Around Calcutta Markets

Poor Turnover

Wednesday, Evening

AS Indian Iron behaves, so does Lyons Range. This may be a tribute to IISCO. But, at the moment, it means that Lyons Range remains depressed along with Indian Iron. Immediately, the reason for the drooping tendency in Indian Iron is the Chairman of the Company's discreet silence about dividend prospects on the increased share capital. Investors hoped that Sir Biren Mookerjee would give some assurance that the dividend, even though the capital has been doubled, would be maintained. In the absence of any such promise, Indian Iron have been climbing down. In sympathy, Lyons Range has developed weakness.

Not only the absence of any assurance about the dividend, but some disclosures by Sir Biren have spread the gloom. Production in the current year may suffer as an incidental consequence of technical changes relating to expansion plans. If output falls investors are wondering, can profits be maintained? And, if profits fall, can the dividend on the enlarged capital be maintained? These are pertinent queries. But pessimists need the reminder that a dividend adjustment fund has been created. Also encouraging is Sir Biren's hope that, as the 1953 extensions are completed, It will be possible for the Government to lift dividend control "in the near future."

Rising Costs

Not only Indian Iron, but a group of Engineering shares has also been a cause of worry to Lyons Range. In recent days, a group of these shares has been falling consistently. As active and speculative shares ease, cash scrips, naturally, develop weakness. That is what is happening at the moment. Some days ago, Indian Copper suffered a setback on rumours of a spreading strike. Though Indian Copper have settled down to lower levels, the possibility of labour trouble has cropped up as an additional "bear" factor.

Sir Biren Mookerjee dealt at length with the brewing labour trouble. Prices of the necessities of life are rising. There is a bank strike in Calcutta. There is a growing demand for higher wages and dearness allowance as compensation for rising costs of living. As these demands gather momentum, apprehensions grow that higher wage payments may affect industrial production costs. That being so, recent measures to check the rising trend In food prices are being welcomed. Restrictions on bank credits, it is hoped, should have a salutary effect on speculation and hoarding of foodgrains. Lower food prices may indirectly have a sustaining influence on stock markets.

A Smaller Plan

.Wider issues and their possible repercussions are no less disturbing. It is now beyond doubt that the Second Plan is going to be slashed. This may or may not be welcomed by economic pundits. But industry and stock markets are not likely to be enthusiastic about a smaller Plan. It became apparent some time ago that the foreign exchange crisis will force a slowing down of investment in the private .sector. Besides the effects of higher taxation this has been one of the major factors responsible for the depression in equities. Fears grow that, as difficulties multiply, the Government would like to keep the expansion plans in the public sector In tact at the cost of the private sector.

Simultaneously, there are fears that a smaller Plan, along with higher taxation and lower deficit financing, may not only halt inflation, but may have a deflationary effect on the economy. These fears seem exaggerated. But there is no denying the fact that the foreign exchange crisis may create a temporary slowing down of activity in the private sector. Even so, it is necessary to have a realistic view of the situation. Further expansion plans in the private sector may have to be postponed. But the projects that are in the process of execution will be completed. This assures full activity in the private sector in the near future.

Assurances

At the moment the outlook about the Plan may be uncertain. It is clear that, the priorities of the Plan are being carefully scrutinised. It is also clear that, only the "hard core" of the Plan can be implemented. Discussions of the National Development Council indicate that the expenditure target of the Plan has been revised down again to the original estimate. With the rise in prices, this does mean a cut in the Plan. But undue pessimism is not warranted. Latest reports indicate that prospects of an adequate loan from America are not bleak. if TTK's mission succeeds, the Plan may escape substantial curtailment.

Meanwhile, industry has now some assurances which are reassuring. For one thing, TTK has declared a tax holiday for the rest of the duration of the Plan. As the Government's efforts to check inflation succeed, industry would benefit. Demands for higher wages will be less insistent. Costs of industrial raw materials will tend to be stabilised. Some of the illusory benefits of inflation will not be felt. But industry will be the gainer because of stability in prices. At the same time, industry has the assurance that its expansion plans will not suffer from lack of bank credits. Banks have been directed to reduce their overall lendings. But this directive is to be foIlowed without any prejudice to bank advances to industry. This is a welcome indication of the Government's concern for the private sector,

Group Leaders

Against this broader background, the behaviour of some groups of shares may be analysed. Since the set-back in Indian Iron, the upward movement in Jute shares has been halted. At the time of this writing, the bank strike is having a depressing effect on cash scrips in general. But the underlying influences continue to be in favour of Jute shares. Recent company re ports are encouraging. Though raw Jute prices are hardening, there has been a relative rise in jute goods. That means that the spinner's margin continues to be in favour of the Industry. Besides, it is cheering news that the World Bank will offer a loan for financing modernisation of the jute industry. This is the biggest long-term "bullish" development in relation to the jute industry, and hence, to Jute shares.

There are many reasons why Engineering shares have turned hesitant. It is inevitable that these shares will develop an irregularly lower trend as Indian Iron and Indian Copper suffer set-backs. Both the latter scrips are now steady at lower levels. And the outlook for Engineering shares remains moderately optimistic. Tea shares have been rather quiet in the last few weeks. There is no selling pressure. But buying support is lacking. Tea shares are inactive, but not perceptibly quieter. In the last few days, there has been a gradual revival of activity in Coal shares. Some scrips, in this group are being quoted at levels which are not unattractive. There are, indeed, many shares In the various groups which, at current levels, fetch good yields. This is the main reason why there is no selling pressure.

Around Bombay Markets

Low Morale

Thursday, Morning

ECONOMIC and political uncertainty, at home as well as abroad, overwhelmed Dalai Street during the week though bear covering towards the end brought about some recovery. T T K's announcement of his intention to levy a gifts tax initiated the process of unloading, which was accentuated by reports that the cloth excise duty may not be lowered in spite of strong representations from millowners. Financial difficulties on the eve of the busy season imparted weakness to commodity markets, contagion from which spread to Dalal Street Rumours that the Life Insurance Corporation was temporarily short of ready investible funds on account of dotation of State loans also had an adverse effect. Growing international tension, lack of confidence in sterling and the pronounced slump in copper prices. together with inventory accumulations in the U S A, proved more than enough to neutralise the little good news that came in from cloth markets.

Underlying recent price movements is the perceptible fact at Dalai Street that turnover has shrunk considerably. The situation is not so bad as in the late twenties and early thirties when members of the Stock Exchange were reduced to the necessity of living upon one another, hut under-employment has sapped morale. If the speculative public takes it into its hear! that speculation in shares has ceased to be exciting, then the future is bleak indeed. But with no evidence of a moral revolution in sight, excessive pessimism on the part of brokers may be considered unjustifiable.

The uncertain outlook for equities has favoured gilt-edgeds which, unlike what has been happening in London, have gathered friends and strength over the last fortnight. As a result, the 4¼ per cent Bombay and Mysore Loans have been heavily oversubscribed. Subscriptions for the former amounted to Rs 742 lakhs against the offer of Rs 600 lakhs and for the latter to Rs 503 lakhs against Rs 300 lakhs. All conversion applications, totalling Rs 130 lakhs, for the Mysore Loan and cash applications upto Rs 10,000 for both loans will receive full allotment; others will be allotted 88 per cent for Bombay and 52 per cent for Mysore applications, subject to a minimum allotment of Rs 10,000. The relatively greater success of the Mysore Loan is attributable not merely to the conversion and higher discount facilities offered, but also to more intensive canvassing. The extent of support given by banks to these issues will be known only after a week or so, when relevant statistics become available.

External Drain Slows Down

Deficit in balance of payments, as measured by the decline in Reserve Bank's foreign balances, amounted to Rs 3.5 crores during the week ending September 13, as against Rs 2 crores during the previous week. Foreign Securities in the Issue Department remained un changed at Rs 463 crores. Excluding the Rs 10-crore loan to Burma, average weekly drain of foreign balances over the last six weeks has been Rs 4.9 crores against Rs 8.9 crores during the preceding six weeks. Central Government deposits have gone up by Rs 1 crore but State Government deposits are lower by Rs 0.5 crore. There has been no change in Investments and Rupee securities but ways and means advances and the Treasury bills portfolio have together expanded by Rs 5.5 crores. Loans to banks have declined by Rs 1 crore, those against usance bills contracting by Rs 2 crores. Note circulation has gone down by Rs 5.5 crores with an almost equivalent rise of notes held in Banking Department.

Scheduled bank credit stood at Rs 847 crores (luring the week ending September 6, as against lis 882 crores a month before and Rs 855 crores a week before. Of this decline of Rs 35 crores over the month, the State Bank accounts for only Rs 13 crores. Evidently, the Reserve Bank directive is being obeyed in earnest. If the present rate of contraction continues bank credit should be down to Rs 800 crores within six weeks, i e, by the third week of October. The gilt-edged portfolio contracted over the week by Rs 5 crores In spite of an expansion of Rs 1 crore at the State Bank. Borrowings from Reserve Bank against gilt-edgeds have declined to less than Rs 2 crores against Rs 14 crores a month back and Rs 28 crores a year ago, indicating how eager banks are to keep back their gilt-edgeds to maintain their liquidity ratio. Borrowings against usance bills at Rs 20 crores are also lower by Rs 6 crores compared to the preceding week Easiness in the money market is reflected by the rise of Rs 4 crores in call and short money.

Cotton

Gamble on Weather

KALBADEVI has been fluctuating in tune with weather reports from Saurashtra, Gujarat and Vidarbha. Offtake of piecegoods and figures of stock accumulation with mills have also had their impact. Daily turnover has varied between 7,000 and 15,000 bales, while Moglai March has moved energe-