Company Notes

Mukand Iron

THE sharp falls in supplies of billets has not affected very much the working results of Mukand Iron and Steel Works during the year ended March 31, 1962. While the decline in receipts of billets from 74.366 tonnes to 42,580 tonnes is reflected in a reduction in turnover from Rs 6.37 crores to Rs 4.73 crores, there has been no corresponding set-back in gross profit, as a result of the increase of Rs 36 lakhs in sales of steel castings following a better performance of the foundry. The gross profit has declined by only Rs 1.49 lakhs to Rs 01.13 lakhs. Consequently, the ratio of profit to sales has risen from 9.8 per cent to 13.0 per cent.

The net profit has dropped from Rs 28.18 lakhs to Rs 24.91 lakhs, but the dividend has been maintained at 12 per cent, the old shares receiving Rs 1.20 per shale and the new shares a proportionate distribution of Rs 1.05 per share, on account of the cut in the appropriation to the gratuity reserve from Rs 6.50 lakhs to Rs 1.50 lakhs and to the general reserve from Rs 10.00 lakhs to Rs 7.55 lakhs. There has, however, been an increase in the allocation to the development rebate reserve from Rs 1.70 lakhs to Rs 1 lakhs.

The current year holds promise of better billet supplies. The allotment made in the first two quarters is 100 per cent of the entitlement and that for the third quarter is expected to be maintained at that rate. The special rolling mill installed in the last quarter of 1961-62 is better equipped to produce lighter sections which fetch a higher price. The order position in respect of steel eastings is very satisfactory.

The prospects for the current year thus appear to be better, but there are certain adverse factors which bid fair to increase the cost of production and reduce the profit-margin. The excise duty of 5 per cent *ad valorem* levied on steel castinsis weighing one tonne and over will, according to the directors, increase the company's cost by Rs 50,000 per annum at the projected level of output for the next year. The increase in power rates and electricity duty is estimated to east an additional burden of Rs 2 lakhs.

The higher costs may to a large extent be offset by the larger turnover when the expansion programme is completed. The expansion of the steel foundry at Kurla is expected to be completed as scheduled. The company has received an industrial licence to expand the cast iron foundry to produce 300 tonnes per month. The Kalwe project is estimated to cost Rs 3.70 crores. of which the foreign exchange component amounting to Rs 1.60 crores will be met from loans from the ICICI. Bombay, and the Commonwealth Development Finance Co. Ltd. London, the applications to whom have been processed. The rupee finance will be met by retained earnings and additional capital.

Tata Oil Mills

THE preliminary results of Tata Oil Mills for the year ended March 31, 1962 fully vindicate the directors' recommendation to maintain the dividend at Rs 5.75 per share or 23 per cent. This is the third year in succession for which the dividend is being repeated. While the turnover has recorded a great improvement from Rs 10.27 crores to Rs 11.19 crores, the profit (after depreciation) has not shown any improvement. On the contrary, it is a shade lower at Rs 38.80 lakhs, compared to Rs 39.26 lakhs earned in 1960-61. The net profit after tax is Rs 23.03 lakhs, against Rs 23.16 lakhs —the tax provision being Rs 15.77 lakhs against Rs 16.10 lakhs provided last year.

The transfer to the development rebate reserve has been raised slightly from Rs 2.85 lakhs to Rs 3.50 lakhs, but the allocation to the plant modernisation and development reserve has been rut slightly from Rs 2.50 lakhs to Rs 2.25 lakhs and that to the general reserve from Rs 53,000 to nil. The distribution on the ordinary and preference shares absorbs Rs 17.46 lakhs, or over 75 per cent of the net profit. In view of such a large dividend liability in the face of a declining profit margin, the company has not been able to strengthen the reserves very much. In fact, with the proposed allocation from the profit for 1961-62, the total reserves of the company do not stand at more than Rs 61.32 lakhs, against a paid-up capital of Rs 99,96 lakhs.