Company Notes

Canara Bank Makes Record Profit

AN increase of nearly Rs 7 crores in deposits has enabled the Canara Bank not only to seek more remunerative credit lines but also to strengthen its investment portfolio. Consequently the profit after providing for taxation has jumped by no less than Rs 8.59 lakhs to a peak of Rs 21.21 lakhs. This increase in profit is in refreshing contrast to the fractional decline noted in the previous year when it fell from Rs 13.55 lakhs to Rs 12.65 lakhs. What is more, with this rise the bank's profit has more than doubled itself in the last three years from Rs 10.09 lakhs in 1958.

The bulk of the improvement in profit has been utilised to strengthen the published reserves, in accordance with the Reserve Bank's suggestion to bring up the capital funds to 6 per cent of the deposits. Accordingly, a sum of Rs 6.70 lakhs has been added to the reserves, after providing Rs 4.50 lakhs for contingencies. In spite of this addition, it may be noted, the ratio of capital funds to deposits has actually declined from 3.45 per cent at the end of 1960 to 3 per cent. At the close of 1958, the ratio stood even higher at 4.26 per rent. The decline in the ratio over the last three years, which is not peculiar to this bank alone, has been due to the rapid growth in deposits without a corresponding addition to the capital funds. In order to correct this anomalous position to some extent the bank has issued further capital of Rs 25 lakhs. Whether banks, particularly those which are able to increase their deposits at a much faster pace than the others, will be able to achieve the 6 per cent ratio unless they raise their capital more frequently remains to be seen. Such a prospect will have its own effect on the dividend policy of banks. This is already evident from the fact that many banks have not been able to step up their dividends for 1961 in spite of a substantial increase in their earnings. Canara Bank provides no exception; the dividend is being maintained at 15 per cent for the third year in succession.

Notwithstanding the changed policy of disclosing the gross income after making provision for taxation, the gross income at Rs 197.25 lakhs, shows a rise of Rs 24.77 lakhs, of which interest and discount earned (at Rs 148.48 lakhs) account for Rs 18.79 lakhs and commission and exchange (at Rs 36.23 lakhs) for Rs 3.45 lakhs. The outgo by way of interest paid has gone up by Rs 6.97 lakhs to Rs 85.49 lakhs, while the rise in other expenses (at Rs 90.52 lakhs) is of the order of Rs 16.86 lakhs. The abnormally sharp increase in expenses is evidently due to the taking over of three banks — with the consequent addition of 22 branches — and the opening of nine new branches.

With the addition of Rs 6.74 crores during 1961, not only the upward trend in the bank's deposits noted in previous years has been maintained but the deposits have jumped by 60 per cent in the last three years. Of this rise, fixed deposits at Rs 17.87 crores have contributed Rs 3.27 crores savings deposits (at Rs 7.71 crores) Rs 2.07 crores and current and other accounts (Rs 11.97 crores) Rs 140 crores. The. increase of Rs 3.76 crores to Rs 20.39 crores in advances has not pushed up the credit ratio which is more or less maintained at 51 per cent. This ratio compares favourably with the average of 78.7 per cent for all scheduled banks excluding the State Rank. There has been an addition of Rs 4.16 crores to the investments, which at Rs 14.38 crores bear a ratio of 38.2 per cent, against 33.1 per cent at the end of 1960. Cash balances (including money at call and short notice) are slightly lower at Rs 5.14 crores, compared to Rs 5.41 crores a year before, thus bringing down the cash ratio from 17.5 per cent to 13.6 per cent.

Killick Skips Dividend

SHAREHOLDERS of Killick Industries can look forward to a more detailed explanation from the Chairman at the annual general meeting of the company to be held on May 18, 1962 for the directors' recommendation to pass over the dividend for the year ended November 30, 1961, in spite of moderate improvement in the results for the year. The directors' report contains only a brief statement that the directors have decided not to recommend any dividend with a view to consolidating the company's position and conserving its resources. The company has had an unbroken dividend record for over 10 years. The shareholders have, therefore, every reason to feel disappointed over the directors' decision.

The company's gross profit has gone up from Rs 17.76 lakhs to Rs 22.48 lakhs, and the increase is mainly accounted for by commission and office allowances from managed companies which have gone up from Rs 14.11 lakhs to Rs 18.93 lakhs. Income from trade investments is also slightly higher at Rs 14.92 lakhs against Rs 14.27 lakhs.

The bulk of the increase in profit is being taken up by taxation, the provision for which has been raised from Rs 8.50 lakhs to Rs 11.60 lakhs. Depreciation absorbs Rs 63.242 against Rs 60,903 and development rebate Rs 1,565 against Rs 668. The balance of profit available at Rs 10.23 lakhs is adequate *to* maintain the dividend without drawing from the reserves while in the previous year a sum of Rs 140 lakhs was drawn for this purpose. The directors have instead chosen to transfer Rs 10 lakhs to the general reserve.

The company has made an application to the Government for the formation of Killick Slotted Ltd for the manufacture of dexion products and it is hoped that the company will be incorporated shortly. The company has given up the project for the manufacture of nuts and bolts at its estate at Chandivili as the directors consider it inexpedient to go ahead with this project in view of the various difficulties in regard to both machinery and raw material. The plant which had been imported is being disposed of with the approval of the Government.

The company's reserves and surplus aggregate Rs 37.39 lakhs, against a paid-up capital of Rs 124.96 lakhs. Borrowings amount to Rs 96.82 lakhs and current liabilities and provisions to Rs 45.55 lakhs. The net block account including capital work-in-progress stands at Rs 40.32 lakhs. Investments at cost amount to Rs 168.88 lakhs, of which quoted ones (at Rs 142.45 lakhs) have a market value of Rs 140.64 lakhs at the end of the year. Current assets and loans and advances aggregate Rs 95.52 lakhs.

Rights Issue by Travancore Rayon Likely

THE Chairman of Travancore Rayons has held out in his speech at the Annual General Meeting of the company held this week the prospect of an increase in the equity capital by a rights issue to meet a part of the capital expenditure of Rs 3.50 crores on the proposed expansion of the company's rayon production capacity by 5 tons to 13.6 tons per day. The balance would be met by long-term borrowing. He was unable to give any details of the capital issue, since the entire scheme depended on the company securing an import license. It has secured an industrial license for the project.

The expanded capacity in rayon production together with the two new ventures, mainly cotton linter and rayon grade pulp production, will improve the earnings considerably and will enable the company to pay a reasonably good dividend, if not to maintain the present rate of dividend on the increased capital. The possibility of the company maintaining the dividend cannot be ruled out, as the margin of profit is very high. The company's progress during the last few years has been phenomena] and it has consolidated its position well.

Of course, the enhancement of the excise duty on rayon yarn in 1961, of which two-thirds the company had to bear, and the non-utilisation of its capacity in the cellulose fibre section to the full extent due to slackness in demand in the latter part of 1961 affected the results of the company for 1961. The sales declined from Rs 376.88 lakhs to Rs 366.49 lakhs and the gross profit from Rs 122.63 lakhs to Rs 111.40 lakhs. The net profit too dropped from Rs 51.52 lakhs to Rs 35.58 lakhs. However, thanks to the substantial reduction in the provision for development rebate reserve from Rs 15.70 lakhs to Rs 2.75 lakhs the dividend on ordinary shares has been well maintained at 20 per cent, though this has also meant a slight cut in the transfer to the reserves from Rs 10 lakhs to Rs 8 lakhs. While a sum of Rs 10 lakhs was added to the general reserve last year, the directors have created a dividend reserve with an allocation of Rs 8 lakhs in order to enable the company to have recourse to it in case of necessity, when the available surplus in the coming years becomes inadequate on account of the development rebate claimed by the company.