Around Bombay Markets

Dalal Street Is Still Unsteady

Thursday, Morning

THE uncertainty about TISCO's dividend is over, and happily too. For the dividend has not only been maintained at Rs 7.25 a share, net, the bonus element of 45 nP a share has been merged with the dividend which suggests that the shareholders can now look forward to a minimum of Rs 7.25 a share next year as well. Those who had been predicting a cut in the dividend because of the disappointing increase in steel retention prices are now revising their ideas about the basic outlook for Tata Steel shares. Tata Steel which had been hammered down to Rs 129 on 26th September — record low for many years — were up again to Rs 141.50 on 5th October and they are still fairly steady around Rs 137 despite the pronounced weakness in the rest of the market. The performance might have been still better if tired bulls had not chosen to lighten their rather unwieldy positions.

While TISCO's dividend has checked the rot in Steel shares which followed the announcement of a disappointing increase in retention prices, the general market sentiment continues to remain unsettled. Confidence in higher levels is completely lacking and bears continue to dominate the scene. Vyapar's equity share index which had reluctantly moved up from 129.04 on 26th September to 133.97 by the 5th October was down again at 129.49 on the 9th. Scarcity of offerings and modest short covering helped the index to rally to 131.42 the next day but the closing was lower at 130.70, showing a net loss of 1.15 over the week.

Corporate News Disappoints

Except for Nepal's unfriendly remarks about India, there was little in the political news to disturb the market. The situation across the northern borders, which has made the stock market tremble at times- has been quiet for some days. But the corporate news that poured in last week was far from encouraging. Tata Chemicals, for instance, has maintained the dividend at 6.5 per cent but its profit is sharply down from Rs 34 lakhs to Rs 16.94 lakhs. Bombay Burmah, too, has not done so well as in the preceding year with its gross profit declining from Rs 1.48 crores to Rs 1.34 crores. The disappointing results of Rohtas Industries have forced the management to cut the dividend. And New Central Jute which paid 15 per cent less tax, in 1960-61 has skipped the dividend. Instances can be multiplied. Little wonder therelore that bears continue to command the market. Rears have not been slow to exploit the news that Bombay's 60-odd textile mills will have to pay Rs 10.75 crores as bonus to the workers for three years, 1959 to 1961. Though this amount is in excess of the industry's offer of Rs 7.5 crores, the industry, it appears, had been fully prepared to pay the amount that has now been agreed upon. Not only that, most mills are said to have already made provisions for bonus in one form or another in the annual accounts for the stipulated period. The general view is that industrial peace has been secured without having had to pay very dearly for it.

Notwithstanding the huge decline in equity prices from the May high levels, there is no knowing yet that the downward movement has spent all its force. The bear is still the king, and having done very well in the past few months he can afford to take risks. But the duration and the amplitude of the recent decline held out the prospect of an early technical recovery. The market is now very close to its 1961 low.

Cotton

Controversy over Marketing

COTTON continue to make news mainly because of the fierce controversy over the marketing policy for the new crop. Despite protracted negotiations, the trade and industry have been unable to evolve a mutually agreed scheme which, while ensuring the industry regular supplies of raw cotton within the ceiling prices, would not seriously restrict the freedom of the trade. The Textile Commissioner is now reported to have informed the Cotton Advisory Board meeting on 10th October that he would go ahead with his own scheme — in reality, it incorporates almost all the points suggested by the Indian Cotton Mills' Federation — of cotton distribution to mills through the appointment of supervisors. While mills will be allowed to make their purchases of Indian cotton in the usual manner — through normal trade channels, no delivery of cotton can be made to mills unless the price and the quality are approved by the supervisors who will be appointed by the Textile Commissioner on the recommendation of a joint committee of the Indian Cotton Mills' Federation and the Fast India Cotton Association.

Indian cotton quotas will be given to mills on the basis of their consumption of Indian and foreign 'B' cotton in 1960-61 season and the quotas will be released in suitable percentages from time to time so as to reduce the pressure on available supplies. There will be a general limit on physical stocks held by mills, averaging three months' consumption during 1961-62; the limit may be extended up to four months' consumption in the case of deserving up-country mills. Mills will be permitted to make direct payment to the sellers of cotton to the extent of 924 per cent. The balance will have to be collected by the sellers through the supervisors who will satisfy themselves whether a lot has been correctly sampled, certified and is in accordance with the mills' quota.

Only very deserving mills will be allowed to have ginning of 'kapas' done in their own factories or in the factories taken on lease. In such cases, where permission is given, it is necessary that samples are drawu by the supervisors before the full bales of loose cotton leave the ginning factories for consumption by mills. The supervisors will check whether the price paid by the mill for 'kapas' corresponds to the price fixed for the cotton on the samples submitted to the zonal committee or to Ad Hoc committee as the case may be. If the price paid by the mill for 'kapas' turns out to be higher than the price warranted by the Textile Commissioner's maximum price for lint, the cotton is liable to be requisitioned.

Comfortable Supply

The trade is strongly opposed to the scheme of cotton distribution through the supervisors and the representative from Vidarbha, Khandesh. Marathwada, Madhya Pradesh and Gujarat who are now in Bombay to attend the cotton conference to be held on 12th October have threatened with the closure of markets in their respective centres if the scheme is put through. The trade feels that the scheme could be easily postponed until about the middle of November in view of the favourable crop reports and en couraging prospects of imports.

If current market expectations of a crop of 52/53 lakh hales — there are not a few who place the crop around 55 lakh bales — are realised, cotton prices arc likely to keep within the revised ceiling prices which will obviate the need for enforcing the proposed scheme for the marketing of cotton. It is surprising that the Cotton Advisory Board should have taken the import figure for the current season only at 5.75 lakh bales. For import quotas for 2.30 lakh bales have already been released and the U S Government is known to have intimated Mew Delhi about its willingness to supply 6 lakh hales under P L 480. Besides, arrangements are also made for importing about 2 lakh bales under barters. In assessing the supply position account should also be taken of the arrivals against the previous season's quotas which will be around 2.50 lakh bales. Can it be that the Government spokesmen have deliberately avoided giving all the information in respect of import arrangements in order to strengthen the plea for the new marketing policy? No less amazing is the industry's insistence in regard to the immediate full payment for the cotton purchased by mills. Why should the Federation deprive the mills the facility of buying on credit which they have been enjoying all alone;? Downright full payment is bound to cause considerable avoidable financial hardship to most mills.

Marketwise, there is not much to report. Futures moved irregularly in a narrow range and closed almost unchanged over the week. After touching a low of Rs 727.50 on 4th October, the March contract recovered to Rs 734.25 on the 9th but drifted lower again to Rs 728 the next day. Wednesday's closing of Rs 729.50 showed a net loss of a rupee over the week. The generally subdued tone reflects market's expectations of a good crop and encouraging import prospects. Sentiment was also affected by unencouraging reports from the cotton piecegoods market. Offtake of cloth has not improved with the approach of the festive season. Activity in the spot cotton market continues to be resricted due to lack of quotas with mills. Overseas interest in Bengal Deshi remains poor.

<u>Oilseeds</u>

Spurt in Groundnut

OILSEEDS futures last week staged an albround handsome recovery under the groundnut which simply soared. The January contract in groundnut which had been sold down to Rs 218.25 (per 250 kgs) in kerb on 4th October was bid up its high as Rs 228.25 in kerb on 10th October. With the contract rising by more than the weekly permissible range of Rs 5.05, official dealings came to an automatic end on 9th October when the contract touched Rs 225.87. During the same period, castor March recovered from Rs 161.50 to Rs 16-1.75 and linseed March rose from Rs 39.06 to Rs 40 (per 50 kgs). Very little activity was reported in cottonseed futures which hovered around Rs 101.50 (per 250 kgs).

There was nothing in the week's news to cause a sudden spurt in groundnut futures. The rise was brought about mainly by strong bull manipulation. A few prominent operators are known to be carrying a huge 'long' interest in groundnut. Last week they were successful in frightening bears into covering their 'short' positions by talking about crop damage in Saurashtra due to the prolonged dry spell. While early showers would he welcome, few in formed observers give any credence to rumours of damage to the groundnut crop in Saurashtra. Though the weather has not been ideal in all the producing areas, the general view is that the new groundnut crop will be of about the same size as in the previous season.

Scare Unwarranted

While the scare about the damage to the groundnut crop in Saurashtra due to the continued dry spell seems unwarranted, it is difficult to say how the market should behave if the crop turns out to be a normal one. What market men mean by a normal crop is what is expected under generally satisfactory weather conditions; it has nothing to do with the target set under the Plan. Production continues to lag behind the Plan target. But nobody really expects the target to be achieved.

If production does not show any noticeable improvement, it would be quite logical to expect groundnut prices to display a firmer tendency than in the previous season because of steady increase in internal consumption. Government's oil export policy and the encouraging export outlook for groundnut extractions. Groundnut prices are unlikely to fall to around the previous season's lows. This is not to suggest that the new season's low has already been recorded, though it might have been. Quite a good deal will depend on the government's attitude towards the export of groundnut oil. While the market seems to be in a mood to push its way up, bulls will find it difficult to rig up prices in the near-distant future in view of the fairly satisfactory carryover and the How of new crop arrivals after some time. Of course speculators can play havoc with markets at times.

Groundnut extractions continue to hold distinctly firm because of the persistently encouraging overseas demand. Export houses reported further substantial business last week. Poland was mentioned as an important buyer. The U K also took large quantities and paid good prices, about 10 to 15 shillings per ton higher than in the preceding week. The latest quotations were reported around £36-10 for October shipment, £ 36-5 for November, £35-10 for December and £34-5 for January-March shipment. Apart from groundnut extractions, export business put through last week comprised a few hundred tons of linseed cake sold at around £36-15 per ton and some stray deals in castor oil. If castor futures improved last, week from Rs 161.50 to Rs 1-64.75 it was mainly because of the marked strength in groundnut.