

CHAPTER: I
FINANCIAL PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS

1.1 Introductory

1.1.1 A government company is defined in section 617 of the Companies Act, 1956 as a company in which not less than fifty one *per cent* of the paid-up share capital is held by central government, or by any state government or governments, or partly by the central government and partly by one or more state governments and it includes a company which is a subsidiary of a government company defined thus. Section 619 B of the Companies Act, 1956 lays down the criteria for determining whether a company is a deemed government company. Besides, Government of India sets up corporations under Special Acts of the Parliament.

1.1.2 Audit of government companies (including deemed government companies) is conducted by the Comptroller and Auditor General of India (C&AG) under the provisions of Section 619 of the Companies Act, 1956 read with Section 19 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. In respect of government companies, C&AG has the power to appoint the Auditor and to direct the manner in which the company's accounts shall be audited by the Auditor. C&AG is also empowered to give such Auditor instructions in regard to any matter relating to the performance of his functions as such and to conduct a supplementary audit of the company's accounts.

1.1.3 Audit of six statutory corporations, established under Special Acts of Parliament is also conducted by the C&AG of India as per provisions contained in the relevant statutes.

1.1.4 As on 31 March 2009, there were 438 central government public sector undertakings (PSUs), including six corporations and 111 deemed government companies, under the audit jurisdiction of the C&AG. Out of these, shares of 50 companies (including five deemed government companies) were listed on the various stock exchanges in India. During 2008-09, 22 companies (15 government companies and seven deemed government companies) came within the audit purview of the C&AG and three companies (two government companies and one deemed government companies) ceased to be government companies. The details are given in **Appendix I**.

1.1.5 Out of these 438 PSUs, this Chapter deals with data relating to 392 PSUs comprising six corporations, 294 government companies and 92 deemed government companies. Figures have been taken from the accounts of 2008-09 for 348 PSUs that submitted their accounts for the year 2008-09 for audit by 30 September 2009. Of the remaining government companies, figures from the accounts of 2007-08 have been taken for 40 government companies (including two listed government company and six deemed government companies) and from the accounts of 2006-07 for four companies (including one statutory corporation and one deemed government company). Accounts of 46 companies (including 19 deemed government companies), are not covered in this

Chapter, for various reasons^ϕ. These 46 companies are identified by two asterisks (**) in **Appendix II**.

1.2.1 Investment in government companies and corporations

1.2.1.1 The equity investment of the Government of India in 300 government companies and corporations at the end of 2008-09 and loans given to them amounted to Rs.1,61,712.15 crore and Rs.62,998.10 crore respectively. Some government companies and corporations have also contributed to the investment in these public sector undertakings. Ministry/Department wise details of equity held and loans extended by the Government of India, state governments and central/state government companies and corporations and others to central government companies are given at **Appendix III**. These are summarised below:

Table 1

(Rs. in crore)

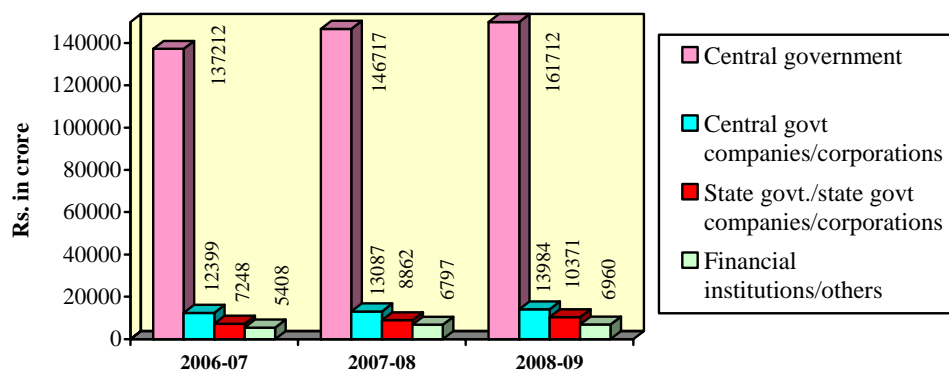
Sources	As on 31 March 2009			As on 31 March 2008		
	Equity	Loans	Total	Equity	Loans	Total
Statutory Corporations						
<i>Central Government</i>	41295.50	1454.10	42749.60	33850.76	1359.05	35209.81
Central Government Companies/Corporations	0.00	0.00	0.00	0.00	0.00	0.00
State Governments/State Government Companies/Corporations	2630.15	0.00	2630.15	2179.19	0.00	2179.19
Financial Institutions/Others	30.59	19023.03	19053.62	30.59	15889.30	15919.89
Total	43956.24	20477.13	64433.37	36060.54	17248.35	53308.89
Listed Government Companies						
<i>Central Government</i>	29300.62	2537.32	31837.94	28643.00	2224.99	30867.99
Central Government Companies/Corporations	2388.84	2697.47	5086.31	2358.21	2583.76	4941.97
State Governments/State Government Companies/Corporations	8.23	254.23	262.46	8.23	212.07	220.30
Financial Institutions/Others	4909.23	193524.90	198434.13	4694.75	145488.37	150183.12
Total	36606.92	199013.92	235620.84	35704.19	150509.19	186213.38
Unlisted Government Companies						
<i>Central Government</i>	91116.03	59006.68	150122.71	84222.99	74408.16	158631.15
Central Government Companies/Corporat-	11595.15	4668.17	16263.32	10728.87	5280.52	16009.39

^ϕ Accounts of ten PSUs are in arrears for three years or more, 32 PSUs were defunct/under liquidation and accounts of two PSUs had not become due and two PSUs had not submitted their first accounts.

ions						
State Governments/ State Government	7732.01	978.49	8710.50	6674.67	763.73	7438.40
Companies/ Corporations						
Financial Institutions/ Others	2020.31	128502.14	130522.45	2071.69	105809.64	107881.33
Total	112463.50	193155.48	305618.98	103698.22	186262.05	289960.27
<i>Central Government</i>	161712.15	62998.10	224710.25	146716.75	77992.20	224708.95
Others	31314.51	349648.43	380962.94	28746.20	276027.39	304773.59
Grand Total	193026.66	412646.53	605673.19	175462.95	354019.59	529482.54
Percentage of central government investment to total investments	83.78	15.27	37.10	83.62	22.03	42.44

1.2.1.2 During 2008-09, the investment in equity of these government companies and corporations registered a net increase of Rs.17,563.71 crore [Graph 1(a)]. This included Rs.14,995.40 crore equity invested by the Government of India. Significant investments were made in the government companies and corporations under the Ministries of Road Transport and Highways (Rs.7,131 crore), Railways (Rs.3,985 crore), Atomic Energy (Rs.965 crore), Urban Development (Rs.803 crore) and Finance (Rs.500 crore). The increased investment of Government in statutory corporations was Rs.7,131.47 crore in National Highways Authority of India and Rs.240.64 crore in the Damodar Valley Corporation.

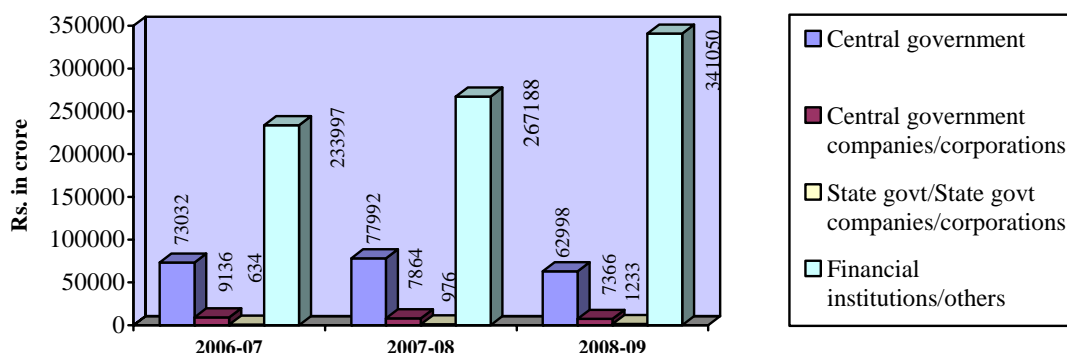
Graph 1(a) - Equity investment in government companies and corporations



1.2.1.3 During 2008-09, the loans to the government companies and corporations registered a net increase of Rs.58,626.94 crore, [Graph 1(b)]. Although Loans were given by the Government of India mainly to government companies and corporations under the Ministries of Urban Development (Rs.2,746 crore), and Atomic Energy (Rs.2,060 crore), the loans given by the Government of India registered a net decrease of Rs.14,994.10 crore. This was mainly because of waiver of outstanding interest on

government loans in respect of Fertilizer Corporation of India Limited (Rs.5,986 crore), Hindustan Fertilizer Corporation Limited (Rs.4,980 crore) and National Textile Corporation Limited (Rs.7,168 crore) and conversion of loans into preference share capital in respect of Konkan Railway Corporation Limited (Rs.3,222 crore).

Graph 1(b) - Loans given to government companies and corporations



1.2.1.4 The total loans received by 300 companies/corporations from all sources and outstanding against these as on 31 March 2009 was Rs.4,12,646.53 crore. However, total assets (fixed assets as well as current assets) of these government companies and corporations were Rs.13,28,013.51 crore as on 31 March 2009 which represented 321.83 per cent of the outstanding loans. As on 31 March 2008, the assets were Rs.12,08,149.81 crore, being 341.27 per cent of the outstanding loans amounting to Rs.3,54,019.59 crore.

1.2.1.5 In respect of statutory corporations, the total assets and government loans as on 31 March 2009 were Rs.85,269.52 crore and Rs.1,454.10 crore respectively against total assets of Rs.86,474.84 crore and government loans of Rs.1,359.05 crore as on 31 March 2008. In respect of listed government companies, the total assets and government loans as on 31 March 2009 were Rs.6,75,478.08 crore and Rs.2,537.32 crore respectively as against total assets and government loans of Rs.6,04,220.61 crore and Rs.2,224.99 crore respectively as on 31 March 2008. In respect of unlisted government companies the total assets and government loans as on 31 March 2009 were Rs.5,67,265.91 crore and Rs.59,006.68 crore respectively, as against the total assets of Rs.5,17,454.36 crore and government loans of Rs.74,408.16 crore, as on 31 March 2008.

1.2.1.6 The overall interest coverage ratio[♦] had decreased to 4.44 during 2008-09 from 5.14 during 2007-08 and 5.66 during 2006-07. In respect of unlisted government companies interest coverage ratio for the year 2008-09 worked out to 4.54 as against 2.91 for 2007-08 and 3.93 for 2006-07.

[♦] Earnings before interest and taxes to interest expense

1.2.2 Market value of equity investment in government companies

1.2.2.1 Shares of 50 government companies were listed on the various Stock Exchanges in India. These consist of 40 government companies, five subsidiaries of government companies and five deemed government companies.

1.2.2.2 In respect of 35 listed government companies, the shares of which were traded^α during 2008-09, the total market value of their equity shares as on 31 March 2009 stood at Rs.8,06,109.71 crore as compared to the total book value of Rs.3,43,611.04 crore. The total market value of shares in these companies had decreased by Rs.2,97,699.28 crore (26.97 per cent) as on 31 March 2009 as compared to 31 March 2008. The details are indicated in **Appendix IV-A**.

1.2.2.3 The market value of shares held by the Government of India in these 35 companies stood at Rs.6,62,726.01 crore as on 31 March 2009 as compared to the book value of Rs.2,69,763.41 crore. The total market value of shares held by the Government in these companies had decreased by Rs.2,58,978.80 crore (28.10 per cent) as on 31 March 2009 as compared to 31 March 2008.

1.2.2.4 The total market value of shares of four subsidiary government companies, the shares of which were traded^β during 2008-09, stood at Rs. 9,496.60 crore as on 31 March 2009 as compared to their book value of Rs.8,183.63 crore. The total market value of shares held by government companies in these companies had decreased by Rs.7807.26 crore (49.98 per cent) as on 31 March 2009 as compared to 31 March 2008. The details are indicated in **Appendix IV-B**.

1.2.3 Investment in deemed government companies

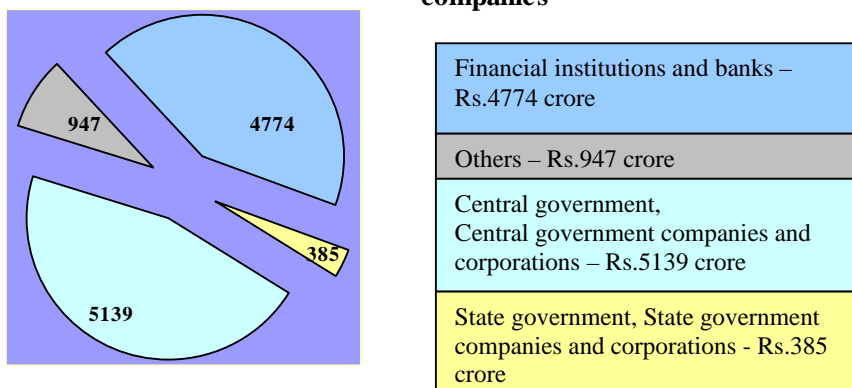
1.2.3.1 The capital invested by the central government, state governments and by companies and corporations controlled by them in 85 deemed government companies is given in **Appendix V**.

1.2.3.2 As of 31 March 2009, equity of Rs.11,245.14 crore in 92 deemed government companies (Graph 2) was contributed by the Government of India (Rs.93.72 crore in three companies), state governments (Rs.208.52 crore in six companies), central government companies and corporations (Rs.5,045.41 crore in 28 companies), state government companies and corporations (Rs.176.22 crore in 14 companies), financial institutions and banks (Rs.4774.49 crore in 64 companies) and others (Rs.946.78 crore in 34 companies).

^α Shares of Hindustan Cables Limited, Hindustan Photofilms (Manufacturing) Company Limited, IRCON International Limited, India Tourism Development Corporation Limited and KIOCL Limited were not traded during 2008-09.

^β Shares of Hindustan Fluorocarbons Limited (subsidiary of Hindustan Organic Chemicals Limited) were not traded during 2008-09.

Graph 2 - Composition of share capital in deemed government companies

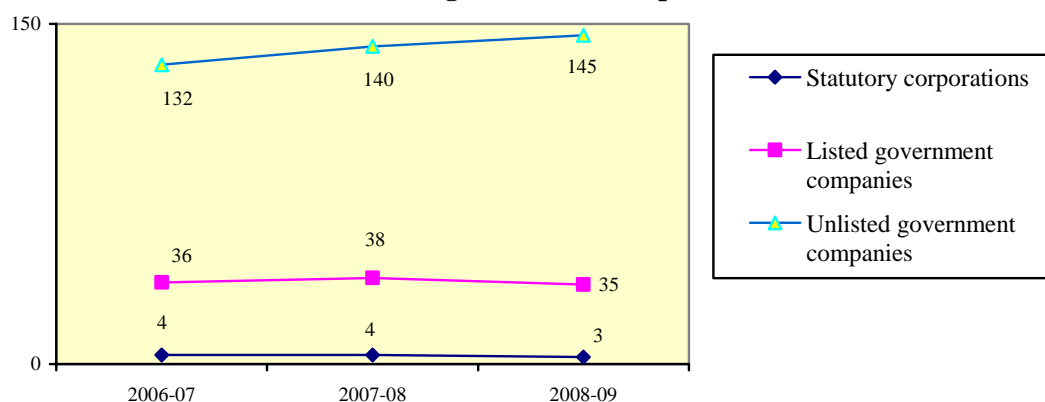


1.2.3.3 The equity in these companies increased by Rs.2,559.54 crore, i.e. from Rs.8,685.60 crore in 2007-08 to Rs.11,245.14 crore in 2008-09. There was no fresh investment by Government of India. Significant investments were made by the government companies in Ratna Giri Gas and Power Private Limited (Rs.435 crore) and NTPC-SAIL Power Supply Company (P) Limited (Rs.170 crore).

1.3.1 Return on investment in government companies and corporations

1.3.1.1 Details of return on net worth and capital employed during 2006-07 to 2008-09 in 300 government companies and corporations are given in **Appendix VI**. As can be seen in Graph 3, during the period of three years, overall number of government companies and corporations that earned profit increased from 172 in 2006-07 (Rs.94,764.64 crore) to 183 in 2008-09 (Rs.1,01,559.79 crore).

Graph 3 - No. of Profit earning statutory corporations, listed and unlisted government companies



1.3.1.2 During 2008-09, 183 government companies and corporations earned profit. The

total profit earned by them was Rs.1,01,559.79^z crore of which, as much as 76.06 per cent (Rs.77,250.14 crore) was contributed by 50 government companies and corporations under six sectors viz., Petroleum, Power, Fertilizers, Coal & Lignite, Steel and Minerals & Metals. Out of these, 31 government companies and corporations in the sectors of Petroleum, Power and Coal & Lignite contributed 51.44 per cent, in which the product prices were administratively determined or regulated to varying degrees. The sector-wise breakup of these 31 government companies and corporations is given in the following table:

Table 2

Sector	No. of Profit earning PSUs	Net Profit earned (Rs. in crore)	Net Profit as a percentage of total profit
1. Petroleum			
Listed government companies	6	24403.77	24.03
Unlisted government companies	4	3861.25	3.80
Total	10	28265.02	27.83
2. Power			
Statutory corporations	1	886.95	0.87
Listed government companies	2	9891.91	9.74
Unlisted government companies	11	3553.03	3.50
Total	14	14331.89	14.11
3. Coal & Lignite			
Listed government companies	1	821.09	0.81
Unlisted government companies	6	8820.74	8.69
Total	7	9641.83	9.50
Total (1) to (3)	31	52238.74	51.44

1.3.2 Profitability analysis of government companies and corporations

1.3.2.1 Profitability analysis of 300 government companies and corporations indicating profit before interest and tax, capital employed, profit after tax, dividend, net worth, ratio of profit after tax to net worth, ratio of profit before interest and tax to capital employed and dividend to equity, as given in **Appendix VI**, has been summarised in the following table indicating the trend of these ratios over a period of three years.

Table 3

Sl. No.	Particulars	2006-07	2007-08	2008-09
		Rs. in crore		
1.	Profit before interest and tax [♦]	147010.16	152430.23	161672.14
2.	Profit before tax	121059.34	122791.25	125243.55

^z including profit of three PSUs viz. Fertilizer Corporation of India (Rs.5801 crore), Hindustan Fertilizer Corporation Limited (Rs.4841 crore) and the National Textile Corporation Limited (Rs.4179 crore) which have made profits due to waiver of outstanding interest by Government of India.

[♦] Profit in item 1,2,3,8 and 9 represents net of losses in respect of 300 government companies and corporations.

3.	Profit after tax	86015.72	82213.42	90373.31
4.	Dividend [£]	27776.72	29210.41	27104.92
5.	Paid up capital	162266.95	175462.95	193026.66
6.	Net worth [⊗]	431441.97	500201.25	631526.69
7.	Capital employed [⊙]	669892.45	777511.97	838004.58
Ratio				
8.	Profit after tax to net worth	0.20	0.16	0.14
9.	Profit before interest and tax to capital employed	0.22	0.20	0.19
10.	Dividend to equity	0.17	0.17	0.14

1.3.2.2 On the basis of the data for the year 2008-09 furnished by the individual government companies and corporations, the following public sector undertakings have been ranked as the top 10 in terms of ratio of profit before interest and tax to capital employed and profit after tax to net worth which helps measure profitability. For this purpose government companies and corporations, having paid up capital of Rs.100 crore and above and which had declared dividend of Rs.100 crore and above, have been considered.

A. Ranking in terms of ratio of profit before interest and tax to capital employed as on 31 March 2009

Table 4

Rank	Name of the company	Ratio
1.	Hindustan Aeronautics Limited	0.808
2.	National Mineral Development Corporation Limited (Listed)	0.586
3.	Oil & Natural Gas Corporation Limited (Listed)	0.548
4.	Mahanadi Coalfields Limited	0.534
5.	Oil India Limited (Listed in September 2009)	0.531
6.	Central Coalfields Limited	0.525
7.	South Eastern Coalfields Limited	0.498
8.	Bharat Heavy Electricals Limited (Listed)	0.491
9.	Northern Coalfields Limited	0.431
10.	Coal India Limited	0.384

[£] Includes dividend declared only by those government companies and statutory corporations whose accounts were received for audit by 30 September 2009. As such, this amount would not match the amount shown as dividend received in the Finance Accounts of the Union Government.

[⊗] Net worth represents paid up capital, share money pending allotment, share premium and free reserves & surplus less accumulated losses and miscellaneous expenditure not written off.

[⊙] Capital employed means sum of net fixed assets and working capital (current assets less current liabilities).

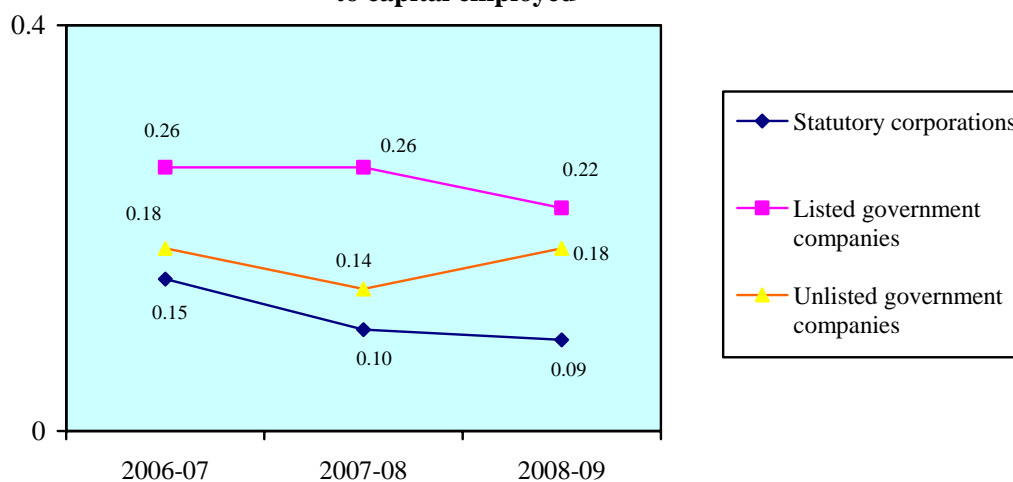
B. Ranking in terms of ratio of profit after tax to net worth as on 31 March 2009

Table 5

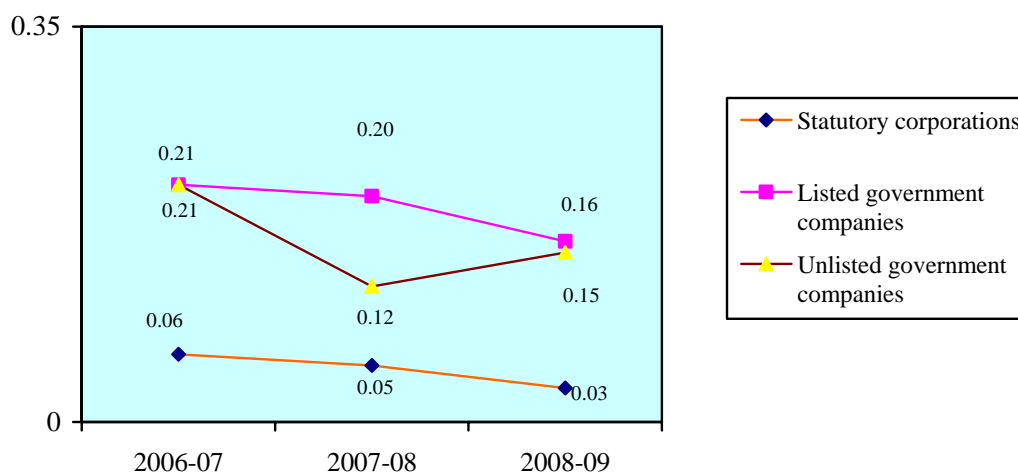
Rank	Name of the company	Ratio
1.	National Mineral Development Corporation Limited (Listed)	0.377
2.	Hindustan Aeronautics Limited	0.375
3.	Mahanadi Coalfields Limited	0.331
4.	Northern Coalfields Limited	0.313
5.	The Shipping Corporation of India Limited (Listed)	0.257
6.	Coal India Limited	0.254
7.	Mangalore Refinery and Petrochemicals Limited (Listed)	0.252
8.	Bharat Heavy Electricals Limited (Listed)	0.243
9.	Oil India Limited (Listed in September 2009)	0.232
10.	Central Coalfields Limited	0.228

1.3.2.3 Ratio of profit before interest and tax to capital employed and profit after tax to net worth over a period of three years ending 31 March 2009 in respect of all statutory corporations, listed government companies and unlisted government companies are given in the Graphs 4 and 5.

Graph 4 - Ratio of profit before interest and tax to capital employed



Graph 5 - Ratio of profit after tax to net worth



1.3.3 Impact of amendment in Accounting Standard-11 on the profitability of PSUs

1.3.3.1 The Central Government is empowered to prescribe accounting standards for Companies as per Section 642(1) read with Section 210A(1) and 211(3C) of the Companies Act, 1956. In exercise of this power, the Ministry of Corporate Affairs prescribed the accounting standards through Companies (Accounting Standards) Rules 2006. By virtue of the above power, Ministry of Corporate Affairs made changes in the provisions of Accounting Standard (AS)-11 that deal with effects of changes in foreign exchange rates by making amendments in the Companies (Accounting Standards) Rules, on 31st March 2009, giving an option to the companies to capitalize/amortize the exchange differences on long term foreign currency monetary items in so far as they relate to acquisition of depreciable capital assets in respect of accounting period commencing on or after 7th December 2008 and ending on or before 31st March 2011. Prior to change, AS-11 required the companies to recognize the gain/loss arising from exchange difference in the profit and loss account based on the exchange rate at the close of the accounting year.

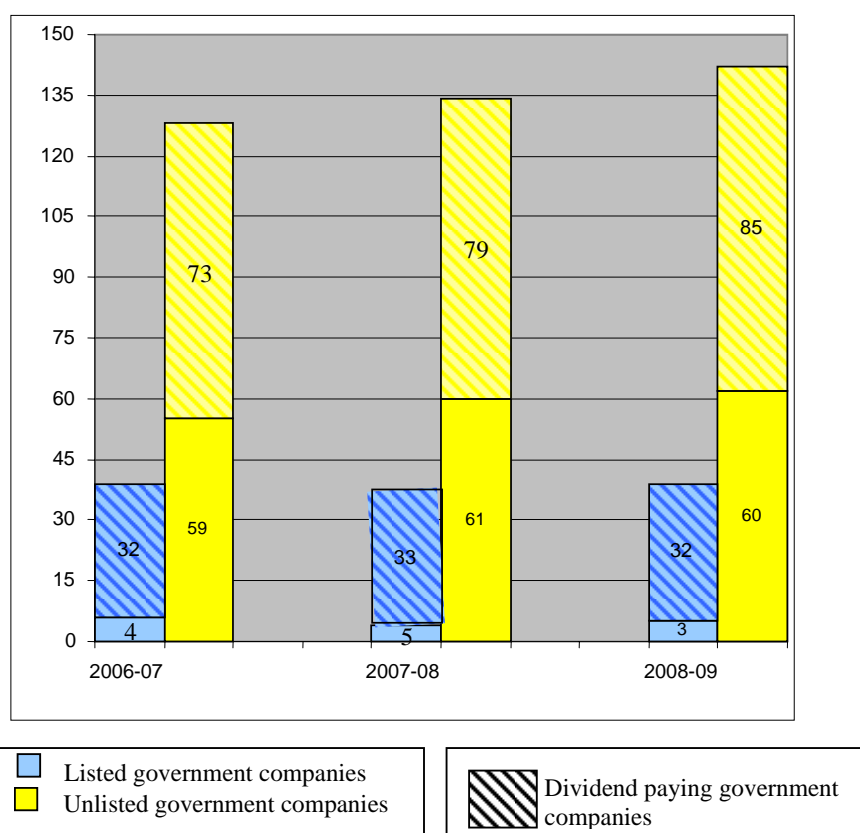
1.3.3.2 During the year 2008-09, seven government companies exercised the option to capitalize/amortize the exchange losses which resulted in increase in their profit to the extent of Rs.1625.41 crore as given below:

Sl. No.	Name of the company	Impact on profit (increase) Rs. in crore
1	Indian Oil Corporation Limited (Listed)	782.17
2	Air India Charters Limited	548.67
3	The Shipping Corporation of India Limited (Listed)	270.78
4	NTPC Limited (Listed)	15.20
5	Steel Authority of India Limited (Listed)	5.41
6	Delhi Metro Rail Corporation Limited	2.95
7	Neyveli Lignite Corporation Limited (Listed)	0.23
	Total	1625.41

1.3.4 Profit-earning of government companies and corporations

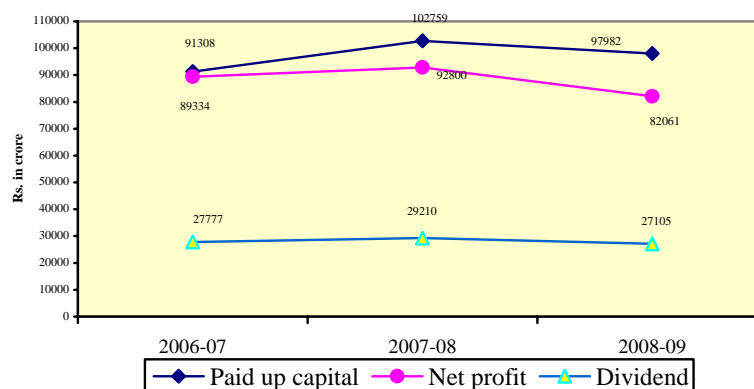
1.3.4.1 The number of government companies and corporations that had declared dividend during the last three years ended 31 March 2009 has been given in **Appendix-VII**. The number of dividend declaring government companies and corporations went up to 120^δ (including two statutory corporations and 32 listed government companies) in 2008-09 from 107 (including two statutory corporations and 32 listed government companies) in 2006-07 (Graph 6). The dividend declared as a percentage of net profit earned by these companies and corporations marginally increased from 31.09 *per cent* in 2006-07 to 33.03 *per cent* in 2008-09. In absolute terms, the dividend declared by the companies and corporations in 2008-09 marginally decreased by Rs.671.80 crore from Rs.27,776.72 crore in 2006-07 to Rs.27,104.92 crore in 2008-09 (Graph 7). However, 64 government companies and corporations (including one statutory corporation and three listed government companies) which earned an aggregate profit of Rs.19,499.26 crore in the current year did not declare any dividend.

Graph 6-Number of profit earning/dividend declaring listed and unlisted government companies



^δ Including one PSU which had given dividend of Rs. 0.10 crore, out of reserves

Graph 7-Dividend declared by government companies and corporations vis-a-vis net profit and paid up capital



1.3.4.2 Out of total dividend of Rs.27,104.92 crore declared by 120 government companies and corporations in the current year, dividend receivable by Government of India amounted to Rs.19,447.11 crore*. The return on aggregate investment of Rs.84,016.57 crore made by the Government of India in equity capital of 90 government companies and corporations (two statutory corporations, 29 listed government companies, 59 unlisted government companies) was 23.15 per cent. Similarly, the government companies received Rs.4,462.31 crore as dividend on their investment of Rs.5,850.01 crore in the equity of various subsidiaries (also government companies) and thus earned a return of 76.28 per cent.

1.3.4.3 The government companies under the Ministry of Petroleum and Natural Gas contributed 37.58 per cent (Rs.10,186.52 crore) of the total dividend (Rs.27,104.92 crore) declared by various companies in 2008-09.

1.3.4.4 The top 10 dividend paying companies for 2008-09 were as under:

Table 6

Rank	Name of the company	Amount of dividend (Rs. in crore)
1	Oil and Natural Gas Corporation Limited (Listed)	6844.39
2	NTPC Limited (Listed)	2968.36
3	Coal India Limited	1705.42
4	Northern Coalfields Limited	1176.56
5	Steel Authority of India Limited (Listed)	1073.90
6	Mahanadhi Coalfields Limited	1040.00
7	Indian Oil Corporation Limited (Listed)	910.48
8	GAIL (India) Limited (Listed)	887.93
9	National Mineral Development Corporation Limited (Listed)	876.20
10	Bharat Heavy Electricals Limited (Listed)	831.01

* The dividend receivable by Government of India related to 90 companies with direct central government investment. The remaining 30 companies were subsidiaries of other government companies and had no direct investment of the Government of India.

1.3.4.5 The top 10 companies** in terms of ratio of dividend to equity for 2008-09 were as under:

Table 7

Rank	Name of the company	Ratio of dividend to equity
1.	Northern Coalfields Limited	6.62
2.	Mahanadhi Coalfields Limited	5.58
3.	Oil and Natural Gas Corporation Limited (Listed)	3.20
4.	Oil India Limited (Listed in September 2009)	3.05
5.	Hindustan Aeronautics Limited	2.89
6.	National Mineral Development Corporation Limited (Listed)	2.21
7.	South Eastern Coalfields Limited	1.72
8.	Bharat Heavy Electricals Limited (Listed)	1.70
9.	Container Corporation of India Limited (Listed)	1.40
10.	Bharat Petroleum Corporation Limited (Listed)	0.76

1.3.4.6 The guidelines issued by the Ministry of Finance in 1995 and 1996 envisaged that all profit-making companies that were essentially commercial enterprises would declare a minimum dividend of 20 *per cent* either on equity or on post-tax profit, whichever was higher. The minimum dividend payable by companies in Oil, Petroleum, Chemical and other infrastructure sectors was 30 *per cent* of post-tax profit. The Ministry had further emphasised that the objective of the government was to achieve minimum return of five *per cent* on overall investment in all government companies and corporations across the board. However, 29 companies (including six listed companies and excluding 63 government companies which have not declared dividend) under 14 Ministries did not comply with the government directive to pay minimum dividend of 20 *per cent* either on equity or on post-tax profit while declaring dividend, as given in **Appendix VIII**. The total shortfall on this account was Rs.1,871.10 crore in 2008-09.

1.3.4.7 The return on net worth of Rs.6,31,526.69 crore in all government companies and corporations was 4.29 *per cent*. The return on the total investment of Rs.1,61,712.15 crore made by the Government of India in equity of all the government companies and corporations was Rs.19,447.11 crore, i.e. 12.03 *per cent*.

1.3.4.8 During the year 2008-09, seven companies*, issued fully paid bonus shares amounting to Rs.926.48 crore.

1.4.1 Return on investment in deemed government companies

1.4.1.1 Details of return on investment in deemed government companies for the years

** *Having paid-up capital of Rs.100 crore and above.*

* *Container Corporation of India Limited (Rs.64.99 crore), GAIL (India) Limited (Rs.422.83 crore), HSCC India Limited (Rs.0.80 crore), National Mineral Development Corporation Limited (Rs.264.31 crore), PEC Limited (Rs.18 crore), Telecommunications Consultants India Limited (Rs. 14.40 crore) and The Shipping Corporation of India Limited (Rs.141.15 crore)*

2006-07 to 2008-09 are given in **Appendix V**. Of the 92 deemed government companies reviewed in this Report, 59 companies earned profit of Rs.1297.47 crore. Out of these 59 companies, only 28 declared dividend amounting to Rs.252.68 crore which represented 22.13 *per cent* of their total paid up capital. Twenty six companies, including two, out of three in which the Government of India had invested, incurred losses during 2008-09. Remaining seven companies have not yet started their commercial operations.

1.4.1.2 Dividend of Rs.252.68 crore* declared by the deemed government companies during 2008-09 came from the companies under Financial services, Power, Industrial development and Technical consultancy and Steel sectors as indicated below:

Table 8

(Rs. in crore)

Sector	No. of Companies	Paid up Capital	Net Profit	Dividend
1.Financial services	20	1314.10	989.12	240.46
2. Power	2	1148.55	65.74	11.70
3.Industrial development and Technical consultancy	5	30.87	7.84	0.52
4.Steel	1	421.15	79.23	*
Total	28	2914.67	1141.93	252.68

1.5.1 Loss-making government companies

1.5.1.1 The number of government companies that suffered loss at the close of the last three years ending 31 March 2009 is given in the following table:

Table 9

(Rs. in crore)

	No of PSUs* suffering loss	Paid-up capital	Net loss for the year	Accumulated loss
Listed government companies				
2006-07	9	2299.31	1733.32	10314.68
2007-08	7	2673.38	1788.88	11521.30
2008-09	10	3623.27	2684.50	14034.84
Unlisted government companies				
2006-07	64	13119.80	7015.58	64281.70
2007-08	64	15730.63	13392.22	75255.72
2008-09	82 [†]	13807.97	8502.09	48081.25
Total				
2006-07	73	15419.11	8748.90	74596.38
2007-08	71	18404.01	15181.10	86777.02
2008-09	92	17431.24	11186.59	62116.09

* Excluding one company which had given dividend of Rs. 0.20 crore out of the reserves

* Rs. 21000 only.

* Food Corporation of India and Inland Waterways Authority of India, are not included in this table.

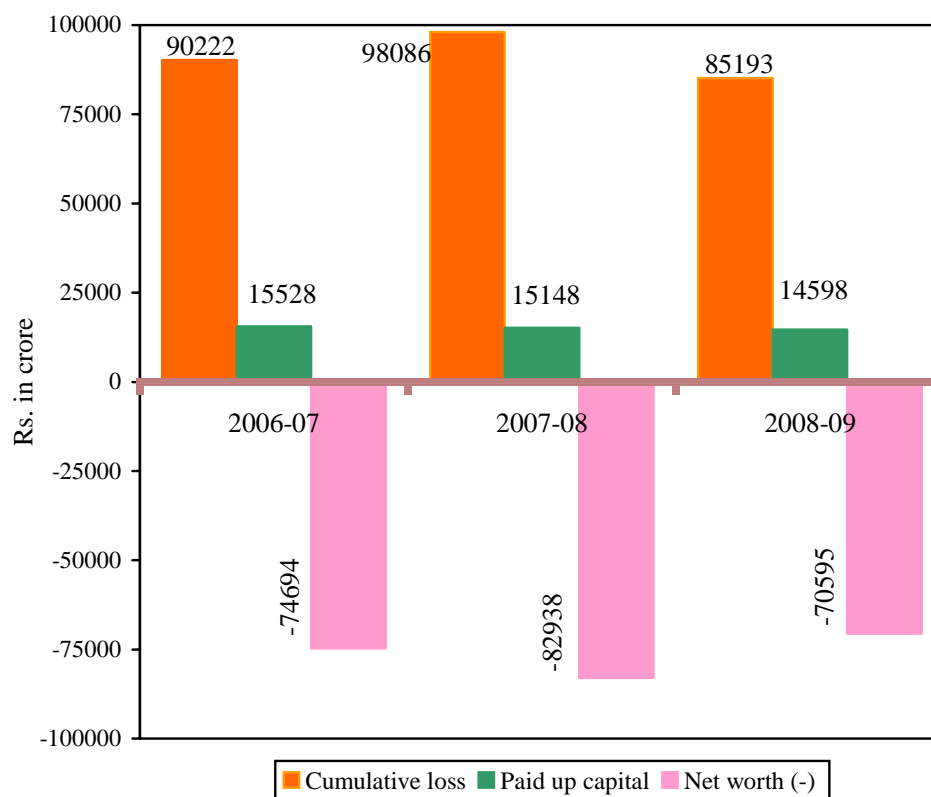
† Includes 17 loss making companies but having no accumulated losses.

1.5.1.2 Accumulated losses of government companies that suffered losses during 2008-09 decreased by Rs.12,480.29 crore (16.73 per cent), i.e. from Rs.74,596.38 crore in 2006-07 (73 companies) to Rs.62,116.09 crore in 2008-09 (92 companies).

1.5.2 Capital erosion in government companies

1.5.2.1 As on 31 March 2009, 112 government companies and corporations (including 11 listed companies) had accumulated losses of Rs.91,087.70 crore which included 31 profit earning companies (including three listed companies). However, equity capital of 68 government companies (out of 112) had been completely eroded. The accumulated losses in these 68 companies were Rs.85,193.10 crore against equity investment of Rs.14,598.27 crore as on 31 March 2009 making their combined net worth negative at Rs.70,594.83 crore (Graph 8). This included seven listed companies whose accumulated losses were Rs.13,529.77 crore against equity investment of Rs.1,514.14 crore, making their combined net worth negative at Rs.12,015.63 crore.

Graph 8 Erosion of equity capital by accumulated loss



1.5.2.2 The total government loans outstanding against 38 companies (out of 68 companies whose capital was fully eroded) as on 31 March 2009 amounted to Rs.31,827.56 crore, including six listed companies where it amounted to Rs.2,156.36 crore. Further, an amount of Rs.2,526.42 crore given by 15 holding government companies, to their subsidiaries, was also outstanding as on 31 March 2009.

1.5.2.3 The principal amount of government loans remaining unpaid on the due dates

amounted to Rs.12,283.85 crore (27 government companies) as on 31 March 2009. Interest overdue on these outstanding loans was Rs.18,529.90 crore (24 companies) and penal interest leviable for non-payment of loans on due dates amounted to Rs.2,611.33 crore (12 companies). This included principal amount outstanding of Rs.960.45 crore, interest overdue of Rs.1132.10 crore in respect of four listed government companies.

1.5.2.4 As the capital of 38 companies was fully eroded as on 31 March 2009, the recovery of loans amounting to Rs.31,827.56 crore became doubtful. Besides, recovery of loan of Rs.2,526.42 crore given by government companies to their 15 subsidiaries (included in the 68 companies the equity capital of which had fully eroded) also became doubtful.

1.5.3 Government companies referred to BIFR

1.5.3.1. Out of 68 government companies that had their capital completely eroded, 31 companies had been referred to the Board for Industrial and Financial Reconstruction (BIFR) as indicated in **Appendix IX**. Out of the companies referred to BIFR, 11 companies had been recommended for closure, winding up. Revival package had been approved in respect of nine companies. The remaining 11 cases (including two listed companies) were under various stages of processing.

1.6.1 Operating efficiency of government companies

1.6.1.1 Capacity utilisation is an index of the efficiency of an enterprise. In order to make an enterprise economically viable as well as to increase its productivity and return on investment, it is essential that the capacities of the plant and machinery are optimally utilised. Besides, an enterprise should also concentrate its attention on effective and efficient management of other vital resources such as inventory, human resources and finance for enhancing productivity.

1.6.1.2 The percentage of capacity utilisation with reference to the installed capacity in respect of the main products of the manufacturing government companies in major sectors during the last three years ending 2008-09 is tabulated in **Appendix X**. It can be seen from the Appendix that capacity utilisation in the government companies showed wide variation in all sectors. Even within the same PSU, the capacity utilisation varied substantially from product to product and from year to year. In general, barring one or two government companies/products, capacity utilisation during 2008-09 was generally good in the Coal and Lignite, Petroleum and Natural Gas, Power and Steel Sectors. A frequency table indicating the trend of capacity utilisation achieved by manufacturing government companies of major sectors is given below:

Table 10

Capacity utilisation in percentage	No. of PSUs		
	2006-07	2007-08	2008-09
0-50	10	10	14
More than 50-100	32	28	24
More than 100	25	32	25
Total	67	70	63

1.6.1.3 Among other sectors, high capacity utilisation was noticed in respect of Rajasthan Electronics and Instruments Limited, Hindustan Newsprint Limited, Mangalore Refinery and Petrochemicals Limited, Mishra Dhatu Nigam Limited, Indian Rare Earths Limited and Rashtriya Ispat Nigam Limited.

1.6.1.4 The summary table indicating the ratios of value of production to total assets and capital employed over a period of three years, as given below, indicates decrease of the ratios during 2008-09 over the previous year.

Table 11

Sl. No.	Details	2006-07	2007-08	2008-09
1	Value of production (Rs. in crore)	948794.65	1109098.16	1187074.97
2	Total assets (Rs. in crore)	1020476.68	1208149.81	1328013.51
3	Capital employed (Rs. in crore)	669892.45	777511.97	838004.58
4	Ratio of value of production to total assets	0.93	0.92	0.89
5	Ratio of value of production to capital employed	1.42	1.43	1.42