide network of regional godowns, the company ensures timely availability of materials required by dealers. The investment required to be made by the dealers for dealing in the company's products is thus minimized. In India, the company's marketing network consists of 38 sales offices spread over the entire country and 2 agencies. The products of the company are distributed to over 9000 dealers and direct users through over 45 strategically located warehouses.

The strong distribution system is supplemented by rational product policies which ensures that demand for the products are created at the ultimate consumer level. The keynote of these policies centers around maintaining a high level of quality consistent with the end use. For applications where in a higher quality is not required, the company offers different brands at lower prices. Customer's convenience is also taken care of by making available a wide choice of shades and packs and by providing the necessary technical services such as advice on application methods, choice of colour schemes etc.
All these policies have ensured a high standing for the company's products. For instance, Apcolite Synthetic Enamel, the company's premium product, is the largest selling enamel in India today. Future plans of the company aim at improving its share with a thrust in the automotive and industrial sectors of the market; with continuous product innovation; and developing new markets. The company's other plans of diversification include a range of chemicals, ceramics and electronic items.

The company was selected for the 1995 Corporate Performance Awards instituted by the Economic Times and the Harvard Business School Association of India.

Financial Highlights

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<td>(Rs. in crore)</td>
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<tr>
<td>Gross Sales</td>
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<td>Less : Depreciation</td>
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<td>Less: Adjustments arising out of Amalgamation</td>
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<td>Disposable Profit</td>
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That the directors recommend for appropriation as under:

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The major problem HCL Ltd. (including HCL-HP Ltd.) facing is coping with the impact of its rapid growth as well as maintaining its leadership in electronics industry, which though is only a small industry in India but is growing rapidly and subject to various government policies, which at times is stifling. The impact of growing globalization in the computer market is already major challenge. Its often a catch-22 like condition. Computerization is required for the rapid growth of Indian Industry and Economy, for which import of technology/hardware is a imperative, which in-turn means outgo of valuable foreign exchange, which is pressurizing the Indian economy.

Shiv Nadar, Arjun Malhotra, Y.C. Vaida, D.S. Purie and Subash Arora left DCM Data Products together to setup their own business in 1975. In 1976 Hindustan Computers Ltd. (HCL) was promoted with a start up capital of Rs.1.83 lac with additional financial support of the Uttar Pradesh State Industrial Development Corporation. HCL's success is a tribute to its ability to manage in an environment wherein technology is proliferating exponentially. Uncertainty—often due to the proclivity of the government to change rules of the game in mid-stream—is high, and the competition is cut-throat. HCL's strengths have always been its marketing savvy and quickness of response, and its ability to forecast technological trends fairly successfully. HCL had been more agile, daring, faster and aggressive. Most computer companies, such as DCM, ICIM, ORS Systems and ECIL, didn't want to sell to widely diversified locations because they were not confident of being able to support their products. HCL, however was
willing to take the risk of selling first and bothering about mainte-
nance later. This caused its reputation for after-sales service to suffer but the risk-taking paid off.

The two people who, by all accounts, have been critical to the success of the company have been Shiv Nadar and Arjun Malhotra, the vice-
chairman. Nadar is described as the visionary, who is quick to sense what the market needs and also to product technological trends. He relies more on intuition than on "Scientific reasoning". Malhotra is almost the antithesis of Nadar; warm and friendly. He is described as an excellent strategist and day-to-day manager who flashes out Nadar’s intuition. Nadar and Malhotra work excellently as a team and, often take important strategic decisions at home over a drink. Shiv Nadar’s major advantage, as he sees it, lies in the slowness with which most of the new ventures are being implemented.

Historical Highlights

1975 - Six young professional from a major Indian Industrial house set up MICROCOMP- a marketing Organization Selling a range of desktop and hand-held calculators.

1976 - They promote a second organization, Hindustan Computers Ltd. (HCL) with a startup capital of Rs.1.83 lac with additional financial support of the Uttar Pradesh State Industrial Development Corporation. Micro 2200 - HCL’s first in house developed product - a programmable desktop Scientific Calculator is launched.
1978 - BC/8CR - HCL's first commercial computer system is launched.

1980 - HCL's first transnational venture - Far East Computers (PTE) Ltd. is established in Singapore. Indian Communications Network, Known as Network Ltd. is promoted to manufacture and market Electronic Typewriters.

1981 - Hindustan Reprographics Ltd. (HRL) is promoted to manufacture and market reprographic and Micrographic Systems. National Institute of Information Technology (N.I.I.T.) - India's first private sector information technology education institution is set up.

1983 - The first public issue of Rs.70 lac.

1984 - Hindustan Telecommunication Ltd. (HXL) is set up to manufacture and market a range of communication products.

1986 - The four independent companies (HCL, HRL, HIL, HXL) merge together to form HCL Ltd. the largest office Automation company in South East Asia. The launch of the Rs.20,000 PC. The price crash that caused the demand boom.

1988 - HCL becomes the Number 1 Computer Company in India. HCL America is established with head quarters at Sunnyvale, California, the US

1989 - HCL acquires controlling interest in IDM (International Data Management)
1990 - HCL and Hewlett-Packard enter into a strategic alliance of working tie-up.

1991 - HCL and Hewlett Packard (HP) enter into a joint venture, under which HCL Ltd. was broken up into two companies: HCL-HP and HCL Ltd. HCL-HP became exclusively a computer manufacturer, and HCL retained reprographics, communication business, and overseas operations.

1991-96

The company launched the computer connective high speed digital printer, Digital full colour copier and the Electronic document management system, adding to the existing wide product range of black and white copiers, fax machines, key telephone systems, computer based communication products and solutions, voice mail, interactive voice response systems and microfilm reader printers. With the wide range of products offered, HCL is emerging as a major single point source for office automation solutions.

The company has set up two Software Technology Park units, one each in Madras and Noida for software development and exports. The company has achieved good results in the export of hardware and is all set to grow fast in this area as well. A second manufacturing unit at Pondichery is also coming up to take care of new product introductions planned by the company.
HCL Corporation moved to the number two position in terms of total software turnover in 1995-96. Industry experts expect HCL to go past the leading software company, Tata Consultancy Services (TCS) by 1996-97.

Software exports from HCL approximated Rs.321 crore in 1995-96, while exports of TCS were nearly Rs.420 crore. The total software turnover of HCL is around Rs.370 crore while that of TCS is over Rs.500 crore.

HCL and the US based Perot Systems Corporation signed an agreement to form a joint venture, HCL Perot Systems Ltd. To be set up with an initial investment of $ 20 million. The joint venture would target specific opportunities in the Asia Pacific region for large scale outsourcing and systems integration work as well as business transformation solutions.

HCL Corporation signed a 50:50 joint venture with the US-based General Instrument Corporation (GI) to manufacture, distribute and sell state-of-the-art broadband communication equipment in India and abroad. This venture is to capitalize on the booming cable television market. Under the venture, a range of GI products like set top terminals, line amplifiers, RF and fiber optic distribution equipment and headend electronic systems will be manufactured in India. With the availability of GI's broadband cable TV systems, existing TV sets with low number of channels can have up to 100 channels and the equipment would also facilitate future services like pay TV, pay per view, home shopping, education on demand, video conferencing and high end graphics communication.

HCL GA tied up with Packard Bell NEC for marketing the latter's latest multimedia personal computers in India. The home computers of Packard
Bell are designed to provide connectivity to various media including the television, and the radio. They also provide one touch access to the Internet, telephone, fax and the answering machine.

The company is investing heavily in human resources and technology to upgrade its software centres at Gurgaon and Madras. The company is investing Rs.40 crore in the Gurgaon facility to address the year 2000 problem using the systems development methodology.

HCL Frontline, a small office, home office division of the HCL group, is introducing two services, Telesupport and bulletin board service. Both services, previously sold as part of Beanstalk, would now be sold independently by HCL Frontline retail outlets and would be available to non-HCL customers also. Telesupport is a remote support pack for the whole desktop machine, including both the hardware and software. Subscribers can dial any of the nine HCL Frontline telesupport centres whenever confronted with a problem and they will be instantly attended to by experts over the phone. The telesupport centre executive can access the customer's machine using a remote login software and can make the changes required to restore the health of the machine. This is expected to reduce the downtime for customers by over 60 to 70 per cent and would help in raising their overall productivity.

HCL Comnet tied up with ViaSat Inc of the US, to provide the first hybrid VSAT service in the country. The service would give customers a choice of TDMA and DAMA-based VSAT service. The services include voice plus and travel plus. The former caters to voice communication between
members of the closed user group while the latter facilitates video conferencing. The services the network can offer include frame relay, ISDN, Internet and transfer of digitally compressed video. The hybrid product would carry voice and video on a single hop basis. It would carry data either on a single hop basis or in a STAR fashion depending on the customer application.

HCL Frontline Ltd., the distribution arm of the HCL group announced the launch of new models of the Busybee personal computer range. The range includes three models, one 486DX2 and two machines based on a pentium processor.

HCL Corporation, the number one information technology group in India and an emerging player in the telecom sector, announced its joint venture with CellStar Corporation of the US, for wholesale and retail distribution of cellular phones, pagers, PCS, mobile radios, wireless equipment and a range of accessories in India. HCL CellStar Ltd., as the new company will be called, will have equal equity participation (50:50) by the two partners. HCL CellStar estimates to serve 20 per cent of the booming market for cellular phone sets in the first year in the four metros.

The Delhi-based HCL Corporation is setting up ventures in Japan, Indonesia, the Philippines, Saudi Arabia and several Latin American countries for software development contracts. The corporation has a joint venture with NYX in Mexico and is keen on moving to other neighbouring countries through contracts and not joint ventures. HCL
(Consulting Ltd.), which has set up a facility in Gurgaon, was considering proposals to strengthen it and set up a similar one in Madras.

Ashok Leyland, HCL Corporation and Singapore Telecom have reached an agreement to co-operate and bid for basic and cellular telephone services tenders announced by the Department of Telecommunication (DoT). The three companies will soon promote a joint venture company to develop and submit the bids. A memorandum of understanding to this effect has been signed by the three concerned parties.

HCL Ltd. has tied up with Intervoice of the US to jointly develop diverse application software packages for the latter's interactive voice response systems. HCL will also be marketing Intervoice's products in India. The interactive voice response systems are addressed at banks, hotels, hospitals, stockbrokers, railways and airline offices. The sales and joint software development is being undertaken by the telecommunication solutions team of the company. HCL is also strategically positioning itself as a company offering the entire gamut of office automation equipment from photocopiers to facsimile machines to telephone systems. The company is now divided into three business groups—office automation, instruments and the special telecom group.

HCL Ltd. is now concentrating on the office automation market by entering into alliances with international giants. As a part of its market strategy, the company will offer its customers a single point source for the latest and finest range of products in this segment.
In support of its strategy, HCL has launched a complete range of Toshiba photocopiers at the exposition. The company has entered into an exclusive tie-up with the Japanese giant which enables it to procure, sell and support the latest range of Toshiba photocopiers. The range will cover desktop B4 zoom copiers to 65 copiers per minute (cpm) high speed total copying systems. This is the first time that copier systems with the speed of 40 cpm and above have been available in India.

HCL-HP entered into an alliance with Cisco, the world’s largest inter-networking company. HCL-HP will distribute Cisco’s products which includes routers, LAN and ATM switches, servers and network management software. These products allow different computer networks to be seamlessly linked together across dispersed geographical locations.

The company entered into a strategic alliance with Microsoft. The alliance seeks to bring application software to the highways which are created through powerful computers. The alliance envisaged to combine the strength of the two corporates to offer integrated business computing solutions to customers. The two were to engage in a joint marketing initiative named "Winfiniti" which signifies the synergy between Microsoft Windows and HCL-HP’s "Infiniti". As a part of the tie-up the company was to sell a range of hardware preinstalled with Microsoft operation systems and bundled with application software. This range includes desktop systems, workstations and servers.
The company announced the launch of the latest enterprise management solution, 'HP Open View'. The package consists of a range of products which enable efficient management of any organization's IT network system over geographically dispersed locations and heterogeneous IT infrastructure. The package also enables an organization to centrally manage multi-vendor network, systems, applications and databases to gain competitive advantage in the marketplace.

HCL-Hewlett Packard Ltd. (HCL-HP) has launched a major exercise to shore up its national distribution channel, in an effort to boost sales of its PCs and servers. As part of its thrust on improving indirect sales, HCL-HP recently tied up with Computer Point, India's largest retail chain in computers, computer consumables and spares, to market its personal computers and servers. The two companies signed a memorandum of understanding recently. According to the terms of the MoU, Computer Point will sell the entire range of HCL-HP's products. However, Computer Point's focus will be on PCs and servers.

It would be worthwhile to review the clearly spelt out Organizational Values, Corporate Objectives, strategies and practices and Enduring values through changing times of Hewlett Packard (HP), as HCL Ltd. has entered into a joint venture with HP and formed HCL-HP Ltd., which caters the computer business.

HP's values are a set of deeply held beliefs that govern and guide its behavior in meeting its objectives and in dealing with each other its customers, shareholders and others. In brief, they have trust and re-
spect for individuals, focus on a high level of achievement and contribution, conduct their business with uncompromising integrity, achieve their common objectives through teamwork and encourage flexibility and innovation.

HP's corporate objectives are guiding principles for all decision-making by HP people. HP's objectives are as under.

**Profit**

To achieve sufficient profit to finance HP's growth and to provide the resources it needs to achieve its other corporate objectives.

**Customers**

To provide products and services of the highest quality and the greatest possible value to its customers, thereby gaining and holding their respect and loyalty.

**Fields of Interest**

To participate in those fields of interest that build upon its technology and customer base, that offer opportunities for continuing growth, and that which enables it to make a needed and profitable contribution.

**Growth**

To let its growth be limited only by its profits and its ability to
develop and produce innovative products that satisfy real customer needs.

HP’s People

To help HP people share in the company’s success which they make possible; to provide employment security based on their performance; to ensure them a safe and pleasant work environment; to recognize their individual achievements; and to help them gain a sense of satisfaction and accomplishment from their work.

Management

To foster initiative and creativity by allowing the individual great freedom of action in attaining well defined objectives.

Citizenship

To honor its obligations to society by being an economic, intellectual and social asset to each nation and each community in which it operate.

HP’s values and objectives guide it in forming its strategic and practices and in managing a dynamic business in a changing world.

Management by Wandering Around (MBWA) is an informal HP practice which involves keeping up to date with individuals and activities around the entity through informal or structured communication.
Management by Objective (MBO), where individuals at each level contribute to company goals by developing objectives which are integrated with their manager's and those of other parts of HP.

Open Door Policy is the assurance that no adverse consequences should result from responsibly raising issues with management or personnel.

Total Quality Control (TQC) is a management philosophy and operating methodology to improve quality and achieve customer satisfaction.

HP was founded in 1939 by Bill Hewlett and Dave Packard, two Stanford engineers. In 1957 they met with their key managers to formalize a set of corporate objectives. These objectives, along with underlying corporate values which shape how the objectives would be met, remain as the foundation for something special - the HP way of doing business, which will be supplemented, tomorrow, by other to help it manage the changing environment in which it will operate, so that HP way, will endure through changing times.

Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Year ending 30/06/95</th>
<th>30/06/94</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>5833.84</td>
<td>3730.92</td>
</tr>
<tr>
<td>Operating Income</td>
<td>5863.25</td>
<td>3763.21</td>
</tr>
<tr>
<td>OPBDIT</td>
<td>634.10</td>
<td>450.64</td>
</tr>
<tr>
<td>PBT</td>
<td>407.98</td>
<td>202.30</td>
</tr>
<tr>
<td>PAT</td>
<td>407.79</td>
<td>202.14</td>
</tr>
<tr>
<td>Dividend - Equity</td>
<td>53.18</td>
<td>43.23</td>
</tr>
</tbody>
</table>

*****
Maruti Udyog Ltd. (MUL)

MUL is undergoing through high uncertainties since liberalization. On one hand it had produced excellent performance since it was set up and is the leader in the passenger car segment of the automobile industry in India on the other hand it is now threatened by entry of the leading international giant automobile producers in India.

Economic growth of any country is linked with the development of its automobile industry. The establishment of MUL and its fast growth have become the symbols of the improvement of the economic well-being of the Indian people. MUL has brought about a sea change in the attitudes of the Indian people, who have now started believing, yes, things are possible.........even in India. MUL in a sense is much more than a mere automobile manufacturing company.

Mission of MUL is Quality. According to the then Chairman Mr. V. Krishnamurthy who spoke at the 7th Annual General Meeting held on 15th July, 1988 that "We are not in the business of producing automobiles. We are in the business of producing quality automobiles". The company’s objective is to give its customers the best quality products and services and keep trying to improve upon the best year after year, and to become an internationally competitive company.

Since MUL was established, the Hindustan Motors (HM) makers of Ambassador brand cars and Premier Automobile Ltd. (PAL), makers of Premier brand cars are having difficult time. Though HM came out with new Contessa model and PAL with NE 118 model, MUL was always much ahead of them
since beginning. HM has now collaborated with General Motors of USA, the traditional rival to Japanese auto makers. PAL has now collaborated with Peugeot of France. This is a threat to MUL in India. In Global market, MUL is facing competition from international competitors, but under the benign protective cover of its Japanese collaborator who have given up manufacturing 800 cc cars in favor of MUL for Europe market. At the same time MUL also become subjected to the global strategy of its collaborator Suzuki of Japan, and has to sacrifice its freedom i.e. Suzuki Motors put up a plant in Italy for Sourcing 1000 cc cars, so MUL has to avoid stepping on the toes of not only Suzuki but also Italian Collaborators of Suzuki.

MUL is the extension of dream of Sanjay Gandhi, the younger son of the then Prime Minister, Indira Gandhi and Younger brother of the then future Prime Minister, Rajiv Gandhi. MUL was to get the most favored treatment from the Government. And the country where business depends so much on the government policies, MUL was bound to come out a stunner.

MUL was incorporated as a government company in 1981 and assets of the erstwhile Maruti Ltd was transferred to MUL. In 1982, License Agreement and Joint Venture Agreement was signed with Suzuki Motor Corporation, Japan, Suzuki taking 26 per cent equity share (which increased to 40 per cent in 1987 and 50 per cent in 1992). At present the government holds a 49.74 per cent stake in MUL, Suzuki has a 50 per cent stake and the rest is held by an employees' trust.

The Maruti 800 model was instant success. It still is the most popular car in India. This is because the quality of the cars was superior to other cars available till late 1980s in India namely Premier and Ambassador cars, that people found it to be from the out of the world and went all out to receive it warmly. The cars were the symbol of advent of modern high technology for the people at large in India.

However, MUL's Van and Gypsy models were failures. The van had its problems: it was less fuel-efficient than the car; its door rattled; the rear seat was uncomfortable; and the location of the battery made it inaccessible. The Gypsy was operationally more expensive than the Mahindra's diesel jeep as it ran on petrol. Moreover, it was offered only in a Soft-top version, when what customers wanted was a hard top. The Gypsy was also poorly positioned it was aimed at the adventure-loving (Sporty) segment, when the real market was institutional buyers like the police, paramilitary and defense forces and government department. MUL's actions include hiring new advertising agency Hindustan Thompson Associates (HTA), which gave van the brandname of Omni, because the term 'Van' created a negative image in the minds of potential buyers. For the Gypsy, a special cell was set up to push sales to institutional and government buyers. Omni achieved acceptability in the market but Gypsy till date is found to be lagging behind.
Booking for the Maruti 1000 car opened in November-December 1989 with an advertising blitzkrieg which roped in 2.5 lac enthusiastic customers. Deposit at the rate of Rs.25,000 for each booking amounted to Rs.625 crore. MUL retained deposits of only 25,000 customers with a manufacturing program to supply this number by March 1992. But unexpectedly cancellation started pouring in and by the end of February 1991, the entire overbook was exhausted—with a mere 3000 sold. The price of Maruti 1000 had been the biggest damper.

The down trend in car sales began in mid-1990, much earlier than the general recession. MUL's sales also suffered, but it continued to make profits. But the first half of 1992-93 smeared MUL's books in red. MUL reported loss for the first time in its ten-year turbulent history. There was a seven per cent drop in sales in the first half of the 1992-93. Other two competitors also reported dismal results. It is alleged that 55 percent excise duty (though it was reduced from 66 per cent on passenger car in 1991-92 budget) was a great burden and the ever rising cost of inputs bloated up this payment each year. For MUL exporting vehicles, is one of the options. With Suzuki having increased its stake from 40 percent to 50 percent, the company's orientation appears to have become more global and a new model, YE2, had been developed specifically for European markets.

During 1994-95, MUL completed the Rs.700-crore second plant with installed capacity of 70,000 units, and a further expansion of capacity by 50000 units has been taken up to raise the capacity to 3.2 lac vehicles. MUL, which has to depend heavily on its suppliers for components, has
presently 375 strong vendor base and 11 joint ventures to meet its sourcing requirements. By the end of 1995-96 MUL had 89 dealers, 146 sales outlets, and 162 dealer workshops in India.

In 1994-95 MUL introduced a number of new models namely Maruti Suzuki Esteem, New version of Maruti 800 and the Maruti 800 Th. In addition, vehicles equipped with catalytic converters were also introduced for customers in the metro cities. The company exported 20862 vehicles valued at Rs.2745 million. Introduction of the new Suzuki Alto (Zen) in extremely competitive markets like Netherlands, Germany, Switzerland and Belgium was the major highlight. The car was well accepted in these markets. During the year the multipoint injection (MPI) model of Maruti 800 was introduced in the EC countries and in Chile. 13 new markets were developed during the year for exports. In order to provide quality after-sales service to our customers, 11 dealer workshops and 63 Maruti Authorized Service Stations were added during the year.

In 1996, MUL reduced the production of the Esteem due to sluggish market conditions and stiff competition in the mid-priced car segment. Therefore, it introduced a variation of the Esteem - VX version with power windows, a central locking system and a Kenwood music system. MUL also relaunched its 1000cc car with more effective air-conditioning, laminated windshields, jacquard upholstery and a soft polyurethane steering wheel.

MUL crossed a milestone when 1.5 millionth vehicle, a Maruti 800 cc, rolled out on 25 April 1996. Just two years after MUL produced its
millionth vehicle in March 1994. The product mix of the 1.5 million vehicle is as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>Number of vehicles (lac numbers)</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maruti 800</td>
<td>9.19</td>
<td>62.26</td>
</tr>
<tr>
<td>Omni</td>
<td>3.49</td>
<td>23.25</td>
</tr>
<tr>
<td>Maruti 1000</td>
<td>1.09</td>
<td>7.25</td>
</tr>
<tr>
<td>Esteem LX &amp; VX</td>
<td>0.70</td>
<td>4.69</td>
</tr>
<tr>
<td>Gypsy</td>
<td>0.53</td>
<td>3.55</td>
</tr>
</tbody>
</table>

MUL's dependence for auto components on the collaborator Suzuki is one of its major weaknesses. The appreciation of yen further increases the burden on MUL. The import content of Maruti 800 remains at four per cent, followed by Esteem with 14-15 per cent and Zen having the highest import content of 20 per cent.

MUL's effort in improving quality control was the toughest task for the reason MUL's decision (in line with the practice in Japan) of buying out as much as 77 per cent of the value of each vehicle from component manufacturers, and making only the remaining 23 per cent in house. In house activity is confined to basic operations like body stamping, welding, painting, engine and body assembly, and machining of critical engine components. All these require a high degree of quality control. Since everything else is purchased elsewhere, the company has developed over 325 vendors who supply nearly 2500 components, including such major items as wheels, tyres, brakes, clutches, pistons, flywheels, gaskets, starter motors, alternators, seats, radiators, glass, real axles, shock absorbers and suspension, ignition coils, batteries, lamps, wiring harnesses and spark plugs. Because some of the components require high-
precision technology and heavy capital investments, the company set up six joint ventures with private entrepreneurs to make glass, seats, steering gear, plastic molded components, fuel tanks and pressed metal components. The company has 138 sales outlets throughout India, 164 dealer workshops and 692 Maruti Authorized Service Stations, with over 19000 trained mechanics in over 365 cities.

The company directors want to undertake an expansion to increase the annual production capacity by 100,000 cars at a cost of Rs.1,400 crore. Another Rs.400 crore is proposed to be invested in the company's existing plant on the outskirts of Delhi. Rs.400 crore more is to be spent on upgrading models e.g. adding new features to the 800 cc car. The first 100,000 car capacity cost MUL Rs.340 crore, the second, two years ago, Rs.660 crore, and the on-going expansion of 50,000 cars will cost Rs.407 crore. The appreciation in yen is stated to be the chief cause of high cost of the proposed expansion.

The government and the MUL directors disagree on the pattern of funding the expansion. The government wants MUL to raise funds through borrowing whereas the company management prefers a mix of a public issue and loans. It has suggested a debt-equity ratio of 0.5:1. Earlier, MUL had bankrolled its expansions through internal accruals.

In a growth friendly liberalized environment created due to government's economic policies and deregulation resulted into high growth of MUL in 1995-96 as follows:
Financial Highlights

(Rs. crore)

<table>
<thead>
<tr>
<th>Item</th>
<th>1994-95</th>
<th>1995-96</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (nos.)</td>
<td>2,06,330</td>
<td>2,77,000</td>
<td>34%</td>
</tr>
<tr>
<td>Income</td>
<td>4,388</td>
<td>6,673</td>
<td>52%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>263</td>
<td>650</td>
<td>147%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>248</td>
<td>409</td>
<td>65%</td>
</tr>
<tr>
<td>Export Vehicles (nos.)</td>
<td>20,862</td>
<td>26,000</td>
<td>25%</td>
</tr>
<tr>
<td>Export income</td>
<td>279</td>
<td>372</td>
<td>33%</td>
</tr>
<tr>
<td>Excise duty payment</td>
<td>1,058</td>
<td>1,647</td>
<td>56%</td>
</tr>
<tr>
<td>Customs duty payment</td>
<td>274</td>
<td>410</td>
<td>50%</td>
</tr>
<tr>
<td>Income Tax payment</td>
<td>16</td>
<td>240</td>
<td>1400%</td>
</tr>
<tr>
<td>Total contribution to Government revenues (excluding sales tax)</td>
<td>1,357</td>
<td>2,310</td>
<td>70%</td>
</tr>
</tbody>
</table>

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Lipton India Limited

Major problem for Lipton India Limited (Lipton) was the diversification of its business. It has been a successful company in the traditional line of business like Tea, Edible Fats and Dairy, Exports and Animal Feeds. On the other hand Lipton’s vigorous efforts to establish a viable presence in some new product categories, notably fruit drinks have not been successful.

Lipton’s mission envisaged a more determined search for profitable growth opportunities in traditional business. Lipton’s failure in fruit drinks had been disturbing. Adverse market factors, competition induced entry barriers, disproportionately high expenditure in advertising and sales promotion have resulted in significant negative variances over planned targets. This unsatisfactory performance of the new foods opera-
tions has adversely affected overall company results. Lipton had ventured forth into new product areas with the realization that traditional businesses were unlikely to throw up opportunities for growth in new areas; and therefore despite the risks attendant with entering totally new areas, the management had decided to pursue this objective and invest for the future. Which turned out to be a big blunder. In 1990, Lipton had to identify some profitable growth opportunities in almost all its traditional business. This reduces the company's exposure risk (in the short run), because the management is treading on familiar ground of knowledge and expertise gathered over many decades. The New Foods operations were appropriately modified so that financial risks, if any, are reduced to minimum.

In 1983, Hindustan Lever handed over to Lipton its edible oils and non-core sector businesses. This helped Lipton come out of its dowdy image of a single product (Tea) company. Then Lipton’s product range included Marie, Thin Arrowroot, Glucose Milk biscuits, Flora Sunflower oil, Tree Top Fruit juices, dairy, animal feeds etc. The enthusiasm was so high that in 1988, the Chairman, B. R. Shah said "Our mission to-day is ambitious, but simple. It is to make Lipton the largest foods and beverages company in the country." Lipton’s executives were convinced that a real change is taking root in India and that demand for packaged foods is likely to see a substantial growth, and so Lipton’s strategy was to launch popular, relatively inexpensive biscuits and soft drinks to obtain the necessary critical mass that will propel it towards becoming the first large foods and drinks company nation wide with a wide range of standardized products.
Lipton launched its first drink in 1985 a bottled tea-based beverage called '21' and was test marketed in Delhi and was a failure. According to Shah "Bottling did not have any synergy with Lipton's operations; that is why '21' failed." But the advent of the Tetrapacks threw up fresh opportunities for bottle scarred Lipton. Quite apart from doing away with the need for handling bottles, Tetrapacks opened up a much wider area for distribution (since empty bottles don't have to be collected from retail points). The Parle group demonstrated it with its "Frooti" mango drink, which took the Bombay and the Delhi markets by storm. Around the same time, Voltas began marketing a guavas drink under the Volfruit brandname in Bombay. The Indian consumer, so far offered only a carbonated drinks in bottles, showed a marked interest in the new tetrapacked fruit drinks. Lipton got "Tree Top" juices manufactured outside at Noble Soya at low cost on job work basis to avoid large investments in fixed assets.

Unfortunately Lipton's fruit drinks operation was a dismal failure. In case of animal feeds business Lipton's performance was better. The growth of tea consumption in India had been substantial (about 4,65,000 tpa), the share of packed tea has fallen from 50% some 20 years ago to a little more than 28 per cent. There were only four players in the market. Brooke Bond, with over 65 per cent of the market, and Lipton, with 30 per cent, were the biggest. Again as both Brooke Bond and Lipton belonged to Unilever group fight for market share is not cutthroat, however both attempt to grow the market for packed tea. Also with the steady increase in the commodity price of tea, the cost of packaging and
taxes as a percentage of total cost has declined and so packaged tea market has again shown signs of growth, which once had declined to as low as 25 per cent.

Tea grows in India in the remote north-eastern and south western borders. The terrain is difficult and access still a problem. Movement of goods was at a primitive stage with the network of roads and railways still in their infancy in the early '20s and 30s. Lipton at that time set up with its own resources a wide and efficient distribution system and created a major 'competitive advantage', with which it was at the forefront of tea companies. In the '50s and '60s, the CTC process of tea manufacture had been introduced, and was first picked up by Lipton's competitors as a major development affecting the taste and value of black tea. The mistake on the part of Lipton was not so much about ignoring a new technology, but in not recognizing a latent consumer need. Lipton lost its leadership position.

In the '70s, Lipton's competitive advantage built earlier around the distribution system started eroding fast. With two decades of independence and consequent investment in the infrastructure, movement and flow of goods through the public transportation system became efficient and less expensive. Loose tea was now freely available in all corners of the country and the housewife started wondering why she was paying significantly more for the packaged product. In the '80s, business continued to suffer and losses were persistent and two thirds of the shareholder's equity and reserves were lost. Faced with a grim situation, the company's team fought hard. Everyone in the company from a worker in the
factory, a salesman in the field or a member of the office staff, to management at all levels strained every sinew and muscle to turn the business around. In three short but eventful years, they managed to restore the original equity and reserves and the company was back to the dividend list. The Exports business once again played a sterling role.

Five Key lessons from Lipton's History

1. Zeal of the Pioneer

Over the years, the business has become more analytical and professional in its decision-making. Modern management techniques and computers are extensively used in all sides and functions to ensure correct and cost-effective solutions. But the real lesson is that in order to invest a business with extraordinary success one must have the zeal of the pioneer and a spirit of adventure. It is not just enough to be conceptually sound and analytically correct. The goals of the business have to be just that much beyond reach so that people strive to achieve something outstanding.

2. Dangers of Inward looking Business

Many of the most successful large business get so caught up with success that business tasks gets more operations and cost-led, with less attention to the consumer and the competition which are both vital, but are outside the business.
Based on this experience, Lipton have used three functions in the business as windows to the outside world. Knowledge of new products and processes are built and updated through Research and Development; changes in consumer habits, behavior and their responses to new products are continually gauged through Market Research; and various Marketing departments through these two sources and travel try to keep a finger on the pulse of the consumer.

3. Value of Present and Future Growth strategies

A single-product business no matter how profitable and seemingly healthy is intrinsically vulnerable, as a sudden change in fortunes can affect the entire company. Lipton, since 1984 diversified its portfolio and now it consists of a wide range of products encompassing tea, vanaspati, cooking oils, ghee, milk powder, fruit drinks, biscuits and poultry and cattle feeds. A part from the domestic market, company also have a sizable and profitable contribution from exports. The Lipton philosophy is that it must manage the present and create for the future. This is formalized through a series of planning exercises called the ‘Annual Plans’ and the ‘Long-term Plans’. The latter done every five years forces attention on quantifying the business trends into the future and ways and means to tackle them.

4. Equity in Brands

For a consumer product business, the primary assets are its brands. Lipton tea and Dalda vanaspati are two such examples. Investing behind
brands and nurturing them carefully is a Worldwide Unilever Strategy and philosophy. Lipton hope to make big brand properties out of Flora Sunflower Oil and Taaza Tea.

5. Human resource quality and organizational structure

Lipton believes that a company is only as good as the quality of its people. A carefully drawn program of selection, training and development of people ensure that the company provides them a fulfilling range of careers and not just 'jobs'.

In 1990, Lipton's sales turnover was Rs.562 crore. Lipton is with wide range of products. The diversity of products is among its major strengths. A big plus for Lipton was its access to the expertise and knowledge of its parent, Unilever world-wide and the R&D center of Hindustan Lever Ltd (HLL), located in Bombay. Matching these is another important strength: an extensive distribution network which brings the company's range of products to consumers everywhere economically and efficiently. Until 1976, Lipton was a sterling company and a branch of its parent head-quartered in the united kingdom. Blended teas of high quality, both for exports and sales in the local market was Lipton's sole business for decades with Unilever's acquisition of Lipton in 1972, the business philosophy has undergone a significant change over the years to one more suited to the needs of the times and emerging aspirations of modern India.
In 1984, a business restructuring program in conjunction with Hindustan Lever Ltd to Lipton's acquisition of two major HLL businesses, Edible Fats and Dairy products, and the Animal Feeds operations. Thus Lipton was transformed from a single product company into a well diversified multi-product corporation. Lipton had nearly 4,300 employees, including a country-wide sales force of about 900 under six branches, located in key cities. Its vast network of 3,000 redistribution stockists catered 6,00,000 retailers in bazaars across the country. Lipton had manufacturing operations in 20 locations. The company operates on the basis of profit centers: beverages (blended teas), exports, foods-vanaspati, liquid oils; and Industrial fats; and, dairy representing skimmed milk powder and ghee, and animal feeds.

In 1988 Lipton entered the soft drinks market with a range of tetra-packed fruit drinks under the banner Tree Top. This brand achieved significant initial success in terms of market share. However, in the light of experience and the trends in this market, Lipton has decided, effective the last quarter of 1991, to franchise this operation.

Lipton India Ltd merged with Brooke Bond India Ltd w.e.f. July 1993 and the name of the company was changed to Brooke Bond Lipton India Ltd. The Board of Directors of this company too decided in April 1996 to merge with Hindustan Lever Ltd, details of which are covered under the case-study of Hindustan Lever Ltd in the chapter "Mergers and Acquisitions."

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Arvind Mills Ltd.

The company was promoted by Kasturbhai Lalbhai, Narottam Lalbhai and Chinambhai Lalbhai in June 1931 in Ahmedabad. In 1979, the company acquired a sick textile unit Ahmedabad Laxmi Cotton Mills with a view to turn it around and presently this is a division of Arvind Mills under the name of Ankur Textiles. The company embarked upon diversification in the manufacture of denim fabrics by setting up a plant at Naroda in 1987. The company also set up a plant to manufacture of EPABX with technology from C-DoT at Pune. The company took over Nagri Mills Co. Ltd. w.e.f. October 1990.

In 1991 expansion capacity for denim fabric was completed. These new production facilities were formed as export oriented unit under the name of Arvind Exports. The EOU named as Arvind International at Khatrej for export of indigo dyed denim commenced commercial production in January 1993. Arvind Cotspin Ltd. is being set up as EOU for the manufacture of high quality cotton yarn at Kolhapur. The company also has taken stake in the equity capital of Anup Engineering. International Finance Corporation subscribed to 42,50,000 shares of Rs.10 each at a premium of Rs.45 aggregating to Rs.23.37 crore, in the equity capital of Arvind Mills.

The subsidiaries of the Arvind Mills are Asman Investments Ltd., Arvind Products Ltd., and Arvind Clothing Ltd. The overseas subsidiaries are Arvind Worldwide Inc., and Arvind Overseas (Mauritius) Ltd.
The major problem Arvind Mills facing to-day, is of transforming itself from being one of the Regional player, to, directly becoming an international giant producer of Denim. The Arvind Mills belong to Lalbhai Group. The objective of Arvind Mills is to become denim producer of international repute on a way to becoming a global corporation.

Among the textile manufacturing enterprises based in Ahmedabad Arvind Mills was the only one which was profitable in 1987. The textile industry was experiencing unprecedented problems. Many textile mills in organized sector were being closed down due to huge accumulated losses, nationalized mills too were running at losses and were economically unfeasible. There was cut-throat competition from unorganized powerloom sector and demand for textiles got eroded constantly due to smuggled textile goods.

The only opportunity Arvind Mills could identify was the denim. Denim was becoming popular in India. Arvind Mills was the first to put up indigo denim manufacturing plants in India and is the largest producer. The company also increased concentration of its resources into denim manufacturing facilities and started exporting denim on a large scale.

Arvind's strategy of manufacturing high quality textiles consistently helped keep its head well above water, even in the most difficult period. When the textile policy permitted cotton and blended textile manufacturers to produce synthetic or artificial silk fabrics, the management of Arvind Mills was one of the first to do so. In 1980s, capitalizing on the excellent relations Arvind Mills had built up with the tex-
tile trade over the last eight decades, completely changed its product mix with an entry into the manufacture of less price sensitive textiles and fabrics. And to do so the company made heavy investments throughout the eighties in modernization, which inevitably meant a drop in profitability. Which in turn later on started contributing handsomely to the company’s profitability. As this strategy, the management found, had enabled them to survive, they undertook the denim manufacturing project.

Arvind Mills had set up a full-fledged R&D division in 1972 which represents the largest investment in R&D of any textile manufacturing company in India.

The major competitors of Arvind Mills is Mafatlal Group. The mills of Mafatlal Fine and Mafatlal Industries by and large market and manufacture the same product range of textiles as that of Arvind excepting Denim. In case of Denim fabric, Soma Textiles, Amtex, Modern, and Asima are the competitors. Soon some more new entrants like Mafatlal, Raymond are expected to enter the denim market. In Denim market, Arvind is an upmarket and dominant manufacturer.

In other textiles i.e. shirtings, sarees, dress materials, dhoties, poplins etc., Arvind faced competition mainly from Mafatlal Group Mills. Mafatlal Group Mills are formidable competitor but the Arvind Mills thrive on as comparable products sold by her are by and large less costly. This is so mainly because being based at Ahmedabad its overheads are considerably less than that of mills of Mafatlal group. Mafatlal group’s 3 out of 6 mills are based in Bombay, having high overheads.
Arvind Mills is a grand success on course of related diversification manufacturing denim, but is a failure on course of unrelated diversification. The EPABX venture was a non-starter. The giants like Tata, L&T and others being in fray, Arvind Mills could not make significant impact on market. Common man even does not even know that Arvind Mills is manufacturing and marketing EPABX systems. In case of Television Sets, Arvind Mills did make an impact in Gujarat market and its Pyramid brand TV Sets were popular initially, but later on it had to surrender to national brands like ONIDA, BPL, Videocon etc.

Growth

Arvind is setting up new projects at Khatrej, Ahmedabad for manufacture of 18 million meters of poplin at the cost of Rs.470 crore; 3,60,000 tons of cotton blended knitwear fabric at the cost of Rs.300 crore in technical collaboration with West Point Stevens, of the US; cotton blended shirting at the cost of Rs.250 crore; bed and bathroom fabrics at the cost of Rs.200 crore in technical collaboration with West Point Stevens, of the US; and 6 million meters of voile fabrics at the cost of Rs.196 crore in financial and technical collaboration with Spinnerei & Weberei Dietfurt AB., Switzerland. The company also is expanding substantially the production capacity of denim by 40 million meters from 80 to 120 million meters at the cost of Rs.250 crore.

The Arvind group is hiving off its telecom division into a separate company, Renovision. The decision is part of a strategy to focus on core business areas in all the group companies.
Takeover

The Lalbhai group whose flagship company is Arvind Mills is offering to buy a 20 per cent public stake in Life Style fabrics, a Maharashtra based producer of Jacquard fabrics. The group through Assam investments and two other companies which are fully owned is also acquiring a further 55 per cent stake from the promoters of the company and their associates. The group intends to use the company for the production of silk, cotton and polyester fabrics. Of the eight looms, two looms are to be used for 100 per cent silk fibers and 2 for 100 per cent cotton.

Merger

Rohit Mills Ltd., a sick yarn and textiles manufacturing company is being merged with Arvind Mills Ltd. Arvind Mills will get a tax benefit to the tune of Rs.22.21 crore which it proposes to utilize for the rehabilitation of Rohit Mills.

Alliance

The proposed alliance between Arvind Mills and Hammerle of Austria fell through. Differences arose with regard to the proposed project's technology, marketing and distribution network.
Expansion

Arvind Mills commissioned its 100 per cent subsidiary, Arvind Overseas (Mauritius) Ltd, at Mauritius. This makes it the first Indian Textile manufacturer to take manufacturing offshore. The unit with a capacity of 10 million meters of denim, takes the company's total denim manufacturing capacity to 77 million meters per annum. The new facility is to gain quota free access to the vast European markets.

The company launched its latest ready-to-stitch jeans brand, Ruf and Tuf and Newport T-shirts. "Ruf and Tuf", the product consists of 1.2 metres of denim fabric, along with the accessories like a zipper, rivets, buttons, a label, as well as instructions booklet for the tailor. The packaged product aims to capture a market where the concept of ready-mades has not yet caught on and where denim is still an alien fabric.

Arvind Mills was able to record a 25 per cent growth in the sale of denim fabrics to around 57 million metres during the 1995-96 financial year. Out of this, 65 to 70 per cent has gone for exports. Their share in the domestic market has also gone up to 67/70 per cent. The company has a 4 per cent share in the world's denim market. The company has ambitious plans to raise its capacity further 100 million metres and increase its share in the world market to 5 per cent in the next two years.

The joint amalgamation proposal of Ahmedabad Manufacturing & Calico Printing Company Ltd. by Arvind Mills and Essar Ltd. combine has been
failed by the BIFR's decision to issue winding notice to the ailing company. This is a fallout of the decision taken by the Directorate of Income Tax not to extend any income tax relief to the proposed promoters. The relief had been estimated to be around Rs.88 crore.

Still the largest manufacturer of denim both domestically and in terms of exports from India, AML's primary unique selling point is its variety. Arvind's large manufacturing capacity (the fifth largest in the world at 77 million metres per annum, 10 million of which is manufactured in the company's Mauritius plant) has been built to offer the widest range to the customers, with enormous flexibility. The company offers varieties from 5.5 oz and 16 oz. AML already supplies the world-famous Levi's brand.

Sanjay Lalbhai also forecast a structural shift for Arvind. While the impressive growth in the last seven years have been fabric-led, it could now be that company's garment business would emerge as the engine of growth. He said Arvind would soon be among the companies from India with a world leadership status.

Arvind Telecom, a subsidiary of Arvind Mills Ltd., has tied up with E F Johnson Co. of the US to manufacture a complete range of trunked radios in India. Arvind will manufacture static, mobile and handheld trunked radios on designs provided by E F Johnson. In return, Arvind will pay royalty to the latter. This agreement is on exclusive basis with Arvind.
Arvind Mills is planning to set up a Rs.102.1 crore project to manufacture medium density fiber boards in Northern Karnataka. The group has signed a memorandum of understanding with Ozcot of Israel for this purpose. The project which proposes to have a capacity of 150 tons per day will require nearly 100 tons of agri-waste, viz cotton stalks as raw material. With this end in view, the company plans to take up cultivation of cotton on wasteland using Israeli technology apart from converting wasteland into cultivable land.

Arvind Mills commissioned its 100 per cent subsidiary, Arvind Overseas (Mauritius) Ltd, at Mauritius. This makes it the first Indian Textile manufacturer to take manufacturing offshore. The unit with a capacity of 10 million meters of denim, takes the company's total denim manufacturing capacity to 77 million meters per annum. The new facility is to gain quota free access to the vast European markets.

Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Year ending 31/03/95</th>
<th>31/03/94</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>Rs. Million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5597.28</td>
<td>3934.14</td>
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<tr>
<td>Operating Income</td>
<td>5697.51</td>
<td>4087.15</td>
</tr>
<tr>
<td>OPBDIT</td>
<td>905.94</td>
<td>954.54</td>
</tr>
<tr>
<td>PBT</td>
<td>906.36</td>
<td>530.18</td>
</tr>
<tr>
<td>PAT</td>
<td>906.36</td>
<td>530.18</td>
</tr>
<tr>
<td>Dividend - Equity</td>
<td>398.86</td>
<td>241.25</td>
</tr>
</tbody>
</table>

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The Minerals and Metals Trading Corporation of India Ltd.

The Minerals and Metals Trading Corporation of India Ltd. (MMTC) was created in 1963. It has been functioning as a canalizing agency for the
exports of minerals and the import of primary inputs for industry and agriculture. It has grown into one of the biggest international trading corporations in the third world, with a formidable bulk buying power in over 65 countries. It continues to grow covering new products, entering new markets, involving innovative methods of promoting foreign trade. In a contemporary sense, what MMTC is doing, is to redefine an ancient Indian philosophical concept. "The world is our market" from Vasudhaiva Kutumbakam meaning "The world is our family".

MMTC has set its sights on making trade an even bigger tool for economic development. Towards this end, it is guided by the following corporate objectives.

1. To emerge as a leading international trading house operating in competitive global trading environment, particularly specializing in bulk handling activities, and earn adequate returns on capital employed.

2. To provide support services to the medium and small scale sectors.

3. To promote development of infrastructure facilities like ports, warehouses, industrial parks by various measures including meeting reasonable investments in such newly developed facilities.

4. To strive to become market leader in most of its traditional product lines like minerals, metals, fertilizers, and gold, gems &
5 To render high quality of service to all categories of customers with professionalism and efficiency and to provide high quality of goods and services to all customers.

Behind MMTC's strategic growth are strategic vision, clearly defined corporate goals, professional management and a committed work force.

Exports-

Minerals

India is one of the largest exporters of minerals in the world. For more than two decades now, MMTC has been offering a total service—procuring ores from private and public sector suppliers, handling their transportation from the mines to the ports of dispatch, arranging payment to local suppliers and contractors. The major minerals exported are iron ore, manganese ore, chrome ore, non-coking coal, barytes, bauxite and other minerals.

Imports-

Finished Fertilizers

MMTC is one of the largest buyers of finished fertilizers in the world, importing urea from East European and Middle East countries, DAP from
USA, MOP from Canada and West Germany, and is on a constant lookout for new supply sources. MMTC has been buying DAP and MOP from Jordan also.

**Fertilizer Raw Material**

MMTC imports vital raw material such as sulfur and rock phosphate to meet the demands of domestic fertilizer industry. Canada, USA, Poland and countries of Middle East are the major Suppliers of Sulfur. Rock phosphate comes mainly from Jordan, Morocco, USA and Senegal.

**Non-Ferrous Metals**

MMTC plugs the gap between domestic availability and actual internal requirements of non-ferrous metals like copper, zinc, lead, aluminum, tin and others, through imports. It undertakes complete supply management-assesses import needs, identifies market supply choices available, and makes arrangements to ensure strict quality control and timely supplies.

MMTC also imports broad categories of steel items like pig iron, billets, C. S plates and coils, galvanized sheet, electrical steel sheets/stripes/coils, tin plate prime, alloy steel and structures.

MMTC import industrial raw material like asbestos, acid-grade fluorspar and antimony metal to serve various industrial sector. MMTC also imports platinum.
MMTC has taken up a host of value added products for exports. These include cut and polished diamonds and emeralds, consumer durables, agromarine products, engineering goods, heavy duty industrial machinery and petrochemical distillates. Various non-traditional items have already been exported - like graphite electrodes and crucibles, quartz, Shellac and engineering goods.

To serve domestic industries in a greater measure, MMTC has begun importing vital inputs like mercury, molyoxide, copper scrap, PVC resin, ferronickel, rough diamonds and emeralds, and light grade soda ash.

MMTC is now geared up to put its global expertise and bulk buying power to larger purposes of national growth-opening up global markets for India’s small-scale entrepreneurs, adopting new strategies, exploring new market opportunities and generating much needed foreign exchange to bridge India’s trade gap. MMTC offers a broad range of services for major business ventures like feasibility studies, mobilization of resources, Organizing Suppliers and equity participation in projects.

MMTC has a total manpower of 3600 people. People with sense of commitment, who use the experience distilled from years of service to broaden the horizons of MMTC.

Strategic vision and perspective planning have kept MMTC on top of changing markets and in global trading. In the years to come, MMTC’s profile will undergo a transformation, as it expands into areas like source development, technology transfer, creation of infrastructure,
organizing and managing of resources. Both on its own and through its associates and subsidiary corporations. In India and abroad. This broadening prospective will take MMTC into new markets, new products, new modes and means of trade. Effecting not just a change but a megashift - to move with the megatrends in global trading.

Alliance

MMTC has signed a long-term agreement with Japan Steel Works, incorporating a five year contract for sale of iron ore and to finalize details of the contract for fiscal 1996. MMTC is also reducing the range of quantity from 8.9 million tons to 4.5 million tons. The price of fines has been revised upwards by 6 per cent and that of lumps by 5 per cent over the 1995 level. It is currently setting up a one million tpa integrated steel project, a 800,000 MT coke oven project and a major integrated textile project.

MMTC is setting up a steel plant in Orissa in joint venture with the state government and Metallurgical & Engg. Consultants (India) Ltd. The company is already incorporated in the name Neelachal Ispat Nigam Ltd. The project is located at Duburi in Jaipur District. The proposed project is envisaged to produce 1.1 million tons per annum of iron and steel in the first phase at a total cost of Rs.1,525 crores.

MMTC Ltd. has chalked out plant for a string of investments which would enable it to increase its turnover to Rs.16,000 crore by the turn of the century. The projects MMTC is planning include a one million ton
integrated steel plant with an investment of Rs.2,000 crore, a fully integrated textile unit with an investment of Rs.360 crore, and a joint venture shipping company for which negotiations with a foreign shipping company are on. The steel plant would be located in Orissa and MMTC plans to put up a power unit and coke oven plant to supply the requirements of the steel plant. The Coke Oven Project would be having capacity of 8 lac ton and would cost Rs.326 crore.

MMTC Ltd. has also decided to invest in infrastructure areas like port development, shipping, warehousing and industrial parks to support its trading activities. The proposed Gopalpur Port Project at Gopalpur, Ganjam, Orissa is promoted jointly with the Government of Orissa, Tata Iron & Steel Co Ltd, and Steel Authority of India Ltd and is estimated to cost Rs.1900 crore.

During the year, MMTC has set up its own facilities at Jaipur for cutting and polishing of precious and semi precious stones, thus, adding value to these products. In order to create a marketing base for export of jewelry from India, MMTC had organized jewelry exhibitions in Kuwait, Malaysia and Singapore during the year 1994-1995.

This year, company has embarked upon a plan to set up an integrated textile mill at Kheda, Gujarat on joint venture basis with Eisenberg Group of companies, M/s UDI, Panama, as a 100 per cent EOU, for manufacture of cotton yarn, processed knitted fabric and premium garments for exports. The project cost is estimated at Rs. 260 crore with production capacity of 9.5 tons of yarn per day, 9.5 tons of dyed fabrics and
approximately 38,000 pieces of garments every day.

**Financial Highlights**

(Rs. in million)

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL TURNOVER</strong></td>
<td>52,626</td>
<td>32,173</td>
</tr>
<tr>
<td>Exports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>13,683</td>
<td>13,713</td>
</tr>
<tr>
<td>Domestic</td>
<td>36,621</td>
<td>16,993</td>
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**PROFITABILITY**

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>810</td>
<td>650</td>
</tr>
<tr>
<td>Net Profit</td>
<td>674</td>
<td>519</td>
</tr>
</tbody>
</table>

**APPROPRIATIONS**

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>524</td>
<td>369</td>
</tr>
</tbody>
</table>

Nirma Ltd

The major problem Nirma facing to-day is growing out from Mr. Karsanbhai Patel's firm to an international giant. So far Nirma's growth was made possible under almost direct supervision of Karsanbhai Patel. Nirma had been highly centralized organization. Nirma's strategy is an open secret. Quality, at an affordable price, is the platform on which every Nirma product has been conceived, created and launched. Offering consumers what they want at a price that they can afford is the secret of Nirma's success.
Before Nirma launched its products, detergent manufacturing industry virtually did not exist in Gujarat. Nirma’s pioneering success inspired several entrepreneurs to start detergent manufacturing and to-day Gujarat alone accounts for over 70 per cent of the country’s detergent capital of India. Nirma’s unparalleled success in identifying a whole new segment of potential detergent users opened up a vast market which has grown several times over the last two decades.

Karsanbhai Patel, Chairman & Managing Director believes that Nirma is a company that is at once traditional and contemporary, where they take perfectly simple ideas, but make sure they are executed simply perfectly.

At Nirma following Ideas are at work:

- Low margin and high volumes are better than high profits and low volumes.
- Creating a market is more effective than chasing the competition.
- The formula for success: 10 per cent luck, 20 per cent perseverance, 30 per cent back-breaking work and 40 per cent ingenious marketing.
- Keeping costs down is better than marking prices up.
- Give Quality at the right price and whatever you make will sell on its own.
- Minimize middlemen between the manufacturers and consumers and maximize returns to consumers.
Nirma, brand named after Karsanbhai Patel’s daughter Niru, has created corporate history by becoming the largest selling brand of detergent in the world. This leadership achieved through a simple idea "offering quality at an affordable price" has created ripple effects in the industry.

To-day, Nirma employees approximately 15,000 workers, 500 Supervisory Staff and a team of executives with experience and expertise in Petrochemicals, Engineering, Finance and Taxation. Nirma also provides indirectly around 50,000 jobs through its ancillaries and suppliers and has contributed significantly to the growth of industries like chemicals, packaging, transport, etc. due to the sheer volume of the company’s requirements. Nirma has registered an average compound growth rate of over 40 per cent per annum. Nirma has now entered the export market. In the very first year, Nirma exported Soaps and detergents worth Rs.25 crore. Most of the Nirma’s products are manufactured in centrally declared backward areas. To ensure quality, Nirma manufactures all its products in house in its plants. To-day Nirma is a multi-product, multi-location company with manufacturing facilities in Ahmedabad, Chhatral, Mandali, Kanpur and Indore. Due to the excellent relationship between the management and labor not a single man-day was lost in all these years.

Nirma’s consumer product range includes synthetic detergents, high power detergents, toilet and cosmetic soaps. Other products in the pipeline, are tooth powder, agarbattis, iodized salt, shaving cream, talcum pow-

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der, hair oils, liquid detergent, beauty soaps, scouring powder, shampoo, matchbox and a wide range of cosmetics and even consumer durable like electric fans.

Nirma's strategy has been to move forward through backward integration. Strategic diversification and expansion for increasing production and controlling costs, to continuously offer 'Value for money' products. Nirma has already commenced production of vital ingredients necessary for the manufacture of detergents and toilet soaps, Sulphonates of Alfa Olefins and Linear Alkyl Benzene manufactured in a most modern sulphonate plant. The capacity of different products is as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Capacity per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulphonates of Alfa Olefins</td>
<td>10,000 M.T.</td>
</tr>
<tr>
<td>Alcohol, Ethers and Fatty Alcohols</td>
<td>90,000 M.T.</td>
</tr>
<tr>
<td>Linear Alkyl Benzene (LAB)</td>
<td>80,000 M.T.</td>
</tr>
<tr>
<td>Oleum and Sulfuric Acid</td>
<td>1,00,000 M.T.</td>
</tr>
<tr>
<td>Oil Splitting</td>
<td>60,000 M.T.</td>
</tr>
<tr>
<td>Distillation</td>
<td>60,000 M.T.</td>
</tr>
<tr>
<td>Glycerin</td>
<td>4,000 M.T.</td>
</tr>
<tr>
<td>Hydrogen Gas</td>
<td>20 Lac Cubic meters</td>
</tr>
<tr>
<td>Oxygen</td>
<td>10 Lac Cubic metres</td>
</tr>
</tbody>
</table>

The Single Super Phosphatic Fertilizer Plant of 1,00,000 M.T. p.a. will be set up for crops like ground nuts, rice etc.

Nirma has decided to put up a plant for the manufacture of 80,000 ton per annum Linear Alkyl Benzene (LAB) with an investment of Rs. 456 crore. The plant would be located at Alindra in Baroda district and would be second of its kind in the World and first in Asia. UOP Inter Americana of the US would provide the technology. UDHE India would offer the detailed engineering and SNC-Lavalin of Canada has been selected for the entire project management.
Nirma is also putting up a plant for the manufacture of 4,00,000 tons per annum soda ash at Bhavnagar at the total cost of Rs.1037 crore. The technology would come from Akzo Nobel BV of Netherlands and detailed engineering from Humphrey and Glasgow. When completed both projects would make Nirma totally self-sufficient in raw materials for the manufacture of detergents.

The company is reviewing the pros and cons of establishing a manufacturing unit for Linear Alkyl Benzene (LAB). The company has entered into an MoU with Indian Oil Corporation (IOC) for procuring 80,000 MTPA of LAB feedstock, in case it decides to go ahead with its LAB project.

Nirma from a small beginning, grew steadily and humbled mighty Hindustan lever and achieved a lead over it. This is such an achievement that the promoter Karsanbhai Patel became the legend in his lifetime. The phenomenal success of Nirma has given birth to hundreds of competitors in small sector throughout the whole country. Prominent among them are Vimal brand of Shreeji Chemicals Ahmedabad, promoted by Amritbhai Patel; Keti brand of Keti Chem. Ahmedabad promoted by Mahendra Vyas; Adhunik Detergent brand of Adhunik Synthetics group, Bombay; Plus brand based in Uttar Pradesh; Hipolin detergents brand of Narayan Soap factory; Pon Vandu detergent brand based in Tamil Nadu. Even Hindustan Lever Ltd, once the big brother of the detergent industry had to come down to the lower end of the market and launch Wheel detergent and Breeze brands and make full scale price war with Nirma. But according to Karsanbhai
Patel, they have not affected Nirma, as he had always expanded the market and has not taken anybody else's market share. Hence Nirma's market has been exclusive one.

Patel visits his plants almost every other day. At Nirma's administrative headquarters on Ahmedabad's Ashram Road, a small sales cell monitors sales of the detergent on a day-to-day basis and Patel is kept regularly posted on this. The management is top-light, with administrative and managerial jobs accounting for a mere 500 people in an organization that has something like 15,000 employees. The decision-making is thus highly centralized.

Nirma is claimed to be the largest selling brand of detergent in the whole world. It is distributed to over 25 crore people through about 350 Distributors and 5,00,000 retail dealers. Distributors supply stocks to retailers every fortnight and at the time of replenishment, the retailer has to present a predated cheque for dues payable. The effective credit period thus works out to 15 days and Nirma, as a result, never has cash flow problems. This is one reason why the company has never had to rely on borrowed funds.

Financial Highlights

(Rs. in lac)

<table>
<thead>
<tr>
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<th>for the year ending 31/03/96</th>
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<tbody>
<tr>
<td>Gross Sales</td>
<td>48444</td>
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<tr>
<td>Profit Before Depreciation</td>
<td>5637</td>
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<tr>
<td>Profit Before Tax</td>
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<tr>
<td>Profit After Tax</td>
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<td>Equity Share Capital</td>
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<tr>
<td>Reserves &amp; Surplus</td>
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<td>EPS (Rs.)</td>
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<td>Dividend</td>
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