The Rally Continues

Wednesday, Morning

DALAL STREET presented a distinctly steadier appearance last week and its overall performance held out the hope that the market might be able to put up a still better showing for quite sometime unless, of course, the political situation deteriorates all too suddenly. Equities have staged an all-round moderate recovery from the previous week's lows and the rise has been quite impressive in certain counters. For instance, National Rayon have mov$d up from Rs 348 to Rs 373, Standard Mills from Rs 385 to Rs 408, Century from Rs 505 to Rs 525, Telco from Rs 221 to Rs 233,50, Voltas from Rs 224 to 234.50, Indian Dyestuff from Rs 170 to Rs 188, A C C from Rs 147 to Rs 150.25, Scindia from Rs 12.80 to Rs 13.40, Tata Steel from Rs 147 to Rs 152.25 and SLM -Maneklal from Rs 102 to Rs 125. While Tata Steel were back again at the year's highest, Amar Dye-Chem made a new high mark last week.

Heavy short covering, scarcity of fresh offerings and renewed selective bull support—all these contributed to the recovery in prices. Turnover also showed a noticeable improvement though activity continued to be entirely professional. There was nothing particularly stimulating in the week's news to bring about a turn in market sentiment. The corporate news was of a mixed nature. The industry's reactions to the Ordinance on bonus and the increase in cement prices were not such as would enthuse the stock market bull.

But one need hardly be surprised by the recent recovery *in* prices, which, in fact; had been overdue. With equity prices drifting lower and lower week after week despite the progressive decline in floating stocks of several scrips as a result of sustained institutional buying, the market's technical position had become vulnerable. It was necessary that the market should take a pause to allow technical forces have their full play. This is exactly what has happened now. It is difficult to say how long the process of technical adjustment which is well underway will continue. Nor is it easy to tell how far the recovery might go. Much will probably depend on the developments in the political situation. Apart from political uncertainties, the market's behaviour has become very unpredictable because of the lack of outside public interest. Being extremely thin, the market responds sharply to small buying and selling.

COTTON

Dull Affair

TRADING in the cotton market throughout last week, particularly in futures, was an extremely dull affair. The August hedge contract hovered around Rs 773—Rs 2 below the ceiling rale—most of the time and it was only near the week-end that it eased a little to Rs 770.50 (per 3 quintals). Total turnover during the week did not exceed a few thousand bates. One really wonders how cotton brokers manage to pass their time. Conditions *in* the spot cotton market were a little better, though it is only the needy mills which figured as buyers from time to time. Because of the accumulation of stocks of both cloth and yarn and acute financial stringency, mills are restricting their purchases to the minimum. Uncertainty about the global import quota has led to increased demand for foreign cottons; mills are picking up available lots of foreign cotton and a fair turnover has been reported in Upland and Supima cottons. Among the indigenous varieties, C02, L 1.47, Laxmi and Kalayan have been receiving fair attention.

The cotton trade seems satisfied with the Indian Cotton Mills' Federation's decision to purchase ISC 67 cotton from Gujarat which had been the subject of controversy for some time. The Federation has already agreed to take up 4,125 bales from the Sabarkantha Ginners. Oilmills and Cotton Merchant's Association and it is willing to purchase another 6,000 Piles provided a firm offer is made on or before June 12. The agreement stipulates that the ISC 67 cotton will not be inferior to Cambodia A. If the cotton offered is above 1-3/32" staple, the price would be the ceiling prescribed for Cambodia A 1-3/32" and if the staple length is 1-3/32" and below, the price will be 5 per cent less within the approximate ceiling price for Cambodia A.

New Delhi had still to make up its mind on the cotton price policy for the next season, *if* prices are to Lave any bearing on production then the price policy should be announced before the commencement of the sowing season. Sowings have already started in the Punjab which is one of the important cotton growing States in the country. May be, New Delhi thinks that it does not have to bother much about cotton growers in the Punjab as Bengal Deshi has been fetching quite fancy prices throughout the current season.

OILSEEDS

Hesitant Tendency

THE oilseeds market had a rather dull time last week. The turnover in futures was restricted because of the margin considerations and the bulk of business was in the nature of switching over of positions from the nearby June to the distant September contract. There was a considerable increase in the spread between the June and September contracts, the distant position being quoted at a discount. After being marked down to Rs 78.10 castor June moved irregularly higher to Rs 80.60 by the week-end and showed a net gain of Rs 1.40 per quintal over the week. The September contract was virtually unchanged over the week at Rs 78.90 against Rs 78.80. The relative strength in the spot material induced short covering in the maturing contract. Linseed futures showed a small decline over the week, with the June contract receding from Rs 101.20 to Rs 99.80 and the September contract down from Rs 100 to Rs 98.40. No tenders were issued either in castor or linseed on the first notice day. Cottonseed September in which trading was permitted last week eased from Rs 52.25 to Rs 51.75 without much activity.

The spot market also displayed a subdued tendency due to improved supplies of groundnut oil from the upcountry centres. Groundnut oil was sold down to Rs 24 but later it recovered to around Rs 24.40 (per 10 kgs). Linseed oil eased from Rs 20 to Rs 19.40 but castor oil was steadier, with the quotation for Commercial grade marked up from Rs 16.65 to Rs 16.90 on some export house buying. Prominent spot dealers do not antieipate any significant changes in prices—up or down—in the immediate future While the general market psychology continues to remain bullish, the overall supply position is considered as reasonably comfortable. There was a scramble for edible oils towards the end of the previous season and prices were pushed to fantastically high levels. Nobody expects that experience to be repealed this time. Oil prices are unlikely to register any important rise from the highest levels recorded recently, provided, of course, the monsoon is time*ly* and its progress is satisfactory. With the supply of edible oils reasonably comfortable and groundnut oil prices fluctuating between Rs 24 and Rs 25 for a long while, the recent increase in vanaspati prices by the industry has evoked considerable comment in market circles. The increase in prices is said to be quite unwarranted particularly when the industry has been able to acquire a fairly large quantify of soyabean oil which is considerably cheaper than groundnut oil.

Export houses reported fairly good business *in* groundnut extractions though the prices realised were lower than in the preceding week. Poland, East Germany and the U K were mentioned as the main buyers. There has been an appreciable decline in intern d prices of extractions, the spot quotation having come down by about Rs 30 per tonne over the past month or so. The decline in prices is attributed to increased offerings by the manufacturers. Export business in cottonseed cake also continues to be good though here again overseas prices have registered a moderate decline in recent weeks. The delay in the issue of import licences against exports of cottonseed cake has pushed up the premium on copra licences from Rs 700 to about Rs 1000 per tonne.

Money and Banking

Thursday Morning

THE Bombay short-term money market held steady during the week. Demand seemed to have slackened somewhat even as the supply position became a little easier. The call rate now stands at between 7.75 and 7.50 per cent as against 7.75 per cent quoted at closing on Saturday, May 29.

Net deposits of scheduled banks showed in increase of Rs 9.37 crores at Rs 2,653.53 crores during the week ending May 21. Investments in government securities increased by Rs 3.07 crores at Rs 721.22 crores. Bank credit dipped by Rs 13.07 crores to Rs 2,105.94 crores. Borrowings from the Reserve Bank were lower by Rs 39.84 crores at Rs 126,45 crores. Money at call and short notice rose by Rs 5,89 crores to Rs 51.92 crores.

A further contraction in notes in circulation by Rs 31.34 crores at Rs 2,698.43 crores is revealed by the Reserve Bank's statement for the week to May 28. Notes held with the banking department increased by Rs 32.58 crores to Rs 52.66 crores. Total notes issued showed a nominal increase of Rs 1,24 crores at Rs 2,751.09 crores. Central Government deposits were marked down by Rs 3.26 crores and stood at Rs 64.12 crores, State Government deposits were lower as well by Rs 2.05 crores at Rs 15.93 crores, Deposits of scheduled banks were higher by Rs 10.51 crores at Rs 104.62 crores while their borrowings decreased by Rs 21,92 crores to Rs 102.84 crores.

BUSINESS NOTES

Svadeshi Mills

IN pursuance of its objective of diversifying activists, Svadeshi Mills has obtained a licence for the manufacture of laminated plastics which will enable it to produce water and acid proof packing material for textile and other goods. Besides, steps are being taken to effect economy in operation, improve the quality of cloth and expand the weaving and processing sections. A completely new modern weaving department is now nearly complete to house about 300 automatic looms. During 1964, 3,520 additional spindles were installed, inereaoing the installed capacity to 91,228 spindles and thereby nearly achieving the required balance between spinning and weaving. Also, 32 autematic looms were added. Further 244 automatic looms are expected to be installed by the end of 1965 when the automatic weaving capacity would be about 38 per cent of the total weaving capacity.

The management has formulated a seven-year plan of renovation, modernisation and expansion. Estimated to cost Rs 2.70 crores, the plan envisages replacement of worn out and obsolete plant, equipment *and* of her related facilities with modern up-todate plant and equipment. For financing this plan, Rs one crotes have already been raised by the issue of debentures, and the balance amount of finance will be met from internal resources to be generated in the course of the next seven years.

The company during the past year produced satisfactory results despite adverse trading conditions in the latter part of the year. *Gross* profit was higher by more than Rs twelve lakhs at Rs 89.99 lakhs, though sales and other income improved only by less than Rs five lakhs to Rs 6.93 crores. With depreciation taking away about Rs nine lakhs more at Rs 32.21 lakhs, taxation Rs eight lakhs more at Rs 31 lakhs and development rebate a lakh more at Rs six lakhs, here is left for disposal a lower amount of Rs 20.79 lakhs compared to Rs 36.63 lakhs a year ago. Of this, the unchanged equity dividend requires Rs 19 lakhs and preference dividend Rs 1.07 lakhs.

The company was able to better its export performance in spite of the difficult conditions obtaining in world markets. There was increased competition from Pakistan, Hongkong and Korea, which were making a conceited drive to expand their exports. Indian cloth was being outpriced owing to the high cost of cotton, labour, stores and plant and equipment. The company is making efforts to find new markets, and a start has been made by exporting cloth to some of the Eastern European countries.

Jyoti

BETTER utilisation of manpower and newer and better substitutes for costlier raw materials have helped Jyoti considerably in holding the production cost despite rising prices of raw materials, higher wages and taxation. The company's modern research and development centre suited working last year, beginning with the hydraulic section. This year the electrical rotating machine and switchgear sections have also commenced functioning. Equipment for the metallurgical section has been ordered, and is likely to be received by the end of the year. Various laboratories of the centre are usefully utilised for extensive tests on all critical raw materials and for type tests and endurance tests on finished products. With these facilities at its disposal, the company is now in a happy position to study the problem of substituting the imported raw materials with indigenous materials and components.

In view of the expanding market for electric motors, switchgear and switchboards, the management has