ment of India. The net investment of counterpart funds in these special securities in 1960-61 was Rs 240 crores as a result of which the capital account showed a surplus of Rs 65 crores. Taken with the surplus of Rs 51 crores on revenue account, there was an overall surplus of Rs 116 crores in 1960-61. However, *over* the period of the Second Plan as a whole, the capital account was in deficit to the tune of Rs 1,182 crores. Taking both the revenue and Capital accounts there was an overall deficit of Rs 962 crores. Besides, on the eve of the Second Plan, the Government's cash account showed a negative balance of Rs 5 crores so that borrowing from the Reserve Bank through expansion of Treasury Bills had to be resorted to not only to finance the budgetary deficit but also to replenish the cash balances. During the Plan period Rs 48 crores were added to the cash balance. Consequently the Government had to borrow to the tune of Rs 1,010 crores from the Reserve Bank though the budgetary deficit was only Rs 962 crores.

A capital deficit of Rs 65 crores was anticipated in the Budget for 1961-62. The revised estimates, however, place the deficit at Rs 155 crores mainly as a result of shortfall in capital receipts. A surplus of Rs 34 crores — the result of revised estimates of revenue receipts exceeding Budget estimates — has reduced the overall deficit to Rs 121 crores which nevertheless is substantially larger than the deficit of Rs 71 crores anticipated in the Budget. Since an addition of Rs 5 crores was made to cash balances during the year, total Government borrowing from the Reserve Bank is estimated at Rs 126 crores. The Budget for the current year anticipates a capital deficit of Rs 89 crores. Since the revenue account is in balance and no addition is expected to be made to cash balances which stood at Rs 50 crores at the end of 1961-62, borrowing from the Reserve Bank is expected to be limited to Rs 89 crores.

Around Bombay Markets

Dalal Street Ignores Budget

Thursday, Morning

DALAL STREET last week took a big leap forward. Most of the popular speculative counters recorded spectacular gains from their previous week's low levels, with Bombay Bumiah, Indian Iron and Tata Steel striking new high levels for the year (Tata Steel did it only in kerb dealings on Wednesday). Bombay Burmah shot up from Rs 650.50 to Rs 683.50, National Kayon from Rs 544.50 to Rs 575, Telco from Rs 343.50 to Rs 362 Century from Rs 620 to Rs 642, Bombay Dyeing from Rs 69.20 to Rs 71, Voltas from Rs 280 to Rs 291. Indian Dyestuff from Rs 501.25 to Rs 527.50. Indian Iron from Rs 24.72 to Rs 26 and Tata Steel from Rs 139.75 to Rs 145.50. While Cotton Mill shares had nearly all their earlier gains erased near the week end on renewed selling based on a more rational assessment of the implications of the revised structure of excise duties, most or the other counters were around their week's best on Wednesday. It may be of interest to note that the rise in Indian Iron and Tata Steel that came about last week was equal to the entire range of fluctuations in these shares since the beginning of the year. The week-end buyoancy in Steels seemed to reflect market's optimism about the impending increase in retention prices though it is doubtful whether Steels would have flared up near the week end the way they did but for the large volume of option business in them.

Industry Is Unhappy

Surprising as it might seem. Dalai Street's buoyancy following the presentation of the Union Budget is in sharp contrast to the industry's adverse criticism of the taxation proposals. Industrial circles feel that the proposed increase in the croporation tax from 45 to 50 per cent will affect corporate savings unless, of course, dividends are reduced. The estimate of additional income of Rs 12.2 crores from enhanced corporation tax is believed to be a gross underestimate. The exemption of export earnings from the enhanced rate and the concession in respect of inter-corporate dividends have been welcomed but they are unlikely to yield much and their benefit will be restricted to a feu units. The textile industry feels that the proposed revision of the structure of excise duties on cloth and yarn imposing a heavier burden on mills engaged in processing of cloth — especially mercerising and sanforizing, will precipitate a crisis in the industry. Here again, the anticipated additional income of Rs 12.1 crores is said to be a gross underestimate. According to the spokesmen of the textile industry, the additional burden will amount to no less than Rs 25 crores. On top of this the industry will have to bear the burden of enhanced corporation tax. All this comes at a time when the cotton supply position has already east doubts about the industry's ability to maintain its profits at the 1961 level and the industry needs large funds to implement the programme of modernisation and rehabilitation. Only the tea industry seems pleased with the encouragement that has been given to the export of tea through a reduction of export levy and the drawback in excise duty.

The Outlook

The increase in the corporation tax and additional burden on the textile industry resulting from the reorganisation of the structure of excise duties are not the only tax proposals which concern the stock market. The market cannot dismiss lightly the measures concerning new issues. The levy of income tax and surcharge at full personal rates on capital gains earned on sale of assets including shares within a year of acquisition will discourage stagging in new issues that is now-being practised on a big scale. Similarly the inclusion of shares of new companies for wealth tax purposes will discourage firm allotment of large blocks of new issues, which apart from offering prospects of capital appreciation had the additional attraction of being exempt from wealth tax. And considering the marked increase in the number of middle class investors in recent years, the proposed increase in the tax burden on intermediate brackets is yet another factor to reckon with. To suggest that there is hardly anything bullish in the budget proposals except that they could have been much worse is no adverse criticism of Shri Morarji Desai's Budpet. There is no escape from additional burdens if the country is to raise the resources necessary for the implementation of the development plans. But the stock market's cheerful mood can scarcely be attributed to the realisation that additional burdens arc inevitable. Equities will, no doubt, continue to be popular in an economy with a fairly strong inflationary impulse but speculative excesses apart, the stock market will not find it easy to sustain a prolonged upward move in face of various factors which arc adversely affecting profit margins of industries in varying degrees.

<u>Cotton</u>

Supplies Sufficient — How

REPLYING to a short notice question on the cotton shortage in the country, Shri Manubhai Shah, Minister of International Trade, is reported to have stated in the Lok Sabha that the available supplies coupled with imports already arranged are sufficient to meet the requirements of the mills but there would be a shortage of the order of 10 lakh bales in the carryover stocks at the beginning of the next season. This hardly makes any sense. A fall of 10 lakh bales in the carryover stocks would mean that the 1962-63 season, which begins with September, will start with a carryover stock of about 12 lakh bales only. This amounts to nearly 2J months normal consumption of mills. Although the cotton season officially begins with September, new crop cotton, does not normally become easily available until about the middle of November. Available supplies cannot be considered to be sufficient if the carryover stocks at the end of August is to be down by about 10 lakh bales from 22 lakh bales to 12 lakh bales. Shri Manuhhai's assurance to the industry that the Government is fully aware of the need for meeting cotton requirements not only for internal production of textiles but for keeping up exports is welcome but the important thing is how this awareness is translated into action. Efforts made to secure cotton in large quantities this season have met with little success so far. Reports from the U S about the supply of cotton under P L 480 do not seem very promising and the country's foreign exchange position is too tight to permit the import of large quantities of cotton from outside sources. In the circumstances Shri Manubhai's reported statement in the Lok Sabha that the Government is working on the theory of stockpiling and building up buffer stock of cotton to meet the needs of the textile industry over a period of 10 years cannot carry much weight.

Raise Floors

But imports, at best, can only help to tide over a temporary difficulty. The shortage of cotton seems to have come to stay. Cotton production over the past six years has averaged only about 47 lakh bales and the country will need over 70 lakh bales to achieve the Third Plan target of cloth. The country will have to make a desperate effort to raise cotton production to the de sired level. A more realistic price policy for cotton will help but that alone cannot bring about the desired results. Apart from raising the statutory ceiling prices it would be useful *to* step up the floor prices *to* a level which ensures a reasonable return to the cultivator of cotton. Of course, the price policy for cotton will have to fit into the overall policy for agricultural commodities. Latest reports from New Delhi suggest that the Government is not in favour of decontrol but ceiling prices are likely to be raised by Rs 125 to Rs 150 per candy and the increase might not be uniformly applicable *to* all varieties. The announcement of price policy is expected by the month-end. Once the uncertainty about the prices for the 1962-63 season is over, the East India Cotton Association will not take long to formulate the hedge contract for the new season and start futures trading by about the middle of May. While the resumption of futures trading will provide employment to those who live on fluctuations, the speculators will have very little to go by for assessing the outlook for the commodity which depends almost entirely on the unpredictable weather. Export sales registered up to 23rd April against the present quota of 70,000 bales totalled 52,805 bales. There have been reports that the Government might soon sanction a special export quota for Bengal Deshi cotton for Yugoslavia against payment in rupees in terms of the Indo-Yugoslav Trade Agreement. The quantity mentioned is about 11,000 bales.

<u>Oilseeds</u>

Mixed Showing

OILSEEDS futures fluctuated rather erratically and showed a mixed price pattern over the week-end. Groundnut were marked down *to* a new low level but rallied *to* wind up the week with only a small net loss. Castor futures held fairly steady earlier in the week but developed marked weakness near the week-end. Cottonseed closed unchanged over the week but linseed recorded sizable improvement mainly in sympathy with the marked strength in rapesced prices in North Indian markets. After easing from Rs 219.12 to Rs 215.50 groundnut May recovered to Rs 219.25 but

Important Fluctuations in Shares

	JAN-MAR 1962		APRIL	POST-BUDGET	CLOSING ON 25-4-62
	High	Low	Low	High	
Bombay Dyeing	72.20	66.50	69.20	70.00	69.50
Century	641.00	576.00	620.00	642.00	627.00
Kohinoor	327.50	302.50	306.00	314.00	301.50
Standard	1220.00	1018.00	1022.00	1075.00	1015.00
Svadeshi	304.00	277.00	282.00	293.00	285.50
Indian Iron	25.60	24.12	24.72	25.75	25.75
Tata Steel	145.00	138.25	138.75	144.00	144.00
Bombay Burmah	677.00	633.50	650.00	683.50	681.50
National Rayon	576.50	531.00	544.50	575.00	574.50
Hind. Motors	21.48	19.52	19.48	20.00	19.86
Premier Const.	202.00	172.50	170.00	178.00	175.00
Telco	368.25	345.50	343.50	362.00	362.00
Wimco	321.00	297.00	302.50	305.00	305.00
Voltas	315.00	279.00	280.50	290.50	289.50
Indian Dyestuff	592.50	490.00	501.25	527.50	527.50

declined quickly to Rs 214,50 on the 24th April. It was up again at Rs 219 the next day though the closing was lower at Rs 218.12 per 250 kilograms. The July contract was generally quoted at a premium of Rs 6 to Rs 7.50. Selling in the nearby May contract was prompted mainly by fears of tenders of Kanpur bold ready which is still quoted at a discount of about Rs 6 per 250 kgs but in view of the attractive premium enjoyed by the distant July position it is doubtful whether sellers would tender goods in May. Technical considerations apart, the week-end rally in groundnut futures was caused by the steadier tendency in the spot material due to increased offtake by vanaspati interests.

Castor futures were depressed near the week-end by reports of increased arrivals in upcountry markets and absence of any fresh export business in castor oil. The U K quotation for castor oil Commercial was mentioned around £ 117/118 which is about £ 2 per ton below the Indian parity. Of course there is rarely a straight margin on the export of castor oil. Shippers have to take a position on the basis of their assessment of the market outlook find their profit usually comes from their position in the speculative market, that is, in castor futures, and not from the movements in castor oil prices. Only groundnut extractions have been doing well of late the performance could have been much better but for the difficulty of freight—but activity in extractions was also limited during the week because of the closure of U K and European markets on account of Easter holidays. Business has not revived after the end of Easter but most shippers are inclined to take an optimistic view of the immediate future. Their optimism is based mainly on the poor stocks held by importers in the U K. The latest quotation for near steamer afloat groundnut extractions was mentioned around £ 35-10, with whole April placed around £ 33. May shipment was mentioned around £ 32. Export houses did not report any fresh business in linseed cake and prospects of selling linseed oil are said to have receded on account of cheaper offerings by Argentina, presumably due to certain changes in the exchange rate. The export trade eagerly looks forward to Shri Manubhai Shah for a bold policy for stimulating exports of oils through liberal incentives.