The Stock Exchange

Further Advance in Industrials

Thursday, Morning.

THOUGH prospects of an early resumption of trade between India and Pakistan have undoubtedly brightened trading sentiment, it has had no visible effects yet on the volume of business put through on the stock exchange. With operators preferring to await the outcome of Karachi trade talks, activity during the past week was at an extremely low ebb. It was almost exclusively of a professional nature and outside participation remained conspicuous by its absence. However, with sellers reserved, prices gradually crept up and widespread gains were registered at the close. Wednesday's improvement was mainly due to spurt in Tata Steels on the report that the Government of India had given up their plan to set up a new steel plant and had sanctioned a big development loan to the Tata Company. *In* the absence of any confirmation of this report it is idle to make any comment except that the possible repercussions on the short term outlook for Tata Steel shares will depend on the terms and conditions on which the loan is granted.

Subdued tendency in cotton mill shares, following gloomy forebodings about the future by the spokesmen of the textile industry, introduced a note of caution in the market. While Chairmen of practically all the textile companies have stressed on the steady increase in manufacturing costs, scarcity of raw cotton and declining trend of profits. Mr. H. P. Milne, the Chaiman of Kohinoor Mill, emphasised the increasing threat of foreign competition. He said,

> "The time will surely come, and possibly in the not distant future, when competition with overseas manufacturers will become more severe and India will not be able to compete unless rationalisation takes place and the overall production of the individual increases".

Increased demand for Indian textiles following devaluation cannot be expected to .last. for *long*. .

At present operators" attention is focussed on the inter-Dominion trade talks that, are in progress at Karachi. Market circles are quite optimistic about the outcome of trade talks. Both countries are equally keen on finding out a solution of the six-month old trade deadlock. Press reports indicate that the issue of exchange rate is not within the purview of these talks. While it will be extremely difficult to ensure free (low of goods between the two coun tries without a satisfactory solution of the exchange rate, compromise is possible by an agreement on the prices of the commodities to be covered by future transactions. Each country will try to balance its imports and exports as best as it can under such an agreement.

Stock exchange operators have been emphasising the possible benefits to the cotton textile industry from the resumption of inter-Dominion trade. For one thing, it will considerably ease the cotton supply position. And for another, cloth exports will expand as Pakistan is now a foreign country and there is no restriction on export of cloth manufactured out of foreign cotton. Market wise, however, it is the price aspect of the problem that is of the utmost importance. Be that as it may, there is little doubt that Indo-Pakistan trade agreement is bound

STOCK EXCHANGE TRENDS

(In Rupees and Annas)

	This Week					1950	
	Previous Closing 12-4-50	Opening 13-4-50	High	Low	Closing 19-4-50	High	Low
Steels							
Bengal Steel ..	20 2	20 4	21 5 6	20 4	21 5 6	24 1	18 6
Indian Iron ..	28 12	29 5	30 12	29 4	30 12	33 7	26 13
Tata Steel Defd. ..	1632 8	1645	1695	1643 12	1695	1727 8	1535
Tata Steel Ordy. ..	322	324	332	323 8	332	345	309
Textiles							
Bombay Dyeing ..	1002 8	1005	1021 4	1000	1018 12	1167 8	993 12
Central India ..	234	236	240	234	237	276	225
Finlay ..	259		265 8	261	265 8	285	259
Gokak ..	250 8	251	254	251	252	295	248
United India Ordy. ..	11 15	11 15	12	11 14 6	11 15	12 13	11 12
Kohinoor ..	312	313	318	312 8	318	323	296
New Great ..	144	--	144	144	144	175	144
Simplex ..	193	193	202	193	201	216	178
Swadeshi ..	268	269	273 8	268	270 12	294	259
Banks							
Central Bank ..	80 4	80 12	85	80 8	85	87	79 4
Imperial F.P. ..	1780	1780	1795	1777 8	1795	1815	1720
India ..	166	168	177	168	177	183	164
United Com. ..	45 4		46	45 8		51 8	41 8
Insurance & Electric							
New India ..	58 8	58 8	60 12	58 4	60 8	64 4	54 4
Ahmedabad Electric	126 4	126 4	126 4	125	125	132 8	125
Andhra Valley .	—	1440 c.d.	1410 x.d.	1405 x.d.	1407 8 c.d.	1457 8	1427 8
Tata Hydro. ..		151 8	153	151 8	153	156 8	151 8
Tata Power ..	1547 8	1547 8	1560	1547 8	1557 8	1560	1510
Miscellaneous							
Alcock ..	327 8	332 8	340	331 4	333 12	340	271 4
A. C. C, ..	153	154	158	153 8	157 4	167	145 4
Belapur ..	224 8	224	230	224	230	244	217
Bombay Burmah Old	457 8	460	460	451 4	455 10	470	352 8
Premier Construction	91 12	93 8	93 8	87	90	103 8	80 4
Scindia ..	13	13	13 6	12 3 6	12 10	15 12	12 3
Wimco ..	225	226 4	230	226 4	229 6	237 8	205

c.d. = Cum dividend
x.d. = Ex dividend

to have a steadying influence on the market. The improvement in the trading sentiment on the stock exchange during the past week is essentially due to general belief in the early resumption of trade between the two countries.

'Budla' charges at the last fortnightly settlement on April 14, indicated a slightly overbought position in almost all the leading scrips. In Tata Steel Deferreds, buyers had to pay up to Rs. 5 (exclusive of brokerage) per share as carry forward charges. This suggests that professional speculators have been gradually accumulating long lines in anticipation of Indo-Pakistun agreement on minorities and settlement of trade deadlock. In view of the substantial improvement in equity values, especially in steels, during the past few weeks, it is not unlikely that professional operators would try to avail of any good opportunity to liquidate their holdings. But in the absence of any substantial outside interest in the market, it is doubtful if professional bull speculators could liquidate their holdings without a sizeable setback unless, of course, they can create a buy-at-setback psychology. Whether they can develop such a psychology at the current levels remains to be seen.

Having no occupations for many the number of speculators has increased manyfold and gradually markets are becoming gambling dens and a centre of black market money, says Seth Ramkrishna Dahnia in a statement published in one of the leading local English dailies. That of all the people Seth Dalniia- who owes not a little of his fortune to speculation—should have sounded a note of warning against speculation has caused no small amusement in stock exchange circles. His warning to speculators and the public not to purchase speculative shares at unduly high prices (referring to current levels) merely on political news emanating from Delhi is generally interpreted as an indication of his heavy short position in Bombay and Calcutta share markets.

Murketwise steels provided the centre of attraction and recorded handsome gains over the last week's closing levels. Tata Steel Deferreds were bid up to Rs. 1,715 in kerb trading on Wednesday evening; During the major part of the week, however, they fluctuated within a very narrow range, presumably due to a large volume of daily double option business. Calcutta issues ruled firm on better advices from that centre because of the optimistic outlook for the jute industry, following expected resumption of trade with Pakistan.

Textile shares were comparatively quiet. Simplex and Central Indias provided bright spots and were marked up on influential buying. Bombay Dyeing and Kohinoors also evoked moderate inquiry at lower levels.

Banks maintained a distinctly firm undertone on moderate investment inquiry in the absence of sellers. Central Bank and Bank of India registered impressive gains. New India Insurance was also better around Rs. 60-8. Electrics were dull but steady - Selective support for investment counters has been welcomed in market circles and is regarded as an indication of slow revival of investment activity.

In the miscellaneous section, Scindias suffered sizeable decline reflecting the disappointment caused by the Chairman's speech at the Annual General Meeting of the Company. Premier Constructions also eased off in sympathy. Towards the close, however, they staged a moderate rally on bear covering induced by the firmness in other sections. Tata Oils evoked good inquiry on dividend prospects. Belapurs rallied towards the close on news that no sugar was likely to be imported from Java in the near future. Associated Cements were marked up on investment suport on expectations of better trading prospects following a settlement with Pakistan. Bombay Burmahs were quietly steady after the recent advance in prices.

Around the Markets

Industry's Demands

FOR laggard economic activity, there are many reasons. Raw materials of industry are in short supply; raw material prices are unduly high; direct taxation swallows up a major portion of industry's earnings and profits; above all, controlled prices and the consequent check on profits leave no incentive to industry to increased endeavour. New Delhi is not unresponsive to industry's claims and demands. That industry has a legitimate case is not denied by the Government.

New Delhi admits that the Government owe it to industry to create an economic climate in which industry can function efficiently. Energetic attempts are being made by the Government to ensure regular and adequate supplies of raw materials. To reduce industrial costs as well as to compensate industry for higher prices for raw materials, the level of direct taxation has been considerably lowered. Yet, industry remains inactive. One possible reason for poor industrial activity is, as suggested by Sir Kikabhai Premchand in his address as Chairman of the Industrial Investment Trust Ltd., that tax "reliefs in the last budget are insignificant and are too late in the day to be of any real benefit."

Controls Resented

The Chairman of the Investment Trust has catalogued some Other reasons for poor industrial activity. While there are growing indications that Congress politicians are agitating for removal of controls which, they argue, are responsible for corruption and black marketing, financiers, though not industrialists, seem convinced that controls are hampering economic recovery. That price controls act as an indirect check to industrial earnings cannot be denied. But are industrial earnings and profits unduly low?

It is significant that, though primarily interested and affected, industry is shy of demanding lifting of controls. As long as supplies remain short of demand, removal of controls may help industry to earn more profits because of the resultant rise in prices. But experience suggests