Around Bombay Markets

Patchy Performance

Thursday, Morning:

DALAL Street's performance last week was rather patchy. Business was moderate and interest continued to be selective. Though a few select counters pushed their way into new high ground in the recent recovery phase, the market as a whole did not seem to he making much headway. There was enough in the week's news to cheer the market and it might indeed have given a hotter account of itself but for the sagging tendency in Cotton Mill shares. Carry forward charges on Friday indicated that lite technical position of the market was quite healthy. The announcement of higher steel retention prices, relaxation of credit control measures and the How of encouraging corporate news imparled strength to the market but the Commerce and Industry Minister's warning of control and rationing if cloth prices did not decline appreciably had a restraining effect on the general sentiment.

The uncertainty about steel retention prices is over but the increase of Rs 1.85 per ton has not pleased the market. The increase which has been allowed under the escalator clause is less than what had been generally anticipated. In the case of Tata Steel Company a sum of Rs 2.22 per Ion is to be credited to the development fund and the balance of Rs 2.63 per ton is available for profit purposes. On a production of 45.58 lakh tons during 1955-5ft to 1959-60 this works nut to Rs 1.29 erores. The Company had already taken credit for Its 1.25 crores in the accounts for 1959-60. But it has been obliged to draw Rs 4.50 crores from its reserves in the past two years for paying dividends. That explains why Tata Steel shares have responded to the announcement of higher retention prices by a small setback. The relative strength in Indian Iron shares reflects the Company's encouraging working results last year.

Textile shares have continued to be subdued because of the unencouraging advices from the cotton piecegoods market. Off-take remains poor and stocks are gradually accumulating with the mills thereby imposing a considerable financial burden on them, Shri Lai Bahadur Shastri has threatened the industry with control and rationing if cloth prices are not brought down further. And if cloth prices decline without a reduction in costs, industry's profit margin will be squeezed. That is why there is little inclination on the part of speculators to support Textile Shares at around their current levels even when the general undertone of the market seems distinctly steadier.

BRIGHT SPOTS

National Rayon. Teleo, Hindustan Motors, Tata Chemicals, Scindia. Belapur Sugar and Asian Cables were the outstanding bright spots last week. Hindustan Motors and Belapur Sugar have stepped up their dividends: Hindustan Motors from 50 nP net to 90 nP gross and Belapur from Rs 21 gross to Rs 29 gross. Tata Chemicals steadied after the chairman's annual speech which held out the promise of better results in the current year. Asian Cables were bid up following reports that the company had big expansion plans on hand and that it would raise fresh capital through a Bight issue at par. Scindia were concerned in influential buying. Probably the forthcoming dividend will not be as bad as has been widely feared. That the working results of the company in 1959-60 will be poor is taken for granted. The marked strength in National Rayon and Telco is attributable chiefly to strong and persistent professional support.

Cash shares maintained a steady lone with small business. Sellers were reserved but buyers too were cautious. Bank shares have been receiving some attention of late on the argument that bank profits will benefit considerably from dear money policy and the low level of deposit rates. Insurance and Electric shares remain out of favour. The Gilt-edged market is dull and subdued and with the busy season in progress Government Securities are unlikely to develop a steadier tendency

Oilseeds

MARGINS TIGHTENED

THE Forward Markets Commission has followed up its recent warning to the oilseeds trade against unhealthy speculative activity, evasion of margins and option trading with action. Margins haw been tightened and to cheek evasion of margins certain changes haw been introduced in the form of returns of business which the members are called upon to submit to the exchange. The rates of margin have been increased considerably in groundnut and groundnut oil, Castorseed, which bad hitherto been exempted, have also been brought under margin. And new lines of margin have been introduced in rapeseed and mustard seed futures.

In respect of groundnut futures in Hombay. the rates of special margins of Rs 20 and Rs 60 per 250 kilos payable by longss when the closing price is above Rs 187 and Rs 212 have been raised to Rs 40 and Rs 100 respectively. Further, whenever the price rises above Hs 212 the margin payable by members holding a long position in excess of 1.250 metric tons has been fixed at Rs 150 per 250 kilos. The rate of margin during the delivery period will be Rs 212 irrespective of the quantum of business. These margins apply equally to transactions in transferable spec!fie delivery contracts. Similar margins have been introduced in groundnut and groundnut oil in the other recognised markets. A special margin of Rs 20 per 250 kilos has been introduced for the first time this season in castor futures when the closing rate rises above Rs 187. A free limit of 75 metric tons or 300 candies is permitted to those members whose total long' interest does not exceed 125 metric tons or 500 candies.

The tightening of margins did not have any noticeable effect on the course of prices. Groundnut, castor and linseed closed virtually unchanged over the week. Only cottonseed suffered a setback but that was merely because of the fall in the cotton futures. Fluctuations were irregular and speculative interest centred mainly on castor because while the margin in groundnut has been doubled, castor are still below the margin line. Groundnut futures moved between Rs 211.75 and Rs

208.75 and closed at Rs 209 against Rs 208.75 a week ago. After easing from Rs 176.87 to Rs 176.12 castor May rose to Rs 178.12 but reacted to Rs 176.25 and wound up the week at Rs 177. Linseed May drifted idly between Rs 33.75 and Rs 33.56. Cottonseed February eased from Rs 90.50 to Rs 87.50.'

Margin, no matter how heavy it is, cannot materially alter the course of prices. It is hard to believe that the continued strength in groundnut had been due largely to excessive speculation. The fact is that the supply position is not quite comfortable while the Government would like to push exports. The poor carryover has added to the current difficulties because arrivals arc being readily absorbed. The increasing tempo of arrivals will probably make its influence felt on the market during the next few weeks but the setback that might materialise may not be heavy. In any case the decline in prices is unlikely to last long. Sentiment last week was helped by the heavy rains in the South which a fleeted arrivals.

OIL EXPORT POLICY

The trade is still awaiting the Government's decision on the tenders for the export of groundnut oil. Gan it be that the Government has been advised by the F M C chief not to release any oil for export until the crop movement has gathered sullieient momentum? Not unlikely. Informed sources believe that the Government will not allow more than one ton of copra or palm oil to be imported against one ton of groundnut oil. All tenders up to this quantity will be accepted and the trade will be allowed to negotiate further business on this basis. Pros fleets of large business in groundnut oil do not seem encouraging because the disparity between Indian and world prices is very wide.

Exporters reported satisfactory business with the U K and the Gontinent in groundnut extractions last week. The U K paid up to £28-10 for November shipment but offered only £27 for January-March positions. Sales in groundnut H P S were estimated around 1,500 tons, with Hold fetching around £86 per Ion. The trade has requested the Government to extend the shipment period up to March, the present quotas being valid only up to the end of December. Sales against the present quota of nearly 35,000 tons are estimated around 15,000 tons.

Export business in castor oil continues to be almost at a standstill. This is due as much to poor overseas inquiries as to the difficulty of negotiating business on account of the tight supply position here. The U K quotations were reported around £ 120 for Commercial and £ 127-10 for B S S. The U S was mentioned as a buyer of Commercial at around 15 cents a pound. Linseed oil held steady on satisfactory local demand. Overseas buyers quoted only £ 104 per ton against the Indian parity of about £ 120. The Government would do well to consider the extension of the incentive scheme for groundnut oil to the export of linseed oil. The disparity in the case of linseed oil is much smaller than in groundnut oil and there is also an exportable surplus in linseed oil.

Cotton

SHARP DECLINE

COTTON futures which had been bid up to Its 612.25 per 3 qunitals-ther highest rale touched so far......on .November 0 were sold down to Rs 586.75 on November 16. The contract had recorded its loest rate of Rs 505.50 on October 18. the first day of official trading. Technical considerations alone could not have produced last week's sharp decline. Many factors combined to impart a bearish feeling to the market which had become technically vulnerable because of the heavy short covering in the preceding week. Arrivals have been picking' up gradually. Mill consumption of Indian cotton in September at 289.311 bales is a record low for a long time. the cotton piecegoods market has continued to be subdued since long and now Shri Lal Bahadur Shaslii has warned the industry about "control- ami rationing' if cloth prices did not go down further. Rut above all Sentiment last week was unsettled by the Indian Cotton Mills' Federation's move to acquire slocks of cotton which the Textile Commissioner might requisition for the industry.

The tempo of arrivals is gathering momentum and it has begun to have its inevitable effect on the market. Cotton prices have suffered a sizable setback in upconntry markets, Unofficial premiums are reported to have virtually disappeared. Rengal Deshi, however, is still quoted at a premium because of good export prospects. The trade seems upset by the Indian Cotton Mills' Federation's move to acquire stocks and distribute them to the mills as and when they need the cotton. The trades anxiety is understandable because the Federation's scheme will cause displacement of the regulai trade channels. But it will have to be conceded that the trade cannot enjoy much freedom when prices keep above the ceiling. The need for requisition will automatically disappear when prices decline and stay well below the ceiling rates.

There are reasons to think that cotton prices this season will keep well below the ceiling rates. The 1960-01. crop is good around 50 lakh bales. Imports will continue to be large and these will include cotton stapling one inch and below. With the Government determined to bring down cloth prices, industry would not like to oner very high prices for cotton. But ready cotton prices will decline appreciably only when the market comes under the pressure of heavy arrivals. This will come about some time toward the end of December. Despite the satisfactory flow of arrivals stocks with the trade and industry are still very limited.

Bullion

PRICES RECEDE

TRADING in bullion was quite a dull affair. Prices gradually drifted lower due more to lack of fresh support than to any important selling. Both gold and silver showed moderate losses over the week and Wednesday's closing prices were only a little above the week's lowest. Offtake was generally poor, particularly of gold. Arrivals continued to be on the high side. Spot gold was quoted at a discount of about a rupee on the Magsar delivery rate. In silver the discount ranged between Rs 1.70 and Rs 1.60.

After drifting idly between Rs 116.65 and Rs 116.30 for some time gold Magasar delivery declined to Rs 115.40 on tired bull liquidation and some bear pressure induced by reports of Increased smuggling activity. Later it steadied a little on scattered short covering. Silver Magsar delivery moved erratically between Rs 197.30 and Rs 196.30 and showed a net loss of a rupee over the week. Sellers were seldom aggressive but enthusiasm to follow the rise was lacking though upcountry advices were generally steady.

Company Notes

Indian Steamship

LIKE other shipping companies, India Steam's working during 1959-60 has been severely affected by the slump in world freight markets. The profit of Rs 61 lakhs in the previous year has been converted into a loss of Rs 43 lakhs. The dividend of 10 per rent gross against 10 per tent *net* in the previous year has been paid out of reserves. Withdrawals from dividend equalisation fund in the two consecutive years have reduced it to Rs 5 lakhs from Rs 52 lakhs in 1958. Last vear, however, there was a transfer of Rs 66 lakhs, the entire profit of the year, to development reserve. This year it has not been possible to make any allocation to this reserve. Inspite of these adverse factors, freight earned has increased from Rs 804 lakhs to Rs 839 lakhs, and Rs 4 crores has been spent on expansion of gross block.

The speech of the Chairman, Sir Ramaswamv Mudaliar, circulated along with the Directors' Report gives a lucid analysis of the factors that have resulted in a substantial loss. Sir Ramaswamv has drawn attention to the large number of abuses that have crept into overseas trade. While reduced freight rates have affected all shipping companies. India Steam has suffered in addition from unhealthy and unfair competition from some liner companies which are fellow-members in conferences. Along with Scindias, the company has suggested the allocation of the total freight earnings of all shipping lines of Conferences in certain proportions over a term of years, providing at the same time for the growth and development of the fleets of underdeveloped countries. Sir Ramaswamv has expressed his awareness of the disadvantages of this arrangement, but considers that this arrangement alone could minimise unfair practises. If no agreement on these lines is arrived at "very shortly", Indian shipping lines would be prepared to adopt other measures in consultation with the Government of India to secure their rights.

Sir Ramaswamv does not believe that the future of international shipping is one of unrelieved gloom. He looks forward to a less anxious future, provided adequate assistance is received from Government and chartering policy is put on a very satisfactory basis.

Orient Paper

SALES of Orient Paper during the year ended March 31, 1960 fetched Rs 676 lakhs against Rs 600 lakhs in the previous year. Gross profit margin went up to 23 from 21 per cent. Net profit at Rs 72 lakhs represents 9.5 per cent on eapilal invested and 14 per cent on net worth, practically the same as in the previous year. As a proportion of share capital, however, net profit has risen to 25.5 per cent from 23 per cent. (These ratios, unlike those published in the issue of November 5. p 1611, are based on the concepts explained in issue of September 12. 1959. p 1278). Net earning per equity shares has gone up from Rs 1.05 [o Rs 4.16. Dividend has been raised from Rs 1.50 net to Rs 2.25 gross. Out of the net profit of Rs. 72 lakhs, Rs 40 lakhs has been distributed and Rs 32 lakhs retained in business. Gross fixed capital formation during the year amounted to Rs 36 lakhs.

This improvement in results has been achieved in spite of a further rise in production costs, most of which lias been absorbed by greater working efficiency and increased production. The licenced capacity of the paper mill to be set up at Amlai has been increased from 100 to 150 tons per day. The company has applied to the Export-Import Bank for a loan to cover the foreign exchange cost of the project.

Of the company's four subsidiaries, Air Conditioning Corporation has emerged out of the red but its accumulated losses still aggregate Rs 22 lakhs. Its operations were adversely affected by import restrictions but production of room conditioners, the lower fans and water coob ers registered a small increase. Schemes for a range of new products are in various stages of planning and manufacture. The company has decided to set up, a new venture. Industrial and Scientific Development Corporation; to deal with more advanced fields of science and technology including electronic and nuclear energy development.

Another subsidiary, Orient General Industries, earned Rs 166 lakhs from sales against Rs 200 lakhs in the previous year, but its net profit declined from Rs 8 lakhs to Rs 2 lakhs. Its balance sheet shows fixed asets after a long time.

The third subsidiary, Hindustan Cellulose and Paper, continues to act as an investment company with sizable holdings. The accounts of Mofolite, the fourth subsidiary, show some activity for the first time.

National Cables

AN agreement with the representatives of workers and bringing into operation of expanded plant have enabled National Insulated Cables to expand its sales during the year ended March 31. I960 to Rs 349 lakhs from Rs 192 lakhs. In spite of the emergence of competition, gross profit margin has remained practically constant at 24 *per* cent. Net profit has increased more than 2½ times to Rs 41 lakhs. Earning on capital invested and net worth lias doubled to 12 per cent and 20 per cent, respectively. Net earning per equity share has increased substantially from Rs 2.64 to Rs 4.58. Net distribution, however, has been reduced from Rs 2 to Rs 1.75, Out of the total net profit of Rs 41 lakhs, Rs 19 lakhs has been retained in business.

The company has manufactured grooved copper contact wires required for electric traction for the first time in India. Though the demand for such wire is at its peak now, the capacity of the company's plant is still not fully utilised. The demand for ACSR continue? to be slack. The company has in hand a further expansion programme for increasing the manufacture of existing products as also for making armoured cables for railway signalling and other purposes. This expansion is expected to lake place during the current year.

The rights issue of 3 lakh ordinary shares during the year was fully subscribed.

Tata Chemicals

GALES of Tata Chemicals during the year ended June 30, I960 fetched Rs 341 lakhs, the same as in the previous year, but gross profit *-margin on* them declined from 17 to less than 13 per cent. Net earnings have come down from Rs 31 lakhs to Rs 26 lakhs. Consequently, earning on capital invested has declined from 6 to 4 per cent and on net worth from 9 to 7 per cent. Net earning per equity share has similarly dropped from Rs 1.07 to Rs 0.87 and dividend has been cut rather drastically from 75 nP *net* to 60 nP gross. Even the lower rate of distribution has necessitated a small withdrawal from reserves.

The directors attribute the adverse results to the interference in normal operations caused by expansion programmes, the reduction in prices of soda ash and caustic soda on the recommendation of the Tariff Commission, heavy rains, higher cost of salt due to lower production, higher jnterest charges and increased dearness allowances to workers.

Approximately 40 per cent of the equipment for soda ash production was installed and commissioned during the year. The major units installed included the new brine refinery, the new ammonia still and the steam tube drier. The drier is the largest of its kind in India and is capable of calcining 300 Ions of soda ash per day. In the agro-chemicals division, the production of BHC increased by more than 20 per cent. A plant for the manufacture of a new pesticide. Lindane, will be set up shortly.

[The Translation Problem|

(Continued from page 1686)

It is clear that in sectors for which $(1 - \beta_j^i) f_j^i$ is negligible compared to β_j^i, the resources will be approximately equal to the profit or surplus accruing to the corporate bodies, but in sectors where $(1 - \beta_j^i) f_j^i$ is non-negligible compared to β_j^i, *the* plan resources will not be even approximately equal to the surplus accruing to the corporate part of the sector. In India there arc quite a few sectors (e.g. Agriculture, Small Scale Industries, unorganised Trade, Transport and Services) wherein corporate organisations are yet undeveloped and in these sectors, from the plan resources point of view, the position of the surplus is as yet of not very great, importance. It is quite clear from the above that if the iteration process described above is to be practicable, it should be possible to calculate β_j^i and f_j^i for the alternative Combinations T^j forthe different.sectors j 1, 2, .. N.