Company Notes

Scindia Steam

THE operating results of Scindia Steam Navigation Co for the year to June 30, 1962 reflect the depression in the shipping industry. Despite continuous efforts towards rationalisation and economy, decrease in remunerative cargoes and increase in operational costs have affected the Company's working. The 10 per cent increase in the freight rates in the east-bound trade in the U K-Continent Pool effective from October 1, 1961 is only partly reflected in the results. The Directors point out that apart from effecting economy, it is necessary to bring about an improvement in the level of freight rates to compensate the increasing costs.

The operation of the coastal services continued to be unsatisfactory because of reduced draft in the Hoogly, unsatisfactory turn-round of vessels, and strikes at Calcutta port. The Government sanctioned an increase of 15 per cent in all coastal rates, with some exceptions, effective from June 1, 1962.

The total cargo lifted by the Company during 1961-62 amounted to 25.04 lakh tons compared with 25.95 lakh tons in the previous year. Freight and passage money earned is also less at Rs 16.49 crores as against Rs 17.91 erores in the preceding year. The gross profit, however, is higher at Rs 226.92 lakhs (Rs 195.70 lakhs), due to lower expenses under some of the heads such as coal and fuel oil. stevedoring, Commissions, interest, etc. A sum of Rs 18.79 lakhs (Rs 5.85 lakhs) bring surplus on sale of assets is added to the profit to bring it to Rs 245.71 lakhs (Rs 201.55 lakhs). After deducting Rs 195,38 lakhs (Rs 196-45 lakhs) as normal depreciation, and Rs 1.57 lakhs (Rs 0.50 lakh) as remuneration to the Committee of Directors, the net profit for the year is set at Rs 48.76 lakhs (Rs 4,60 lakhs). After adding Rs 2.83 lakhs, being balance brought forward from the previous year, Rs 7.18 lakhs, being excess provision made in previous years, and Rs 48 lakhs, being the amount transferred from General Reserve, and setting aside Rs 64.50 lakhs as' provision for Statutory Development Rebate Reserve and Rs 5.05 laKhs for expenses relating to previous years the amount available lor disposal is Rs 36.62 lakhs (Rs 36.62 lakhs). From this amount the Directors propose to pay a dividend at 60 nP per share (seme as last year) absorbing Rs 33.79 lakhs and carry forward the balance of Rs 2,83 lakhs.

It is pointed out by the Directors that the Statutory Development Rebate Reserve required to be provided at 75 per cent on the S D R allowance of Rs 128 lakhs for ships purchased in 1960-61, was Rs 96 lakhs, but this amount could not be fully provided in that year as the assessable income was less than the claimable rebate. Hence a further provision of Rs 64.5 lakhs has been made in this year's accounts. The profit of Rs 14.20 lakhs derived from sale of investments has been transferred to Investment Reserve Account.

Out of the three 17-knott motor vessels of the Mitsubishi type ordered last year from Hindusthan Shipyard, the first is expected to be launched during the current year.

Standard Batteries

'THE net profit of Standard Batteries after providing for depreciation, development rebate reserve, taxes and other usual charges has declined substantially to Rs 2.62 lakhs (Rs 8,05 lakhs) for the year ended June 30, 1962. This sharp setback is partly due to lower sales during the year at Rs 115.31 lakhs (Rs 120.84 lakhs) and partly to increase in expenditure, noticeably on establishment and administration. Provision for depreciation is higher at Rs 4.41 lakhs (Rs 3.73 lakhs) while that for taxation has been reduced to Rs 5.60 lakhs (Rs 7.35 lakhs). The disposable amount is brought to Rs 3.90 lakhs by adding to the net profit a sum of Rs 1.15 lakhs transferred from the Dividend Equalisation Fund and the previous year's balance of Rs 0.13 lakh. From this it is proposed to pay a dividend at Rs 10 per share (Rs 15 per share) subject to tax, which will absorb Rs 3.75 lakhs and leave Rs 14.979 for the next year.

The Directors attribute the lower profits to greater competition and exports. The general trend of working for the current year is encouraging. Production of all types of lead acid batteries and special batteries for industrial and other uses has been geared up. The state of the Company's order book is considered satisfactory.

The Company has built machines in its workshop according to its own designs based on its experience and on the advice of technical collaborators in order to make the factory self-sufficient. New and improved type of equipment had also been installed in some departments to step up production.

Structural Engineering

'THE Nineteenth Annual Report of Structural Engineering Works for the year to June 30, 1962 states that the disposable profits after taking into account the amounts transferred from Reserves for Contingencies, and Reserves for Gratuities, and after providing depreciation, taxation, Managing Agents' remuneration, and Development Rebate Reserve amounts to Rs 5.77 lakhs (Rs 7.33 lakhs). The Directors have brought in Rs 19,739 being excess: provision made for bonus previously and Rs 9.319 being balance from last year's accounts, and appropriated Rs 15.000 towards Reserve for Contingencies, and Rs 10,000 towards Reserve for Gratuities. With the above adjustments, a sum of Rs 5.76 lakhs is left from which the Preference dividend payable will absorb Rs 2.21 lakhs and the Ordinary dividend at Rs 8 per share (proportionate dividend on shares allotted on or after July 1. 1961 on the amount paid up) will amount to Rs 3.51 lakhs leaving Rs 3.713 to be carried forward.

The lower net profits for the year arc attributed by the Directors to the higher provision for taxation and provision for Development Rebate Reserve for additional machinery installed. The Company's income from sales and work done has gone down during the year due to keen competition in the structural and fabricating industry. The Company has had to accept works at competitive rates while wages and other amenities for workmen and staff have risen.

The Company's new schemes are making progress. The factory for the manufacture of pre-stressed concrete pipes that is being set up with a capital outlay of Rs 30 lakhs is expected to he commissioned in the current year. For the Cochran Boilers and Penstocks factory project, which is estimated to cost about Rs 108.45 lakhs, the complete plant and machinery are expected to arrive by June next year. The plant for the fabrication of transmission towers, which entails an investment of Rs 20 lakhs, is expected to go into operation by March next year. The manufacture of reinforced concrete pipes for the Duct Line Project of the Bombay Municipal Corporation has already commenced.

FACT

THE Fertilizers and Chemicals Travancore, Kerala, in which the Union and Madras and Kerala State Governments are interested, has now completed the second stage of its expansion programme costing about Rs 2 crores. An oil gasification plant supplied by the Power-Gas Corporation of U K, one of the world's leading designers and suppliers of chemical plants, was commissioned on Saturday last. This modern plant has replaced the former uneconomic firewood gasification plant, and will employ the Texaco Process' of partial oxidation of oil but using light raw naphtha as feedstock. As against the wood gasification plant capacity of 40 tons of ammonia a day. the new plant is designed to supply sufficient hydrogen to make 80 tons of ammonia a day. In addition, an air separation plant of a daily capacity of two-million cubic feet , supplied by British Oxygen, has also been installed. The nitrogen is used for the synthesis of ammonia leading to the manufacture of sulphates and phosphates by direct chemical reaction-while the oxygen is utilized in the oil gasification process.

With the completion of this stage of expansion, the Company's productive capacity has been raised from 10,000 tons to 30,000 tons of nitrogen, and from 10,300 tons to 13,600 tons of phosphorous Pentoxide per annum, the end products being 1,00,000 tons of ammonium sulphate, 33,000 tons of ammonium phosphate, 8,000 tons of ammonium chloride and 14,000 tons of superphosphate.

The process employed by PACT — viz, the manutacture of ammonium sulphate utilising gypsum obtained as a by-product in the manufacture of phosphoric acid — is a new one and has attracted the attention of chemical firms abroad, notably the Power-Gas Corporation, it is understood that F A C T has entered into an agreement with Power-Gas Corporation under which FACT will receive a royalty on all plants (designed to use the FACT process) supplied, by the U K firm anywhere in the world.

FACT has also drawn up the third stage of its expansion programme involving a capital outlay of Rs 11 crores. This programme aims at increasing the capacity of nitrogen from .10,000 tons to 70,000 tons per annum and of phosphorous pentoxide from 13,000 tons to 33.400 tons per annum. The end products will *be* 2 lakh tons of ammonium- sulphate, 1.35 lakh tons of ammonium phosphate. 25,000 tons of ammonium chloride" and 44,000 tons of superphosphate. The plans for tile third stage are expected to go into operation sometime in 1965. The Union Government has agreed to provide Rs 8 crores to meet a major part of the outlay, Rs 4 crores in equity capital and Rs 4 crores as loan. The Company hopes to inert the balance of Rs 3 crores required from its own resources.

New U S Loans

THE efforts of Hindustan Motors and Tata Engineering and Locomotive Company to secure loans from the U S Agency for International Development have borne fruit. According to an announcement made last week by the U S Ambassador. Mr J K Galbraith- Hindustan Motors will receive 15.8 million dollars (Rs 7.5 crores) and Telco 13.7 million dollars (Rs 6,5 crores), which will enable the companies to increase their lorry production by 7,500 vehicles annually. This will also help to raise the indigenously manufactured content of their vehicles to 90 per cent.

The Government of India will repay the loans over a period of 10 years, the payments beginning after the first ten years. No interest is payable on the loan, but a service charge of three-fourths of one per cent will have to be paid. Hindustan Motors and Telco have to repay the loans to the Union Government over 1.0 years with interest at 5 3/4 per cent.

The demand for lorries far exceeds the available supply at present. Production in 1960-6.1 amounted to 28,000 lorries and 600 jeeps. The Third Plan envisages an annual demand of 00,000 tons and 10,000 jeeps by 1965-66. Hindustan Motors will with the US loan, step up its capacity from 9.000 vehicles to 10.500 vehicles per year and raise the indigenous content of its vehicles from 74 to 90 per cent. The loan to Telco will help raise the lorry plant rapacity from 12,000 vehicles to 18,000 vehicles a year and increase the indigenous content from 74 to 86 per cent by 1061 and to 90 per cent by 1965.

It may. however, be mentioned that in the ease of Telco. the loan will meet the requirements of the Company only for the first stage of its expansion programme, the second stage envisaging the increase of capacity from 18.000 to 21,000 units. The Company, it is understood, had originally made a loan application for- 22.89 million dollars (Rs 10.9 crores) to the U S Development Loan Pund (predecessor of the AID) with the concurrence of Gov. eminent of India but later. owing to the difficult foreign exchange position, the Company. at the express desire of the Government, had to reframe the expansion programme in two stages and had to revise the original loan application accordingly, The Company. however, hopes that the production of commercial vehicles being a high priority element in the country's development and defence plans, Government will find it possible to sanction the second stage of the plan also in time to avoid any break between the two stages of what is really an integrated programme.