

## Company Notes

### State Bank

IT is very difficult to compare the operating results of the State Bank of India for 1960 with those for 1959 due to the non-accrual of fresh P L, 480 deposits from May 1960 and the gradual transfer of old P L 480 deposits to the Reserve Bank. The change in the method of tax deduction from interest on investments also trebles difficulties in comparison. Total deposit liabilities have declined over the year by Rs 6 crores to Rs 557 crores; the decline was made up of a rise of Rs 29 crores under demand deposits and a fall of Rs 35 crores under time deposits. Interest paid on deposits and borrowings went up by barely 2 per cent while interest and commission earned, largely the latter, increased by nearly 6 per cent. Consequently, interest and commission earned covered interest paid 2.1 times against 2.3 times in the previous year. In spite of larger expenditure on salaries and bonus, net disclosed profit shows a rise from Rs 147 lakhs to Rs 176 lakhs. The previous year's disclosed profit, however, was exclusive of earnings from transactions in P L 480 funds. Net earning per share has gone up from Rs 26 to Rs 31 and distribution has been raised from Rs 20 to Rs 22.75.

With the partial withdrawal of PL 480 deposits and their counterpart investments, the distribution of the Bank's assets is becoming relatively more normal. The ratio of investments to deposits has declined from 68 to 51 per cent and that of credit has risen from 28 to 41 per cent. Investments in Government securities went down by Rs 78 crores while the credit portfolio expanded by Rs 65 crores. The cash ratio has risen fractionally from 10 to 11 per cent of deposits.

The value of the Bank's investments in its subsidiaries is not indicated in the balance sheet though the annual report estimates the total amount of compensation payable to their former shareholders at Rs 8 crores. As at the end of December 1960, the eight subsidiaries had a total share capital of Rs 495 lakhs, and reserves of Rs 212 lakhs. Their deposits aggregated nearly Rs 104 crores which together with the deposits of the holding bank account for 38 per cent of the deposits of all scheduled banks.

The comparable percentages for cash balances, investments and credit are 35, 53 and 24 respectively. The network of State Banks includes 1290 offices, of which 383 belong to the subsidiaries. In view of the importance of the network, it should be worthwhile for the holding bank in future to publish a consolidated balance sheet and profit and loss account.

### Changdeo Sugar

WHILE the net sales of Shree Changdeo Sugar during the year ended September 30, 1960 declined from Rs 95 lakhs to Rs 73 lakhs, gross profit margin on them improved from 25 to 31 per cent. Net profit went up slightly to Rs 12.65 lakhs, which represents 20 per cent on capital invested, 22 per cent on net worth and 34 per cent on equity capital. Distribution is 25 per cent gross, and absorbs roughly three-fifths of the net profit. Among the significant changes in the balance sheet is the increase in stock-in-trade from Rs 16 lakhs to Rs 33 lakhs.

The newly installed high-speed electrically driven centrifugals worked satisfactorily through the year. There was also an appreciable improvement in fuel consumption. Average recovery was maintained at 11.4 per cent. Of the total cane crushed, about 40 per cent came from the company's farms, almost an equal proportion from members of the Company's Scheme, the precise nature of which is not described in the Report, and the remaining was purchased from outside cultivators. The current year's production is expected to be 20 per cent larger due to better weather and the arrangements made with cultivators for the supply of cane.

The company will not be affected in any substantial measure by the provisions of the Maharashtra Land Ceilings Bill since the major part of its profits are derived from the manufacture of sugar rather than growing of cane. The Bill if passed will, however, affect the supply of cane to the factory which has already suffered due to the setting up of cooperative factories in the vicinity.

### Tata's Investment Corporation

THE Investment Corporation of India which has taken over the affairs of Oriental Life is probably the most important of private invest-

ment companies in the country. Its investments valued at or below cost as on June 30 last year amounted to Rs 4.62 crores, of which 89 per cent was in ordinary shares. More than 8 per cent of the investments were in foreign securities. The proportion of its investments in companies outside the Tata Group is known to be considerable, though neither the balance sheet nor the annual report gives any clear idea of this. The list of investments annexed to the balance sheet does, however, indicate roughly the spread in the Corporation's portfolio. As required by the amended Companies Act, the next balance sheet of the Corporation should provide the complete particulars of all these investments, and it would then be possible to find out the proportion of its investments outside the Tata Group.

In 1959-60, the Corporation earned (after tax deduction at source) Rs 20 lakhs or nearly 4.4 per cent on its investments. Managing agency commission from Indian Standard Metal and National Ekco Radio fetched Rs 7 lakhs and interest on loans nearly Rs 4 lakhs. Rather surprisingly underwriting commission was practically nil. The reason perhaps lies in the competition offered by other large underwriters like the L I C, I C I C I and I F C in this field. The net profit of Rs 17 lakhs, excluding realised capital gains of Rs 13 lakhs taken to the capital reserve, represents nearly 5 per cent on net worth and approximately 8 per cent on share capital.

The Corporation's liabilities amounted to Rs 5.23 crores; with share capital at Rs 2.26 crores, reserves at Rs 1.20 crores, loans at Rs 1.10 crores (of which Rs 94 lakhs has been raised from debentures) and short-term liabilities at Rs 66 lakhs. On the assets side, investments accounted for Rs 4.62 crores and loans for Rs 32 lakhs. The latter is net of Rs 20 lakhs of doubtful debts which are presumably free of interest (previous year Rs 14 lakhs) but includes Rs 15 lakhs (against Rs 10 lakhs) of *badli* (or carry-forward) settlement loans. The increase in *budli* settlement loans, an item which appeared for the first time in the balance sheet for 1958-59, is interesting in view of the prohibition of bank loans for this purpose by the Reserve Bank.