Around Calcutta Markets

Hesitancy Disappearing

Wednesday, Evening

THOSE who deplore the domination of Indian Iron over the Calcutta Stock Exchange will cite recent price movements on Clivc Street. There was heavy selling pressure in Indian Iron in the latter half of last week, Indian Iron cased. It was more than *a* mere coincideuce that, following the easiness in Indian Iron, Clive Street paused for a reconsideration of the market outlook for the second half of the current year. By Tuesday, Indian Iron resumed the. upward trend. So did Clive Street.

'There is another possible explanation for price movements in the last few days. Tor some weeks, Calcutta has been discussing the pros pects of a lower Bank Rate. When India did not follow Britain's example in lowering Bank Rate, it was argued that it could not be lowered *in* this country before the end of the busy season. The slack season is now on. So Clive Street has been talking Bank Rate down. It was anxiously awaiting Reserve Bank returns last Wednesday. As its hopes did not materialise, Clive Street turned hesitant.

On the financial front, there have been developments in recent weeks which provide useful copy-material to financial commentators. There has been appreciable contraction in the volume of currency in circulation in recent weeks. This is not an unusual development at this time of the year. Money borrowed during the busy season is repaid. Bank advances decline. Currency circulation contracts. 'These processes do not necessarily involve money market deflation, and should not, by themselves, cause any worry to stock markets.

Though the Calcutta Stock Exchange seems to have resumed the upward trench it has yet to regain the confidence it evinced until a fortnight ago. 'This is somewhat contrnry to expectations. For, it was being argued until recently that equities would develop strength with the replenishment of resources available to the money and investment mar kcts through the reverse flow of funds from the rural areas to the cities. Contrary to such expectations, equities have shown a tendency to falter with the commencement of the slack season.

'This is not as much due to the fact that Bank Rate has not yet been lowered as to certain wider financial events and then implications. Ample funds have been mopped-up through the National Plan Loan. There is no dearth, of cash resources available to the Government. Shri Chintaman Deshmukh is in a position to implement deficit financing according to his budget schedule. But banking statistics do not indicate any appreciable fall in the Central Government's balances. Does this mean that deficit financing is not being undertaken according to schedule?

One of the main reasons behind the recent stock market boom was the expectation that deficit financing would expand money incomes; that, increased money incomes would encourage savings; that higher savings would induce a greater flow of investment. These reasonings and anticipations will be negatived if the pace of deficit financing is not as quick as assumed in the budget.

It would be unwise to belittle the possible repercussions of the precise nature and course of deficit financing on stock markets. "'Though there will be occasion to analyse these influences as they develop gradually, it is of interest to note that one of the other influences behind the equity boom is behaving up to expectations. As industry's dearness allowance payments are related to living costs, lower food prices have tended to curtail industry's aggregate payments to labour. Current indications are that industry's over-all labour costs would continue to be lower.

Recent behaviour of Jute shares is a rare instance of differences of opinion between am industry and its shareholders. There is not enough confidence in futc shares, though there is much to be enthusiastic about the industry. For one thing, jute manufacturers would not have agreed to work longer hours if they were not optimistic about the outlook. That working hours will be raised from next week, though the export duty remains, indicates that both New Delhi and the industry are agreed that more jute goods can be sold in spite of the export duty.

Argentine is stepping-up her demand for Indian jute goods. Last year's recovery in Jute shares was mainly due to the heavy, unexpected, Argentine demand. In the earlier months of the current year, it was being argued that the Argentine demand would not be repeated. About a month ago, it became known that Argentine was in the Calcutta market for jute goods. It is now known that the Argentine demand will be appreciable this year also.

Jute shares may not be moving up. But jute goods prices are Steady. Immediately after the announcement of IJMA's decision to increase working hours, jute goods suffered a decline in prices. But the set-back was short-lived. Jute goods began to recover the lost ground as relevant data indicated satisfactory despatches and lower mills' stocks.

Though jute goods remain steady to firm, raw jute prices are still fall ing. Raw jute started falling as it became known that the East Bengal Government had decided to raise-out put. This season's Pakistan crop is estimated at six million bales; the Indian crop is not likely to exceed four million bales. Some private estimates indicate that the total available crop may not exceed 9.8 million bales. Even without the recent decision to work longer hours, the demand was estimated at 9,5 million bales.

With the longer working hours, the carry-over at the end of this season may not be more than normal trade requirements. Yet, Assam Buttons, the basis for the raw jute futures market, are daily registering declines. Raw jute prices are now well below the parity levels indicated by the Jute Inquiry Commission. Be that as it may, the price spread in favour of jute goods suggests that the spinner's margin is in favour of the industry. 'These are customarily regarded as constructive pointers for the shares of the industry concerned.

In a stock market boom, can any group of shares remain neglected? It was on some such ground that Coal shares began to steady-up about a month ago. 'There was some buying of Coal shares a fortnight ago on reports that Britain was likely to import coal from India. Some decades ago, it is now being recalled, India was actually carrying coal to New Castle. Investors do not seem to be enthused, however, with recent newspaper reports of possible purchases of Indian coal bv Britain

Company Notes

Hind Cycles

THOUGH the sales of Hind Cycles Ltd for the year ended December 31, 1953 increased to Rs 1.42' crores from Rs 1.07 crores in 1952, net profits show a decline from Rs 3.70 lakhs to Rs 3.33 lakhs. This was mainly due to the steep rise in the sales and manufacturing expenses to Rs 13.1 lakhs (Rs 8.61 lakhs) and establishment expenses to Rs 1.38 lakhs (Rs 84 lakhs) despite the fall in production from 1,30,000 bicycles to 1,20,000, *ie,* by 7½ per cent, The Company's contribution to Provident Fund and Employees' State Insurance has also increased to Rs 2.34 lakhs (Rs 1.47 lakhs). Consequently provision for depreciation this year has been reduced from Rs 7.80 lakhs to Rs 6.09 lakhs and that for taxation from Rs 2.82 lakhs to Rs 2.56 lakhs. The total depreciation funds stand at Rs 47.40 lakhs against a gross block of Rs 70.51 lakhs. On shareholders' funds the Company has earned a little over 4 per cent which is rather low.

In the more industrially advanced countries a cycle manufacturing concern usually does not manufacture all the parts hut gets its supplies of the components from other manufacturing units, planned and designed to produce only those parts on a mass scale. A cycle consists of more than 200 parts and the Hind Cycles Ltd, the biggest unit in India, manufactures today all those parts, including free wheels and chains, under one roof and the only component now being imported is bicycle spokes.

The Company has an invaluable asset in a satisfied labour force, with no man in the factory getting less than Rs 4-4 per day. The highest paid worker gets Rs 17 per day in the Polishing Department, the lowest being in the Automat Department. It is thus interesting to note that Hind Cycles daily paid workers have the highest annual earnings in India and it is a revelation that some daily wage labourers pay even income-tax.

The Company has an installed capacity to manufacture 1,50.000 bicycles in a year. The other three manufacturers in India have a total capacity of 1,70,000, but they turn out only about one lakh cycles per year. The estimated consumption of bicycles in India is four lakhs and the Company has a production programme of manufacturing practically half of the total consumption. Today the total number of cycles used in the country is about 22 lakhs out of which Hind cycles number over 7 lakhs. One out of every three cycles on the road is thus a " Hind ".

With the improvement in roads in our country the Company hay a bright future.

Before 1939, we imported bicycles worth Rs 50 lakhs and spare parts worth Rs 60 lakhs, making up a total of 1.5 lakh bicycles. In 1947-48 imports rose to 2.5 lakh bicycles costing Rs 2.5 crores. In 1946 the number of bicycles manufactured in the country was 50,650; in 1951 it lose to 1.13,500 and today the figure stands at 2,25,000 cycles. Thus the rise in Bicycle Industry has helped in conserving and forthfying our for-eign exchange reserves. The Tariff Commission has completed its enquiry on Protection to Bicycle Industry and its decision is anxiously awaited.

The Company has maintained a dividend of Rs 8 on its Rs 100 Ordinary share which has improved from Rs 117 to Rs 130. The report is sumptuously illustrated and very well produced. There is one omission, however. In the Profit & Loss Account, figures for the previous year are not given. It would facilitate easy reference, and evaluation of the Company's progress it the practice of giving comparative figures is followed,

British India General

THE British India General Insuranre Company's accounts for the year 1953 show continued progress. With a paid-up capital of Rs 20 lakhs, the Reserve Funds amount to Rs 1.25 crores. The shareholders' reserves have improved to Rs 20.78 lakhs from Rs 19.35 lakhs in 1952. The total investments are Rs 52.55 lakhs in the General Account and Rs 56.43 lakhs in the Life Accounts. The book values of Investments are in the aggregate above the market prices as at December 31, 1953, though investments show a depreciation at Rs 9.76 lakhs for which there is an adequate reserve of Rs 10 lakhs.

The dividend is maintained at Re 1 per share of Rs 50 (Rs 10 paid-up) and the current price of the share is Rs 13-8.

Industrial & Prudential

THE Industrial & Prudential Assurance Co showed an all round improvement during the year 1953. The new business completed during the year amounted to Rs 3 crores as against Rs 2.54 crores in the previous year. The Life Insurance "Fund increased from Rs 5.83 crores to Rs 6.40 crores. The investments amount to Rs 5.10 crores fat cost) showing a depreciation of Rs 36.64 lakhs which is fully covered by the Reserve for' Depreciation on Investments .which stands at Rs 46.32 lakhs. Of the investments, those in Government and Approved Securities amount, to Rs 3.17 crores.

The expenses of management amounted to 25.8 per cent of the premium income for the year as against 23.9 per cent in the previous year. The renewal expenses ratio was 14.8 per cent.

The improved results have been reflected in a higher distribution of dividend at Rs 2 against Re 1-4 in 1952 on Rs 6 share which is now quoted at Rs 42. The results of the year can be considered satisfactory and are likely to improve in future.

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Further Rise in Silver

SHEIKH MEMON STREET lacked animation last week. The general tone was steadier due to short covering and professional support on reactions. Interest was mainly in silver which recorded a further sizable improvement although the best levels could not be sustained. Gold was dull but quite steady.

Alter rising from Rs 152.14 silver " Asharh " delivery moved irregularly lower to Rs 153-6 but recovered quickly to Rs 1 55.10 *un* Wednesday, Later it receded on profit-taking to Rs 154.2 and ended at Rs 1 54.11 on Thursday. Sentiment in silver was helped by reduced arrivals of " kutchu" metal from up-country centres. The trading pattern of silver suggested that some professional bulls are trying to accumulate ' long ' positions when the off-take is still slack and outside public buying is not aggressive enough to push up prices. After easing from Rs 84-9 to Rs 83-6 gold " Asharh " delivery moved irregularly higher to Rs 84-13 and ended at Rs 84-7½ on Thursday. Heavy backwardation charges induced short covering.