Around the Markets

Dalal Street Buoyant

Thursday. Morning

DALAI, STREET continued to be in a jubilant mood last week. Equity prices recorded further handsome gains all-round. Activity increased as prices rose and the market turned dull on reactions indicating a distinctly bullish undertone. with most shares penetrating their major down-trend lines and some of them retracing more than 80 per tent of the previous major downward movement, the trend-theorists are almost convinced that the bear market which started about the middle of 1951 has ended.

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More significant than the rise in speculative issues is the persistent and steady increase in the volume of activity in the so-called " investment stocks Sentiment has changed. The bear is gradually turning into a bull. Operators are now beginning to emphasise the attractive yield on numerous first class Industrial shares. It is now generally believed that the low levels reached in 1952 are not likely to he repeated.

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Professional speculators who had been keeping off the Stock Exchange since the March crisis are said to have re-entered the market. Publit interest is still small, but brokers hope that business will begin to revive when the recovery has proceeded far enough. t hey are inclined to await the details of the Central Budget before canvassing for business.

Cotton Mill shares have continued to lead after persistently encouraging reports of cloth off take, both domestic and overseas. With overseas demand rising, the export trade thinks that the target of 1,000 million yards will be easily realised, bear of an excise duty on cloth has failed to dampen " bullish " enthusiasm. This is said to be discounted in the present prices. 'The trading pattern of nearly all the Textile shares is impressive. Century, Central India, Bombay Dyeing, Gokak, New Cheat and Kohinoor can be safely picked up at small setbacks.

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Although steadier, Steel shares were comparatively subdued after quieter Calcutta advices. There. were vague reports of considerable selling of Indian Iron by the Dalhousie Holding Limited. The outlook for the industry is assured, lire production trend is encouraging. An increase in retention prices is almost certain. The chief reason why Steel shares are comparatively subdued is that professional operators wish to accumulate more stocks before marking prices further up.

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Miscellaneous shares continued to make a good showing. Engineering and Construction shares were in keen demand because of the prospects under the Five-Year Plan. Premier Construction, Alcock Ashdown, Belapur, Shivrajpur and Tata Oil were among the bright spots. Seindia were rather subdued by fear of lower height earnings. While Bank shares field steady. Electric issues showed blither gains due to persistent investment inquiry.

Expansion of activity on the Slock Exchange with distinct signs of returning confidence is not due to fear of deterioration in the Far Eastern political situation. It is based essentially on ideas of industrial development under the National Plan. Operators know that the Central Budget is likely to show a nuge aencit due to fall in revenue and continued high expenditure But taking a cue from the State Government budgets they are inclined to think that except for the estate duty and certain changes in excise and import duties taxes are not likely to be increased and that the deficit will be left uncovered. The Planning Commission and the Finance Minister seem to favour inflationary finance to restore business confidence.

Bullion Market Misbehaviour

Except for the half-hour session on February 25, trading in the Bombay bullion market remained suspended throughout the week. Silver " Fagan " had closed at Rs 170-8 on February 18, Fearing special clearing in the event of the price rising to close above Rs 171-8 the bears decided to stop trading. I hey complained of strong manipulation by the bulls who had cornered most of the floating stock of silver. They criticised the Board for being partial in passing an " uncertified " cheque for taking delivery of silver in the " Maha " settlement.

The Board spent the week in persuading the members to resume trading and in amending the Inlaws to make bull manipulation in " Chaitra " delivery difficult. The most important changes related to the delivery of goods at the end of the contract and payment of margin by the bulls.

STOCK EXCHANGE TRENDS — BOMBAY

(In Rupees and Annas)

	Previous Closing 18-2-1953	High	Low	Closing on 25-2-1953	1952 High	1952 Low
STEELS:						
Tata Steel Defd.	1720- 0	1765- 0	1717- 8	1747- 8	1976- 4	1592- 8
Tata Steel Ordy.	304- 8	308-12	303- 8	308- 4	358- 8	291- 8
Indian Iron	24-15	25- 2½	24- 8	24-11½	29- 6½	21- 0
TEXTILES:						
Bombay Dyeing	367- 8	382- 8	367- 8	376-14	450- 0	331- 4
Central India	149- 0	157- 0	148- 0	153- 8	235- 0	123- 0
Century	254- 8	263- 0	254- 8	261-12	324- 0	218-12
Kohinoor	284- 0	291- 4	282- 8	288- 8	339- 8	252-12
Svadeshi	238- 0	245- 8	238- 8	242- 8	296- 0	225- 0
MISCELLANEOUS:						
ACC	170- 4	172- 0	169- 4	170-12	190- 8	160- 0
Belapur	231- 0	235- 8	228- 0	235- 8	268- 0	195- 0
B'bay Burmah Old	366- 4	371-14	366- 4	367- 8	553- 2	367- 0
Premier Constn.	85- 8	90- 8	85- 4	90- 0	107- 0	69- 0
Scindia	14-10	14-12½	14- 9	14- 9	17- 1	12- 7

Under the present rules buyers can forcfe sellers to deliver goods and if sellers fail to do so their sales are covered by auctions at the ruling rates. The Board has now suggested that the maximum price at which the bears will have to cover their sales will be at the most Rs *2* higher than the average of the ready and forward prices in the last week.

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It has also been proposed that bulls should pay a margin of Rs 500 per bat when the price rises by Ks 7 from the " starting rate " and Rs 1,500 per bar after a further rise of Rs 3 and Rs 2,000 per bar should the price rise still further by Rs 5. In the event of a decline, however, the bears will continue to pay only Rs 500 as at present.

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These amendments are said to have become necessary to check hull manipulation made possible by the small floating stock of silver. Against a total speculative interest of 15.000 bars to 20,000 bars the floating stock in India is estimated around 7,000 bars of which Bombay's share is about 1,500 bars.

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It is true that the steep rise in silver in the last few months is due to strong manipulation by certain operators who have cornered most of the floating stock. The uncertain political situation, the estate duty, and fear of inflationary elfects of deficit financing are powerful bull influences. Mill there is no economic justification for allowing forward trading in a commodity when its floating stock can easily be manipulated.

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Fearing that the powerful and influential board might get the amended by-laws approved by the Government the "'bulls" agreed to resolve the present deadlock by agreeing to settle all outstanding business in silver at Rs 168. 'This will enable trading in the " Chaitra " settlement to be started under the existing by-laws. They are probably confident that once business in the new delivery is started it will be easy to rig up the market again.

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Frequent moves for declaring emergency even when conditions appear quite normal, suspension of trading, and interference with the terms of the contract are bound to damage the reputation of the Bombay bullion market which already commands very poor credit. The Association should not be concerned with the rise or fall in prices. It should aim only at keeping the market liquid " to ensure continuity of prices by avoiding payments difficulties. This can be done by increased margins and special clearings after a small rise or fall in prices. A daily check on the volume of business will also be useful. The public expects the Government representatives on the Roaid to protest against any arbitrary interference with the market mechanism.

COTTON REACHES NEW HIGH LEVEL

Thursday. Evening

AFTER a small early reaction caused mainly by profit-taking cotton futures were bid up to the highest level since the resumption of trading in December. The improvement was clue both to persistent short-covering and professional bull support based on continued encouraging reports of cloth oil-take. "Hedge" pressure was negligible.

ICC May was done down to Rs 660 on February 21. bul improved gradually to Rs 681 on February *26).* Sentiment was influenced by unfavourable crop repoits in the Bombay " D " zone and prospects of 18 per cent cut in the United States cotton in top in 1953 Total tenders issued against the February contract amounted to 5,150

A trading pattern of cotton futures is highly encouraging. The stock position is tight. A further marked rise is thought very likely. In the spot market business was mainly in superior varieties of Indian cottons. bengal Deshi continued in good export demand and prices improved further by about Rs 15 pea candy. Activity in foreign cottons were limited with inquiry mainly in Sudans and low priced Egyptians.

Artificial silk yarn prices fluctuated rather erratically on conflicting reports about import policy for the current half year. 150 1) Japan February delivery which was bid up from Rs 806to Rs 843 reacted again to Rs 800. It rallied to Rs 826 but was down again to Rs 806 before ending at Rs 813 against Rs 81 1 a week ago. Overseas advices continue firm with a further rise in prices of all deniers. Offtake of rayon cloth remains satisfactory. Consumer inquiry from upcountry markets is steadily rising. A reduction in the import quota, is generally anticipated. This should have a steadying effect on the market. Forward trading in staple fibre continued suspended throughout the week, the quotation for February delivery being at the ceiling " of Rs 800 per bale. Spot prices recorded further improvement.

After rising to a new high level for a long time castor futures reacted sharply on heavy bull liquidation induced both by technical considerations and absence of foreign demand for oil. The May contract moved irregulary higher to Rs 157-8 and was marked down later to Rs 145-12 before ending at Rs 149-8 against Rs 1 55-4 a week ago.

Despite persistently large arrivals of new crop the outlook to? castor futures cannot be called discouraging. On the basis of spot prices castor futures should be quoted above Rs 165. In view of the approaching end of the May delivery the disparity between the spot and forward quotations cannot last long, The statistical position of spot castor indicates a firm outlook. The export trade is quite hopeful of a recovery in foreign demand for castor oil.

Groundnuts which generally held quite firm clue to reduced crop estimate and low stocks developed a reactionary trend near the weekcud after growing belief in reimpostion of export duty on oil, The supply position has been causing considerable anxiety recently. An export. duty will therefore be genclallv welcomed.

Linseed and linseed oil prices fluctuated with the trend in other sections. business was limited. Australia was said to have bought a small quantity of linseed oil at £120per ton. Although Uriguay was a seller at *£92* the buyer chose India, the rupee being a soft currency. The (Government is reported to have made up its mind to hake the linseed oil duty, and the announcement is likely to be made in the Budget. With the wide disparity between the Indian and foreign prices of oil it is doubtful whether the relief in duty will help export much.

Company Notes

Alkali & Chemical Corporation

DESPITE larger sales, the profits of the Alkali & Chemic al Corporation of India Ltd for the year ended September 30, 1952 were lower than in the previous year mainly because of much higher manufacturing expenses. Sale proceeds improved from Rs 160.6 lakhs to Rs 168.66 lakhs while manufacturing expenses rose from Rs 72.78 lakhs to Rs 106,55 lakhs. Consignment expenses and selling expenses were also higher by more than Rs 3 lakhs and Rs 8 lakhs respectively. The closing stock of finished goods was also Rs 24.5 lakhs higher at Rs 43.77 lakhs. Profits, in consequence, declined from Rs 31.16 lakhs to Rs 26.64 lakhs.

The profits together with Rs 3.82 lakhs brought forward from the previous year and the previous Provision for Taxation of Rs 1.73 lakhs no longer' required make up Rs 32.19 lakhs. Out of this. Taxation will absorb Rs 10.83 lakhs. The directors have allocated Rs 3 lakhs each to Cencral Reserve and Reserve tor Deferred Income-tax Liabilities due to Initial Allowances, bringing the total under these heads to Rs 23 lakhs and Rs 4..71 lakhs respectively. They have also created a Dividend Equalisation Reserve with Rs 7.5 lakhs. Alter the usual payment of dividend on 5 per cent Cumulative Preference shares the directors recommend the maintenance' of the dividend on ordinary shares at 6 per cent tree of Income-tax.

The balance sheet of the company reveals a sound position, current assets at Rs 201.93 lakhs being much above current liabilities at Rs 6-2.72 lakhs. Net Block stands at Rs 165.05 lakhs. During the year, additions were made to capital assets amounting to over Rs 62 lakhs. On the Liabilities side there has been an increase of Rs 106 lakhs in unsecuredi loans to Rs 156.50 lakhs.

The Calculla Chlorine-Caustic Soda and Hydrochloric Acid plants were worked to capacity during the year. Demand for hydrochloric acid increased appreciably during the year owing to shortage of sulphuric acid. Severe competition had to be met again, however, in benzene hexachloride dusts. The additional benzene hexachloride formulation plant and the crude benzene hexachloride plant were completed. Construction of the extension to the Chlorine-Caustic Soda plant continued. This plant is expected to come into production before the end of the current year.

The plant manufacturing unit, the construction of which was completed is now in full production. Disposal of the production caused no difficulty.

Sale of" the Khewra Factory in Pakistan in accordance with last year's resolution could not he effected. The consent of the Pakistan Government is yet to be obtained. Profits made in Pakistan, therefore, continue to accrue to the Corporation.

Rallis India

A SUDDEN and substantial fall in world demand for commodities in general, and in the price of raw materials, affected the working of the Ralfis India Ltd during the year ending August 31, 1952, Between February 28 and August 31, 1952, local prices of most of the commodities in which the company has a large business fell substantially. Jute, gunnies and shellac receded by about 35 per cent, cotton by about 7.1 per cent and bones by about 33 pel cent. The result was considerable trading loss especially in the second half of the year-. As a reasonable profit had been earned in the first half year's trading the result for the whole year, after taking into account the sum of Rs 2.4 lakhs in respect of provisions made in the previous years no longer required, was a profit of Rs 8.02 lakhs. Depreciation of fixed assets and investments however amounted to Rs 11.07 lakhs, and therefore the Profit and Loss account shows a net loss of Rs 3.05 lakhs.

Receipts from sales, less allowances amounted to Rs 46.04, crores as against the cost of purchases of Rs 44.63 crores. The closing stock at Rs 5.83 crores is Rs 35.82 lakhs lower" than the opening stock. Establishment. charges, including Rs 68.35 lakhs salaries, bonus and clearness allowance amounted to Rs 95.73 lakhs.

The directors have naturally not recommended any dividend on Ordinary shares. Last year a dividend of Rs 9 was paid. The 6 per cent dividend on Taxable Cumulative Preference shares is being paid from Rs 4.62 lakhs brought forward from the last Profit and Loss Account and a further Rs 2 lakhs taken from the Contingencies Reserve,

Thebalanceofthecompany can still be said to be in a sound position for Current Assets are Rs 187 lakhs more than Current Liabilities. As against the Paid-up-Capital of Rs 3 crores. Fixed Capital Expenditure stands depreciated at Rs 132.16 lakhs.

The current quotation of Rs 100 paid-up Ordinary shares is steady around Rs 70. Outlook for the current year is considered much better.

Malayan Rubber Output Declines

Malaya's rubber production declined from 603,880 tons in 1951 to 582,646 tons in 1952 largely due to smaller output from the small holdings, according to official statistics. The output of estates actually increased from 327,957 tons in 1951 to338,328tons 1952' The decline in the output of small holdings was from 275,924 tons in 1951 to 24.1.318 tons in 10,52.