Trading sentiment last week was also believed to have been affected by persistent talks that the Forward Markets Commission was seriously considering the imposition of heavy margins on non-transferable specific delivery contracts in groundnut oil with a view to containing the volume of speculative business in these contracts. Whether or not margin can check the rising trend in prices is a very moot point. But it can certainly have a good restraining effect on the volume of business. It is rather intriguing why the Commission should go about consulting the associations entrusted with the conduct of trading in non-transferable specific delivery contracts in groundnut, oil in regard to the action it intends to take when it has already imposed penal margins in the hedge 'contracts in pastor, linseed and cottonseed. Being the major edible oil, groundnut oil should really have been the first to attract the Commission's attention. It is really amazing how the Commission has tolerated a rise of Rs 11 per 10 kilograms in groundnut oil in a matter of some five weeks and not taken any action whatsoever, especially when it had prescribed penal margins for hedge contracts in the far less important oilseeds—castor, Unseed and cottonseed.

The Forward Markets Commission decision to impose a margin of Rs 100 per quintal in castor futures when its price goes beyond Rs 112 and a 100 per cent margin in cottonseed futures when the contract is quoted at Rs 75 —which is its current rate—makes virtual nonsense of the facility of hedge trading. Instead of calling for such margins, why does the Commission not prohibit completely futures trading in these commodities. All facilities for speculative buying must be stopped when the commodities concerned are in acute short supply. And as for trading in non-transferable specific delivery contracts, the least that the Commission can do is to impose severe penalties on those found guilty of not being able to observe the terms of the tontract. To allow parties to settle their contracts without effecting actual delivery of goods is to undermine the very sanctity of the non-transferable specific delivery contract.

The week's review of the oilseeds market will not seem complete without a mention of the further increase in vanaspati prices and of the Gujarat Government's decision to extend the ban on the export of groundnut and its products excluding oilcake to cover cottonseed. The ban on the export of groundnut and groundnut oil has sen ously affected the working of the solvent extraction plants. It is difficult for these plants to operate unless they can find a ready and profitable market for the solvent extracted oil the export of which is also banned. As for the further increase in vanaspati prices ranging from Rs 200 to Rs 270 per tonne by the manufacturers— the second rise in November—it is a strange irony that the increase in vanaspati prices should have been announced in a week which has registered a decline of nearly Rs 300 per tonne in the price of groundnut oil. The price of vanaspati would be revised downward in December provided groundnut oil prices keep lower. But the question is whether under the present conditions of short supply the poor consumer will also reap the benefit of cheaper prices. The policy of revising prices too often must be discouraged and if prices are to be revised then the manufacturers should be compelled to stamp prices and the date of manufacture on the containers so that the consumer can know the correct price of vanaspati. This will bring into light traders who continue to withhold the goods from the market in the hope of realising higher and higher prices from consigners.

BUSINESS NOTES

Indian Aluminium

SATISFACTORY progress is being made by Indian Aluminium in implementing its expansion projects. The main equipment at the new foil rolling mill at Kalwa has been erected. The construction work at AIupuram for further expansion of the smelter capacity to 15,850 tonnes per annum and for the installation of a 5,000-tonne per annum Properzi rod casting mill is going ahead. It is intended to start up these new facilities early next year. Necessary steps are also being taken for the early implementation of the West Coast project.

According to an interim report from the company, the financial results of the first half of 1965 show sales at Rs 74.4 million compared to Rs 713 million during the same period in 1964 and Rs 148.4 million during the whole of the past year and the Pre tax profits of Rs 24.8 million compare with Rs 29.9 million and Rs 49 million. respectively. The provision for development rebate this year is substantially higher at Rs four million, as against only Rs 0.4 million during the corresponding period of last year consequent on the start-up of new production facilities at the Alupuram smelter and the Kalwa foil mill. With the tax liability estimated at Rs 10.3 million (Rs 12 million), net earnings stand at Rs 10.5 million, against Rs 10.6 million.

The results would have been still better but for the critical power supply situation in Kerala owing to which operations at the Alupuram smelter was once again seriously affected. A partial supply of electric power was made available to the new smelter from the middle of February last; the full contracted supply of 12,500 kilowatts was delivered only six months later. There were severe and repeated power cuts in June and July. The production loss attributable to these power cuts during the first half-year is estimated at 1,260 tonnes of aluminium metal. Alupuram now has a total metal-producing capacity of 10.850 tonnes.

Hindustan Aluminium

A Rs 21-crore expansion aimed at raising capacity to 60,000 tonnes has been undertaken by Hindustan Aluminium. It is stated that on completion of this programme towards the end of the next year, the company will be the largest manufacturer of aluminium in India. Nearly Rs 5 crores have already been spent on this Programme, and arrangements have been made for a long-term dollar loan equivalent to Rs 6.53 crores from the Export-Import Bank, Washington. The company will soon enter the capital market with a public issue of Rs 1.5 crores in 9.3 per cent preference shares of Rs 100 each. The entire issue is underwritten, one half by L I C and the other half by some other financial institutions and two firms of share brokers. After the proposed issue, the issued capital of the company will be raised to Rs 10 crores.

Meanwhile, the company has reported satisfactory progress in its working during the current year. The production in the first eight months of this year is placed at around 15,560 tonnes compared to 22,880 tonnes in the whole of 1964, The sales in the first half of 1965 amounted to about 11,779 tonnes valued at about Rs 4.5 crores, on which the gross profit is estimated at around Rs 2 crores. During 1964, the company sold 26,849 tonnes valued at Rs 11.12 crores and earned a gross profit of Rs 4.47 crores. Out of the 1964 earnings the company cleared arrears of dividends *on* the existing preference shares upto the end of 1962. The arrears on this account amount to Rs 45 lakhs.

Indian Oxygen

INDIAN OXYGEN is now in the midst of a major expansion programme spread over four years ending September 1967, It includes several new projects covering additional facilities for production and distribution of gases, production of user equipment and electrodes, etc. It is proposed to increase the share capital by the issue of 9.80 lakh new ordinary shares of Rs 10 each as rights at a premium of Rs 4 per share. Of the proposed issue, the parent company, British Oxygen, will not only take up its due share comprising 5,88 lakh shares, but it has also agreed to take up any shares not subscribed for by other members. If, as a result, the percentage of the British Oxygen's shareholding in the company should exceed the existing percentage, then it will divest itself of such excess shares within a period of two years from the date of allotment of the excess shares, at a price not exceeding the issue price. An extraordinary general meeting has been called for to consider a resolution to this effect.

The new ordinary shares will not rank for any dividend in respect of the year ended on September 30, 1965, but will otherwise rank *pari passu* in all respects with the existing ordinary shares. The directors expect to maintain the existing rate of dividend, ie, Rs 1.20 per share. They also anticipate that with the growth of the company during the coming years as a results of its Rs 6 crores expansion programme, and in the absence of any unforeseen circumstances, it should be possible for the company to contain the dividend at a satisfactory level on the capital as increased by the proposed one-for-three rights issue.

Mysore Cement

DURING the year to June last Mysure Cements' plant increased to 90 per cent of rated capacity compared to 71 per cent in the preceding year. Since June 1965, however, the plant has been working at a little over the rated capacity, and it is felt that, given proper equipment and facilities, production can be kept above the rated capacity level. The company's expansion programme aimed at doubling production capacity was earlier expected to be completed towards the middle of this year; according to the revised estimate the expanded plant should be on stream before January next, A geological survey of the company's limestone deposits has revealed adequate supplies of quality limestone for the plant.

During 1964-65, the company sold 87,070 tonnes of cement, as against 74,708 tonnes in the preceding year, and sales brought in Rs 69.13 lakhs compared to Rs 57.49 lakhs. After providing Rs 17.32 lakhs (Rs 20,85 lakhs) for depreciation, however, the outcome of the year's operations ivas a loss of Rs 5.76 lakhs compared to a loss of Rs 21.68 lakhs previously. Together with the previous loss, the total loss carried to the balance sheet has risen to Rs 52.30 lakhs. The increase in the retention price of cement from Rs 79 to Rs 83 per tonnes with effect from June last is expected to improve the company's profitability. The proposed partial decontrol of cement, when it comes into effect, should further improve the company's earnings potential.

Saurashtra Cement

A LETTER of intent has been obtained by Saurashtra Cement and Chemical Industries for establishing a third plant with an annual capacity of 3.33 lakh tonnes of cement, and the company is negotiating for purchase of the necessary capital equipment for this purpose. Meanwhile, the second plant commissioned towards the end of August last has been working only on a trial basis due partly to the teething troubles and partly to the non-availability of regular and adequate power supply. During the year ended June 1965, the production of clinker was 2.10 lakh tonnes as against 2.05 lakh tonnes previously and that of cement 2.26 lakh tonnes as against 2.19 lakh tonnes. The Singach Salt Works achieved production of 35,456 tonnes of salt, and of the total sales of 6,766 tonnes, 6,200 tonnes were exported to Japan.

The financial results for the year 1964-65 show sates a shade higher at Rs 2.20 crores (Rs 2.18 crores) but gross profit considerably better at Rs 75.56 lakhs (Rs 66.64 lakhs), reflecting the benefits of increase in the retention price of cement as well as in packing charges granted by the Government from time to time. There is a saving of about Rs 8 lakhs in the provision for depreciation, but the tax liability has syphoned off Rs 16 lakhs more than in the previous year, leaving after-tax profits only marginally better at Rs 31.96 lakhs (Rs 30.99 lakhs), What is more encouraging from the shareholders' point of view is that the company is not only clearing arrears of dividends on preference capital, but also paying a maiden dividend on ordinary capital at a handsome rate of 12 per cent.

Hindustan Brown Boveri

ALL-ROUND improvement in production, sales and earnings has been recorded by Hindustan Brown Boveri (formerly Hindustan Electric) in the year to April 1965. The company has sufficient orders on hand to ensure continuous production for the manufacturing units at Faridabad, Ghaziabad, Howrah and Gorva. The Howrah works has already reached its rated capacity for the manufacture of transformers, and the Gorya factory is expected to soon reach the licensed capacity. The management is negotiating for orders as well as necessary import licences for components for undertaking manufacture of extra high tension air blast circuit breakers.

During 1964-65. sales advanced from Rs 4.8 crores to Rs 7.7 crores and gross profit from Rs 27.37 lakhs to Rs 44.58 lakhs. Despite the increased provisions for depreciation, taxation and prior charges as also for preferential dividends, equity earnings have considerably improved from Rs 8.68 lakhs to Rs 12.24 lakhs, lifting the cover for the dividend raised by a point to five per cent from 1.67 times to 1.7 times.

Nepa Mills

A N expansion programme aimed at stepping up the factory's capacity by two-and-a-half fold to 75,000 tonnes, estimated to involve an investment of Rs 9.5 crores, is being actively pursued by National Newsprint and Paper Mills. The company has already concluded a contract with Wartsila, Finland, for the supply of certain equipment worth about Rs 1.5 crores, and the first consignment is expected at the factory site by the end of 1965.

Meanwhile, during the year to March last the company has reported lower sales and profits; the value of sales is down by about Rs 10 lakhs at Rs 3.10 crores and gross profit nearly Rs 7 lakhs lower at Rs 84.12 lakhs. Margins have suffered a setback due to the rise in costs of raw materials and chemicals A higher tax charge of Rs 31 lakhs (Rs 20 lakhs) has further widened the gap at the after-tax level, and equity earnings are a third lower at Rs 34.54 lakhs. Accordingly, the cover for the unchanged dividend of six per cent has slipped from 1.73 times to 1.17 times.