

OVERVIEW

I Introduction

As on 31 March 2005, there were 388 Central Government Public Sector Undertakings (PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 288 Government Companies, 89 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 2004-05	Earlier Data		Total
				2003-04	2002-03	
Government Companies	288	23	213	46	6	265
Statutory Corporations	6	0	4	2	0	6
Insurance Companies	5	0	5	0	0	5
Total Companies/ Corporations	299	23	222	48	6	276
Deemed Government Companies	89	17	56	15	1	72
Total	388	40	278	63	7	348*

[Paragraph 1.1.2]

II Government Investments

The accounts of 348 PSUs/deemed Government Companies (278 for current year and 70 for earlier years) indicated that the Government of India had invested Rs.113548 crore directly in the equity capital of only 278 PSUs including two deemed Government Companies. Out of these, 90 PSUs had also received from the Government of India loans amounting to Rs.60,667 crore as on 31 March 2005. Compared to the previous year, investment in equity of PSUs by the Government of India registered a net increase of Rs.4311 crore and loans given to them increased by Rs.6400 crore. During 2004-05, the Government of India also supported PSUs by providing subsidy (related to administered

Accounts of 26 PSUs were in arrears for three years or more, 10 were defunct/under liquidation, and accounts for four PSUs had not become due.

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

prices) amounting to Rs.26,738 crore. Besides, loans and interest thereon to the extent of Rs.234 crore were waived by the Government of India and guarantees to the extent of Rs.10,253 crore were provided to the PSUs for repayment of their loans.

[Paragraphs 1.2 to 1.6]

III Return on Investment

Out of the 276 PSUs where data has been analysed in audit in this Report, only 164 PSUs could earn profits during the year and 101 PSUs suffered losses excluding Food Corporation of India where shortfall is reimbursed by the Government of India as subsidy. Remaining ten companies were in construction stage. Out of the total profit of Rs.76,233 crore earned by 164 PSUs, the major contribution came from only 44 PSUs in five sectors viz., Petroleum, Telecommunications, Power, Steel and Coal and Lignite which contributed as much as Rs.63,618 crore, i.e. 83.45 per cent of the overall profit earned by the PSUs.

[Paragraphs 2.4.1, 2.4.2 and 2.6.1]

Out of the 164 PSUs which earned profit, only 105 PSUs declared dividend for the year 2004-05 amounting to Rs.20,689 crore and out of this Rs.14,881 crore were paid/ payable to the Government of India including dividend of Rs. 12 crore declared by one PSU out of reserves. The dividend paid to Government of India represented 13.11 per cent return on the total investment by the Government of India (i.e. Rs.1,13,476 crore) in all the PSUs.

[Paragraphs 2.5.1 and 2.5.2)]

PSUs under the Ministry of Petroleum and Natural Gas, operating partially under the administered/ regulated prices, contributed Rs.10,277 crore representing 49.67 per cent of the total dividend declared by all Central Government Companies.

[Paragraph 2.5.3]

Non compliance of Government's directive in the declaration of dividend resulted in a shortfall of Rs. 3393 crore in the payment of dividend for the year 2004-05.

[Paragraph 2.5.4]

IV Net Worth/Accumulated Loss

Out of 276 Government Companies/Corporations (excluding deemed government companies), the accounts of which were reviewed by audit, the equity investment in 88 Companies has been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies has become negative to the extent of Rs.65,800 crore as on 31 March 2005. 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 88 PSUs has increased by Rs.6,700 crore, from Rs.75,302 crore in 2003-04 to Rs.82,002 crore in 2004-05 (i.e. by 8.90 per cent).

[Paragraph 2.7]

V. Companies referred to BIFR

Out of 88 companies which had eroded their equity capital, 52 have been referred to the BIFR. While revival package has been approved in respect of 14 companies, 19 have been recommended for closure / winding up/ sale. Remaining 19 companies were under various stages of processing.

[Paragraph 2.8.1]

VI Inventory Management

In 129 PSUs, the value of inventory (stores and spares) was more than 33 per cent of their annual consumption; in 117 of these PSUs, it exceeded 50 per cent of annual consumption. In 42 PSUs, finished goods held in stock were more than one month's sales.

[Paragraphs 3.3 and 3.4]

In 120 PSUs, value of surplus, obsolete and non-moving stores was Rs.2,708 crore.

[Paragraph 3.8]

VII 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 26 percent of their net sales were made to the Government Departments/ PSUs.

[Paragraph.4.1]

Capacity utilisation in PSUs showed widespread variation in major 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 and Petrochemicals, Coal and Lignite, Mines and Minerals, Petroleum and Natural Gas, Power and Steel sectors.

[Paragraph 4.6]

VIII General Insurance

As on 31 March 2005, the equity capital of five Insurance Companies was Rs.665 crore and their net worth was Rs.12,681 crore. During the year, the volume of business of these Companies increased by Rs.1,543 crore (10.87 per cent) over the previous year's business of Rs.14,188 crore.

[Paragraph 5.1]

Core business in Insurance Companies suffered overall loss of Rs. 106 crore. While in business segments like fire and marine insurance the Companies made profits of Rs.775 crore during the year, in motor vehicle insurance and other miscellaneous insurance, heavy losses amounting to Rs.880 crore were incurred. These companies, however,

earned a net income of Rs.3309 crore from their non-insurance business in the form of interest, dividend and rent from properties resulting in an overall aggregate profit of Rs.1,372 crore (after tax) by all the insurance PSUs in 2004-05.

[Paragraph 5.2.2]

IX Market Capitalisation

The market value of shares of 29 listed Government Companies as per prices prevailing in stock markets on 31 March 2005 stood at Rs. 3,45,372 crore. This compared favourably with the total book value of their shares at Rs. 1,54,129 crore. Market value of shares held by the Government of India in these companies stood at Rs. 2,65,242 crore as on 31 March 2005 as compared with the book value of Rs. 1,03,463 crore.

[Paragraphs 6.1 and 6.2]