Alind's Nineteenth Annual General Meeting

Mr S Narayanaswamy Reviews Activities

ADDRESSING the Nineteenth Annual General Meeting of the Aluminium Industries Limited held at Registered Office, Kundara on 24th September 1965, Mr. S. Narayanaswamy, Chairman said:

In the last few weeks this country, which is engaged in a major programme of economic development, has been obliged by a trigger-happy and perfidious neighbour to engage in bitter battle with her. Foiled and frustrated in her effort to capture Kashmir through infiltration revolt, Pakistan decided on open aggression, breaking many solemn undertakings, the most important of which is one relating to non-use of American military equipment against India. The Indian Army and Air Force have displayed rare bravery and skill in the use of striking power and carried the battle deep into enemy territory. We have reason to be deeply proud of and grateful to our fighting forces and wish them even greater strength to their elbow. I desire to take this opportunity of telling Government that our hands and our hearts, our men and material are at Government's disposal, in their hour of anxious Dre-cccupa tion.

Solidal Manufacture

To come to domestic affairs, the year has again been a period of broadening activity and fresh achievements. As is to be expected, Sales touched a new high figure of Rs 7.60 crores. The new plant for the manufacture of 'SOLIDAL' low-voltage underground cable was commissioned by end of 1964. I am glad to say that this new and rather unconventional cable has been very well received by the consuming institutions and local bodies that constitute the main market for this product. Some who brought a professional eye to bear on the somewhat massive looking metallic cross-section embedded in multiple layers of insulation material that constitutes SOLIDAL had some misgivings about the degree of its flexibility, but after seeing its behaviour during installation, even fastidious power engineers were satisfied with its functional efficiency and compactness in handling. Your Directors are satisfied that SOLIDAL is well on the road to becoming a favourite. It would appear that the spread of its use is likely to be conditioned more by our own machine capacity rather than by limits in demand.

New Share Issue

It is a measure of the magnitude and character of our expansion schemes, that during the year under review, your Board had to make an issue of share capital, the largest so far made by the Company, namely Rs 67,50 lakhs face value shares at a premium of *25* per cent; negotiate for a medium term loan of Rs *27* lakhs with the Company's bankers; apart from availing two foreign exchange Loans aggregating Rs 9.70 lakhs from the Industrial Credit and Investment Corporation of India. The Shae Issue made during the year brings the paid-up capital of the company to Rs 202.50 lakhs, while adding Rs 16,87,500 to the Premium Reserve Account.

Unit For Cable-Making Machinery

The Company has received from Government the Industrial Licence for the manufacture of cable making machinery. It is proposed to sot up this plant at Lingampalli, Hyderabad, alongside of our covered conductor plant there. The renowned film of Miyazaki in Japan have agreed to collaborate with us and assist- us in setting up this unit. An application for a foreign exchange cum-rupee Loan has been submitted to the Industrial Credit and Investment Corporation of India to help the implementation of this project. Work on this project is just commencing. Manufacture of cable making machines is a logical follow-on of our present activities and should make for long-term self-sufficiency in the matter of machines required by new units and replacements by existing units, apart from making available spares and vital component to wire drawing and stranding machines that operate in the country. It is a matter of special gratification to us that the House of Miyazaki has agreed to help us with the design, erection and commissioning of this mother machine unit

Expansion of Production Capacity

The new Properzi continuous rod rolling milt is under erection at Kundara and is expected to be commissioned before the end of the calendar year. This will bring the number of our rolling units to three, two operating at Kundara and one at Hirakud. This will substantially enhance our ingot converting facilities and obviate the need for importing rods. With the increase in indigenous sources of aluminium metal production, the need for converting ingots into rolled rods becomes larger,

The demands made on the Company's bare conductor producing capacity are getting larger every year and the back-log of orders are tending to get over extended. The strains imposed on our plant at Kundara and Hirakud are considerable. The company has therefore applied for and obtained a licence to add to existing capacity at Kundara as well as Himkud and the enhanced capacity will be very shortly available to the company. Our production of covered conductors at Kundara and Hyderabad has been stepped up and this is reflected in a small measure in the consolidated sales figure in the Profit and Loss Account. We can claim to have made satisfactory headway in a market for covered conductors that is getting more and more competitive, It is however comforting to know that the consumer has shown a preference for quality material.

Switchgear Manufacture

Your company has been negotiating for sometime with a reputed firm in the United Kingdom for establishing a unit for manufacturing Switchgear and allied products. If these negotiations are successful, a unit for manufacturing Switchgear is expected to be set up in Kerala with foreign financial participation. This arrangement is expected to benefit your company. Since this activity may involve legal formalities and perhaps the raising of fresh capital, you will have an opportunity of obtaining fuller information in due course. That about summarizes our expansion achievements and blue prints.

Gentlemen, you are all aware of the credit regulation and import control measures introduced some two months ago and the wide-spread distress it had begun to cause to industry and trade. It is hardly necessary to discuss them, as Government have very thoughtfully abandoned those measures as both unworkable and ill-timed in an emergency like the present when production in every 'sphere must be stepped up. I congratulate the Union Finance Minister for revoking these obstacles to unfettered production with promptitude. This brings me on to our own ways and means problems,

I have already referred to the capital issue we made towards the end of last year. There are a small number among our shareholders, who believe we are fond of making share issues on slender provocation, while on the other hand those who give us short term and long term loans, believe that we elect to operate on a narrow capital base, and that we prefer borrowed money even at high cost to enlarging the area of dividend liability. Ideas on the debt equity-ratio even among our pundits are happily not any longer dogmatic or text-book inspired. In that Jerusalem of Corporate Industrial Enterprise, the USA, the debt-equity ratio has undergone such a transformation that the weightage in favour of debt will make the most unabashed of corporate borrowers in India-lift his eyebrows. The debt-equity ratio is determined in terms of profit intensity, by the character of expansions, by the potentiality of accelerated amortization and by the degree of Federal Government's partnership in softening the expenses of borrowings. In India, the high incidence of corporate taxation makes the last of these motivations the primary one and indeed this very fact makes equity dividend an expensive luxury. I would like to assure shareholders that while there is no intention to plunge the company deep in long or short-term repayment obligations, it is not the Board's intention to widen the area of dividend liability by frequent share issues. Indeed your Management is keenly conscious of the strains imposed by large dividend payments after making statutory provisions towards depreciation and taxation. Our capacity to plough back profits has been grievously crippled by tax out-goings in the last few years — years during which no effort has been made to step up the dividend. I must commend the Managing Agents for the manner in which they have surmounted the ways and means problems in the last financial year, in making limited resources go a long way.

The two special Resolutions that await your approval at this meeting intend to increase the overall borrowing limit to Rs 700 lakhs and the Authorised Capital to Rs 500 lakhs. These are intended to facilitate the Company's activities in future years. I may assure you there is no proposal to immediately increase the Subscribed Capital.

The new import and excise duties and the regulatory import duty of ten per cent inflate the hill of costs of our capital programmes and of raw material and in turn that of our end products. In our case the customers are overwhelmingly Government departments, Electricity Boards and Project administrations. They will be called upon to pay more for what we sell to them. It is a process of book entry inflation on both sides of a ledger, on which Government will *do* well to have a second and critical look.

Raw Material Position

The position of aluminium metal, high tensile steel wire and in a small way, zinc supplies has been causing us some concern, though currently we are reasonably well-stocked. It is a matter for gratification that the Madras Aluminium Company, the second metal reduction unit in the Southern region, has been recently commissioned, adding ten thousand tons of metal to Indian production. We welcome this addition to the small band of Indian producers. The statement by the Company's Chairman that arrangements are under way to double the capacity of the Mettur plant affords us great comfort, as the single largest consumers of electrolytic aluminium in the country. However, the technical position as to metal supply is not free from anxiety—considering the enlarging gap between indigenous metal sources and the industrial demand for the metal compelling us to look to distant countries for the not inconsiderable balance of our requirements, at a time of acute foreign exchange stringency and a national emergency. The news that the Indian Aluminium Company have finalized arrangements with Mysore Government for erecting a thirty thousand ton reduction unit in the Sheravathi Shimoga region, utilizing Sheravathi power is perhaps most important to consuming markets in India. This will probably be commissioned in three years' time from now. It is our hope that meantime Central Government will not deny to the cable industry its metal requirements from abroad to the extent of the shortfalls in Indian supplies —in the interests of power development under the Plan schemes. By the same token we hope until indigenous production of high carbon steel is established on a commercial scale, imports upto minimum requirements of the cable industry will be freely permitted.

Technical Consultant

Coming to administrative matters, I am glad to announce that Sri K P S Nair, who recently retired from the Central Water and Power Commission has agreed to be and has been appointed as Technical Consultant for this Company. Sri K P S Nair brings his vast fund of knowledge and experience in the field of electrical development to his assignment besides his own past association with this Company as Director representing Kerala Government. On your behalf, I would welcome Mr Nair to our most. We look forward to his advice and guidance from time to time.

Sri Peer Mohammed, who was our Works Manager at one time and till recently Sales Manager has been appointed General Manager from January this year in place of Mr V G G Nayar who relinquished office. Sri Peer Mohammed brings to his new office his intimate knowledge of market requirements acquired over years of sales promotion effort and a zestful and sober approach to administrative problems. He was mainly responsible for the success of our export promotion efforts. At the executive level, the Company has drawn up a programme of "training within-Works", which should equip our boys to fill middle-management positions with reasonable efficiency.

Employee Relations

In the field of personnel relations, we have entered into Long-Term Agreements with all cadres of employees at Kundara. The recent Bonus Ordinance limits the quantum of bonus payable to an amount substantially below what is laid down in the bilateral agreements. Nevertheless, the Company has decided to adhere to the provisions of these agreements and pay the bonus at the level covenanted. At the same time, the Company is determined to see that the employees honour the agreements for their part, as was demonstrated in the case of the steel wire plant employees who sought an upward revision of their term agreement through direct action recently. We are happy that negotiations resulted in an appreciation of the Company's stand in the matter. The Hirakud Long-Term Agreement having expired, a fresh agreement has been negotiated with the Employees Union there. In the Hyderabad plant, the results of a works study are being examined with a view to negotiate a Long-Term agreement with the employees in Lingampalli.

I have reason to look forward with confidence to a future in which expansion and diversification of production will occupy a significant place. It is a future in which our employees whose unstinted labours in the past have helped us to build this impressive edifice give promise of sustained effort and enthusiasm in the bigger tasks that are round the corner.

I must express on behalf of you all my appreciation of the great work done by the Managing Agents and in particular by Sri B V D Menon, Managing Director, Seshasayee Brothers (Travancore) Private Ltd. who has piloted the Company's affairs with rare skill, dynamism and forbearance in a truly trying year. I must express the Board's appreciation of the splendid work put in by the General Manager, the Supervisory staff and all ranks of technical and administrative personnel during the year.

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

AROUND BOMBAY MARKETS

Equities Drift Lower

Wednesday, Morning

DALAL STREET last week was unable to move beyond its previous week-end high recorded on September 22. Apart from the fact that the rise following the announcement of the cease-fire had been rather too steep and the market needed time to consolidate its position, Dalai Street could scarcely be expected to ignore the Prime Minister Shastri's warning that the cease-fire did not necessarily mean the dawn of peace. And as the week progressed, trading sentiment was adversely affected by frequent reports about the violation of cease-fire by the Pakistani armies almost on all the fronts. Equity prices gradually drifted lower and most of the popular counters shed a major portion of their gains immediately following the announcement of agreement on the cease-fire. Century eased from Rs 528.50 to Rs 514. Standard from Rs 371 to Rs 356, Tata Steel from Rs 141.75 to Rs 138.75, Indian Iron from Rs 25.25 to Rs 24.80, National Rayon from Rs 402 to Rs 391. Tata Locomotive from Rs 211.50 to Rs 207, Hindustan Motors from Rs 16,48 to Rs 16.24, Indian Dyestuff from Rs 172 to Rs 162 and Scindia from Rs 13.68 to Rs 13.28—to mention a few counters.

The extremely uncertain political situation is by no means the stock market's only worry. Not many observers are inclined to expect any major recovery in equity prices even after the effective implementation of the cease-fire. This is because the economic prospect has been blurred by the likely increase in defence outlay. Diversion of scarce resources to defence production is bound to have far reaching effects on the economy which is already under serious strains. As rightly pointed out by the directors of the Reserve Bank of India in their latest annual report the imbalances generated as a result of rapidly mounting expenditures on defence and development in a situation of a relatively slow growth of output and export earnings has caused intense pressures on the price level and the foreign exchange reserves and affected the country's capacity to undertake larger Plan expenditures commensurate with the needs of the economy.

The prospect of raising funds for financing the enhanced defence effort through additional taxation is quite disturbing from the stock market's point of view. Both the Industrial Development Bank and the Reserve Bank have emphasised the need for reviving the capital market. But the question is how can there be any significant revival of the capital market when the economy continues to be under serious strains.

COTTON

Futures at New Peak

THE cotton mill industry has long been complaining about the developing crisis of accumulation of stocks of both cloth and yarn which has now begun to tell on production because quite a number of ill-equipped and inefficient units have been forced to reduce shift working and some dozen-and-a-half mills have had to be closed down. Cloth and yarn output in August, provisionally placed at 420 million yards and 174 million lbs. is substantially down compared to July and cloth production is the lowest for several months, excluding February. Mills are also known to have been running down their stocks of cotton because of the acute financial stringency and fresh purchases have been on a comparatively restricted scale, especially during the past several weeks. Even so, cotton prices have continued to hold remarkably firm — well above their statutory ceilings. Cotton futures last week were bid up to a new all-time high. The March hedge contract — Virnar 27/32" — which had been sold down to Rs 861,50 on September 7 rose to Rs 902 (per quintals) on September 28 which takes it fairly close to its revised ceiling of Rs 936.

In view of the stock accumulation with mills and the continuing slack off-take in the cotton piecegoods market, the spurt in cotton futures to a new all-time high might seem rather intriguing. But the rise in futures reflects essentially the likely deterioration in the supply position of cotton in the current season. The recent dry spell in almost all the cotton producing areas has led to a downward revision of crop estimates and it is widely feared that if the weather does not oblige soon enough the new crop might turn out to be only a little better than in the preceding season. Apart from some damage due to frequent Pakistani air raids, the cotton crop in the Punjab is reported to have been seriously affected by the 'Jassid' disease and against the earlier estimate of about 12.75 lakh bales the crop is currently mentioned around 10 lakh bales. Crop conditions in most other areas are also said to be rather unsatisfactory due to the absence of the much-needed rains towards the end of September. Some anxiety has also been expressed recently about prospects of importing US cotton under PL 480. Cotton is likely to prove to be industry's major problem in the current season.

Cotton consumption during the 11 months of the 1964-65 season -September to July—is placed at 58.64 lakh bales made up of 51,63 lakh bales of indigenous cotton and 7.01 lakh bales of foreign cotton. Consumption in the same period of the previous season amounted to 55.58 lakh bales consisting of 50.02 lakh bales of indigenous cotton and 5.56 lakh bales of foreign cotton. Stocks with mills at the end of July totalled 21.11 lakh bales as against 22.93 lakh bales at the end of May and 20.26 lakh bales at the end of July 1964.