

From the Chair

The Aluminium Industries Limited

Speech of the Chairman, Sri S Narayanaswamy

THE following is the Speech delivered by Sri S Narayanaswamy, Chairman, at the 16th Annual General Meeting of The Aluminium Industries Ltd held at the registered Office, Kundara, on September 27, 1962:

The year 1961-62 has, in several ways, been a memorable year in Alind's history. It has been a year of record turnover, our sales having reached a peak of Rs. 6.17 crores in money value, our production being 62,000 kilometers in bare conductors and 9.86 million core yards of covered conductors. It is perhaps inevitable that such a turnover should produce profits of the order of Rs 23.16 lakhs enabling the Company, despite higher tax commitments to distribute without much effort, the now familiar 18 per cent dividend on its paid-up capital of Rs. 1 crore, after making appropriate provisions. You will have observed that despite a Quantum of development rebate, of which the company was able to avail on its high-tensile steelwire plant, tax provisions have had to be of the order of Rs 18.20 lakhs. The total tax the company will be paying on its own behalf and on behalf of shareholders by deduction from dividend packets, will be of the order of Rs 23.60 lakhs, which gives you some idea of the suction effect of direct Central taxation on the profits of the Company — distributed and undistributed.

Tax Impact

It is interesting to observe that over a three-year period, changes in the pattern of corporate taxation have been such as to add considerably to the burdens of industry. Companies which made reasonable profits exercised prudence in distribution of dividends and ploughed back chunks of residual profits for development in the past, felt that in so fashioning the disposition of their finances, they were achieving a golden mean between distribution on the one hand and the build-up of enhanced earning capacity on the other. I am happy to say that this later feature has been as welcome to shareholders as the dividend packet itself.

With the stepping up of the Company Tax to 50 per cent and the reduction in development rebate allowance to 20 per cent, the residual profit available for ploughing back has shrunk to levels that are bound to cause concern to all those interested in expansion of industry - The element of internal capital formation involved in ploughed-back profits enabled companies in the past to restrict their additional share issues to a minimum, and apart from this, provided a cushion against the inflationary impact of high-priced plant and machinery involved in latter-day expansion. The increased corporate levy has the effect of dislocating all medium or long-term managerial programmes of investing retained profits, apart from imposing on the corporate sector as a whole, stresses and strains that will lead to both curtailment of inventories and creation of liquidity problems, compelling the corporate sector to lean more heavily on the banking system — at a time when the banking system itself is not particularly equipped to take on such additional burdens. All told, the pattern of corporate taxation today is not such as to provide incentives for companies taking on the added responsibilities and burdens of expansion. Curiously, the Third-Plan contemplated enhanced installed capacity and diversification of activity by existing industrial units.

Excise Duty

The Finance Act of 1962 has imposed an Excise duty of 5 per cent on finished conductors. As I observed on a previous occasion, the customer pattern in bare conductors being what it is — comprising in the main, Electricity Boards, Project Bodies and State Governments, such Excise duty will only swell projects' bill of costs. All new taxes are meant to augment Plan resources. In this instance, the duty will augment Plan expenditure. In other words, such imposts have financially only a cancelling-out effect, with Excise collection costs thrown in as an addition to the Civil Administration budget.

Power Tariff

Some time ago, we made representations to the Orissa Government that the rates of power supply to our Hirakud Unit rendered the operations of our Rod Mill uneconomic. We were hoping for some relief in power rates, but far from affording such relief, the Orissa Government have imposed a 15 per cent duty on electric power consumed and this is bound to add to our rod production costs at Hirakud. Your Directors feel that in the circumstances expansion of our activities at Hirakud would be far from purposeful

Aluminium Metal

I now come to the more crucial problem of raw material.' Allocation of raw material to the Company during the current year has been far from satisfactory. In a cycle of stepped-up demand for conductors, any shortfall in aluminium metal supplies, would result in curtailed production of conductors, with which to transmit electricity from hydel or thermal centres of generation in this country of distances — and thus have far-reaching consequences on the pace of electrification. Meagre and perfunctory allocation of aluminium metal, at a time when copper conductor producers have been asked to accept reduced supplies of copper and switch over to aluminium conductor production, is likely to have an unwholesome effect on the morale of the cable industry in India. Until such time as indigenous sources of aluminium supply are able to ensure a free and adequate flow of metal to the cable industry, it would be advisable for Central Government to programme for adequate imports and prompt allocations of such imports to the Conductor industry, in order that the latter may be freed from hesitations in booking orders. Uncertain deliveries of metal will inhibit production programmes

Expansion Schemes

As you are aware, the company has a programme of expanding its Covered Conductor capacity at Kundara and to establish a Covered Conductor unit at Hyderabad, The

Company will be trebling its current Covered Conductor capacity before the end of the financial year. Alind Covered Conductors have proved their worth in consuming markets and our increased capacity will help us to meet the increased consumer demand. In respect of the underground cable manufacturing programme known as the "Solidal" project, we have now obtained clearances from Central Government for importing the necessary equipment. We expect to establish the "Solidal" unit before the end of 1963.

Rod Rolling

Alind has had the privilege of establishing the first Properzi rod-rolling mill in India and of following it up by a modern Properzi unit in Hirakud. The Company has now full command of the technique of rolling rods by the Properzi process, which is now established as the most economic method of producing rod for conductor manufacture. The Company has applied for a licence to enhance rod-rolling capacity from 250 to 600 tons per month. With the step-up of primary metal production within the country, it appears essential that the country should be concurrently equipped to manufacture rod out of ingots, by the economic Properzi process and free the country from dependence on external sources for rod supplies. It is our hope that the small quantum of foreign exchange involved in our programme to augment rod rolling capacity will be weighed by Government against the vastly larger foreign exchange saved by non-import of rod—which is what will be secured by an increase in our rolling capacity. It is hoped that Government will afford us facilities to import the necessary Properzi rod mill unit and ensure larger production of rod by the cheapest and most efficient process.

Steel Plant

The performance of our high-tensile steelwire plant commissioned in November 1961 has been fully up to expectations, though we have been battling against inadequate availability of zinc at economic prices. The Japanese technicians who helped us with the erection and smooth commissioning of the plant left Kundara a few weeks ago after satisfying themselves about the efficient operation of the unit.

Switch-over from Copper

Consequent on slender indigenous supply of copper and our limited foreign exchange resources, Government have decided on asking copper-using cable manufacturers to switch over to aluminium. In view of the large and well-spread bauxite resources of India and the licensing of several primary metal producing units, the production of aluminium is bound to be stepped up substantially in the next three to five years, making available to the conductor industry its full requirements of raw material. There is little doubt that this phased programme of displacing copper by aluminium cables will be implemented satisfactorily.

Cable Study Team

Having regard to the spectacular strides taken by the cable industry in India and the increasing importance of maintaining the highest standards of production in the industry, it was very appropriate that the National Productivity Council should have sponsored a tour of U S A and Japan by a Team of Indian Experts, who will visit, cable factories in these countries that have made so notable an advance in cable-making techniques on the basis of research carried out over the years. I am happy to say that the National Productivity Council Study Team has paid Aluminium Industries the compliment of appointing the Company's General Manager, Sri V G G Nayar, its accredited leader. This, I believe, implies a recognition of the significant role Alind plays in the cable economy of India.

Export

I should not omit to refer to Alind's part in helping export promotion. A few export orders for bare and covered conductors and accessories were received from South East Asian Countries and are in the process of being executed, the first bare conductor reel to be exported having been kindly released by the Kerala Chief Minister earlier this year. I am glad to say these exports are not uneconomic nor are they subsidised, while margins of profit are no doubt modest.

Capital Issue

The Company has received Government sanction for a further issue of capital—namely, 3,50,000 shares at a premium of Rs 3.50 per share. This issue when made will bring our paidup capital to Rs 1.35 crores, while adding Rs 12.25 lakhs to our Share Premium Reserve. Such an issue will relieve the company of pressure on ways-and-means, caused by continuous plough-back of funds into expansions—a process which will become more and more difficult under the new tax dispensation. The company expects to make the capital issue early in 1963, when our expansion projects will get under way.

That about sums up our doing during the years and our plans for the future which I hope will be implemented with the same smoothness and promptitude as our earlier projects. Notwithstanding difficulties I have catalogued already, there is reason to look forward with confidence to a period of augmented and gainful activity for Alind.

N.B.—This does not purport to be a record of the proceedings of the Annual General Meeting.

The United Commercial Bank Ltd

Head Office : Calcutta

G D Birla
Chairman

Capital Subscribed :	Rs. 4,00,00,000
„ Paid-up :	„ 2,00,00,000
Reserve Fund :	„ 2,35,00,000

Current Accounts opened. Fixed Deposits received for long or short periods. Savings Bank Accounts at 3% interest. Recurring Deposits for accumulated capital in convenient monthly instalments. Foreign Currency and Rupee Travellers Cheques sold and encashed. And other Banking facilities.

S T Sadasivan
General Manager