over to use of oil from coal in the case of cement factories situated in the Southern and Western parts of India and again assured that reasonable increase in ex-works price of cement would be allowed to compensate for the extra cost involved in the use of furnace oil. Although we have partly switched over to oil tiring since September 1963 and have been making representations to the Government of India for allowing the revision in price of cement on this account, yet it appears here again, that adequate compensation may not be allowed and the same may fall short of the extra cost involved. This obviously has involved us in incurring capital expenditure in the installation of oil firing equipment.

Cement Corporation

I may refer to the Cement Corporation proposed to be formed by the Government. I hope the Corporation will be a source of assistance to the industry in conducting surveys of raw material availability, preparing project reports, helping promotional activities by financial assistance and reviewing, from time to time, the handicaps being faced by the industry and advising remedial measures to ensure better working and expansion of existing units and formation of new companies.

In closing, I am happy to report that the relations between the management and the employees of the company continue to be cordial and satisfactory. It gives me pleasure to convey, on behalf of us all, our appreciation of the services rendered to the company by the employees.

N.B. This does not purpot to be the report of the proceedings of the Annual General Meeting.

Business Notes

Tata Group of Mills

THE profits of Ahmedabad Ad vance and Tata Mills suffered fur ther setbacks during 1963. Ahmedabad Advance's profits fell sharply from Rs 13.38 lakhs to Rs 2.73 lakhs while Tata's were slightly lower at Rs 12.74 lakhs compared with Rs 13.81 lakhs. Svadeshi's profits, on the contrary, were higher at Rs 26.63 lakhs as against Rs 17.09 lakhs. The fall in profits in the first two cases is attributed to increased costs of production without a corresponding increase in the selling price of cloth. The favour able results of Svadeshi were due to the remunerative sales of better qua lily cloth. The Chairman, Shri N H Tata is of the opinion that in the circumstances prevailing, the only way to maintain or increase profits was to rationalise production and effect economies in costs.

Cotton prices were high during the year. There was, besides, scramble for good staple cotton. Consumption of cotton amounted to 39 per cent of the total cost of production in Ahmedabad Advance and 42 per cent in the case of Tata Mills and Svadeshi Mills. Shri Tata has emphasised the need for concerted attempts to increase the acreage yield of Indian cotton. Secondly, employees' pay packets and benefits have increased as a result of the stepping up of dearness allowance, the number of holidays and the employer's contribution to Provident Fund and State Insurance Fund. As against this, labour productivity has not increased to arrest inflationary trends. Shri Tata has quoted figures to show that wage costs in India were higher than in Europe by 60 per cent for spinning and by 33 per cent for weaving. Other factors which accounted for the reduced profits, according to the Chairman, are higher duties on import of plant, machinery and stores and rise in power costs.

Shri Tata has expressed himself against the continuance of the Voluntary Price Regulation Scheme. The alternative is to reduce the cost of production by rationalising production by the import of new plant and machinery, expansion of installed capacities and cutting down operational costs. Shri Tata is critical of the role of the unregistered power looms sec tor which employs all ingenious me thods to avoid central excise duties and sales tax and competes unfairly with the organised mill sector.

The table below will highlight the financial results of the three companies in 1963 and 1962.

The Tata Group of Mills

(in lakhs of Rupees)

	Ahmedabad Advance Mills		Tata Mills		Svadeshi Mills	
	1963	1962	1963	1962	1963	1962
Sales and other income	311	309	506	509	570	529
Gross profit	16.44	23.10	32.04	37.51	77.97	59.22
Gross profit margin (p c)	5.2	7.6	6.3	7.3	13.6	11.1
Depreciation, development reserve and taxation	13.71	9.72	19.29	23.70	51.34	42.13
Net profit	2.73	13.38	12.74	13.81	26.63	17.09
Net profit margin (p c)	0.8	4.3	2.5	2.7	4.6	3.2
Amount available for disposal, including previous balance	2.87	13.49	12.76	14.11	26.72	17.33
Appropriations:						
Gratuity Reserve	0.10	0.10	0.30	0.60	0.50	0.75
Dividend Reserve	2.70	5.75	12.40	13.50	20.10	16.50
General Reserve	—	7.50	—	—	6.50	—
Pref dividend	0.71	0.71	—	—	1.07	1.07
Ordy Dividend	5.00	4.67	11.80	13.12	19.00	17.00
Earnings per ordy share (net) (Rs)	4.0	25.3	4.8	5.2	25.5	16
Dividend per share (Rs)	10	11	4.50	5.00	19	17

On account of the steep fall in pro tits in the case of Ahmedabad Ad van ce. the Directors have transferred a sum of Rs 3 lakhs from General Reserve to Dividend Reserve to declare a dividend of Rs 10 per ordinary share. The Mills have installed new plant and machinery of the value of Rs 23 lakhs, and have put into operation 52 automatic looms during the year. As renovation and rehabilitation of the Mills are proceeding apace the Company needs additional finance and for this purpose, and also tor the pur pose of correcting the present imbalance between share capital and the block account. The Directors intend to issue rights shares as well as free bonus shares.

Tata Mills have installed Rs 29 lakhs worth of new plant and machinery during the year. The Directors of Tata Mills have decided to raise the paid up capital to bring it in line with the block account. Svadeshi

Mills have also installed Rs 32 lakhs worth of new plant and equipment. By these additions, the Directors of Svadeshi expect that the quality of cloth will improve further and that a better balance between spinning and weaving will be secured. In addition, the Directors have long term plans for further renovation of the mills in stages.

Shree Digvijay Cement

THE working results of Shree Digvijay Cement for the year ended December 31. 1963 have shown an overall improvement over the previous year. This is attributed to the higher earnings from the Asbestos Cement Products Division and the increased output of cement. Cement and clinker output amounted to 5.03 lakh tons and 4.62 lakh tons, respectively, as against 4.72 lakh tons and 4.26 lakh tons in the previous year. With the commissioning of the expansion unit from November last, the cement division is now operating with an annual installed capacity of 6.4 lakh tons.

The raising of the retention price by Rs 2.75 per tonne from June 1. 1963, did not, according to the Directors, cover adequately the total increase in the production cost. The industry has already made a plea to the Government for adequate compensation.

The Company has applied for an industrial licence for expanding the Asbestos production plant by putting up additional pipe and sheet machinery. The output of the Asbestos Cement Products Division was 23,300 tons. The supply position of Asbestos fibre continues to be difficult.

Sales recorded a sharp rise from Rs 4.65 crores to Rs 6.18 crores during the year. Net profit, after providing Rs 32.63 lakhs (Rs 21.75 lakhs) for depreciation, Rs 16.20 lakhs (Rs 11.21 lakhs) for development rebate reserve and Rs 29.00 lakhs (Rs 17.65 lakhs) for taxation, amounted to Rs 40.56 lakhs as against Rs 16.67 lakhs in 1962. The equity dividend is raised from Rs 10 to Rs 13 per share on the increased capital.

Orissa Cement

ORISSA Cement's financial results turned out to be less favourable during 1963, the gross profit declining from Rs 142 lakhs to Rs 101 lakhs, and net profit, subject to tax, falling from Rs 95.45 lakhs to Rs 22.54 lakhs. The profits were adversely affected by factors like shortfall in despatches of cement, silica and basic refractories, rise in raw material and manufacturing costs and lower utilisation of productive capacity. The ordinary dividend has, however, been maintained at Rs 1 per share of Rs 10 by drawing Rs 28.56 lakhs from General Reserve and utilizing Rs 10.66 lakhs from the profits of the year.

The lower clinker output during the year is attributed by the Directors to the frequent stoppages of the kilns for bricklining and repairs. The Directors complain that packing charges fixed by Government do not adequately compensate the expenses incurred. The Company got an increase of Rs 2.75 per tonne in the retention price as from June 1, 1963, as against Rs 4.44 per tonne claimed by the Company.

The Company has secured an industrial licence for the manufacture of slag cement based on blast furnace slag available as a bye product from the Rourkela Steel Plant. However the slag has not been found suitable for manufacture of cement conforming to the standard specifications. The feasibility of modifying the standard specification is being investigated.

The Company's refractory products have been exhibited in the New York World Fair. The Directors observe that production targets in the refractory division were affected by the go slow policy of workers and by the disturbances at Rourkela.

Synthetics and Chemicals

SYNTHETICS and Chemicals has suffered a loss of Rs 29.26 lakhs for the year 1963 without providing depreciation and the Company has carried forward a total loss of Rs 38.88 lakhs. The loss has resulted in spite of a steep rise in the sales turnover from Rs 2.24 lakhs to Rs 93.72 lakhs. Raw materials consumed show a substantial rise at Rs 148.99 lakhs (Rs 47.99 lakhs), salaries, etc, absorbed more at Rs 45.80 lakhs (Rs 14.08 lakhs), power and fuel cost Rs 47.62 lakhs (Rs 23.24 lakhs), car expenses amounted to Rs 3.11 lakhs (Rs 83,708), travelling expenses took away Rs 2.52 lakhs (Rs 1 .22 lakhs), guarantee commission was charged at Rs 4.03 lakhs (nil) and selling agency commission at Rs 1.71 lakhs (nil). Depreciation and taxation have attracted no provisions.

This was the fourth year of the Company and commercial production of synthetic rubber was started during the year. The plant has a production capacity of 30,000 tons per annum, but actual production during the year amounted to only 8,511 metric tonnes. This was due to the continuance of imports of rubber, both synthetic and natural, and increasing indigenous production. The Directors, therefore; suggest that imports of all rubber should be completely banned till the existing production capacity in the country is fully absorbed. They further point out that due to the rise in the costs of raw materials and imported chemicals, the cost of rubber is higher than originally envisaged.

National Tannery

PRODUCTION of National Tannery continued to rise during the year 1963 and sales increased by Rs 19 lakhs to Rs 65 lakhs. Pretax trading profit amounted to Rs 1.55 lakhs as against Rs 1.24 lakhs and a dividend of 4.5 per cent was declared on equity shares. The Company has fully utilized the loan of Rs 5 lakhs taken from the West Bengal Financial Corporation and is availing of a further loan of Rs 8.25 lakhs for expanding its capacity for the manufacture of chrome tanned goat skins.

The Chairman, Shri Sanjoy Sen, states that restriction on exports of raw goat skins and creation of additional tanning capacity will be necessary to meet the growing demand for tanned skins. The Company has also entered into an export contract with a foreign importer. The depressed international market for finished leather is restricting exports of finished leather. The introduction of reconstituted leather in the U S, according to Sanjoy Sen, is likely to affect the future of the leather industry.

The Company has diverted a substantial part of its .sole leather capacity to meet defence requirements. In the context of export possibilities of Indian leather and shoes, the Chairman pleads for the removal of restrictions on fresh capacity for tanning and for permitting mechanised leather finishing plants and shoe making units for the manufacture of quality products for exports.

Duncan Brothers

OPERATIONS of Duncan Bros have shown better results during the year 1963 following a rise in sales turnover from Rs 3.41 crores to Rs 4.87 crores. Pre-tax profit after providing for depreciation stood higher at Rs 43.16 lakhs as against Rs 35.59 lakhs. This has enabled the Company to disburse a larger amount, namely Rs 15.60 lakhs as against Rs 14.94 lakhs, by way of dividends. On account of the increased capital, the dividend on ordinary shares is, however, reduced from 14 per cent to 12 per cent.