

## OVERVIEW

### I Introduction

As on 31 March 2004, there were 384 Central Government Public Sector Undertakings (PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 285 Government Companies, 88 Deemed Government Companies, six Statutory Corporations and five General Insurance Companies. The overall coverage under this report and the nature of these PSUs is indicated below:

Nature of PSUs	Total No. of PSUs	No. of PSUs not covered in the Report #	No. of PSUs covered in the Report			
			Latest Data 2003-04	Earlier Data		Total
				2002-03	2001-02	
Government Companies	285	14	222	35	14	271
Statutory Corporations	6	0	4	2	0	6
Insurance Companies	5	0	5	0	0	5
Total Companies/ Corporations	296	14	231	37	14	282
Deemed Government Companies	88	20	59	6	3	68
Total	384	34	290	43	17	350*

*[Paragraph 1.1.2]*

### II Government Investments

The accounts of 350 PSUs/deemed Government Companies (290 for current year and 60 for earlier years) indicated that the Government of India had invested Rs.106,584.57 crore directly in the equity capital of only 283 PSUs including one deemed Government Company. Out of these, 108 PSUs had also received from the Government of India loans amounting to Rs.55,684.29 crore as on 31 March 2004. Compared to the previous year, investment in equity of PSUs by the Government of India has registered a net increase of Rs.2932.42 crore and loans given to them have increased by Rs.4449.35 crore. During 2003-04, the Government of India also supported PSUs by providing subsidy (related to administered prices) amounting to Rs.30,750.32 crore. Besides, loans and interest thereon

# Accounts of 18 PSUs were in arrears for three years or more, 10 were defunct/under liquidation, and accounts for six PSUs had not become due.

\*Chapters 2 to 6 deal with Government Companies, Statutory Corporations and Insurance Companies only.

to the extent of Rs.3993.93 crore were waived by the Government of India and guarantees to the extent of Rs.12,121.12 crore were provided to the PSUs for repayment of their loans.

*[Paragraphs 1.2 to 1.6]*

### **III Return on Investment**

Only 156 PSUs could earn profits during the year and 116 PSUs suffered losses excluding Food Corporation of India where shortfall is reimbursed by the Government of India as subsidy. Remaining nine Companies have not commenced their commercial activities. Out of the total profit of Rs.64,719.36 crore earned by 156 PSUs, the major contribution came from only 42 PSUs in five sectors viz., Petroleum, Power, Telecommunications, Coal & Lignite and Steel which contributed as much as Rs.51,803.48 crore, i.e. 80.04 per cent of the overall profit earned by the PSUs.

*[Paragraphs 2.3.1 and 2.3.2]*

Out of the 156 PSUs which earned profit, only 99 PSUs declared dividend for the year 2003-04 amounting to Rs.15,376.28 crore and out of this Rs.10,847.95 crore were paid/payable to the Government of India excluding dividend of Rs. 0.28 crore declared by one PSU out of reserves. The latter represented 10.18 per cent return on the total investment by the Government of India (i.e. Rs.106,584.54 crore) in all the PSUs.

*[Paragraphs 2.4.1 and 2.4.2]*

Out of the total dividend of Rs.15,376.56 crore declared by PSUs in 2003-04, PSUs under the Ministry of Petroleum and Natural Gas, operating partially under the administered/regulated prices, contributed Rs.8,703.06 crore representing 56.60 per cent of the entire dividend declared by all Central Government Companies.

*[Paragraph 2.4.3]*

Non-compliance of Government's directive in the declaration of dividend resulted in a shortfall of Rs. 4266.59 crore in the payment of dividend for the year 2003-04.

*[Paragraph 2.4.4]*

### **IV Networth/Accumulated Loss**

Out of 282 Government Companies/Corporations (excluding deemed government companies), the accounts of which were reviewed by audit, the equity investment in 93 Companies has been completely eroded by their accumulated losses. As a result, the aggregate networth of these companies has become negative to the extent of Rs.60,080.58 crore as on 31 March 2004. Due to the negative net worth, recovery of the loans given by the Government to these companies has also become doubtful. The accumulated losses in these 93 PSUs has increased by Rs.13, 567 crore, from Rs.59,144 crore in 2002-03 to Rs.72,711 crore in 2003-04 (i.e. by 22.94 per cent). Out of these 93 companies, 54 have already been referred to the BIFR.

*[Paragraphs 2.5 and 2.6]*

## **V Inventory Management**

In 142 PSUs, the ratio of inventory (stores and spares) was more than 33 per cent of their annual consumption; in 128 of these PSUs, it exceeded 50 per cent of annual consumption. In 62 PSUs, finished goods held in stock were more than one month's sales.

*[Paragraphs 3.3 and 3.4]*

In 119 PSUs, value of surplus, obsolete and non-moving stores was Rs.2,398.65 crore.

*[Paragraph 3.8]*

## **VI Operating Efficiency**

In most of the PSUs, a high degree of dependence on orders from the Government Departments/ other Government Companies persisted during the year as almost 23 per cent of their net sales were made to the Government Departments/ PSUs.

*[Paragraph 4.1]*

Sundry debtors constitute a high proportion of sales in sectors such as Power, Heavy Industry, Contract & Construction Services and Industrial Development indicating lack of prudent credit policy and an absence of effective mechanism for realization of dues.

*[Paragraph 4.2]*

Capacity utilisation in the major PSUs showed widespread variation in all sectors. Even within the same PSUs, the capacity utilisation varied substantially from product to product and from year to year. Capacity utilisation was generally good in the Chemicals & Petrochemicals, Petroleum and Natural Gas, Coal & Lignite, Power and Steel sectors.

*[Paragraph 4.7]*

## **VII General Insurance**

As on 31 March 2004, the equity capital of five Insurance Companies was Rs.615 crore and their networth was Rs.11,662.67 crore. During the year, the volume of business of these Companies increased by Rs.1,322.01 crore (10.28 per cent) over the previous year's business of Rs.12,866.37 crore.

*[Paragraph 5.1]*

Core business in Insurance Companies earned overall profit of Rs. 530.08 crore only. While in business segments like fire and marine, insurance PSUs made profits of Rs.1,485.36 crore during the year, in motor vehicle insurance and other miscellaneous insurance, heavy losses amounting to Rs.955.28 crore were incurred. These companies, however, earned a net income of Rs.2,373.73 crore from their non-insurance business in the form of interest, dividend and rent from properties resulting in an overall aggregate profit of Rs.2,454.26 crore (after tax) by all the insurance PSUs in 2003-04.

*[Paragraph 5.2.2]*

## **VIII Market Capitalisation**

The market value of shares of 23 listed Government Companies as per prices prevailing in stock markets on 31 March 2004 stood at Rs.3,25,822.02 crore. This compared favourably with the total book value of their shares at Rs.1,21,365.56 crore. The market value of shares held by the Government of India in these companies stood at Rs.2,58,006.03 crore as on 31 March 2004 as compared with the book value of Rs.93,647.48 crore.

*[Paragraphs 6.1 and 6.2]*