

**Rigging Up New Issues**

THE capital market has been having a boom in new issues for more than a year. Most of the new issues in the last twelve months have been over subscribed. The issuing companies have in some cases gallantly approached the stock exchange authorities and sought their guidance as to how they should allot the shares to the applicants. Several of the new issues have been quoted at a premium, even before the lists for subscription were formally opened. There must be a genuine dearth of new issues, for they are still being eagerly taken up though the boom in stock exchanges has largely spent itself.

If the success of the new issues is to be taken at its face value, there would not seem to be any dearth of investible funds seeking outlet. The complaint which is often heard that the capital market is dead or frozen or that it is impossible or even difficult to raise domestic resources for projects in the private sector would then appear to be unfounded. Given a sound project, foreign technical and financial collaboration, dark horses in the investment market have been able to evoke impressive public response. This is an amazing development and should be welcome. There are certain features in the successful placing of new issues, however, which are neither encouraging nor healthy.

Most of the companies -which entered the capital market in recent months and had their issues over subscribed, offered only a relatively small part of the new issues to the public. The greater part was taken up by Managing Agents or Directors and their 'relatives, friends and associates'. In view of the shortage of good scrips in the market, oilers much larger than those actually made to the public could have been absorbed without much difficulty. Why did the promoters then make such small offers? Surely they could not be expected to hold on to the large blocks or shares which they retained in the first instance? Once the shares are listed and go to a substantial premium, the blocks held by the directors and their friends and associates find their way to the market. There is bound to be a certain amount of "slagging" in an active new issues market. This is natural and is accepted as a part of the game. But

when privately placed shares assume unduly large proportions, the matter needs to be looked into and developments have been carefully watched.

In fact this sort of tiling has gone on so long and assumed such proportions that one may legitimately enquire what are the Government and the stock exchanges authorities doing about it? Capital issues are controlled by the Finance Ministry which has now also set up a directorate of stock exchanges. Company law is administered by a different department in another Ministry. Considerable pains have been taken over the last few years to improve the tone of company management, especially in so far as it concerns the interests of shareholders. While the number of de-

partments, offices, and laws to curb abuses have multiplied, the conditions under which the public is invited to participate in the capital of new companies seem to be no concern of the authorities. The law is interpreted in such a manner that while the companies receive only the par values of shares, the promoters and their friends earn the premiums. The purpose of retaining and enlarging control over capital issues and stock exchanges was that they should be directed in the social interest. In the case of many recent issues, it is doubtful whether the social interest has actually been served, or kept in mind, in deciding upon the offer that was to be made to the public.

Then<sup>1</sup> is no reason why the companies should not secure to them-

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selves the full benefits of the present condition of capital market. This they can do very easily by issuing shares at a premium, particularly in those cases where the new issues are quoted at a heavy premium even before they are formally announced. Alternatively, stock exchange authorities should insist that the public offer is really public and that it is not restricted by advance private placings of a magnitude which robs the issue of this character. The current public interest in new issues is a welcome development and it should be carefully nurtured. But it will soon wane and fade if the public comes to doubt the motives that lie behind holding back large blocks of shares by the promoters, for subsequent sales in the open market at a premium.

#### Indian Patents in 1958

THE annual reports of the Patents Office are never very exciting reading. There is in fact very little change from year to year. By far the greater bulk of the application for patents is for foreign inventions.

Of the 3,572 applications received during the year, only 602 were of Indian origin of which again 73 were from 'other residents in India'. The position therefore was no different from that in 1957, the respective figures for which were 3457, 609 and 82.

This might give the impression that the technology we use today is very largely imported and that in spite of the progress of industries, not much inventiveness has come forth from the people. There are only some minor modifications or adaptations of imported technology, and little of originality in technique. This impression, however, may not be entirely correct. For adaptations or inventions must be going on in the alleys and byways, among the small industries working under difficult conditions and without adequate resources, who have by force to improvise. After all, necessity is the mother of invention. The economic climate however, the degree of development which makes it worthwhile even for the small man to take the trouble and incur the expenses of securing proprietorship

in new ideas, devices and techniques, are not there. The machine-making industry has not come up to the stage where a ready market is exacted for new ideas. The technical attainments of people working in small shops has not come to that standard either. It is those who have ready access to technical know-how, who can draw freely from the international pool and who have the resources—these are the very people who are under the least pressure to invent and improvise.

That industrial development creates the need for safeguarding inventions or new devices under patents as also the climate for it is suggested, nevertheless, by some of the applications received during the year. There was 'a good number', says the report—how many, it does not say—of inventions concerning blast furnace technology in iron and steel and processes of extraction and refining of non-ferrous metals. These were from foreign patent holders, but there were a few inventions relating to smelting of iron ores and refining of molten iron with oxidising gases, 'originating in this country',—by Indians or 'other residents in India'? Who are the latter?

The type of development one expects with the growth of certain sectors in industry is also reflected in the number of patents sought for electric fans for example. There were applications for patents for dye casting process for making components of electric fans apart from those, particularly of Indian origin, for fans.

Indian inventors were interested in pressure cookers, food carriers (tiffin carriers are indigenous and are now penetrating to S E Asia) preservation of Vanaspati, confectionery, container butter, malted milk powder and beverage powders; they showed much interest in seed planter, harrow, disc plough, basin planter, etc. There were inventions relating to typewriters for Indian scripts, animal power driven devices and appliances for utilizing solar energy (from National Laboratory?) If there is one field in which Indian inventors appear to be interested more than in any other, it is electrical engineering. Indian inventors showed interest in water heaters and A C fan motors; there were a few Indian inventions relating to telephone sets, and there was one invention relating to semi-conductors and manufacture of rectifiers 'originating in India.'

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