the whole question that "the explanation to Clause 1(A) could not be legitimately extended to Clauae (2), either as an exception or as a proviso thereto or read as curtailing or limiting the ambit of Clause (2)." The effect of this decision is that prohibition on the levy of sales tax on inter-State trade unless Parliament permits it by law now stands absolute. It will no longer be permissible for States to levy such taxes and presumably all States will have to amend their Sales Tax Acts appropriately. They have already suspended the collection of such taxes pending further decision. It is now reported that Parliament will pass legislation to legalise the collection of .such tax by the States from the commencement of the Constitution till Sept. 6. 1955, the date of the present decision. This would be necessary as the legal position is that the Suppreme Court merely interprets the Constitution and by the present decision-the levy of such a tax is declared to be illegal from the very commencement of the Constitution. It would also be desirable since the States should not have to repay the amounts collected by them in the past.

What will be done in the future is a matter of speculation. It is unlikely that Parliament will pass legislation authorising the levy of such a tax in terms of the Constitutional provision as currently interpreted. It has been suggested that sales tax on inter-State trade might now be levied by the Central Government. This is what the Taxation Enquiry Commission had recommended. But an amendment of the Constitution will be necessary for that purpose and the revenue might have to be distributed amongst the States. While this might have some advantages over the existing arrangements, it would mean that there would be one more authority in the country collecting sales tax and considerable duplication of administration, both of which would be undesirable.

Since in any case an amendment of the Constitution will be necessary, why not take advantage of this to cut the Gordian knot of sales tax problems by centralising the entire sales tax? This would be desirable from so many points of view. If only the States could be persuaded to accept centralisation with distribution of the revenue to them, that would indeed be the best possible arrangement.

Around Bombay Markets

Bearish Influence

Thursday, Morning

ALTHOUGH the equities market witnessed sizable losses owing to an over-bought position, culminating in the last settlement, there has been an attempt at recovery with the closing quotations in all counters displaying a perceptibly steady trend. But since the floating stocks in Tata Ordinaries and Indian Irons have been steadily increasing, the uptrend noticed towards the close of the week may not continue for long. No doubt, industries are doing well, and the Second Five-Year Plan is expected to increase the purchasing power of the people and create a healthy economic climate. But Government's emphasis latterly on heavy taxation, and the prospects of a better deal for labour, have had a bearish influence. Unless these bearish factors disappear, there is hardly any prospect of any undue rise in prices of equities.

In the steel section. Tata Ordinaries after moving up to Rs. 247 reacted sharply to Rs. 241-8 to quote finally around Rs. 245 at the close of the week. In the case of Indian Irons, the rise to Rs. 41-6 was occasioned by rumours that the Company might be able to pay a dividend of Rs 1-8. When doubts were expressed as to whether Government would allow the Company to declare such a high dividend, there was a natural decline in values. However, it is strongly suggested in market circles that the dividend might be Rs. 1-4, i.e., 4 as. higher than in the previous year. At the close, it was placed around Rs. 39-1 after being down to Rs. 38-13.

In the textile section also, the pattern of trading was more or less the same, earlier weakness being followed by a semblance of steadiness at the close. Bombay Dyeing, Kohinoor and Swadeshi closed around Rs. 503-8, Rs. 328-12 and Rs. 215;-, respectively.

In the miscellaneous section, ACC were in the limelight. After having been at Rs. 188 at one time they improved to Rs. 196-12 on rumours of a fresh issue on bonus terms. Killick also ruled better, having improved from Rs. 160 to Rs 164-4. Bombay Burma enjoyed considerable investment support and were taken up to Rs. 569-6 on reports that the Company had undertaken an expansion programme in East Africa an improvement of nearly 30 points over the week.

Cotton

Setback in Prices

THE cotton futures market, which opened the week with a distinctly improved undertone on prospects of an export quota, witnessed a setback towards the" close of the week when the actual announcement came. Early in the week it was thought that an export quota was imminent, following the visit of the Union Commerce and Industry Minister to the City and the discussion that he had had with trade representatives. When it turned out that nothing much could be expected of his visit, the market tended to rule quiet. It was, therefore, not surprising that there was a setback in prices when Government announced on Tuesday an export quota of 2,50,000 bales of Indian cotton with immediate effect. In fact, the slight recession in prices was true to form as it is not uncommon for the market initially to react in the way it did to an announcement of this nature. This does not, however, belittle the importance of the announcement.

With the release of the 2,50,000 bales of Indian cotton for export, the aggregate quota released during the 1954-55 season amounts to a record figure of 7.81,000 bales, clearly underlining the liberal export policy pursued by the authorities. But the increased quantum of export quota has failed to enthuse traders inasmuch as there has been an increase in the production of cotton, the final estimate of which is put around 51 lakh bales for the 1954-55 season. Moreover, as the market had been hoping for some such action on the part of Government, ever since the phenomenal increase in the price of the August contract, traders were inclined to discount the announcement when it was actually made known.

Hence, the market lost as many as five points on the day the quota was released.

Two questions arise from the announcement. In the first place, it is not clear whether the quota released is in respect of the old crop or the new one. However, as the validity period for shipment is only up to the end of December, by which time H may not be possible to have any new crop on hand, it may be presumed that the announcement refers to the current crop (that is, 1954-55), Secondly, while free licensing has been allowed to the export of Zoda cotton, there is no mention of any possible reduction in its export duty. Unless there is a reduction in the export duty of 30 per cent ad valorem, in this variety, traders may not be able fully to capitalise on the relief given by way of free licensing.

ICC February, which opened the week at Rs, 623, improved on the opening day itself to Rs. 627 on expectation of an immediate export quota. On the following day although it improved to Rs. 628, the contract lost about seven points to be placed at Rs, 621-4 on fears that there might not be any export quota after all. On Saturday again, fanned by favourable reports of an export quota, the market improved once again to quote Rs. 624. An extension of this firm sentiment was seen on Monday also when the contract reached the highest for the week at Rs. 630. But thereafter values toppled and even the actual announcement of the quota could not cry a halt to the declining trend. At the close on Wednesday, I.C.C. February ruled weak at Rs. 624-8. However, the contract, after moving up to Rs. 630-8 on quota announcement, again declined to close the week at Rs. 621-8.

Oils and Oilseeds

Further Decline

THE! declining trend in oilseeds market, noticed last week, was further accentuated during the week under review. In fact, the price of groundnuts has gone down so low as to be even below the fair price suggested by the Union Commerce & Industry Minister, namely, Rs. 1000 per ton. The main reason for the recession in values all round has been the satisfactory weather reports from all the producing areas. Crop reports from overseas also indicated an increaae in the groundnut crop in Africa, France and Belglum while America is reported to have maintained her usual standard in the production of groundnut. Nearer home, Saurashtra, which entertained fears of a shrinkage in groundnut crop only a few days back, has also come out with prospects of improved output following the recent timely rains. In the event, the Bombay market, which is a natural outlet for Saurashtra's surplus, muat needs be cautious, and even the buying pressure from Hyderabad traders failed to check the declining trend.

Castor futures, however, tended to rule firm on the whole. In view of the comfortable crop position, longs in the maturing September contract were left with two options, either to liquidate their holdings or to switch over to the distant May delivery. In the September contract, which is approaching its maturity, most of the outstanding business has been squared up, Castor oil prices, however, could not maintain an equally steady trend in view of the decline in prices of castor oil in the oversea markets, particularly in the U. K. and on the Continent.

In the case of linseeds, higher overseas advices helped maintain a steady trend, particularly towards the close of the week.

Bullion

Steadier Tendency

THERE is as yet no sign of the resumption of forward trading in bullion. A deputation of the concerned interests who waited on the State Finance Minister is believed to have been asked to consult the general body in regard to the proposed changes in by-laws. In order to ascertain the views of its members on this point, the Bombay Bullion Association decided to meet, and the meeting is scheduled to be held on September 21, 1955. The changes in the by-laws, if approved by the general body, are expected to be placed before Government for its sanction, which means an extension, by another month, of the suspension in futures trading in bullion.

Meanwhile, thanks to higher upcountry advices, a steadier tendency was imparted to the spot section. Ready silver started the week at Rs. 165 against the previous closing of Rs. 165-8 and improved to Rs. 166 8 on sustained buying support from upcountry centres. Later on in the week, however, there was heavy selling by a leading bull operator which brought down the price to Rs. 165-8.

MARKET LEADERS DURING THE WEEK

	Sept. 14, 1955	Week's Range High	Low	Sept. 6, 1955
Steel Shares:				
Tata Ordinary	245- 0	246-12	241- 8	244- 8
Indian Iron	39- 1	39-11½	38-13	39- 6
Textile Shares:				
Bombay Dyeing	503- 8	507- 8	595-10	501-14
Century	422- 4	431- 8	418- 0xd.	424- 0
Kohinoor	328-12	331- 4	326- 0	328- 0
Simplex	165- 0	166- 8	164- 0	165- 0
Swadeshi	215- 0	216- 8	209- 0	210- 8
Miscellaneous Shares:				
Associated Cements	194-12	196-12	188- 8	189- 8
Belapur	337- 0	338- 0	327	328- 0
Burma Old	565- 0	569- 6	541-14	545- 0
National Rayon	221- 0	222- 8	216- 4	217- 4
Premier Const.	163-12	165- 0	160- 0	161- 0
Scindia	15- 5	15- 8½	15- 3	15- 7
Tata Chemical	15-13	16- 4½	15-10	15-11
Bank of India	154- 0	154- 4	153- 0	153- 0
New India Assc.	49- 0	48- 0	47- 8	49- 0

OILS AND OILSEEDS

	Sept. 14, 1955	Week's Range High	Low	Sept. 7, 1955
Seeds:				
Castor Sept. 1955 (per candy)	86- 4	86- 4	82- 8	81- 8
,, May ,, ,,	87-10	88- 0	84-10	84-10
Groundnut Aug.-Sept. (per cwt)	21- 4	21- 6	20-14	20-12
Linseed Aug.-Sept. ,,	23-10	24- 0	23- 8	23-12
Kardi Ready	14- 0	14- 0	13- 8	13- 8
Nigerseed ,,	22- 0	22- 4	22- 0	22- 4
Oils:				
Castor Oil Com. (per quarter)	9- 6	9- 8	9- 3	9- 2
Groundnut Oil R.R. ,,	11- 4	11- 4	10-14	10-12
Linseed Oil ,,	13- 8	13- 8	13- 4	13- 8