Company Notes

Modi Mills

THE performance of Modi Spinning and Weaving Mills during the year ended April 30, 1962 in the face of a decline in sales from Rs 647.12 lakhs to Rs 642,92 lakhs should be considered satisfactory. The gross profit is a shade higher at Rs 71.88 lakhs, compared with Rs 71.44 lakhs earned in the previous year, thus giving a higher profit margin of 11.2 per cent against 11 per cent. Managing agents' commission is lower at Rs 3.73 lakhs against Rs 3 80 lakhs, as also the provision for taxation at Rs 17 lakhs, against Rs 18 lakhs. Depreciation provision has been increased from Rs 24.73 lakhs to Rs 26.30 lakhs. The net profit at Ra 24.85 lakhs is; therefore, more or less maintained at the previous year's level of Rs 24.88 lakhs. The distribution to the shareholders has been cut from 17 per cent to 16 per cent. absorbing Rs 18.45 lakhs, against Rs 19,61 lakhs, but the allocation to the reserves has been slightly raised from Rs 5.15 lakhs to Rs 6.58 lakh-; (including the provision for bad and doubtful debts).

Renewal and replacement of machinery is continuing and this is reflected in the further addition of Rs 35.56 lakhs to plant, machinery and buildings during the year under review, on top of Rs 20.64 lakhs added in the previous year. The company has placed orders for some more machinery and has set up an up-to-date air-conditioned knitting factory to manufacture high-class knitted fabrics. A saw-ginning plant is being set up at Abohar (Punjab) for producing long staple cotton and a cotton seed delinting plant for pro during second-cut linters required for the manufacture of acetate yarn. The plant and machinery for this factory have already been imported and the factory is expected to go into production in the coming season. The company is also putting up a distillery plant at Yamunanagar (Punjab) to tap the entire production of molasses in the State of Punjab, which will produce the basic raw materials required for the manufacture of acetate yarn. The plant is expected to commence production in next summer.

The company proposes to set up a new textile mill consisting of 25,000 spindles and 500 automatic looms. An industrial licence has been obtained to Install 18,800 spindles and the company hopes to get the licence for the balance of 6,200 spindles and the 500 automatic looms. Construction work has already commenced. The scheme will be financed partly from the internal resources and partly from a loan from the Industrial Finance Corporation. The directors are hopeful that the mill will go into production by January 1964.

Khatau Makanji

THERE has been a welcome improvement in the working of the Khatau Makanji Spg and Wvg Co, during the year ended June 30, 1962. The gross profit has shot up from Rs 49.01 lakhs to Rs 74.02 lakhs, following a rise in sales from Rs 5.24 crores to Rs 5.83 crores. Nevertheless, the directors have not restored even partially the cut made last year in the dividend from 32 per cent to 16 per cent. They have maintained it at the last year's level, but have thought fit to strengthen the reserves by adding as much as Rs 14 lakhs, after providing Rs 5.63 lakhs (Rs 3.20 lakhs last year) for managing agency commission, Rs 17.40 lakhs (Rs 16.78 lakhs) for depreciation, Rs 23.50 lakhs (Rs 13 lakhs) for taxation, and Rs 3 lakhs (Rs 4.30 lakhs) for development rebate reserve.

The company obtained a licence to install 5,400 additional spindles for the purpose of balancing. These spindles have started working since the close of the year under review. The installation of the additional spindles will not, however, improve the working results of the company during the current year, as the general outlook for the textile industry during the current year is somewhat bleak. As the directors point out, the ex-mill selling prices of yarn of counts above 40s have been fixed from August 1, 1962. The scarcity of foreign exchange and the additional restrictions on imports of colours and chemicals are likely to result in higher prices and affect the cost of processing. The increase in the premium on imports of foreign cottons by one-third with effect from December 1961 has resulted in a substantial increase in cost of Egyptian and Sudanese cottons which are being used by the Khatau Mills. The Indian Cotton Mills' Federation has evolved a scheme of compulsory export to the extent of 12½ per cent of the value of production of each individual unit As the Khatau Mill has a specialised line of manufacture, it has to face difficulties in foreign markets in exporting its products. It has, however, decided to put in maximum efforts to promote exports to avoid the penalty payable in the event of the company being unable to fulfil Its export target.

The company proposes to expand its activities and the present mill premises are not adequate to meet the present and future needs of the company's expansion and development programmes. The company, therefore, proposes to acquire additional lands from the Pearl Thread Mills and others at a price which, in the opinion of the directors, is considered reasonable and favourable.

Rohtas Industries

THE cut in the dividend on the ordinary shares of Rohtas Industries for the year ended March 31, 1962 from 10 per cent to 8 per cent follows a sizeable setback in results for the year. There has been an all round decline in production. particularly of paper and boards and cement, which is reflected in the fall in sales from Rs 16.24 crores to Rs 15,88 crores. Consequently, the gross profit has come down from Rs 121.33 lakhs to 104.59 lakhs. The provision for depreciation is slightly higher at Rs 59.84 lakhs, compared with Rs 58.32 lakhs provided last year. No provision for income-tax has been made in view of relief under Sections 84 and 101 of the Income-Tax Act 1961 and refunds expected in appeals before the Tribunal for the assessment years 1949-50 to 1958-54.

The balance of profit available is supplemented by a sum of Rs 74.93 lakhs, after the assessment provision in respect of the previous years had been written back, the corresponding sum transferred last year being 2.99 lakhs. The allocation to the development rebate reserve has *been* reduced from Rs 5.05 lakhs to Rs 3.20 lakhs The preference dividend will absorb Rs 6.72 lakhs and the ordinary dividend Rs 40 lakhs, leaving a surplus of Rs 5.08 lakhs to be carried forward against Rs 5.96 lakhs brought in. Since a portion of the company's profit will be exempt from tax, shareholders will not be liable to pay the Income-tax and super-tax on the dividend to the extent of such exempted profit determined by the Income-Tax authorities.

Barring asbestos cement and caustic soda, production in all other sections fell due to persistent difficulties in respect of transport of coal, raw materials and finished products. The impact, according to the directors, was felt more seriously in respect of movement of bamboo and despatches of paper, beards and cement. The setback in production was accompanied by a further rise in costs due to higher prices of raw materials, additional railway freight, excise duties, etc without a corresponding increase in the prices of finished products. The capacity of the company's paper mill could not be fully utilised for want of pulp. The pulp mill had to be slowed down due to inadequate supply of bamboo. As regards cement, the fixation of cement price with effect from November 1, 1961 instead of July 1, 1961 as recommended by the Tariff Commission is said to have resulted in the loss of about Rs 11 lakhs to the company. The non-availability of cane on account of weather conditions and the restriction on production were responsible for the lower output of sugar.

The directors, however, take a more hopeful view of the current year as the benefit of the increase In cement price will be available for a full year. The production of paper and boards is also expected to be higher. The company has received some licences for the import of wood-pulp during the current year and have been assured of leases of bamboo areas for additional supply by the Bihar Government. Steps have also been taken to improve the Working. Of the pulp mill so as to obtain a larger percentage of bleached pulp. The company has applied for licence to import equipments for expansion of its pulp and Paper mills by 36,000 tons.