60. Based on this 'calculation, the break up value for ordinaries comes to Rs, 190 and that for deferred to Rs. 1,200. A scheme for conversion of one class of share into another is quite a different proposition from that of winding up of a company. But as the opposition to the scheme comes from those who base their calculation on the break up value of the shares, even on their showing, the ratio is only slightly above 6. Those who put the ratio at 8 or 10 are far wide of the mark. This figure has been arrived at on the basis of the book value of the assets. It will not he very different if the calculation is made on the market value of the assets instead of their book value, for if the aggregate value of the assets is higher, the proportion of the distribution between ordinaries and deferreds is not affected and remains unaltered as both are partners in the concern. The most liberal valuation, therefore, would be to put the ratio at 6, if the break up value of the assets is taken as its basis.

THE RIGHT RATIO

The above three-fold approach leads to the conclusion that on the basis of actual distribution of dividends a ratio of 5 to 5½ is distinctly favourable to the deterred shareholders and on the basis of market prices, a ratio of 5½ is warranted. It only value of assets is taken into account, a ratio of 6 is indicated. All things considered, a ratio of 5½ is all that the deferred shareholders can reasonably expect and it would in no way be unfair to them. It would rather be favourable to them.

Company Reports

The National Rayon Corporation Ltd.

THE welcome news that National Rayons have gone into production and that manufacture of rayon yarn in the company's mill has been going on regularly since the beginning of March has removed the anxiety which the share-holders had been feeling acutely at one time about the future of this company. The present rate of production of the company is 12,000 lbs. of rayon yarn per day, but it is likely to improve in the near future. This compares wry favourably with the production of the pioneer manufacturers of rayon yarn in this country. The Travancore Rayons Ltd., whose current rate of production is only 6,720 lbs. per day. The yarn produced by National Rayons has been tested at the company's laboratory and its quality has been found to be satisfactory. The consuming mills who have used it have found it to be of a quality comparable with the best imported yarns.

The net debit balance for the year 1950 is Rs. 6 lakhs which, with the addition of the previous balance, makes a totaj of Rs. 8.5 lakhs. Out of this amount Rs. 7.75 lakhs, being expenses incurred prior to production have been capitalised and the balance. Bepresenting income tax paid, is carried forward.

During the year under report, the company borrowed a sum of Rs. 50 lakhs from the industrial Finance Corporation of India. The loan carries an interest at 5 per cent per annum and is guaranteed by the Managing Agents of the Company.

The position in respect of call monies has shown a further improvement since the close of the last year. The figure now stands at Rs. 3,46,700 on the clay of the report. A part of these arrears is due from shareholders residing in Pakistan for whom it is difficult to pay the dues on account of the present unsatisfactory arrangements for the remittance of funds between the two countries.

The Korean war and the subsequent stockpiling .of raw materials has affected the production of rayon all the world over. The Company, however, has covered its requirements of raw materials for the current year and is endeavouring to procure supplies for the next year also. It is because of this reason principally that the working of the first year of the company will show satisfactory results.

The net block of the company stands at Rs. 359 lakhs against which the company is insured for Rs. 297 lakhs in respect of buildings, machinery and stores. The net additions during the year to Buildings, Plant and Machinery alone amount to more than a crore of rupees.

The profit and loss account shows an item under Legal and Stamp Fees for Rs. 90,442 which is most astonishing considering the amount shown in the previous year under this dead was only Rs. 844. Why so heavy an expenditure under this head in a year in which the working of the company has been otherwise quite normal? The directors' report is silent on this point and offers no explanation.

The Sassoon and Alliance Silk Mill Co, Ltd.

The company reports a fall in (ember 1950. This was "because artificial silk yarn used by the Company was very scarce and had to be obtained at a substantially higher price. Throughout the world, rearmament has forced manufacturers of art silk to curtail their production, largely on account of the shortage of essential chemicals. At the monent, the prospects for future supplies are causing a good deal of anxiety.

The working of the company for the. year resulted in a profit of Rs. 3.32 lakhs from which a dividend has been recommended at Rs. 2 per share, free of income-tax, subject to the sanction of the shareholders. The directors think that provision for depreciation is no longer necessary as the mill buildings, plant and machinery have been written down fully in the past years.

The cash position of the company is sound. There is a surplus of liquid assets over liabilities of Rs. 11.5 lakhs out of which the directors deposited with the Surat Electricity Go. Ltd. at call a sum of Rs. 2 lakhs to take advantage of the attractive yield offered.

The sales of cloth and waste yarn realised Rs. 40 lakhs during the year while the cost of artificial and spun silk amounted to Rs. 23.5 lakhs, including Rs. 3 lakhs stock on hand at the end of the year.

The Raza Sugar Co., Ltd.

As the company finds it inconvenient to close the accounts at the end of March when crushing is still in progress, the Directors have decided to close the account henceforth on October 31. The present report of the company accordingly covers the period from April 1, 1949 to October 1, 1950.

During the period under review, the factory had a longer crushing season of 130 days compared with only 90 days in the previous year. The quantity of cane crush correspondingly improved from 23.77 lakh mds. to 30.08 lakh mds.

The working of the company for the year under report resulted in a profit of Rs. 2.27 lakhs after providing Rs. 1.19 lakhs for depreciation, but not allowing for the commission due to the managing agents. The net profit for the year is carried forward and dividend has been recommended at Re. 1 per share to be paid out of the Dividend Equalisation Fund which stood at the end of the year at Rs. 6.5 lakhs. The dividend will absorb Rs. 2 lakhs.

The net profits for the year is lower by more than Rs. 1 lakh than in the previous year. The enhancement in the minimum wages, retaining allowances and other overhead expenses are responsible for the decline in profits this year. The price of sugar was also lower while the price of cane remained unchanged. The conversion of the company's sulphuritation plant into a carbonitation plant, it is expected, will produce better result for the next year. Against the paid up capital Rs. 20 lakhs, the general reserve fund of the company stands at Rs. 30 lakhs.

India United Mills: Erratum

Through an oversight, the manufacturing capacity of the India United Mills, Ltd., was printed wrongly in the review of the company's balance sheet published in these, columns. The total number of spindles at the Company's mills are 241,294 instead of 24,294 as wrongly printed.

Oilseeds

Down Trend

THE oilseeds market has finished the fortnight lower on balance. A bearish influence was exerted first by the move for revaluation and later, by the peace feelers thrown out in Korea. Talks for revaluation ultimately turned out to be premature, the Parliamentary *Ad Hoc* Committee having supported the view point of the Finance Minister that for the time being it was not advisable to change the value of the rupee, Fears are entertained by a section of the trade, however, that the Government may decide in favour of revaluation after two months or so. Possibilities of a negotiated peace in Korea also produced a subdued feeling while the lack of fresh incentives on the export front brought out some tired liquidation. On top of this, the imminent break of the monsoon has also changed the psychology of the oilseeds dealers somewhat on the bearish side.

Though foreign market quotations for castorseeds and oil remained much higher, prices on the local market continued to drift lower in the absence of export outlets. Shippers were inactive throughout and most of the business that passed during the fortnight was on professional and speculative account. It is a matter of conjecture whether any fresh quota will be announced in the near future. The outlook of the market rests on these developments.

The May contract for castor seeds which expired on the 31st last had a chequered career and witnessed violent ups and downs during its life of 5 months. The contract commenced at Rs. 220 per candy of 5 cwts. on January 3, shot up to Rs. 321 in a few days, dropped to Rs. 261, recovered to Rs. 282 and then made a nose drive to Rs. 222. Subsequently, the May contract rallied to Rs. 260 and terminated at Rs. 244. Tenders of 2,200 candies were issued in all against this contract.

The groundnuts section showed a steadier trend during the beginning of the fortnight. As floating stocks with the crushers were small they evinced some interest. Later on, however, in sympathy with castorseeds, and on the prospects of a favourable monsoon, prices reacted. During the end of the fortnight, the market again tried to look up, in the hope that implementation of the agreement with Burma would be a constructive factor, but rates were not fully maintained. Rumours are

Price Range of Oilseeds During the Fortnight

(Oilseeds per cwt., oil per quarter, in rupees and annas)

	May 23	High	Low	June 6
Groundnuts:				
Bold ready	51-04	51-02	50-04	50-04
Bold June-July	51-08	51-02	50-04	50-04
Bold Aug.-Sept.	52-12	52-12	51-10	51-12
Khandesh quality	52-08	52-06	51-12	51-14
Linseed:				
Bold ready	46-00	46-00	45-00	45-00
June-July	46-04	46-02	45-00	45-00
August-Sept.	47-04	47-04	46-02	46-02
Castorseeds:				
Madras ready	52-08	52-04	50-04	50-04
May delivery*	258-08	—	—	244-00**
Sept. delivery*	262-08	265-00	245-04	247-00
Oils:				
Groundnuts ex-mill	28-10	28-08	28-04	28-08
„ Rly. receipt	27-14	27-13	27-08	27-12
„ June deli.	27-13	27-12	27-08	27-10
„ July deli.	27-15	27-14	27-09	27-11
Linseed oil ready	25-02	25-06	24-12	25-04
Castor oil commercial	28-04	28-08	26-14	27-02

* Per candy of 5 cwts.

** May delivery expired on 31st May.