CRANE CO.

ANNUAL
REPORT

1932 - 46

PLAINTIFF'S
EXHIBIT
CRA-163

FOUNDED BY R. T. CRANE 1855

Annual report.

CRANE CO.

CRANE BUILDING
836 S. MICHIGAN AVE.

CHICAGO

1932

CRANE CO.

DIRECTORS

E. M. Ashcraft, Jr.
J. B. Berryman
C. R. Crane, II
Cornelius Crane
W. Evensen
A. F. Gartz, Jr.
P. T. Kelly
M. W. Lowell
C. B. Nolte
D. G. Park
E. A. Russell
H. W. Seymour
C. A. G. Wayman

EXECUTIVE COMMITTEE

J. B. Berryman

E. M. Ashcraft, Jr.
C. R. Crane, II
P. T. Kelly
M. W. Lowell
C. B. Nolte
E. A. Russell
H. W. Seymour
C. A. G. Wayman

OFFICERS

J. B. Berryman	*President*
W. J. Clark	*Vice President*
C. R. Crane, II	*Vice President*
A. F. Gartz, Jr.	*Vice President*
P. T. Kelly	*Vice President*
C. D. Little	*Vice President*
P. R. Mork	*Vice President*
D. G. Park	*Vice President*
L. B. Peeples	*Vice President*
H. W. Seymour	*Vice President*
C. A. G. Wayman	*Vice President*
H. P. Bishop	*Secretary*
W. Evensen	*Treasurer*
H. S. Campbell	*Comptroller*
G. H. Periolat	*Assistant Vice President*
J. S. Bell	*Assistant Secretary*
J. A. Brough	*Assistant Secretary*
J. K. Prentice	*Assistant Secretary*
R. O. Samuelson	*Assistant Treasurer*
J. H. Steiner	*Assistant Treasurer*

TO THE STOCKHOLDERS OF CRANE CO.

Your Directors submit herewith the Consolidated Balance Sheet of the Crane Companies for the year ending December 31, 1932. The statement covers the assets and liabilities of

Crane Co	Illinois
Crane Co	Minnesota
Crane Export Corporation	New York
Crane Enamelware Co	Tennessee
Crane, Limited	Canada
Crane-O'Fallon Co	Colorado
Trenton Potteries Co	New Jersey

For the second time since the Company was incorporated in 1865 we have to report an operating loss. Faced with the problem of adjusting to a small business an organization keyed up to produce and distribute a volume three or four times as large, your Directors found it necessary to close our plant in Bridgeport, except the boiler section; to close 19 small distributing warehouses; to reduce personnel, to reduce working time; to cut salaries and wages; to reduce pensions; to change the Group Life Insurance plan from one in which the whole burden was borne by the Company to a contributory system by which the burden is carried almost entirely by the Employees themselves; and to analyze and reduce all expense items of every kind. The result of this work has been a reduction in overhead of, approximately, $8,600,000 below 1931, and $15,000,000 below 1930.

We regret to report that even this drastic reduction in expenses was insufficient to overcome a very heavy loss of $7,536,868.43, made up as follows:

Loss before depreciation and interest		$5,504,571.50
ADD		
Depreciation	$1,411,045.01	
Interest	621,251.92	2,032,296.93
Total loss transferred to Surplus A/c		$7,536,868.43

There are two reasons for the loss (1) Insufficient volume of sales due to lack of demand. Our sales in 1932 were 43% less than in 1931 and 66% below the five year average. They were lower than in any similar period for the past 24 years. (2) Insufficient gross margin on what was sold. Unfortunately, small volume and small margins go together, for when everybody is scrambling for what little business there is, margins are pared down to the vanishing point. The gross margin is also affected by falling prices on all goods purchased.

Despite the heavy loss, it is gratifying to note that our cash position has been well maintained. At the close of the year we had cash, Government and other securities to the amount of $9,076,150.96 as compared with $9,498,008.29 at the end of 1931. This position was held, necessarily, by reducing inventories and accounts receivable.

CURRENT ASSETS

The ratio of current assets to current liabilities, at the end of the year, was 9.54 to 1. The book value of the Common Stock is $26.48 per share.

MANUFACTURING PLANTS

The buildings, equipment and machinery of the eleven manufacturing plants operated by your Company, have been maintained to a standard necessary for efficient operation.

RETROSPECT

The past year will go down in history as a period marked by the deepest depression ever known in this Country. Following the collapse of unreasonably inflated values in 1929, the business recession became more definite month by month, until July 1932, when the downward trend was checked. In August, September and the first half of October there was some improvement; after that, demand fell off again.

The long depression with the natural concomitant of unemployment, total or partial, has seriously impaired the buying power of the people and this Company, in common with other industrials, has suffered. We cannot create business; our industry follows, it does not lead. Before a demand reaches us, some one must have decided to erect a building, remodel an old one, install an engine, run a new pipe line or remodel an old one. The sales possibility in our industry rises and falls with the activity of the Country.

The products in which CRANE CO. is interested find a market, first, in industrial fields such as Steel Mills, Oil Refineries, Public Service Plants, Packing Houses, Railroads, Ships, Water Works, or any plant where water, air, gas, steam or oil has to be conveyed and controlled; second, in new buildings; third, in replacement and repairs in old buildings.

The opportunities in our first market—that of industry—are fairly well gauged by the operations of the steel plants, regarded as the barometer of business. These plants have not been able to market more than 15 to 20% of capacity. Oil Refineries have done much better, but profits have been small and retrenchment the order. Public Service Companies have not been buying because their plant capacity is in excess of the demand. This applies generally to all industrial lines. No new work is being done, and their requirements are confined to such replacements and repairs as cannot be avoided.

The second field is that of building construction. The major part this year has been construction by the Federal Government. We have had our share of the equipment, but competition on this class of work is so severe that it is unsatisfactory from the standpoint of profit.

In the Plumbing and Heating Division of our business, it is to residential construction that we look for volume. The peak of residential demand was reached in 1928; in 1929 there was a decrease of 32%, in 1930 60%, in 1931 70%, and in 1932 90% from this peak.

The effect upon Plumbing and Heating materials may be seen by comparing the total sales, in the United States, of enameled bath tubs which declined from 1,115,383 in 1928 to 236,210 in 1932, or 80%. Radiators from 161,489,000 sq. ft. in 1928 to 39,233,000 sq. ft. in 1932, or 76%. Cast Iron Heating Boilers from 248,123 tons in 1928 to 73,093 tons in 1932, or 70%.

In the third field—that of replacements and remodeling—we have held our own, but this field has been curtailed by the inability or disinclination of the people to spend money.

THE FUTURE

Whether deflation has run its full course, is yet to be determined, but the Country has gone a long way on the road to recovery. It is inconceivable that an alert, energetic nation of 120,000,000 people, occupying the most productive country in the world, will continue to stagnate indefinitely. The Country will, of course, emerge from this depression as from others preceding it. In the meantime, we are maintaining a reduced, but efficient organization, and our current position is sufficiently liquid to enable us to carry on.

Your Directors record their appreciation of the efficient and loyal service rendered by the organization in these trying times.

JOHN B. BERRYMAN,
President.

Chicago, February 20, 1933

CRANE CO.

CONSOLIDATED BALANCE SHEET--DECEMBER 31, 1932

ASSETS

CURRENT ASSETS:			
Cash		$ 4,424,603.60	
Marketable Securities, at Cost—			
U. S. Government Obligations (Market Value $4,289,591.88)	$ 4,264,609.29		
Other Securities (Market Value $395,815.89)	386,938.07		
		4,651,547.36	
Notes and Accounts Receivable—			
Trade	$ 6,993,001.36		
Sundry	231,996.10		
Employes (Partly Secured)	69,677.17		
	$ 7,294,674.63		
LESS: Reserve for Doubtful Notes and Accounts	838,396.57	6,456,278.06	
Inventories of Raw Materials, Work in Process, Finished Goods and Supplies, taken by Company Officials and Employes and valued at the lower of cost or market		18,768,547.61	
			$34,300,976.63
FIXED ASSETS:			
Land and Land Improvements		$ 9,407,690.14	
Buildings	$40,206,159.55		
LESS: Reserve for Depreciation	9,621,583.36		
		30,584,576.19	
Machinery, Equipment, etc	$40,174,005.43		
LESS: Reserve for Depreciation	19,574,401.96		
		20,599,603.47	
			60,591,869.80
MISCELLANEOUS INVESTMENTS—AT COST			192,657.71
DEFERRED CHARGES			69,738.76
			$95,155,242.90

LIABILITIES

CURRENT AND ACCRUED LIABILITIES:				
Accounts Payable, etc			$ 2,004,855.82	
Accrued Taxes			1,592,514.98	$ 3,597,370.80
RESERVES:				
For Inventories and Contingencies				806,760.19
TEN YEAR 5% SINKING FUND GOLD NOTES—AUTHORIZED AND ISSUED				12,000,000.00
Due $750,000 annually beginning August 1, 1934 Balance due August 1, 1940				
MINORITY STOCKHOLDERS' INTEREST IN SUBSIDIARY COMPANIES				1,207,246.66
CAPITAL STOCK:				
Preferred 7% Cumulative, Par Value $100—Authorized	150,000 shs.			
Issued		149,610 shs.		
LESS: In Treasury		3,721 shs.		
In Hands of Public		145,889 shs.	$14,588,900.00	
Common, Par Value $25—Authorized	3,000,000 shs.			
Issued		2,429,547 shs.		
LESS: In Treasury		80,919 shs.		
In Hands of Public		2,348,628 shs.	58,715,700.00	73,304,600.00
SURPLUS:				
Earned Surplus			$ 2,751,709.34	
Capital Surplus			1,487,555.91	4,239,265.25
				$95,155,242.90

Dividends on Preferred 7% Cumulative Stock have not been paid since March 15, 1932. The dividends in arrears for the last three quarters of 1932 amount to $765,917.25.

Contingent Liability—
Customers' Notes Discounted under Partial Payment Plan, $637,491.62.

To the President and Board of Directors of Crane Co.,
Chicago, Illinois:

We have audited the accounts and records of Crane Co. and certain of its subsidiaries as at December 31, 1932, and have had submitted to us audit reports of other independent accountants covering the examination at that date of the subsidiaries not examined by us. Based on the foregoing, we have prepared the above Consolidated Balance Sheet which, in our opinion, sets forth the financial position of the Company and subsidiaries at December 31, 1932. The current assets and current liabilities of foreign subsidiary Companies have been converted at the rates of exchange prevailing at December 31, 1932.

ARTHUR YOUNG & CO.,
Certified Public Accountants.

Chicago, Illinois—February 20, 1933.