Company Notes

New India Assurance

SHRI A D Shroff's confidence in the future of New India Assurance stems from the substantial expansion in the company's business since 1956, the year of nationalisation of life insurance. The success of its efforts to make good the loss of life business through expansion of general insurance business is reflected in a doubling of the net premium income of all three departments during the last four years from Rs 6.30 crores in 1957 to a record level of Rs 12.65 crores in 1961. The effective control over acceptance of risks and in claims minimisation exercised by the management, Shri Shroff says, "must result in a continuous improvement in the company's working". The increase in premium income during 1961 alone is Rs 1.78 crores. on top of a rise of Rs 2 crores in 1960. Along with this sizable expansion in business, the claims and expense ratios have also been favourable. In 1961. the loss ratio declined from 52.6 per cent to 50.3 per cent and the expense ratio from 36.2 per cent to 35.7 per cent, These favourable trends have enabled the company to increase its departmental profits more than two-fold from Rs 15 37 lakhs to Rs 102.65 lakhs, though the experience of individual departments has not been uniform.

Of the rise in premium income in 1961. the miscellaneous department alone accounts for Rs 1.10 crores, the departmental premium having increased from Rs 4.69 crores to Rs 5.79 crores. Fire business has yielded a net premium income of Rs 442 crores, representing an increase of Rs 35 lakhs and marine premium income has prone un by Rs 34 lakhs to Rs 2.44 crores. The loss ratio of fire business has declined from 43.4 per cent to 37.3 per cent and that of the miscellaneous department from 55.5 per cent to 50 2 per cent, while in marine business it has risen from 63.7 per cent to 74.1 per cent. The expense ratio in the fire department has increased from 43.9 per cent to 44.5 per cent, while that in the miscellaneous department has declined from 34.2 per cent to 33,6 per cent. The ratio in the marine department has also declined from 26 to 24.8 per cent.

A reserve of 40 per cent for unexpired risks has been provided in the fire and miscellaneous departments and 100 per cent in the marine department and an additional reserve of 10 per cent in fire and miscellaneous departments. The aggregate reserves provided amount to Rs 7,55 crores. against Rs 7.03 crores.

A break-down of the departmental profits shows that fire department's profit has shot up from Rs 28.98 lakhs to Rs 72.33 lakhs and the profit of the miscellaneous department from a mere Rs 1.22 lakhs to Rs 51.06 lakhs. Marine business has suffered a loss of Rs 20.74 lakhs, against a profit of Rs 15.17 lakhs in the previous year,

With the inclusion of other income net of expenses, the profit for the year has welled to Rs 128.22 lakhs from Rs 69.74 lakhs in I960. The net profit at Rs 77.41 lakhs, howover, shows a rise of only Rs 16.84 lakhs, consequent on the five-fold rise in tax provision from Rs 10.72 lakhs to Rs 53.65 lakhs. Almost the entire increase in profit has been utilised to strengthen the reserves. Thus, the general reserve gets Rs 20.60 lakhs, against nil. the exchange reserve Rs 5 lakhs, against nil. No allocation has been made to the dividend equalisation fund which had received Rs 15 lakhs last year. The dividend is being maintained at Rs 5,70 per share of Rs 15 or 38 per rent, subject to deduction of tax. But the whole of this distribution is not being made out of the year's profit. Only Rs 4.50 per share will be paid out of the profit and the balance I representing the cash bonus) will be met out of the compensation amount received from the L I C.

The net addition of Rs 15.65 lakhs to the departmental funds and of Rs 69.54 lakhs to the various other reserves have raised the total funds of the company to Rs 12.40 crores. There is also a hidden reserve of Rs 1.12 crores, representing the appreciation in the market value of the company's investments over their book value of Rs 9.50 crores.

Standard Motors

THE switchover to the two-door Standard Herald dislocated Standard Motor's production programme in 1961. The change caused several bottlenecks, particularly in regard to supplies of indigenous components. As a result, production of cars during the year amounted to only 3,409 vehicles against the, target of 4,500 vehicles and sales fell from Rs 389.75 lakhs to 348.95 lakhs. This has not affected the gross profit which is actually a shade higher at Rs 29.08 lakhs, against Rs 28.52 lakhs. This is evidently due to the fall of Rs 76.04 lakhs in the cost of raw materials consumed to Rs 258.15 lakhs.

The slight increase hi the provision for depreciation from Rs 9.50 lakhs to Rs 11.09 lakhs and in the tax provision from Ra 6.60 lakhs to Rs 8.25 lakhs has reduced the net profit from Rs 12.42 lakhs to Rs 9.74 lakhs. The allocation to the development rebate reserve has also been reduced from Rs 3.75 lakhs to Rs 2 lakhs and the dividend has been pruned from 9 per cent to 7 per cent. Since the distribution on the ordinary and preference sharps and the statutory provision for development rebate reserve have together taken up the entire net profit, there has been no addition to the general reserve, as in the previous year.

The two-door Standard Herald is said to have been popular but there is also a demand for four-door Herald. In order to fill the gap, the company proposes to manufacture with the permission of the Government a limited number of Standard Companion estate cars. The introduction of the four-door Herald has been held up on account of the delay in obtaining capital goods and tooling. The introduction of this model may, therefore, be expected in 1964. The company is still in the development stage in respect of one-ton vehicles. Since it has yet to receive the necessary licence, the manufacture of the one-ton chassis may be held up till 1963-64.