Around Bombay Markets

Dalal Street at Year's Law

Thursday, Morning

AFTER a brief show of steadiness, Dalai Street developed renewed weakness last week. Equity prices suffered further widespread losses, with quite a few counters striking new Iowa for the year. It is not merely speculators' favourites that were*under pressure; the weakness was no less pronounced in non-cleared securities — the cash scrips. Investment counters fell without any , important dis-investment; buyers were hard to find and business therefore was restricted. Vyapar's equity share which had touched 142.78 on 30th May recovered to 145.69 the next day, kept steady for yet another day, but later moved down to a new low of 141.49 on 6th June and at its Wednesday's closing of 14172, the index showed a further net loss of 2.58 over the week, Last week's decline hi equities was caused by moderate bear pressure, lack of any aggressive support and some anxious bull liquidation.

While it is true that the recent slump in world stock markets and continued unsettled conditions on the New York and London stock markets have induced caution here[1], Indian stock markets have enough worries of their own. Deteriorating relations with China and Pakistan, critical foreign exchange position, bottlenecks in transport and power and shortage of certain raw materials all these factors have an important bearing on the outlook for equities, They are not new developments but the market did not much bother about them because until recently bulls appeared to be faring reasonably well. The view is widely shared that the strength in equities despite many unfavourable developments in the economic and political situation had been based mainly on the investors' infatuated belief in capital growth. Time has perhaps come when investors might have to revise their ideas of what constitutes a reasonable price to pay for the chance of capital appreciation.

Last week's decline has brought Vyapar's index extremely close to its year's low of 141.37 recorded in March, A decisive penetration pf this level can have important trend implications. It looks as though the market will not have much difficulty in breaking through this important support point but it is quite likely that the market may take a pause to allow technical forces have their full play before taking a further plunge. A minor rally seems due but one can never be too sure of the minor trend. It would be a strange irony if a strong downward move in the stock market comes about at a time when Shri T T Krishnamachari is included in the Central Cabinet, though still without a portfolio.

Cotton

Futures Steadier

COTTON futures have recovered all the losses suffered in the preceding week. The March contract which had been sold down to Rs 704 on 30th 'May improved quickly to Rs 716.25 on 1st June and after reacting to Rs 709 it rallied to Rs. 715-5,0 by the week-end (6th June). The preceding fall from Rs 734.75 to Rs 704 had been steep enough to warrant a sizable technical recovery. But the renewed strength in futures is in no small measure due to unpromising outlook for large imports of cotton in the near future. Pakistan's decision to supply one lakh bales of cotton under Indo-Pakistan Trade Agreement will be welcomed by all but this quantity along with the 2.25 lakh bales of U S cotton under P L 480 cannot make good the gap between the industry's requirements and available supplies and the shortfall will be reflected in a record low carryover at the end of the current season. It is tempting to blame the weather for all our difficulties but the plain truth is that the combined efforts of the Central and State Governments and of the Indian Central Cotton Committee to increase cotton output over the past several years have foiled to produce significant results. If the disappointingly poor production of cotton has not so far precipitated a serious crisis it is only because of the huge imports over the past three years which became possible mainly because of U S assistance under P L 480. But if the 1962-63 crop turns out to be below normal, the cotton textile industry will be faced with an unprecedented crisis because of the unencouraging import outlook. To emphasise the difficult supply position of cotton is to state the obvious. Cotton production will need to be tackled on a war footing if the industry is to be supplied with all the cotton it needs to fulfil the Plan target for cloth.

Marketwise there is not much to report on the week's development. Business in futures continues to be extremely poor and activity is unlikely to develop until traders get some idea of the monsoon. Conditions in the spot cotton market remain dull though activity has picked up a little recently after the announcement of the details about the import of U S cotton. Export interest in Bengal Deshi continues to be poor and there still remains a substantial quantity to be sold out of the 70,000-bali-' quota. The quantity earmarked for sale to Yugoslavia has. however, been sold out. All eyes- at present are on the weather on which depends the future of the trade because it is the weather which holds key to the crop outlook.

Oilsreds

Groundnut Up, Castor Down

EXCEPTING castor futures which showed further marked weakness and declined to a new low for the season, oilseeds futures displayed a distinctly steadier tendency and recorded fair gains over the week. Groundnut July which had been marked down to Rs 201 on 30th May rose sharply to Rs 209.25 on 1st June and after moving irregularly lower to Rs 204.12 by the 4th the contract was up again at Rs 208 on 6th June, showing a net gain of Rs 3 37 per 250 kgs over the week. Linseed June shot up from Rs 38.31 to Rs 39.31 per 50 kgs and cottonseed July improved from Rs 96 to Rs 98 per 250 kgs. But castor June declined sharply from Rs 162 to Rs 155 though the week-end closing was better at Rs 158. The September contract fared better. After an early rally from Rs 161.25 to Rs 163 25 castor September declined to Rs 158.50 but recovered to Rs 161.75 by the week-end.

Technical considerations apart, the recovery in groundnuts was helped by persistent reports that the State Trading Corporation was planning to export about one lakh tons of groundnut oil. If the Corporation could really sell such a large quantity of oil it could bring about a distinct change in the outlook for groundnuts because of the consequent reduction in the carry-over stocks at the end of the season. Whether or not the S T C will succeed in effecting large sales remains to he seen but talks of export have already induced an easier tendency in the U K market where the quotation for groundnut oil has declined from £ 104 to around £ 91 over the past few weeks. Indian groundnut oil is quoted about £ 45 higher than the U K parity. The disparity between Indian and U K pricey in reject of linseed oil is much smaller around & 20 per ton arid it would be much better if the Government were to explore the prospects of selling linseed oil instead of groundnut oil. The export of linseed oil will earn larger foreign exchange — linseed oil is quoted higher than groundnut oil — without affecting the overall supply of edible oils in the country. And what is more, the Indian consumer prefers groundnut oil to linseed oil. The supply position of linseed oil is not more uncomfortable than that of groundnut oil. The setback in castor futures, particularly in the maturing contract, was attributed to sizable bull liquidation and some bear pressure induced presumably by the continued disappointing export performance of castor oil.

Export Performance

Export houses did not report any important fresh business during the week. Sale in castor oil did not exceed a few hundred tons and the prices realised were poor around £110 per ton for Commercial. The U K was mentioned as the only buyer. Groundnut II P S did not attract much attention and total sales against the 20,000-ton quota are placed between 1500 and 3.000 tons. The Government has, released 5,000-ton quota for groundnut in shells. The export outlook is not encouraging but the quantity allowed to be exported in shells is small and the quota might not take very lemg to be utilised. Groundnut extraction.? continued to be out of favour, with the U K buyers keeping off the market in the hope of cheaper offerings from India. While the quotations for June and July shipments held steady around the previous week's levels, the U K buyers were able to force shippers of afloat parcels to accept very low prices around £ 29-15 per ton. Not long ago, afloat goods bad fetched as much as £ 37 per ton. Unconfirmed reports indicated that the State Trading Corporation had sold about 1500 tons of linseed oil last week.

<u>*Company Notes*</u>

Bombay State Financial Corporation

AN indication of the rapid growth of industrial activity in the State of Maharashtra is provided by the large amount of loans sought and obtained from the Bombay State Financial Corporation during the year ended March 31, 1962. Out of 597 applications for a total loan of Rs 644.39 lakhs received during the year, the corporation has sanctioned loans aggregating Rs 179.24 lakhs to 185 applicants. The actual disbursements amounted to Rs 135.48 lakhs, the largest sum disbursed during any year since the inception of the Corporation. It represents an increase of Rs 52.53 lakhs over the sum disbursed in the previous year. In 1960-61 the amount of loan sought for was Rs 285.80 lakhs and that sanctioned was Rs 176.18 lakhs.

The total loans sanctioned from the inception of the Corporation in 1953 amount to Rs 829.45 lakhs, out of which the amount disbursed so far comes to Rs 462.87 lakhs, representing 71 per cent of the total effective commitments of Rs 649.13 lakhs. While the annual repayments of loans have been very small — in 1961-62 they amounted to Rs 33.51 lakhs, in 1960-61 to Rs 26.97 lakhs and total repayments so far to Rs 161.12 lakhs — the growing disbursements have obviously been a strain on the resources of the Corporation, necessitating frequent raising of additional funds. It was only in January last that the Corporation issued bonds of the value of Rs 110 lakhs carrying interest at 4½ per cent and redeemable in 1972. Out of these additional resources, a sum of Rs 60 lakhs has already been utilised for disbursement of loans. The directors observe that, at the present rate of disbursement, it may be necessary for the Corporation to raise further resources shortly.

It may be worthwhile to give here an idea of the resources of the Corporation and their utilisation as on March 31, 1962. The paid-up capital of Rs 200 lakhs is supplemented by bonds issue of Rs 223.51 lakhs. The other liabilities amount to Rs 37.85 lakhs, including subvention received from the State Government for payment of guaranteed dividend at 3½ per cent. The loans and advances and debentures subscribed amount to Rs 302.46 lakhs. Investments stand at Rs 75.40 lakhs and cash balances at Rs 54,98 lakhs. It will thus be *seen* that more than 70 per cent of the paid-up capital and borrowed funds is tied up in loans to industries, while the effective commitments far exceed these resources.

Of the total loans sanctioned so far, Rs 641.48 lakhs represent advances to medium-scale concerns and Rs 184.22 lakhs to small-scale concerns. An industry-wise analysis of loans sanctioned shows that, as in the previous year, chemicals and chemical products have been the main beneficiaries, though the loans sanctioned to these industries in 1961 are far less than in 1960. There has been a substantial increase in assistance to food (other than beverages) manufacturing industry, printing and publishing, rubber products, metal products and basic metals. For the first time since 1955, paper and paper products manufacturing industry has been given loan assistance during the year under review.

The Corporation has earned a profit of Rs 6.09 lakhs against Rs