

# Financial Performance of Central Public Sector Enterprises

## 1.1 Introduction

This Report presents the financial performance of the Central Public Sector Enterprises (CPSEs). The term CPSE, encompasses the government owned companies/deemed government companies set up under the Companies Act, 1956 as also other enterprises of the government set up under the statutes of the Parliament, where the audit is entrusted to Comptroller and Auditor General of India (CAG).

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. Besides companies covered under Section 619 B of the Companies Act, 1956 are referred to in this Report as **deemed government companies**. Besides, Government of India sets up corporations under Special Acts of the Parliament which have been referred to as **Statutory Corporations**.

### Government Company

A company in which not less than 51 *per cent* of paid-up share capital is held by GOI or by one or more state governments and includes subsidiary of a government company.

### 1.1.1 Mandate

Audit of government companies (including deemed government companies) is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act 1956, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited, besides undertaking supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited by CAG.

The Acts governing Reserve Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank contain provisions whereby the Central Government can appoint the CAG, at any time as the auditor to examine and report upon the accounts of these Corporations. No such appointment was made during 2010-2011.

### 1.1.2 What does this Report contain

Financial Reporting by Central Public Sector Undertakings (CPSEs) gives an overall picture of the quality of financial reporting by CPSEs and appraisal of the performance of the Companies and Corporations as revealed by their accounts.

Impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of Central Government Companies conducted by the CAG for the year 2010-11 (or earlier years as are finalised during the current year), and significant findings reported by the Statutory Auditors while certifying the financial statements of the CPSEs are given in this Report. The report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor. Besides, a resume of the reports submitted by the Statutory Auditors in compliance with the directions issued to them by the CAG under Section 619(3) (a) of the Companies Act, 1956, is also given in this Report.

The Report also enumerates the adherence of CPSEs to the guidelines issued by the DPE on Corporate Governance, Corporate Social Responsibility etc and Convergence of Indian Accounting Standards with IFRS.

### 1.1.3 CPSEs covered in this Report

As on 31 March 2011, there were 466 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India. These include

329 Government Companies, 131 Deemed Government Companies and 6 Statutory Corporations. The overall coverage under this report and the nature of these CPSEs is indicated in the following table:

• Government Companies	329
• Deemed Government Companies	131
• Statutory Corporations	6
<b>Total CPSEs</b>	<b>466</b>

Nature of the PSE's	Total number of CPSEs	Number of CPSEs covered in the Report				Number of CPSEs not covered in the Report
		Latest data 2010-11	Earlier data		Total	
			2009-10	2008-09		
<b>Government companies</b>	329	258	27	7	292	37
<b>Statutory corporations</b>	6	5	1	-	6	-
<b>Total companies/ corporations</b>	335	263	28	7	298	37
<b>Deemed Government companies</b>	131	104	2	2	108	23
<b>Total</b>	<b>466</b>	<b>367</b>	<b>30</b>	<b>9</b>	<b>406</b>	<b>60</b>

The details of new/ceased government companies/deemed government companies are given in **Appendix I**. However, this Report does not include 60 companies (including 23 deemed government companies) for various reasons<sup>#</sup>. These 60 companies are identified by two asterisks(\*\*) in **Appendix II**.

<b>Snapshot of CPSEs</b>	
Number of CPSEs	466
CPSEs covered in this chapter	406
Paid up capital	₹ 249610 crore.
Loans	₹ 577178 crore.
Market capitalisation (40 listed government companies)	₹ 1500922 crore
Net profit (251 CPSEs)	₹ 127141 crore
Net loss (127 CPSEs)	₹ 23264 crore
Dividend declared (144 CPSEs)	₹ 36277 crore
Value of production (298 CPSEs)	₹ 1143755 crore
Total assets (298 CPSEs)	₹ 1438013 crore
Capital employed (298 CPSEs)	₹ 820418 crore

## 1.2 Investment in government companies and corporations

The equity investment in 298 government companies and corporations at the end of 2010-11 and loans is given in the following table. Some government companies and corporations had also contributed to the investment in these CPSEs. The details are given below:

(₹ in crore)

Sources	As on 31 March 2011			As on 31 March 2010		
	Equity	Loans	Total	Equity	Loans	Total
Central Government	188321	60886	249207	172974	57571	230545
Central Government Companies/ Corporations	12529	28035	40564	15148	11228	26376
State Governments/ State Government Companies/ Corporations	13888	5548	19436	11283	1291	12574
Financial Institutions/ Others	17863	453751	471614	8646	397569	406215
<b>Total</b>	<b>232601</b>	<b>548220</b>	<b>780821</b>	<b>208051</b>	<b>467659</b>	<b>675710</b>
Percentage of Central Government to total	80.96	11.11	31.92	83.14	12.31	34.12

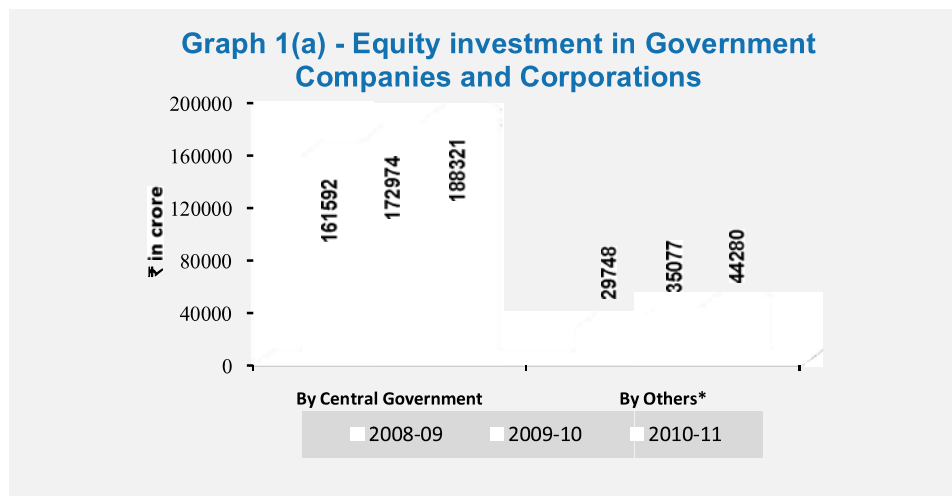
<sup>#</sup> Accounts of 48 CPSEs are in arrears for three years or more or were defunct/under liquidation/accounts not submitted and accounts of 12 PSEs had not become due.

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**.

### 1.2.1 Equity investment

During 2010-11, the investment in equity of these government companies and corporations registered a net increase of ₹ 24,550 crore [Graph 1(a)]. This included net increase of ₹ 15,347 crore (fresh infusion of ₹ 14592 crore and increase due to bonus share ₹ 2298 crore and reduction by disinvestment ₹ 1543 crore) in the equity invested by the Government of India.

	₹ in crore
• Investment by GOI in 2010-11	14592
• Issue of bonus share	2298
• Disinvestment by GOI	1543



The Government of India invested ₹14592 crores during 2010-11 in the paid up capital of the CPSEs. Significant investments are detailed below:

	Name of the Ministry	Amount (₹ in crore)
<b>Statutory Corporations</b>		
National Highways Authority of India	Road Transport and Highways	10,747
Damodar Valley Corporation	Power	134
<b>Government Companies</b>		
Delhi Metro Rail Corporation Limited	Urban Development	1066
Bharatiya Nabhikiya Vidyut Nigam Limited	Atomic Energy	315
Indian Railway Finance Corporation Limited	Railways	511

\* Others include state government, central/state government companies/corporations, financial institutions, etc.

- ❖ During the year 2010-11, four companies issued fully paid bonus shares amounting ₹ 2,945 crore as under:

(₹ in crore)

Name of the company	Amount	Increase in GOI holding
MMTC Limited	50	49.67
National Aluminium Company Limited	644	561.50
Engineers India Limited	112	101.53
Oil and Natural Gas Corporation Limited	2139	1585.71

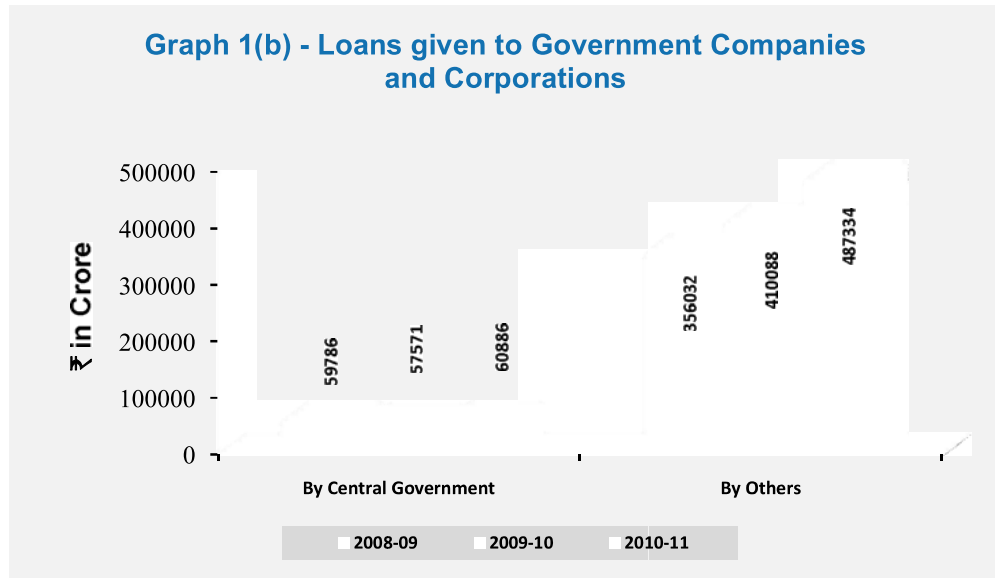
- ❖ During the year 2010-11, the Government of India realised ₹ 22762.73 crore on disinvestment of its shares in respect of following CPSEs.

Name of the CPSEs	Percentage of shares disinvested	Reduction in GOI holding (₹ in crore)	Amount realised by Government (₹ in crore)
Coal India Limited	10.00	631.64	15199.44
MOIL Limited	20.00	16.80	1237.51
SJVN Limited	10.03	415.00	1062.51
Engineers India Limited	10.00	16.84	959.65
Power Grid Corporation of India Limited	9.09	420.89	3721.17
The Shipping Corporation of India Limited	9.09	42.34	582.45
<b>Total</b>		<b>1543.51</b>	<b>22762.73</b>

It may be observed that during the year 2010-11, while equity investment by the Government of India increased by ₹ 15347 crore, in disinvestment of its equity in six CPSEs, GOI realised ₹ 22763 crore on the sale of shares at a premium.

### 1.2.2 Loans given to government companies and corporations

During 2010-11, the loans to the government companies and corporations registered a net increase of ₹ 80,561 crore [Graph 1(b)].



- ❖ The total loans outstanding in 167 companies/corporations from all sources as on 31 March 2011 was ₹ 5,48,220 crore. The analysis of positive and negative coverage of total assets to their long term loans of 167 companies during 2010-11, is given in table below:

	Positive coverage				Negative coverage			
	No. of PSE	Long term loan	Assets	Percentage of assets to loans	No. of PSE	Long term loan	Assets	Percentage of assets to loans
		₹ in crore				₹ in crore		
<b>Statutory Corporations</b>	4	27692	192876	696.5	-	-	-	-
<b>Listed Companies</b>	30	306984	1049384	341.84	3	3141	1259	40.08
<b>Unlisted Companies</b>	100	179395	566011	315.51	30	31007	3409	10.99
	<b>134</b>	<b>514071</b>	<b>1808271</b>		<b>33</b>	<b>34148</b>	<b>4668</b>	

It was observed that 33 CPSEs, including 3 listed companies, out of 167 CPSEs, were having more loans than their total assets.

- ❖ Interest coverage ratio is used to determine ' ' a company can pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same . The lower the ratio, the more the company is burdened by debt expense. An interest cover below 1 indicates the company is not generating sufficient revenues to satisfy interest expenses. The details of

positive and negative interest coverage ratio for the period 2008-09 to 2010-11, is summarised below:

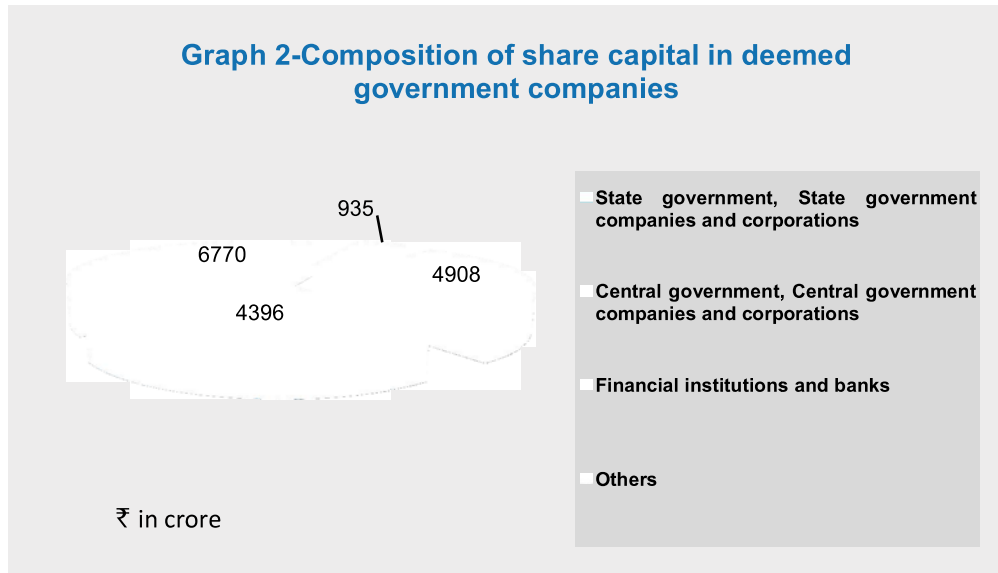
Year	Interest	Gross Profit	No. of CPSEs <sup>†</sup>	Overall Interest coverage ratio	No. of CPSEs having interest cover ratio more than 1	No. of CPSEs having interest cover ratio less than 1
	₹ in crore					
<b>Statutory Corporations</b>						
2008-09	3478	6096	4	1.75	3	1
2009-10	2844	4677	4	1.64	2	2
2010-11	3057	4060	4	1.33	2	2
<b>Listed Government Companies</b>						
2008-09	20982	95279	33	4.54	24	9
2009-10	15464	112376	32	7.27	25	7
2010-11	19288	87275	32	4.52	26	6
<b>Unlisted Government Companies</b>						
2008-09	11506	19314	94	1.68	56	38
2009-10	10687	30807	91	2.88	53	38
2010-11	11255	31083	92	2.76	54	38

It was observed that the overall interest coverage ratio of CPSEs had decreased during 2010-11, compared to the previous year.

### 1.2.3 Investment in deemed government companies

The capital invested by the central government, state governments and by companies and corporations controlled by them in 108 deemed government companies were as follows:

<sup>†</sup> Excluding CPSEs which have no revenue expenditure on interest



As of 31 March 2011, equity in 108 deemed government companies was ₹ 17,009 crore (Graph 2). The details of contribution from the Government of India, state governments, companies and other institutions are given in **Appendix IV**. The equity in these companies increased by ₹ 2,129 crore, i.e. from ₹ 14880 crore in 2009-10 to ₹ 17,009 crore in 2010-11.

#### 1.2.4 Market capitalisation of equity investment in government companies

Market capitalisation is measurement of size of a business enterprise equal to market value of the shares outstanding in a publicly traded company. It is calculated by multiplying the number of shares in issue, providing market value for the company's shares and for the company as whole. Shares of 56 government companies were listed on the various stock exchanges in India consisting of 45 government companies, six subsidiaries of government companies and five deemed government companies.

- ❖ In respect of 45 listed government companies, the shares of 40 companies were traded<sup>α</sup> during 2010-11. The total market value of their shares as on 31 March 2011 stood at ₹ 15,00,921 crore, out of which the market value of shares held by the Government of India amounted to ₹ 12,16,915 crore as on 31 March 2011.
- ❖ The total market value of shares in 37<sup>‡</sup> companies had decreased by ₹ 1,45,201 crore (10.29 per cent) as on 31 March 2011 as compared to 31 March 2010. The details are indicated in **Appendix V-A**. During this period, BSE Sensex increased from 17527.77 (as on 31.03.2010) to 19,445.22 (as on 31.03.2011), an increase of 10.94 per cent.

<sup>α</sup> 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 2010-11.

<sup>‡</sup> Shares of Coal India Limited, MOIL Limited and SJVN Limited were listed during 2010-11 hence comparison not done.



- ❖ The top 10 CPSEs with highest market capitalisation on 31 March 2011 is given below:

SI No	Name of the PSE	Market Capitalisation (₹ in crore)
1	Oil and Natural Gas Corporation Limited	248195
2	Coal India Limited	219241
3	NTPC Limited	159137
4	National Mineral Development Corporation Limited	112380
5	Bharat Heavy Electricals Limited	100883
6	MMTC Limited	92650
7	Indian Oil Corporation Limited	81154
8	Steel Authority of India Limited	70114
9	GAIL (India) Limited	58984
10	Power Grid Corporation of India Limited	47131

The market capitalisation as on 31 March 2011 of the companies which came with initial public offer during 2010-11 is given below:

SI No	Name of the PSE	Market Capitalisation (₹ in crore)
1	Coal India Limited	219241
2	SJVN Limited	9142
3	MOIL Limited	6628

- ❖ The top five CPSEs with increase in market capitalisation is given below:

SI No	Name of the PSE	Market Capitalisation in 2009-10	Market Capitalisation in 2010-11	Increase in 2010-11 over 2009-10
		₹ in crore		
1	Oil and Natural Gas Corporation Limited	234959	248195	13236
2	Indian Oil Corporation Limited	72049	81154	9105
3	GAIL (India) Limited	51982	58984	7002
4	Oil India Limited	27665	31568	3903
5	Bharat Petroleum Corporation Limited	18681	22101	3420

- ❖ The top five CPSEs with decrease in market capitalisation is given below:

Sl No	Name of the PSE	Market Capitalisation in 2009-10	Market Capitalisation in 2010-11	Decrease in 2010-11 over 2009-10
₹ in crore				
1	MMTC Limited	156979	92650	(-)64329
2	Steel Authority of India Limited	104003	70114	(-)33889
3	Hindustan Copper Limited	49347	26938	(-)22409
4	Bharat Heavy Electricals Limited	116773	100883	(-)15890
5	NTPC Limited	170681	159137	(-)11544

- ❖ **Price Earning ratio:** Price Earning (PE) ratio is a valuation of a company's current share price compared to its earnings per-share (EPS). Higher PE would indicate the investors expectation in higher growth in future compared to companies with a lower PE.

The price earnings ratio of GAIL (India) Limited (16.57) in oil sector was highest. In non oil sector the price earnings ratio of MMTC Limited (761.65) was highest.

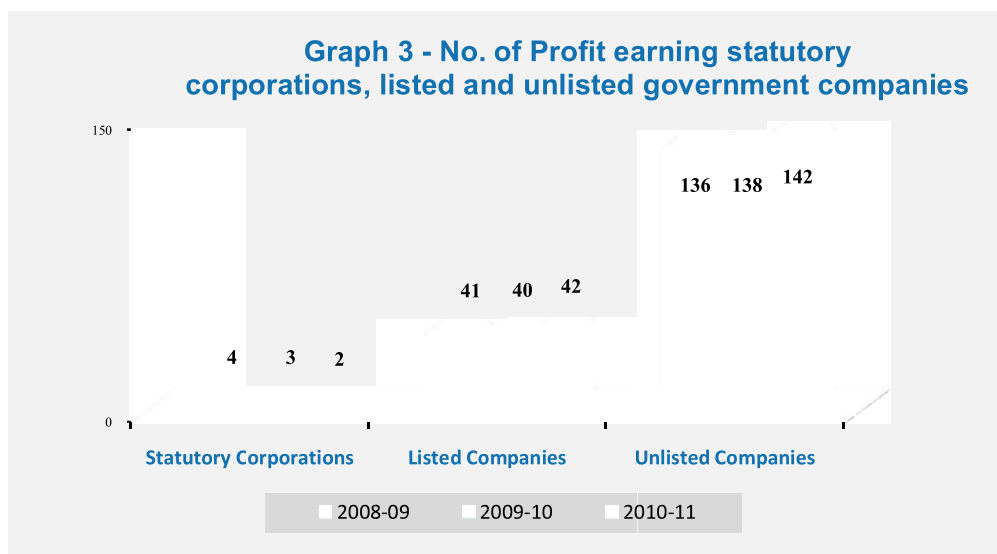
- ❖ The total market value of shares of five subsidiary government companies, the shares of which were traded during 2010-11, stood at ₹ 16,736 crore as on 31 March 2011. The total market value of shares held by government companies in five subsidiary government companies had decreased by ₹ 3,424 crore as on 31 March 2011 as compared to 31 March 2010. The details are indicated in **Appendix V-B**.

### 1.3 Return on Investment in government companies and corporations

Details of return on net worth and capital employed during 2008-09 to 2010-11 in 298 government companies and corporations are given in **Appendix VI**.

As can be seen in Graph 3, during the period of three years, the number of government companies and corporations that earned profit marginally increased from 181 in 2008-09 (₹ 101,386 crore) to 186 in 2010-11 (₹ 1,24,380 crore).

The percentage of profit to paid-up capital increased from 52.98 per cent in 2008-09 to 53.47 per cent in 2010-11.



The details of sectors which contributed maximum profit amongst the 186 CPSEs which earned as net profit of ₹ 124380 crore are summarised below:

<b>1. Petroleum &amp; Natural Gas</b>			
Listed government companies	8	37592	30.22
Unlisted government companies	4	2424	1.95
Total	12	40016	32.17
<b>2. Power</b>			
Listed government companies	4	17912	14.40
Unlisted government companies	16	2649	2.13
Total	20	20561	16.53
<b>3. Coal &amp; Lignite</b>			
Listed government companies	2	5994	4.82
Unlisted government companies	7	10361	8.33
Total	9	16355	13.15
<b>Total (1) to (3)</b>	<b>41</b>	<b>76932</b>	<b>61.85</b>

Out of the total profit earned by 186 CPSEs, as much as 62 per cent (₹ 76,932 crore) was contributed by government companies and companies in three sectors, viz., Petroleum & Natural Gas, Power and Coal & Lignite. The Petroleum sector contributed 32 per cent, while Power and Coal sectors contributed 17 per cent and 13 per cent respectively.

The top ten profit making CPSEs of 2010-11 are as under:

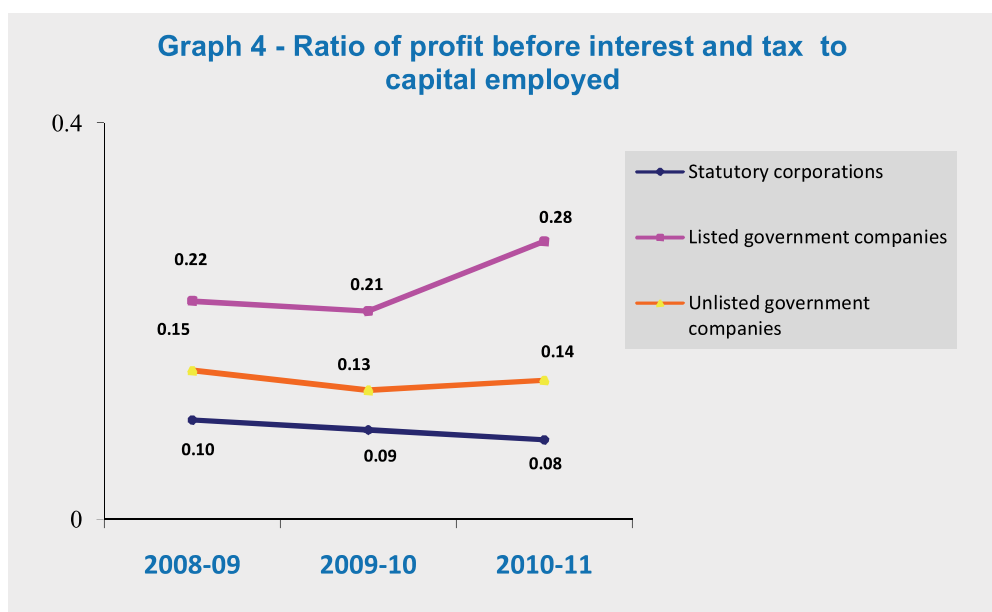
₹ in crore

Sl no	Name of the Company	Net Profit
1.	Oil and Natural Gas Corporation Limited	18924
2.	NTPC Limited	9103
3.	Indian Oil Corporation Limited	7445
4.	National Mineral Development Corporation Limited	6499
5.	Bharat Heavy Electricals Limited	6011
6.	NHPC Limited	5194
7.	Steel Authority of India Limited	4905
8.	Coal India Limited	4696
9.	GAIL (India) Limited	3561
10.	Oil India Limited	2888

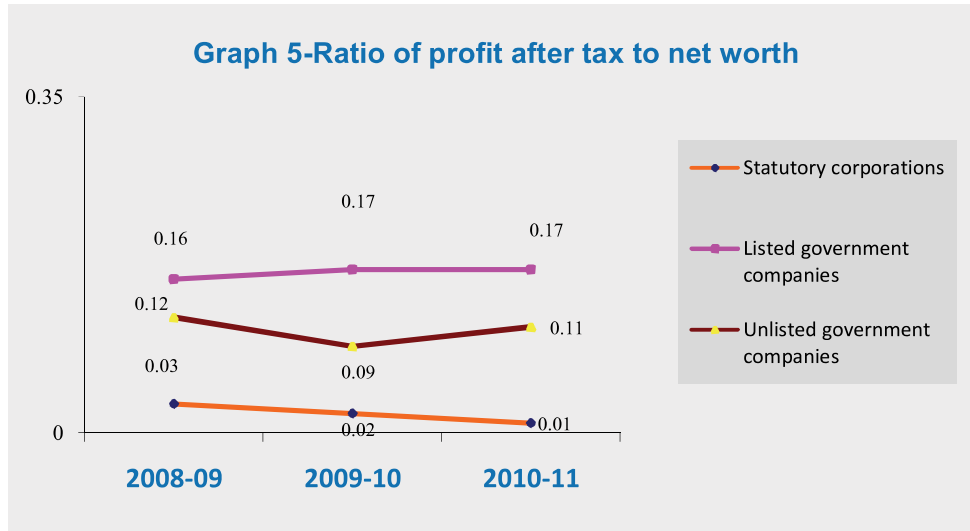
### 1.3.1 Profitability analysis of government companies and corporations

Profitability analysis of 298 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, are given in **Appendix VI**.

- ❖ 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 2011 are given in the Graphs 4 and 5.



As compared to 2009-10 there was a significant increase in the ratio of profit before interest and tax to capital employed in case of listed companies, while the ratio for unlisted government companies increased marginally. There was marginal decline in the ratio for statutory corporations.

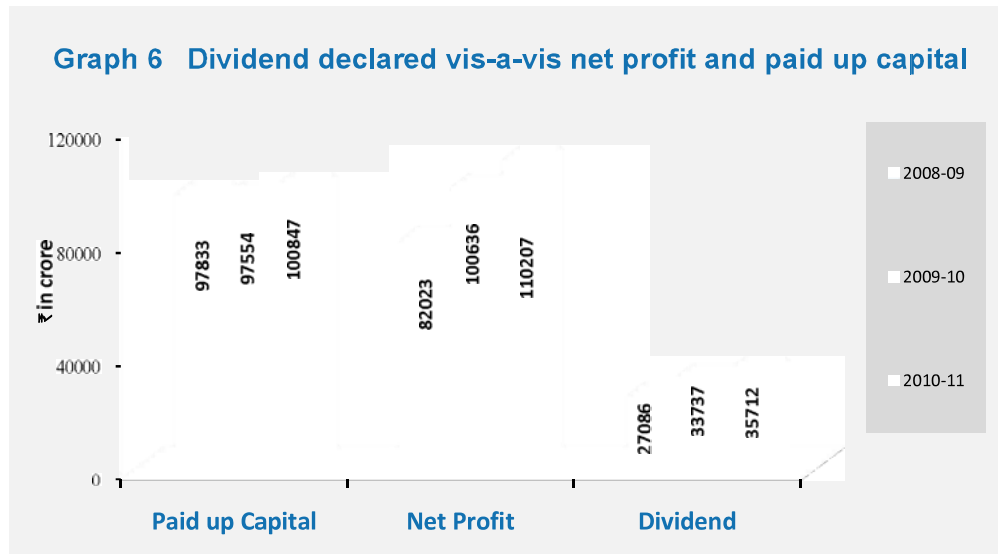


- ❖ There was a marginal gain in the ratio of profit after tax to net worth in respect of unlisted government companies and marginal decrease in case of statutory corporations.

### 1.3.2 Dividend payout of government companies and corporations

The number of government companies and corporations that had declared dividend during the last three years ended 31 March 2011 has been given in **Appendix VII**. The number of dividend declaring government companies and corporations decreased marginally to 112 (including two statutory corporations and 36 listed government companies) in 2010-11 from 118 (including two statutory corporations and 38 listed government companies) in 2008-09 (Graph 6). The dividend declared as a percentage of net profit earned by these companies and corporations marginally decreased from 33.02 *per cent* in 2008-09 to 32.40 *per cent* in 2010-11. In absolute terms, the dividend declared by the companies and corporations in 2010-11 increased by ₹ 8,626 crore from ₹ 27,086 crore in 2008-09 to ₹ 35,712 crore in 2010-11. However, 74 government companies and corporations (including six listed government companies) which earned an aggregate profit of ₹ 14,174 crore in the current year did not declare any dividend.

- Dividend declared by CPSEs increased from ₹ 27086 crore in 2008-09 to ₹ 35712 crore in 2010-11.
- 74 Government Companies/Corporations earned profit of ₹ 14174 crore in 2010-11 but did not declare dividend.
- GOI received a dividend of ₹ 24387 crore on investment of ₹ 188321 crore.



- ❖ The details of CPSEs which earned profit and declared dividend and CPSEs which earned profit but not declared dividend during 2010-11, were as given below:

(₹ in crore)

Category	Total Profit CPSEs (nos)	CPSEs declared dividend				CPSEs not declared dividend		
		No. of CPSEs	Paid up capital	Net profit	Dividend declared	No. of CPSEs	Paid up capital	Net profit
Statutory corporations	2	2	723.63	993.63	196.49	0	0	0
Listed Companies	42	36	59976.16	89966.15	27622.76	6	637.75	318.83
Unlisted Companies	142	74	40146.99	19246.75	7892.51	68	28030.19	13854.79
<b>Total</b>	<b>186</b>	<b>112</b>	<b>100846.78</b>	<b>110206.53</b>	<b>35711.76</b>	<b>74<sup>§</sup></b>	<b>28667.94</b>	<b>14173.62</b>

- ❖ Out of total dividend of ₹ 35,712 crore declared by 112 government companies and corporations in the current year, dividend received by Government of India amounted to ₹ 24387 crore\*. The return on aggregate investment of ₹ 81,784 crore made by the Government of India in equity capital of 87 government companies and corporations (including two statutory corporations, 33 listed government companies) was 29.82 per cent. Similarly, 33\*\* government companies received ₹ 6014 crore as dividend on their investment of ₹ 6383 crore in the equity of various government companies including 25 subsidiaries.

<sup>§</sup> Includes 24 PSEs which have accumulated losses

\* The dividend receivable by Government of India related to 87 companies with direct central government investment and 25 companies were subsidiaries of other government companies and had no direct investment of the Government of India. In eight PSUs both GOI and Government companies have equity investment.

\*\* includes eight PSEs where direct central Government investment is more than 51 percent.

- ❖ Under the Ministry of Petroleum and Natural Gas 12 government companies declared dividend amounting ₹ 13,339 crore which was 37 *per cent* of the total dividend of ₹ 35,712 crore declared by various companies in 2010-11.
- ❖ 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. However, 44 companies (including eight listed companies and excluding 74 government companies and corporation, which have not declared dividend) did not comply with the government directive to pay minimum dividend of either on equity or on post-tax profit while declaring dividend, as given in **Appendix VIII**. The total shortfall on this account was ₹ 8,772.65 crore in 2010-11.
- ❖ 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. The return on the total investment of ₹ 1,88,321 crore made by the Government of India in equity of all the government companies and corporations was ₹ 24387 crore, i.e. 12.95 *per cent*.

### 1.3.3 Return on investment in deemed government companies

Details of return on investment in deemed government companies for the years 2009-10 to 2010-11 are given in **Appendix IV**. Of the 108 deemed government companies reviewed in this Report, 65 companies earned profit of ₹ 2,761 crore. Out of these 65 companies, 31 declared dividend amounting to ₹ 563 crore which represented 18.85 *per cent* of their total paid up capital. Thirty three companies incurred losses during 2010-11. Remaining ten companies had not yet started commercial operations.

Dividend of ₹ 565 crore declared by the 32<sup>††</sup> deemed government companies during 2010-11 came from the companies under Financial Services, Power, Industrial development and Technical consultancy and Minerals and Metals etc. as indicated in the following table:

(₹ in crore)

Sector	No. of Companies	Paid up Capital	Net Profit	Dividend
Financial Services	20	1683	1387	432
Power	3	1219	237	110
Contract & Construction Services	1	200	41	20
Trading and Marketing	1	41	7	1
Minerals and Metals	1	1	8	1
Industrial Development and Technical Consultancy	6	3	12	1
<b>Total</b>	<b>32</b>	<b>3147</b>	<b>1692</b>	<b>565</b>

<sup>††</sup> Includes one deemed Government company which incurred loss in the current year but declared dividend.

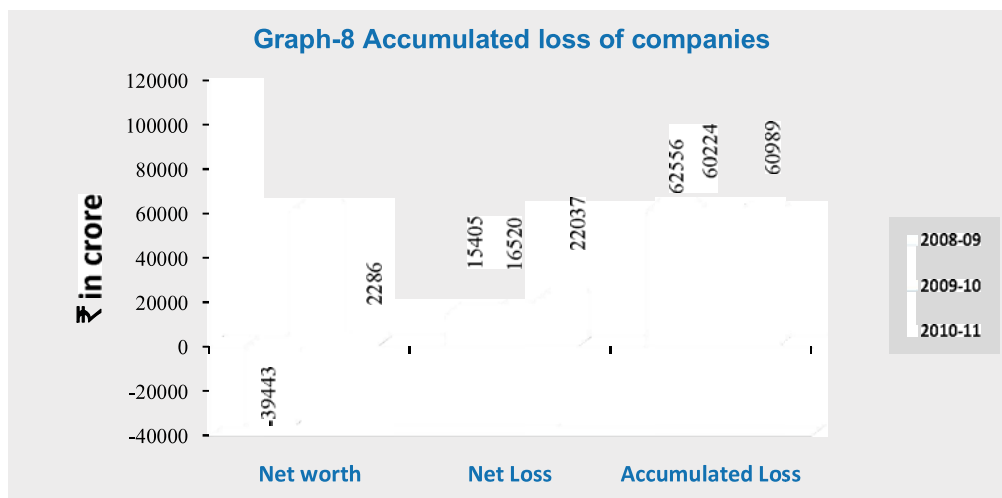
### 1.4 Loss-making CPSEs

The number of CPSEs that suffered loss at the close of the last three years ending 31 March 2011 is given in the following table.

(₹ in crore)

Listed / Unlisted Year	No of CPSEs * suffering loss	Net Worth	Net loss for the year	Accumulated loss
<b>Listed government companies</b>				
2008-09	10	-7140	2684	14038
2009-10	11	-1154	4748	18088
2010-11	9	-5594	4935	16507
<b>Unlisted government companies/corporations</b>				
2008-09	73	-32303	12721	48518
2009-10	82	63081	11772	42136
2010-11	83	7880	17102	44482
<b>Total</b>				
2008-09	83	-39443	15405	62556
2009-10	93	61927	16520	60224
2010-11	92	2286	22037	60989

The net worth and the accumulated loss of these loss making companies is shown in Graph 8 below:



\* Food Corporation of India, National Waterways Authority of India, and National Highways Authority of India the net worth of which are reimbursed by the Government of India as subsidy/grant are not included in this table.



The top ten loss making CPSEs of 2010-11 are as under:-

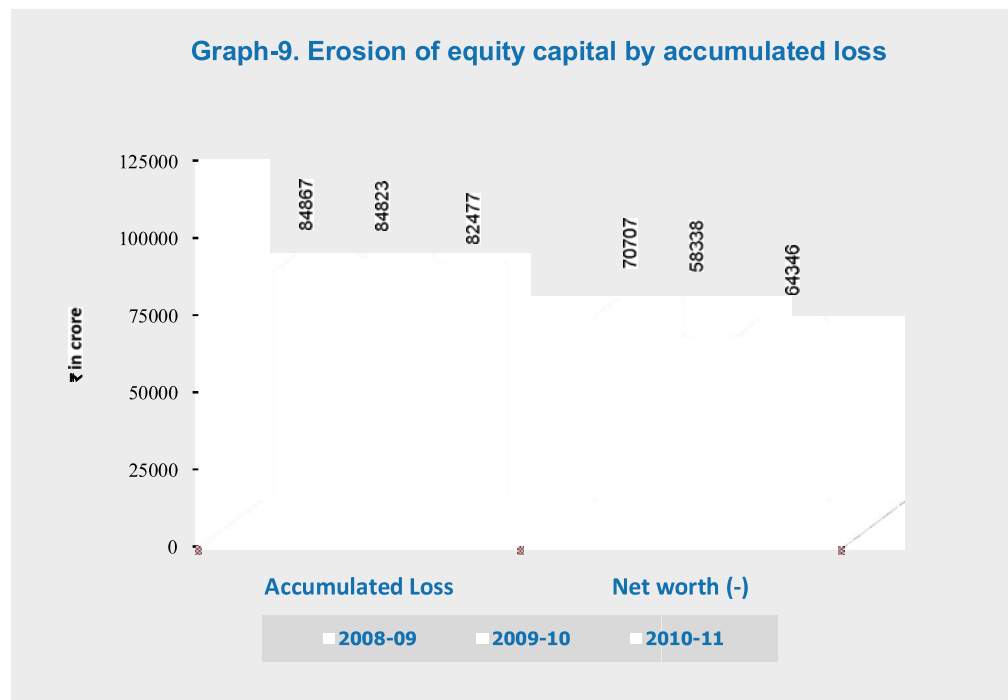
₹ in crore

	Name of the PSE	Net loss in 2010-11
1	Bharat Sanchar Nigam Limited	6384
2	Mahanagar Telephone Nigam Limited	2802
3	Hindustan Cables Limited	607
4	Fertilizer Corporation of India Limited	508
5	The New India Assurance Company Limited	421
6	Delhi Metro Rail Corporation Limited	414
7	Hindustan Fertilizers Corporation Limited	382
8	I T I Limited	358
9	HMT Watches Limited	254
10	Damodar Valley Corporation	120

#### 1.4.1 Capital erosion in government companies

As on 31 March 2011 there were 114 government companies (including 11 listed companies) with accumulated losses of ₹ 88788 crore. It included 31 companies (including 4 listed companies) which earned profit during the current year.

- ❖ Equity capital of 67 government companies (out of 114) had been completely eroded by accumulated loss. The accumulated losses in these 67 companies were ₹ 82477 crore against equity investment of ₹ 14660 crore as on 31 March 2011 (Graph 9). This included 6 listed companies whose accumulated losses were ₹ 16053 crore against equity investment of ₹ 1448 crore.



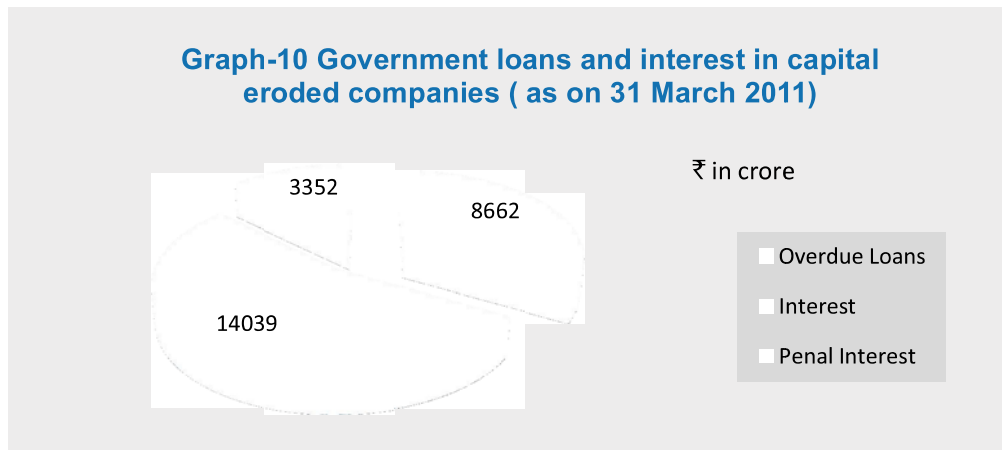
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- ❖ Out of 67 companies, whose capital had eroded, 15 companies earned profit of ₹ 9728 crore during 2010-11.

### 1.4.2 Government loans to capital eroded companies

In 33 companies out of 67 companies whose capital had eroded, government loans outstanding as on 31 March 2011 amounted to ₹ 29593 crore, including 4 listed companies (₹ 2479 crore). As the capital of 33 companies was fully eroded as on 31 March 2011, the recovery of loans became doubtful.

- ❖ The principal amount of government loan remaining unpaid on due date amounted to ₹ 8662 crore (20 government companies out of 33 above companies) as on 31 March 2011. Interest overdue on these outstanding loans amounted to ₹ 14039 crore (20 government companies out of 33 above companies). Penal interest amounted to ₹ 3352 crore (13 government companies out of 33 above companies). (Graph 10)



The GOI needs to review the financial viability of these companies and take an early decision for their revival/closure.

### 1.4.3 CPSEs having erosion of net worth

A Company is treated as potentially sick if 50 percent of its net worth is eroded by accumulated losses. There were 114 companies and corporations with accumulated losses of ₹ 88788 crore as at the end of March 2011. Out of these 114 companies, 67 companies had an accumulated loss of ₹ 82477 crore (discussed in Para 1.4.1). Out of the 47 CPSEs whose net worth was positive but had accumulated losses, 11\* CPSEs had cumulative loss of ₹ 9476 crore exceeding half of their net worth of ₹ 3452 crore at the end of 31 March 2011, indicating potential sickness.

- ❖ The following table lists the CPSEs which incurred losses during 2010-11 and wherein the percentage of erosion of net worth was above 50 per cent.

\* Excluding five Companies which are yet to start operations in full scale.

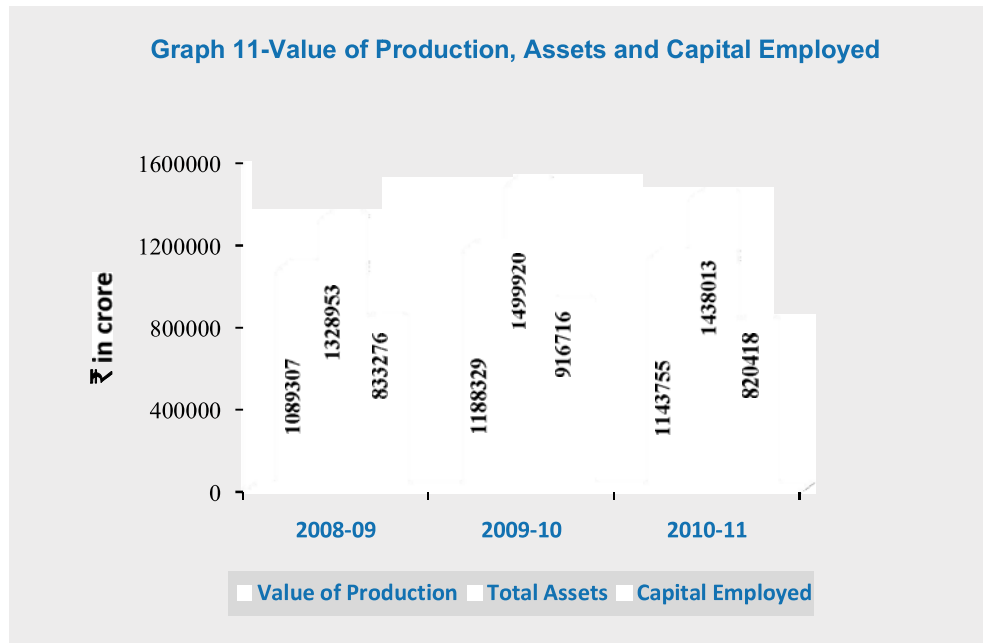
Sl. no.	Name of the company	Percentage of erosion of net worth	Loss during 2010-11	Net worth as on 31 March 2011
		(in per cent)	(` in crore)	
1	Central Electronics Limited	57.89	-17.25	22.43
2	Bharat Immunologicals and Biologicals Corporation Limited	63.07	-4.18	15.95
3	The Fertilizer and Chemicals Travancore Limited	78.10	-49.33	141.69
4	Instrumentation Limited	81.59	-36.56	22.33

Adequate measures to improve the performance of the above CPSEs would be required to prevent them from becoming sick.

## 1.5 Operating efficiency of government companies

### 1.5.1 Value of production

The summary graph indicating of value of production to total assets\* and capital employed\* over a period of three years is given below:



It was observed that the value of production and capital employed for the year 2010-11 had decreased in absolute terms over the previous year.

\* Total assets comprises of net fixed assets & current assets.

\* Capital employed is sum total of Net fixed assets and working capital.

### 1.5.2 Sales and Marketing

During 2010-11 the total sales of 298 CPSEs was ₹ 1418487 crore. Out of these 118 CPSEs made sales / rendered services to Government departments worth ₹ 205722 crore against their net sales of ₹ 720839 crore. The overall percentage of sales of these 118 CPSEs to the Government Sector with reference to their total net sales worked out to 28.54 per cent.

- ❖ Sixty eight CPSEs exported goods from India or rendered services abroad worth ₹ 66010 crore against their net sales of ₹ 823011 crore which worked out to 8.02 per cent. The following are the CPSEs with export sales more than ₹ 5000 crore.

Sl. no	Name of the CPSE	Export sales (₹ in crore)
1	Bharat Heavy Electricals Limited	17837
2	Mangalore Refinery and Petrochemicals Limited	14604
3	Indian Oil Corporation Limited	12890

### 1.5.3 Research & Development

In order to upgrade existing products and to develop new products, processes etc for sustained growth every organisation has to undertake research and development activities. In a review undertaken by Audit it is noticed that total expenditure on Research & Development incurred by 42 Ratna CPSEs during 2010-11 amounted to ₹ 4122.50 crore as detailed below:

Category of CPSE	Number of CPSEs	Revenue expenditure	Capital expenditure	Total R & D Expenditure
		₹ in crore		
Maharatna	4	645.14	85.82	730.96
Navratna	12	2359.71	125.42	2485.13
Miniratna	26	720.78	185.63	906.41
<b>Total</b>	<b>42</b>	<b>3725.63</b>	<b>396.87</b>	<b>4122.50</b>

Following are top five CPSEs so far as R&D expenditure is concerned:

Sl no	Name of the CPSE	Capital Expenditure	Revenue Expenditure	Total R&D expenditure	Net profit
		₹ in crore			
1	Hindustan Aeronautics Limited	-	986.96	986.96	2854
2	Bharat Heavy Electricals Limited	38	944	982	9007
3	Chennai Petroleum Limited	120.48	385.99	506.47	764
4	Bharat Electronics Limited	37.91	350.27	388.18	1141
5	Oil and Natural Gas Corporation Limited	-	358.24	358.24	27653

#### 1.5.4 Contribution to the Government Exchequer

CPSEs contribute to the Government Exchequer by way of Income Tax, Central Excise duty, Customs duty, Royalty etc to run its business. During 2010-11 contribution of 83 Ratna CPSEs to the Government Exchequer was ₹ 196416 crore (excluding Dividend) as detailed below:

Category of CPSE	Number of CPSEs	Amount (₹ in crore)
Maharatna	5	96662
Navratna	16	68820
Miniratna	62	30934
<b>Total</b>	<b>83</b>	<b>196416</b>

Top five CPSEs which contributed to the Government exchequer in 2010-11 are as follows:

SI No	Name of the CPSE	Amount ₹ in crore
1	Indian Oil Corporation Limited	39658
2	Oil and Natural Gas Corporation Limited	31776
3	Hindustan Petroleum Corporation Limited	28864
4	Bharat Petroleum Corporation Limited	17215
5	Coal India Limited	9842