

The Mysore Paper Mills Limited, Bangalore 9

Speech of the Chairman and Managing Director, Shri M D Shivananjappa, I A S

THE following is the Speech delivered by Sri M D Shivananjappa, I A S, Chairman and Managing Director, The Mysore Paper Mills limited, at the Thirtieth Annual General Meeting of the Company held at Bangalore on Thursday, September 30, 1965:

Ladies and Gentlemen,

extend to you a most cordial welcome to the Thirtieth Annual General Meeting of your Company. The Report of the Directors and Audited Balance Sheet for the year ended 31st March 1965 have already been circulated and with your permission, I shall take them as read and would proceed to review the salient features of the year's operations.

We are, as you are all well aware, passing through critical times and facing a National Emergency caused by the unprovoked aggression of Pakistan and threats of China. At this juncture it is the sacred duty of every Indian citizen to rise to the occasion and to contribute his mite to make the War efforts of our Government a success.

I have the pleasure and the privilege to inform you that implementation of the scheme of expansion to step up production to 18,000 tonnes of paper has been successfully completed during the current year, thus raising the Gross Block of your Company, which stood at Rs 167 lakhs in 1961, to Rs 552 lakhs in 1965 (i.e., as on date).

It is appropriate that I should recall the objectives that your Board of Directors had in view while formulating the scheme of expansion. Your Mills are an integrated Pulp and Paper Mill which had a capacity to produce 8000 tonnes of paper and a capacity to produce sufficient quantity of bamboo, rag and waste paper pulp. Taking into account the capacity to produce only bamboo pulp it should be noted that the Paper making capacity exceeded the Pulp making capacity. It was considered advantageous to use only one kind of pulp namely Bamboo pulp to maintain production and quality and hence it was decided to discontinue the use of Rag Pulp and Waste Paper and to step up Bamboo Pulp production. Again from an economic view

point, small size is a distinct handicap to an integrated Pulp and Paper Mill like yours. The financially significant saving that attaches to large scale operations is that of combined heat and chemical recovery secured by the Installation of the Tomlinson Furnace. It is only production above 15,000 tonnes that justified installation of this kind of equipment. It is to correct this imbalance between Pulp and Paper making capacity and to increase production with a view to instal Modern Soda Recovery Unit for recovery of chemicals too valuable to be discarded and to increase production of paper to 18,000 tonnes which would diminish labour charges, and reduce overhead charges and decrease cost of equipment per unit of output that the scheme just implemented was undertaken.

His Highness Sri Jayachamaraja Wadiyar, the then Governor of Mysore, gracious!; inaugurated the scheme of expansion and laid the Foundation Stone for the new Paper Machine on 17th December 1962 and I am happy to say that the new Paper Machine was commissioned in March 1964, within fifteen months and well ahead of schedule This is an achievement of no mean value.

During the year under review Duplex Super Cutters ordered with Messrs Masson Scott were erected, installed and taken to service. All the other units ordered under the scheme of expansion, gamely Pulp Plant, Soda Recovery Unit, and other equipment have all been erected, installed and taken to service during the current year. However, the erection, installation and commissioning of the Pulp Plant took much longer time than was anticipated, the main reason for the delay being the delay in the delivery of the equipment from the indigenous sources and also partly due to defective machinery parts. The Pulp and the Modern Soda Recovery Units are complementary to one another and for this reason, delay in the erection and installation of the Pulp Plant led inevitably to the delay in the erection and installation of the Soda Recovery Unit. This delay had considerable adverse effect on production and capital costs. However, it is a matter of great satis-

faction to your Directors now to be able to report that all the difficulties have been surmounted and all the units are now working satisfactorily.

Production for the year ended 31-3-1965 was 10,037 tonnes as against 9384 tonnes during the previous year. As is mentioned in the Directors' Report, our three Paper Machines could not be run concurrently and continuously for want of Pulp. Adequate quantities of foreign wood pulp could not be procured because of import restrictions and indigenous pulp was not available in adequate quantities though its price was high and uneconomic for us. There were interruptions to operations because of frequent power shut-downs, besides interruptions necessitated my erection work. These factors accounted for an increase only by 700 tonnes. Even this increase was obtained by the substitution of expensive wood pulp and indigenous pulp to our own pulp which has considerably added to our production costs.

I am happy to say that we are now comfortably situated in regard to Pulp production as our Units, Old and New, have capacity to manufacture sufficient pulp to feed all our three machines and satisfactory arrangements have been made with the Government of Mysore for supply of the requisite quantities of bamboos.

In this connection, I would like to emphasise that the Government of India should take necessary steps to provide adequately all materials necessary for the Paper Mills to utilise the installed capacity to the full instead of keeping the Machines idle during many days in the year. This would assume considerable importance in the context of expanding the existing units and starting of new Mills in Private or Public Sector. Shortage of foreign exchange to import necessary equipments and consumable stores has come in the way of better utilisation of the installed capacity of the Mills. I do hope that the authorities would appreciate the relevance and urgency of this aspect and see that full facilities are afforded to carry on uninterrupted operations in the Mills, and I would like to add that without such provi-

sion no useful purpose. would be served by liberally issuing licences, as in many cases, licences would have to be cancelled as they could not be made use of for want of necessary facilities.

Now that all our units are satisfactorily working from this month, I expect that production of pulp and paper would very much improve and the benefits of increased production and economies incidental to chemical recoveries would accrue. In regard to higher earnings and profits, I should refer to one or two problems that the Paper Industry as a whole is facing *i e*, the problem of marketing and price.

Ever since the Indian Tariff Commission fixed prices in 1960 (the slight increase given in 1962 being, absolutely inadequate) the representatives of Paper Industry have been pleading with Government of India for a suitable revision of the prices, having due regard to the mounting costs of production. I am afraid the representations have not received due consideration and the case of the Industry is probably shelved. I would like to urge that it is not in the interest of expansion of Paper Industry or in the interest of the existing units that such an unrealistic and uneconomic price structure is continued, It should also be remembered that there is a limit for securing economies by increased production and operational efficiency. I am confident that the authorities concerned will take these factors into consideration and revise the prices so as to allow the Industry to plough back a part of their earnings for expansion and to make investment remunerative to attract capital. While holding out hopes of high production and operational efficiency I should like to bring to your notice that it is only high production and operational efficiency coupled with reasonable prices for paper that would help to improve our earnings and profits.

The demand for paper was dull during some months in the year. There was accumulation of stocks and consequent locking up of funds. This lack of demand was attributed to reduced or lack of purchasing power to some extent. This, I hope is purely temporary and a passing phase, and having regard to the development activities of the Central and State Governments under the Five Year Plans, the demand for paper will certainly increase and we shall not find much difficulty to market our products. The supply of certain varieties

of paper like printings and writings sometimes exceeds demand. There are certain 'speciality papers' like manifolds, coated paper, Tissue and Art paper etc., which will be in great demand. I strongly feel that at the present day, there is need for diversification of products. In our case, as I have stated earlier, the level of production was raised to 18,000 tonnes per annum to make the Unit economic by securing advantages of large scale production and economies of chemical recovery. Today, the economic minimum is considered to be 100 tonnes a day or 30,000 tonnes per year of 300 working days and in this context I am glad to inform you that your Directors are examining the question of expanding the production capacity of your Mills to 30,000 tonnes with a view to make it more economic and to diversify the products to meet the market requirements. As a preliminary step, your Directors are examining the availability of bamboos and the Government of Mysore have been approached in this behalf, and I shall be able to report progress made at our next meeting,

Though There was increase in production of paper during the year under review, there was decline in profits compared with the previous year, mainly on account of increase in the cost of raw materials, chemicals, coal and power and interest charges while the selling price remained the same. The crux of the problem has been one of mounting cost and fixed selling prices. As I have said before, everything possible will be done to keep the production costs under control by operational efficiency. But the real and substantial relief comes only by a revision of prices and I again assure you that we shall continue our efforts to secure a revision of prices and I hope the Govt, of India will appreciate the position of the Industry and afford the much needed relief without further delay.

Turning to the Balance Sheet, you would observe that depreciation of Rs 7.06 lakhs as against Rs 5.76 lakhs for the previous year has been provided. Depreciation on Fixed Assets has been calculated in accordance with the rates allowed for normal depreciation and E S A (extra shift allowance) as per Income-tax Rules in respect of Fixed Assets acquired before the commencement of the Companies (Amendment) Act, 1960 and on additions to Plant and Machinery under Expansion Scheme after commencement of the Companies (Amendment) Act, 1960,

depreciation provided is on the straight line method as per Section 205 (2) (b) of the Companies Act 1956 for the proportionate period the Machinery has worked.

Your Company is entitled to Development Rebate under Income-tax Act amounting to Rupees 120,657,00 on Plant and Machinery erected, installed and taken to service during the year and provision has been made in accounts to the extent of Rs 91,000,00 to secure the above benefit.

Your Directors have transferred from the Reserves to the Profit and Loss Appropriation Account as detailed below :—

From Dividend Equalisation Reserve	Rs 240,000
From General Reserve	369,000
	Rs 609,000

No provision is required for taxation as the Company has no assessable income for the year due to carry forward of loss on account of Development Rebate. Provision however has been made towards tax on dividend as per Finance Act amounting to Rs 56,250.

Your Directors have carefully considered the question of declaration of dividend in all its aspects. Having regard to the interest and wishes of shareholders your Directors have decided to recommend declaration of a dividend at 6 p c subject to tax or at the rate of 60 Paise (taxable) per Share of Rs 10 fully paid absorbing Rs 750,000 and to carry forward the balance of Rs 4,115. In the circumstances, your Directors hope that the proposal to recommend 6 p c dividend would meet with your approval,

I have said earlier that the capital cost went slightly higher because of delay in the delivery of Pulp Plant and in the installation of Pulp Plant and Soda Recovery Plant, which added to our capital cost by way of interest erection and other charges. To meet additional expenditure, arrangements have been made for a short term loan to the extent of Rs 40 lakhs with the Canara Banking Corporation Limited, against which a sum of Rs 20 lakhs was drawn during the year. To carry on operations without interruption, it is necessary to provide for the first set of spares and machinery clothings for the New Plant & Machinery and also for obtaining new Diesel Generator Set necessary to supply uninterrupted power to the new Soda Recovery Unit and for this purpose arrangements have been made with the

Industrial Credit and Investment Corporation of India Ltd, Bombay for an additional loan in foreign currency to the extent of Rs 12 lakhs. Further, the expanded Plant requires larger working capital for purchase of raw materials, chemicals and consumable stores etc, and your Directors have made arrangements for a cash credit accommodation upto Rs 80 lakhs with the State Bank of Mysore, on the hypothecation of floating assets.

I am glad to inform you that Labour-Managements relations continue to be cordial. The peace settlement with our Labourers' Association having expired, our Labourers' Association have placed a number of demands, chief of them being revision of wages and salaries, enhancement of D A etc, and these demands are receiving sympathetic consideration consistent with the capacity of the Mills to bear additional expenses.

On behalf of the Company, it is my pleasant duty to express my thanks to the authorities of the Common-

wealth Development Finance Co, Limited, London, the Industrial Credit and Investment Corporation of India, Ltd, Bombay; the Industrial Finance Corporation of India, New Delhi, the State Bank of Mysore (Trustees), the State Bank of India and the Canara Banking Corporation Ltd, for their support and assistance in the implementation of the Development Plans.

I take this opportunity to express our grateful thanks to Messrs J M Voith of Heidenheim, Messrs Escher Wyss of Ravensburg, Germany, Messrs Millspaugh of England, Messrs Bobcock and Wilcox, Messrs English Electric Company Ltd, and Messrs Ernest Scott, Messrs Masson Scott of London the suppliers of Plant & Machinery for their prompt delivery of equipments and for having deputed efficient technical officers for erection of various equipments at our factory. I should also express my grateful thanks to the Mysore Construction Co for their satisfactory execution of Civil Engineering Works and to Messrs Aswathanarayana

and Esvara our Consulting Architects for their technical advice and assistance.

I would also wish to express on behalf of the Directors and Shareholders our grateful thanks to the Central and State Governments for the continued interest they are evincing in the progress of the Mills.

I am very grateful to my colleagues on the Board for their whole-hearted support and valuable guidance.

I wish also to express on behalf of the Directors and my own warm appreciation of the willing and efficient co-operation of all our employees.

Ladies and Gentlemen, with these observations, I now move that the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31-3-1965 be APPROVED AND ADOPTED.

N B This does not purport to be a report of the proceedings of the Shareholders' meeting a copy of which shall be sent to the Shareholders separately.

The Jay Engineering Works Ltd, Calcutta

A Year of Progress

Export Performance Back to High Level

THE following is the Speech of the Chairman, Lala Charat Ram, at the 28th Annual General Meeting of the Jay Engineering Works Ltd, held in Calcutta on September 20, 1965:

Friends,

I have great pleasure in welcoming you to the 28th annual general meetings of the company.

Pledge To Meet The Emergency

We meet in the shadow of open hostilities between our country and Pakistan, aggravated by the ulterior interests of Communist China. The hostilities are not of our seeking, but now that they are upon us, it is our paramount duty to play our role as individuals, and as social groups, to support our Government, in seeing these hostilities to a successful conclusion in the country's interest. Our hearts go out to the men of our armed forces who are giving a gallant account of themselves. Our Prime Minister Shastri has shown his mettle, by accepting Pakistan's challenge, as indeed in the apt handling of many matters which in earlier years had been allowed to drift. We offer Shastriji our whole-hearted

support and offer the promise of our best endeavours, so that we may emerge from the present difficulties with our heads high.

Profit Performance

The annual report for the year's operations has been with you for some time now. You will observe that the profits for the year show a substantial increase, touching about the highest absolute gross profit level figure ever reached before. This is specially gratifying in view of the fact that there were no operations in the first two months of the year due to the continuing strike of the previous year, and the results therefore reflect the operations of only 10 complete months. This speaks of the improved effort, which all ranks of personnel of the Company have put in.

Bonus Shares Issued

During the year, the amount standing to the credit of the share premium account was capitalized by issuance of bonus shares. This has raised the equity capital of the company by over 30 per cent from Rs 1.52 crores to Rs 1.97 crores.

In view of the improved profit position, the Directors have been able to recommend an equity dividend distribution of Rs 15.8 lacs for the year, against Rs 12.2 lacs last year; this represents an increase of 30% dividend disbursement over last year.

Increased Costs

In the present stage of the country's economy, price maintenance is both an economic necessity and a social responsibility. Lately, however, all efforts at cost reduction have been more than neutralised on account of vastly increased governmental imposts, which have made selective price increases unavoidable, in order to maintain the economic viability of the Company. The burden of all taxation, direct or indirect, and that of consequential inflation, is in the ultimate analysis always borne by the common man, either in the form of increased prices of goods and services, or of lower return on his savings.

Pro-Production and Anti-Production Policies

The Plan-frame of the 4th 5-Year Plan is now on the anvil. The Government has wisely decided to eschew