The Shivrajpur Syndicate Limited
Speech of the Chairman, Mr A N Haksar

THE following is the speech of the Chairman, Mr A N Haksar, delivered at the Animal General Meeting of the shareholders on Thursday, the 25th May, 1961:

Gentlemen,

You will recall that on a similar occasion last year I had given an indication that the Company’s position would improve during 1959-60 owing to the opportunities provided for export of Manganese on; under Barter transactions. The results of the Year fully, bear out my expectations.

Trading Results

Deliveries and shipments during the year under review again reached the level prevailing in 1956-57 and in 1957-58. and amounted to 92,520 tons. This represents an increase of about 30,500 tons, mainly of medium grade ore. as compared to 1958-59: at the same time, the average prices realised for your High and Medium grade ores in 1959-60 were approximately the same as in the previous year. Of the total tonnage mentioned earlier, 2,100 tons represents euhenical grade ore. most of which was Mold to Indian manufacturers, and the balance, consisting of Medium and High irade Metallurgical ores, was sold for export.

From these results it might appear that Indian Manganese ore has made some recovery since 1950 in the international market: I am sorry to say that, in fact, the position is quite the reverse and Indian Ore continues to lose ground to its competitors. You are aware that since 1956 the preoccupation in our country has been to provide the Stale Trading Corporation with as large a slice of the export cake as possible, and at the same time, the Railways, and the State and Central Governments have also made further claims on the Exporter and Producer. The other producing countries, like Brazil, have taken full advantage of the opportunities thus provided to them and duly snatched away from us a major portion of our traditional markets. I will not today go into this story which is too well-known to require repetition; I will try, instead, to explain how, in the circumstances, your Company was able to achieve good results in 1959-60. For this purpose, I would like to say a few words with regard to Barter transactions.

Barter Transactions and Manganese Trade

I understand that Barter transactions are not normally permitted in the case of traditional export commodities; however, by about 1959, Indian Manganese ore exports appeared to be coming to a standstill and consequently, a number of Barter involving ore exports were permitted by the Government on and ad hoc basis. Most of these Barter proposals were put forward and executed by Indian Importers of items such as steel, acting in conjunction with the traditional Indian Exporters and Foreign Buyers of Indian Manganese. In all such cases, the foreign suppliers of steel, etc. were aide to “discount” the Indian Manganese prices; this discount in fact, represented the difference between the higher price required by the Indian Exporter and the actual or market price at which ore could be sold to foreign consumers. This discount, which ranges today from 10% to 25%, could be taken as an indication of the extent to which Indian ore prices are uncompetitive. I should also mention that all such Barter Schemes have to be approved by the Government who have held that Manganese ore exports against Barter can only be made in the name of the Stale Trading Corporation.

Coming now to the year under review, of the total deliveries of metallurgical grade ore amounting to approximately 90,000 tons, 60,200 tons were against Contracts outstanding at the commencement of the year, and the balance of about 23,800 tons represented new sales. The latter were possible mainly due to the stimulus provided by Barter transactions, which also enabled us to maintain our price level. In fact, a major portion of the total deliveries was directly or indirectly connected with Barterers.

Your Company’s immediate prospects seem to be linked with Government policy regarding Barterers. These Barterers have helped us considerably, but one serious drawback of the policy needs, I think, to be brought to notice. As I have stated earlier, each Barter proposal is considered individually by the Government, and its policy in this regard has been changing constantly even in the short period of two years. Thus, early last year Government revised its policy and since then did not allow Barter of Manganese Ores with Phosphorous content of less than 0.1.8%; towards the end of the same year, however, Government decided to stop Barterers involving any Manganese Ores. But, in the last few months, there have been many rumours that permission would now be given for “Special” Barter involving ore. I am informed that a number of new Barter proposals have, in fact, been submitted for importing steel, machinery, non-ferrous metals, fertilisers, etc. but none of these has so far been approved.

As far as the Manganese Exporter is concerned, the situation today is that fresh sales are possible as and when such Barterers are approved, which means that sales prospects are haphazard and unpredictable and it is almost impossible for an Exporter/Producer like your Company to forecast demand and plan production, which we require to do years ahead if we are to achieve maximum economy and reduce costs.

Government’s Manganese Policies : Suggestions

To my mind the approach to (ie country’s Manganese problem could be on two lines. Firstly, the short-term objective should be to ensure that Indian ore does not lose any more ground, for which purpose Barterers should be freely permitted on terms and conditions which should be well publicised or, failing this, some other form of subsidy should be made available to the Exporter. This is, of course, a measure of temporary relief, while from the long-term point of view,
the Indian Exporter should be able to stand on his own feet. This entails, on the one hand, regaining the confidence that Indian Ore enjoyed prior to Government's intervention in 1956, and, on the other hand, reduction of Indian Ore prices. With regard to the latter, it has been pointed out that the main factors resulting in increased costs during the last few years have been beyond the control of the Producer or Exporter; examples are increases in Royally, Railway Freight, costs of machinery and spares, the introduction of Labour Legislation such as the Employees' Provident Fund Act, etc.

Company's Efforts

Leaving aside these matters, you may like to know that your Company has been doing its utmost to meet the challenge of this difficult situation and I would like to give an idea of some of the measures,

Last year I had informed you that your Mine at Bamankua had to be closed down as it was the least economic unit and I fear that we may soon have to face a similar situation regarding Pani Mines. At the same time, the major Expansion Project concerning the development and exploitation of the 3rd and 4th levels (350 and 500 feet, respectively, below surface level) at Shivrajpur is proceeding according to plan and this will in about one or two years begin to yield a big financial return. Imports into the U.S.A during 1960 were slightly better, at 25 lacs short tons, than in the preceding two years. During 1960, the American steel industry suffered a recession and production dropped to about 45% of capacity towards the end of that year; this is now reported to be in excess of 60% and further improvement is expected. Consumption of Manganese, Ore in Europe and Japan continues at a high level, but here powerful competition from the Soviet Union has to be reckoned with.

Taking an overall view, it seems that world demand will continue to increase, but this is unlikely to reverse the downward trend of Ore prices, on account of increased production in several other countries and severe competition. I believe there is, in the circumstances, scope for the Indian Manganese Industry, but whether we are able to regain our proportionate share of the increasing world market, or even maintain exports at the present level, will depend largely on whether Government is prepared to reorient its thinking. In any case, I think it is only fair to warn you that according to the present indications your Company's results for the current year are likely to be most disappointing. The tonnage shipped will probably be lower as compared to last year; further, Shivrajpur Ore prices are today being offered at prices which are lower than at any time since 1955 and the profit margin is far from adequate. This is inevitable in the prevailing circumstances.

Labour

I should now like to say a few words about the Labour situation at the Mines. Relations with the workmen continued to be cordial during the year and there were no strikes or stoppages. However, differences within the recognised unions assumed serious proportions and a stage has unfortunately been reached where it is not at all clear who are the authorised office-bearers of this Union. Under the circumstances, the demand for bonus for the year 1958/59 remained pending for about a year and it was only last month that an Agreement was reached between the Company and the representatives of the workmen whereby bonus amounting to 1/8th of the basic wages earned during the year has been paid.

Accounts

The Accounts do not, I feel, require much explanation. The profits after tax amount to Rs. 13.29,883/- which, you will agree, is a satisfactory result. Keeping in mind, your Board has set aside Rs. 1.42,590/- to the Mine Development and Prospecting Reserve, which is thus rounded off to a total of Rs. 30/- lacs. A sum of Rs. 3 lacs has also been transferred to the Equalisation of Dividends Reserve and in view of what I have said today about the uncertainty regarding the future, I am sure you will agree that this is a wise decision. The proposed dividend and bonus at the rate of Rs. 5/- arul Rs. 3/- per share respectively, subject to deduction of tax, accounts for Rs. 8.37.110/-.

Note: This does not purport to be the proceedings of the Annual General Meeting which can be seen by any shareholder on request.

Agricultural Stores for East Pakistan

The Government of East Pakistan proposes to build 4,000 agricultural stores within the next 3 years at an estimated cost of Rs. 5.5 crores. It is intended that there would be one agricultural store in each Union. The stores when constructed will be run by cooperative societies.

The stores will be constructed in three phases. In the first phase 1,054 stores will be built, in the second phase 1,473 and in the last phase another 1,473. These 4,000 stores when completed, will have a total capacity of storing 144,000 tons of fertilizers, 30,000 tons of seeds, 4,000 tons of pesticides and about 40,000 sprayers in addition to agricultural implements.