

Arund Bombay Markets

Impressive Performance

Thursday, Morning

DALAL STREET gave an impressive performance once again and is determined not to be outdone by the commodity markets, oilseeds, cotton, bullion and others. It appears to read an inflationary meaning in the trend of commodity prices and is in no mood to stop and ponder that commodities have a busy season as well as a slack season. The strength which was displayed during the brief spell of trading in the previous week asserted itself with renewed vigour.

Apart from general prospects of deficit financing concretized in the steady increase in currency circulation, speculative fervour has been kindled by prospects of higher cloth prices and dizzy profits of cotton mills. While the general temper of the stock market can be gauged from the height to which Tata Ordinary was lifted viz the record level of Rs 253 cum-rights, compared to some Rs 220 before the budget, it is Bombay Dyeing's last year's performance which has been directly feeding speculation at the moment.

Bombay Dyeing shot up by nearly Rs 50 to the record level of Rs 665 before closing at Rs 653-12. The company has made a profit of Rs 25.30 lakhs after providing as much as Rs 29.5 lakhs for taxation and a similar amount for depreciation. A notable feature of the company's report was the disclosure that shipments of automatic looms would commence from the middle of the current year and that deliveries will be completed by the end of 1957. There had been prolonged discussions between the company and the Government over this question, but it is only now that doubts about expansion are finally laid to rest. The company has been granted import licence for the installation of 1206 automatic looms for their Spring Mills. These will be of the latest type and of the highest quality obtainable and will replace 1742 existing obsolete power looms. A second shift, it is reported, will be started immediately the installation is completed and if this is done, production may be easily doubled by the end of 1957.

Led by Bombay Dyeing, other mill shares also forged ahead, the more notable being Century, Kobi-

noor, Gokak and Finlay. However, towards the end of the week, there was some reaction.

In the miscellaneous group, ACC, which had been rather quiet following the announcement of new issues at Rs. 20 premium, firmed up on investment and speculative support, and fully recovered their losses. Belapur, Bombay Burmah, and Premier Construction also received considerable bull support.

Cotton**Above Price Ceiltoff**

The spot market in Sewri remained somewhat subdued during the week. Nevertheless, prices in most cases, remained well above their official ceilings. Towards the close of the week, however, prices sagged a little, except for Vijay, which continued to get good support.

The resumption of futures trading is still hanging fire. Although this is the longest period for which cotton has been without a futures contract it is over three months there is no sign yet of any move forward. This prolonged deadlock is causing considerable concern in trade quarters. Speaking at the annual meeting of the Dawn Mills. Shri Ramanarain Ruia, said "I feel the forward market is not likely to reopen unless the Government revises its policy in consonance with the market trends". Naturally, he found it "difficult, to understand the policy behind the Government's action". If all other commodity prices are allowed to rise, he argued, why should Government single out cotton for special treatment? In short, Shri Ruia and the cotton trade generally want the Government to revise its price policy and forget all about maintaining prices at a "reasonable level". More pertinent, however, is his complaint that the cotton trade in general as well as the textile manufacturers are suffering in the absence of hedge facilities, and that some thing should be done to help them with a forward contract.

The pattern of trading in the spot market in the past two to three weeks has been such as to make the Government sit up and take notice. Prices of all popular varieties have

pierced the official ceilings. Had the futures market been functioning, the trend of cotton prices would have been even higher if the general belief is accepted that the forward contract acts as a price support. Judged from this angle, Government is not likely to take any steps to effect resumption of forward trading in cotton.

What about prospects of a decline in prices in the spot market in the near future? As spot prices were not affected even by the refusal of the Government to extend a period of grace to shippers in respect of their export licences which expired on March 31, it is unlikely that they will now come down much below the ceilings. One may therefore safely predict a continuation of the stalemate in cotton, but nothing more positive than that.

Oilseeds**Export Policy Uncertainty**

In contrast to the stock exchange and the cotton market, oilseeds had rather a dull week and the undertone was quiet. The statistical position in respect of almost all seeds is tight; this is no doubt a factor of considerable bullish significance. Nevertheless, the market is hesitant and apprehensive. There are reports that Government may shortly change its export policy and traders fear that these changes would adversely affect their interests. In the event, there was nervous trading, particularly towards the close of the week which brought about a sharp decline in rates for castor, groundnut and linseeds. That interest rates charged by banks may be raised further was another factor which made buyers hesitate to enter into fresh commitments, while operators were eager to dispose of their contracts.

Castor May opened very firm at Rs. 138-8 and went as high as Rs. 139-4 but lost nearly Rs. 4 to Rs. 134-10 and closed on a subdued note at Rs. 136-4. Meanwhile the Ministry of Food and Agriculture has reported an increase both in area and production of castor seed during the current year, the final estimate being 4.9 per cent higher in acreage and 2000 tons or 1.6 per cent, in production.