Around Bombay Markets

STC's Oil Export Muddle

Wednesday, Morning

ACCORDING to the Estimates Committee's report the State Trading Corporation earned Rs 3.44 crores in foreign exchange from the export of groundnut oil and oilcake, but in the process incurred a heavy loss of Rs 2.13 crores on the overall deal during 1962-63. This loss, it appears, has been arrived at after adjusting profits on imports of certain items. The Committee has flayed the Government for this colossal waste of resources and has called for an immediate inquiry into the transactions and the circumtances leading to the losses. In view of the increasingly important role that the STC is expected to play in the country's trade, it is essential that it conducts its operations in a businesslike manner.

Il is in this context that the Estimates Committee's plea for an inquiry into the Corporation's oil export business gains special significance. If the STC had suffered heavy losses merely because of its wrong assessment of the changing market conditions here and abroad, it would be a different matter. But there are strong reasons to believe that the Corporation did not go about its job in the right manner. An impartial inquiry into the STC's deals is likely to prove quite revealing.

Right when the Corporation got into the oil export business — starting from the purchase of groundnut to actual shipment of oil and oilcake its operations had been severely criticised. And this criticism was by no means based purely on the trade's hostile attitude towards the Government's entry into a sphere of activity which ha4 hitherto been in private hands. Informed circles had pointed out at that time that the Corporation's selection of cooperative societies for purchasing groundnut was far from judicious, particularly from the view-point of location which has an important bearing on the cost of transport. Fantastic prices were said to have been paid for Groundnut, their decortication and for sorting out of HPS groundnut. Charges paid for crushing were also said to be exorbitant and little attention was paid to the yield of oil in seed. And when it came to storage of oil. the Corporation found it necessary to hire drums, in addition to outright purchases, and at times the hiring charges were said to have exceeded the actual cost of drums. Even when the Corporation had got all the groundnut oil it needed, it made a mess of exports. The way it went about seeking assistance of foreign embassies here and India's trade commissioners and consulates abroad for selling groundnut oil (and oilcake) adversely affected overseas prices for Indian oil. Then at times, it entered ino business without securing adequate freight with the result that it was unable to fulfil its commitments for which it had to pay huge losses. On the other hand, there were occasions when it chartered steamers without booking sufficient business. And when it came to the disposal of some 17,000 tonnes of groundnut oil, it took nearly four months to make up its mind and when it did sell it realised a substantially lower price than the contracted rate as the oil was not found to be of the requisite quality: the loss on this account ranged between Rs 400 and Rs 450 per tonne.

The full report of the Estimates Committee is no! available at the time of writing but informed sources say that there are thousands of drums which remain unaccounted for in the Corporation's books and quite a large quantity of groundnut oil also cannot be traced. The Estimates Committee's plea for an inquiry into the State Trading Corporation's transactions will be widely endorsed.

Dull, Steady

Trading in oilseeds futures last week was quite an unexciting affair. Fluctuations were extremely narrow and Tuesday's closing prices showed only fractional variations from the previous week-end levels. Groundnut April moved between Rs 239 and Rs 240.25. July between Rs 236 and Rs 230.87. castor June between Rs 170.87 and Rs 172.62 and linseed June between Rs 41.69 and Rs 41.12 (per 50 kgs). Cottonseed April drifted idly between Rs 103 and Rs 101 most of the time but near the week-end the quotation eased to Rs 99 on bull liquidation because of the approach of the delivery period. Activity in futures has dwindled to negligible proportions because while bears are in no mood to press sales as the supply position is considered to be not-very-comfortable, bulls are reluctant to increase their commitments as prices are fairly close to the prescribed ceilings. Groundnut expellers continued to show a firm tendency though technical considerations induced sizable profit-taking. After recording a further rise from Rs 415 to Rs 422.50, the April contract receded to Rs 415 al the week-end. The July contract was generally quoted about Rs 7 higher than April. Total tenders issued against castor March and linseed March amounted to 725 tonnes and 350 tonnes respectively.

Exporters also had a dull time. Because of the Easter holidays overseas inquiries were limited. Japan was mentioned as the main buyer in groundnut extractions. The U K and the Communist countries evinced very little, interest in the Indian market. Business put through in castor oil was small, around 500 tons and the latest UK prices were mentioned around £ 101 per ton for Commercial grade and & 109 for BSS. Communist countries which in the past have been known to have purchased about 5000/6000 tons of castor oil by this time of the year have been virtually off the market this year. Hardly any business was reported in linseed cake and cottonseed cake during the week.

Cotton

Irregular Trend

WITH speculators content to trade for small differences, cotton futures continued to display a" irregular trend. After a sharp early decline from Rs 748.75 to 737.50. the May contract gradually recover ed to Rs 748.75, reacted quickly to Rs 742.25 and at its Tuesday's closing of Rs 744, it showed a net loss of Rs 3.75 per 8 quintals over the week, In Tuesday's kerb dealings however, the contract was up again at around Rs 747. While bears are reluctant to be aggressive in face of the high level of cotton consumption by mills, the supply position is 'not so tight as to encourage bulls to rig up prices. Of course, the supply and demand equation can be easily disturbed if the import programme is upset. Imports still hold the key to the trend in cotton prices. The tendering differences fixed for the May contract on 31st March ire said to be quite fair. From the market angle they are considered to be bullish.

Activity in the spot market continues to be on a restricted scale as spinners are making their purchases only on a hand-to-mouth basis. Prices have been quietly steady for some time. Export business in Bengal Deshi continues to be virtually at a standstill as the Japanese importers — the main buyers — are inclined to keep off the market unless Indian prices decline to more attractive levels.

Cotton consumption in the first five months of the season — September to January — amounts to 22.8 3 lakh bales of Indian cotton and 2.67 lakh bales of foreign cotton. The corresponding figures for the previous season were 18.63 lakh bales of indigenous cotton and 4.76 lakh bales of foreign cotton. Total consumption comes to 25.50 lakh bales against 23.89 lakh bales, Stocks with mills at the end of January are placed at 14.34 lakh bales of Indian cotton and 1.73 lakh bares of foreign cotton, as against 7.66 lakh bales and 2.15 lakh bales respectively at the end of January 1963, Mills therefore are carrying reasonably large stocks: the January-end figure being the highest for a long time.

Stock Exchange

Still Struggling

DALAL STREET is sill struggling to regain its equipoise. The lowest levels recorded on 20th March have, no doubt, been well held up to now. Rut the rally that has taken place over the past ten days Or so is too feeble to encourage the view that the worst is all over. It could be; and perhaps it is. The market has grown so weak and anaemic that its recovery is bound to be very slow. But outside public — speculators as well as investors—is unlikely to evince much interest in the market unless recovery is firmly established. The outside public has been scared by the continuing slump in the investment market. The cash market is really in very bad shape. The spurt in capital issues during the quarter ended March 1964 when new issues (initial and rights) by large and medium-sized companies touched an all-time record of Rs 33.7 crores does not indicate a marked revival of confidence in the investment market. Response to many of the issues has been very poor and the underwriters have had to take up substantial portion of the new issues. It is hardly necessary to add that quite a large number of issues made in the recent past are quoted at a discount.

There was a time when the menmention of L I C buying would cause a big flutter in the market. But in the past few weeks. L I C and the Unit Trust are known to have made substantial purchases and they have failed to generate any significant recovery. The rot has, no doubt, been stemmed. It is possible that the market might have given a more encouraging account of itself if certain influential parties had not been keen on keeping the market low because of wealth tax considerations. Most of the big assesses are said to end their financial year with March.

The stock market is in an indecisive mood. Bears have been dominating the scenc since the Budget. Confidence is still at a low ebb. Bulls are unable to pick up much courage in face of the continuing monetary stringency and the high budIa' charges. But market psychology could easily undergo a big change if the Finance Minister offers concessions in respect of the dividend tax and capital gains tax on bonus shares. Institutional purchases over the past few weeks have strengthened the market's technical position because of the steady decline in the floating stocks of some of popular speculative counters.

General Electric Company (USA)

GENERAL Electric Company (USA) will introduce a new combination shaft and turbine drive for boiler feed pumps on two 704, 500-kilowatt steam turbine-generators it is building. It is believed that the combination can well become the accepted boiler feed pump drive for the high capacity turbine-genera tors now demanded by the electricity industry. In comparison with a full-capacity, shaft-driven system, the combination drive entails a lower initial investment and offers an improvement in the net heat rate, the Company says. It is also easily incorporated into station design.

In operation, one full-head, half-capacity pump is driven through a hydraulic coupling from the main turbine-generator shaft. The other full-head, half-capacity pump is driven by a 20,000 horsepower condensing auxiliary turbine. This combination permits both pumps to operate in parallel to supply full head and full flow.

From full load on the main turbine down to about 65 per cent load, feed water flow is maintained through speed control of the auxiliary turbine with the shaft-driven pump wide open. Below 65 per cent, the main turbine load feedwater flow is controlled by the variable-speed hydraulic coupling on the shaft-driven pump.

For plant start-up. another steam source from an existing plant is used to feed the auxiliary turbine. This same steam is also available for steam sealing of the main turbine during start-up or temporary layovers.

The 704, 500-kilowatt generating units, of four-flow, cross-compound, reheat design, are expected to be installed by mid-1966 and spring 1967. They will be the largest steam turbine-generators in the western United States.