

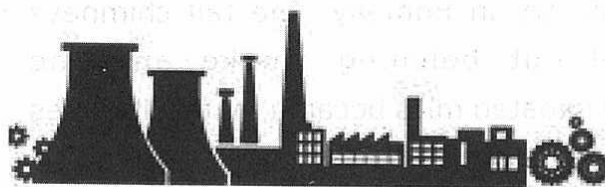
The Shifting Fortunes of an old Business House: Retold

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FROM THE BRINK OF BANKRUPTCY THE DCM STORY

Vinay Bharat-Ram



THE STORY OF THE GROWTH AND STRUGGLE FOR SURVIVAL
OF A CORPORATION BORN IN THE NINETEENTH CENTURY

“The Story of the Growth and Struggle for Survival of a Corporation born in the nineteenth century” the bottom line on the front cover page of the book explains.

On the back cover page there are four testimonials from eminent Indians of international fame. Two of them are partly quoted to provide an idea of the content and the contribution of the book to the Indian corporate history.

“This is a fascinating account” says Prof. Amartya Sen, the Nobel laureate, “of both a pioneering industrial family and a path-breaking business enterprise, which broke fresh ground and created an economic and technological success in quite difficult circumstances.”

Prof. Ram Charan, the well-known management guru adds, “Family managed companies across the world go through trials and tribulations periodically, even to the extent of sometimes teetering on bankruptcy, but some survive. They pick up the pieces and they start again. DCM is one of those companies from whose journey, details of glory and

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mishaps, we can glean insights. This book is candid, accurate and riveting.”

The story of Delhi Cloth and Mills built up by Shri Ram family in Delhi a century ago is narrated in detail in this book. It begins before Delhi became the national capital. It traces the genesis and gradual growth of the textile mill and explains the efforts made in diversifying the total business. The role played by three generations of the family members in managing the different branches of the business conglomerate is explained, notably without exaggeration. The trials and tribulations faced by the company at different stages of its growth are explained in a readable manner.

Shifting Fortunes:

Shifting fortunes of industrial houses and of some segments of the industrial sector are a common feature of the Indian corporate history. Sun-rise and sun-set industries are an inevitable part of any economy. Technological innovations more often perpetrate the decline of some industries. Sons, in many cases hasten the process of decline of the industries built by the family to slip into slowly declining phase. Indian history abounds in examples of mighty empires crumbling during the second or third generations of emperors and kings, big or small. Some of the empires, recognized by their

palaces or forts are no more in existence, while some still exist to remind the younger generations about their past glory. The enterprising inheritors of old royal families turn old palaces into five star hotels. Delhi, incidentally, has innumerable remnants of the Mogul empire besides tombs.

Textile industry in Bombay was at its zenith about a century ago as a result of the pioneering efforts made by certain families in building textile empires. Besides providing employment to a large number of migrant labourers, these mills were contributing to rapid development of the city in particular and the Indian economy in general. A large number of factors have conspired to change the fate of this industry, sadly throwing the names of some textile magnates into oblivion. The second or third generation of some of these families could not cope up with the sweeping changes which over took the industry in Bombay. The tall chimneys without belching smoke and the dilapidated mills became mute witnesses to the precipitous fall of the once prosperous textile industry. They were an eyesore in the heart of the fast growing city. The recent changes made in urban land ceiling rules have enabled the predators among the realtors to grab the lands occupied by these mills at astronomical rates in a few cases. Huge

towers and commercial complexes are rising up, where once the textile mills were operating. Though the industry did not rise up like the phoenix here, it has come up with new promoters, new production patterns and different customer-orientation. It is good to note that a few of the younger generation entrepreneurs are behind this development.

The Beginning of DCM:

The idea of setting up a textile unit as a joint stock company was conceived by Sri. Gopal Rai in 1889. The Delhi Cloth and General Mills Ltd was registered in March that year. The total investment made on plant and machinery was Rs. 7 lakh. In the initial years the company's cloth sales in Delhi and Punjab were able to compete with the British piece-goods, much to the discomforts of the alien rulers. Within a couple of years, a few new cotton mills came into existence in and around Delhi. But none of them lived long. One of them was, Krishna Mills, established by Srikrishna Das Gurwale, one of the promoters of DCM and its first chairman.

By 1930, DCM was counted among the leading mills in India. Shri Ram, who was at the helm of affairs of the company, adopted an innovative labour policy, and as a result 25 percent of the employees were shareholders. The author asserts

that "DCM was the only company to have an elected workman on its board" (page 27). In 1939, DCM celebrated its golden jubilee. "Shri Ram had brought 2000 Swiss watches from Europe to present to the workmen. Each had Delhi Cloth and General Mills Co inscribed on it" (page 38).

Family Business Expands:

Starting with Gopal Rai, five generations of the family have been managing the DCM group of companies. The author Dr. Vinay Bharat-Ram belongs to the fifth generation. He admits, "DCM was the anchor for the men in the family. Shri Ram called it a *kamadhenu*, the satisfier of worldly wants" concludes (page 44). Youngsters of the sixth generation are entering the

Shri Ram initiated the process of diversification adding Bengal Potteries and Jay Engineering Works, extending the area of operation to Calcutta in the 30s. He also added Swatantra Bharat Mills, Mawana Sugar Works, Chemicals and Vanaspati in the 40 and Hissar Textiles in the 50s.

His son Bharat Ram took over the reins after the death of Shri Ram in 1963. He set up Shriram Fibres (now known as SRF Ltd) in 1970. Two sons of Bharat Ram, Bharat Ram and Charat Ram were in overall management of DCM empire. "The two brothers, despite their differing philosophies, were a huge asset to the

company". (page 89). After a few sentences in the same page the author traces the beginning of discord among the brothers to the 70s. He said, "Signs of strain between Bharat Ram and Charat Ram were becoming visible by the mid-1970s". There was a three-way split in 1989 between the three brothers, Murli Dhar, Charat Ram and Bharat Ram.

In 1983 the Group made a foray into the production of light commercial vehicles in a joint venture with Toyota Motor Company of Japan. DCM Toyota Ltd was incorporated. Almost at the same time Maruti Suzuki also started manufacturing Maruti cars.

Though family members were in key positions in the company's hierarchy for long, Dr. Vinay Bharat Ram asserts that, "DCM had access to a regular supply of top-notch talent that ensured youthful leadership, especially in the middle-management rungs of every division of the company. DCM's reputation as a professionally managed company soared and it became a prime destination for aspirants at all levels of management."(page 80). It also had the advantage of men of proven abilities and impeccable records of achievements in the corporate sector as members on its board of directors. The eminence of independent directors on the board, it is evident from the corporate history, cannot be a

guarantee against bickering in the family, leading to slackening the group's progress. "Trucks of excellent quality were manufactured but the financial results of the joint venture were deteriorating steadily"(page 129). In 1995 another joint venture was promoted – DCM Daewoo Ltd for manufacturing cars called Cielo. The problems of the parent company could not allow the company to operate successfully before long.

The Declining Phase:

DCM, the flagship company slowly turned into a losing proposition, partly in keeping with the trends in the textile industry. By then, the Group had many other units which were fairly remunerative. DCM Data Products was a pioneer in building country's first microcomputer in 1975. "But then there was a major set back. Shiv Nadar, who had risen through the management training scheme and spent eight years with the company, decided to leave" laments the author (page 81). Hissar Textile Mills, which was set up in 1950 was facing chronic labour unrest in the early 1980s. In 1984, it was closed, preventing thereby further losses.

One of the options available to the Group was the sale of huge land owned by DCM. This was not an easy task as the closure of textile mill and the compensation to be paid to the retrenched

labour were very sensitive issues. Though the Delhi Master Plan of 1962 had a plan for vacating the polluting industries from the metropolitan area on a time bound programme, it was dilly dallying with the proposal for sometime. The lengthy legal battle with Swraj Paul, who was trying to take over DCM and Escorts through the stock market route in the mid-1970s adversely affected the working of the company.

The author was very frugal in quoting financial results of the company with relevant figures. Reference to the group's relationships with any bank during the early stages of its growth is not found in the book. Only an indirect reference is made to one of the directors of DCM, "who on a number of occasions helped DCM (to) get a line of credit through his contacts with Allahabad Bank" (page 17). It is not clear whether there was any difficulty in obtaining bank finance in those days or whether a director's help was required to get a line of credit, even when the promoters of the company were prominent personalities.

Banking facilities were available in Delhi even before DCM was established. Bank of Bengal was having a branch in Delhi since 1866. Allahabad Bank Ltd, originating from Allahabad (established in 1865) was promoted by the British businessmen. Punjab National Bank Ltd,

having its head quarters then in Lahore, was promoted by nationalist leaders. The author could have thrown some light on the financial support received by DCM from these banks, if any. PNB had a branch in Chandni Chowk Delhi since 1906, according to the available information. A reference is, however, made to the short term credit borrowed from PNB at a later stage in the growth DCM.

Some interesting details about the bank borrowings of DCM are available in the voluminous annals of the State Bank of India carefully documented in *The Era of the Imperial Bank of India: 1921-1955*. "The Imperial Bank of India financed the company's cotton mill at Lyallpur and the sugar mill at Daurala, while its cotton mill at Delhi was financed by Lloyds Bank. In 1940, the company had a limit of Rs.50 lakh (increased from Rs.25 lakh) with Lloyds. The company commenced dealings with the Imperial Bank of India in 1934 and *its accounts were always conducted satisfactorily*", it is reported in volume 3.(page 556)

Much later in 1993 many banks were involved in arranging the issue of partly convertible debentures aggregating to Rs.210.97 crore. This decision had disastrous impact on the financial position of the company. "The consequences of this decision" bemoans the author, "almost

drove DCM to liquidation. In the financial year 1991-92, the debt on its books was Rs.50 crore. By 1997-98, it had climbed to more than Rs.400 crore". (page 144).

A Scheme of Restructuring and Arrangement (SORA) was filed in the Delhi High Court in 1999. The shareholders and creditors approved the scheme. Land bank owned by DCM became the final savior. Construction of commercial complexes commenced at Bara Hindu Rao in 2005, "Today, as I walk around Bara Hindu Rao complex", Dr. Vinay Bharat-Ram expresses his satisfaction, "I see massive structures towering above the ground where the DCM story once began".(page 193). He finds in it the DCM rising from the brink of bankruptcy.

With a sigh of relief, the author concludes, "It is the middle of 2010 and DCM has indeed become a debt-free company" (page 194). He wants, and legitimately so, the DCM legacy to be carried forward by the younger generation. Perhaps, this echoes the sentiments of many of the surviving elders of the disintegrated business houses scattered all over.

Besides narrating the story of DCM, the book also provides vividly many glimpses of the academician and the artist in Dr. Vinay Bharat-Ram. Mentions are made to a good number of eminent

economists, noted administrators, famous management gurus and renowned musicians with whom the author has developed evidently close rapport over the years. Tinge of an auto-biographic account also could be seen in the frequent references made to his immediate family members.

A readable good book.

For further reading on Indian corporate history

Business Legends

Dr. Gita Piramal,

Viking/Penguin Books, New Delhi

See also its Review, A Well-researched work.

Dr. N K Thingalaya in Industrial Economist, Chennai, September 1999.

The Oxford Indian Anthology of Business History

Editor:: Medha M Kudaisya

Oxford University Press, New Delhi

In Search of Change Maestros :

Pritam Singh and Asha Bhandarkar

Sage Publications, New Delhi