BUSINESS NOTES

Rayon Industry's Prospects

A SCHEME of export promotion and issue of import entitlement has been evolved by which the rayon industry would be able to import adequate supplies of raw materials out of its own foreign exchange earnings so that the present dependence on imports from the US under the AID programmes can be done away with. Under this scheme, the Association of Man-Made Fibre Industry has been given recognition on a par with STC and Rayex Private Ltd so that the Association will be able to import not only raw materials required by its members but also synthetic yarns. These yarns, being in great demand, can be sold to weavers at a reasonable profit to cover at least part of the loss incurred in the export of synthetic fabrics. All the same, imports of raw materials under this scheme will involve a certain increase in the cost of raw materials. Consequently, the industry will have to increase the prices of rayon and synthetic yarns made by members of the Association to cover these increased costs. The government has appreciated the justification for such an increase in the price of rayon yarns. Murarji J Vaidya, Chairman, Indian Rayon Corporation, believes that unless some other unexpected and unfavourable events occur, there is every prospects of the rayon industry being able to carry on its production programme.

In his Chairman's statement circulated to shareholders, Vaidya conveys some of the confidence that the industry has gained after impressing upon the government its role and usefulness as producer of an important raw material for the weaving sector. He has based his confidence on two factors: first, the reduction in the excise duty should improve profitability and, second, demand for rayon filament is keeping ahead of the expansion of the industry.

Presenting a picture of the world rayon situation, Vaidya says that total production of man-made fibres in the world in 1964 increased by 14 per cent to 11,309 million lbs as compared to 9,921 million lbs in 1963; total cellulosic (i.e, rayon and acetate) fibre and filament production rose by 7.8 per cent to 7,256 million lbs as compared to 6,278 million lbs; the share of all man-made fibres in world textile fibres production increased to 28 per cent as compared *to* 26 per cent. The share of rayons and acetates in world production of man-made fibres is even now 64 per cent in spite of the great increase in the production of other synthetic fibres.

Vaidya is convinced that rayon is not a neglected fibre nor is it in any way out of fashion. On the other hand, with the improvement in the standards of living of people all over the world, particularly in under-developed countries, rayon is enjoying higher demand, because it is the cheapest textile yarn available. Of course, other man-made fibres and yarns are also making good progress, but that is not in any way prejudicial to rayon.

This buoyant world situation is also reflected in increasing production of rayon yarn in India. The production of rayon filament yarn in 1964 was 35.29 million kg as compared to 32.25 million kg in 1963, showing a rise of approximately 21.5 per cent It may, however, be noted that the target of 60 million kg of rayon production set for the Third Plan has still not been achieved.

Indian Rayon

The working of Indian Rayon in the year to June last shows that production progressively increased and reached the installed capacity of 5.2 tonnes of viscose rayon yarn per day in May 1965, as compared to an average production of about four tonnes per day in the preceding year. Total sales of yarn, waste, chemicals, etc, were more than trebled, from Rs 45.45 lakhs to Rs 1.53 crores, but the outcome was a loss of Rs 31.39 lakhs as against a profit of Rs 3.67 lakhs previously. As before, no provision has been made either for depreciation or for development rebate reserve.

This outcome is attributed to the company not being able to run the plant to full capacity during the major part of the year, the higher incidence of excise duty and higher interest charges.

Premier Automobiles

SATISFACTORY progress has been recorded by Premier Automobiles during the year to June last in the volume of production, the indigenous content of products and operational efficiency. The total number of cars and trucks manufactured reached the record level of 15,043 units. Fiat car production, in which foreign exchange shortage constitutes a serious handicap, increased from 325 to about 500 units a month after the stamping plant at Kalyan went into operation sometime in the middie of 1964-65, and can be increased to over 700 units a month subject, however, to the availability of foreign exchange for those components and raw materials which are not available in the country. With the utilisation of its next foreign exchange allotment, the company hopes to attain indigenous content of 94 per cent in the case of commercial vehicles and 81 per cent in the case of cars.

After utilising the three million dollar loan from AID, the company decided not to import additional dyes and jigs and other tooling required by Kaiyan plant for manufacturing the remaining body panel component of the car for which licences had already been issued. Instead, the company decided to make them in its factory in order to save foreign exchange. The tooling for more than three-fourths of these body panel components of the car has now been completed and put to work; the tooling for the remaining components is expected to be ready within a short time.

To help the company tide over the foreign exchange difficulty in importing Fiat components, the Italian associates, Fiat S P A, has offered a loan of £200,000. Representations have been made for price adjustments to cover increases in costs, such as of bought-out components and of raw materials prices and wages, but the government has not yet acceded to the company's request.

The year's financial results show a marked improvement: sales have advanced 41 per cent to Rs 9.81 crores and gross earnings 52 per cent to Rs 2.38 crores. After providing a much higher depreciation (Rs 1.16 crores against Rs 0.77 lakhs) and development rebate Rs 60 lakhs (Rs 17 lakhs) and without providing for taxation, which required Rs 33.50 lakhs last year, there is a net profit of Rs 61.66 lakhs against Rs 29.07 lakhs. After making other provisions, the available surplus stands at Rs 15.61 lakhs, as against Rs 20.77 lakhs previously. The dividend raised by a point to five per cent demands Rs 37.42 lakhs, and is well covered.