I have reason to look forward with confidence to a future in which expansion and diversification of production will occupy a significant place. It is a future in which our employees whose unstinted labours in the past have helped us to build this impressive edifice give promise of sustained effort and enthusiasm in the bigger tasks that are round the corner.

I must express on behalf of you all my appreciation of the great work done by the Managing Agents and in particular by Sri B V D Menon, Managing Director, Seshasayee Brothers (Travancore) Private Ltd. who has piloted the Company's affairs with rare skill, dynamism and forbearance in a truly trying year. I must express the Board's appreciation of the splendid work put in by the General Manager, the Supervisory staff and all ranks of technical and administrative personnel during the year.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

AROUND BOMBAY MARKETS

Equities Drift Lower

Wednesday, Morning

DALAL STREET last week was unable to move beyond its previous week-end high recorded on September 22. Apart from the fact that the rise following the announcement of the cease-fire had been rather too steep and the market needed time to consolidate its position, Dalai Street could scarcely be expected to ignore the Prime Minister Shastri's warning that the cease-fire did not necessarily mean the dawn of peace. And as the week progressed, trading sentiment was adversely affected by frequent reports about the violation of cease-fire by the Pakistani armies almost on all the fronts. Equity prices gradually drifted lower and most of the popular counters shed a major portion of their gains immediately following the announcement of agreement on the cease-fire. Century eased from Rs 528.50 to Rs 514. Standard from Rs 371 to Rs 356, Tata Steel from Rs 141.75 to Rs 138.75, Indian Iron from Rs 25.25 to Rs 24.80, National Rayon from Rs 402 to Rs 391. Tata Locomotive from Rs 211.50 to Rs 207, Hindustan Motors from Rs 16,48 to Rs 16.24, Indian Dyestuff from Rs 172 to Rs 162 and Scindia from Rs 13.68 to Rs 13.28 —to mention a few counters.

The extremely uncertain political situation is by no means the stock market's only worry. Not many observers are inclined to expect any major recovery in equity prices even after the effective implementation of the cease-fire. This is because the economic prospect has been blurred by the likely increase in defence outlay. Diversion of scarce resources to defence production is bound to have far reaching effects on the economy which is already under serious strains. As rightly pointed out by the directors of the Reserve Bank of India in their latest annual report the imbalances generated as a result of rapidly mounting expenditures on defence and development in a situation of a relatively slow growth of output and export earnings has caused intense pressures on the price level and the foreign exchange reserves and affected the country's capacity to undertake larger Plan expenditures commensurate with the needs of the economy.

The prospect of raising funds for financing the enhanced defence effort through additional taxation is quite disturbing from the stock market's point of view. Both the Industrial Development Bank and the Reserve Bank have emphasised the need for reviving the capital market. But the question is how can there be any significant revival of the capital market when the economy continues to be under serious strains.

COTTON

Futures at New Peak

THE cotton mill industry has long been complaining about the developing crisis of accumulation of stocks of both cloth and yarn which has now begun to tell on production because quite a number of ill-equipped and inefficient units have been forced to reduce shift working and some dozen-and-a-half mills have had to be closed down. Cloth and yarn output in August, provisionally placed at 420 million yards and 174 million lbs. is substantially down compared to July and cloth production is the lowest for several months, excluding February. Mills are also known to have been running down their stocks of cotton because of the acute financial stringency and fresh purchases have been on a comparatively restricted scale, especially during the past several weeks. Even so, cotton prices have continued to hold remarkably firm — well above their statutory ceilings. Cotton futures last week were bid up to a new all-time high. The March hedge contract — Virnar 27/32" — which had been sold down to Rs 861,50 on September 7 rose to Rs 902 (per quintals) on September 28 which takes it fairly close to its revised ceiling of Rs 936.

In view of the stock accumulation with mills and the continuing slack off-take in the cotton piecegoods market, the spurt in cotton futures to a new all-time high might seem rather intriguing. But the rise in futures reflects essentially the likely deterioration in the supply position of cotton in the current season. The recent dry spell in almost all the cotton producing areas has led to a downward revision of crop estimates and it is widely feared that if the weather does not oblige soon enough the new crop might turn out to be only a little better than in the preceding season. Apart from some damage due to frequent Pakistani air raids, the cotton crop in the Punjab is reported to have been seriously affected by the 'Jassid' disease and against the earlier estimate of about 12.75 lakh bales the crop is currently mentioned around 10 lakh bales. Crop conditions in most other areas are also said to be rather unsatisfactory due to the absence of the much-needed rains towards the end of September. Some anxiety has also been expressed recently about prospects of importing US cotton under PL 480. Cotton is likely to prove to be industry's major problem in the current season.

Cotton consumption during the 11 months of the 1964-65 season -September to July—is placed at 58.64 lakh bales made up of 51,63 lakh bales of indigenous cotton and 7.01 lakh bales of foreign cotton. Consumption in the same period of the previous season amounted to 55.58 lakh bales consisting of 50.02 lakh bales of indigenous cotton and 5.56 lakh bales of foreign cotton. Stocks with mills at the end of July totalled 21.11 lakh bales as against 22.93 lakh bales at the end of May and 20.26 lakh bales at the end of July 1964.