

Around Calcutta Markets

Uncertain Trend

Wednesday, Evening

LYONS RANGE remains closed for the Puja holidays. But kerb trading continues. Equities remain hesitant in the absence of buyers. But the selling pressure seems to have subsided. Indian Iron are steady at the lower level. So are other clearing shares. Official trading during the first two days of the week indicated a quietly steady trend in cash scrips. In recent days, the behaviour of equities has been influenced mainly by the long Puja holidays. Buyers are reluctant to add to their commitments. Sellers, too, remain scarce.

On current indications, however, equities may remain steady as Lyons Range opens after the holidays. There are possibilities of an early end of the coal strike. That should be welcomed by industry in and around Calcutta. By the time the market reopens, the effects of the higher excise duty on cotton mill shares will be over. Datal Street may start looking up. That should have a sustaining influence on Lyons Range. Over here, the adverse effects of the Indian Iron dividend are likely to be over.

IISCO Dividend

On Tuesday last, it was announced that the directors of IISCO had recommended a dividend of one rupee per ordinary share. This did not come as a surprise to the market. Last week, the Chairman of the managing agents of the Company issued a circular letter to shareholders in which the Government's reasons for not allowing a higher dividend were included. In recommending that the dividend be maintained at one rupee, the directors refer to the Government's directive to the Company to conserve its resources, instead of wasting the resources in paying a higher dividend.

Financial data released by the directors are highly impressive. Net profits of IISCO for the year to March last are slightly lower at Rs 65.18 lakhs. It would be wrong to jump to the conclusion that last year's earnings and gross profits were also lower. Earnings were much higher, as indicated by figures. Allocations to depreciation remain unchanged at Rs 120 lakhs. But the provision for reserves is Rs 78

lakhs higher at Rs 281 lakhs. It was not without significance that, as these figures were released on Tuesday, Indian Iron steadied down to the lower level.

Prospects

IISCO has heavy prior changes. It has taken two loans from the Government. It will again have to approach the World Bank for a fresh loan which will require to be guaranteed by the Government. But Us own resources are now ample. Adequate provisions have been made to service and to repay the loans in due time. It has deekled to raise fresh capital by the issue of right shares. That means that the Company has decided to execute the second plan for expansion.

Shareholders will expect the Chairman to discuss the issue of dividends in his annual address. It is evident that the dividend can be maintained even though the right issue will involve a doubling of the share capital. On the present share capital, the dividend of a rupee absorbs about Rs 52 lakhs. After the right issue, the same dividend will absorb Rs 104 lakhs. As against the extra. Rs 52 lakhs which the Company will require, one should take into consideration the additional Rs 78 lakhs provided for reserves this year.

Right Issue

At the moment, Lyons Range is more interested in the forthcoming right issue. As in the case of the dividend, it is also now clear that the right issue will have to be offered at a premium of Rs 3½ per share. Will the issue be successful? That depends, to some extent, on certain factors. Lyons Range hopes that the Chairman will give some assurance, in his annual address, that subscribers to the right shares will receive some preferential treatment so far as next year's dividend is concerned. It is hoped that the right share-holders may be assured of a higher dividend on the pro rata basis. That should have a tonic effect on Indian Iron.

Such an assurance will be welcomed on the eve of the flotation of the right issue. Other developing factors are not unencouraging. During the slack season this year, there

has been a larger return of fund; into the banking system. Currency contraction continues. As money flows back, banking resources are expanding. By the end of November, when the right issue is expected to be offered, money market conditions are likely to remain congenial for the IISCO right issue.

Teas, Steady

One of the features of recent trading on the stock market here has been the steadiness in Engineering shares. There are prospects of an early end of the coal strike. This should have a "bullish" effect on Engineering shares. Among Engineering shares, the Mundra group has been consistently firm. Strength in this group is partly due to interested buying support. Some of the companies in this group are doing well. So, market expectations may materialise.

Even while equities in general were falling under the impact of the set-back in Indian Iron, Tea shares were firm. This was mainly due to the rising trend in weekly auction prices. But the bumper northern Indian tea crop may have a softening effect on auction prices. To some extent, the higher auction prices may be due to the fact that there would be no weekly auctions during the Puja holidays. Even so, Tea shares may continue to be steady after the holidays if equities in general resume the expected upward movement.

Jute Outlook

Jute shares are not falling. But the activity in this group has subsided. This is partly a reflection of the downward trend in jute goods. Sackings are relatively steady because of reports of Government purchases of heavy goods. But hessian prices are relatively quieter. Mills have ceased to be active buyers of raw jute. That indicates that the industry is well stocked with its requirements of the raw material. This is one of the reasons why raw jute prices are quiet. There are indications that restrictions on exports of raw jute from Pakistan may be gradually lifted. As Pakistani raw jute arrives in adequate quantities, raw jute prices may fall further. Therefore, despite the falling trend in jute goods, Jute shares may remain steady,