From the Chair

Indian Oxygen Limited

Statement by the Chairman, Mr N Dandeker

THE following is the Statement circulated by Mr N Dandeker, Chairman, Indian Oxygen Limited, to the Members of the Company with the Annual Report for the year 1963:

It is a pleasure and a privilege for me to have the opportunity of addressing you for the first time as Chairman of your Company since my appointment on 1st April, 1963.

The year under review began with a short, sharp but undeclared war with China, which ended as abruptly as it began. While it exposed large and unexpected areas of unpreparedness on our side in Weapons, Transport, Equipment and Communications, it also disclosed to a surprising and welcome degree the underlying unity and resolve among the people at large, throughout the country, to resist the unprovoked aggression by every means and at whatever cost. In this context, the task for industry was to mobilise the national material resources without avoidable delay and to place at the disposal of our Government and our Armed Forces everything they needed to resist aggression. In this effort your Company has played its part to the best of its ability and resources.

Profits, Taxation and Dividend

The result of the years operations, before taxation but after providing depreciation of Rs. 59,66,478 (previous year Rs. 49,83,816), was a profit of Rs. 1,40,40,263 as against Rs. 1,35,49,869 last year. Compared to a sales advance from Rs. 8.88 crores to Rs. 10.21 crores, the profit increase was indeed small. Considering, however, the substantial increase in depreciation, coupled with the severely curtailed production at the Electrode Factory where activity was inhibited by acute shortage of core wire, and the general rise in costs resulting partly from the national emergency and partly out of inflation and the impact of the Finance Act, 1963, the trading results may be regarded as satisfactory.

The tax provision for the year, including Rs. 9,00,000 for Super Profits Tax, amounts to Rs, 69,33,996, leaving a net profit of Rs. 71,06,267 as against Rs. 60,82,869 in the previous year. Out of this, a sum of Rs. 19,00,000 (previous year Rs. 6,50,000) has been transferred to the Development Rebate Reserve; this includes a further provision of Rs. 6,00.000 for the previous year. After adding Rs. 17,61,389 brought forward from the previous year, and transferring Rs. 32,069 to the Fixed Assets Replacement Reserve, almost the whole of the balance amounting to Rs. 69,00,000 has been transferred to General Reserve, as against only Rs 10,00,000 so transferred last year.

After careful consideration of the Company's present and prospective resource position, and all other relevant circumstances including, in particular, the increasing burden of taxation in the context of the continuing situation of national emergency, your Directors have decided to recommend that the rate of dividend (subject to deduction of tax) should be maintained at 12%. If this recommendation is accepted the dividend will be paid out of General Reserve,

Sales

Sales for the year totalled Rs 10.21 crores, an increase of 15% over the last year's figure of Rs. 8.88 crores. In view of the difficulties your Company had to encounter during the year under review, this was indeed very satisfactory. Acute shortage of core wire persisted almost throughout the year, severely curtailing the output of electrodes at our factory at Khardah near Calcutta. It is a matter of great regret that despite the continuance of the national emergency timely attention was not given by the authorities to ensure the availability of core wire, with the result that electrode production in the country suffered a very severe set-back and caused considerable inconvenience to the engineering industry. There was also occasional failure of power which interrupted production activities at several of our factories, notably at the Electrode Factory, and also at Asansol and Madras,

Oxygen and dissolved acetylene sales showed considerable increases and the sales of gas-user equipment, electric welding equipment and medical products also improved substantially.

Finance

Capital expenditure incurred .during the year was financed largely out of the Company's internal resources and amounted to Rs. 85,50,601 covering a number of projects throughout the country.

I am glad to report that the agreement with The British Oxygen Company Limited for a Sterling Loan of £500,000 to which reference was made by my predecessor in his Statement last year has now been finalised; and it has also received the approval of the Government of India. With the support of this foreign exchange loan, the Company is now in a position to take in hand a major expansion programme covering a number of projects to which I shall refer in some detail in the paragraphs which follow. This expansion programme is expected to cost about Rs. 6 crores, spread over four years. It has been estimated that after taking into account the internal resources which will be generated over that period and the loan of £ 500,000, the Company will require additional rupee finance of about Rs. 2 crores for the expansion programme. T am glad to report that, subject to the consent of the Controller of Capital Issues, arrangements have been made with The Punjab National Rank Limited, to provide us with this amount by way of medium term loan secured by the pledge of Debenture Stock,

Development and Expansion

In his Statement last year my predecessor had mentioned that the second 400M^3 oxygen plant was under erection at Bombay. That plant went into commercial production in May.

The buildings for the new factory at Hyderabad are in an advanced stage of construction. The dissolved acetylene plant is expected to go into production there within the next two months and the oxygen plant by July, 1964.

Construction of the Loxite Factory at Ranchi is expected to be completed early in 1964. Production activities were discontinued at the Burnpur Loxite Factory in January, 1963 and taken up partly (in a temporary structure) at the Ranchi site and partly at Bermo.

Keeping in view the general trend of demand for your Company's products in the near future, we have drawn up a programme of substantial development and expansion for the four years ending 30th September, 1967. Several new projects have been proposed covering additional facilities for production and distribution of gases, production of user equipment and electrodes, and also for manufacture of plants. Our schemes include, of course, plans for reorganisation and modernisation of existing factories also.

In the field of industrial gases. the new projects include the installation of an argon purification plant at Bombay (for which an industrial licence has already been received), two 400 M^3 liquid oxygen plants one each at Calcutta and Madras, and many new installations at customers' works in various parts of the country.

An industrial licence has been obtained for the manufacture of welding and cutting equipment at our new factory for which land has been acquired at Taratala Road, Calcutta. Construction work will begin soon and it is hoped that the project will be completed by the end of 1966. It is intended ultimately to shift the activities of the present Equipment Factory at Beliaghatta, Calcutta, also to the new factory.

In the sphere of electrode production, the Company has been granted an industrial licence for substantial expansion at Khardah factory as also for a new Electrode Factory at Madras. The work of expansion at Khardah will commence soon; and as regards the industrial licence for the proposed Madras factory, clarification is awaited from the Government on certain points. Meanwhile, the land required for the Madras factory has already been acquired and it is hoped that it will be possible to commence construction work during the second quarter of 1964.

Mention was made last year of the Company's intention to undertake the manufacture of plant and machinery for producing and using gases. Your Company's application for an industrial licence for the manufacture of air separation plants and associated cryogenic equipment is now under the consideration of the Government.

Each manufacturing venture, whether for gas-producing plants, electrodes or equipment, will take the country one further step towards self-sufficiency for these essential products besides effecting valuable saving in foreign exchange. We hope therefore that the urgency and desirability of the projects outlined above will bring forth from the authorities concerned support and co-operation in full measure.

Competition

The pressing demands for industrial oxygen and dissolved acetylene thrown up by the national emergency were brought to your notice last year. I record with satisfaction that in spite of insufficiency of cylinders the Government demands on us for additional supply of gases were on the whole satisfactorily met and, despite the shortage of core wire, our contractual obligation to Government for the supply of electrodes was fulfilled, although inevitably in both cases often at the cost of non-Government customers, It is hoped that the inadequacy of oxygen and dissolved acetylene supplies in the country, and also of electrodes, which already existed and was highlighted in the difficult initial days of the national emergency and which still persists, will persuade the Government to adopt a more practical policy of industrial licensing of new manufacturing units for these vital products. While the Government continues to be influenced by illusory fears concerning a supposed monopoly situation in these fields, your Company accepts the necessity for, and the fact of, competition. But it is only natural to hope that in view of your Company's resources, experience and stature in this field, as also in recognition of the quality of the services it has provided over the years, the Company's expansion schemes will not be held in check by the Government's restrictive policies.

I am glad to say that the Company has been entrusted with the management and operation of the tonnage oxygen plant, the first in the private sector, put up by the Tata Iron and Steel Company Limited, at Jamshedpur, This arrangement with TATAS is in pursuance of the power taken by your Company under one of the new Object Clauses adopted at a meeting of the shareholders held on 27th September, 1962, and since approved by the Calcutta High Court.

We have also been approached by other producers of industrial gases to render them assistance *inter alia* by way of technical advice on their plant and factory. In three cases we have already agreed to render such assistance. All this goes to emphasise that we are not in the least averse to the emergence of genuine competitors. Indeed, we hope that our standing and experience will, by helping others, foster a happy spirit of co-operation and healthy competition among the producers of industrial gases in this country.

Prospects

From what I have said above it will be evident that I entertain a feeling of confidence and restrained optimism about the future prospects for the Company. We are about to enter upon a period of fairly heavy capital expenditure with full confidence and faith in the future of our country. It is a faith shared by The British Oxygen Company Limited also; in this connection we had the privilege of a visit in November this year by their Vice-Chairman, Lord Reith, who toured India intensively and visited five of your Company's factories in different parts of the country. But while investment of such magnitude as we have in view implies favourable long term prospects, both as regards profits and growth generally, the short term prospect must necessarily be viewed somewhat more conservatively because of the increasing debt and interest load until the new investments become fully productive.

Management and Personnel

On his retirement from India Sir John Brown relinquished on 31st March, 1963, the office which as

Chairman of your Company he had occupied since 11th June, 1958. Under his distinguished stewardship there have been remarkable developments of your Company's undertaking and the ground has been prepared for further expansion in future. I offer Sir John Brown our sincere thanks for his services to the Company and I also extend to him our warm wishes for further success in his new life in England.

Mr. P. C Kavanagh, who had been the Company's Assistant Managing Director since 1st June. 1959, also vacated his office on 31st March, 1963. Mr. Kavanagh left us in order to take up a position with The British Oxygen Company Limited. Mr. Kavanagh's association with the Company extended over a period of more than fourteen years and I take this opportunity of wishing him success in the years to come.

Mr. S. K. Sinha, one of your Directors since 26th October, 1956 will retire at the Annual General Meeting; and though eligible for re-election he has, on personal grounds, decided not *to seek* it. In Mr. Sinha's retirement the Company will suffer a distinct loss. I thank him for his services to the Company, and would like him to know that he carries with him our sincere good wishes for the future.

In the Chairman's Statement on the 27th Annual Report and Accounts mention was made of the publication of a house journal called "Oxygen News". The employees' reaction to this mode of communication was so encouraging that "Oxygen News" commenced monthly publication in January. 1963. This house journal is fast becoming an effective medium of self-expression for the employees as also a secure channel of communication between the management and the employees.

I take this opportunity of recording with pride the contributions made individually by members of the Company's staff in furthering the national effort during the emergency. In particular I would mention the warm and generous response to the appeals for contributions both to the National Defence Fund and the Blood Bank. Sixteen employees were called up for active service, while their colleagues, working in factories and elsewhere, were also contributing towards the defenre efforts.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

21st December. 1963.

Around Bombay Markets

Unsettled Mood

Thursday, Morning

THE stock market is in poor shape. The turnover which has been gradually shrinking for quite some time has now dwindled to a mere trickle. The prosperity of the market depends on the steady flow of outside public money; this flow has nearly dried up. Notwithstanding all the assurances by the Finance Minister Krishnamachari to stimulate production, saving and invest merit and Shri Asoka Mehta's spirited defence of the role of profit, confidence in the investment market continues to be at an extremely low ebb. The persistent decline in cash shares has intrigued most observers and it is the continuing slump in the investment market which has scared the public from taking a livelier interest in stock market speculation. Outside interest is unlikely to broaden until the Budget is out of the way and that again depends how helpful is the Budget from the market angle.

With outside interest remaining virtually absent, activity on the stock market is almost entirely professional. And the market has become so thin that it responds quickly to small buying and selling, more particularly selling. This is because the market's mood has been unsettled by the recent communal disturbances in East Pakistan and Calcutta, The Prime Ministers failing health (the latest reports are encouraging) is another source of anxiety. There are ample reasons for taking an optimistic view of the outlook for equities. Optimism is. of course, based on the commonsense view that since the Government .seems much concerned about the depressed conditions in the capital market, T T K will suitably modify the fiscal policy in order to stimulate investment and economic activity. The operation of the Unit Trust also is likely to have a steadying effect on the investment market.

Equity prices last week suffered a further setback on tired bull liquidation arid lack of fresh support. On 21st January most counters were marked down to the lowest levels for the month and quite a few of them came close to the lowest levels recorded in the reactionary trend since about the beginning of November, While the distant pros, pects seem promising the immediate outlook is rather uncertain.

Cotton

Futures Hit New High

ON 22nd January the March contract (Moglai fine 25/32") was bid up to Rs 751.75 (per 3 quintals) which takes it very close to the 1962 high of Rs 753— the highest level recorded for over a decade. The 1962 high reflected the near-famine conditions in the cotton market because the 1961 -62 crop was a partial failure—a miserable 45 lakh bales. That cotton futures should again be quoted around the 1962 peak in spite of an appreciably larger crop of 56/57 lakh bales and a reasonably satisfactory carryover from the previous season underlines the precarious balance between demand and supply-as a result of the increase in consumption without any corresponding improvement in supply.

Last week's sudden spurt in cotton futures from 738 (20th January) to Rs 751.75 (22nd) was caused by hectic short covering and some bull manipulation. The bears seemed to have been scared by reports of cold spell accompanied by frost in Rajas than and Gujarat. The unkind weather, it was feared, might damage